VISION:
Cal Poly will be the nation's premier comprehensive polytechnic university, a nationally recognized innovative institution, focused to help California meet future challenges in a global context.

Key Principles:

➢ **Student Success:** All actions must be in support of our students’ success.

➢ **Learn by Doing** is our core teaching methodology; it’s the tradition that gives every student at Cal Poly a hands-on education, ensuring that our graduates are work-force ready, in high demand and able to be lifelong learners able to contribute to their professions and their communities.

➢ **Quality:** We will strive for unmatched quality in all that we do.

Strategic Imperatives

**Educate Whole-System Thinkers:** Leverage our comprehensive polytechnic curriculum to ensure that our students are comfortable working across multiple disciplines.

**Embrace Teacher/Scholar Model:** Increase scholarship by the faculty and, simultaneously, increase involvement of students in faculty projects and applied research.

**Foster Diversity/Cultural Competency in a Global Context:** In addition to increasing the compositional diversity of our student body and faculty/staff, we prepare our students to succeed in a multicultural society.

**Plan Targeted & Sustainable Growth:** In facilities, research projects, Learn by Doing enhancements.

**Achieve financial stability:** Increase grant and contract activity; increase endowment, increase operational efficiency; utilize technology to enhance learning.
In 1995, he gave up a luxurious lifestyle as a San Francisco-based investment executive with an annual salary of US$500,000, because he was 'forced' to return to China due to investors' passionate encouragement. Beginning with a simple Shanghai-based investment firm, from 1995 to 2010, he saw his ROA exceed by an amazing 100% annually using renegade investment strategies such as zero-debt growth and no-cost acquisitions. After building up an empire investing in mainly in China-based B2B enterprises, today, he plans to expand into B2C and to go global through international brand acquisitions.

If anyone can make these ambitious dreams come to reality, it is China's home-grown investment guru, CHIC Group CEO Edward Zhu (EMBA 2006/DIMP 1999). Today, his vast investment empire spans across industries, from foods, agri-tech, home and garden, medical, and logistics to supply chain management and execution. In his off-hours, Zhu is an avid student of Zen Buddhism and is committed to using his status and financial resources support worthy causes. Following in the footsteps of Warren Buffett and Bill Gates, he plans to donate much of his wealth back to society. Read on as Edward Zhu shares his unique professional and personal philosophies with TheLINK.
By Echo Zhou

For viewers of the CHIC Group's soon-to-open new headquarters in the Jiading District of Shanghai, the first clue into the management philosophy of the CHIC Group comes as you enter the 9-acre corporate compound, is the peaceful green environment created by lawns, trees and manmade streams. Everything you see -- from the gleaming office buildings and the slick R&D center, to the light and modern staff apartments, cozy coffee bars, and glittering gymnasium compound (complete with swimming pool, tennis and basketball courts) -- was designed by top international architectural firm SWA Group, the designers of choice for the headquarters of such clients as Google, 3COM, Cisco, eBay, and Dow. Clearly, CHIC Group seeks to impress.

In fact, the group has invested US$70 million its cutting-edge headquarters, set to open in late 2011. While the Group now boasts an impressive size -- employing 12,000 staff in 19 branches and 7 factories -- the new headquarters represents the first significant investment in fixed assets since its launch in 1995. One of CHIC's central business strategies has been a "light fixed assets" model. CHIC Group CEO Edward Zhu explains: "From a financial perspective, assets are the enemy of enterprise. When assets are minimised, ROA (Return on Assets) and EVA (Economic Value Added) are high." He attributes this strategy as one of the reasons why the CHIC Group has achieved an astounding track record of 100% ROA annually over the past 15 years. In China, ROAs of 30-40% are considered satisfactory (in the US or just 10% in the US, many American investors have been shocked by CHIC's financial reports. Zhu jokes, "I've been very popular -- investors always ask me if I need more money".

Another of the Group's guiding principles is the "Golden Touch" rule, stating that: "It is to make money without spending money." This rule of thumb tells why the company shuns paying big bucks for acquisitions. Zhu explains, "For years, CHIC has been conducting acquisitions for little money. Looking at the past decade, if you compare what we have achieved versus what we have spent on acquisitions, it is negligible." Like "Investment God" Warren Buffett, Zhu believes companies should focus on creating shareholder value by achieving maximum return for minimum investment. "We support SMEs with high potential. This is model -- low cost, high potential -- is far more profitable than acquiring large enterprises. Zhu steers clear of enterprises with high profit margins but requiring large-scale investment in order to grow.

Through CHIC's "Investment plus Incubator" business model, its specialized supply chain solution, and continuous technological and management innovations, the Group has developed six main divisions: foods, agri-tech, home and garden, medical, logistics, and supply chain management and execution. In addition, leveraging its position as China's largest fruit processor, in 2006 CHIC launched its own cafe chain: Brix12.
Today, the Group is branching into B2C by entering the global dessert industry and developing a "farm-to-table" supply chain including land, agriculture and orchards, food processing, food trading and catering.

