

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

Please refer to the section headed “Business – Business Strategies” for a detailed description of our future plans.

USE OF PROCEEDS

The net proceeds from the Global Offering which we will receive, after deducting the underwriting commissions, the discretionary incentive fee (assuming full payment of the discretionary incentive fee) and the estimated expenses in relation to the Global Offering payable by us, will be:

- approximately HK\$7,409 million, assuming an Offer Price of HK\$10.20 (being the Minimum Offer Price);
- approximately HK\$8,492 million, assuming an Offer Price of HK\$11.68 (being the mid-point of the Offer Price Range); or
- approximately HK\$9,576 million, assuming an Offer Price of HK\$13.16 (being the Maximum Offer Price).

We currently intend to use the net proceeds assuming an Offer Price of HK\$11.68 (being the mid-point of the Offer Price Range) from the Global Offering as follows:

- approximately 35.6%, or HK\$3,024 million, will be used to finance our business expansion including production capacity expansion plans and develop our laundry services, among which, (1) approximately 27.3%, or HK\$2,319.5 million, will be used for the capacity expansion plan of our four production bases, including the purchase of equipment and machinery to facilitate our capacity expansion, and related ancillary expenses, (2) approximately 4.6% or HK\$392.2 million will be used for the establishment of a new factory in Hubei Province or Henan Province, which we believe would enhance our geographic coverage in central China, and (3) approximately 3.7% or HK\$312.3 million will be used for the development of our laundry services from 2021 to 2025 as per our current plan. As at the Latest Practicable Date, we did not have a definitive plan for the new factory. Please refer to the section headed “Business – Our Production Operations – Capacity Expansion” for reasons of such expansion. The following table illustrate details of our currently contemplated capacity expansion plan of our four production bases:

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Project information	Expected investment in the next 12 months (in millions)	Production capacity at 30 June 2020 (tonnes)	Expected production capacity after expansion (1000 tonnes) ⁽⁷⁾	Storage capacity as at 30 June 2020	Expected increase in storage capacity	Expected storage capacity after expansion	Expected products to be manufactured	Expected number of categories of machinery and equipment to be purchased	Expected utilisation rate to achieve break-even point ⁽⁸⁾	Expected year of commencement	Expected year of completion	Progress as at 30 June 2020
Guangzhou expansion projects	816.1 ⁽⁶⁾	446	800 (including 140 for future products ⁽⁹⁾)	Raw material warehouses, 8,600 sq.m.; Raw material tanks, 1,300 tonne	Finished product warehouse, 24 thousand pallets; Raw material warehouses, 5,400 sq.m.; Raw material tanks, 1,200 tonne	Finished product warehouse 24 thousand pallets ⁽⁵⁾ ; Raw material warehouses 14,000 sq.m.; Raw material tanks, 2,500 tonne	Fabric care products, personal hygiene products, and home care products	Approximately 15 different categories with an expected investment of HK\$379 million	Approximately 10%	January 2017	First half of 2023	The production related construction is completed, including a factory building and three warehouses with a total gross floor area of approximately 30,000 sq.m., 20,000 sq.m. and approximately 18 months to complete. We have commenced trial manufacturing on the production lines that we have obtained the production license and are in the process to obtain licenses for product lines that require a different production license. Other constructions, such as the construction of office and administrative building, new equipment and machinery installation and existing equipment upgrade are in progress. Particularly, new equipment and machinery installation includes the installation of tanks, pipes, automation equipment and power generation facilities. Additionally, existing equipment and machinery upgrade primarily include factory facility improvement such as ventilation, lighting and security measures. We plan to use proceeds from the Global Offering for the outstanding payments and future project and projects in progress.
Tianjin production capacity upgrade project	477.1	375	530 (including 100 for future products ⁽⁹⁾)	Finished product warehouse 43 thousand pallets ⁽⁵⁾ ; Raw material warehouses 15,500 sq.m.; Raw material tanks, 2,400 tonne	Not applicable as we currently do not plan to expand the storage capacity for Tianjin production base	Not applicable as we currently do not plan to expand the storage capacity for Tianjin production base	Fabric care products, personal hygiene products, and home care products	Approximately 15 different categories with an expected investment of HK\$347 million	Approximately 10%	Expected to commence in the first half of 2022	Second half of 2023	Expect to commence in the first half of 2022
Kunshan expansion project	481.9	188	640 (including 150 for future products ⁽⁹⁾)	Finished product warehouse 18 thousand pallets ⁽⁵⁾ ; Raw material warehouses 6,400 sq.m.; Raw material tanks, 1,400 tonne	Finished product warehouse, 20 thousand pallets; Raw material warehouses 5,200 sq.m.; Raw material tanks, 100 tonne	Finished product warehouse 38 thousand pallets ⁽⁵⁾ ; Raw material warehouses 6,400 sq.m.; Raw material tanks, 1,400 tonne	Fabric care products, personal hygiene products, and home care products	Approximately 15 different categories with an expected investment of HK\$239 million	Approximately 10%	Approximately May 2019	First half of 2023	Construction in progress
Chongqing expansion project	544.4	188	390 (including 100 for future products ⁽⁹⁾)	Finished product warehouse 21 thousand pallets ⁽⁵⁾ ; Raw material warehouses 6,800 sq.m.; Raw material tanks, 1,400 tonne	Finished product warehouse, 24 thousand pallets; Raw material warehouses 5,200 sq.m.; Raw material tanks, 100 tonne	Finished product warehouse 45 thousand pallets ⁽⁵⁾ ; Raw material warehouses 12,000 sq.m.; Raw material tanks, 1,500 tonne	Fabric care products, personal hygiene products, and home care products	Approximately 15 different categories with an expected investment of HK\$213 million	Approximately 10%	Expected to commence in the fourth quarter of 2020	Second half of 2023	Construction planning in progress

