

# Company Presentation

11 August 2010

Zippered on For Global Markets



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## Business Overview

企业简介



## Our Business (我们的业务)

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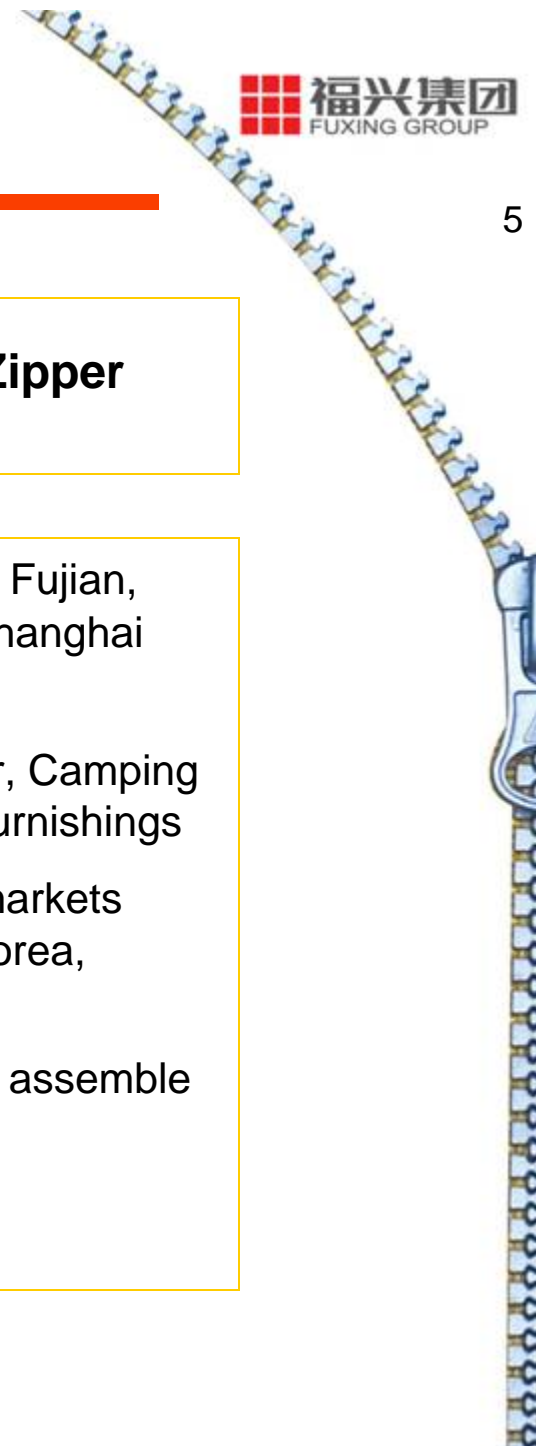
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### Principal activity

**Production of quality Zipper Sliders, Zipper Chains, Finished Zippers**

### Customers

- **> 1,200 customers** in the PRC, mainly in Fujian, Jiangsu, Zhejiang, Sichuan provinces and Shanghai
- **Diversified Customer base:**
  - **Local manufacturers** – Apparel/Footwear, Camping Equipment, Bags/Luggages, Upholstery Furnishings
  - **Trading Cos** - which export to overseas markets including Australia, EU, Russia, Turkey, Korea, Thailand, Vietnam, Indonesia, others
  - **Zipper makers** - which further process or assemble zipper products for onward sales
- In 2009, **> 50% are repeat customers**



## Our Locations (我们的位置)



- **3 Production Facilities in Jinjiang [HQ], Shanghai, Qingdao**
- **Extensive sales network - Xiamen, Quanzhou, Chengdu, Dongguan, Yiwu, Wuhan, Shanghai, HK**