In a generous, four-hour interview in March, Zhu passionately outlined his ambitious blueprint for the next decade to TheLINK readers, including his current focus on acquiring international brands. In line with this goal, CHIC plans to acquire well known (and listed) Singaporean juice bar chain Sun & Moon this June and is eyeing four US or European juice companies. In 2012, the company will begin acquisitions in Australia and Japan. Meanwhile, China-based operations will focus on R&D. Says Zhu: "We will use the CHIC's management, technologies, R&D, product innovation, service innovation and business model innovation to help our newly acquired brands to leap forward internationally."

If success stories always involve an element of luck and chance, the CHIC story has a fair bit of both. As Zhu tells it, his unplanned move from the US to China originated from a humble unexpected phone call. In March 1994, Zhu was Vice-CEO for a Sino-American Investment and Development Company in San Francisco and earning half-a-million dollars per year. Returning to China was far from his mind. "It was a dream job for a young Chinese man who just entered American society for three years," says Zhu. "Suddenly, I received a phone call — some Investment bankers and angel investors suggested that I develop my career in China. Initially, I declined, but I started to reconsider later. It took me three months to make up my mind. If I failed, the opportunity cost was huge."

In the end, the China-based investors won out. "Now when I look back, I think those investors had long-term vision," says Zhu. "They saw opportunities I would not have seen back then. Since then, I have learned to pursue self realization while also securing profit for my shareholders."

A frank chat with Edward Zhu reveals a rare mix of qualities — a strong entrepreneurial spirit plus the drive to pursue maximum value coupled with a fierce sense of social responsibility. Looking ahead, Zhu announces that he will follow the examples of Warren Buffett and Bill Gates by giving his wealth back to society. "Perhaps nobody believes that I, such a profit-driven person, strongly believe in Buddhism and Zen. From a Buddhist point of view, the world is a vacuum into which things enter and exit. When we use our social status and wealth to do good, we eventually become like Buddha. We help ourselves cross the river and then help others cross over," he says. One of the ways he has helped fellow students to "cross over" is by providing corporate sponsorship to CEIBS. "Since our time is limited, I pursue efficiency while doing good. For example, I support CEIBS. CEIBS is educating the best elite managers in China. As CEIBS is doing good, my goodness is magnified."

On February 25, 2010, BRX 12 restaurant, donated by the CHIC Group, launched its official opening at CEIBS. CEIBS President Zhu Xiaoming greatly praised the innovative way the CHIC Group displayed in its donation. Dean of CEIBS John Quelch said gladly, "Zhu not only donated scholarship to CEIBS, but also is employing his
industrial experience to upgrade CEIBS' service quality. This is a very generous and much-awaited gift.

The LINK: Can you explain CHIC's unique business model?

Edward Zhu: First, we provide solutions for the complete supply chain in the industries we cover.

Second, we are an investment development company -- a mix between PEs or risk investors and simple incubators. We are cautious in each investment move into a new industry because we take root long-term. We expand the business then either sell it, get it listed, or hold it. In the past 10-plus years, we have invested in many companies, then sold for handsome returns, but we will continue to hold CHIC Foods.

Third, we provide management expertise, focusing on the management system and the human resource output. The most valuable part of CHIC may just be its human resources!

Fourth, we pursue Innovation. This includes not only product innovation, but also service and business model innovations. Innovation gives us differentiation through added value.

Last, we produce services. We satisfy the needs of our clients and the clients of our clients. For example, one of our big US clients has over 45% of the market share, so we have to pay attention to the needs of the client's clients, such as Wal-Mart.

The LINK: What is CHIC's "Economic Value Added" (EVA) corporate culture?

Zhu: To grow well, Chinese enterprises must develop EVA in their business operations. Many huge US corporations, including Coca Cola, have been using EVA for years but CHIC may be the first to adopt EVA in China. We are adopting it as a financial indicator, as well as our corporate culture. For 10-plus years, CHIC employees have been working with EVA every day because their bonuses are linked to EVA.

What are the criteria for correct decision-making across an entire enterprise? Who should evaluate each employee? The boss? Impossible. EVA is the tool for evaluating the performance of each employee. We use it to keep every employee and every aspect of the company aligned.

We also use EVA as a philosophy for our investment, acquisitions, and global operations. It helps us to reduce capital investment through innovation and technological contribution. Many Chinese enterprises emphasize increase of sales in their global acquisitions, which is a mistake. For an enterprise, it is more important to be powerful than to be huge. One of the strongholds we must fortify is annual growth through EVA -- creating value for shareholders.

The LINK: How does CHIC conduct its "acquisitions for free"? Can CHIC still perform its "zero-capital-investment" miracle when it goes global?

Zhu: For the past decade, we spent nearly nothing in acquiring domestic companies. Instead, we mainly obtained shares through technology contribution. In 1999, Hunan CHIC Food Co President Ms. Yang Guoxiu offered to give 51% of the company's equity to CHIC. At the time, canned foods had become a sunset industry in which 200 competitors nationwide -- now there are only 20 -- fought to the death for meager profits. Yang Guoxiu (APM 2006) was visionary enough to support CHIC's plastic packaging technology. Hunan CHIC Food Co grew by 30 times its previous size and becomes now the largest fruit processing companies in China. Yang herself is a billionaire and a Member of the National People's Congress.

