
FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

See the section headed “Business — Business Strategies” 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\$2,447.2 million (assuming an Offer Price of HK\$13.98, 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.

We intend to use the net proceeds we will receive from this offering for the following purposes:

- approximately 90% of net proceeds to us (approximately HK\$2,202.5 million, assuming an Offer Price of HK\$13.98, being the mid-point of the estimated Offer Price range) will be used to finance the development of our Group, consisting for this purpose principally of:
 - approximately 65% for new store openings globally. Our strategy is to continue to increase the number of our Retail Stores internationally, and in particular, in countries where we believe there is likely to be a growth in demand for our L’Occitane and Melvita products. These may include high growth emerging markets such as China, Brazil, Russia, India and Mexico as well as countries where we have not yet achieved a mature presence such as Japan, the US, the UK, Germany and Korea. Our overall strategy is to aim to increase the total Retail Stores by approximately 650 over the next five years. The number of new stores for each of our L’Occitane and Melvita brands will depend on the speed of development of the natural and organic cosmetics market in each country. Accordingly, the allocation of proceeds between the two brands may vary. We estimate that over the next five years, approximately 15% to 25% of the net proceeds will be dedicated to opening new Melvita stores, whereas 40% to 50% of the proceeds will be dedicated to opening new Own L’Occitane Stores, although this allocation may be adjusted depending on market circumstances;
 - approximately 20% for the extension and improvement of our manufacturing plants in Manosque and in Lagorce, and to build a new central warehouse. These extensions and improvements to our manufacturing plants are needed principally in order to comply with new ISO standards that will apply to us and to improve our production quality and efficiency. The building of a new warehouse is needed principally to increase our warehousing capacity. Please see the sections headed “Business — Production — Our Manufacturing Facilities” and “Business — Logistics and Inventory Management — Inventory” for further details relating to our plans for improving our manufacturing and building our new warehousing facility;
 - approximately 2.5% for the development of our research and development in order to continue to improve our product quality and meet the increasing consumer demand for high quality and effective products, particularly in the face care segment; and
 - approximately 2.5% for the development of internet and e-commerce channels which we believe have a high growth potential.

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- approximately 10% of net proceeds to us (approximately HK\$244.7 million, assuming an Offer Price of HK\$13.98, being the mid-point of the estimated Offer Price range) will be used for working capital and general corporate purposes.

As discussed in the section headed “Business — Business Strategies”, one of our business strategies is that, subject to market conditions and opportunities, we may acquire existing brands which we consider appropriate. Accordingly, we will from time to time explore opportunities for investments, although we currently do not have any identified or potential acquisition targets. In the future if we make any such investment, we will make appropriate disclosure in compliance with applicable requirements of the Listing Rules. Please see the section headed “Business — Business Strategies — Develop our portfolio of brands to capture the organic market through the international development of our newly acquired Melvita brand and other potential market opportunities by establishing, in the future, additional brands recognised for their own distinct characteristics” for further information regarding such potential acquisitions in the context of our business strategies.

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 proceeds are not used immediately for the purposes stated, they will be invested in short term demand deposits and money market instruments.

In the event that the Offer Price is set at HK\$12.88 (being the low end of the indicative Offer Price range of HK\$12.88 to HK\$15.08 per Share as stated in this prospectus) and assuming the Over-allotment Option is not exercised, the net proceeds received by us will be reduced by approximately HK\$195.2 million. In the event that the Offer Price is set at HK\$15.08 (being the high end of the indicative Offer Price range of HK\$12.88 to HK\$15.08 per Share as stated in this prospectus) and assuming the Over-allotment Option is not exercised, the net proceeds received by us will be increased by approximately HK\$195.2 million. In the event that the Over-allotment Option is exercised in full and based on an Offer Price of HK\$13.98 (being the mid-point of the indicative Offer Price range of HK\$12.88 to HK\$15.08 per Share as stated in this prospectus), the net proceeds received by us will be increased by approximately HK\$372.2 million.

We estimate that our Selling Shareholder will receive net proceeds of approximately HK\$2,447.2 million (assuming an Offer Price of HK\$13.98, being the mid-point of the estimated Offer Price range) after deducting the underwriting fees and commissions and estimated expenses payable by the Selling Shareholder in relation to the Global Offering and assuming the Over-allotment Option is not exercised. We will not receive any of the net proceeds of the Global Offering from the sale of Shares by the Selling Shareholder.