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## INDUSTRY OVERVIEW

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*The information presented in this section, including certain facts, statistics and data, is derived from the market research report prepared by CIC, which was commissioned by us, and from various official government publications and other publicly available publications, unless otherwise indicated. We believe that these sources are appropriate for such information and we have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading in any material respect or that any fact has been omitted that would render such information false or misleading in any material respect. The information derived from official government publications has not been independently verified by our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our or their respective directors, officers or representatives or any other person involved in the Global Offering (except CIC) and no representation is given as to its accuracy.*

### SOURCE OF INFORMATION

We commissioned CIC, a market research and consulting company founded in Hong Kong and an Independent Third Party engaging in the provision of professional industry consulting across multiple industries, to conduct an analysis of, and to report on the (i) laundry product markets in the PRC, the UK, Germany and Australia; and (ii) household cleaning tool market in the PRC and the US. The CIC Report has been prepared by CIC independent of our influence. The fee payable to CIC for preparing the CIC Report is HK\$650,000, which we consider reflects market rate for such report.

CIC is an independent professional market research company with solid experience in their profession. The information and data collected by CIC have been analysed, assessed and validated using CIC's in-house analysis models and techniques. The primary research was conducted via interviews with key industry experts and leading industry participants. The secondary research involved analysis of market data obtained from several publicly available data sources, such as the National Bureau of Statistics of the PRC and industry associations. The methodology used by CIC is based on information gathered from multiple levels and allows such information to be cross-referenced for reliability and accuracy. On such basis we consider the data and statistics extracted from the CIC Report to be reliable.

The CIC Report contains a variety of market projections which were produced with the following key assumptions: (i) the PRC's economic development is likely to continue to maintain a steady growth trend during the forecast period; (ii) related industry key drivers are likely to drive the drying rack market and household cleaning tool manufacturing market; (iii) related industry key drivers are likely to drive the laundry product markets in the UK, Germany and Australia and household cleaning tool market in the US in the forecast period; and, (iv) there is no extreme force

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majeure or industry regulations in which the markets may be affected either dramatically or fundamentally. The reliability of the CIC Report may be affected by the accuracy of the foregoing assumption and factors.

We are principally engaged in the design, development, manufacture and sale of a wide variety of (i) laundry products; (ii) household cleaning tools; and (iii) kitchen gadgets, with our production plant based in the PRC. During the Track Record Period, we derived most of our revenue from our sales of laundry products delivered to the United Kingdom, Germany and Australia. For the years ended 31 December 2018, 2019 and 2020 and the four months ended 30 April 2021, our sales of laundry products delivered to these major countries constituted approximately 85.1%, 86.2%, 79.2% and 75.6% of our total revenue of laundry products, respectively. Meanwhile, we also derived a substantial portion of our revenue from our sales of household cleaning products delivered to the US. For the years ended 31 December 2018, 2019 and 2020 and the four months ended 30 April 2021, our revenue generated from our sales of household cleaning products delivered to the US accounted for approximately 84.3%, 85.2%, 84.8% and 71.5% of our total revenue of household cleaning tools, respectively. Hence, with a view to understanding the industry in these major countries to which our products are principally exported, the CIC Report mainly focuses on the markets in the PRC, the US, the UK, Germany and Australia, being the major countries in which our business are involved. Our Directors confirm that after taking reasonable care, there is no material adverse change in the market information since the date of the relevant data contained in the CIC Report which may qualify, contradict or have an impact on the information in this section. Except as otherwise noted, all of the data and forecasts contained in this section are derived from the CIC Report.

### THE LAUNDRY PRODUCT MARKETS

Laundry products are tools designed for washing and drying clothes which mainly include drying racks, hangers, ironing board, clothes hampers and other miscellaneous laundry-related items such as laundry bags.

Generally, drying racks can be categorised into the following groups:

Classification	Major product type	Description	General usage
Floor-standing drying racks	Rotary drying racks	<ul style="list-style-type: none"><li>With several lines on each of its sides, and a ground socket for an easy, fast and concrete installation.</li></ul>	Outdoor
	Foldable drying racks	<ul style="list-style-type: none"><li>Practical for families without balcony</li><li>Mobile and convenient for storage</li></ul>	Indoor or outdoor
	Upright drying racks	<ul style="list-style-type: none"><li>Not foldable</li></ul>	Indoor or outdoor

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Classification	Major product type	Description	General usage
Wall-mounted drying racks	Portable drying racks	• Can be hung on windows, railings and doors	Indoor or outdoor
	Extendable drying racks	• Occupying minimal space when they are not in use	Indoor or outdoor
	Traditional clothes airers	• Featuring a pulley system	Balcony
	Retractable clotheslines	• With automatic retraction design that allows the clothesline to be collected after use	Indoor or outdoor
Others	Ground socket screw	• For installation of rotary drying racks onto the ground	Outdoor
	Washing line	• Attached from a post or a wall	Indoor or outdoor

### **The United Kingdom (the “UK”)**

According to the International Monetary Fund (“IMF”), the UK economy has increased slowly over the past few years, with its nominal GDP increasing slightly from approximately GBP1.92 trillion in 2015 to approximately GBP2.06 trillion in 2020. The UK nominal GDP is expected to sustain long-term growth to reach approximately GBP2.57 trillion by 2025. Despite the uncertainty brought by the withdrawal of the UK from the EU, according to the Office for National Statistics, the per capita disposable income in the UK increased slightly from approximately GBP25,823 in 2015 to approximately GBP25,905 in 2020, representing a CAGR of approximately 0.1%. This number is expected to reach approximately GBP27,342 in 2025, representing a CAGR of approximately 1.0% from 2021 to 2025. According to the Office for National Statistics, the total number of households in the UK has increased from approximately 27.0 million in 2015 to approximately 27.8 million in 2020, representing a CAGR of approximately 0.6%. This number is expected to grow to reach approximately 28.7 million in 2025, representing a CAGR of approximately 0.5% from 2021 to 2025.

### ***Laundry product market in the UK***

Outdoor laundry products are popular in the UK as the majority of households inhabit houses with a yard. Due to rainy climate in the UK, laundry products are often designed to be water-resistant, while ailer covers are used to protect drying racks from the rain. The laundry product market in terms of retail sales value in the UK has grown from approximately GBP153.4 million in 2015 to approximately GBP164.7 million in 2020, and is expected to reach approximately GBP187.6 million in 2025, representing a CAGR of approximately 2.6% between 2021 and 2025.

