
FUTURE PLANS AND PROSPECTS

Business Objectives

Our objective is to become one of the major budget apparel manufacturers and wholesalers in the PRC. With a stable business relationship with domestic import and export companies, we will continue to expand our export business focusing on developing countries. We also intend to expand our wholesale business into the rural areas in the PRC, which our Directors consider has a promising potential for our products.

Market potential

According to the China Statistical Yearbook 2008, as the end of 2007, the total population in China was about 1.3 billion, with about 716 million or 55% residing in the rural area. The per capita annual net income of rural households was about RMB4,140. The per capita annual disposable income of urban households in 2007 was about RMB13,786, which is 2.3 times higher than that of rural households.

Our Directors consider that although the purchasing power of urban households is stronger, there is a promising potential in the rural areas for budget apparel in the PRC as:

- the living standards of farmers are improving and they are more willing to purchase quality clothes;
- the competition among retail and wholesale within rural households sector are less fierce;
- the bargaining power of rural households sector to be weaker than that of urban households; and
- the people in rural households show less brand loyalty at present.

Business Strategies

We intend to strengthen our existing presence among companies for export and capture the new business potential from rural households by adopting the following strategies in the future:

1. *Expansion of our new product design capacity and brand building*

We will enhance our product design capacity by establishing a research and development department under Xiefeng Textile in Wannian County. This department will be supervised by Mr. Cai Jiabo, our marketing director. Initially, we plan to hire three new staff members with relevant experience in product design and marketing of garments within one year after the [●]. The team will be focusing on new product designs to cater different target customers. Besides, they will conduct research on production materials and manufacturing processes with a view to cope with the latest trend and market demands on production materials, improve the productivity with reduced material waste and better quality control.

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Our Directors consider that as brand loyalty among rural households at present is relatively low, we intend to implement a branding strategy in marketing our products in rural households by building up a brand image among rural households under our trademark 珍珠泉 ZHENZHUQUAN, which we acquired from an Independent Third Party in June 2009. Our Directors believe that the increase in brand awareness will boost our profile in the PRC which in turn will increase the sales of our products and facilitate our growth in the future.

2. Expansion of our production capacity

At present, we have three production plants located in Jiangxi province, the PRC with a production capacity of approximately 6,240,000 pieces of apparels for the year ended 31 December 2008. To cope with our anticipated business expansion, we plan to increase our production capacity in Jiangxi province, the PRC by establishing new production facilities with an annual production capacity of approximately 2,500,000 pieces of apparels.

3. Expansion of our sales and distribution channel

We will continually consider expanding our distribution base and market coverage to ensure that we are presence in markets that we consider to have growth potential. Three additional sales and marketing staff will be recruited within one year after the [●].

We will also strategically consider establishing twenty wholesale outlets in the PRC by 31 December 2011. At present, we target to establish distribution outlets in Fuzhou province, Jiangxi province, Zhejiang province and Guangxi province for marketing and sales of our products under our brand name by entering into lease agreements. Our Directors will take into account factors such as location, rentals, duration of lease and other commercial terms in determining the distribution outlet locations. At present, we are actively evaluating a number of possible leasing properties suitable for the operation of distribution outlets but we have yet entered into any leasing agreement. In addition, we will deploy resources in promoting and marketing our brand acquired and our products in the PRC.

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Implementation Plans

In order to adopt the following implementation plans with respect to our Group's operations and to achieve the objectives set out in those plans, our Directors have drawn up detail implementation plans within the time periods set out below. Our Directors will use their best endeavors to anticipate future changes in the market where we operate and propose to establish operations, and to take measures to remain flexible in order that our Group may stay ahead of or react in a timely manner appropriately to such changes. Based on the current state of the apparel industry, our Directors intend to carry out the following implementation plans:

Expansion of our new product design capacity and brand building

From the [●] to 31 December 2009	For the six months ending 30 June 2010	For the six months ending 31 December 2010	For the six months ending 30 June 2011	For the six months ending 31 December 2011
<ul style="list-style-type: none"> - Acquire and renovate the premise of the research and development department - Recruit three research and development staff - Acquire equipment for research and development team - Research on production materials and manufacturing processes - Commence product design and development - Conduct advertising campaigns on our brands in PRC 	<ul style="list-style-type: none"> - Research on production materials and manufacturing processes - Commence product design and development - Conduct advertising campaigns on our brands in PRC - Establish other brands to target different clientele 	<ul style="list-style-type: none"> - Research on production materials and manufacturing processes - Commence product design and development - Conduct advertising campaigns on our brands in PRC - Establish other brands to target different clientele 	<ul style="list-style-type: none"> - Research on production materials and manufacturing processes - Commence product design and development - Conduct advertising campaigns on our brands in PRC - Establish other brands to target different clientele 	<ul style="list-style-type: none"> - Research on production materials and manufacturing processes - Commence product design and development - Conduct advertising campaigns on our brands in PRC - Establish other brands to target different clientele

Expansion of our production capacity

From the [●] to 31 December 2009	For the six months ending 30 June 2010	For the six months ending 31 December 2010	For the six months ending 30 June 2011	For the six months ending 31 December 2011
<ul style="list-style-type: none"> - Acquire land use right - Construct production plant - Renovate production plant - Acquire production equipment 	<ul style="list-style-type: none"> - Acquire land use right - Construct production plant - Renovate production plant - Acquire production equipment 	<ul style="list-style-type: none"> - Acquire production equipment 	<ul style="list-style-type: none"> - 	<ul style="list-style-type: none"> -

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Expansion of our sales and distribution channel

From the [●] to 31 December 2009	For the six months ending 30 June 2010	For the six months ending 31 December 2010	For the six months ending 30 June 2011	For the six months ending 31 December 2011
– Establish four wholesale outlets – Recruitment of three additional sales and marketing staff	– Establish four wholesale outlets	– Establish four wholesale outlets	– Establish four wholesale outlets	– Establish four wholesale outlets

Bases and Assumptions

The business objectives set out by our Directors are based on the following bases and assumptions:

- there will be no significant economic change in respect of inflation, interest rate, tax rate and currency exchange rate in the PRC what will adversely affect our business;
- we will have sufficient financial resources to meet the planned capital expenditure and business development requirements during the period to which the business objectives relate;
- there will be no material changes in the existing laws (whether in the PRC, Hong Kong or any part of the world), policies or industry or regulatory treatment relating to our Group, or in the political, economic or market conditions in which our Group operates;
- there will be no change in the funding requirement for each of the near term business objectives described in this [●] from the amount as estimated by our Directors;
- there will be no material changes in the bases or rates of taxation applicable to our Group;
- there be no disasters, natural, political or otherwise, which would materially disrupt the business or operations of our Group or cause substantial loss, damage or destruction to its property or facilities;
- there will be no change in the effectiveness of the licenses and permits obtained by us; and
- we will not be materially affected by the risk factors as set out under the section headed "Risk factors" in this [●].