FUTURE PLANS AND PROSPECTS

For a detailed description of our future plans and prospects, please see "Business — Our Strategies".

[REDACTED]

Assuming that the **[REDACTED]** is not exercised, after deducting the **[REDACTED]** commissions and other estimated **[REDACTED]** expenses payable by us in connection with the **[REDACTED]**, and assuming an **[REDACTED]** of HK$**[REDACTED]** per H Share, we estimate that we will receive **[REDACTED]** of approximately HK$**[REDACTED]** (RMB**[REDACTED]**) from the **[REDACTED]**. We intend to use the **[REDACTED]** from the **[REDACTED]** for the purposes and in the amounts set forth below.

- **Approximately [REDACTED]%, or HK$[REDACTED] (RMB[REDACTED]), will be allocated to our overseas expansion out of which**

  *(i) approximately **[REDACTED]**%, or HK$**[REDACTED]** (RMB**[REDACTED]**), will be allocated to the expansion of our international sales network, through establishing 20 self-operated stores under 潮宏基 CHJ Jewellery overseas.*

  In FY2024, for our jewellery business, we have made our first footprint overseas by opening our first overseas self-operated store under 潮宏基 CHJ Jewellery in Malaysia. Up to the Latest Practicable Date, we had a total of 12 jewellery stores in Malaysia, Cambodia, Thailand and Singapore. According to Frost & Sullivan, the global market demonstrates strong cultural affinity with Chinese heritage and jewellery preferences, due to the growing influence of the overseas Chinese people along with the increasing interest in Chinese culture from the foreigners. With our established market position and brand in the PRC market, we believe that we can leverage our understanding of customers' preferences and the upcoming trend of Chinese heritage and Guochao (國潮) than competitors in the overseas market which does not possess the specialty in Guochao designs. Also, according to Frost & Sullivan, several of our peers in had successfully expanded into the Southeast Asia market. Given our years of experience in the jewellery industry in the PRC and in view of the sales performance of our overseas stores established during the Track Record Period, we believe that we will be able to compete effectively with competitors in the overseas market. Hence, we aim to further expand our sales network overseas. In particular, similar to our approach in the PRC market, we will employ a hybrid model of self-operation and franchising in our overseas expansion which will allow us to leverage the advantages of both operational strategies. Accordingly, we will continue to invest in self-operated stores as self-operated stores allow us to maintain better control over our brand image and improve the shopping experience at the early stage of our overseas expansion, which will form a solid foundation for our future development in overseas market. We believe our self-operated stores allow us to gain a deeper understanding of customers' preferences, trends and market demands through direct customer interactions and also serve the purpose of demonstration to attract overseas franchisees to join our sales network.

  We plan to establish 20 self-operated stores overseas in Cambodia, Singapore and Malaysia, Korea and/or Japan by the end of 2028, among which four, six and 10 self-operated stores will be opened by the end of 2026, 2027 and 2028, respectively. We expect to incur a total capital expenditure and expenses of approximately RMB**[REDACTED]** for the establishment of the aforesaid 20 new jewellery stores, which primarily include rental expenses during establishment, design and renovation expenses, inventory costs, as well as working capital for daily operation. The amount of capital expenditure and expenses are estimated based on, among others, our experience and track record of opening overseas stores as well as current market conditions. Such expansion plan, including the number of stores to be opened, the selected location and expected capital expenditure and expenses to be incurred will be subject to changes according to our actual needs and market conditions at the relevant time.

We plan to fund the establishment of 20 self-operated stores with **[REDACTED]** from the **[REDACTED]**. Based on our experience and subject to market conditions at the relevant time, we expect that the initial breakeven period of a new overseas self-operated store is approximately three months, and the cash investment payback period is approximately 18 months.

*(ii) approximately **[REDACTED]**%, or HK$**[REDACTED]** (RMB**[REDACTED]**), will be allocated to setting up a new office in Hong Kong which will serve as our overseas headquarters.*

To support our overseas expansion and to strengthen our brand image, we plan to set up a new office in Hong Kong ("**Hong Kong Office**") which will serve as our overseas operation headquarters overseeing and managing our overseas operation. In addition to administrative functions, given that efficient and timely stock replenishment is critical for avoiding stockouts and capturing customer demand, and thereby foster customer satisfaction, our Hong Kong Office will also serve as our stock room for urgent back-up inventory for our stores overseas given Hong Kong's unique geographical advantages that it is situated at the heart of East Asia within a key radius covering the Southeast Asian region with world-class logistics infrastructure. It is our plan to rent a fully furnished space with an area of around 200 sq.m. for such use. It is expected that we will commence setting up Hong Kong office in 2026 and it will be ready for use by the end of 2026.

