

## FUTURE PLANS AND USE OF PROCEEDS

### FUTURE PLANS AND PROSPECTS

The PRC economic environment has undoubtedly been improving as reflected by the increase in the PRC GDP per capita from approximately RMB8,622 in 2001 to approximately RMB14,040 in 2005 (representing a compound annual growth rate of approximately 13.0%). The Directors are optimistic about the future market demand for lingerie and believe that there is a considerable development potential in this industry. In the long run, the Group's objective is to become a leading and reputable lingerie of retailer in the Greater China Region, which offers a wide range of products to fit the needs of customers of different age groups, having different perception and purchasing power.

In order to achieve its business objective, the Group will dedicate more resources to strengthen the awareness of its brand names and promote the Company's image. In addition, the Group plans to increase its production capacity so as to cope with the continued business development of the Group. In view of the above, the Group has formulated a series of development plans as set out below.

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

As a lingerie retailer, sales network and coverage are very important for the business. In view of this, the Group intends to expand its sales network by increasing the number of retail outlets in the PRC and Hong Kong by approximately 300 by the end of 2007. According to the Group's implementation plan, the Group anticipates to expand the sales network by increasing 48, 100, 93, 35 and 24 retail outlets in China's Eastern region, Northern region, Southern region, Western region and Hong Kong respectively. Among these 300 new retail outlets, one flagship store is planned to be opened in each of Beijing, Shanghai, Guangzhou, Shenzhen and Hong Kong. The Group also intends to open new retail outlets in other major cities in the PRC such as Hangzhou, Changsha, Chengdu, Shenyang, Dalian, Harbin and Wuhan. Subject to the economic and market conditions of these cities, the Group may strategically adjust the timing and locations of these planned new retail outlets. Besides, in order to be more cost effective and to maximise the contribution of each retail outlet, the Group may consolidate the number of retail outlets in areas with less rewarding results and re-allocate the resources to retail outlets located in areas with more promising performance.

#### **Brand management and development**

The Group has put years of efforts in establishing, promoting and maintaining its brand, *EMBRY FORM*, *FANDECIE* and since 2006, *COMFIT*. In order to further strengthen its brand awareness, the Group intends to make further investments in the promotion and marketing of its brands such as organisation of various fashion shows, sponsorship of charity events and posting of advertisements through different media.

In June 2006, the Group has soft-launched a new series of products under the brand name *LC* which targets premiere luxury lingerie market. The Group intends to promote the public awareness of *LC* through advertising, setting up additional *LC* retail outlets, and introducing more products under this series.

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### Expansion of production capacity

In conjunction with the Group's plans to continue to expand its sales network, the Group intends to strengthen its production operation and expand the production capacity through the establishment of the Shandong Factory. When the Shandong Factory is put into full operation, the Group's annual production capacity is expected to be increased by approximately 11.9 million Standard Product Units in mid 2008. For details of the development of the Shandong Factory, please refer to the paragraph headed "Production facilities" in the section headed "Business" in this prospectus.

### Wholesale business

With the expected increase in production capacity, the Group is considering to launch another new brand to widen its product series. Different from its existing sales strategy, the present intention is that this brand will principally be sold through wholesale and franchising channels.

### USE OF PROCEEDS

Based on an Offer Price of HK\$3.24 per Offer Share (being the mid-point of the indicative Offer Price range between HK\$2.86 per Offer Share and HK\$3.62 per Offer Share), the gross proceeds of the Share Offer, assuming that the Over-allotment Option is not exercised, are estimated to be approximately HK\$324 million. The net proceeds of the Share Offer after deducting the expenses payable by the Company, assuming that the Over-allotment is not exercised, are estimated to be approximately HK\$300 million. At present, the Directors intend to apply the net proceeds for the following purposes:

- approximately HK\$75 million for the expansion of the Group's sales network by increasing the number of retail outlets in the capital and major cities in provinces in the PRC and Hong Kong respectively by approximately 300 by the end of 2007;
- approximately HK\$75 million for the promotion and marketing of *EMBRY FORM*, *FANDECIE* and *COMFIT* products;
- approximately HK\$15 million for the promotion and marketing of *LC* products;
- approximately HK\$66 million for the establishment of the Shandong Factory (including approximately HK\$40 million for the related construction work, approximately HK\$18 million for the installation of approximately 1,600 additional sewing machines and approximately HK\$8 million for the installation of other production facilities);
- approximately HK\$22 million for the Group's product development;

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- approximately HK\$18 million for the enhancement of the Group's ERP and other information technology systems; and
- the balance of approximately HK\$29 million to be used as additional general working capital of the Group.

In the event that the Offer Price is fixed at HK\$3.62 per Offer Share, being the highest point of the indicative Offer Price range, the net proceeds will be increased by approximately HK\$37 million. The Directors intend to apply approximately 40% of such additional net proceeds for the opening of new retail outlets in the PRC and Hong Kong, approximately 30% for the promotion of *LC* products and approximately 30% as for the Group's product development. In the event that the Offer Price is fixed at HK\$2.86 per Offer Share, being the lowest point of the indicative Offer Price range, the net proceeds will be reduced by approximately HK\$37 million. In such circumstances, the Directors intend to reduce the application of the proceeds for the opening of new retail outlets, promotion and marketing of *EMBRY FORM*, *FANDECIE* and *COMFIT* products and additional general working capital by approximately HK\$15 million, HK\$10 million and HK\$12 million respectively.

If the Over-allotment Option is exercised in full, based on an Offer Price of HK\$3.24 per Offer Share (being the mid-point of the indicative Offer Price range between HK\$2.86 per Offer Share and HK\$3.62 per Offer Share), the net proceeds will be increased by approximately HK\$47 million (the "Additional Proceeds"). The Directors intend to apply approximately 40% of the Additional Proceeds for the opening of new retail outlets, approximately 50% of the Additional Proceeds for the promotion of *LC* products, and the remaining approximately 10% of the Additional Proceeds as additional general working capital of the Group.

To the extent that any part of the net proceeds from the Share Offer are not immediately required for the above purposes, it is the present intention of the Directors that such net proceeds will be placed on short-term investments and/or short-term deposits with banks and/or financial institutions in Hong Kong.