The importance of entrepreneurs like Yang can never be exaggerated. We normally hold 51-60% of a company's shares, leaving the management of the local company in their hands. If we hold 100% of shares, we must take over management, which is a huge challenge since you face the complicated relationships with local...
When we make acquisitions internationally, we will use the same model of contributing mainly through technology. Relying on capital investments alone is risky and the rates of return are usually low. Instead, we offer revolutionary technology. For example, after eight years of research, we developed a new technology that extends the sell-by date of freshly cut fruit for up to 12 months. With this innovation, we can buy brands more easily; if they can make US$10 million today, they can make US$100 million tomorrow. Although their shares may be diluted to 49%, they make a lot.

TheLINK: What setbacks has CHIC suffered?

Zhu: We've spent 10 long years and invested more than RMB100 million on agricultural experiments, and 80% of them failed. This was a very painful process of probing.

It was only last year that we found our ultimate breakthrough: “urban-rural coordination.” The bottleneck for CHIC Foods has always been the high cost of land and of building plantations. Also, we need extra investment for research into precision agriculture and food safety. So, high fixed costs, plus research expenses, plus the uncertainties of agricultural production such as natural disasters, all add up to huge operational risks for fruit production.

Another problem in China is the incompatible duality of rural and urban economies. Many of Chinese villages are now “hollowed out” because the young generation migrates to the city. The government is anxious to reduce the gap between rural and urban areas, and increase the wealth of farmers.

Let me explain Ecological Integrated Rural-Urbanization concept: After three years of negotiation, the Jiangjin District of Chongqing approved an Ecological Integrated Rural-Urbanization program in May 2010, making CHIC responsible for general planning and development. In the program, Step One is to reclaim rural housing sites and develop intensive agriculture. Part of the rural workforce receives technology training to become farm owners commanding 8-15 acres of land, rather than the current plot of around 1/5 of an acre. Only in this way can China’s traditional plow-based farming be upgraded to intensive farming.

Step Two is to train other workforce for secondary and tertiary industries, as part of urbanization. In addition to government policies providing farmers with housing, insurance, health care, and education, this new combination of training for rural or urban skills can be developed. This training can help farmers shake off their crippling dependence on subsidies.

In developing the project, CHIC further seeks to incorporate low-carbon, resource saving, and environmentally friendly principles. We seek to create a model for global development that can be copied elsewhere.

The capacity of the whole program reaches up to tens of billions of yuan, creating jobs and related business opportunities for other industries. This is the new blue ocean for CHIC’s next 40 to 50 years of development, as there are not many companies that truly understand this. Ecological Integrated Rural-Urbanization is our new cause.
"Urban-Rural Coordination" Concept-Irvine Model

Ecological Integrated Rural-Urbanization Concept

Edward Zhu's concept for an 'Ecological Integrated Rural-Urbanization' now being pilot-tested in Western China originated from an unlikely spot: Irvine, California. This idyllic 50,000-acre farming area located between San Francisco and Los Angeles is widely considered as one of America's most livable cities. Irvine has attracted 350,000 people to settle, giving a strong impetus to the local economy and employment.

The birth of Irvine began in 1860 when agricultural entrepreneur James Owen bought 300,000 acres of land to dedicate to improving agricultural practices. In 1960, the Owen family donated 1,000 acres of land to the University of California, transforming Irvine from a sleepy farm town to an academic hub attracting scientists, educators, and investors. Today, Irvine offers a unique blend of city and country living -- the original "Ecological Integrated Rural-Urbanization" that CHIC seeks to bring to China.

Irvine's amenities include a modern, attractive city center, famous education institutes, cutting-edge agricultural facilities, and a picturesque marina and golf courses set against and rolling mountains. In its 40-year lifespan, Irvine has transformed in that the percentage of farmland has declined while industry has flourished, especially in high tech, design, R&D, entertainment and lifestyle businesses. Many residents who were relatively low-income farmers have become prosperous farm owners, industry workers, and service-providers. Irvine's unique Ecological Integrated Rural-Urbanization has made it the site of choice for many U.S. companies including Verizon Wireless and Parker Hannifin.

Can the Irvine model be transported to China? If Edward Zhu gets his way, this will happen soon. He says the CHIC Group's Chongqing project, commissioned by the city's Jiangjin District Government, has an 80% resemblance to Irvine. The project also incorporates the designs of world renowned construction and design firm SWA -- which designed 60% of Irvine's projects. Zhu plans to make the Chongqing Ecological Integrated Rural-Urbanization project serve as a model for other Chinese cities solving the current city-countryside gap. Says Zhu: "Chinese cities are growing farther and farther away from nature. This is very unhealthy. In the future, people in coastal cities, such as Shanghai, will seek a new Ecological Integrated Rural-Urbanization."

In establishing the Chongqing project, Zhu plans to borrow directly from Irvine. "We want to invite the University of California to set up a comprehensive university here, offering agricultural science and business management academic programs," says Zhu. "These programs will train scientists, technicians, and agriculture-related business managers. Modern agriculture practices are only empty talk if talent training cannot keep pace."

It took more than 40 years for Irvine to develop into the Ecological Integrated Rural-Urbanization offered today. In Chongqing, Zhu plans to develop China's first such project in 20 years.