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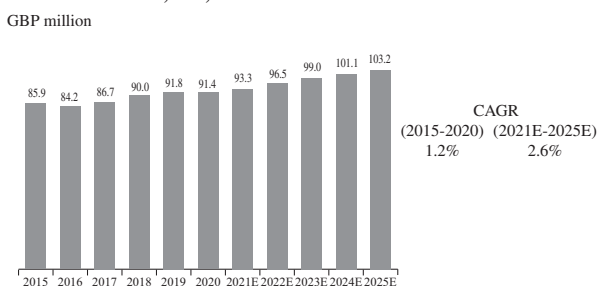
## INDUSTRY OVERVIEW

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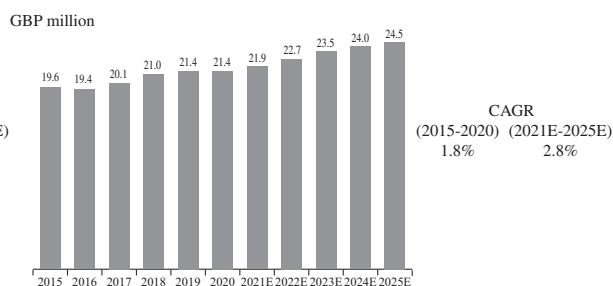
### *Drying rack market in the UK*

According to the Office for National Statistics and CIC, the drying rack market in the UK accounted for approximately 2% of the global drying rack market in terms of sales revenue in 2020. According to the Office for National Statistics and CIC, the market size of drying racks, in terms of retail sales, in the UK rose from approximately GBP85.9 million in 2015 to approximately GBP91.4 million in 2020, representing a CAGR of approximately 1.2%. The decrease in retail sales value of drying racks in the UK for 2016 was mainly due to the more conservative spending of some consumers who felt uncertain following the referendum held by the UK to decide to withdraw from the EU in June 2016. In 2020, the retail sales value of drying racks in the UK decreased due to the disruption of trading activities caused by the outbreak of COVID-19. However, on the basis that the lockdown measures will ease in 2021, the market size of drying racks is expected to recover from the second half of 2021 onwards. The retail sales value of drying racks is expected to increase and reach approximately GBP103.2 million in 2025, representing a CAGR of approximately 2.6% from 2021 to 2025, along the expected moderate growth in per capita GDP and disposable income.

**Market size of drying racks in terms of retail sales value, UK, 2015-2025E**



**Import value of drying racks, UK, 2015-2025E**



Source: CIC Report, Office for National Statistics

According to the Office for National Statistics and CIC, the import value of drying racks in the UK is estimated to increase from approximately GBP19.6 million in 2015 to approximately GBP21.4 million in 2020, representing a CAGR of approximately 1.8%. In 2016, world merchandise trade value decreased by approximately 3.3% from 2015 due to continuing weakness in the global economy. Together with the drop in retail sales value of drying racks in 2016, the import value decreased from approximately GBP19.6 million in 2015 to approximately GBP19.4 million in 2016. In 2020, the import value of drying racks decreased with the reduction of market size in terms of retail sales value caused by the outbreak of COVID-19. The import value of drying racks is expected to reach approximately GBP24.5 million in 2025, representing a CAGR of approximately 2.8% from 2021 to 2025. The demand for drying racks in the UK is mainly fulfilled by importation while the PRC contributed approximately 65% of the import value of drying racks in the UK in 2020.

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### *Features and trend*

**Higher number of houses than apartments:** According to Eurostat, the statistical office of the European Union, and CIC, only approximately 14% of British people live in apartments, representing one of the lowest rates among European countries, while the majority of households live in houses with a yard. As a result, the proportion of outdoor rotary drying rack was relatively higher, accounting for approximately 53.8% in 2020. With the increasing number of households in the UK, it is expected that the market demand of outdoor rotary drying rack will continue to increase.

### *Drivers*

**Growth of household income:** Although economic growth in the UK has slowed down in the past few years mainly due to the political uncertainty brought by Brexit, according to the Office for National Statistics the median household income has still been growing from approximately GBP48,900 in 2015 to approximately GBP49,700 in 2020. The median household expenditure has increased from approximately GBP38,300 in 2015 to approximately GBP44,000 in 2020, and is expected to increase to approximately GBP49,800 in 2025. With higher household income, the purchasing power of households increases and they would expect better standard of living. Consumers are more willing to spend more on quality household necessity products including drying racks with multi-functions and more appealing design, which would drive the demand for quality and branded drying racks in the UK.

**Increasing energy saving awareness:** Since tumble dryers are one of the costly appliances to run in the home, switching from tumble drying to air drying would be an effectively way to reduce electricity consumption and thus lower the electricity bill. Further, national campaigns such as the Big Energy Saving Week were held to advocate energy saving in the UK. With the increasing public awareness over energy savings, the intention to lower energy consumption would encourage the switch from tumble drying to air drying, which in turn drives the demand for drying racks in the UK.

**Development of e-commerce:** In recent years, people in the UK have been shopping online more frequently. According to the Office for National Statistics, the e-commerce retail sales value in the UK increased from approximately GBP52.3 billion in 2015 to approximately GBP99.3 billion in 2020, representing a CAGR of approximately 13.7%. Some online stores in the UK provide one-day delivery service for certain household necessity products, including drying racks, which improves the shopping convenience and in turns fuels the sales market of household necessity products in the UK.

### **Germany**

The German economy has experienced steady growth over the past several years, with its nominal GDP growing from approximately EUR3.03 trillion in 2015 to approximately EUR3.31 trillion in 2020, according to the IMF. Germany's nominal GDP is expected to sustain long-term growth and is anticipated to reach approximately EUR4.03 trillion by 2025. According to the Federal Statistical Office, the per capita disposable income in Germany increased from

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approximately EUR21,487 in 2015 to approximately EUR23,803 in 2020, representing a CAGR of approximately 2.1%. This number is expected to reach approximately EUR26,101 in 2025, representing a CAGR of approximately 1.7% from 2021 to 2025. The total number of households in Germany has increased from approximately 40.8 million in 2015 to approximately 41.7 million in 2020, representing a CAGR of approximately 0.4%. This number is expected to grow to reach approximately 42.2 million in 2025, representing a CAGR of approximately 0.2% from 2021 to 2025.

### *Laundry product market in Germany*

Laundry products in Germany targets high-end customers as people in Germany are more willing to pay a premium to buy products with better quality and specifications. According to the Federal Statistical Office and CIC, the laundry product market in terms of retail sales value in Germany has grown from approximately EUR307.1 million in 2015 to approximately EUR323.2 million in 2020, and is expected to reach approximately EUR356.5 million in 2025, representing a CAGR of approximately 2.0% between 2021 and 2025.

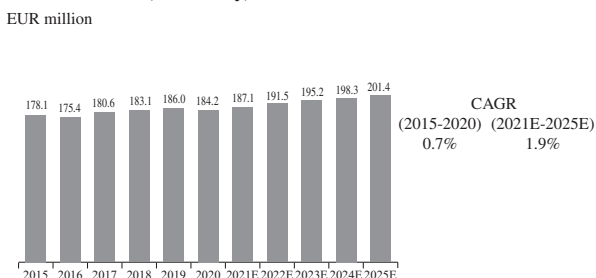
### *Drying rack market in Germany*

The average household size in Germany has been declining in recent decades. According to the IMF and CIC, in 2020, the average household size was approximately 2.0 people per household. The smaller household size leads to a larger number of households relative to the total population. The number of households reached approximately 41.7 million in 2020.

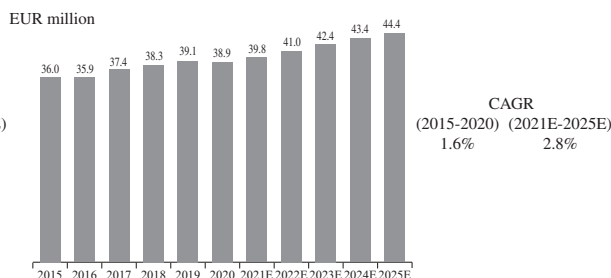
The drying rack market in Germany accounted for approximately 4% of the global drying rack market in terms of sales revenue in 2020. According to the Federal Statistical Office and CIC, the market size of drying racks in Germany rose from approximately EUR178.1 million in 2015 to approximately EUR184.2 million in 2020, representing a CAGR of approximately 0.7%. In 2016, the growth of number of household in Germany has slowed down, with the annual growth rate decreased from approximately 1.4% in 2015 to approximately 0.5% in 2016. As a result, the retail sales value of drying racks in Germany decreased. In 2020, the retail sales value of drying racks in Germany decreased slightly due to the business disruption brought by the outbreak of COVID-19. With the expected growth in the number of household and the expected increase in the per capita disposable income, the market size of drying racks is estimated to increase from approximately EUR187.1 million in 2021 to approximately EUR201.4 million in 2025, representing a CAGR of approximately 1.9%.

