
FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS AND PROSPECTS

The Group intends to continue to expand its retail network in Greater China, particularly in Hong Kong, as follows:

Expansion of the Group's retail network in Hong Kong

The Group plans to expand its retail network in Hong Kong to grow its market share and to capitalise on the recovering domestic economy and the continued improvement in the domestic retail apparel industry. The Group intends to open up to an aggregate of 152 retail stores in Hong Kong by 28 February 2006, comprising of multi-brand stores to enable the Group to offer a wider selection of international brands and single-brand stores for "spin-offs" of select brands, including newly introduced brands.

The Group also intends to renovate certain of its older retail stores to maintain the sophisticated and contemporary atmosphere of these stores and to continue to enhance its operational systems.

Expansion of the Group's retail network through GSIT

The Group plans to expand its retail network in the PRC and Taiwan through GSIT to benefit from the continued economic growth, increasing purchasing power and the changing fashion preference of its target customers, particularly in the PRC. The Group expects to open up to an aggregate of 160 retail stores in the PRC by 28 February 2006, comprising of both multi-brand and single-brand stores, particularly in Beijing, Shanghai and Hangzhou to increase its presence and market share in those markets. The Group also intends to expand its retail network in Taiwan by opening a further 30 retail stores by the year ending 28 February 2006.

USE OF PROCEEDS

The net proceeds of the Offering after deducting related expenses, and assuming an Offer Price of HK\$1.85 per Share (being the mid-point of the stated range of the Offer Price of between HK\$1.75 and HK\$1.95 per Share) and that the Over-allotment Option is not exercised in whole or in part, are estimated to amount to approximately HK\$432.5 million. To effect the Group's future plans (details of which are more particularly set out in the section headed "Future plans and use of proceeds — Future plans and prospects" in this prospectus), the Group currently intends to apply the net proceeds as follows:

- approximately HK\$280 million to fund the expansion of the Group's retail network in Hong Kong, including approximately HK\$171 million for the opening of multi-brand stores, approximately HK\$49 million for the opening of single brand stores and approximately HK\$60 million for the renovation of the older stores in Hong Kong. The Group expects to open approximately 23 new stores in Hong Kong by 28 February 2006 and the Group further expects to open new stores with a total floor area of up to approximately 120,000 sq.ft. in the three years from March 2005. All the premises for the new stores are expected to be leased by the Group.

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- approximately HK\$60 million to fund the Group's retail network in the PRC and Taiwan, namely:
 - approximately HK\$40 million to fund the retail network expansion in the PRC; and
 - approximately HK\$20 million to fund the retail network expansion in Taiwan;
- approximately HK\$85 million to repay a portion of the Group's existing long-term bank loans, including approximately HK\$20 million of a HK\$50 million loan from Hang Seng Bank (dated 12 May 2004 carrying interest at 2.5% over HIBOR per annum, maturing in August 2009, the proceeds of which were used to fund the expansion of the Group's retail network) and approximately HK\$65 million of a HK\$100 million loan from The Hongkong and Shanghai Banking Corporation Ltd. (dated 20 October 2004 and drawn on 17 February 2005 carrying interest at 1.5% over 1 month HIBOR per annum or on daily balances at 2.5% per annum below prime rate, expected to mature in January 2008, approximately HK\$68 million of the proceeds of which was used to pay a HK\$190 million dividend and the remaining approximately HK\$32 million was used for working capital. This dividend was declared for the year ending 28 February 2005 and has already been distributed, and therefore will not be paid to new investors participating in the Offering. Further details on this dividend are found in the section headed "Financial information — Dividend and distributable reserves" in this prospectus.); and
- the remaining amount will be used as general working capital.

In the event that the Over-allotment Option is exercised in full, the additional net proceeds of approximately HK\$82.4 million (assuming the Offer Price is determined at the mid-point of the stated range) will be applied by the Group as follows: approximately HK\$40 million will be used to fund the Group's Hong Kong expansion, approximately HK\$30 million will be applied to further fund the PRC and Taiwan expansion, approximately HK\$10 million will be used to repay existing debt, and the remaining amount of approximately HK\$2.4 million will be used as general working capital. To the extent that the net proceeds of the Offering are not immediately required for the above purposes, the Directors presently intend that such proceeds will be placed on short-term deposits with licensed banks or financial institutions.

The Directors do not believe that the Group has over-expanded in any market in which it operates, including Hong Kong, in significant part because the Group intends to expand using a portfolio of brands and stores (including brands yet to be introduced), and not just one brand. Its expansion plans in Hong Kong and elsewhere are predicated on management's belief that further market opportunities remain in these markets. This belief is based in part on management's experience in the industry, as well as a belief that Hong Kong's broader economy will continue to improve. The Group has not in the past and does not currently commission feasibility studies by third parties in connection with its expansion.