Name: Edward Zhu  
(EMBA 2006 / DIMP 1999)  
Title: CEO of CHIC Group  
Hobbies: reading, golf, and tennis  
Role model: Warren Buffett
Career Development:
1992-1994 General manager of ATF Cargo International Ltd., USA
1996-1999 Managing Director of Dr. Martens Airwair (China), successfully launching the fashion shoe brand in China.
1995 Founded CHIC Logistics Ltd.,
1997 Founded CHIC Group
2011 The CHIC Group has a staff of 12,000 in 19 companies and 7 factories worldwide.

CHIC Support of CEIBS:
2008 -- CHIC Group donates RMB 1 million to the CEIBS Education Development Foundation to improve and maintain CEIBS' advanced faculty, staff and facilities, as well as CEIBS' academic and cultural activities.
2009 -- The Group sets up CHIC Leadership Development Fund at CEIBS, offering RMB 436,000 in scholarships yearly for worthy CEIBS MBA students. Applicants for the scholarship are invited to pursue job opportunities at CHIC.
2009, Edward Zhu wins the Outstanding Contribution Award at CEIBS Distinguished Alumni Awards.
2011, BRIX 12 restaurant, donated by the CHIC group, launched its official opening at CEIBS. It has provided great convenience to CEIBS faculty and students. The profits of the restaurant will be donated back to CEIBS. In addition, the CHIC Group has invested RMB 4.97 million and sent 123 employees to CEIBS for further study over 10 years. Edward Zhu has taught EVA Finance course as a guest lecturer and attended many roundtable meetings and management forums organized by CEIBS.
Introduction of
Ecological Integrated Rural-Urbanization Project
(Eco IRUP) in JiangJin/Chong Qing of China

Presented by:

CHIC Group
Winning Strategies for the ‘Ecological Age’

1. Use waste as a resource
2. Diversify and co-operate
3. Gather and use energy efficiently
4. Optimise not maximise
5. Use materials sparingly
6. Clean up, not pollute
7. Do not draw down resources
8. Remain in balance with the biosphere
9. Run on information
10. Shop locally
Chongqing locates in the southwest of China, and is the center city of West China with a total size of 15,000 acres.
Jiangjin is 42 km from Chongqing Main City.
Jiangjin is 70 km from Chongqing Airport.
Road network “3 circles 10 rays” of Chongqing covers Jiangjin City.
There are 127 km Yangtze River in Jiangjin region and 5 national inland deep water ports.
Joining eastward into the Chongqing "one-hour economic circle" Urban Travel Network.
Linking westward to ShengDu and Sichuan Hejiang and Luzhou Travel Network.
Attaching southward to Guizhou.
JIANGJIN LOCATION
江津地理位置
Geographical Analysis—China-ChongQing-Jiangjin

Advantages:
- Convenient transportation:
  - 34km to downtown Chongqing, (30 minutes drive away)
  - 12km to downtown Jiangjin (10 minutes)
  - Within the third ring expressway in ChongQing
- Exit of highway
- 10,000 tons river port
- Planned subway station by 2015
- Right on Yangtze river

Population:
- Chongqing Municipality: 31.44 million
- Chongqing downtown: 3.1 million
- Jiangjin downtown: 1.46 million

- Natural growing environment for fruits and vegetables
- Excellent tourism resources
PLANNING PRINCIPLES 规划原则

Sustainable Model for the IRUP program 为全国IRUP项目建立一个可持续的典范
• Mixed use destination with multiple attractions
  开发一个具备多项特色的有活力的混合用途目的地
• Integrate ecological, agricultural, economic and social considerations
  整合生态、农业、经济和社会考量
• Preserve and enhance agriculture 保留和改良农业
• Improve existing agricultural traditions
  尽可能改良现有农业传统、居民分布和社会条件
• Establish a world class university 建立世界一流的大学
• Enhance natural habitats and water resources 尊重和提高自然栖息地和资源
• Avoid natural hazard areas 避免开发自然危险区
• Provide long term access to the Yangtze River 提供通往长江的长期通路
• Incorporate sustainable systems, technologies and practices
  在项目的各个方面纳入可持续系统、技术和实践
Thanks for your time!
China's food security challenge and the implications for business between China & California
Content

- Globalization
- Urbanization
- Agriculture Reform & Education Reform
- Summary
- Business Implications for China and California
Globalization Move (Trigger)

East Asia

- Japan: 1970s
- Coastal cities of China: middle of 1990s
- 4 Dragons: Singapore, Korea, Taiwan, Hong Kong: 1980s
- 4 Tigers: Thailand, Malaysia, Indonesia, Philippine: 1990s

Chongqing/ Central China 2010s

- Shanghai
China's Urbanization (Trigger)

- China's urban population will expand from 572 million in 2005 to 926 million in 2025 and hit the one billion mark by 2030;
- More than 350 million people will add to China's urban population by 2025. Among them, more than 240 million will be migrants in China;
- Over the next two decades, migration will play a much larger role, accounting for about 70 percent of the new urban residents;
- Chinese middle class, an annual income from $10,000 to $60,000, are over three hundred million people now.