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**Market size of drying racks in terms of retail sales value, Germany, 2015-2025E**



**Import value of drying racks, Germany, 2015-2025E**



Source: CIC Report, Federal Statistical Office

According to the Federal Statistical Office and CIC, the import value of drying racks in Germany is estimated to increase from approximately EUR36.0 million in 2015 to approximately EUR38.9 million in 2020, representing a CAGR of approximately 1.6%. In 2016, the world merchandise trade decreased due to continuing weakness in global economy. Together with the drop in retail sales value of drying racks in Germany, the import value decreased from approximately EUR36.0 million in 2015 to approximately EUR35.9 million in 2016. In 2020, the import value of drying racks decreased temporarily with the reduction of its retail sales value caused by the outbreak of COVID-19. The import value of drying racks is expected to reach approximately EUR44.4 million in 2025, representing a CAGR of approximately 2.8% from 2021 to 2025. Approximately 59% of Germany's drying racks import value was contributed by the PRC in 2020.

### *Features and trend*

**Higher number of apartments to houses:** Different from most European countries, approximately 57% of the German households live in apartments as opposed to houses, according to Eurostat and CIC. As a result, the proportion of outdoor rotary drying racks only accounted for approximately 23.3% of the total drying rack market in 2020. In contrast, indoor foldable, portable and extendable drying racks are more popular in Germany. With the increasing number of households in Germany, it is expected that the market demand for indoor drying racks will continue to increase.

### *Drivers*

**Rising immigrant population:** Germany, being one of the most developed countries in the EU, has attracted many migrants from other countries. A substantial number of immigrants and refugees, coming from less developed regions, have relatively lower standards of living compared to local citizens. Air drying is more popular compared to using tumble dryers which are expensive and consume electricity. Therefore, the rising immigrant population in developed countries will widen the potential customer base and will be a big driving force for household necessity products, including drying racks.



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**Development of e-commerce:** Online shopping in Germany, especially for household necessity products, continued to grow steadily over the years. According to the Federal Statistical Office, the e-commerce retail sales value in Germany increased from approximately EUR39.9 billion in 2015 to approximately EUR72.8 billion in 2020, representing a CAGR of approximately 12.8%. With the development of e-commerce, consumers can access to abundant household necessity products and enjoy increasingly speedy delivery services, which improves shopping convenience and fuels the sales market of household necessity products in Germany. As e-commerce is one of the major sales channels of the Group's major customers in Germany, the development of e-commerce can benefit them in on-selling their products to their customers.

### **Australia**

Australia has experienced continuous economic growth since 1992, which was mainly driven by increasing business investment, exports and government spending. According to the Australian Bureau of Statistics, the per capita disposable income in Australia increased from approximately AUD66,890 in 2015 to approximately AUD75,569 in 2020, representing a CAGR of approximately 2.5%. This is expected to reach approximately AUD86,370 in 2025. According to the Australian Bureau of Statistics, the total number of households in the Australia has increased from approximately 9.1 million in 2015 to approximately 9.9 million in 2020, representing a CAGR of approximately 1.7%. This is expected to grow to approximately 10.7 million in 2025, representing a CAGR of approximately 1.5% from 2021 to 2025.

#### ***Laundry product market in Australia***

Surrounded by oceans, the product lifecycle of laundry products, which are often placed outdoor, is relatively shorter as they deteriorate quickly due to corrosion. Therefore, large brands in Australia are making efforts on improving the corrosion-resistance of their laundry products. The laundry product market in terms of retail sales value in Australia has grown from approximately AUD144.4 million in 2015 to approximately AUD166.4 million in 2020, and is expected to reach approximately AUD205.5 million in 2025, representing a CAGR of approximately 4.3% between 2021 and 2025.

#### ***Drying rack market in Australia***

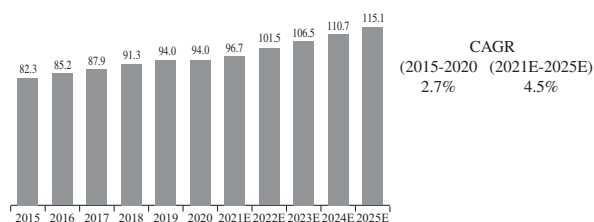
According to the Australian Bureau of Statistics and CIC, the drying rack market in Australia accounted for over 1% of the global drying rack market in terms of sales revenue in 2020. According to the Australian Bureau of Statistics, the market size of drying racks, in terms of retail sales, in Australia rose from approximately AUD82.3 million in 2015 to approximately AUD94.0 million in 2020, representing a CAGR of approximately 2.7%. The high rate of overseas migration flowing to Australia in the past years has contributed to a rapid population growth of over 1.6% each year. This incoming migrant population helps boost the number of household, which will stimulate the nation's drying rack market. The market size of drying racks in Australia is expected to reach approximately AUD115.1 million in 2025, representing a CAGR of approximately 4.5% from 2021 to 2025.



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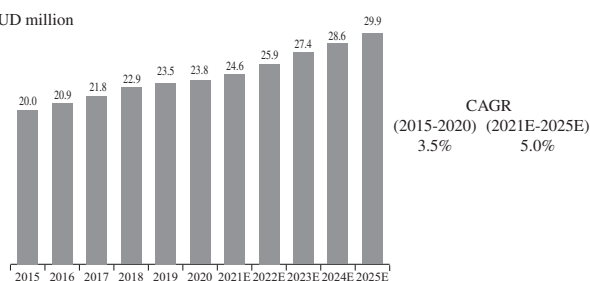
**Market size of drying racks in terms of retail sales value, Australia, 2015-2025E**

AUD million



**Import value of drying racks, Australia, 2015-2025E**

AUD million



Source: CIC Report, Australian Bureau of Statistics

According to the Australian Bureau of Statistics and CIC, the import value of drying racks in Australia is estimated to increase from approximately AUD20.0 million in 2015 to approximately AUD23.8 million in 2020, representing a CAGR of approximately 3.5%. It is expected to reach approximately AUD29.9 million in 2025, representing a CAGR of approximately 5.0% from 2021 to 2025. The PRC contributes a significantly high proportion of Australia’s drying racks import, at approximately 79% in terms of import value in 2020.

### Features and trend

**Favourable conditions for outdoor drying racks:** Despite being the sixth largest country in the world in terms of land area, Australia has a population of approximately 25.7 million only in 2020, according to the IMF. Given this enormous land and low population density, approximately 85% of the households live in separate houses or semi-detached houses with large courtyards, which provides a favourable condition for people using outdoor rotary drying racks as an alternative to tumble dryers. The proportion of outdoor rotary drying racks reached approximately 53.0% in 2020 in Australia. With the rapid population growth in Australia driven by increasing overseas immigration, it is expected that the demand for outdoor drying racks will continue to increase.

