

FUTURE PLANS

As disclosed in prospectus, the Group intended to apply the net proceeds in the following ways:

1. as to approximately \$18 million for the construction of a new factory in Hui Zhou;
2. as to approximately \$7 million for the acquisition of new machinery and equipment for genuine leather products; and
3. the balance will be used as working capital.

In February 2001, the Group has entered into an agreement in connection with the acquisition of land and construction of new factory in Hui Zhou, at a total consideration of approximately HK\$26 million. As at 30th June 2001, the Group has applied approximately \$22 million of IPO proceeds in accordance with the terms of agreement. In addition, the Group is also considering the possibility in setting up additional production facility in South East Asia region, the initial budget authorized by the board is approximately HK\$3.9 million.

Remaining proceeds from IPO were used as general working capital.