Use	**Estimated cost** *(RMB'million)*
Rent	**[REDACTED]**
Inventory cost	**[REDACTED]**
Miscellaneous expenses	**[REDACTED]**
Renovation	**[REDACTED]**
Total	**[REDACTED]**

- **Approximately [REDACTED]%, or HK$[REDACTED] (RMB[REDACTED]), will be allocated to increasing our in-house production capacity through constructing a new production base.**

According to Frost & Sullivan, the jewellery market is projected to reach RMB937.0 billion, with a CAGR of 5.2% from 2024 to 2029, driven by the Guochao trend, which blends traditional Chinese culture with modern design, as well as increasing consumer demand for personalised and affordable luxury jewellery. As we continue our marketing effort in promoting our core craftsmanship which forms our emblem, we expect demand for products which involves our core craftsmanship and therefore our in-house production utilization will increase. Through our existing efforts to train new skilled craftsmen, including our "CHJ filigree inlay workshop" (潮宏基花絲鑲嵌工作坊) and apprenticeship programme that cover different heritage craftsmanship techniques, we also continue to prepare for the expansion of our production capacity.

During the Track Record Period, we engage external manufacturers to produce some of the jewellery products and jewellery components. However, to preserve the ancient filigree inlay craftsmanship and maintain our product quality, we carry out substantially all of the processing of high-end jewellery and components which required crafting through our in-house Pujiang Production Base with skilled craftsmen. For FY2023, FY2024 and FY2025, the utilisation rate of our Pujiang Production Base was 113.9%, 110.9% and 140.6%, respectively. For further details, please see "Business — Production — Jewellery — Production Capacity and Utilisation". Riding on the favourable landscape, we anticipate our overall sales will continue to grow in the future. Moreover, since the consumer structure of the jewellery market is rapidly skewing towards younger demographics according to Frost & Sullivan, it is essential to launch new products frequently to keep pace with upcoming trends. In light of the foregoing, we consider it is necessary to increase our in-house production capacity by building a new production base in Shantou City, Guangdong Province, the PRC (the "**New Production Base**"). The New Production Base will also serve the function as our R&D Centre for product, craftsmanship and core production processes development.

As at the Latest Practicable date, we had acquired a parcel of land in Shantou, Guangdong Province. It is estimated that our total cost to be incurred on the New Production Base will be RMB**[REDACTED]** which will be funded by the **[REDACTED]** from the **[REDACTED]**. Upon the construction of the New Production Base, we expect our production capacity will be increased.

We plan to commence the construction of the New Production Base in 2026. As advised by our PRC Legal Advisers, subject to our timely submission of all application documents and materials in strict compliance with the applicable PRC laws, regulations and the requirements of the competent authorities, there are no material foreseeable legal obstacles or impediments to the timely acquisition of the necessary approvals, permits and registrations for such commencement. The table below set forth our planned allocation of capital expenditure for establishing the New Production Base:

Use	Expected completion time	Estimated cost *(RMB'million)*
Construction and renovation	By the end of 2nd quarter of 2027	**[REDACTED]**
Machinery and equipment purchase and installation	By the end of 3rd quarter of 2027	**[REDACTED]**
Total		**[REDACTED]**

We believe that the construction of the New Production Base will allow us to capture the increasing market demand and maintaining our quality to achieve customer satisfaction.

- **Approximately [REDACTED]%, or HK$[REDACTED] (RMB[REDACTED]), will be allocated to opening three flagship stores under 臻 ZHEN in China.**

As part of our strategy to strengthen our brand portfolio and also to expand our sale network, we plan to open three flagship stores under our bespoke high jewellery brand, 臻 ZHEN. Debuted in 2021, 臻 ZHEN focuses on offering tailor-made jewellery and gold and silverware which focuses on using traditional gold and silver craftsmanship combined with contemporary Chinese aesthetics with a product price range from RMB10,000 or above. We believe that the growth of 臻 ZHEN has reflected the rapid increasing demand for more personal and exclusive purchase experience and customised products in China. According to Frost & Sullivan, as the spending power of the society grew in recent years, luxurious and exclusive products, such as limited editions, no longer fully satisfy the increasingly demanding consumers. Bespoke or personalised products which does not only offer exclusivity but also satisfies the desire for individuality therefore has become the rising trend and is expected to become one of the growth drivers of the jewellery market in China due to generally higher prices of bespoke products. To ride on such trend, we consider that 臻 ZHEN has demonstrated strong growth potential which will not only benefit our overall sales but also complement our multi-brand layout with its brand position that satisfies demand of high net-worth consumers.