### Drivers

**Increasing number of household:** The size of household in Australia has fallen steadily in past decades, with two-person households have become the most prevalent. As household necessity products such as drying racks are generally required by every single household, the demand for household cleaning tools is directly correlated with the number of household. The increasing trend in the number of households in Australia will widen the potential customer base and continue to stimulate the demand for drying racks.

**Increasing dwelling units:** According to the Australian Bureau of Statistics, the number of newly built dwelling units in Australia amounted to approximately 1,228.1 thousand between 2015 and 2020, representing an increase of approximately 31.0% compared to the period between 2009

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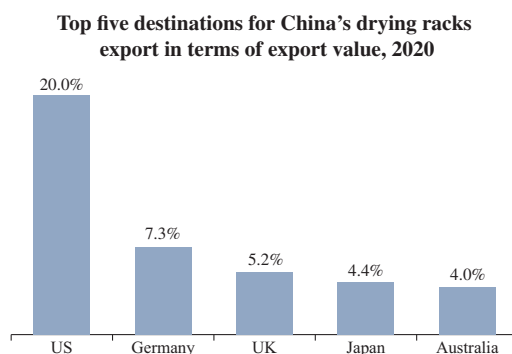
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and 2014. In the past three years, the number of newly built dwellings maintained approximately 200 thousand every year. Consumers nowadays prefer to purchase new batches of household necessity products such as drying racks instead of moving used ones from their original houses as these products are generally lower in value than other furnitures and fixtures. The increasing dwelling units drives demand for household necessity products, including drying racks.

**Development of e-commerce:** According to the Australian Bureau of Statistics, the e-commerce retail sales value in Australia increased from approximately AUD9.2 billion in 2015 to approximately AUD32.7 billion in 2020, representing a CAGR of approximately 28.9%. With increasingly responsive websites optimised for mobile devices, consumers can easily access a large variety of products, which drives the sales market of household necessity products in Australia.

### The PRC

The PRC's economy has experienced significant growth over the past years, with its nominal GDP growing from approximately RMB69.2 trillion in 2015 to approximately RMB103.5 trillion in 2020, according to the National Bureau of Statistics of China ("NBSC"), representing a CAGR of approximately 8.4%. The PRC's nominal GDP is expected to experience long-term growth and reach approximately RMB153.0 trillion by 2025, representing a CAGR of approximately 7.8% from 2021 to 2025. From 2015 to 2020, the global production volume of drying racks increased from approximately 118.5 million to approximately 152.4 million, representing a CAGR of 5.2%. According to the UN Comtrade and CIC, in 2020, the PRC contributed a market share of approximately 48.0% of the global production volume of drying racks. The US was the biggest export destination for the PRC's drying racks in 2020, accounting for approximately 20.0% of the total export value of the PRC's drying racks in 2020. Germany and the UK came in a second and third with approximately 7.3% and 5.2%, respectively.



Source: CIC Report, UN Comtrade

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### *Laundry product market in China*

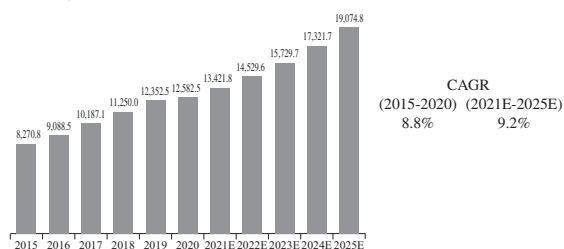
Compared to most western countries, the laundry product market in China mainly focuses on products of smaller size due to space constraints of flats. People often do laundry, including washing and drying clothes, indoors or in their balconies. Therefore, foldable clothes hampers and hanger are relatively popular in China. Nevertheless, drying racks remain the largest product category and account for over half of the total retail sales value. According to the NBSC, the laundry product market in terms of retail sales value in China has grown from approximately RMB13,784.7 million in 2015 to approximately RMB21,326.3 million in 2020, and is expected to reach approximately RMB32,877.6 million in 2025, representing a CAGR of approximately 9.0% between 2021 and 2025.

### *Drying rack market in the PRC*

Drying racks are common household necessity products that are mainly produced in the PRC. According to the UN Comtrade and CIC, the export value of drying racks in the PRC has grown from approximately USD343.2 million in 2015 to approximately USD377.3 million in 2020, representing a CAGR of approximately 1.9%.

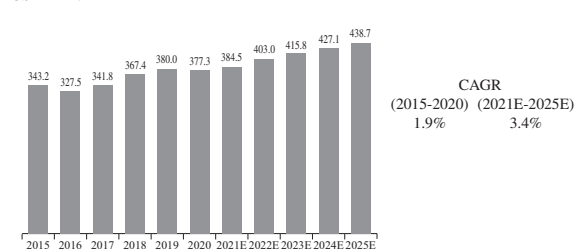
**Market size of drying racks in terms of retail sales value, China, 2015-2025E**

RMB million



**Export value of drying racks manufactured in China, 2015-2025E**

USD million



Source: CIC Report, NBSC, UN Comtrade

According to the NBSC, in 2020, the retail sales value of drying racks was approximately RMB12,582.5 million in the PRC, increased with a CAGR of approximately 8.8% from 2015. It is expected that the market size of drying racks in terms of retail sales value will continue to increase and reach approximately RMB19,074.8 million in 2025, representing a CAGR of approximately 9.2% from 2021 to 2025.

### *Competitive landscape of the drying rack manufacturing market in the PRC*

A majority of drying rack manufacturers are located in the Pearl River Delta, and Yangtze River Delta in the PRC, covering provinces of Guangdong, Jiangsu, Zhejiang, Shandong and Hebei. As at the end of 2020, there are approximately 600 drying rack manufacturers in the PRC, among which around 100 manufacturers also engage in export business. The top five players in the PRC's drying rack manufacturing market in terms of export revenue accounted for approximately 32.6% of market share.

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### Top five players in the drying rack manufacturing market in terms of export revenue, the PRC, 2020

Ranking	Company	Location of headquarters	Listing status	Approximate export revenue (RMB million)	Approximate market share
1	Company A	Foshan, Guangdong	Not listed	206.1	7.9%
2	<b>Our Group</b>	<b>Huzhou, Zhejiang</b>	<b>Not listed</b>	<b>173.0</b>	<b>6.6%</b>
3	Company B	Jiangyin, Jiangsu	Not listed	168.2	6.5%
4	Company C	Jiangyin, Jiangsu	Not listed	168.0	6.5%
5	Company D	Zhangjiagang, Jiangsu	Not listed	132.2	5.1%
	Sub-total			847.5	32.6%
	Others			1,754.9	67.4%
	<b>Total</b>			<b>2,602.4 (equivalent to approximately USD377.3 million)</b>	<b>100%</b>

Source: CIC report

Note:

Company A is committed to the R&D, production and export sales of home hardware products such as kitchenware products, washing and drying tools, and storage products, with more than 3,000 staff.

Company B specialises in the production and export sales of various types of drying racks and shelves, including indoor-outdoor drying rack, storage rack, storage wardrobes, cutlery and crockery shelves.

Company C mainly produces and exports stainless steel complex pipes and hangers in different specifications, such as indoor-outdoor drying rack, storage container, shoe rack, cloth wardrobe, etc.

Company D is committed to the manufacturing of various household frames made of stainless steel such as drying rack, kitchen rack, towel rack, and metal wardrobe.

