

FUTURE PLANS AND BUSINESS OBJECTIVES

The mission of the Group is to become one of the largest furnishings and home products and accessories manufacturers in the PRC with world-class standards in product design, quality control and effective cost control.

To accomplish its mission, the Group plans to adopt and implement the following strategies:

Expand production plant and facilities to increase production capacity

One of the key strengths of the Group is its flexibility in manufacturing a variety of furnishings and home products and accessories, which is supported by the continuous introduction of new production lines and facilities. During the Track Record Period, the Group has acquired new production facilities and constructed new production plants at the Group's existing production facilities. In order to cope with the increasing market demand, the Group plans to expand its existing production lines and facilities to increase production capacity. On 19 August 2005, the Group has entered into a State-owned land use rights transfer agreement with the Sub-Bureau of Yaobei Industrial New Zone of the Land and Resources Bureau of the Yuyao City (餘姚市國土資源局姚北工業新區分局) for the acquisition of a piece of land of 44,105 sq.m. for its expansion plan and construct major production buildings in the coming two years. The construction of the production plants will be divided into two phases. The first phase will commence in early 2006 which consists of a construction of a new production plant with total gross floor area of approximately 15,000 sq.m.. The first phase is expected to be completed by the end of 2006. The second phase is to construct another production plant with total gross floor area of approximately 15,000 sq.m. which will commence in 2007. The new production plant will be equipped with new production machineries and facilities including pressing machines, surface treatment facilities, and fully automatic sheet metal cutting machines.

At present, the Group outsources part of its production process to third party subcontractors. With the acquisition of new production machineries, the Group plans to reduce outsourcing of the production process to a minimum and achieve a better control of the quality, time and cost of the production.

Product diversification

With in-depth experience and technical expertise of the Group in the production of metal products, in addition to stainless steel, the Group plans to diversify its range of furnishings and home products and accessories by using other types of raw materials. The Group will establish a new research and development team to specialise in production techniques using different types of steel. In addition, the Group will also consider expanding its use of other raw materials such as wood in its furnishings and home products and accessories.

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Explore new business opportunities and broaden the Group's customer base

The Group plans to broaden its customer base in the home furnishings market. In this respect, the Group plans to expand its marketing department and to increase sales staff and representative offices to explore new business opportunities in both the PRC and overseas, thereby increasing revenue to the Group. Further, as a medium to long term business strategy, the Group also plans to establish its own brandname and sell its own line of furnishings and home products and accessories to different retailers in the PRC and in global market through such marketing effort and sales and distribution network. The Directors are of the view that while IKEA continues to be one of the most important customers of the Group, the Group will at the same time continue to broaden its customer base by targeting potential customers such as large home furnishings retailers or distributors.

Improve the overall management systems

In order to attain the mission of the Group to achieve world-class standard in the industry, the Group plans to allocate more resources on the improvement of its management system. The Group will implement the ISO 9000 standard and enterprise resources planning system to further improve its operational efficiencies. The Group plans to recruit professional consultants to assist it to attain the ISO 9000 standard, enterprise resources planning system implementation and the re-engineering of the overall management system.

IMPLEMENTATION PLANS

	For the period from the Latest Practicable Date to 31 December 2005	For the six months ending 30 June 2006	For the six months ending 31 December 2006	For the six months ending 30 June 2007	For the six months ending 31 December 2007
Expand production plant and facilities	<ul style="list-style-type: none"> ● Complete construction of the new production plant of 5,000 sq.m. at the Group's existing production facilities ● Complete the purchase of land for the Group's expansion with total gross floor area of approximately 40,000 sq.m. 	<ul style="list-style-type: none"> ● Construct the 1st phase of the new production plant with total gross floor area of approximately 15,000 sq.m. on the new piece of land. 	<ul style="list-style-type: none"> ● Purchase new facilities for the first phase construction of the production plant including power supplies, fire prevention facilities, and office renovation. ● Set up automatic production facilities 	<ul style="list-style-type: none"> ● Construct the 2nd phase of the new production plant with total gross floor area of approximately 15,000 sq.m. on the new piece of land. 	<ul style="list-style-type: none"> ● Purchase new facilities for the 2nd phase production plant which include power supplies, fire prevention facilities, and office renovation. ● Set up automatic production facilities
Estimated amount to be invested from the net proceeds of the Placing	HK\$6.5 million	HK\$4.7 million	HK\$2.8 million	HK\$4.9 million	HK\$2.0 million

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	For the period from the Latest Practicable Date to 31 December 2005	For the six months ending 30 June 2006	For the six months ending 31 December 2006	For the six months ending 30 June 2007	For the six months ending 31 December 2007
Improve technology on stainless steel production facilities and develop products using other metals	<ul style="list-style-type: none"> ● Establish a new research and development team to cater for the development of furnishings and home products and accessories using other types of steel ● Improve existing research and development facilities 	<ul style="list-style-type: none"> ● Purchase new production machineries and facilities for furnishings and home products and accessories using both stainless steel and other types of steel 	<ul style="list-style-type: none"> ● Complete the set up for production using other types of steel 	<ul style="list-style-type: none"> ● Continue to conduct research and development and introduction of new furnishings and home products and accessories using other types of steel 	<ul style="list-style-type: none"> ● Improve production workflow and working environment in order to increase production volume of furnishings and home products and accessories using both stainless steel and other types of steel
Estimated amount to be invested from the net proceeds of the Placing	HK\$0.8 million	HK\$1.3 million	HK\$1.1 million	HK\$0.3 million	HK\$0.2 million