# Types of Products (产品的种类)

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## Trademarks

3F



Invisible hook



Pin lock trade mark



Non lock double pull



Non lock double plastic pull



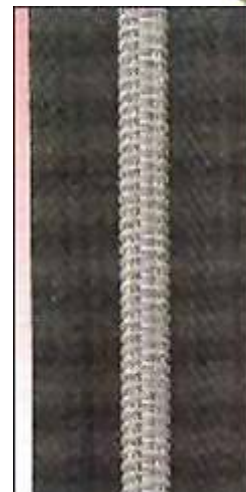
Auto lock ribbon pull



Non lock long key



Invisible with polyester tape



Nylon chain



Metal chain



Plastic chain

**3F = Quality First, Customer First, Service First**

## Wide Product Application (产品的广泛用途)

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Widely used in consumer end-products such as:



Apparels (incl  
sportswear)



Shoes



Camping  
equipment



Laptop bag



Travel luggage



Bags & wallet



Upholstery

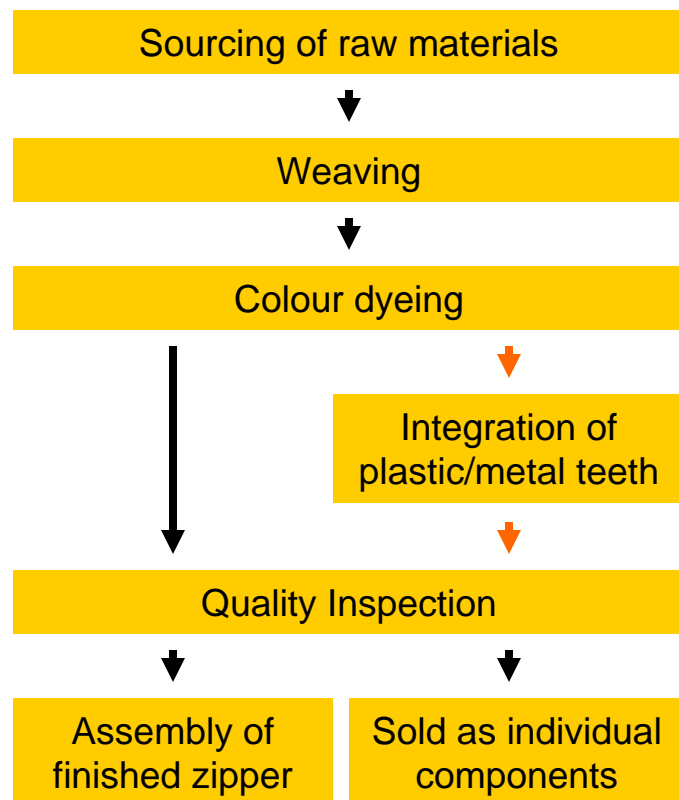




# Production Process (生产过程)

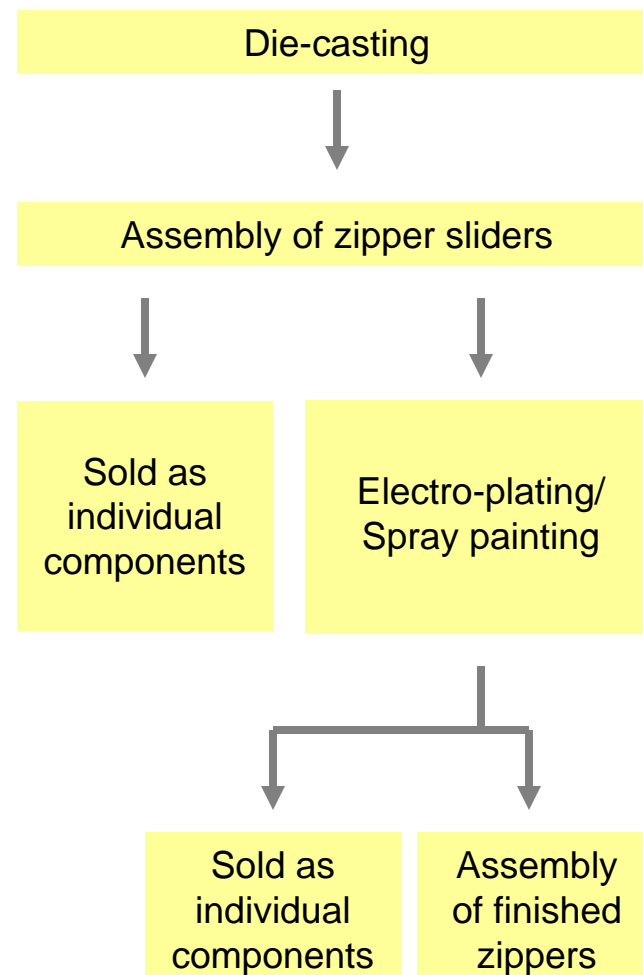
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## Zipper Chains



