

FUTURE PLANS AND [REDACTED]

FUTURE PLANS

Please see the section entitled “Business – Our Development Strategies” in this document for a detailed description of our future plans.

[REDACTED]

The table below sets forth the estimate of the [REDACTED] of the [REDACTED] which we will receive after deduction of [REDACTED] fees and commissions and estimated expenses payable by us in connection with the [REDACTED]:

	<u>Assuming the [REDACTED] is not exercised</u>	<u>Assuming the [REDACTED] is exercised in full</u>
Assuming an [REDACTED] of HK\$[REDACTED] per [REDACTED] (being the [REDACTED] of the [REDACTED] stated in this document)	Approximately [HK\$[REDACTED]] million	Approximately [HK\$[REDACTED]] million
Assuming an [REDACTED] of HK\$[REDACTED] per [REDACTED] (being the [REDACTED] of the [REDACTED] range stated in this document)	Approximately [HK\$[REDACTED]] million	Approximately [HK\$[REDACTED]] million
Assuming an [REDACTED] of HK\$[REDACTED] per [REDACTED] (being the [REDACTED] of the [REDACTED] stated in this document)	Approximately [HK\$[REDACTED]] million	Approximately [HK\$[REDACTED]] million

We intend to use the [REDACTED] of the [REDACTED] for the following purposes (assuming an [REDACTED] of HK\$[REDACTED] per [REDACTED], being the [REDACTED] of the [REDACTED] stated in this document, after deduction of [REDACTED] fees and commissions and other estimated expenses in connection with the [REDACTED], and the [REDACTED] is not exercised):

- approximately [REDACTED]% of our estimated [REDACTED], representing approximately HK\$[REDACTED] million, will be used to deepen the reform of our distribution network and strengthen its geographic expansion and penetration because we believe the smart learning device service market in China remains to be broadly imbalanced and underserved, given that (i) according to the Frost & Sullivan Report, total K-12 students, our target users, in China was approximately

FUTURE PLANS AND [REDACTED]

232.2 million in 2021 while our registered users were over 5.5 million as of the Latest Practicable Date and by May 2022, our average MAU amounted to over 1.4 million in the past 12 months, (ii) there are over 3,100 county level cities or above in China while our offline distributor network currently only covers 344 county level cities, (iii) there are over 220,000 primary and secondary schools in China while the number of schools to which we supplied our smart classroom solutions was approximately 320 as of the Latest Practicable Date; and (iv) under the recent new education regulatory regime, schools are highly encouraged to carry out digital transformation which creates intensified needs for sophisticated smart classroom solutions; all of the above indicate that our current penetrations, in terms of geographic coverage, student population or school coverage, are generally low and there remain huge market demands and opportunities for us;

- o approximately [REDACTED]% of which will be used to strengthen and expand the offline distributors for individual end users, mainly including the investments and expenses we expect to incur to motivate such distributor by supporting their new store opening or existing store upgrades, such as decoration and furnishing; to this end, we expect to newly add approximately 100, 120 and 150 offline distributors in 2022, 2023 and 2024, respectively; moreover, through identifying new offline distributors and motivating existing distributors, we expect that the number of the points of sales controlled by our offline distributors increase by approximately 380, 610 and 890 in 2022, 2023 and 2024, respectively, and we expect the majority of these new points of sales will be upgraded to meet the standards of our 4S experience stores; subject to the scale and location of the new points of sale, the allowance we provide for each new points of sales is estimated to be from approximately RMB30,000 to RMB70,000; as the expansion of our offline distributors plays an important role to our overall growth, we plan to encourage our offline distributors to establish new points of sales by offering such allowances, which we believe will help our offline distributors to pay new store opening costs, including rental payments and decoration and furnishing expenses, and therefore lower the financial barrier for them to open new points of sales; and

- o (ii) approximately [REDACTED]% of which will be used to expand and enhance our distribution network for our smart classroom solutions, which mainly include the investments and expenses we expect to incur to motivate our offline distributors for our smart classroom solutions to cover more schools and classes across the country; subject to the scale and location of the school or class contracted, the allowance we provide to the relevant distributor for each new school is estimated to be from approximately RMB30,000 to RMB70,000; we plan to provide offline distributors who are marketing our smart classroom solutions into new school customers with such allowances, which support them to purchase sample devices from us to better demonstrate the features and functions of our smart classroom solutions to school customers and provide them with funds in covering certain costs incurred by marketing activities, such as traveling expenses;

FUTURE PLANS AND [REDACTED]

