

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS AND PROSPECTS

The Directors believe that the acceleration of the globalisation of the world economy has fostered awareness of CSR and concerns from customers, investors, local governments and the public regarding the conditions under which products exporting to the US are made. The Directors believe that companies are increasingly aware that they share responsibility for their suppliers' employees who are employed by the manufacturers of their goods. The Directors believe that businesses are responding to the call for greater efforts to improve and demonstrate concerns for CSR. All these developments accelerate the demand for compliance monitoring services, thus creating a great opportunity for the Group to expand its business and to establish its brand in the Asia-Pacific region.

Moreover, with the PRC's accession to the WTO and its abundant supply of low-cost labour and the anticipated gradual abolition of trade barriers, the Directors believe that the PRC will become one of the major production bases in the world economy. The Directors anticipate that many US buyers will go to the PRC to source products from the manufacturers in the PRC. The Directors plan to capture these business opportunities by strategic marketing plans to establish a greater manufacturing clients' networks in the PRC. It is the intention of the Directors, by capitalising on the success in the southern part of the PRC, to expand the Group's business into the northern part of the PRC.

(i) **MARKETING AND COMPLIANCE MONITORING SERVICES**

Growth Strategies of Manufacturing Clients in the Asia-Pacific Region

To further enhance its position in marketing and compliance monitoring services, the Directors plan to implement the following growth strategies:

To expand manufacturing customer base

On the condition that sufficient potential manufacturers in the northern part of the PRC are solicited and likely to be engaged with the Group in respect of the provision of the Group's marketing and compliance monitoring services, the Group is planning to set up regional offices in Harbin, Beijing and Shenyang in the PRC in the first quarter of 2003. A team of marketing and compliance personnel will then be recruited for the promotion and operation of the marketing and compliance monitoring services to the garment and fashion manufacturers in the northern region of the PRC.

To broaden the scope of marketing and compliance monitoring services to other industries

Currently, all of the manufacturing clients of the Group belong to the garment and fashion industry. The Directors believe that one of the competitive advantages of the Group is its extensive experience in performing marketing and compliance monitoring services in the garment and fashion industries. The Group plans to modify its compliance monitoring programme to enter into other industries such as toys and shoes industries. In order to enter these markets, the Group plans to recruit personnel in these target industries to tailor its compliance monitoring programme with features to suit the manufacturing processes and environment of these industries.

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To develop markets in other developing countries in Asia

The Directors believe that developing countries in Asia such as Cambodia, Thailand and Vietnam have similar features in factory production as in the PRC, for instance, low labour cost and low factory set-up cost. The Directors believe that should the compliance monitoring programme be more successfully recognised in the PRC, the Group can expand its marketing and compliance monitoring services to these countries. On the condition that sufficient potential manufacturers in these countries are solicited and likely to be engaged with the Group in respect of the provision of the Group's marketing and compliance monitoring services, the Group is planning to set up regional offices in Cambodia, Thailand and Vietnam in late 2003 or 2004. The Directors believe that by continuing expansion of market territory, the Group will be able to become one of the market leaders in the field of marketing and compliance monitoring services in the Asia-Pacific region.

Benchmarking of Compliance Monitoring Programme of the Group

To set up a website in relation to CSR

The Group plans to set up a website which contains information concerning CSR. The website will provide a platform to let people understand more about the Code, other aspects of corporate human rights practices and promoting the services of the Group. The Group plans to recruit information technology professionals to design and maintain the website. The Directors will decide the contents of the website and they are likely to include a public forum for the public to exchange information and opinion on social responsibility and a database which contains information on worldwide compliance monitoring practices, sample company policies, external standards, recent developments in the field of legal cases and a selected list of expert resources.

To develop certification system

The Directors believe that a proper certification system is important in the market expansion of the Group's compliance monitoring services. The Group is in the process of formulating a certification system which will strengthen creditability of the compliance monitoring services of the Group. The Directors believe that the certification system of the Group will provide a competitive advantage to attract more buyers to concur with the Group's compliance monitoring programme thus leading to broadened revenue base in the future and solidifying the existing manufacturing client base of the Group.

The Directors believe that when the Group's certification system is successfully implemented, the Group's manufacturing clients may use the Group's certification to market to other US buyers who are also concerned about human rights in the developing countries and internationally accepted labour standards. As a result, the Director believe that the Group will be able to provide more marketing edge to the Group's manufacturing clients and possibly create a new income stream. However, this certification system will only be provided by the Group and neither the Code nor the compliance monitoring programme of the Group will be independently certified by any regulatory authority. Please refer to the disclosures in the section headed "Risk factors" of this prospectus for the risk involved.

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Growth Strategies of buyers in the US

To set up regional offices in the US

The Directors believe that the US will continue to dominate the global economy. To develop new source of revenue, the Group will increase its marketing activities to convince new buyers in the US to concur with the Group's compliance monitoring programme and place orders with the Group's garment and fashion manufacturing clients, which in turn will allow the opportunities for the Group to perform the Group's compliance monitoring services. Upon negotiations with new buyers in the US, the Group might consider to collect service fee from new buyers in the US in return for the provision of the Group's compliance monitoring services on behalf of the new buyers. In this regard, the Group plans to establish regional offices in New York and Los Angeles in the US and to recruit a team of marketing professionals to solicit additional recognition from other US buyers.

(ii) SALES SUPPORT SERVICES

The Directors plan to expand its sales support services to other industries such as toys and shoes industries. In addition to the business of marketing and compliance monitoring services, the Group will be able to utilise its regional office networking to perform sales support services to the manufacturing clients in other industries.

REASONS FOR THE OFFER AND USE OF PROCEEDS

The Group intends to use the net proceeds of the Offer to implement its growth strategies. Assuming that the Over-allotment Option is not exercised, the net proceeds of the Offer, after deduction of underwriting commission and estimated expenses of approximately \$13 million as to 60% and 40% payable by the Group and the Vendor respectively, are estimated to be approximately \$28.2 million. The Directors currently plan to use such net proceeds as follows:

- as to approximately \$13 million to set up regional offices in New York and Los Angeles in the US and the northern part of the PRC, including Harbin, Beijing and Shenyang, for expansion of the Group's marketing and compliance monitoring services;
- as to approximately \$4 million to set up a website forum and to recruit information technology professionals for maintenance of the website;
- as to approximately \$2 million to recruit compliance monitoring personnel of other industries to modify and develop the existing compliance monitoring programme for utilisation in such other industries;
- as to approximately \$1 million to develop a certification system; and
- as to the balance of approximately \$8.2 million as additional working capital of the Group.

Should the Over-allotment Option be exercised in full, the Company will receive additional net proceeds of approximately \$8.8 million. The Directors intend to use such additional proceeds as additional working capital of the Group.

To the extent that the net proceeds from the issue of New Shares are not immediately required for the above purposes, it is the present intention of the Directors that they will be placed on short-term deposits with financial institutions and/or licensed banks in Hong Kong.