- Common processes for plastic and metal zipper chains
- ➡ Common processes for the nylon, plastic and metal zipper chains
- Production process for nylon zipper chain

## Zipper Sliders



# Production Capacity & Utilisation Rate

## (产能和利用率)

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Max Prodn Capacity	2006	2007	2008	2009	1Q 2010	2Q 2010
(tons)						
Zipper chains	21,419	22,200	25,623	25,623	6,406	6,406
Zipper sliders	10,897	10,897	10,897	10,897	2,724	2,724
Finished zippers *	*	*	3,971	3,971	993	993
<b>Utilization rate</b>						
Zipper chains	89%	91%	85%	41%	50%	<b>62%</b>
Zipper sliders	81%	80%	80%	44%	37%	<b>56%</b>
Finished zippers *	*	*	~50%	51%	38%	<b>55%</b>

\* For information only. Finished zippers (FZ) are assembled from chain/sliders, and the production capacity of FZ have been included under zipper chain, and zipper sliders segment. FZ produced prior to 2007 were but in low volume and were not tracked separately.

# Corporate Milestones (企业里程碑)

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1993

- Started **nylon continuous zipper chains**, related products

1994

- Commenced production of **fabric tape**

1995

- Established **'3F' brand**
- Started **zipper sliders**

1996 - 1999

- Expanded to... **'invisible' nylon zippers, finished zippers, plastic/metal zipper chains**

2005

- Granted authorization to use **Oeko-Tex mark**, mandatory certificate for EU markets

2006

- Fujian Enterprise Technology Centre, research partnership with Software Institute of Xiamen University
- Symbolic Brand of China**

2007

- Intertek Certification** for zipper products, allow wider range of products to be marked with Intertek Eco-Certification label and sold internationally

2008

- Received National waiver **免检** from export inspections

2009

- Awarded **China New and HighTech Enterprise**
- Enjoy a preferential tax rate of 15% for next three years

2010

- Successfully registration of Super Durable Zipper patent**
- Move towards to high-end shoes, tents and luggage bags market**



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**Competitive Strengths**

竞争优势



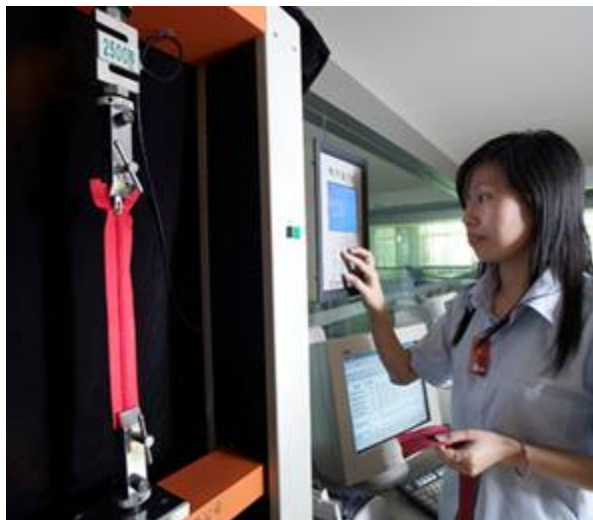
# One of the Largest Zipper Manufacturers in the PRC (中国最大的拉链生产商之一)

