

FUTURE PLANS AND USE OF PROCEEDS

Future Plans

Please see “Business — Strategies” for a detailed description of our future plans.

Use of Proceeds

We estimate the net proceeds from the Global Offering accruing to us, after deduction of underwriting fees and estimated expenses payable by us in relation to the Global Offering, assuming an Offer Price of HK\$3.58, being the mid-point of the proposed Offer Price range of HK\$2.95 to HK\$4.20 to be approximately HK\$1,235.6 million (assuming the Over-allotment Option is not exercised).

We intend to use the net proceeds from the Global Offering in the following manner:

- approximately 20% of the net proceeds, or HK\$247.1 million, to develop our existing brands and to further strengthen and promote the image and recognition of our current and future brands. This may include expenditures on marketing and advertisement (through TV, magazines, newspapers, outdoor, internet, and other forms of media), promotional campaigns, establishment of distribution training and after sale service center, and potential acquisitions or development of new brands, which as of the Latest Practicable Date had not yet been identified;
- approximately 22% of the net proceeds, or HK\$271.8 million, to further expand and strengthen our distribution network for our existing products, and possibly acquire other distribution networks for new products, of which (i) approximately 20% or HK\$54.4 million, will be used to establish and invest in flagship retail stores for our flooring products; (ii) approximately 40% or HK\$108.7 million, will be used to establish and invest in retail stores for new product lines; (iii) approximately 40% or HK\$108.7 million, will be used to establish and invest in overseas distribution network;
- approximately 15% of the net proceeds, or HK\$185.3 million, to fund capital expenditures, of which (i) approximately 18% or HK\$33.4 million, will be used to upgrade and expand our existing production facilities in Guangdong Yingran and Jiangxi Yingran for laminated flooring products; and (ii) approximately 82% or HK\$151.9 million, will be used to build new production facilities in Zhangjiagang Nature and Jiangxi Nature for new product lines such as wood doors, wardrobes and cabinets. We expect that the above capital expenditure plan will be completed in the next three years, although the detailed expansion plan may be adjusted depending on our production needs;
- approximately 23% of the net proceeds, or HK\$284.2 million, for strategic merger and acquisition opportunities (such as forest assets, products, brands and others that are complementary to our business), if we identify suitable target companies, businesses, assets or opportunities. However, we currently do not have any specific merger or acquisition targets;

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- approximately 10% of the net proceeds, or HK\$123.6 million, to expand our product portfolio through in-house development of new products and/or acquisitions of products that are complementary to our portfolio; and
- approximately 10% of the net proceeds, or HK\$123.6 million, for additional working capital and general corporate purposes.

In the event that the Offer Price is fixed at HK\$4.20 per Share, being the high-end of the indicative price range, the net proceeds will increase by approximately HK\$222.8 million. In such circumstances, we intend to apply the additional proceeds for the above purposes proportionally.

In the event that the Offer Price is fixed at HK\$2.95 per Share, being the low-end of the indicative price range, the net proceeds will reduce by approximately HK\$226.4 million. In such circumstances, we intend to reduce the application of the proceeds for the above purposes proportionally.

We will grant the Over-allotment Option to the International Underwriters, exercisable by the Joint Global Coordinators on behalf of the International Underwriters, after consultation with the Joint Bookrunners as part of the Global Offering. If the Over-allotment Option is exercised in full, we estimate that the aggregate net proceeds to the Global Offering (after deducting underwriting commissions and estimated expenses payable by us in connection with the Global Offering), assuming an Offer Price of HK\$3.58 per Share, will be approximately HK\$1,428.5 million. In the event that the Offer Price is determined at the low-end and high-end of the indicative Offer Price range, assuming a full exercise of the Over-allotment Option, the net proceeds from the Global Offering will be approximately HK\$1,168.2 million and HK\$1,684.7 million, respectively. We intend to apply the additional net proceeds from the exercise of the Over-allotment Option to the above purposes proportionally.

To the extent that the net proceeds of the Global Offering are not immediately required for the above purposes, we currently intend that such proceeds will be placed on short-term deposits with licensed banks or financial institutions in Hong Kong.