

FUTURE PLANS

The Group aims to become a leading one-stop solution provider for water saving irrigation system in the PRC and worldwide. Since the problems of insufficient irrigation water supply and suitable farmland for agriculture in the PRC have become increasingly serious, it is necessary to improve the existing cultivation methods in the PRC. The Directors believe that there is significant potential demand for water saving irrigation system in the PRC, which can improve the production yield and reduce the wastage of irrigation water.

The Group intends to achieve its business objectives by implementing the following plans:

Expanding the markets in the PRC and developing the international markets

Currently, the products of the Group are primarily sold in various regions in Xinjiang, and also other regions outside Xinjiang in the PRC, such as Gansu and Ningxia. The Group has maintained a sales team to serve the customers and to expand its market share in each of these regions. The Group plans to stabilize the markets of the south and north of Xinjiang in the next three years and upon which, continues to promote the application of its water saving irrigation system by expanding the existing market share to northern provinces or autonomous regions, such as Ningxia, Liaoning, Shaanxi, Gansu, Inner Mongolia, Shanxi and Hebei. In respect of the international market, the Group plans to explore the markets in mid-Asia and Middle East countries.

Strengthening the R & D of new innovative products

The Group has focused on the large-scaled development with high technological technique, and has planned to further promote the application of its water saving irrigation system. The Group is determined to improve its existing products in a more systematic and automatic way, and to enhance the R & D of new products.

Expanding existing production facilities

The Group has planned to acquire new production facilities to realise an annual production capacity of approximately 10,000 tonnes of plastic water saving equipment (including 4,000 tonnes of drip films, 5,000 tonnes of PVC pipelines and 1,000 tonnes of PE pipelines) and an annual capacity to process approximately 2,500 tonnes of recycled drip films collected from the customers in Kuitun, Xinjiang for manufacturing new products. Currently, the Group has the capacity to process approximately 10,000 tonnes of recycled materials.

In addition, the Group has also planned to acquire new production facilities with an additional annual production capacity of approximately 10,000 tonnes finished products, and also to enlarge the existing factory of the Company in Shihezi, Xinjiang with an additional gross floor area of approximately 3,000 sq.m.. The construction is in progress.

The Group's production capacity will be expanded by acquiring land or property as well as major production and auxiliary equipment. On 18th December, 2006, the Company entered into a contract with Bureau of Land and Resources of Shihezi (石河子市國土資源局) for being granted the land use rights for a parcel of land having a site area of 105,975 sq.m., which is located in Shihezi Economic and Technological Development Zone, for a term of 50 years at a land premium of approximately RMB7.5 million. Please refer to the property valuation at Appendix II for detailed information.

FUTURE PLANS AND PROSPECTS

Establishing demonstration centres in the Group's main target markets

The Group has planned to establish demonstration centres in the Group's main target markets within the next three years to demonstrate the use of the Group's products, to promote brand awareness to the customers, to cope with customers' changing needs and to encourage customers to share their experience and feedback on using the Group's products. The Directors believe that through the marketing activities in the demonstration centres, the Group's business relationships with its customers will be greatly enhanced.