

Agenda

China 2023

China CI Brush Shenzhen "The 3th International Brush Making Industry Exhibition"

Market development

Natural bristle

China Real estate

Outlook

Think Asia. Think DKSH.







China 2023

China



My Colleague Wang Yong our sourcing manager was just visiting the **CIBrush in Shenzhen** and found a very high attendance of all our suppliers. The question was to find out where does the shoe pinch. Unisono they were all complaining about the reduced business in 2023 compared with last year. All were trying to find new business fields where the "gras is greener" but they failed. All other business fields are even more stagnating.

Another remark he mentioned, despite the slowish business they all feel a slight recovery. I myself have similar feeling. Demand is slightly picking up. Paint brush business is carefully coming back.

Think Asia. Think DKSH.

Page 6 © DKSH

China Natural Bristle



Supply situation: With the reduced net sales in this field. Wang Yong found that all our suppliers mentioned some doubts if and how the semidressers, the first step in the line of bristle production will continue. Some of our suppliers have even started to do the semi-dressing themselves inside their factories. The challenge is, as a bigger company they are under the supervisory of the environment police. Semi dressing is quite a dirty business. I would guess the farmers who usually do the first dressing step as a one-man-show do not know this environmental police problem due to their small size. They are flying under the environmental radar.

Think Asia, Think DKSH

Page 7 © DKSH

7

China 2023

China Market report Bristles WHITE



White Bristle

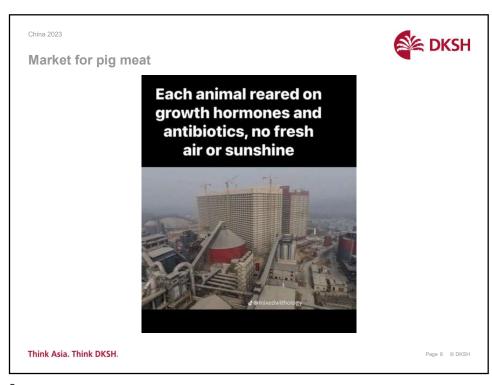
White raw material as such is plentiful availability but 80% comes from the slaughter house. The hair is greyish white and in short length and soft quality. Price for this low quality raw hair is nearly zero plus a bit for the transportation cost. Semi-dressers / suppliers must blend and mix it with better raw hair from the mountains which is much higher in price.

Prices

Market expectations, prices of white 64mm and 70mm will remain stable due to sufficient supply and less demand. Other sizes are rather firming due to increasing demand. Smartphone polishing demand is growing and the longer sizes of 76mm and up the availability is shrinking.

Think Asia. Think DKSH.

age 8 © DKSH



China 2023

NATURAL BRISTLE



Meat production has become even more industrialized. You may remember my picture of a high-rise pigsty that I showed you at the last association meeting in Germany.

26 floors

25,000 pigs per floor

1.2 million pigs slaughtered per year

Think Asia. Think DKSH.

Page 10 © DKSH

China Market report Bristles BLACK



Black Bristle

For the black Wang Yong did not get such detailed raw material info. Seems the black market is too small. Only info he got about black was that sizes of black 44mm and 51mm and 57mm are firming. Prices of black 64/70/76/83 are still stable.

If we look at the demand this is understandable. Where is the worldwide demand in black, it is focused mainly on black 44mm and 51 and 57mm for the industrial rotating polishing brushes and for the black 102mm and up which are used in the high end top quality hair brushes.

.

Think Asia. Think DKSH.

Page 11 © DKSH

11

China 2023



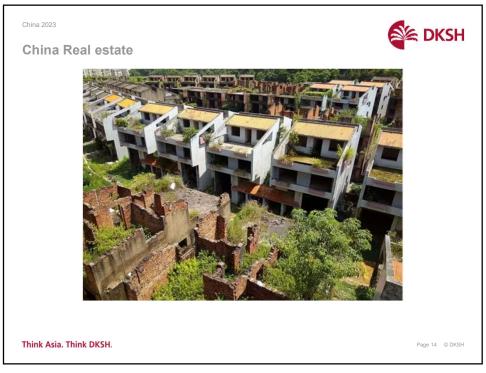




Think Asia. Think DKSH.

Page 12 © DKSH





China Real estate





Think Asia. Think DKSH.

Page 15 © DKSH

15

China 2023

Real estate



China was said is stepping in deflation. It is different from most of western countries who are now fighting against the inflation. The phenomenon is price weakening instead of increasing, stores are offering rebates.

Second problem in China is currently the real estate bubble.

Our main focus is therefore not only in the checking of the quality before shipment but as well the financial stability of the producer. At the last real estate crisis in the years of 2005-2011 I have lost 3 suppliers. All 3 were speculating in the property business and failed. One bankrupted, second one the owner simply disappeared out of the country and third one shrunk to around 10% of his former importance. I regard this as my main challenge not to lose any of our prepayments.

Think Asia. Think DKSH.

Page 16 © DKSH

Outlook

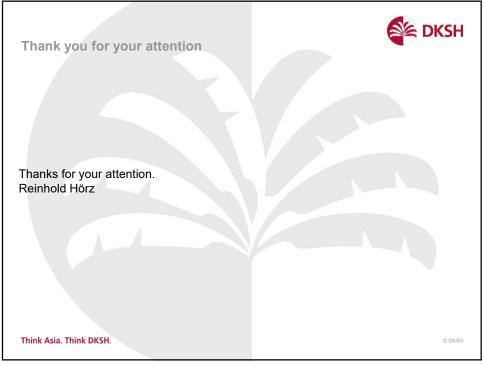


My conclusion of the market, I would rather cover my demand for the near future and buy now. The chance of falling prices in natural Bristle is very minim. Also freight rates have bottomed out. Most shippers are taking out their vessels and put them on a shippard to reduce price pressure and reduce capacity. I rather feel a risk of increasing prices or even worse of missing raw material in some items.

Think Asia. Think DKSH.

Page 17 © DKSH

17





Disclaimer

Due care has been used in preparation of this presentation and DKSH makes every effort to provide accurate and up-to-date information. Nevertheless, this presentation may be subject to technical inaccuracies, information that is not up-to-date or typographical errors

DKSH does not assume liability for relevance, accuracy and completeness of the information provided. DKSH reserves the right to change, supplement, or delete some or all of the information on this presentation without notice

The layout, graphics and other contents in this presentation are protected by copyright law and should not be reproduced or used without DKSH's written permission

Think Asia. Think DKSH.

Page 19 © DKSH