Notes:

(1) The time required for the annual revenue of each production base to exceed its annual total expenses.

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- (2) The time required for the accumulated net cash generated from operations of each production base to exceed the total investment in each project.
- (3) We calculate the utilisation rate to achieve the breakeven point under the assumption that a number of factors remain unchanged or at a similar level after each expansion plan is completed, including the production volume, the retail price of our products, the sales performance of our products, cost of raw materials and cost of human resources.
- (4) The expected production capacity for existing products and future products are estimates based on current budgeting and planning. The actual production capacity will depend on various factors including market trends, consumer preferences, logistics arrangements and production management at the time.
- (5) Pallet is a warehousing unit used in China's logistics industry. The dimension of a pallet is 1.2 metre (length) by 1.0 metre (width).
- (6) The Guangzhou production base is allocated more net proceeds than other production bases because the Guangzhou production base is our headquarters. It has a more diverse range of functions and purposes and has a larger number of staff on site, while other production bases mainly consist of factories for the production of our products and have fewer staff (both production and non-production staff) in general. Accordingly, substantially higher costs are required for certain projects involving the Guangzhou production base. For instance, the remaining construction projects of the Guangzhou production base include an advanced research laboratory and an office and administrative buildings complex. The advanced research laboratory is more costly than a research laboratory at other bases as it is planned to accommodate more staff and conduct more research activities. The office and administrative buildings complex are also more costly than administrative buildings in other bases due to the necessity to accommodate a substantially larger number of staff, as well as its external client facing functions, which are typically not required for other bases. Further, the labour costs for the construction of the Guangzhou production base is higher than that of other production bases because contractors are more expensive in Guangzhou. Therefore, according to our development plan, we consider it necessary to allocate more net proceeds to the Guangzhou production base.
- (7) For the four existing production bases, by the time that our current production capacity expansion plan is completed, we estimate that the expected production capacity allocation for fabric care, personal hygiene, and home care products would be approximately 1,660,000 tonnes, 320,000 tonnes and 380,000 tonnes, respectively. However, such expected production capacity allocation is subject to change due to market demand and potential adjustment for production planning in the future.

