

FUTURE PLANS AND USE OF [REDACTED]

FUTURE PLANS

See the section headed “Business – Our Growth Strategies” in this document for a detailed description of our future plans.

USE OF [REDACTED]

The table below sets forth the estimated net [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] (assuming the [REDACTED] is not exercised):

Assuming an [REDACTED] of HK\$[REDACTED] per [REDACTED] Share (being the mid-point of the [REDACTED] range stated in this document)	HK\$[REDACTED] million
Assuming an [REDACTED] of HK\$[REDACTED] per [REDACTED] Share (being the high end of the [REDACTED] range stated in this document)	HK\$[REDACTED] million
Assuming an [REDACTED] of HK\$[REDACTED] per [REDACTED] Share (being the low end of the [REDACTED] range stated in this document)	HK\$[REDACTED] million

We intend to use the net [REDACTED] as follows (based on the mid-point of the [REDACTED] range stated in this document):

- approximately [REDACTED]%, or HK\$[REDACTED] million, will be used over the next five years to fund the construction and development of our production facilities, thereby expanding our baijiu production capacity progressively. In the past few years, China’s baijiu market has continued to grow, with revenue increasing from RMB536.4 billion in 2018 to RMB603.3 billion in 2021. Driven by continued product innovation, improvement of baijiu-making techniques and consumers’ increasing awareness, such growth momentum is expected to remain strong in the near future. According to Frost & Sullivan, China’s baijiu market is expected to continue to expand from RMB621.1 billion in 2022 to RMB769.5 billion in 2026, representing a CAGR of 5.5%. Additionally, due to increasing market acceptance, China’s sauce aroma baijiu market has grown at a CAGR of 15.8% from RMB105.6 billion in 2017 to RMB190.0 billion in 2021. According to Frost & Sullivan, it is expected that sauce aroma baijiu to continue to grow significantly in market share, and become the largest aroma type in terms of revenue in China’s baijiu market by 2026, with market share of 41.8%. See “Industry Overview” for details.

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To capture these tremendous market opportunities, we believe it is in our best interest to scale our baijiu production capacity rapidly in the next few years, with a goal to solidify our market leadership and improve our profitability through economies of scale to drive long-term growth. We plan for the expansion of three existing production facilities and the construction of one new production facility to increase our production capacity. These planned projects are expected to increase our annual production capacity of base liquor by 26,000 tons by 2024, among which 16,600 tons are for sauce aroma base liquor. In addition, we plan to build a new base liquor storage facility, namely *Zhen Jiu* (Bai Yan Gou) (白岩溝), to accommodate our expanding production capacity. Set forth below are certain details of these production facilities and our intended [REDACTED] among these production facilities:

Production Facility	Geographic Location	Major Brand(s) Served	Designed Production Capacity of Base Liquor (tons per year)	Intended [REDACTED] from the [REDACTED] (HK\$ in millions)
<i>Zhen Jiu</i> (Zhao Jia Gou) (趙家溝) (Expansion)	Zunyi, Guizhou	<i>Zhen Jiu</i>	6,000	[REDACTED]
<i>Zhen Jiu</i> (Mao Tai Zhen Shuang Long) (茅台鎮雙龍) (Expansion)	Zunyi, Guizhou	<i>Zhen Jiu</i>	10,600	[REDACTED]
<i>Zhen Jiu</i> (Bai Yan Gou) (白岩溝)	Zunyi, Guizhou	<i>Zhen Jiu</i>	N/A, base liquor storage facility	[REDACTED]
<i>Li Du</i> (Zheng Jia Shan) (鄭家山)	Lidu, Jiangxi	<i>Li Du</i>	5,000	[REDACTED]
<i>Xiang Jiao</i> (Jiang Bei) (江北) (Expansion)	Shaoyang, Hunan	<i>Xiang Jiao</i> and <i>Kai Kou Xiao</i>	4,400	[REDACTED]

We build these production facilities with a view to ramping up our baijiu production capacity for mid- to long-term customer demand. The utilization of these facilities depends on multiple factors, including changing market dynamics. For additional information, see “Business – Production Facilities – Planned Production Capacity Expansion.”