- approximately [REDACTED]% of our estimated [REDACTED], representing approximately HK\$[REDACTED] million, will be used for the research and development of our information technologies and infrastructure to enhance our overall technical advantages in delivering smart learning devices with digital educational resources, including:
 - o [REDACTED]% of which will be used to recruit additional IT technical staff and support their research and development activities to increase the technical competitiveness and attractiveness of our product portfolio, which are mainly in connection with:
 - (i) developing new functions, new product models and new product categories, such as research on upgraded smart eye-protecting features for study lamps and tablets, research on detachable tablet, and research on additional smart teaching and learning devices compatible for our smart classroom solutions,
 - (ii) optimizing and improving technologies in use to meet the evolving market trends and customer preferences, such as research on virtual reality technology empowered accessories, research on various 5G applications for smart learning devices and smart classroom solutions, research various AI applications to achieve more efficient human-machine learning features, as well as the continuous updates to our LearningOS system, the core operating system for all of our smart learning devices,
 - (iii) strengthening the technical researches and innovations to upgrade our smart classroom solutions, such as the development of all-in-one host machine, the further upgrades of lesson preparation and exam review systems hosting more concurrently working teachers and offering variable teaching functions, as well as various upgrades to improve user experience and fulfill precise education purpose,
 - (iv) strengthening IT infrastructure and back-end IT capabilities, such as algorithm development and optimization, including the practical applications, expansion of cloud-based service offering capabilities, upgrades of data analysis and mining abilities for precise user growth study, and full digitalization of different operating modules, such as marketing and distributor management systems;

FUTURE PLANS AND [REDACTED]

our existing and future research and development projects either require additional manpower due to the increasing scale, or require additional advanced technical knowledge or experience that the existing staff do not possess; to this end, we expect to newly hire an aggregate approximately 37, 82 and 110 technical and development staff in 2022, 2023 and 2024, respectively; the number of new hires is generally in line with the expected scale of our existing and future research and development projects and the expected salary range matches the market’s average; the details of our planned new hires in the next three years are as follows:

	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>Major responsibilities</u>	<u>Expected salary range per year per person</u>
Hardware development engineers	4	9	12	device hardware research and development, follow-up tests, upgrades and trouble-shooting during trial and mass production	RMB200,000 to RMB400,000
Software development engineers	7	16	21	device software, including cloud-related infrastructure, research, development and improvement	RMB200,000 to RMB400,000
Test engineers	15	33	45	software and hardware testing design and execution	RMB100,000 to RMB250,000
Product managers	2	4	5	product planning, design and promotion, market research and analysis for product improvements and upgrades	RMB200,000 to RMB400,000
Algorithm engineers	9	20	27	the establishment and improvement of deep learning framework for our smart learning devices, the realization and improvement of image processing algorithm, and assisting the AI applications to hardware development	RMB200,000 to RMB400,000

FUTURE PLANS AND [REDACTED]

- o [REDACTED]% of which will be used to establish our new big-data center in Zhuhai, which is expect to be used to mainly accommodate the staff and equipment for software developing, algorithm, and AI related technologies; this also includes purchases of radio testing devices and analyzers for the improvement of 5G application and various other equipment for network improvement, purchases of additional software, and purchases of additional cloud infrastructure to support our expanding operations, such as cloud-based video-on-demand services, content delivery network as well as elastic cloud servers and cloud storage, so as to further strengthen our IT network capabilities; improved elastic cloud servers and cloud storage capacity will enhance our back-end operating efficiency as more of our operations become digitalized; moreover, low-latency and high performance cloud services, powered by 5G technologies, will further enhance the stability and quality of our digital educational resources as the concurrent online users continue to increase; please refer to “Business – Information Technologies and Infrastructure – Application of 5G” for more details about our current research focuses of 5G technology; to this regard, we require more spaces for our expanding data technical and development team, especially those specialists in the abovementioned areas we plan to hire, as well as for the upgraded research and experimental environment accommodating new equipment for those new data related development projects; we have leased office spaces with a total gross floor area of approximately 560 sq.m. for our new Zhuhai big-data center which has commenced trial operation as of the Latest Practicable Date; we intend to lease more spaces for our Zhuhai big-data center in the upcoming years to accommodate additional staff and equipment;
- approximately [REDACTED]% of our estimated [REDACTED], representing approximately HK\$[REDACTED] million, will be used for the investments in optimizing our product and service offerings to further enhance our competitiveness; to this end, we may selectively pursue potential acquisitions of businesses, brands, hardware product and/or educational resource providers in our upstream or downstream sectors that are in line with our growth strategy and are complementary to our existing operations, including but not limited to manufacturers who have patents or technologies for the development of new learning device accessories adaptive to our smart learning devices, and education resource developers and publishers who possess competitive advantages in areas or subjects we consider valuable to our existing educational resources; our industry is subject to rapidly evolving changes, with respect not only to various technology innovations but also the improvements to content and formation of educational resources; as such, we believe strategic acquisitions may become a more cost-efficient way to access desirable technologies, products or educational resources in the market, comparing with solely relying on in-house research and development; the amount for this use is determined based on our current evaluation and estimation of potential acquisition transactions we may pursue, and in selecting and assessing potential acquisition opportunities, we will consider synergies between the target and our existing