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The following table illustrates our current plan for the new factory:

Planned location	Expected investment from the net proceeds of the Global Offering (HK\$ in millions)	Expected production capacity ('000 tonnes)	Expected storage capacity	Expected products to be manufactured	Expected number of categories of machinery and equipment to be purchased	Expected breakeven period ⁽¹⁾	Expected payback period ⁽²⁾	Expected utilisation rate to achieve breakeven point ⁽³⁾	Expected commencement time	Expected completion time
Hubei Province or Henan Province	392.2	150 (including 40 for future products) ⁽⁴⁾	Finished product warehouse 18 thousand pallets ⁽⁵⁾ ; Raw material warehouses 8,000 sq.m.; Raw material tanks, 1,500 tonne	Fabric care products, personal hygiene products, and home care products	Approximately 15 different categories ⁽⁶⁾	Approximately one year	Approximately eight years	Approximately 10%	Second half of 2022	Second half of 2025

Notes:

- (1) The time required for the annual revenue of each production base to exceed its annual total expenses.
- (2) The time required for the accumulated net cash generated from operations of each production base to exceed the total investment in each project.
- (3) We calculate the utilisation rate to achieve the breakeven point under the assumption that a number of factors remain unchanged or at a similar level after the commencement of operation of the new factory, including the production volume, the retail price of our products, the sales performance of our products, cost of raw materials and cost of human resources.
- (4) The expected production capacity for existing products and future products are estimates based on current budgeting and planning. The actual production capacity will depend on various factors including market trends, consumer preferences, logistics arrangements and production management at the time.
- (5) Pallet is a warehousing unit used in China's logistics industry. The dimension of a pallet is 1.2 metre (length) by 1.0 metre (width).
- (6) We currently do not plan to use the net proceeds from the Global Offering to finance the purchase of equipment and machinery for the new factory, as the project is expected to commence in the second half of 2022.

We consider various factors in selecting the geographic area of the new factory, including the population and the consumption ability, the social and economic condition, demand for our products and the penetration of our products, and our current distribution network coverage. Based on our internal market research combined with our past sales and distribution practice, we believe our current plan to establish such new factory is feasible.

Our current equipment and machinery purchase plan involving the 15 categories of machinery and equipment (as mentioned in the tables above) is based on our past production experience. We have taken into consideration the need of each step of the production process and the relevant equipment and machinery historically used in the establishment of production facilities in Guangzhou, Chongqing, Tianjin and Kunshan, as well as the expansion of capacity in the relevant facilities. Such equipment and machinery are essential to our production process. Please refer to the subsection headed "Our Production Operations – Production Process" for details.

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We plan to develop our laundry services by establishing a number of laundry centres across China which provide professional laundry services to consumers on a large scale. For details of our existing laundry services, please refer to the section headed “Business – Customer Services – Laundry Services”. The following table sets forth our current plan for the development of our laundry business:

Total number of planned laundry centres	Expected investment from the net proceeds of Global Offering (HK\$ in millions)	Locations	Expected breakeven period⁽¹⁾	Expected payback period⁽²⁾	Expected commencement time	Expected completion time
Approximately five	312.3	Guangzhou, Tianjin, Chongqing, and east China	Three to four years	Seven to eight years	First half of 2021	First half of 2025

Notes:

- (1) The time required for the annual revenue of each laundry factory to exceed its annual total expense.
 - (2) The time required for the accumulated net cash generated from operations of each laundry factory to exceed the total investment in the same laundry factory.
- approximately 52.4%, or HK\$4,453 million, will be used to raise our brand awareness, increase our product penetration and strengthen our sales and distribution network. Specific plans for us to raise our brand awareness include:
 - (i) approximately HK\$66 million will be used for celebrity endorsement. Currently we plan to engage approximately three to four celebrities to endorse our products. Each endorsement is expected to have a duration of approximately one year based on our past experience;
 - (ii) approximately HK\$918 million will be used for the sponsorship of approximately three to five popular TV programmes annually, including our plans to continue sponsoring the mid-autumn festival galas on CCTV and Hunan TV, and we will consider to work with other popular TV programmes that are suitable for our promotion strategies, including TV programmes that can facilitate the delivery of household cleaning knowledge. Each sponsorship is expected to have the same duration as the TV programme itself. Based on our experience during the Track Record Period, the average annual cost of each TV programme that we sponsored range from approximately RMB25 million to RMB 60 million;
 - (iii) approximately HK\$1,366 million will be used for live streaming sessions by popular KOLs, certain promotional programmes organised by third parties, and advertising programmes on print media. We currently plan to hold 200 to 300 live streaming sessions by popular KOLs who primarily produce original media contents to promote high-quality lifestyle on major social media or e-commerce platforms annually for the next five years. We currently plan to allocate approximately HK\$56,000 to HK\$85,000 for each of the live streaming session by KOLs based on our market research, amounting to approximately HK\$85 million in the aggregate. Our spending on each particular KOL may vary depending on various factors

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including the reputation, capability and popularity of the relevant KOL. Additionally, we plan to participate in approximately one to two promotional programmes organised by other parties such as CCTV. We expect each such programme will cost approximately HK\$115 million, assuming we deploy two promotional programmes annually from 2021 to 2025 based on our past experience and market research. Further, we plan to participate in advertising programmes on approximately 10 to 15 print media. We expect each such programme will cost approximately HK\$2.6 million, assuming we deploy 10 advertising programmes on such media annually for the next five years based on our past experience and market research. The nature of such promotional programmes and advertising programmes include TV programmes on popular TV channels as well as advertisements on magazines, national and local newspapers to promote our products and cleaning methods, educate the customers about the value of our products and thereby increasing our brand awareness; and

- (iv) approximately HK\$146 million will be used for the deployment of marketing campaigns through online and offline channels, including approximately HK\$56 million for the costs for advertising material provided to offline distributors and direct sales KAs, approximately HK\$90 million for advertisement company consultation fees, and other related expenses. Each marketing campaign is expected to have a duration of approximately one year based on our past experience.

The allocated net proceeds for raising of our brand awareness are expected to be utilised for these purposes through 2025.

Specific plans to increase our product penetration and strengthen our sales and distribution network include:

- (i) approximately HK\$762 million, will be used for our online channels, as we plan to solidify our leadership position by cooperating with major e-commerce platforms and exploring opportunities with emerging e-commerce platforms. We currently plan to work with 80 to 120 e-commerce platforms and we intend to allocate HK\$6.4 million to HK\$9.5 million to each e-commerce platforms. Specific measures include producing videos and live-streaming programmes with topics that would help to promote our newly launched products, enhancing our online communication with consumers to further promote our concentrated liquid laundry detergents, and further increasing the market penetration of our home care products through digital contents, online advertisements and online promotional events. Additionally, we intend to leverage certain e-commerce platforms' strategic initiatives to penetrate into lower-tier cities and reach a broader consumer base. The allocated net proceeds are expected to be utilised for these purposes through 2025;
- (ii) approximately HK\$837 million, will be used for our direct sales KAs. We currently plan to work with 15 to 20 of our direct sales KAs and we intend to allocate HK\$41.9 million to HK\$55.8 million to each direct sales KAs. We intend to continue investing in the increase of product exposure and display by, for example, paying for the use of product display space maintained and owned by hypermarkets and supermarkets, sponsoring themed events and

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demonstrating our products at retailers to enhance product exposure, and enhancing our advertisement efforts by increasing our investments on advertisement materials and the relevant expenses for the cleaning consultants who explain the value of our products to the consumers and deliver cleaning scientific cleaning methods we developed. Please refer to the section headed “Business – Knowledge-based Marketing – Offline Marketing” for details. The allocated net proceeds are expected to be utilised for these purposes through 2025; and

