
FUTURE PLANS AND USE OF [REDACTED]

FUTURE PLANS

See “Business — Our Strategies” for a detailed discussion of our future plans.

USE OF [REDACTED]

Assuming an [REDACTED] of [REDACTED] per [REDACTED], being the mid-point of the [REDACTED] range of [REDACTED] to [REDACTED] per [REDACTED], and that the [REDACTED] is not exercised, we estimate that we will receive net [REDACTED] from the [REDACTED] of approximately [REDACTED] (after deducting the [REDACTED] commissions and other estimated expenses paid and payable by us in relation to the [REDACTED]). We intend to use the net [REDACTED] from the [REDACTED] for the purposes and in the amounts set forth below:

- (i) approximately [REDACTED]%, or [REDACTED], for expanding the coverage and penetration of our POS network. We plan to increase the number of POSs in different consumption scenarios including schools, factories, restaurants, office premises, public places and other high-quality types of sites in tier one, new tier one, tier two and tier three cities in mainland China. We plan to open a total of approximately 40,000 new POSs over the two years following the [REDACTED], with approximately 10,000 and 30,000 new POSs in the second half of 2023 and 2024, respectively. We plan to place pick-and-go cabinets in more than 80% of the new POSs. We estimate the costs of setting up a new POS with pick-and-go cabinet will be approximately RMB7,000 to RMB9,000, whereas the costs of a new POS with other kinds of machines, i.e. beverage vending machine, beverage and snack vending machine and freshly brewed beverage vending machine, will range from RMB18,000 to RMB26,000. Our beverage vending machines, beverage and snack vending machines and freshly brewed beverage vending machines deliver the merchandise or beverages to the customers with their internal mechanical systems, such as structures of motors and sensors, which are more complex than that of the pick-and-go cabinets and lead to the relatively higher production costs and setting up costs. We plan to supplement any shortfall in the estimated expenses with our internal resources and/or bank borrowings;

Set forth below is a breakdown of the proportion of new POSs expected to be opened by city tier for each of 2023 and 2024:

<u>City Tiers</u>	<u>For each of 2023 and 2024</u>
Tier 1 Cities	25-30%
New Tier 1 Cities	40-45%
Tier 2 Cities	25-30%
Tier 3 Cities	5-10%

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According to Frost & Sullivan, vending machines in mainland China covered only 8.8% of the country’s potentially available offline sites in 2022. It is expected that there will be sufficient sites available for the Group to expand its POS network from 2023 to 2026 primarily because, according to Frost & Sullivan, there are more than ten million potentially available sites in mainland China for the placement of vending machines. We believe that there will be sufficient demand to support our expansion plan since, according to Frost & Sullivan, (i) the market size of retail sales of consumer goods market, which was RMB44.0 trillion in 2022, is expected to grow with a CAGR of approximately 5.9% from 2022 to 2027; (ii) the market size of unmanned retail market, which was RMB29,916.5 million in 2022, is expected to grow with a CAGR of approximately 20.4% from 2022 to 2027; and (iii) the market size of vending machine retail market, which was RMB28,908.1 million in 2022, is expected to grow with a CAGR of approximately 20.7% from 2022 to 2027. Leveraging our well-established brand recognition and position in the market, we believe that we will be able to further expand our market presence and deepen our market penetration.

- (ii) approximately [REDACTED]%, or [REDACTED], for further developing our operation capabilities and enhancing our warehouse inventory management capabilities by building or upgrading our warehouses and/or logistics systems across the country. In particular, we will lease more premises of various sizes for warehousing to establish a more comprehensive operation network in mainland China at regional, city and front operation levels. We plan to open a total of approximately 25-55 new warehouses over the two years following the [REDACTED], with approximately 5-15 and 20-40 new warehouses in 2023 and 2024, respectively. We expect the costs of opening new warehouses will mainly consist of rental expenses, renovation costs and staff costs. We plan to supplement any shortfall in the estimated expenses with our internal resources and/or bank borrowings;
- (iii) approximately [REDACTED]%, or [REDACTED], for further developing our R&D capabilities and enhancing the technologies in our operation systems and vending machines, among which:
 - approximately [REDACTED]%, or [REDACTED], for hardware upgrade. We will expand the capacity of our servers and infrastructure, as well as leasing more cloud servers to support our platform;
 - approximately [REDACTED]%, or [REDACTED], for software enhancement. We plan to upgrade our technology capabilities to better support our services, including technologies relating to, among others, visual identification, inventory management and operations scheduling, as well as data analytics; and

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- approximately [REDACTED]%, or [REDACTED], for recruiting talents. To enhance our research and development capabilities, we will hire, among others, around 20 engineers with suitable experience in relevant algorithm, software and hardware development in the two financial years ending December 31, 2024. We plan to hire engineers with 2 to 5 years of relevant industry experience at the monthly salary in the range of RMB20,000 to RMB50,000. Our total spending in this connection will depend on our business development and revenue growth, among others, in the event that the actual amount of net [REDACTED] available for this use is insufficient to cover our total spending, the shortfall will be met by our internal resources and/or bank borrowings; and
- (iv) approximately [REDACTED]%, or [REDACTED], for working capital and other general corporate purposes.

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

	Based on the low-end of the proposed [REDACTED] range of [REDACTED]	Based on the mid-point 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]

The allocation of the [REDACTED] as set out above will be adjusted on a pro rata basis in the event that the [REDACTED] is fixed below or above the midpoint of the indicative price range. If the [REDACTED] is exercised, the additional net [REDACTED] will be applied in accordance with the above allocations on a pro rata basis.

If the net [REDACTED] of the [REDACTED] are not immediately applied to the above purposes, we will only deposit those net [REDACTED] into short-term interest-bearing accounts at licensed commercial banks and/or other authorised financial institutions in Hong Kong and mainland China (as defined under the SFO, the Law of the People’s Republic of China on Commercial Banks (中華人民共和國商業銀行法) and other relevant PRC Law).

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If any part of our development plan does not proceed as planned for reasons such as the occurrence of force majeure events, we will carefully evaluate the situation and may reallocate the net [REDACTED] from the [REDACTED]. We will issue announcements, where required, if there is any material change in the use of [REDACTED] mentioned above.

IMPLEMENTATION TIMELINE

The table below sets forth the expected implementation timetable of our planned use of [REDACTED]:

	For the year ending December 31,			% of Total
	2023	2024	Total	
	<i>(HK\$ in millions, except for percentages)</i>			
Implementing our expansion initiatives	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Further developing our operation network	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Enhancing our technologies	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Hardware upgrade	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Software enhancement	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Recruiting talents	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Working capital and other general corporate purposes	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Total	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Note: Our strategies in 2024 will be partially funded by the net [REDACTED] from the [REDACTED]. The remainder will be funded by our internal resources and/or bank borrowings.