## THE HOUSEHOLD CLEANING TOOL MARKET

According to the general usage, household cleaning tools can be categorised into specialty cleaning tools and multi-purpose cleaning tools. Specialty cleaning tools are designed to work best on specific surfaces, while multi-purpose cleaning tools are designed for more general use.

Classification	Major usage	Major product type
Specialty cleaning tools	Glass cleaning Floor cleaning Toilet cleaning	<ul style="list-style-type: none"> <li>• Window squeegees</li> <li>• Brooms and Mops</li> <li>• Toilet bowl brushes</li> </ul>
Multi-purpose cleaning tools		<ul style="list-style-type: none"> <li>• Brushes, sponges, dusters, gloves and buckets</li> </ul>

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### **The US**

The US economy has experienced moderate growth over the past several years, with its nominal GDP growing from approximately USD18.2 trillion in 2015 to approximately USD20.8 trillion in 2020 according to the IMF, and is expected to sustain long-term growth to reach approximately USD25.8 trillion by 2025. The per capita disposable income in the US increased from approximately USD41,684 in 2015 to approximately USD47,675 in 2020, representing a CAGR of approximately 2.7%. This number is expected to reach approximately USD51,765 in 2025, representing a CAGR of approximately 2.6% from 2021 to 2025. According to the US Census Bureau, the total number of households in the US has increased from approximately 124.6 million in 2015 to approximately 128.5 million in 2020, representing a CAGR of approximately 0.6%. This is expected to grow to reach approximately 133.1 million in 2025, representing a CAGR of approximately 0.6% from 2021 to 2025.

### ***Household cleaning tool market in the US***

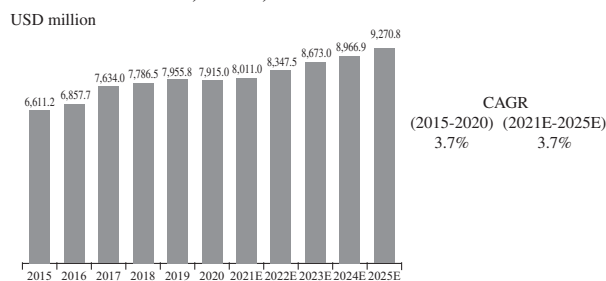
According to the Federal Reserve, the retail sales value of consumer goods in the US rose from approximately USD4,726.0 billion in 2015 to approximately USD5,636.7 billion in 2020, representing a CAGR of approximately 3.6%. Due to its large population and high-income level, the US has one of the highest retail sales values of consumer goods among all countries.

According to the US Census Bureau and CIC, the household cleaning tool market in the US accounted for approximately 15% to 20% of the global household cleaning tool market in terms of sales value in 2020. The household cleaning tool market in the US is a mature market with retail sales value of approximately USD7,915.0 million in 2020. The market is relatively fragmented with nearly 600 vendors. Most of the leading players have a long brand history and focus on the premium market. The top five household cleaning tool vendors contributed a total market share of approximately 25%. In 2020, the per capita annual expenditure on laundry and cleaning supplies for a US household was approximately USD190, where household cleaning tools expenditure constituted over 35% of this budget. Driven by the continuous increase in the number of household due to the expansion of population and the trend towards smaller household size, the market size of household cleaning tools, in terms of retail sales value, in the US rose from approximately USD6,611.2 million in 2015 to approximately USD7,915 million in 2020, representing a CAGR of approximately 3.7%. In the US, it is estimated that the outbreak of COVID-19 will lead to slight decrease in the retail sales value of household cleaning tools due to business disruption caused by the stay-home orders and the lockdown. However, on the basis that the lockdown measures will ease in 2021 and the use of household cleaning tools is for hygiene purpose, which has attracted more awareness after the outbreak of COVID-19, the market size of household cleaning tools is expected to recover from second half of 2021 onwards. The retail sales of household cleaning tools

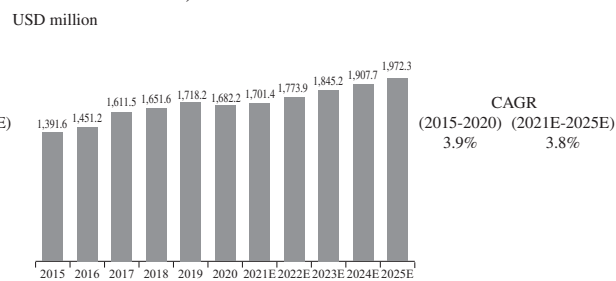
## INDUSTRY OVERVIEW

is expected to increase to approximately USD9,270.8 million in 2025, representing a CAGR of approximately 3.7% from 2021 to 2025, along the estimated continuous growth in the US per capita GDP and disposable income.

**Market size of household cleaning tools in terms of retail sales value, the US, 2015-2025E**



**Import value of household cleaning tools, the US, 2015-2025E**



Source: CIC Report, the US Census Bureau

According to the US Census Bureau and CIC, the import value of household cleaning tools in the US is estimated to increase from approximately USD1,391.6 million in 2015 to approximately USD1,682.2 million in 2020, representing a CAGR of approximately 3.9%. In 2020, the import value of household cleaning tools decreased due to the temporary decrease in retail sales value of household cleaning tools caused by the outbreak of COVID-19 and the disruption in foreign trading activities. The import value of cleaning tools is expected to reach approximately USD1,972.3 million in 2025, representing a CAGR of approximately 3.8% from 2021 to 2025. As the US has transferred most of the low-end manufacturing factories to other developing countries, household cleaning tools are primarily purchased from other countries. The PRC is the largest trading partner with the US, taking approximately 66% of the import value of cleaning tools in 2020.

### Market drivers

**Increasing number of households:** As household necessity products such as household cleaning tools are commonly required by every single household, the demand for household cleaning tools is directly correlated with the number of household. The increasing trend in the total number of households in the US and the expansion of population will widen the potential customer base and continue to stimulate the demand for household cleaning tools.

**Growth of household income and expenditure:** According to the US Census Bureau, the median household income in the US has increased from approximately USD58,500 in 2015 to approximately USD62,200 in 2020, representing a CAGR of approximately 1.2%. The median household income in the US is expected to increase further and reach approximately USD70,200 in 2025, representing a CAGR of approximately 2.3% from 2021 to 2025. Household cleaning tools are essential household products and are replaced frequently as the efficacy of most household

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## INDUSTRY OVERVIEW

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cleaning tools deteriorate over time and number of usage. As household income rises, people are more likely to replace their household cleaning tools more frequently and spend more on quality household necessity products to save their efforts and time on routine household tasks.

**Development of e-commerce:** With well-developed technology and logistic infrastructure, e-commerce has been an increasingly important sales channel in the US retail market. According to the US Census Bureau, the e-commerce retail sales value in the US increased from approximately USD345.0 billion in 2015 to approximately USD787.9 billion in 2020, representing a CAGR of approximately 18.0%. With the development of e-commerce, consumers can easily access a comprehensive range of household necessities and enjoy increasingly speedy delivery service, which drives the sales market of household necessity products in the US.

### **Features and trend**

**Brand recognition:** The household cleaning tool market in the US is a mature market. Industrial leading players are all multinational conglomerates which have been founded for more than 50 years. A brand with a long history and good track record creates a competitive advantage.

**Establishment of sales channels:** Household cleaning tools are used in various fields of daily life of a large number of households. It is necessary for manufacturers to establish a wide and stable sales network in order to reach such large consumer base. New entrants have to invest a large amount of time and capital investment to develop cooperation with distributors or build self-owned sales channels.

