
FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

Going forward, our vision is to continue to solidify and enhance our leading position in the high-end home textile fabric market in the PRC. To achieve this goal, we plan to pursue the following strategies set out in the section entitled “Business — Business Strategies”.

- Expanding and upgrading our production facilities to capture growth opportunities and enhance our market share;
- Expanding our product mix by enhancing our research and development capabilities;
- Strengthening our brand building efforts for our products; and
- Seeking strategic investments and/or cooperative alliances with a view to securing our raw material supplies and capturing other potential market opportunities as they arise.

Our Directors consider that there was a significant growth in China’s economy, consumption power and the high-end fabric market in the past few years and such growing trend is expected to continue in the near future (as outlined in the Euromonitor Report). As such, our Directors believe that the demand for our Group’s products which are strategically focused on high-end home textile fabric market in the PRC is expected to continue to expand. To meet such growing demand as well as to strengthen our Group’s market position and increase our market share, expand our product portfolio and in consideration of the utilization rates of our Group’s production facilities, our Company decides to implement the expansion plans which will mainly focus on expanding and upgrading our Group’s production facilities for our Fabric Products, and increasing our product varieties.

USE OF PROCEEDS FROM THE GLOBAL OFFERING

We estimate that the aggregate net proceeds from the Global Offering (after deducting underwriting fees and estimated expenses payable by us in connection with the Global Offering) will be approximately HK\$154 million (or approximately HK\$182 million assuming the Over-allotment Option is exercised in full), assuming an Offer Price of HK\$1.21 per Share, which is the mid-point of the indicative Offer Price range of HK\$1.10 to HK\$1.32 per Share.

We currently intend to apply the net proceeds from the Global Offering as follows:

- as to approximately 66% of the estimated net proceeds or approximately HK\$102 million for expansion and upgrade of our production facilities of wide width shuttleless loom and supporting equipment, which are planned for increasing our aggregate annual production capacity of dobby fabrics products by approximately 7.7 million meters, and other ancillary facilities, to enhance our Fabric Products weaving capacity;

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- as to approximately 19% of the estimated net proceeds or approximately HK\$30 million for financing the acquisition of land use right to house the above additional production facilities to be acquired by our Company;
- as to approximately 5% of the estimated net proceeds or approximately HK\$7 million for enhancing our research and development capabilities which support the expansion of our product mix and development, including the use of new raw materials and the relevant production technique;
- as to approximately 3% of the estimated net proceeds or approximately HK\$5 million for upgrading our information management system; and
- as to approximately 7% of the estimated net proceeds or approximately HK\$10 million for general working capital purposes.

If the Offer Price is set at the high-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 by approximately HK\$17 million. In this event, we will increase the allocation of the net proceeds to the above purposes on a pro-rata basis.

If the Offer Price is set at the 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 decrease by approximately HK\$17 million. In this event, we will 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 by approximately HK\$28 million, assuming an Offer Price of HK\$1.21 per Share, being the mid-point of the proposed Offer Price range. In such event, we intend to apply the additional net proceeds to the above uses in the proportion stated above.

To the extent that the net proceeds from the Global Offering are not sufficient to fund the uses set forth above, we intend to fund the balance through a variety of means, including cash generated from our operations and external sources of financing. We currently believe that the net proceeds from the Global Offering, when combined with such external sources of financing, are sufficient for the uses set forth above. To the extent that the net proceeds from the Global Offering are not immediately applied for the above purposes, we intend to deposit the net proceeds from the Global Offering into interest-bearing accounts with banks or other financial institutions. In such event, we will comply with the appropriate disclosure requirements under the Listing Rules.