
FUTURE PLANS AND [REDACTED]

FUTURE PLANS AND PROSPECTS

For a detailed description of our future plans, see “Business – Our Development Strategies” in this document.

[REDACTED]

We estimate that we will receive [REDACTED] from the [REDACTED] of approximately HK\$[REDACTED] million payable by us in connection with the [REDACTED], and assuming the [REDACTED] being not exercised and an [REDACTED] of HK\$[REDACTED] per Share, which is the mid-point of the indicative [REDACTED] range stated in this document. If the [REDACTED] is set at HK\$[REDACTED] per Share, which is the high end of the indicative [REDACTED] range, the [REDACTED] from the [REDACTED] will increase by approximately HK\$[REDACTED] million. If the [REDACTED] is set at HK\$[REDACTED] per Share, which is the low end of the indicative [REDACTED] range, the [REDACTED] from the [REDACTED] will decrease by approximately HK\$[REDACTED] million.

Assuming an [REDACTED] at the mid-point of the [REDACTED] range, we currently intend to apply these [REDACTED] for the following purposes:

- [REDACTED]% or approximately HK\$[REDACTED] million, will be allocated to expand our sales network and promote the internationalization of our brand through opening new boutiques at both domestic and overseas markets within the next few years. Specifically, we intend to allocate the [REDACTED] in the amounts as set forth below:
 - [REDACTED]%, or approximately HK\$[REDACTED] million, will be allocated to set up approximately 35 new boutiques in mainland China, primarily targeting tier-one cities and new tier-one cities with great market potential, including Beijing, Shanghai, Tianjin, Shenyang, Zhengzhou, Qingdao, Guangzhou, and Shenzhen, among others, so as to further strengthen our offline sales network, increase our market penetration, and extend our reach to a broader customer base. Specifically, we plan to establish new boutiques in high-end shopping malls, considering that (a) these shopping malls typically have better customer traffic of and larger market demand from high net-worth individuals. We believe that such expansion strategy is in line with our product and brand positioning as well as our target customer base; and (b) we are well-positioned to leverage our past experience of operating boutiques in high-end shopping malls, as well as our stable and long-lasting relationships with these shopping malls. We also plan to establish new boutiques in other cities, primarily in provincial capital cities. We will mainly target neighborhood where customers have stronger spending power with relatively higher demand for gold jewelry products. To maintain an appropriate balance between effective prevention of cannibalization and promotion of necessary competition among different boutiques, we have carefully evaluated and determined the distance between our existing and new boutiques based on our market research and analysis, and after considering various other factors including customer traffic, market demands, customer positioning, and local

FUTURE PLANS AND [REDACTED]

spending power of the surrounding neighborhood, to minimize unhealthy competition and cannibalization amongst boutiques. We have also assessed the number of boutiques that a regional market can accommodate based on the sales potential and coverage rate, and control the number of boutiques accordingly. For more details of our mitigating measures for potential cannibalization risks, see “Business — Our Products — Our Boutiques — Our Boutique Network and Strategy — Our Expansion Plans” in this document. In terms of our expansion pace, in mainland China, we plan to (i) open seven new boutiques in 2024; (ii) open ten new boutiques in 2025; (iii) open nine boutiques in 2026; and (iv) open nine boutiques in 2027. The expected gross floor area for each newly-opened boutique is approximately 80 square meters. The monthly rent per boutique in tier-one cities is expected to be HK\$400,000, and the monthly rent per boutique in new tier-one cities is expected to be HK\$320,000. We expect to incur a total capital expenditure of approximately HK\$[REDACTED] million for the establishment of the aforesaid new boutiques, which primarily include rental expenses during establishment, design and renovation expenses, inventory costs, as well as staff recruitment and training expenses required for the newly-opened boutiques. The amount of capital expenditure is estimated based on the actual expenditure on the establishment of our existing boutiques and current market conditions in the relevant cities. Such plan, including the number of boutiques, the selected location, the estimated size, and the expected capital expenditure of each boutique, among others, is subject to changes according to our actual needs and market conditions at the relevant time. We plan to fund the part that exceeds the allocated [REDACTED], if any, with our internal capital resources. Based on the actual initial breakeven period and cash investment payback period of our existing boutiques, we expect that the average initial breakeven period of the boutiques to be opened in mainland China in 2024 is approximately one month, and the average cash investment payback period for the boutiques to be opened in mainland China in 2024 is approximately four months. For details of the formula and the key factors that we take into consideration for the measurement of initial breakeven period and cash investment payback period, see “Business — Product Sales — Our Boutiques — Performance of Our Boutiques — Initial Breakeven Period and Cash Investment Payback Period” in this document; and

