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## FUTURE PLANS AND USE OF PROCEEDS

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### FUTURE PLANS

See the section headed “Business—Our Strategy” for a detailed description of our future plans.

### USE OF PROCEEDS

The net proceeds from the Global Offering, after deducting underwriting fees and estimated expenses payable by us, are estimated to be approximately HK\$2,089 million, assuming that the Over-allotment Option is not exercised and assuming an Offer Price of HK\$4.43 per Share, being the mid-point of the proposed Offer Price range of HK\$3.88 to HK\$4.98 per Share. We intend to use the net proceeds as follows:

- Approximately HK\$836 million, or 40% of our total estimated net proceeds, towards further expansion of our retail network by opening new retail outlets in the five years from 2010 to 2014. In the second half of 2010, we plan to open 239 self-managed and 238 authorized third-party department store concessions mainly in eastern China, northern China, central China and northeastern China; five self-managed and one authorized third-party street shops mainly in eastern China and three self-managed and two authorized third-party flagship stores mainly in eastern China, northern China and northeastern China. Our budgeted capital expenditures for our expansion of retail network are estimated to be HK\$27 million and HK\$91 million for 2010 and 2011, respectively. We also plan to allocate approximately HK\$115 million to assist the establishment of authorized third-party retail outlets. We plan to rent some retail premises at good locations for use by authorized third-party retailers due to our strong bargaining power in rental negotiation. We also plan to pay for the interior decoration expenses for certain newly opened authorized third-party retail outlets whose leases are in our name.
- Approximately HK\$209 million, or 10% of our total estimated net proceeds, towards media advertising (including television commercials, Internet advertising, outdoor advertising, and advertisements in newspapers and magazines), and brand promotion and marketing activities (including sponsorship, establishment of Children’s Health Foundation and participation in exhibitions) from the third-quarter of 2010 through 2011, including approximately HK\$45 million towards media advertising and approximately HK\$50 million towards brand promotion and marketing activities.
- Approximately HK\$209 million, or 10% of our total estimated net proceeds, towards expanding logistic facilities (including increasing warehouse capacity and building logistic centers in our sales regions), and upgrading our current information management system to a fully integrated ERP system (including improving our E-MAX and BI systems to improve our efficiency, improving internal controls, establishing connection between operational software and financial software), including approximately HK\$100 million towards the expansion of logistic facilities and HK\$30 million towards upgrading of information management system.
- Approximately HK\$104 million, or 5% of our total estimated net proceeds, towards establishing a research and development center for children’s apparel, footwear, accessories and other children’s products, including recruitment of additional professional designers, engaging of domestic and international design and consulting firms, and development of new materials. We also plan to purchase advanced software, high technological and quality control equipment to assist our research and development and improve our product quality. Our budgeted capital expenditure for the establishment of our research and development center is estimated to be HK\$70 million.

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- Approximately HK\$313 million, or 15% of our total estimated net proceeds, towards implementing our expansion plan, including acquiring companies that are domestically and internationally well-recognized children's product brand owners or retailers, which will be able to offer products or services that are complementary to what we offer, or forming alliance with strategic partners. As of the Latest Practicable Date, we had not identified any targets.
- Approximately HK\$209 million, or 10% of our total estimated net proceeds, towards repayment of our existing bank borrowings, which consist of (i) short term bank loans from Bank of Communications, Shanghai Bank and China Merchants Bank used for working capital purposes with interest rates ranging from 4.64% to 8.18% per annum and maturity periods ranging from six months to one year, and (ii) a bank loan in the aggregate amount of HK\$110 million provided by BOCOM Holdings, which is used for working capital and other general corporate purposes.
- Approximately HK\$209 million, or 10% of our total estimated net proceeds, towards providing funding for our working capital and other general corporate purposes.

BOCOM Asia is not an independent sponsor pursuant to Rule 3A.07 of the Listing Rules in view of its interests in our Company as set out below:

- (1) As of the Latest Practicable Date, BOCOM Holdings, being the holding company of BOCOM Asia, holds approximately 0.5% of the issued share capital of our Company. It is expected that upon the Listing, BOCOM Holdings will hold approximately 0.375% of the issued share capital of our Company (assuming the Over-allotment Option is not exercised).
- (2) On December 10, 2009, BOCOM Holdings entered into a loan agreement with the Company, pursuant to which, BOCOM Holdings agreed to provide a loan in an aggregate amount of HK\$110 million to our Company at an interest rate of 15% per annum. The Company is required to repay the loan on or before: (i) the expiration of seven business days from the Listing Date; or (ii) the expiration of 12 months (which can be extended to 18 months by mutual agreement) from December 10, 2009, whichever is the earlier.

If the Offer Price is set at the high-end or 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 increase or decrease by approximately HK\$265 million, respectively. In this event, we will increase or 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 to approximately HK\$2,410 million, assuming an Offer Price of HK\$4.43 per Share, being the mid-point of the proposed Offer Price range. If the Offer Price is set at the high-end or low end of the proposed Offer Price range, the net proceeds of the Global Offering (including the proceeds from the exercise of the Over-allotment Option) will increase or decrease by approximately HK\$305 million, respectively. We intend to apply the additional net proceeds to the above uses in the proportions stated above.

To the extent that the net proceeds of the Global Offering are not immediately applied to the above purposes, it is our present intention that such net proceeds will be deposited into interest-bearing bank accounts with licensed banks and/or financial institutions in Hong Kong.