

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

The Group intends to implement the business strategies as set out in the section headed “Business – Business strategies” in this prospectus.

USE OF PROCEEDS

Based on an Offer Price of HK\$1.18 per Offer Share (being the mid-point of the indicative Offer Price range between HK\$1.01 per Offer Share and HK\$1.35 per Offer Share), the gross proceeds of the Share Offer, assuming that the Over-allotment Option is not exercised, are estimated to be approximately HK\$118.0 million. The net proceeds of the Share Offer after deducting the expenses payable by the Company, assuming that the Over-allotment Option is not exercised, are estimated to be approximately HK\$97.2 million. At present, the Directors intend to apply the net proceeds of approximately HK\$97.2 million in the following manner:

- approximately 30% (equivalent to approximately HK\$29.2 million) thereof will be used for acquisitions of new branded businesses. The Group will assess the opportunities to acquire or license additional brands in order to expand the portfolio of its brands and products for its branded businesses. The Group targets to acquire prospective brands which would provide higher profit margins. As at the Latest Practicable Date, the Group has not identified any potential acquisition targets. In the event the Group proceeds with such acquisition(s), the Group may require additional financing and employ part of its working capital, apart from employing part of the proceeds to be raised from the Share Offer;
- approximately 20% (equivalent to approximately HK\$19.4 million) thereof will be used for the expansion of current branded businesses in existing markets and to other geographical regions. The Group plans to enter into distributorship arrangements for its SMB phone systems in Central and South America, and set up sales offices or enter into distributorship arrangements for its existing “TrekStor” brand in certain countries in Europe, including France and Poland within two years from the Listing Date. The Group may require additional financing and employ part of its working capital, apart from employing part of the proceeds to be raised from the Share Offer for such expansion;
- approximately 20% (equivalent to approximately HK\$19.4 million) thereof will be used for the expansion of production capability, including expansion of automated manufacturing and plastic injection facilities in both Guangzhou and Huizhou production facilities, as well as the expansion of the beauty care and medical electronics production lines. Given that (i) the production capacity of the Group’s automated and semi-automated production facilities are, at times, saturated during the peak seasons; (ii) the Group plans to develop and manufacture new products such as beauty care and medical electronic products; and (iii) the Group intends to cater to possible increases in demands in the coming few years, the Group plans to further expand its production capacity by adding new machines and production lines including three sets of SMT machines, 12 sets of plastic injection machines and four assembly lines;
- approximately 10% (equivalent to approximately HK\$9.7 million) thereof will be used for the purchase of land and buildings. Currently the Group leases a total gross floor area of approximately 14,667 sq.m. in Huizhou for industrial and staff quarter uses. Such leases will expire on 31 December 2014. In order to avoid future relocation of the Group’s production facilities after the expiry of the Huizhou leases, the Group

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plans to purchase land and buildings of the Huizhou production facilities. As at the Latest Practicable Date, the Group has not entered into any formal sale and purchase agreement in respect of the proposed purchase of the Huizhou production facilities;

- approximately 10% (equivalent to approximately HK\$9.7 million) thereof will be used for research and development activities. The Group plans to devote both in-house and external resources to the research and development of medical electronic equipment and products in the ultrasonic imaging and respiratory monitoring areas. As at the Latest Practicable Date, the Group has not developed any products in this area. For details of the research and development activities on medical electronic equipment and products, please refer to the section headed “Business – Research and development” in this prospectus;
- approximately 5% (equivalent to approximately HK\$4.9 million) thereof will be used to establish marketing offices overseas and in the PRC. The Group plans to establish marketing offices overseas, for example, in Japan, in order to capture new international brand owners there as its new EMS customers. In addition, the Group plans to establish marketing offices in major cities in the PRC, including Shanghai and Chengdu; and
- the remaining balance thereof will be used as general working capital of the Group.

In the event that the Offer Price is fixed at HK\$1.35 per Offer Share, being the highest end of the indicative Offer Price range, the net proceeds from the Share Offer will be increased by approximately HK\$16.3 million (assuming the Over-allotment Option is not exercised). The Directors intend to apply such additional net proceeds in the manner and proportions as set out above.

In the event that the Offer Price is fixed at HK\$1.01 per Offer Share, being the lowest end of the indicative Offer Price range, the net proceeds from the Share Offer will be decreased by approximately HK\$16.3 million (assuming the Over-allotment Option is not exercised). The Directors intend to apply the reduced net proceeds in the manner and proportions as set out above.

Should the Over-allotment Option be exercised in full, based on the Offer Price of HK\$1.18 per Offer Share (being the mid-point of the indicative Offer Price range between HK\$1.01 per Offer Share and HK\$1.35 per Offer Share), the net proceeds will be increased by approximately HK\$17.0 million. The Directors intend to apply such additional net proceeds in the manner and proportions as set out above. In the event that the Offer Price is fixed at HK\$1.35 per Offer Share or HK\$1.01 per Offer Share, being the highest and lowest ends of the indicative Offer Price range, respectively, the net proceeds will be increased by approximately HK\$19.4 million or approximately HK\$14.5 million, respectively. The Directors intend to apply such additional net proceeds in the same manner and proportions as set out above for both the highest and lowest points of the indicative Offer Price range.

To the extent that any part of the net proceeds from the Share Offer are not immediately required for the above purposes, it is the present intention of the Directors that such net proceeds will be placed on short-term deposits with licensed banks and/or financial institutions in Hong Kong and/or the PRC.