**Reliable and responsive suppliers:** Majority of household cleaning tool vendors outsource the production process to manufacturers overseas, especially in developing countries where manufacturers can provide products at a relatively low cost. It often takes years for companies to establish a good business relationship with reliable suppliers.

**R&D capabilities:** The appealing product design and improvement of product performance can help companies differentiate their products and attract customers. Also, the demand and preference of consumers are getting more diversified. High R&D capability is necessary for companies in order to meet customers' various needs. The cultivation of R&D capability requires accumulation of experience and significant capital investment.

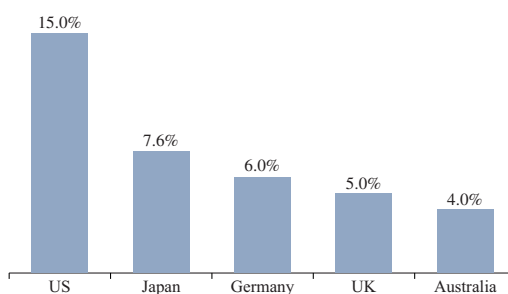
### **The PRC**

According to the UN Comtrade and CIC, the US was the biggest export destination for the PRC's cleaning tools in 2020, accounting for approximately 15.0% of the total export value of the PRC's cleaning tools in 2020.



## INDUSTRY OVERVIEW

**Top five destinations for China's cleaning tools export in terms of export value, 2020**

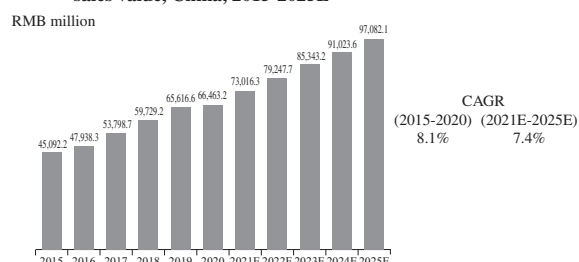


Source: CIC Report, UN Comtrade

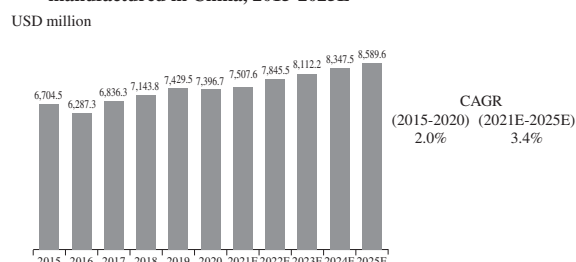
### **Household cleaning tool market in the PRC**

With advantages in mature supply chain and relatively lower labour costs, according to the UN Comtrade and CIC, the export value of household cleaning tools in the PRC has grown from approximately USD6,704.5 million in 2015 to approximately USD7,396.7 million in 2020, representing a CAGR of approximately 2.0%.

**Retail sales value of cleaning tools in terms of retail sales value, China, 2015-2025E**



**Export value of cleaning tools manufactured in China, 2015-2025E**



Source: CIC Report, NBSC, UN Comtrade

According to the NBSC, the retail sales value of cleaning tools in the PRC increased from approximately RMB45,092.2 million in 2015 to approximately RMB66,463.2 million in 2020, representing a CAGR of approximately 8.1%. It is projected that the market size of cleaning tools in terms of retail sales value in the PRC will increase from 2021 to approximately RMB97,082.1 million in 2025, representing a CAGR of approximately 7.4%.

### **Competitive landscape of the PRC's household cleaning tool manufacturing market**

The household cleaning tool manufacturing market is highly fragmented in the PRC. As at the end of 2020, there are approximately 8,000 household cleaning tool manufacturers in the PRC, among which more than 2,000 manufacturers also engage in export business. The top five players in the PRC's household cleaning tool market accounted for approximately 2.7% of the total market in terms of export revenue in 2020.

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## INDUSTRY OVERVIEW

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### Top five players in the household cleaning tool manufacturing market in terms of export revenue, the PRC, 2020

Ranking	Company	Location of headquarters	Listing status	Approximate export revenue (RMB million)	Approximate market share
1	Company E	Jiaxing, Zhejiang	Not listed	396.1	0.8%
2	Company F	Guangzhou, Guangdong	Not listed	308.2	0.6%
3	Company G	Ningbo, Zhejiang	Not listed	232.2	0.5%
4	Company H	Ningbo, Zhejiang	Not listed	225.5	0.4%
5	Company I	Yongkang, Zhejiang	Not listed	212.5	0.4%
	Sub-total			1,374.5	2.7%
	Others			49,643.5	97.3%
	<b>Total</b>			<b>51,018.0</b>	<b>100%</b>
				<b>(equivalent to approximately USD7,396.7 million)</b>	

Source: CIC report

Note:

Company E is the leading household cleaning tool manufacturer with its own brand, integrating design, raw material and mould manufacturing, assembly, transportation and sales.

Company F provides high-quality household cleaning tools, with sales network throughout the country, Southeast Asia, Africa, Europe and other areas. Portfolio products include various kinds of cleaning tools, kitchen supplies and toiletries.

Company G specialises in the design, manufacturing and sales of household cleaning tools and has established broad sales network covering over 50 countries, providing various cleaning tools such as mop, brush, broom, sponge, duster, etc.

Company H is an export-oriented manufacturing enterprise engaged in the production and sales of household cleaning products and household items, such as mop, window cleaner, broom, trolley, etc.

Company I, as an export-oriented enterprise, specialises in mop manufacturing and has own-brand products. Major products include spin mop, flat mop and broom.

### *Analysis of drying rack and household cleaning tool manufacturing markets*

#### *Key Success factors*

**Broad sales channels:** The establishment of broad sales channels is regarded as a critical factor of the success of drying rack and household cleaning tool manufacturers. The sales and marketing of drying racks and household cleaning tools to overseas markets mainly relies on the downstream distributors. Large distributors have stable and large sales volumes. Hence, a company

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## INDUSTRY OVERVIEW

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with long term accumulation of distribution resources will have easier access to the downstream consumption market and will therefore maintain stable revenues, enabling it to be more competitive in the market.

**Large manufacturing scale:** A large manufacturing scale can increase the company's production efficiency, minimise operation costs, and maximise its overall profitability. Considering the nature of manufacturing drying racks and household cleaning tools, which are mainly cheap in price and large in volume, it remains a key success factor for manufacturers to develop large-scale production capabilities so as to benefit from economies of scale and to increase their competitiveness in the market.

**High product quality:** With the continuous improvement in living standard, product quality becomes increasingly important. Europe and North America account for the largest share of drying racks imports, where the requirements of drying rack quality are strict. Ability to produce high quality product enables companies to access different markets and achieve higher profit margins and customer loyalty, which are key to a company's success.