FUTURE PLANS AND [REDACTED]

operations and development strategies (such as the adaptability of the device accessories offered by the potential target and the costs in association with making them available on our smart learning devices, or the scope of education content offered by the potential target that we are not able to provide at current stage), the expected contribution to our future business growth (i.e. enhancing the user experience and the technical competitiveness of our smart learning devices, or increasing the variety and completeness of our education resources), experience and skills of the management team, operation scale, technological capability, product portfolio, valuation and estimated costs, as well as culture fit; in assessing the feasibility of any potential targeted technology or patent, we will closely analyze its compatibility with our existing research and development capabilities and will assign suitable personal who are most familiar with such newly acquired technology or patent to lead its development; we currently focus on potential targets located in China, and as advised by our industry consultant who conducted a desktop research on the number of domestic educational resources providers and hardware manufacturers, such as liquid crystal display specialized technology companies, with varying registered capital, we believe there are plenty number of potential targets that meet our requirements; to be prudent, we currently consider we will make minority equity investment when an appropriate opportunity arises; while we will continue to evaluate potential acquisitions of business or products, as of the Latest Practicable Date, we had not identified any acquisition targets;

- approximately [REDACTED]% of our estimated [REDACTED], representing approximately HK\$[REDACTED] million, will be used to enhance our educational material development capability and further diversify our digital educational resources; digital educational resources are important to us in a sense that they will offer competitive advantages for our devices to appeal to more students with different learning needs;
 - o [REDACTED]% of which will be used to recruit and train our educational material development personnel; our digital educational resource development under contemplation either require additional manpower due to the increasing scale as we intend to introduce more resources that appeal to students with different learning needs, or require additional knowledge or experience in different subjects, including certain featured and specialized sessions for quality education such as art, music, public speaking and physical education, that the existing crew do not possess; to this end, we expect to hire additional educational resource development crew and digital resource product development crew to improve the quality and quantity of the educational materials we could offer; the number of new hires is generally in line with the expected scale of our digital educational resource development plans and the expected salary range matches the market's average; the details of our planned new hires in the next three years are as follows:

FUTURE PLANS AND [REDACTED]

	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>Major responsibilities</u>	<u>Expected salary range per year per person</u>
Full-time educational resource development crew	13	13	17	establishment and improvement of our internal educational resource standardization process; studying national and local compulsory education curriculum and syllabus frameworks and collaborating with product design team to work out product model designs with various embedded educational materials meeting the needs of different students and their teachers and parents; conducting researches and collaborating with various third-parties to jointly develop educational materials; and collaborating with digital tool development personnel to design and develop compatible educational materials	RMB200,000 to RMB300,000
Digital resource product development crew	16	16	21	closely studying national and local educational policies and regulations and market trends to ensure the feasibility and compliance of the existing and potential products; leading the detailed design and development of various courseware, including the establishment of digital resource development standards; constantly assessing and verifying the quality and effectiveness of various educational resources; collecting and studying the feedback and demands from students and their teachers and parents so as to upgrade the existing products	RMB100,000 to RMB200,000

- o [REDACTED]% of which will be used to expand and update our digital educational resources, mainly to license high quality learning materials from reputable publishers; and
- approximately [REDACTED]% of our estimated [REDACTED], representing approximately HK\$[REDACTED] million, will be used as our working capital and for general corporate purposes.

FUTURE PLANS AND [REDACTED]

The above allocation of 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 midpoint of the [REDACTED] stated in this document.

In the event that the [REDACTED] is exercised in full, we intend to apply the additional [REDACTED] to the above uses in the proportions stated above.

To the extent that the [REDACTED] are not immediately applied to the above purposes and to the extent permitted by applicable law and regulations, we will deposit the [REDACTED] into short-term demand deposits with licensed banks or authorized financial institutions. We will make an appropriate announcement if there is any change to the above proposed [REDACTED].

Implementation Timeframe

Based on our current business plans and development strategies, as well as our current estimates and understanding of our market, we plan to use the [REDACTED] of the [REDACTED] in the next four years with an indicative detailed timetable as follows:

	2022	2023	2024 and afterwards	Total
<i>(In HK\$ million)</i>				
Distribution network	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Research and development of IT and infrastructure				
– Recruitment of additional IT staff	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
– Establishment of Zhuhai big-data center	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Subtotal	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Strategic investments and/or acquisitions	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Educational resources				
– Recruitment and training educational resource research and development crew	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
– Expanding and updating educational content, mainly through licensing	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Subtotal	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Working capital	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Total	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Note:

- (1) We will make the strategic investment and/or acquisition once appropriate opportunities arise. We are not able to specify the allocation at current stage.