

FUTURE PLANS AND USE OF PROCEEDS

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See the section headed “Business — Business Strategies” in this Prospectus for a detailed description of our future plans.

The net proceeds from the Global Offering, after deducting underwriting fees and estimated expenses payable by our Company in connection thereto, are estimated to be approximately HK\$135.0 million, assuming that the Over-allotment Option is not exercised and assuming an Offer Price of HK\$0.665 per Share, being the mid-point of the proposed Offer Price range of HK\$0.60 to HK\$0.73 per Share. We intend to use such net proceeds as follows:

- Approximately RMB44.2 million, equivalent to HK\$55.2 million or 40.9% towards equipment and machinery for production of coloured polyester-cotton blended yarns with a production capacity of approximately 60,000 spindles;
- Approximately RMB31.0 million, equivalent to HK\$38.7 million or 28.7% towards equipment and machinery for production of open-end spun yarns with a production capacity of approximately 20,000 spindles;
- Approximately RMB21.0 million, equivalent to HK\$26.2 million or 19.4% towards payment for construction of new production facility, not including the cost of land use rights;
- Approximately RMB1.1 million, equivalent to HK\$1.4 million or 1.0% towards further enhance our marketing network, brand awareness and reputation; and
- Approximately RMB10.8 million, equivalent to HK\$13.5 million or 10.0% towards working capital and general corporate purposes.

If the Offer Price is set at the high-end or low-end of the proposed offer price range, the net proceeds of the Global Offering (assuming that the Over-allotment Option is not exercised) will increase or decrease by approximately HK\$15.8 million, respectively. In such event, we will increase or decrease the allocation of the net proceeds to the above purposes on a *pro rata* basis.

If the Over-allotment Option is exercised in full, the net proceeds from the Global Offering will increase to approximately HK\$159.2 million, assuming an Offer Price of HK\$0.665 per Share, being the mid-point of the proposed Offer Price range. If the Offer Price is set at the high-end or low-end of the proposed Offer Price range, the net proceeds of the Global Offering (including the proceeds from the exercise of the Over-allotment Option) will increase or decrease by approximately HK\$18.1 million, respectively. We intend to apply the additional net proceeds to the above uses in the proportions stated above.

To the extent that the net proceeds of the Global Offering are not immediately applied to the above purposes, it is our present intention that such net proceeds will be deposited into interest-bearing bank accounts with licensed banks and/or financial institutions in Hong Kong or in the PRC.