Sources of increase in urban population, millions of people

Source: McKinsey Global Institute analysis
Rapid Urbanization (Trigger)

- More New Megacities
- City Renewal
- Enhanced Intercity Connection
  - China High Speed Train: 350 kms/hour, 218 miles/hour
Right after China joined WTO in Dec 2001, Soybean import started to rise rapidly and reached its peak in 2005;

China suffered severe supply shortage in soybean in 2005 with production met only 35% of its consumption;

As a combination of free trade, low tariff, and supply shortage, soybean import reached its peak in 2005:
China Meat Consumption (Demand ↑)

- With the barrier of affordability slowly falling as incomes improve, dietary shifts are increasing meat consumption in China;
- Per capita consumption has been raising robustly, increase on pork consumption from 31 kg to 39, poultry from 7 kg to 10kg from 2000 to 2011;
- Increasing meat consumption is expected to drive additional growth in demand for grain and oilseed-based feed.

![Graph showing meat consumption from 1970 to 2011](chart.png)

Source: USDA, FAO, PotashCrop
The trend is more domestic consumption-led economic growth (Demand↑)

Contribution of three major sources of demand to GDP growth (1978 -2010)

- China’s consumption promotion policy facilitates the shift in economic growth pattern, and it is natural for the percentage of consumption to rise during economic development;
- The well-known 4 trillion stimulus package from central government in 2008 combined with the quadruple local government debt provided massive liquidity to domestic economic growth and the inflation to global economy.

Source: China Statistics Bureau
China's ongoing challenge is to meet its rising food demand with its limited supply of land and water;

With **20 percent of the world's population**, but only **10 percent of global arable land**, China is facing a huge challenge to maintain the self-sufficient food supply to its people;

Compared to other nations, China's water supply is significantly limited; China has approximately **one-quarter of the average world water supply per person**;

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Source: FAO, USDA, National Bureau of Statistics of China
The current arable land per capita in China is about 0.08 hectares, which is only about 40 percent of the global average, one-seventh the United States, and a quarter of the Brazil level.

About 6.5 percent of the country's total arable area has been lost to cities, industrial parks, natural disasters and forestry programmers.

The level of arable land per person in 2008 is about half of that in 1961.

### Arable Land Comparison (hectares per person)

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<td>World</td>
<td>0.34</td>
<td>0.30</td>
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<td>0.74</td>
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<td>61%</td>
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<tr>
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<td>0.29</td>
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<td>China</td>
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<td><strong>0.10</strong></td>
<td><strong>0.11</strong></td>
<td><strong>0.10</strong></td>
<td><strong>0.08</strong></td>
<td><strong>52%</strong></td>
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Source: The World Bank
China Crop Price Index (Inflation)

- Supply and demand unbalance has pushed up the prices for China’s key crop commodities;
- Prices for major field crops such as corn and soybeans are also rising as farmers have not been able to keep pace with growth in demand;
- Vegetable prices have increased approximately nine fold in last 25 years;
- These higher prices reflect the long-term challenges China faces as it struggles to meet rising demand for food;

![Graph showing China Crop Price Index (1984 = 100) with data points from 1985 to 2009 for corn, soybeans, and vegetables. Sources: USDA, Statistics Bureau of China, Potash Crop.](source: USDA, Statistics Bureau of China, PotashCrop)
Summary and Solution (the logic behind it)

**Demand Side**
- Urbanization (Industrialization)
  - Migration
  - Middle Class Growth
    - Wealth Creation
    - Dietary Upgrade
  - GDP Growth
- Domestic Consumption Push
- Demand on Food

**Globalization**
- Agriculture Reform
  - Technology Based Large Scale Farming
  - Lack of Management Talent
- Business Opportunities
- Food Security Issue in China
- Unbalance of Supply & Demand

**Supply Side**
- Total Factor Productivity Remains Low
- Urbanization (Industrialization)
  - Based on Single Family Small Scale Farming
  - Reducing Rural Work Force
  - Land Loss to Urbanization
  - Soil, Water Irrigation Issue
  - Pollution
  - Climate Change
- Supply on Food

*China will export inflation to the world!*
Business Opportunities for California

1. **Export opportunities** of the agriculture commodities, value added products and food products to China, especially soybean, vegetables and nuts etc., as the response of increasing gap between supply and demand;

2. **Investment opportunities** with technology based large-scale farming, either through FDI or agriculture related funds in China in the sectors such as fresh produce and dairy etc.

3. China's talent development could be achieved through China's Education Reform, and thus the **Export Opportunities of California's Education to China with US portal campus** in China for agricultural universities and agribusiness schools;

4. **Export Opportunities of Consulting and Technology Transfer Services.** California has extensive experience and strong skill sets in the agricultural industry, which can be effectively transferred through consultative cooperation and licensing agreement.
Regional, City & Site Analysis

July, 2011
Value Proposition to Foreign University

- Land-grant campus including buildings and landscaping
- Establish brand equity in China
- Develop overseas campus.
  - U.S. students from U.S. campus receives real time China experience
  - Western Professors from U.S. campus teaching in China will learn to understand the quirks and idiosyncrasies of the China economy and policies.
- China campuses will create a flow of foreign students onto U.S. Universities.
- Establish deep relationships with Chinese policy makers
- Establish deep relationships with Chinese industrial leaders
- Recruit the best students and faculty in China
- Help to attract the best students and faculty from the U.S.
- Opportunity for U.S. professors to teach in China.
China has only four municipalities; Beijing, Tianjin, Shanghai and Chongqing. These special metropolitan areas share an unparalleled level of autonomy, reporting to the central government rather than to provincial governors.

