

## FUTURE PLANS AND USE OF PROCEEDS

### FUTURE PLANS AND PROSPECTS

There is a range of applications with the use of dried cassava chips in the PRC, such as consumable ethanol, chemical products, animal feeds and, in particular, ethanol fuel. Since according to the Renewable Energy Plan, the production capacity of ethanol fuel projects using grain feedstock as raw material will not be increased in the PRC, the Directors believe that the recent emphasis on the use of non-grain feedstock such as cassava for the production of ethanol fuel will lead to increase in the demand for imported dried cassava chips in the PRC. According to the Renewable Energy Plan, the targets are to increase the production of ethanol fuel by non-grain feedstock to 2 million tonnes by 2010 and to 10 million tonnes by 2020. The Directors are optimistic about the future market demand for dried cassava chips in the PRC. At present, the Group mainly sources its dried cassava chips from Thailand and intends to expand its procurement network in Thailand as well as other countries in Southeast Asia. The Directors intends to enhance the Group's upstream business operations by expanding its processing and storage capability. The Group also intends to expand its sales network in the PRC.

In order to achieve its business objective, the Group will dedicate more resources to strengthen its processing operation, procurement network and expand its sales network in the PRC. In view of the above, the Group has formulated a series of development plans as set out below.

#### **Expansion of warehousing facilities and drying yards in Thailand**

At present, the Group's principal procurement network is located in Thailand. The Group intends to further enhance and expand its procurement network geographically in Thailand. The Group currently has leased warehouses in Bangsai, Sriracha and Bangpakong, Thailand. It has entered into long-term processing arrangement with a drying yard operator in Thailand. The Group intends to expand its upstream operations by establishing additional warehousing facilities (including the necessary purchase of machinery, scale and setting up laboratory and offices). It also intends to acquire or lease drying yards in non-forestry area where ownership of land is permitted (including the necessary construction work, purchase of trucks and setting up offices) for processing fresh cassava roots into dried cassava chips in Thailand. The Group expects that the geographical expansion of storage facilities will be able to cope with the increase in purchase of both fresh cassava roots and dried cassava chips not only from its existing procurement network but also from new sources of cassava supplies in Thailand. The Group also expects that the acquisition or leasing of drying yard will enhance the Group's upstream operation of processing fresh cassava roots. The Directors believe that such expansion could enhance the Group's overall procurement capabilities in Thailand.

Depending on market opportunities, the Group intends to lease warehousing facilities and/or acquire or lease drying yards that will enable the Group to strengthen its competitiveness in the cassava industry. In respect of the intended acquisition of land, the Group will undergo all the necessary approval procedures in Thailand. In the event that the Group fails to acquire land in Thailand, the Group considers to lease land for the same purpose. As at the Latest Practicable Date, the Group had not entered into any letter of intent or agreement for such leasing or acquisition nor identified any definite target for expansion purpose. The Group will make proper disclosure and/or obtain proper approval in compliance with the Listing Rules whenever the relevant opportunity crystallises.

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### **Expansion of procurement networks and logistics in Southeast Asia**

According to the Cassava Market Report, in 2007, Thailand was the largest source of import of dried cassava in China, accounting for approximately 69.3% of the total quantity of dried cassava imported into China. Vietnam was the second largest source of import accounting for approximately 27.6% of total quantity of dried cassava imported into China. In order to cater for the expected increase in demand for dried cassava chips in the PRC in the long run, the Group intends to develop a well-established procurement network and efficient logistics arrangements. The Group intends to expand its procurement network beyond Thailand in Southeast Asia, including but not limited to Cambodia and Laos. In respect of logistics arrangement, the Group intends to lease additional storage facilities in different locations and set up transportation fleet to expand its procurement networks. Currently, the Group's suppliers directly transport the dried cassava chips to the Group's warehousing facilities. After setting up its own transportation fleet, the Group will be able to further improve its logistics efficiency.

### **Strategic development of sales network and coverage**

Currently, most of the Group's customers are in the mid-eastern part of China. An extensive sales network is very important for the Group's business. In view of this, the Group intends to expand its sales network by establishing offices, storage facilities and increasing promotion and marketing of "Artwell" brand dried cassava chips in the southern, central and south western regions in the PRC by setting up offices in, but not limited to, Guangxi and other nearby provinces.

The Group has leased an office in Shenzhen. The Group intends to expand its sales network in the nearby regions by setting up more offices in the southern part of China. There are ports in southern China which can handle dry bulk cargoes. Shipping directly to these ports in China could meet the customers' urgent demand and save time and costs on transportation for customers in the region.

The Group has not commenced domestic wholesale distribution of dried cassava chips in the PRC. The storage facilities would enable the Group to expand into domestic wholesale distribution business in the PRC and to reach customers whose business locations are away from the seaports or the coastal area in the PRC. The Group also intends to develop and enhance its existing sales network in the north-eastern region (including its offices in Qingdao, Jinan, Rizhao and Lianyungang) in the PRC through promotion and marketing activities on its "Artwell" brand. The Group also intends to set up offices in Zhenjiang and Taizhou.

### **Increase in working capital**

Under the existing inventory purchase model, as the Group implements a "365-day open door policy" for purchase of dried cassava chips with payment generally within the next two business days, the Group's business operations require sufficient level of working capital. In view of the Group's expansion in its procurement capabilities, it is expected that the Group will increase its procurement quantities and further working capital is required to complement the Group's expansion and maintain its business operations.