

## **FUTURE PLANS AND USE OF PROCEEDS**

### **FUTURE PLANS AND PROSPECTS**

The Directors believe that the market demand for garment, in particular the South American market, will continue to grow. As set out in the section headed “Industry overview” of this prospectus, the consumer expenditure on clothing in most of the major South American countries has shown an upward trend despite the recent economic downturn.

The Group has commenced the operation of garment manufacturing in 2001. To enjoy a higher profit margin and to ensure a more stable supply of garment to satisfy the market demand anticipated by the Directors, the Group plans to increase its involvement in garment manufacturing and expand its production facilities by adding two new product lines: (1) the production of cashmere jackets for both men and women; and (2) the production of tailor-made men’s suits while at the same time, the Group will expand the production plants. The Directors believe that higher profit margin would be captured by diversifying into the higher end markets of tailor-made men’s suits and cashmere jackets for both men and women.

While South America will still be the principal market of the Group’s products in the near future, the Group plans to explore business opportunities in other countries in order to enhance the production utilisation of the Group. The Group will recruit a team of 4 marketing personnel to approach garment buyers in other new target markets, such as Japan and European countries, to solicit buying orders. As at the Latest Practicable Date, the Group has already recruited 2 marketing managers for the Japanese and European markets respectively.

By expanding the production facilities of the Group together with the years of experience in sourcing garments from its established network, the Directors believe that the Group is able to fully capture the business opportunity offered by the growth in the garment industry.

Moreover, it is the intention of the Directors that the Group will dispose of its entire equity interests in Rontex (Jiayun) to an Independent third party during the financial year ending 31st March, 2003, as the Group, through Rontex (Ningbo), has already established its wholly-owned garment manufacturing operations in Ningbo, the PRC.

### **REASONS FOR THE OFFER AND USE OF PROCEEDS**

The Directors consider that the net proceeds from the issue of the New Shares can facilitate the Group’s expansion plans as set out in the paragraph headed “Future plans and prospects” above.

The net proceeds from the issue of the New Shares, after deducting estimated listing expenses of approximately \$12 million payable as to 60% and 40% by the Company and the Vendor respectively, are estimated to amount to approximately \$28.8 million (assuming the Over-allotment Option is not exercised). The Directors presently intend that such net proceeds will be applied as follows:

- as to approximately \$8 million to acquire additional machinery and equipment for the expansion of the manufacturing capacity of the Group;
- as to approximately \$15 million to expand the production plants of the Group; and
- as to the balance of approximately \$5.8 million as additional working capital of the Group.

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To the extent that the net proceeds from the issue of the New Shares are not immediately required for the above purposes, it is the present intention of the Directors that they will be placed on short-term deposits with financial institutions and/or licensed banks in Hong Kong. Should the Over-allotment Option be exercised in full, the additional net proceeds of approximately \$8.8 million will be available and the Directors intend to use the additional net proceeds as additional working capital of the Group.