Shanghai and Beijing are booming, and the prime real estate has been snapped up along the East Coast. But opportunities abound for pioneers in China who do as Horace Greeley long ago suggested in another frontier land: "Go West."

Perhaps no place better epitomizes the pioneer spirit---or the enormous possibilities that still remain in China---than Chongqing, the vast central Chinese city that is the largest inland area and population, claims 33 million people in a sprawling municipality the size of Belgium.

Chongqing’s main fame came during World War II, when the national government retrenched in the city after the Japanese invasion. Trading on its manufacturing experience, Chongqing has become a major producer of automobile, motorcycles, machinery, and computers.
Go west campaign

- Beijing wants to transform Chongqing into a central city that it plays the same role for China that Chicago has long served in the United States, becoming an inland hub serving a hinterland of 325 million people.

- Beijing has been showering Chongqing with more than $2 billion annually for infrastructure—a generous infusion it has committed to continue for a decade.

- This funding is paying for a matrix of new highways and rail lines converging in Chongqing, already the port-head of an enlarged Yangtze River navigable 1,000 miles to Shanghai and the coast because of construction of the Three Gorges Dam.

- “Chongqing is just like Shanghai, only ten years behind,” notes mayor of Chongqing, Mr. Huang Qifan, Mr. Huang was largely responsible for guiding Shanghai’s rapid development in the 1990s, and was shifted to Chongqing by Beijing largely to replicate that success.
The population base and description of city tiers

Tier 1 "Big Three"
- Three largest markets in China
- Population: 30M

Tier 2 "Climbers" (10 cities)
- Likely to reach level of Big Three by 2010
- Population: 56M

Tier 2 "Mainstream" (13 cities)
- Large markets, but unlikely to reach level of Big Three by 2010
- Population: 33M

Tier 3 "Poor Cousins" (135 cities)
- Potential to reach mainstream level by 2010
- Population: 22M

Tier 4 (271 cities)
- Expect to take more than 5 years to be part of mainstream economy
- Population: 202M

Tier 5 Town and Rural area
- Economic drop-behinders
- Population: 1,045M

Source: China Statistics Bureau
Five new megacities will emerge by 2025

<table>
<thead>
<tr>
<th>Distribution by city size</th>
<th>Number of cities</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2005 939 cities</td>
</tr>
<tr>
<td></td>
<td>2025 939 cities</td>
</tr>
<tr>
<td>Mega (10M+)</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>8</td>
</tr>
<tr>
<td>Big (5–10M)</td>
<td>12</td>
</tr>
<tr>
<td></td>
<td>15</td>
</tr>
<tr>
<td>Midsized (1.5–5M)</td>
<td>69</td>
</tr>
<tr>
<td></td>
<td>115</td>
</tr>
<tr>
<td>Small (0.5–1.5M)</td>
<td>173</td>
</tr>
<tr>
<td></td>
<td>280</td>
</tr>
<tr>
<td>Big town (&lt;0.5M)</td>
<td>602</td>
</tr>
<tr>
<td></td>
<td>521</td>
</tr>
</tbody>
</table>

*From the MGI model, the number of new cities between 2000 and 2005 was nine, accounting for about half a percent of total urban population.*

Source: McKinsey Global Institute China All City Model, McKinsey Global Institute Analysis
The pillar industries in Chongqing include IT, auto, mechanical machinery, chemicals, environmental protection, foods and tourism.

Chongqing is to be built into a state-class and world-class electronic products manufacture base. By 2020, the annual export value will reach US$ 10 billion and one third of laptops all over the world are made in the Chongqing bases.

The automobile and motorcycle industries in Chongqing together with those in Shanghai, Changchun and Shiyan are regarded as the four biggest motor vehicle manufacturing centers in China.

Chongqing is one of China's six chemical production bases. The major ones are natural gas chemicals and fine chemicals.

Chongqing has a vast rural area. The unique geographical conditions and nice climate provide favorable factors for Chongqing to develop vertical and ecological agriculture.
Jiangjin is within Chongqing one-hour-drive economic zone

It will take 30 minutes’ drive from Chongqing downtown to Jiangjin town center

**Flights to and from**
- Beijing
- Shanghai
- Guangzhou
- Hong Kong

**Availability (days)**
- Everyday

**Flying time**
- 2.5 hours
- 2 hours
- 1.5 hours
- 2 hours

**Train to and from**
- Beijing
- Shanghai
- Guangzhou

**Availability (days)**
- Everyday

**duration time**
- 25 hours
- 29 hours
- 22 hours

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**Flights to and from**
- Beijing
- Shanghai
- Guangzhou
- Hong Kong

**Availability (days)**
- Everyday

**Flying time**
- 2.5 hours
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**Train to and from**
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- 29 hours
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Jiangjin on the news

Jiangjin develops infrastructure, industry

Once poverty stricken suburb thrives as part of Chongqing metropolis

By ZHANG ZHAO

An important Yangtze River trading port for more than 1,300 years, Jiangjin is now a major port in Chongqing municipality.

