

**EXECUTIVE SUMMARY**

BChinaB, Inc. (“BCB” or “the Company”) is a US headquartered supply chain services firm that helps US manufacturers and their sourcing partners procure high quality, low cost engineered products and components from the People’s Republic of China. Very large US manufacturers increasingly have the resources to handle this complex procurement process themselves, through their own joint venture partners and/or with their own local employees. But many small and mid-sized US manufacturers do not. BChinaB targets these small and mid-sized US manufacturers. The Company, by design, does not own physical plant and equipment. Leveraging off of its established supplier relationships in China, BChinaB works collaboratively with US industrial clients to: 1) select appropriate manufacturing partners in China; 2) manage those relationships on behalf of the US client; 3) provide quality control oversight of the manufacturing process; and 4) coordinate the logistical tasks required to transport the finished product to port and beyond. We link together and manage the 17-25 different parties usually involved in a typical cross-border manufacturing program with China.

In providing these supply chain services, we deliver large cost savings to clients. In addition, our services help US clients speed time to market; leverage best outsourcing and supply chain management practices; reduce the number of vendors they must procure from; and free up scarce internal resources for other corporate activity. Serving as both manufacturer and logistics provider, BCB strives to act as the US client’s end-to-end, cross-border supply chain manager. As such, our working relationship with clients is often highly consultative and collaborative.

The central premise of our business model is that US manufacturers are under pressure to reduce the costs of their products and make more efficient their own supply chain for the procurement of component parts. If they fail to do this, they will fall prey, at a greater rate than has already been experienced, to foreign competition anchored in lower cost manufacturing parts of the world. We have experienced consistent receptivity to our business proposition from US clients. In fact, Management believes that, for the most part, growth prospects are not now materially limited by demand for our services. We believe that the challenges for continued growth are principally in China, where it takes time, energy and great care to build the capacity to deliver high quality service on a timely basis.

We target industries that either make or procure engineered products and components. We do not target our services to assist US clients with either pure commodity goods or products with particularly high technology components. We believe that these areas are already saturated with China imports and that we do not have any particular comparative advantage. Instead, we target engineered goods that require special processing to manufacture and often require regulatory approval to be distributed in the US.

We target our services toward product areas requiring a specific range of industrial processes where we believe we can offer superior supplier relationships, engineering, and quality control oversight. These processes include: 1) tool and die fabrication; 2) injection, extrusion, compression, and blow molding; 3) vulcanizing; die and sand casting; 4) coating, plating, and anodizing; 5) stamping; 6) packaging; and 7) assembly. Because of our breadth of capability, our clients have reported a willingness to outsource

multiple product lines. It is our expectation that as the marketplace increasingly outsources, we can capture and hold significant portions of our clients' "manufacturing mix," not merely single product lines.

We typically take title of the products that we make, marking up on cost of goods sold on a landed or port of origin basis. By performing the role of principal, rather than agent, we are able to command the margins of a manufacturer, without the cost structure attendant to owning plant and equipment. Management believes that this business model will support the achievement of superior returns.

## FINANCIAL SUMMARY

We have been commercially operational for three years. In 2003, we had \$797,381 in Sales and commanded gross margins of 39%. In 2004, Sales more than doubled to \$1,925,736 with gross margins of 38%. Net Income was -\$341,337 in 2003 and -267,231 in 2004. The start up negative income reflects the upfront and relatively fixed overhead costs in New York headquarters and in the Ningbo, China office, necessary to be in business. Going forward, Management expects that fixed overhead can be leveraged with growing sales, bringing the company to profitability as early as 2005 and offering growing profitability as sales grow beyond 2005. Unlike manufacturing or real estate, there are no significant fixed assets to build or maintain. We operate more like a professional services firm with operating leverage which Management believes will occur as a result of larger and recurring sales orders over time.

Management projects very rapid sales growth, but with declining growth rates to reflect a maturing of the business in the next five years. We project Gross Margins to stabilize in the 40% region and Operating Margins to stabilize at about 36% in the medium term. The projected dip in 2005 operating margins is as a result of certain relationship driven investments with existing clients to reinforce their confidence in us in the context of re-engineered and vastly improved fulfillment capabilities put in place in late 2004.

### Financial Results and Projection Summary

	2003 (A)	2004 (A)	2005 (E)	2006 (P)	2007 (P)	2008 (P)	2009 (P)
Sales	797,381	1,925,736	4,082,560	8,573,376	14,574,740	23,319,584	34,979,376
Cost of Good Sold	486,899	1,195,585	2,939,443	5,315,493	8,890,591	13,991,750	20,987,626
Gross Margin	310,483	730,151	1,143,117	3,257,883	5,684,149	9,327,834	13,991,750
Transport/Freight	39,801	178,902	204,128	342,935	582,990	932,783	1,399,175
Operating Margin	270,682	551,248	938,989	2,914,948	5,101,159	8,395,050	12,592,575
SG&A (1)	612,059	818,479	818,479	1,096,762	1,458,693	1,925,475	2,522,372
Pre Tax Income	-341,377	-267,231	120,510	1,818,186	3,642,466	6,469,575	10,070,203
Sales Growth	2021%	142%	112%	110%	70%	60%	50%
Gross Margin	52%	38%	28%	38%	39%	40%	40%
Transport/Freight	31%	9%	5%	4%	4%	4%	4%
SG&A Growth	21%	34%	0%	34%	33%	32%	31%

(1) Sales, General, and Administrative costs

## **USE OF PROCEEDS**

The net proceeds from the Placement are estimated to be approximately \$1.5 million. We intend to use a portion of the net proceeds to hire additional staff in Ningbo, China and New York, specifically for the engineering, quality control, logistics, project management and finance functions. The Company intends to use the balance of the net proceeds for working capital requirements and general corporate purposes, including debt repayment.

## **FORM OF OFFERING**

This proposed private placement offering is for approximately \$1.5 million worth of shares of the Company's Series A Convertible Preferred securities. The rights and privileges of these securities are outlined in the Private Placement Memorandum. Management reserves the sole exclusive right to sell securities in excess of 1.5 million dollars.