We intend to use the net [REDACTED] to fund the construction and development of these production facilities, including:

- (i) approximately [REDACTED]%, or HK\$[REDACTED] million, will be used to fund the construction of factory buildings at these production facilities;
- (ii) approximately [REDACTED]%, or HK\$[REDACTED] million, will be used to recruit, train and retain staff at these production facilities; and
- (iii) approximately [REDACTED]%, or HK\$[REDACTED] million, will be used to purchase equipment and facilities, such as pipe conveyors, air coolers, liquor tanks, dual-beam cranes, and packaging lines, to be installed across these production facilities;

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- approximately [REDACTED]%, or HK\$[REDACTED] million, will be used over the next five years in brand building and market promotion, with a goal to drive brand awareness and foster a growing loyal consumer base. Historically we have benefited from our substantial investments in widespread advertisement placement, which has been a large component of our selling and distribution expenses. Our advertisement expenses amounted to RMB241.7 million and RMB669.2 million in 2020 and 2021, respectively, and RMB428.9 million and RMB486.9 million in the nine months ended September 30, 2021 and 2022, respectively. These investments have enabled us to significantly increase our exposure to target consumers and build a strong brand awareness, which have driven our revenue growth during the Track Record Period. Going forward, we plan to continue to increase and optimize advertisements placement across media channels, including television and radio, airport and railway stations, outdoor billboards, office and residential building elevators and online channels. In particular, we plan to increase our investment in online marketing initiatives and campaigns, including launching short videos oriented to baijiu culture and our brands and partnering with key opinion leaders across social media platforms, to convey our brand propositions and encourage viral dissemination of our brand names. In addition, we intend to constantly organize and sponsor industry events, such as distillery tours and baijiu tasting events, to drive consumers’ awareness about baijiu and our brands particularly.
- approximately [REDACTED]%, or HK\$[REDACTED] million, will be used over the next five years to expand our sales channels, with a goal to continue to drive revenue growth, including:
 - approximately [REDACTED]%, or HK\$[REDACTED] million, will be used to expand our distribution network across China, including to provide operational support for our distributors pursuant to our distribution agreements to motivate their sales and marketing activities; and
 - approximately [REDACTED]%, or HK\$[REDACTED] million, will be used to strengthen our sales team to drive our direct sales and to better serve our expanding distribution network, including recruiting, training and retaining in-house sales personnel and ramping up our business presence across various e-commerce platforms;
- approximately [REDACTED]%, or HK\$[REDACTED] million, will be used over the next five years to automate and digitalize our business operations leveraging advanced technologies such as data analytics, artificial intelligence, and IoT, with a goal to streamline and optimize baijiu production process, improve operational efficiency and drive long-term profitable growth;
- the remaining approximately [REDACTED]%, or HK\$[REDACTED] million, will be used for working capital and general corporate purposes.

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The following table sets out how the [REDACTED] are expected to be allocated in the next few years with respect to each of the intended uses mentioned above.

	<u>2023</u>	<u>2024</u>	<u>2025</u> (%)	<u>2026</u>	<u>2027</u>
Construction and development of production facilities . . .	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Brand building and market promotion . .	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Expansion of sales channels . . .	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Business automation and digitalization transformation	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Working capital and general corporate purposes . . .	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

The above [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 estimated [REDACTED] range.

To the extent our net [REDACTED] are either more or less than expected, we will increase or decrease the [REDACTED] to the above purposes on a pro-rata basis.

To the extent that the net [REDACTED] are not immediately applied to the above purposes and to the extent permitted by the relevant law and regulations, we intend to deposit the net [REDACTED] into short-term demand deposits and/or money market instruments with banks or financial institutions in Hong Kong or the PRC. We will make an appropriate announcement if there is any change to the above proposed use of [REDACTED] or if any amount of the [REDACTED] will be used for general corporate purpose.

If the [REDACTED] is fully exercised, our Company will receive additional net [REDACTED] of approximately HK\$[REDACTED] million for [REDACTED] Shares to be allotted and issued upon the full exercise of the [REDACTED] based on the [REDACTED] of HK\$[REDACTED] per [REDACTED] Share, being the mid-point of the [REDACTED] range, and after deducting the [REDACTED] fees and commissions payable by our Company. The additional amount raised will be applied to the above areas of use of [REDACTED] on pro-rata basis.