- (iii) approximately HK\$358 million, will be used for our offline distributors. We currently plan to work with 2,000 to 2,300 of our offline distributors and we intend to allocate HK\$0.16 million to HK\$0.18 million to each offline distributor for the next five years. We plan to continue investing in the increase of product exposure and display by, for example, increasing shelf display, arranging for pile heads and end frame display of our products using the space maintained and owned by the retail points of sales covered by our offline distributors to enhance product exposure. Moreover, we aim to optimise and expand our offline distributor network based on their capability to serve specific sales channels to deepen penetration from urban downtown areas of the larger cities to counties, townships and villages across all of China’s provinces. We plan to continue utilising the measures we adopted during the Track Record Period. Please refer to section headed “Business – Sales and Distribution Network – Offline Distributors” for details. The allocated net proceeds are expected to be utilised for these purposes through 2025.

We have incurred substantial amounts of expenses in connection with advertising and promotional activities during the Track Record Period. For the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020, our total advertising and promotion expenses amounted to HK\$713.9 million, HK\$707.3 million, HK\$699.6 million, HK\$240.3 million, and HK\$258.9 million, respectively. In line with our business strategies, we plan to further enhance our marketing and promotional efforts, such as strengthening our omni-channel sales and distribution network and promoting scientific cleaning knowledge. Therefore, we plan to incur more advertising and promotional expenses in the next few years in order to execute our strategies and grow our business. Please refer to the sections headed “Business – Business Strategies – Further strengthen our omni-channel distribution network and increase product penetration” and “Business – Business Strategies – Continue to win consumers’ trust through promotion of scientific cleaning knowledge” for details. Additionally, according to the Frost & Sullivan Report, in 2019, the average marketing and promotional expense of major household care companies in China was approximately RMB800 million. The average marketing and promotional expenses of other major consumer goods companies in China represented 10% to 40% of their total revenue in 2019, while our total advertising expenses and promotion expenses only represented 12.7%, 10.4%, 9.9%, 8.8%, and 10.6% of our total revenue for the year ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020, respectively. We believe it is an industry norm for consumer goods company in China to allocate a significant amount of expense budget on marketing and promotional efforts;

- approximately 10.0%, or HK\$849 million, will be used for our working capital and other general corporate purposes;

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- approximately 2.0%, or HK\$166 million, will be used to enhance our research and development capabilities. We aim to continue to upgrade the formulae and packaging of our existing products by launching, well-designed and high-quality products fitting for different consumption scenarios, distribution channels, and consumer segments. Additionally, we also aim to increase our usage of compact packaging that is more environmentally friendly. Furthermore, we aim to satisfy consumers' expectations by expanding our product matrix to cover more categories. Our efforts include, but are not limited to, hiring high-quality research and development staff. We plan to hire approximately 100 staff members for our research and development team. We primarily plan to focus on hiring candidates with doctoral or master's degrees from reputable domestic or international universities. For certain management positions, we plan to hire candidates with at least eight to ten years' experience in the relevant industry.

The above allocation of the net proceeds from the Global Offering will be adjusted on a pro rata basis in the event that the Offer Price is fixed at a higher or lower level compared to the mid-point of the Offer Price Range stated in this prospectus.

If the Over-allotment Option is exercised in full, the net proceeds from the Global Offering will increase to approximately HK\$9,775 million, assuming an Offer Price of HK\$11.68 per Share, the mid-point of the proposed Offer Price range. If the Offer Price is set at the high-end or low-end of the proposed Offer Price range, the net proceeds of the Global Offering (including the proceeds from the exercise of the Over-allotment Option) will increase or decrease by approximately HK\$1,246 million, as the case may be. We intend to apply the additional net proceeds to the above uses in the proportions stated above.

Pending the deployment of the net proceeds from the Global Offering as described above, our Company currently intends to deposit such net proceeds as short-term interest bearing deposits with licensed banks or authorised financial institutions. We will make an appropriate announcement if there are any material changes to the above proposed use of proceeds or if any amount of the proceeds will be used for a general corporate purpose.