- [REDACTED]%, or approximately HK\$[REDACTED] million, will be allocated to open approximately 12 new boutiques outside of mainland China, including Hong Kong, Macau, Singapore, and gradually expand our footprint in other cities in the Asian market such as Tokyo, Bangkok, and Kuala Lumpur, and enhance our brand recognition abroad. We plan to follow a gradual internationalization process by first testing the waters in certain top-tier cities with relatively high per capita GDP and per capita disposable income in Asia, mainly as traditional Chinese culture and aesthetics are generally recognized in these regions, and we believe there will be sufficient demands for our products. Similarly, we will target high-end shopping malls and reputable commercial centers where customers have similar spending patterns as in tier-one cities in mainland China. We believe that such unified and consistent expansion strategy will enable us to enlarge our customer base and enhance our

FUTURE PLANS AND [REDACTED]

internationalization process at a faster and smoother pace. Specifically, outside of mainland China, we plan to (i) open four new boutiques in 2024; (ii) open seven new boutiques in 2025; and (iii) open one new boutique in 2026. The expected gross floor area for each newly-opened boutique is approximately 80 square meters. Based on our analysis, we estimate that the monthly rent per boutique in cities outside of mainland China is expected to range from HK\$640,000 to HK\$800,000. We expect to incur a total capital expenditure of approximately HK\$[REDACTED] million for the establishment of the aforesaid new boutiques, which primarily include rental expenses during establishment, design and renovation expenses, inventory costs, as well as staff recruitment and training expenses required for the newly-opened boutiques. The amount of capital expenditure is estimated based on the actual expenditure on the establishment of our existing boutiques and current market conditions. Such plan, including the number of boutiques, the selected location, the estimated size, and the expected capital expenditure of each boutique, among others, is subject to changes according to our actual needs and market conditions at the relevant time. We plan to fund the part that exceeds the allocated [REDACTED] with our internal capital resources. We expect that the average initial breakeven period of the boutiques to be opened outside of mainland China in 2024 is approximately one month, and the average cash investment payback period for the boutiques to be opened outside of mainland China in 2024 is approximately seven months. We expect that the initial breakeven and cash investment payback periods for the boutiques to be opened in the overseas market will be similar to those opened in Hong Kong and Macau during the Track Record Period, primarily because (i) similar to Hong Kong and Macau, the other target cities in the overseas markets are all political and economic centers in the relevant regions, and we have identified comparable economic indicators, such as GDP per capita, disposable income, and purchasing power, that suggest a similar capacity for consumer spending in these markets; (ii) for boutiques to be opened in the overseas markets, we will also adopt a self-operation business model, which we believe can make it easier for us to put strategies in place to replicate the operational efficiencies and cost structures that have contributed to the performance of our boutiques in Hong Kong and Macau during the Track Record Period, despite the differences in operating environments; and (iii) we will adapt our business model, marketing strategies, and product offerings to align with the specific needs and preferences of other cities in the overseas markets, while leveraging our experience accumulated in Hong Kong and Macau. For details of the formula and the key factors that we take into consideration for the measurement of initial breakeven period and cash investment payback period, see “Business — Product Sales — Our Boutiques — Performance of Our Boutiques — Initial Breakeven Period and Cash Investment Payback Period” in this document.

For more details, see “Business — Product Sales — Our Boutiques — Our Boutique Network and Strategy” in this document.

FUTURE PLANS AND [REDACTED]

- [REDACTED]%, or approximately HK\$[REDACTED] million, will be allocated to maintain the positioning of our brand and increase our brand awareness. Specifically:
- [REDACTED]%, or approximately HK\$[REDACTED] million, will be allocated to maintain and promote our brand image through marketing our brand and products through various channels and methods for the next three years, such as placing advertisements on social media and other digital platforms, and enhance our offline marketing, including hosting promotional events at our boutiques;
 - [REDACTED]%, or approximately HK\$[REDACTED] million, will be allocated to invest in corporate image (CI) planning and construction. Specifically, we intend to (i) hire a brand promotion team, expected to include one vice president for branding, three senior brand designers and five general brand promoters, whose monthly salaries are expected to range from approximately HK\$41.7 thousand to approximately HK\$208.3 thousand, to develop a series of internationalized brand image display solutions for the next three years; and (ii) engage an experienced branding team for long-term brand upgrades for the next three years, including overall brand image planning, content production such as copywriting and graphic design, establishment of full media matrix, planning of marketing exhibition, and maintenance of public relations; and
 - [REDACTED]%, or approximately HK\$[REDACTED] million, will be allocated to renovate and upgrade the image of our offline boutiques that have been in operation for more than five years, to ensure that the design and decoration of our boutiques is always up-to-date and new so that we can successfully convey our brand values and promote our brand to our target customers. Specifically, we plan to redesign and refurbish around 25 boutiques to rejuvenate their image within the next few years, including 13 boutiques in 2024, four boutiques in 2025, four boutiques in 2026 and four boutiques in 2027, at an average cost of approximately HK\$[REDACTED] million per boutique.