### *Market drivers*

**The PRC's "Belt and Road" initiative:** The "Belt and Road" Initiative focuses on connectivity and cooperation between the PRC, Eurasian nations, and the Association of Southeast Asian Nations (ASEAN) members. To promote the trading cooperation between Asian and Oceania countries, the Regional Comprehensive Economic Partnership (RCEP) is proposed, which is a free trade agreement between Australia, China, Japan, New Zealand, South Korea and members of the Association of Southeast Asian Nations. The "Belt and Road" Initiative is expected to complement the RCEP, which would in turns promote trade and investment between the PRC and ASEAN, establish closer economic partnership and drive economic growth among participating countries. Furthermore, the China Railway Express, which is a railway that connects China with major European countries such as Germany, the UK, Russia, etc. is a symbolic project of the "Belt and Road" Initiative. It saves transportation time compared to ocean freight and transportation costs compared to air freight, which can significantly benefit trading activities and transportation of goods between China and European countries. The potentially massive increase of trade activities and stable relations among countries are expected to facilitate the growth of the PRC's export trading and boost the PRC's drying racks and household cleaning tool manufacturing markets.

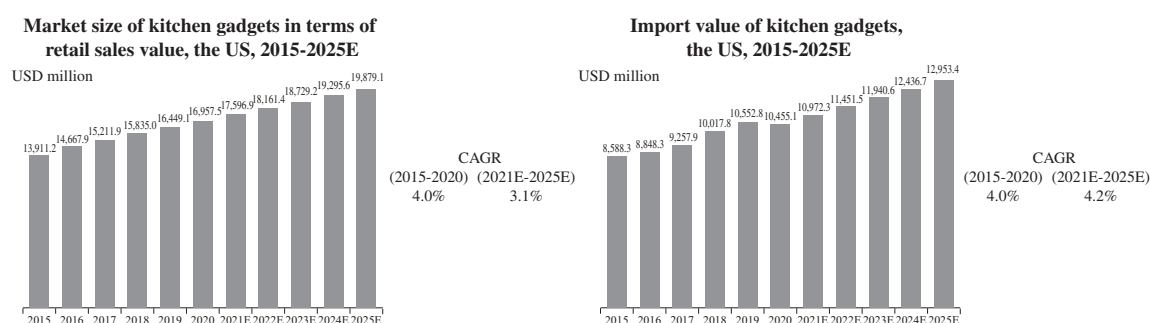
## THE KITCHEN GADGET MARKET

A kitchen gadget is a small hand held tool used for food preparation, storage and serving.

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### *The kitchen gadget market in the US*

The kitchen gadget market in the US is relatively stable and mature due to the high urbanisation rate, stable economic growth, and continuous growth of domestic consumption. The kitchen gadget market in the US is relatively dependent on import due to the transfer of labour-intensive manufacturing industry to other countries. According to the US Census Bureau and CIC, the import value of kitchen gadgets in the US has increased from approximately USD8,588.3 million in 2015 to approximately USD10,455.1 million in 2020, representing a CAGR of approximately 4.0%. In 2020, the import value of kitchen gadgets decreased temporarily due to the negative impacts in trading activities caused by the outbreak of COVID-19. The import value of kitchen gadgets is expected to reach approximately USD12,953.4 million in 2025, representing a CAGR of approximately 4.2% from 2021 to 2025.



Source: CIC Report, US Census Bureau

According to the US Census Bureau and CIC, the market size of kitchen gadgets in terms of retail sales value in the US grew from approximately RMB13,911.2 million in 2015 to approximately RMB16,957.7 million in 2020, representing a CAGR of approximately 4.0%. It is estimated that the market size of kitchen gadgets in the US will grow from 2021 to approximately RMB19,879.1 million in 2025, representing a CAGR of approximately 3.1%.

Consumers generally pay more attention to brand, function and design. Consumers are increasingly demanding products that are multi-functional with stylish design, which fuels the demand for innovative kitchen gadgets. With this trend, consumers are more willing to buy a new product simply because its unique style appeals to their individuality. As a result, purchasing frequency may increase to rates faster than required by normal product replacement cycles.

The middle and high-end market of kitchen gadgets in the US is concentrated among a few brands, as they have advantages in the fields of product development, design and sales channel. Brand owners typically outsource their production to manufacturers in other countries with relatively lower production costs.

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## INDUSTRY OVERVIEW

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### *The kitchen gadget market in the PRC*

In the PRC, consumers are becoming more aware of the importance of choosing products made by safe materials and thus are getting willing to pay more for better quality kitchen gadgets. In addition, the continuous improvement of living standard and ongoing urbanisation trend will continue to raise demand for better kitchen gadgets to be used for food preparation and storage.

### *Competitive landscape of the PRC's kitchen gadget manufacturing market*

China is the largest kitchen gadget manufacturer and exporter. The kitchen gadget export market in China is fragmented with over 3,000 participants, and a majority of these participants are small enterprises with annual sales revenue below RMB100 million. Our Group's export revenue from kitchen gadgets accounted for approximately 0.003% of the market share in the kitchen gadget export market in the PRC.

### *Entry barriers*

***Established reputation:*** The reputation of a manufacturer signifies its ability to produce quality product and meet safety and environmental requirements. While establishing reputation and a proven track record helps companies attract larger customer bases and allows them to enjoy premium pricing and welcomed by downstream distributors, developing track record and reputation takes long time which becomes a barrier for new entrants.

***A professional team:*** Labour shortages and the rising costs of raw materials will result in higher overall operating costs in the manufacturing industry. The management of both manpower and production costs remains an important factor when operating in the manufacturing business. It is not easy for new entrants to develop a professional team with the suitably diverse range of skills required for the industry.

***Mature production management system:*** Due to the high variety of drying racks and household cleaning tools, it is necessary for manufacturers to have an advanced production management system, which enables manufacturers to make reasonable production plans according to market demand, effectively control the production schedule, inventory, quality and cost in the production process, and meet the requirements of marketing and R&D design with high efficiency. It is difficult for entrants to establish an advanced and comprehensive management system in a short period of time.

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## INDUSTRY OVERVIEW

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### *Future trends*

***Emerging demand for premium products:*** Since the function of cleaning products is relatively simple, product quality, aesthetic appeal and packaging have become key attributes to drive the sales of household cleaning products in developed countries. At the same time, premium products, usually with higher quality and prices, can bring more profit to the vendors.

***Popularity of disposable products boost the production level:*** Consumers, especially young adults, have increasingly busy lifestyles. To meet their demands, products are designed to fulfil consumers' works at minimum effort, but are required to purchase its ancillary products as replacement refills over the lifespan of the product. The continuous demand for ancillary parts of the disposable household necessity products is expected to boost the production level and profitability of its manufacturers.

***Increasing automation level:*** While drying racks and cleaning tools vary in shapes and materials, and most of the manufacturers in the PRC are not large enough in scale to invest in automated machinery and equipment such as robotic arms, it is not easy to establish and integrate automated production and assembly lines. With the rising labour cost, especially in the coastal area, more large-scaled manufacturers are expected to increase the automation level of the production and assembly line in order to reduce the labour cost.

### *Challenges*

***Trade war between the PRC and the US:*** The trade war is expected to adversely affect the trading activities between the PRC and the US, resulting in a potential deterioration in the PRC's economy.

***Lack of well recognised brands in the PRC:*** In the PRC, the majority of products sold in grocery stores are poorly differentiated with low margins, while there are only a few premium household necessity products brands in the PRC. It is challenging for manufacturers to establish and market products under their own brand as the establishment of brand requires a long period of time and significant capital investment.

***Increasing labour cost:*** the PRC's manufacturing cost advantage has narrowed significantly over the past five years due to the continuously increase of labour costs. The manufacturing industry in the PRC has confront the challenges of companies from other developing countries such as Vietnam and Mexico. Although some manufacturers have either moved the production plant to central regions of the PRC for lower labour cost, or integrated automated machinery and equipment, the rising labour cost remains a major challenge for manufacturers in the PRC.

