
FUTURE PLANS AND USE OF [REDACTED]

FUTURE PLANS

See “Business – Our growth strategies” for a detailed description of our future plans.

USE OF [REDACTED]

Assuming an [REDACTED] of [REDACTED] per [REDACTED] (being the mid-point of the [REDACTED] range of between [REDACTED] and [REDACTED]), we estimate that we will receive net [REDACTED] of approximately [REDACTED] from the [REDACTED] after deducting the [REDACTED] and other estimated expenses paid and payable by us in connection with the [REDACTED] and assuming that the [REDACTED] is not exercised.

In line with our strategies, we intend to use our [REDACTED] from the [REDACTED] for the purposes and in the amounts set forth below:

- Approximately [REDACTED], or [REDACTED], will be used over the next two years to expand our store network, and increase our central kitchen capacity. In the past few years, China’s pizza market has experienced robust growth, with its total market size growing from RMB22.8 billion in 2016 to RMB33.5 billion in 2019, representing a CAGR of 13.7%, according to the Frost & Sullivan Report. Although the size of the China pizza market fell slightly to RMB30.5 billion in 2020 as a result of the impact of the COVID-19 pandemic, China’s pizza market is expected to regain momentum in 2021 and continue to expand in 2022 and beyond, with its market size expected to grow from RMB36.4 billion in 2021 to RMB68.9 billion in 2026, representing a CAGR of 13.6%. There is significant whitespace in the China pizza market, which remains underpenetrated compared to countries with similar food cultures. For example, in 2021, there were only 10.9 pizza stores per million people in China, as compared to 28.1 and 28.3 in Japan and South Korea, respectively, according to the Frost & Sullivan Report. In light of this significant market opportunity, we believe our focused business model makes us well-positioned to capitalize on the fast-growing China pizza market, with our established brand awareness contributing to drive long-term growth. We will both deepen our penetration in existing cities and expand our presence to new cities. We will focus on opening stores in China’s Tier 1, New Tier 1 and Tier 2 cities, which have significant whitespace for growth, according to the Frost and Sullivan Report. Specifically, we plan to open 120 and 180 new stores in 2022 and 2023 respectively, primarily in cities close to our three existing central kitchens located in Northern China, Eastern China and Southern China, as well as where our new central kitchens will be established. For details of our planned store network expansion, see “Business – Our growth strategies – Rapidly increase the number of our stores” and “Business – Our Domino’s Pizza store network – Growth of our store network”.

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In particular, the [REDACTED] that will be used over the next few years to expand our store network and increase our central kitchen capacity will be further divided as follows:

- Approximately [REDACTED] of our total estimated net [REDACTED], or [REDACTED], will be used over the next two years to fund the initial capital expenditure of our new stores, which is approximately [REDACTED] per store. This initial capital expenditure primarily includes the design, renovation and decoration for the new stores, procurement and installation of kitchen equipment and air conditioners and procurement of computer and related IT software. The table below sets out the expected capital expenditures for store openings in 2023 and 2024 that we intend to fund by utilizing the [REDACTED] of the [REDACTED]:

Year	Number of stores	Estimated investment amount (HK\$ in millions)	Percentage of net [REDACTED]
2023	180	[REDACTED]	[REDACTED]
2024	177*	[REDACTED]	[REDACTED]
Total	357	[REDACTED]	[REDACTED]

* Only consists of new store openings we plan to fund by utilizing the [REDACTED] of the [REDACTED].

The table below sets out the expected uses of these initial capital expenditures by usage, based on historical amounts:

Usage	Percentage of initial expenditures
Design and construction	[REDACTED]
Procurement and installation of kitchen equipment and air conditioners	[REDACTED]
Procurement of computers and related IT software	[REDACTED]
Others	[REDACTED]

- Approximately [REDACTED]% of our total estimated net [REDACTED], or [REDACTED], will be used to fund the expansion of our existing central kitchens’ capacity and establish additional one or more central kitchens over the next few years on an as-needed basis. In the short term, we plan to leverage our existing store network by initially expanding to cities that are currently covered by our central kitchens. We will expand the capacity of our existing