We expect to incur a total capital expenditure of approximately HK\$[REDACTED] million for maintaining the positioning of our brand and increasing our brand awareness. We plan to fund the part that exceeds the allocated [REDACTED], if any, with our internal capital resources.

- [REDACTED]%, or approximately HK\$[REDACTED] million, will be allocated to optimize the internal information technology system and enhance the level of automation and informatization, so as to improve the efficiency of our operation. Specifically, we intend to allocate:
- [REDACTED]%, or approximately HK\$[REDACTED] million, to purchase software which is essential to the construction and optimization of our internal information technology system, as well as to pay for the software service fees, such as cloud server and bandwidth service fees, in the next five years. For

FUTURE PLANS AND [REDACTED]

example, we plan to purchase various modeling software and start upgrading our customer relationship management (CRM) system in 2024; to start constructing our enterprise resource planning (ERP) system, digital office platform, e-commerce system and storefront security unified management platform in 2025; and to start optimizing our factory security management platform in 2026;

- [REDACTED]%, or approximately HK\$[REDACTED] million, to purchase data processing system and build a data processing platform, which is expected to be operational from 2025 onwards, to centralize the sorting, integration, analysis and application of front data, and allocate relevant data to the corresponding internal departments for further process, so as to optimize the collaboration of various departments within our Company and drive the improvement of our operation efficiency, as well as to hire IT staff to operate and maintain such platform. We plan to hire five IT professionals in 2024, and to hire five more IT professionals in each of the following four years. The expected monthly salary for IT professional is approximately HK\$25.0 thousand. Such recruitment plan is subject to changes according to our actual needs and market conditions at the relevant time; and
- [REDACTED]%, or approximately HK\$[REDACTED] million, for the acquisition and upgrading of hardware in the next five years. The following table sets forth the details of each type of hardware we intend to purchase:

<u>Type of Hardware</u>	<u>Function</u>	<u>Expected Purchase</u>	<u>Useful Life</u>
Factory security server	For installing factory surveillance, alarm, infrared, and access control platforms	5 sets	3-5 years
Factory security storage server	To store and access surveillance video captured by factory surveillance cameras	10 sets	3-5 years
Factory security core router	For the construction of factory security networks and factory office networks	2 sets	3 years
Factory security switch.	Hub for all end-devices	40 sets	3 years
Factory uninterruptible power supply (UPS)	To provide uninterruptible power supply for the factory	4 sets	3 years

FUTURE PLANS AND [REDACTED]

<u>Type of Hardware</u>	<u>Function</u>	<u>Expected Purchase</u>	<u>Useful Life</u>
Factory monitoring and alarm equipment	To monitor scenes inside and outside the factory, and recognize suspicious situations and raise the alarm	800 sets	2-3 years
Jewelry electronic inspection laboratory system	To provide and monitor conditions for the construction of dust-free quality control laboratories	1 set	3-5 years
Electronic credential storage server	To store electronic credentials	4 sets	3-5 years
Private cloud server	To construct localized network to run code, host websites and store data	1 set	3-5 years
Product electronic labeler	To mark radio frequency identification (RFID) labels on products to make them trackable	100,000 sets	One-off in nature

We expect to incur a total capital expenditure of approximately HK\$[REDACTED] million for optimizing the internal information technology system and enhancing the level of automation and informatization. We plan to fund the part that exceeds the allocated [REDACTED], if any, with our internal capital resources.