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### *Impact of the China-United States trade war*

The US is one of the PRC's most important international trading partners, which accounted for approximately 13% of the PRC's total export and import value combined in 2020. The trade war between the PRC and the US imposed punitive duties on commodity products exported from mainland the PRC to the US and vice versa. On 1 September 2019, 15% duties on USD116 billion worth of Chinese goods went into effect. Goods affected include most of household cleaning tools, such as brushes, brooms and mop clothes. In the short term, the effects of trade war on exporters of household cleaning tools in the PRC may not be significant as more than 60% of household cleaning tools imported by the US are purchased from the PRC and it is difficult for the US companies to find substitutes in a short period of time which can provide competitive products. The industrial transfer from the PRC to other countries requires time and significant capital investment. Moreover, due to the product nature, the household cleaning tools are common household necessity products and a slight increase of price will not affect the sales of products. However, in the long run, the PRC-US trade war may force companies in the US to find new suppliers, which will weaken the competitiveness of Chinese exporters and accelerate the industrial transfer to other countries' manufacturers once they are able to improve in aspects that the PRC manufacturers currently have advantages of, such as well-developed infrastructure in transportation and logistics, skilled labour, readily available raw materials, low production cost and advanced production capabilities. At last, trading activity is an indispensable part of the modern social economic system. The PRC and the US signed the Economic and Trade Agreement between the Government of the People's Republic of China and the Government of the United States of America in January 2020. The trade war is developing in the direction of reconciliation.

### *Impact of the withdrawal of the UK from the EU on the laundry product market in the UK*

On 23 June 2016, the UK held a referendum pursuant to which the UK electorate voted in favour of its withdrawal from the EU. Since 31 January 2020, the UK ceased to be a member of the EU. Whether or not the UK and the EU can reach a trade agreement before the last day of the transitional period may have significant impact on the UK local economy. However, considering that (i) the existence of a trade agreement between the UK and the EU and the potential subsequent impact on the UK local economy is expected to have minimal effect on the trade relations between the PRC and the UK; and (ii) as China has been the world factory for household necessities since the country entered into the World Trade Organisation in 2011, the majority of the drying racks in the UK, which is a common type of daily household necessity products, are supplied by the PRC manufacturers, even if there is a potential downturn of the UK local economy, such downturn will not affect the PRC's position as the UK's major supplier of drying racks.



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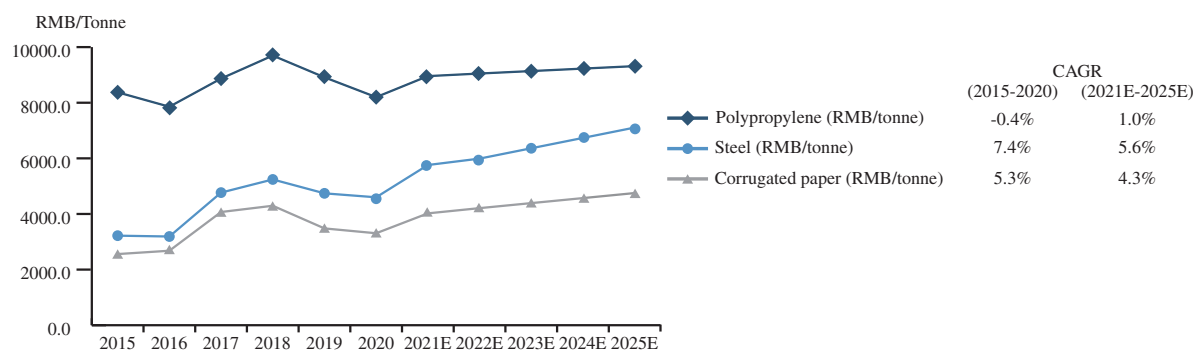
### COST ANALYSIS OF THE PRC'S DRYING RACK AND HOUSEHOLD CLEANING TOOL MANUFACTURING MARKET

#### Prices of major raw materials

The major raw materials used in the drying rack and household cleaning tool manufacturing industry include polypropylene and steel. Raw materials and packaging materials generally account for the largest portion of manufacturing costs and thus any material fluctuation of the prices of raw materials and packaging materials will have a material influence on manufacturers' profitability.

The prices for raw materials are closely related to the prices for crude oil, iron ore and coals, which are also the fundamental elements of many raw materials such as polypropylene and steel. The price for crude oil dropped dramatically in 2015 and 2016 due to turmoil in Iraq and Libya, weak global economic activity, increased US shale oil production, etc., resulting in the relatively lower price of polypropylene in 2015 and 2016. The recovery of global economy in 2017 caused the increase in raw material prices. The price for polypropylene, which is a fundamental element of polypropylene resins, decreased from approximately RMB8,913.9 per tonne in 2019 to approximately RMB8,200.8 per tonne in 2020 driven by the dramatic decrease in crude oil price, and is expected to increase to approximately RMB9,315.8 per tonne in 2025, representing a CAGR of approximately 1.0% from 2021 to 2025. The average price for steel increased from approximately RMB3,219.8 per tonne in 2015 to approximately RMB4,599.4 per tonne in 2020. It is expected to increase to approximately RMB6,952.0 per tonne in 2025, representing a CAGR of approximately 5.6% from 2021 to 2025. The price for corrugated paper, a major raw material of carton boxes, was estimated to increase from approximately RMB4,021.6 per tonne in 2021 to approximately RMB4,751.5 per tonne in 2025, representing a CAGR of approximately 4.3% from 2021 to 2025.

**Prices of major raw materials in household necessity products manufacturing industry, China, 2015-2025E**



Source: CIC Report

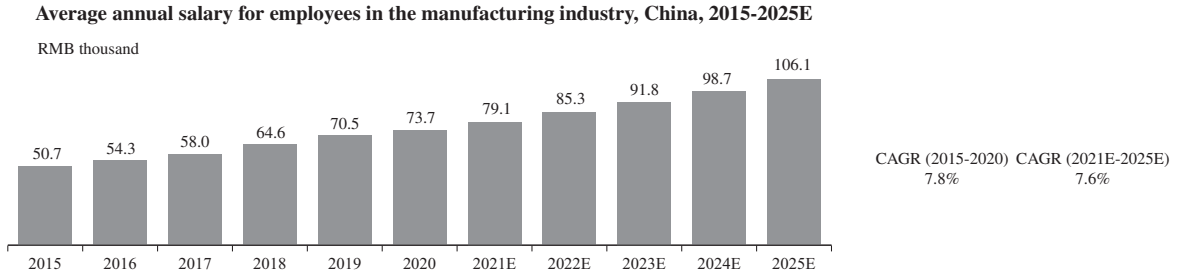
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### Average annual salary for employees in manufacturing industry

The PRC’s drying rack and household cleaning tool manufacturing industry is a labour-intensive industry. According to the NBSC, the average annual salary for workers in the manufacturing industry increased from approximately RMB50,700 to approximately RMB73,700 from 2015 to 2020, representing a CAGR of approximately 7.8%. In order to maintain the cost advantages, companies are vigorously integrating automation into their production processes. Although the increasing labour cost currently poses a challenge to manufacturers in the PRC, industrial upgrade and automation will lead to less reliance on human labour and help maintain the competitiveness of manufacturers of drying racks and household cleaning tools in the long run.



Source: CIC Report, NBSC