
FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

Please refer to the section headed “Business — Our business strategies” in this Prospectus for a detailed discussion of our future plans.

USE OF PROCEEDS

We estimate that we will receive net proceeds of approximately HK\$570.0 million from the Global Offering, assuming that the Over-allotment Option is not exercised, after deducting the underwriting commissions and other estimated offering expenses payable by us and based on the offer price of HK\$1.60 per Share.

We intend to use the proceeds from the Global Offering for the purposes and in the amounts set out below:

- approximately 35%, or HK\$199.5 million, is expected to be used for the expansion of our distribution network and supporting our distributors in opening new retail outlets as well as upgrading existing retail outlets by the end of 2015, of which (i) approximately 50% is expected to be used to fund the support, such as store decoration expenses and promotion materials, for our distributors to establish new retail outlets, as well as rental subsidies for selected specialty stores; and (ii) approximately 50% is expected to be used to fund the support for our distributors in their efforts to renovate the store image and expand the store space and product offering at existing retail outlets, such as providing renovation expenses, store display materials and advertisement billboards. Through such support, we plan to open over 50 new Hosa retail outlets operated by our distributors or sub-distributors and increase the number of Hosa retail outlets to over 1,200 spanning 28 provinces and municipalities by the end of 2011;
- approximately 25%, or HK\$142.5 million, is expected to be used to further enhance our brand image through marketing and promotion, of which (i) approximately 40% is expected to be used for advertising on major television networks and websites and in leading sports and fashion magazines and other print media as well as placing billboards at subway stations and highways; (ii) approximately 35% is expected to be used for establishing flagship stores in major cities, distributing marketing and promotion materials, attending industry exhibitions and hosting distributorship promotion activities to attract new distributors; (iii) approximately 15% is expected to be used for sponsorships of popular sports and fashion events and other public relationship activities and (iv) approximately 10% is expected to be used in professional services for our advertising, marketing and promotion activities;
- approximately 15%, or HK\$85.5 million, is expected to be used for the expansion of our production capacity, including adding new production lines for our swimwear, fitness wear and sports underwear products, upgrading our existing manufacturing facilities by acquiring additional equipment and machinery as well as investing in new production facilities;
- approximately 10%, or HK\$57.0 million, is expected to be used for research, design and development activities, such as (i) recruiting additional professional designers and research, design and development staff; (ii) engaging design and consultancy firms; (iii) upgrading our

FUTURE PLANS AND USE OF PROCEEDS

research, design and development platform to further enhance our design and technology capabilities; and (iv) collaborating with external contract manufacturers to develop new products that complement our existing product offering;

- approximately 5%, or HK\$28.5 million, is expected to be used for further developing and upgrading our supply chain and information management systems, such as by implementing the DRP, ERP and CRM systems, to further improve the efficiency of our operations; and
- the remaining approximately 10%, or HK\$57.0 million, is expected to be used to fund our working capital and general corporate purposes.

To the extent that the net proceeds from the Global Offering are not immediately applied to the above purposes, we intend to deposit the proceeds into interest-bearing bank accounts with financial institutions.

If the Over-allotment Option is exercised in full, the net proceeds from the Global Offering will increase to approximately HK\$633.4 million, based on an offer price of HK\$1.60 per Share.