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central kitchens accordingly to meet the increasing consumer demands. Over the longer term, we plan to add more central kitchens to our network to support our growth. When new central kitchens are needed, the typical investment includes the (i) construction of such central kitchens, and (ii) procurement of kitchen equipment and other general office equipment and furniture. We believe a network of central kitchens will enable us to cost-effectively grow our supply chain in tandem with the growth of our store network. We are currently able to increase production capacity on an as-needed basis by increasing the number of shifts worked at each of the central kitchens located in Sanhe, Hebei Province, Dongguan, Guangdong Province and Shanghai. Currently, one shift is worked at each central kitchen, and adding one or two shifts would enable us to double or triple the current production capacity. Nevertheless, we plan to expand our central kitchens in Sanhe, Dongguan and Shanghai in 2022, 2023 and 2024, mainly to increase their warehousing capacity. This will provide more floor area that we can use to add new production lines to increase production capacity. We expect that, if we fully fill the new floor area provided by the expansions with new production lines, the maximum potential production capacity at each of the three central kitchens would increase by approximately 100% (assuming no increases in the number of shifts worked). The expansion of the warehouse areas in each of the three central kitchens will primarily be done by leasing adjacent sites. We do not expect the expansion works to result in any material disruption to our business operations. The table below sets out our expected spending for our central kitchen expansion plans over the next few years.

Investment projects	Estimated cost <i>(HK\$ in millions)</i>	Percentage of net [REDACTED]	Estimated timeframe of implementation
Shanghai central kitchen capacity expansion	[REDACTED]	[REDACTED]	2022-2023
Sanhe central kitchen capacity expansion	[REDACTED]	[REDACTED]	2023-2024
Dongguan central kitchen capacity expansion	[REDACTED]	[REDACTED]	2023-2024
New central kitchen	[REDACTED]	[REDACTED]	2023-2024
Total	[REDACTED]	[REDACTED]	

Note

* Only consists of investments we plan to fund by utilizing the [REDACTED] of the [REDACTED].

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- Approximately [REDACTED], or [REDACTED], will be used over the next two years to enhance our technology capabilities, with the goal to further improve our operational efficiency and service capabilities to enhance the customer experience. Our technology investment includes (i) strengthening our digital platforms, including our ordering, marketing and data analytics capabilities, to enable us to better serve customers through online channels; (ii) enhancing our business operation systems, including with respect to smart dispatch, staffing, training, customer service and food safety, which will enable us to further streamline our operations; (iii) refining our financial management and supply chain management systems, which will enable us to further streamline our operational efficiency; and (iv) improving our IT infrastructure to ensure the stability of our system operations and safeguard our corporate and customers’ information. See “Business – Our growth strategies – Further enhance our technology” and “Business – Our technology and data insights”. The table below sets out a breakdown of the estimated costs by nature in relation to the enhancement of our technology capabilities

Investment projects	Estimated cost (HK\$ in millions)	Percentage of net [REDACTED]	Estimated timeframe of implementation
Strengthening our digital platforms, including ordering, marketing and data analytics	[REDACTED]	[REDACTED]	2023
Enhancing our business operation systems, including with respect to smart dispatch, staffing, training, customer service and food safety	[REDACTED]	[REDACTED]	2023
Refining our financial management and supply chain management systems	[REDACTED]	[REDACTED]	2023
Improving our IT infrastructure, including system security and stability	[REDACTED]	[REDACTED]	2023-2024
Total	[REDACTED]	[REDACTED]	

Note

* Only consists of investments we plan to fund by utilizing the [REDACTED] of the [REDACTED].

- The remaining balance will be used for general corporate purposes.

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We estimate that we will receive from the [REDACTED] net [REDACTED], after deducting the [REDACTED] and estimated expenses payable by us in connection with the [REDACTED], in the amount as set out in the following table:

	Based on the low-end of the proposed [REDACTED] range of [REDACTED]	Based on the middle-end of the proposed [REDACTED] range of [REDACTED]	Based on the high-end of the proposed [REDACTED] range of [REDACTED]
Assuming the [REDACTED] is not exercised	Approximately [REDACTED]	Approximately [REDACTED]	Approximately [REDACTED]
Assuming the [REDACTED] is exercised in full	Approximately [REDACTED]	Approximately [REDACTED]	Approximately [REDACTED]

To the extent that the net [REDACTED] from the [REDACTED] (including the net [REDACTED] from the exercise of the [REDACTED]) are either more or less than expected, we may adjust our allocation of the net [REDACTED] for the above purposes on a pro rata basis.

To the extent that the net [REDACTED] of the [REDACTED] are not immediately required for the above purposes or if we are unable to put into effect any part of our plan as intended, we will only place such funds as short-term deposits with licensed banks and/or authorized financial institutions. In such event, we will comply with the appropriate disclosure requirements under the Listing Rules.