	For the period from the Latest Practicable Date to 31 December 2005	For the six months ending 30 June 2006	For the six months ending 31 December 2006	For the six months ending 30 June 2007	For the six months ending 31 December 2007
Explore new business opportunities and strengthen the sales and marketing team	<ul style="list-style-type: none"> ● Expand marketing department to promote the Group's furnishings and home products and accessories to new customers 	<ul style="list-style-type: none"> ● Expand sales department to handle the expanding PRC market ● Participate in home furnishings trade fairs 	<ul style="list-style-type: none"> ● Promote the brand name of the Group by advertising in home furnishings magazines 	<ul style="list-style-type: none"> ● Set up representative offices overseas to explore new business opportunities. 	<ul style="list-style-type: none"> ● Further strengthen the sales department
Estimated amount to be invested from the net proceeds of the Placing	HK\$0.2 million	HK\$0.2 million	HK\$0.2 million	HK\$0.2 million	HK\$0.1 million

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	For the period from the Latest Practicable Date to 31 December 2005	For the six months ending 30 June 2006	For the six months ending 31 December 2006	For the six months ending 30 June 2007	For the six months ending 31 December 2007
Improve production management and control systems	<ul style="list-style-type: none"> Improve existing control procedures and policies 	<ul style="list-style-type: none"> Strengthen the production management system and implement the ISO9000 Standard Purchase new computer hardware and software to facilitate better internal control 	<ul style="list-style-type: none"> Strengthen production management system and implement the ISO9000 Standard Purchase new computer hardware and software to facilitate better internal control 	<ul style="list-style-type: none"> Full implementation of enterprise resources planning system for better information sharing and improve operational efficiency 	<ul style="list-style-type: none"> Full implementation of enterprise resources planning system for better information sharing and improve operational efficiency
Estimated amount to be invested from the net proceeds of the Placing	HK\$0.2 million	HK\$0.2 million	HK\$0.2 million	HK\$0.2 million	HK\$0.1 million

BASES AND ASSUMPTIONS

The business objectives and strategies formulated by the Directors are based on the following general assumptions:

- the Group will not be adversely affected by any of the risk factors set out under the section headed “Risk factors” in this prospectus;
- there will be no material adverse changes in the existing laws and regulations and market policies and regulations which are applicable to the Group, or in the existing political, legal, economic, fiscal and market conditions in the PRC, Hong Kong or other places;
- there will be no material differences between the actual capital requirement for implementing the above plans and the amounts estimated by the Group; and
- there will be no events which will cause serious disruption to the business or operation of the Group, or will cause material losses, damages or destruction to the properties or facilities of the Group.

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REASONS FOR THE PLACING AND USE OF PROCEEDS

Based on the Placing Price of HK\$0.88 per Share (being the midpoint of the indicative Placing Price range of HK\$0.80 to HK\$0.96 per Share), the net proceeds from the Placing, after the deduction of expenses payable by the Group, are estimated to be approximately HK\$26.4 million. The Directors believe that the listing of the Shares on GEM will enhance the Group's profile and the net proceed of the Placing will strengthen the Group's financial position to pursue its business plans as set out in the paragraph headed "Future plans and business objectives" in this section. The Directors intends to apply the net proceeds as follows:

- approximately HK\$20.9 million will be used for expansion of production plant and facilities;
- approximately HK\$3.7 million will be used for technological improvements on stainless steel production facilities and development of products using other metals;
- approximately HK\$0.9 million will be used to explore new business opportunities and strengthening the Group's sales and marketing team; and
- approximately HK\$0.9 million will be used to upgrade production management system and purchase of new computer hardware and software to implement enterprise resources planning system.

In the event that the Placing Price is fixed at HK\$0.96 per Share, being the highest point of the indicative Placing Price range, the net proceeds will be increased by approximately HK\$3.2 million, based on the assumption that the Offer Size Adjustment Option is not exercised. The Directors intend to apply approximately HK\$3.2 million as additional general working capital of the Group. In the event that the Placing Price is fixed at HK\$0.80 per Share, being the lowest point of the indicative Placing Price range, the net proceeds will be reduced by approximately HK\$3.2 million, based on the assumption that the Offer Size Adjustment Option is not exercised. In such circumstances, the Directors intend to reduce the application of the proceeds for the purchase of a piece of land and construction of a new production plant by approximately HK\$3.2 million. If the Offer Size Adjustment Option is exercised in full, based on the Placing Price of HK\$0.88 per Share (being the midpoint of the indicative Placing Price range of HK\$0.80 to HK\$0.96 per Share), the additional net proceeds from the Placing, after deduction of expenses payable by the Group, are estimated to be approximately HK\$5.3 million and the Directors intend to apply the whole amount as general working capital.

To the extent of the net proceeds from Placing are not immediately applied for the above purposes, it is the present intention of the Directors that such net proceeds will be placed in short term deposit accounts with financial institutions in Hong Kong and/or the PRC.