

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS AND STRATEGIES

It is the strategy of the Group to continue to work towards improving the quality of its air-conditioner/air-conditioning systems in terms of quiet level, energy efficiency, air purification and durability and strengthening its market position within the air-conditioner industry in the PRC. The Group aims to become a top air-conditioner manufacturer in the PRC. The Group aims to achieve these objectives through the implementation of its business strategies, details of which are set out in the section headed “Business – Business strategies” in this prospectus.

USE OF PROCEEDS

The Directors believe that the Global Offering will raise and strengthen the Group’s corporate profile and capital base, and will provide funding for achieving the Group’s business strategies and carrying out its future plans.

The net proceeds of the Global Offering are estimated to be approximately HK\$93.8 million, before exercise of the Over-allotment Option, after deducting underwriting commissions and other estimated expenses and assuming an Offer Price of HK\$1.885 per Share, being the mid-point of the stated range of the Offer Price, or approximately HK\$113.6 million if the Over-allotment Option is exercised in full, after deducting underwriting commissions and other estimated expenses and assuming the same mid-point Offer Price. The Directors intend to use such net proceeds as follows:

- approximately 60.0% of the net proceeds, or approximately HK\$56.3 million, to expand the Group’s manufacturing capacity for the production of commercial air-conditioning products. These expansion projects have commenced but were slowed down in view of the economic downturn, and the Group adjusted the construction work schedule in accordance with its business needs. It is expected that the manufacturing capacity expansion project will commence in the second half of 2009 and will be completed in the first half of 2011, after which, the number of production lines for the manufacture of the Group’s commercial air-conditioning products will be increased from seven to nine;
- approximately 30.0% of the net proceeds, or approximately HK\$28.1 million, for advertising and marketing activities including those relating to (i) the promotion of the Group’s brand name and products through nationwide television media as well as outdoor advertising media, published media and the internet; (ii) further cooperation with regional distributors with a view to enhancing their promotional stores; (iii) promotional activities targeted at end-users; (iv) the production of promotional gifts; and (v) participating in trade shows; and
- the remaining amount as funding for working capital.

In the event that the Over-allotment Option is exercised in full, the Group will receive additional net proceeds of approximately HK\$19.8 million, which the Directors intend to use for advertising and marketing activities.

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In the event that Offer Price is fixed at the highest or the lowest point of the indicative Offer Price range, the net proceeds of the Global Offering to the Group will be approximately HK\$120.7 million and HK\$66.8 million, respectively, and the Group will adjust its allocation of the net proceeds for the above purposes on a pro rata basis.

The remittance of the net proceeds of the Global Offering into the PRC shall be subject to the approvals from the relevant PRC authorities including the foreign exchange registration and/or the Ministry of Commerce or its authorised local bureau, but, as the Offer Price and the final amount of the proceeds of the Global Offering have yet to be determined, the application for such approvals and/or registration is not practicable prior to the completion of the Global Offering. The Group will apply for the requisite approvals and the foreign exchange registration after the completion of the Global Offering. To the extent that the net proceeds of the Global Offering are not immediately required for the above purposes or if the Group is unable to effect any part of its development plan as intended or if the Group is unable to obtain the requisite approvals or to complete the foreign exchange registration, it may hold such funds in short-term deposits with banks and/or financial institutions in Hong Kong for so long as it deems to be in the best interests of the Group. In such event, the Company will comply with the appropriate disclosure requirements under the Listing Rules.