Previously a poor and underdeveloped area, the township became an official district of Chongqing in 2006. With 30 minutes away from the city center, Jiangjin was the focus of government plans to turn Jiangjin into a modern industrial and residential region.

“The town grew up in a composite edge, enjoying geographically advantageous locations, and 160 yuan, 180 yuan, and 180 yuan in per capita income,” said Wang Jialei, former Jiangjin district government head.

Since the project was started in 2007, the government has built several roads and elevated trackways linking Jiangjin to the heart of Chongqing. Expressways linking to neighboring cities, Guizhou and Yunnan, have also been constructed.

“Chongqing’s growing population means that the city center is expanding, and Jiangjin is without doubt the best destination,” said Wang, citing its natural beauty and new infrastructure.

Recent construction in the economic zone will soon complete Fajiang, New Town on the Yangtze north bank to Jiangjin on the south bank.

The Chongqing agencies will become Jiangjin’s new trading hub. Since 2007, Jiangjin has witnessed an annual economic growth rate of 15 percent. Its GDP has reached a total of 193 billion yuan, surpassing 5 billion yuan in 2005. However, figures for the Jiangjin area were not available.

Local authorities invested 100 million yuan to improve city infrastructure along the Yangtze’s north bank.

“We have achieved the growth in our city and greater revenue from the residents do not have to forget their duties,” said Wang.

A central business district, covering nearly 60,000 square meters, is planned for the north bank of the Yangtze River. It will be developed in a national context.

Modern agriculture

Jiangjin’s officials are also developing a modern agriculture. The government has put forward building a 200-square-meter agricultural park to attract more capital.

The park has already attracted more than 100 million yuan from 28 companies, including Macau-based Wanshun Credit Group and Germany-based Hei Group.

The island will be used to produce high-quality black rice, vegetables, and fruit trees, among others. More than 12 million yuan and 2.5 million euro will be invested in the area.

Jiangjin is home to 10,000 workers, and 30,000 former migrant workers are now employed in the area.
Jiangjin Location
Agriculture Park, Jiangjin
Modern Agriculture Park

- Jiangjin officials are also developing an urban-rural integration model. The government has proposed building a 200 square kilometer agricultural park in efforts to draw more capital.

- The park has already attracted more than 10 billion yuan from 28 companies, including Macao-based Ganges Fruit Co Ltd and Germany-based Heka Group.

- The farmland will be used to produce high-quality fruits, vegetables, oil-bearing crops and pepper. More than 2 million birds and cattle will be raised there, as well.

- Around 450,000 Jiangjin farmers and 10,000 former migrant workers are now employed in the city.
The Site —— Boundary of Chic’s site

• Locates in the heart of the AG park and has good accessibility advantage

• Chic Site area: 3,186 hectares (31.86 square kilometers)

• Adjacent to the Yangtze River, has a good landscape resource
CONCEPT DIAGRAM

Marina Town Center
Cultural District
Shopping
Government
Artist Village

To Luzhou

RESIDENTIAL

UNIVERSITY TOWN

PROPERTY LINE
AGRICULTURE TOURISM CORRIDOR
AGRICULTURE NEIGHBORHOOD
AGRICULTURE INNOVATION DISTRICT
AGRICULTURE MARKET
LEISURE TOURISM DISTRICT
UNIVERSITY TOWN CENTER
AGRICULTURE

YU-LU EXPRESSWAY
DIAOYAN ROAD & NORTH / SOUTH ROAD

Agriculture Tourism Corridor
Agriculture Neighborhood
Agriculture Innovation District
Agriculture Market
Leisure Tourism District
University Town Center
Agriculture

CHIC Group
AGRICULTURE PLAN: TOURISM SPINE

AG-TOURISM 林间农业观光
- THEMED FARMS 主题农庄
- PICK-YOUR-OWN FARMS 休闲采摘
- FLOWER/ORCHID NURSERY 花卉园/兰花花圃
- FARM RESTAURANTS 农家乐餐饮
- FARM INNS 农家乐居住旅馆

To Chongqing

To Luzhou
AGRICULTURE PLAN: LEISURE TOURISM
AGRICULTURE PLAN: SUPPORT PROGRAMS

LEGEND

- **AGRICULTURE MARKET** 农贸市场
- **DEMONSTRATION FARMS** 示范农业 (75 ha/1,116 mu)

AGRICULTURE MARKET and DEMONSTRATION FARMS are highlighted on the map. The map also shows the route to Lushan and Chongqing.
AGRICULTURE PLAN: PRODUCTION FARMS

**Legend**
- **CITRUS** (925 ha/13,875 mu)
- **BLUEBERRY** (54 ha/810 mu)
- **VEGETABLE** (168 ha/2,520 mu)

**Map Details**
- To Luzhou
- To Chongqing
AGRICULTURE PLAN

LEGEND

- YU-LU EXPRESSWAY
  筿沪高速公路

- DIAOYAN ROAD & NORTH / SOUTH ROAD
  复燕路至南/北主路

- PROPERTY LINE
  基地范围线

- AGRICULTURE 2337 ha 公顷
  农业用地 35,055 mu 亩

- PRODUCE FARMS - LOCAL & REGIONAL (CITRUS, BLUEBERRY, ORGANIC VEGETABLES)
  农业生产 - 地域+区域（柑橘，蓝莓，无公害蔬菜）