To align with the high-end brand position of 臻 ZHEN, we plan to open three flagship stores with a planned floor area of approximately 300 sq.m. in prime shopping malls in tier-1 and emerging tier-1 cities in China. One flagship store will be opened in each of 2026, 2027 and 2028. Correspondingly, it is expected that we will incur higher design and renovation expenses as well as inventory costs for the new flagship stores of 臻 ZHEN. In particular, given the higher prices of 臻 ZHEN products, a majority of which are designed to be ranging from RMB35,000 to RMB600,000 whereas the average selling prices of 潮宏基 CHJ do not exceed RMB10,000, we expect to incur inventory costs for each 臻 ZHEN store to be around three times higher than a self-operated store of 潮宏基 CHJ. We expect to incur a total capital expenditure and expenses of approximately RMB**[REDACTED]** million for the establishment of the aforesaid new flagship stores, which primarily include rental expenses during establishment, design and renovation expenses, inventory costs, as well as other miscellaneous expenses. Similar to the planned opening of 潮宏基 CHJ Jewellery stores, the amount of expenses and capital expenditure are estimated based on, among others, our experience and track record of similar stores as well as current market conditions. Such plan, including the number of stores to be opened, the selected location and expected capital expenditure and expenses to be incurred will be subject to changes according to our actual needs and market conditions at the relevant time.

We plan to fund the opening of three flagship stores under 臻 ZHEN with **[REDACTED]** from the **[REDACTED]**. Based on our experience and subject to market conditions at the relevant time, we expect that the initial breakeven period of a new store of 臻 ZHEN is approximately four months, and the cash investment payback period is approximately 20 months.

- **Approximately [REDACTED]%, or HK$[REDACTED] (RMB[REDACTED]), will be allocated to marketing and brand building to support our expansion in the PRC and overseas.**

  - Approximately **[REDACTED]**%, or HK$**[REDACTED]**, of the **[REDACTED]** will be allocated towards marketing and brand building activities in the PRC. In particular, we plan to allocate (i) HK$**[REDACTED]** on marketing initiatives with celebrity endorsement for our brand rejuvenation, (ii) HK$**[REDACTED]** on offline promotional activities and events, and (iii) HK$**[REDACTED]** on online publicity campaigns; and

  - Approximately **[REDACTED]**%, or HK$**[REDACTED]**, of the **[REDACTED]** will be allocated towards marketing and brand building activities overseas to support our overseas expansion. In particular, we plan to allocate HK$**[REDACTED]** on marketing and promotional activities on various social media platforms including Instagram, Xiaohongshu, Tiktok, Youtube, Pinterest and Wechat. We also plan to allocate HK$**[REDACTED]** on organizing several offline events, collaborations with celebrities and KOLs, as well as HK$**[REDACTED]** on advertising placements to maximize our brand awareness.

- **Approximately [REDACTED]%, or HK$[REDACTED] (RMB[REDACTED]), will be used as working capital and general corporate purposes.**

IMPLEMENTATION PLANS

Our implementation plans are set forth below for the period from the Latest Practicable Date to 31 December 2028.

Our actual course of business may vary from our business strategies set out in this document. There is no assurance that our plans will materialise in accordance with our expected timeframe or that our objectives will be accomplished.

While the actual course of events may invariably encounter unforeseeable changes and fluctuations, we shall use our best endeavours to anticipate changes, yet allowing for flexibility to implement the following plans.

The table below sets forth the expected implementation timetable of our planned **[REDACTED]** (assuming that the **[REDACTED]** is not exercised):

Use	FY2026	FY2027	FY2028	Total	% of the [REDACTED]
	RMB'million	*RMB'million*	*RMB'million*	*RMB'million*	
Overseas expansion	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
• establishing 20 self-operated stores under 潮宏基 CHJ Jewellery	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
• Establishing the Hong Kong Office as our overseas headquarters	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Increase in-house capacity with the New Production Base	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Opening three flagship stores under 臻 ZHEN	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Marketing and brand building	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Working capital for general purpose	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Total	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	100.0

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 below HK$**[REDACTED]** per H Share.

If the **[REDACTED]** is exercised in full, the **[REDACTED]** that we will receive will be approximately HK$**[REDACTED]** (RMB**[REDACTED]**). 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 used for the purposes described above and to the extent permitted by the relevant laws and regulations, they will only be placed in short-term interest-bearing accounts at licenced commercial banks and/or other authorised financial institutions (as defined under the Securities and Futures Ordinance or applicable laws and regulations in other jurisdictions).

We will issue an appropriate announcement if there is any material change to the above proposed **[REDACTED]**.