
FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

We have been successfully growing our business in the past. We aim to continue to expand our retail network and increase our per store profitability, upgrade and integrate existing production facilities to enhance production and operation efficiency, further strengthen our R&D capabilities to provide diverse product offerings and higher-value products, further enhance our brand recognition. We also pursue strategic acquisitions to further expand our geographic coverage and product offerings. Please see the section headed “Our Business – Our Strategies” in this prospectus for a detailed description of our future plans.

USE OF PROCEEDS

We estimate that we will receive net proceeds from the Global Offering of approximately HK\$415.8 million (assuming an Offer Price of HK\$1.91 per Share, being the mid-point of the estimated Offer Price range), after deducting the underwriting fees and commissions and estimated expenses payable by us in relation to the Global Offering, and assuming the Over-Allotment Option is not exercised.

We intend to use the net proceeds we will receive from the Global Offering for the following purposes in the three years following the Global Offering:

- approximately 41% of net proceeds will be used for the expansion of our retail network by opening new retail outlets (including self-expansion or by acquiring other bakery chain in the PRC). We currently plan to open around 320 additional retail outlets in 2012 and 2013, and plan to open additional retail outlets in the future depending on the market condition and our expansion plans. Please see the section headed “Our Business – Our Retail Network – Retail outlets” in this prospectus for further details;
- approximately 39% of net proceeds will be used to fund our capital expenditure plan, including the expansion of the capacity of our existing production facilities such as Long Wu, Ji Yuan De, Jiang Ning, Shuang Hong central bakeries, and purchase of parcels of land for construction of new production facilities in Hangzhou. Please see the section headed “Our Business – Our Strategies – Upgrade and integrate production facilities to enhance production capacity and operation efficiency” in this prospectus for further details;
- approximately 10% of net proceeds will be used for the addition and improvement of our information technology systems and the R&D of new products; and
- the balance of the proceeds will be used as general operating working capital of the Group.

To the extent our net proceeds are either more or less than expected, we will adjust our allocation of the net proceeds for the above purposes on a pro rata basis.

To the extent that the net proceeds of the Global Offering are not immediately used for the purposes described above, they will be placed on short term demand deposits with authorized financial institutions and/or licensed banks in Hong Kong and/or the PRC.

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The net proceeds of the Global Offering (after deducting the underwriting fees and commissions and estimated expenses payable by us in relation to the Global Offering), based on the highest point of the Offer Price range (HK\$2.22 per Share), are estimated to be approximately HK\$490.6 million, representing additional net proceeds of approximately HK\$74.8 million. The net proceeds of the Global Offering (after deducting the underwriting fees and commissions and estimated expenses payable by us in relation to the Global Offering), based on the lowest point of the Offer Price range (HK\$1.60 per Share), are estimated to be approximately HK\$341.0 million, representing a difference of HK\$74.8 million in the net proceeds. The proportion of net proceeds allocated to each of the intended uses will remain the same in both cases.

In the event that the Over-allotment Option is exercised in full, we will receive additional net proceeds of approximately HK\$69.3 million (assuming an Offer Price of HK\$1.91 per Share being the mid-point in the Offer Price range). We intend to apply the additional net proceeds to the above uses in the proportions stated above.

Pursuant to the “Taiwan/Mainland Investment Regulations” promulgated by the Taiwan Investment Commission, the total annual cumulative investment amount in PRC enterprises by Taiwanese individuals or entities is subject to certain investment limits. Having considered the relevant regulations, we will adopt measures that comply with the relevant regulations when injecting the net proceeds we receive from the Global Offering to our PRC operating subsidiaries. For instance, we expect the net proceeds we receive from the Global Offering will be remitted to our PRC operating subsidiaries by installments over a three year period in accordance with our business strategies and development plan. Based on our current shareholding structure and the investment limit set forth in the Taiwan/Mainland Investment Regulations, we expect that each installment will not exceed US\$27.8 million (or approximately HK\$216.4 million). In addition, we may consider injecting the remaining proceeds we receive from the Global Offering through loans to our PRC subsidiaries, subject to approval from the relevant PRC government authorities. For further details regarding the rules and regulations governing the foreign debts, please see the section headed “Regulation – Laws and Regulations Relating to Foreign Debts” in this prospectus.

Based on our Taiwan legal advisor’s interpretation and its oral consultation with Taiwan Investment Commission, we believe that the Taiwan Investment Commission would likely take the position that any future investment by us in the PRC by using the proceeds from the Global Offering will be considered as additional investment by the Taiwanese Shareholders in proportion to their respective shareholding in the Company. In connection with the prior approval from the Taiwan Investment Commission required for the injection of proceeds from the Global Offering, our Taiwan legal advisor advised that based on their past experiences in assisting other Taiwanese individuals to apply for prior approval from the Taiwan Investment Commission in connection with their investments in the PRC, in normal cases, so long as the Taiwanese individual meets the criteria prescribed by the Taiwan/Mainland Investment Regulations and all the required application documents are in order, there should be no major legal obstacles preventing such Taiwanese individual from obtaining approval from the Taiwan Investment Commission. We confirm that we will make an announcement on the outcome of the Taiwan Investment Commission application. Based on the advice from our Taiwan legal advisor, in normal cases, we could expect that such approval can be obtained within two months of the filing of the application if all required documents are in order.

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We had net current liabilities of approximately RMB71.4 million, RMB86.3 million, RMB89.0 million as of December 31, 2008, 2009 and 2010, respectively. As of September 30, 2011, we had net current assets of approximately RMB31.7 million. Our net current liabilities positions in 2008, 2009 and 2010 were mainly due to the fact that we recorded a large number of deposit from customers as a result of our coupon sales in each of 2008, 2009 and 2010. In addition, as of November 30, 2011, we have unused bank facilities in the amount of RMB100 million. Taking into account the net proceeds of the Global Offering, available bank facilities and net cash from operating activities, our Directors confirm that we have sufficient working capital to meet our present requirements and future requirements for at least the next twelve months from the date of this prospectus. The Sole Sponsor also concurs with our Directors' view.