- TOURISM FARMS
  农业观光旅游农场

- ORNAMENTAL NURSERIES
  农业观光苗圃

- WELLNESS FARMS - LOCAL FOOD
  养生农业 - 本地无公害农产品

- DEMONSTRATION FARMS
  农业示范园

- UNIVERSITY FARM
  大学试验农场

- NATURAL PRESERVATION
  自然保护区

- IRRIGATION RESERVOIRS
  灌溉蓄水水体
AGRICULTURE PLAN: FARM RESORT

LEGEND
- FARM RESORT

AGRICULTURE PLAN: FARM RESORTS
AGRICULTURE PLAN: JOB & POPULATION

LEGEND

* FARMER HOUSING SITE: 3,750 UNITS AT 2 F.A.R.

JOBS (SEE APPENDIX FOR DETAILED CHART)

AGRICULTURE JOBS = 3,390

OTHER JOBS = 29,370

TOTAL JOBS = 33,760
PUBLIC FACILITIES DIAGRAM

LEGEND

- YU-LU EXPRES SWAY
- DIAOYAN ROAD & NORTH / SOUTH ROAD
- PROPERTY LINE
- SCHOOL
- DAY CARE CENTER
- SENIOR CENTER
- WATER TRE ATMENT PLANT
- POTABLE WATER STORAGE
- WASTEWATER TREATMENT SITE
- TRASH TRANSFER STATION
- ELECTRICAL SUBSTATION
- AG MARKET
- POST OFFICE
- HOSPITAL/CLINIC

0.5 MILE / 800 m RADIUS

PUBLIC FACILITIES DIAGRAM
UNIVERSITY TOWN
UNIVERSITY TOWN
Thank you
LETTER OF INTEREST

BY AND BETWEEN

CHIC GROUP GLOBAL COMPANY, LTD.
AND

CALIFORNIA POLYTECHNIC STATE UNIVERSITY

Chic Group Global Company, Ltd.
19th Floor, Gang Tai Plaza
No. 700, East YanAn Road
Shanghai 200001
China

California Polytechnic State University
1 Grand Avenue
Office of the President
San Luis Obispo, California 93407

1.0 BACKGROUND

CHIC Group Global Co., Ltd. ("CHIC") was founded in Shanghai in 1997 to become an entrepreneurial leader in China's rapidly growing economy. In the earlier years, CHIC Group focused on three industry sectors in China: supply chain management solutions and logistics, domestic manufacturing and fruit packaging, production and export. CHIC Group's base is located in Pudong, Shanghai, China.

California Polytechnic State University ("Cal Poly") is a public university located in San Luis Obispo, California, USA. The university is a nationally ranked, four-year comprehensive public university and is one of two "polytechnic" campuses in the 23 member California State University System. Cal Poly is strategically located halfway between Los Angeles and San Francisco on California's Central Coast.

2.0 PURPOSE

It is the purpose of this Letter of Interest ("LOI") to initiate non-binding, good faith negotiations in furtherance of CHIC's goal to launch a world class comprehensive polytechnic university in China. Whereas CHIC has extensive business relationships and interests in China that it wishes to advance through its support of agricultural education, Cal Poly wishes to provide opportunities for its students to enjoy the benefits of international education, particularly in this increasingly important region. The parties wish to explore the possibility of leveraging their respective strengths to achieve these
mutually beneficial purposes based on the following specific points of discussion:

2.1 **Business Planning:**
   2.1.1 *Demand Analysis:* Any decisions to further negotiations will be based on thorough and well-substantiated market studies indicating a strong demand for the proposed educational institution in China.
   2.1.2 *Financial Analysis:* Any decisions to further negotiations will be based on a thorough and well-substantiated financial analysis illustrating net revenue to Cal Poly as consideration for application of its resources and expertise.

2.2 **University Operations:** Cal Poly's role in operating or supporting operations of a university campus located in China in a manner consistent with the curricular, academic and cultural freedoms currently instituted at Cal Poly.
   2.2.1 *Funding:* Cal Poly will not participate in funding of campus development, construction or support.

2.3 **Student Exchange:** Provide opportunities for students from Cal Poly and the proposed campus in China to benefit from international education experiences.

2.4 **Legal Compliance:** Any binding agreements between the parties must be in accordance with United States law.

3.0 **NON-BINDING**

While matters described in this LOI and further discussed in any subsequent communications may be specific, they are intended as a basis for exploration and negotiation only and are not intended to be binding on either party unless and until mutually agreed upon in a formal written agreement.

4.0 **CONFIDENTIALITY**

Cal Poly agrees to maintain as confidential any proprietary information it receives from CHIC subject to its obligation to disclose public records under California law.

5.0 **TERM**

The parties agree to pursue the objectives stated in this LOI in good faith until June 30, 2012, at which time the parties may agree to further their non-binding, good faith negotiations, terminate such negotiations, or advance said negotiations formally through a written agreement.
AGREED:

CALIFORNIA POLYTECHNIC STATE UNIVERSITY          CHIC
GROUP COMPANY, LTD.

___________________________________________

Jeffrey Armstrong, President                     Edward Y. M. Zhu

______________  ______________
Date                      Date
Thanks for your time!