➤ [REDACTED]%, or approximately HK\$[REDACTED] million, will be allocated to strengthen our research and development capabilities. We believe that as a heritage gold jewelry brand dedicated to offer quality products to customers, our R&D capability has underpinned our success in the past and an increasing input in R&D activities is key to maintain our competitive advantages in the future. In order to further enhance our R&D capability to support our business expansion in the future, we plan to strengthen our R&D team, implement R&D projects in relation to the manufacturing techniques and technical process of gold products, and set up a product research and development center (“**R&D center**”) to strengthen our overall R&D infrastructure and improve our R&D efficiency. Specifically, we intend to allocate:

- [REDACTED]%, or approximately HK\$[REDACTED] million, to strengthen our R&D team to operate the R&D center, and implement R&D projects in relation to the manufacturing techniques and technical process of gold products for the next five years, such as pure gold hardening technology, embedding technology, hammering technology, and the material formula of heat treatment of enamels, etc. Building upon our R&D team, we plan to recruit two new

FUTURE PLANS AND [REDACTED]

R&D design engineers in each of the next five years, with an expected per capita monthly salary of approximately HK\$92.5 thousand. Such recruitment plan is subject to changes according to our actual needs and market conditions at the relevant time;

- [REDACTED]%, or approximately HK\$[REDACTED] million, to set up an R&D center, locating on the same floor of the same building of our headquarter in Beijing, China in order to improve the efficiency of collaboration between our R&D department and other departments. The expected gross floor area of the R&D center is approximately 200 square meters, and the monthly rent is expected to be approximately HK\$35,000. We plan to complete the setting up of the R&D center in two years; and
- [REDACTED]%, or approximately HK\$[REDACTED] million, to acquire high-precision research and development equipment, as well as purchase office facilities and related software systems to equip our R&D center, so as to strengthen our overall R&D infrastructure and improve our R&D efficiency. The following table sets forth the details of each type of research and development equipment we intend to purchase:

<u>Type of R&D Equipment</u>	<u>Function</u>	<u>Expected Purchase</u>	<u>Useful Life</u>
Mineral pigment grinding machine	For grinding and blending mineral pigments	2 sets	3 years
Automated cutting and welding machine	For automated material processing, such as cutting, welding, etc.	1 set	3 years
Microscope for embedding	To magnify the images of tiny and delicate objects for visualization and embedding operations	5 sets	3 years
Five-axis precision engraving equipment.	For refinement and processing of product molds	1 set	3 years
3D scanner.	To detect and analyze the shape (geometric configuration) and appearance data (e.g., color, surface albedo, and other properties) of a product mold and integrate the collected data to create a digital model of the product mold through 3D reconstruction calculations	1 set	3 years

FUTURE PLANS AND [REDACTED]

<u>Type of R&D Equipment</u>	<u>Function</u>	<u>Expected Purchase</u>	<u>Useful Life</u>
Hardness tester for gold materials.	For measuring the surface hardness of gold materials	1 set	3 years
Surface hardness tester.	For measuring the surface hardness of various materials	1 set	3 years
Component tester	To test the composition and proportion of each metal component in materials, to assist in monitoring the quality of the material and determining the characteristics of the material, such as processability, durability and stability	1 set	3 years

We expect to incur a total capital expenditure of approximately HK\$[REDACTED] million for R&D team strengthening and R&D project implementation, the setting up of R&D center, and the acquisition of R&D equipment and the office facilities and related software systems. We plan to fund the part that exceeds the allocated [REDACTED], if any, with our internal capital resources.

- [REDACTED]%, or approximately HK\$[REDACTED] million, will be allocated to our general working capital and general corporate purposes.

The above allocation of the [REDACTED] from the [REDACTED] will be adjusted on a pro rata basis in the event that the [REDACTED] is fixed at a higher or lower level compared to the mid-point of the indicative [REDACTED] range stated in this document.

If the [REDACTED] is exercised in full, the [REDACTED] that we will receive will be approximately HK\$[REDACTED] million, assuming an [REDACTED] of HK\$[REDACTED] per Share (being the mid-point of the indicative [REDACTED] range). In the event that the [REDACTED] is exercised in full, we intent to apply the additional [REDACTED] to the above purposes in the proportions stated above.

To the extent that the [REDACTED] from the [REDACTED] are not immediately applied to the above purposes and to the extent permitted by applicable law and regulations, we will only deposit such funds into short-term interest-bearing accounts at licensed commercial banks and/or other authorized financial institutions (as defined under the Securities and Futures Ordinance or the applicable laws and regulations in other jurisdictions). We will make an appropriate announcement in compliance with the Listing Rules if there is any material change to the above use of [REDACTED].