
FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS AND PROSPECTS

Please see the section headed “Our Business – Our business strategies” in this prospectus 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\$584 million (assuming the Over-allotment Option is not exercised and assuming an Offer Price of HK\$1.23 per Share, being the mid-point of the indicative Offer Price range), after deducting the underwriting fees and commissions (including the full payment of incentive fee) and estimated expenses payable and to be capitalised by the Company.

We intend to use the net proceeds we will receive from the Global Offering for the following purposes:

- Approximately 24.1% of the net proceeds, or HK\$141 million, will be used for opening of approximately 60 POS for the year ending 30 June 2013, and approximately 200 POS in each of the years ending 30 June 2014 and 2015, respectively, including new POS in Provinces or cities where there is potential for further penetration, such as Changchun, Chengdu, Guiyang, Hefei, Jinan, Shenyang, Tianjin, Xian and Zhengzhou, new POS in lower-tier cities, and new POS in Provinces where we currently have no or very limited presence, such as Gansu and Guizhou.

It is currently estimated that for the opening of each POS for the year ending 30 June 2013, approximately HK\$60,000 will be used for decoration and backdrop, approximately HK\$200,000 will be used for the initial inventory, and approximately HK\$10,000 will be used of other miscellaneous initial expenses, and the costs for opening each POS for the years ending 30 June 2014 and 2015 is adjusted based on an assumed increase in costs by 10% per year.

- Approximately 15.8% of the net proceeds, or HK\$92 million, will be used for establishing around 38 directly managed concept stores for Tian Wang in major cities in the PRC covering different regions across the PRC in the following three years.

We expect to open around six concept stores in first-tier cities such as Beijing, Shanghai, Guangzhou, Shenzhen, Chengdu and Shenyang in 2013, an additional 16 concept stores in each of the year of 2014 and 2015.

It is currently estimated that the average budget for opening a concept store will be approximately HK\$2.2 million for 2013, approximately HK\$2.4 million for 2014 and approximately HK\$2.6 million for 2015. It is currently estimated that for the opening of each concept store for the year ending 30 June 2013, approximately

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HK\$350,000 will be used for refurbishment, decoration and display, approximately HK\$410,000 will be used for the initial inventory, approximately HK\$1,290,000 will be used for rental deposit, and approximately HK\$100,000 will be used of other miscellaneous initial expenses, and the costs for opening each POS for the years ending 30 June 2014 and 2015 is adjusted based on an assumed increase in costs by 10% per year.

For details of our plan to open concept stores and other POS, please refer to the section headed “Our Business – Our business strategies – Promoting brand awareness and sales of Tian Wang and Balco watches through expansion of our Sales Network – Opening concept stores to strengthen our market presence in major cities” in this prospectus.

- Approximately 25.7% of the net proceeds, or HK\$150 million, will be used for establishing joint ventures with experienced operators of watch sales network and acquiring their inventories. We currently expect to use the net proceeds to form approximately six such joint ventures in the following three years, including two to three joint ventures in the next 12 to 18 months in second-and third-tier cities such as Dalian, Jilin and/or Guiyang, where we do not currently have a significant presence. Please refer to the section headed “Our Business – Our business strategies – Promoting brand awareness and sales of Tian Wang and Balco watches through expansion of our Sales Network – Forming joint venture with watch retailers of watch sales network” in this prospectus;
- Approximately 17.8% of the net proceeds, or HK\$104 million, will be used for marketing and promotional activities for Tian Wang in 2013, including (i) approximately 3.4% or approximately HK\$20 million for engaging an active and well-known Chinese television and movie actor celebrity as the new brand spokesperson for our Tian Wang watches, (ii) approximately 2.2% or approximately HK\$13 million for production of the television commercials focusing on the new Tian Wang Spokesperson and (iii) approximately 12.2% or HK\$71 million for rolling-out of advertisement on television and various other media;
- Approximately 4.3% of the net proceeds, or HK\$25 million, will be used for enhancing our product design and development capabilities including approximately 3.4%, or HK\$20 million for engaging additional watch designers including professional Swiss designers experienced in designing for international brands; and approximately 0.9%, or HK\$5 million for acquiring a number of new design softwares to enhance and streamline our product design and development process in the next three years;
- Approximately 11.3% of the net proceeds, or HK\$66 million, will be used for the repayment of bank loans;
- Approximately 1.0% of the net proceeds, or HK\$6 million, will be used for working capital and other general corporate purposes of the Group.

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Any additional net proceeds that we would receive from any exercise of the Over-allotment Option, in full or in part, at any price within the stated Offer Price range, will be applied to the repayment of bank loans and other general corporate purposes, and the proceeds applied to other general corporate purposes will not exceed 10% of the net proceeds received.

In the event that the Offer Price is set at the high-end of the proposed Offer Price range, the net proceeds that we estimate we would receive from the Global Offering (assuming that the Over-allotment Option is not exercised) will increase by approximately HK\$55 million. In such event, we will increase the allocation of the net proceeds to the above purposes in the proportions stated above.

In the event that the Offer Price is set at the low-end of the proposed Offer Price range, the net proceeds that we estimate we would receive from the Global Offering (assuming that the Over-allotment Option is not exercised) will decrease by approximately HK\$58 million and we do not expect any change to our expansion and future plans as disclosed in this prospectus. In such event, we will reduce the net proceeds to be applied to the repayment of bank loans. If the Offer Price is set below the mid-point but above the low-end of the proposed Offer Price range, the reduction in the net proceeds to be applied to these purposes will be proportionally adjusted. To the extent that the net proceeds are not sufficient to fund our expansion and future plans, we intend to fund the balance through a variety of means including cash generated from our operations and bank financing. We currently believe that the net proceeds from the Global Offering, when combined with such alternate sources of financing, are sufficient for our expansion and future plans.

We will issue an announcement in Hong Kong if there is any material change in the use of proceeds described above.