
FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

We aim to become the dominant player in China's overall therapeutic tea market. We intend to achieve this through our business strategies, details of which are set out in the section headed "Business — Our Strategies" in this prospectus.

USE OF PROCEEDS

We estimate that we will receive net proceeds from the Global Offering of approximately HK\$1,069.8 million, after deducting the underwriting fees and expenses payable by us in the Global Offering, and assuming an Offer Price of HK\$2.75 per Share, being the mid-point of the offer price range stated in this prospectus. We intend to use these net proceeds for the following purposes:

- approximately 40% of the net proceeds, or HK\$427.9, to be used for capital expenditures to purchase new packaging equipment, principally including IMA C24 automatic packaging machines, of which we currently intend to purchase 25 by the end of 2012, each machine having an effective annual production capacity of 60,000,000 tea bags, and other production equipment and to establish new production facilities, in particular a new production facility on land already acquired in Fangshan District, Beijing that will be used for production of our expanded line of Besunyen brand therapeutic teas;
- approximately 30% of the net proceeds, or HK\$320.9, to be used for establishing an east China headquarters in Shanghai as our regional center, including building the facilities to accommodate our marketing, sales, and research and development teams located in Shanghai;
- approximately 5% of the net proceeds, or HK\$53.5, to be used for expanding and enhancing our current distribution network and local sales teams and marketing and promoting our brand and existing and new products, including establishing and enhancing our distribution channels and sales teams to increase our penetration in second-tier and third-tier cities and expand into an additional 60-70 third-tier cities by the end of 2011, expanding our supermarket and convenience store distribution and retail network, expanding and improving our e-commerce platforms, increasing advertising, marketing and promotional activities as well as launching e-marketing campaigns;
- approximately 10% of the net proceeds, or HK\$107.0, to be used for designing, researching and developing new tea products and improving our existing and pipeline products, including expenditures for designing improved packaging and preparing to apply for SFDA approvals for new products;
- approximately 8% of the net proceeds, or HK\$85.6, to be used for repayment of our outstanding debt, which includes a bank loan borrowed in 2008 and maturing in April 2011 with RMB23.0 million outstanding and a bank loan used for purchasing additional packaging equipment borrowed in January 2010 and maturing in February 2013 with RMB50.0 million outstanding, both of which currently carry a 5.94% annual interest rate;
- approximately 3% of the net proceeds, or HK\$32.1, to be used for upgrading our ERP system and overall IT system; and
- approximately 4% of the net proceeds, or HK\$42.8, to be used for working capital and other general corporate purposes.

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The above allocation of the proceeds, except for the proceeds allocated to purchase new packaging equipment, establish an east China headquarters in Shanghai and repay our outstanding debt, will be adjusted on a pro rata basis in the event that the Offer Price is fixed below or above the mid-point of the indicative price range. If the Offer Price is set at the lowest end of the price range (HK\$2.38), the net proceeds will be approximately HK\$920.1. If the Offer Price is set at the highest end of the price range (HK\$3.12), the net proceeds will be approximately HK\$1,219.4 million.

We will issue an appropriate announcement if there is any material change in the above-mentioned use of proceeds.

We will not receive any proceeds of the Global Offering from the sale of Shares by the Selling Shareholder.