- **No. 2 in China** in terms of production capacity
- **Economies of Scale** in terms of raw material procurement, production management and brand marketing
- Ability to **Provide Value-added service** by customising zipper products to cater to differing requirements amongst customers



# One of Few Vertically Integrated Players in PRC Zipper Industry(中国拉链行业为数不多的一条龙生产商)

- Able to carry out **Upstream Activities**, including production of monofilament line, fabric tape and centre core thread
- Ability to assemble **Finished Zippers**
- Allows **Economies of Scale**
- Achieve **Consistency in Quality** of products



# Established Track Record & Reputation (良好的业绩和声誉)

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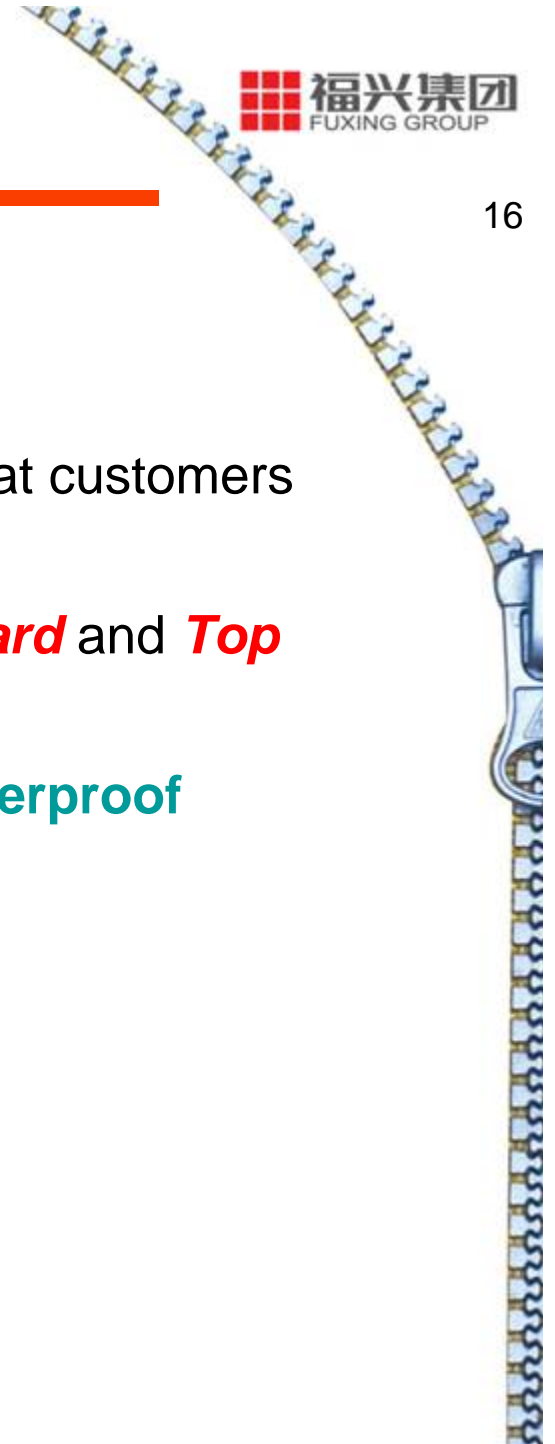
- End products used by **renowned brands** such as:



## Established Track Record & Reputation (良好的业绩和声誉)

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- **Long Term Relationships** with major customers  
=> In 2009, more than 50% of customers were repeat customers from previous year
- **'3F' brand** received **Symbolic Brand of China award** and **Top 10 Zipper Brands of the PRC**
- Known in the industry for **invisible zippers** and **waterproof zippers** for camping equipment



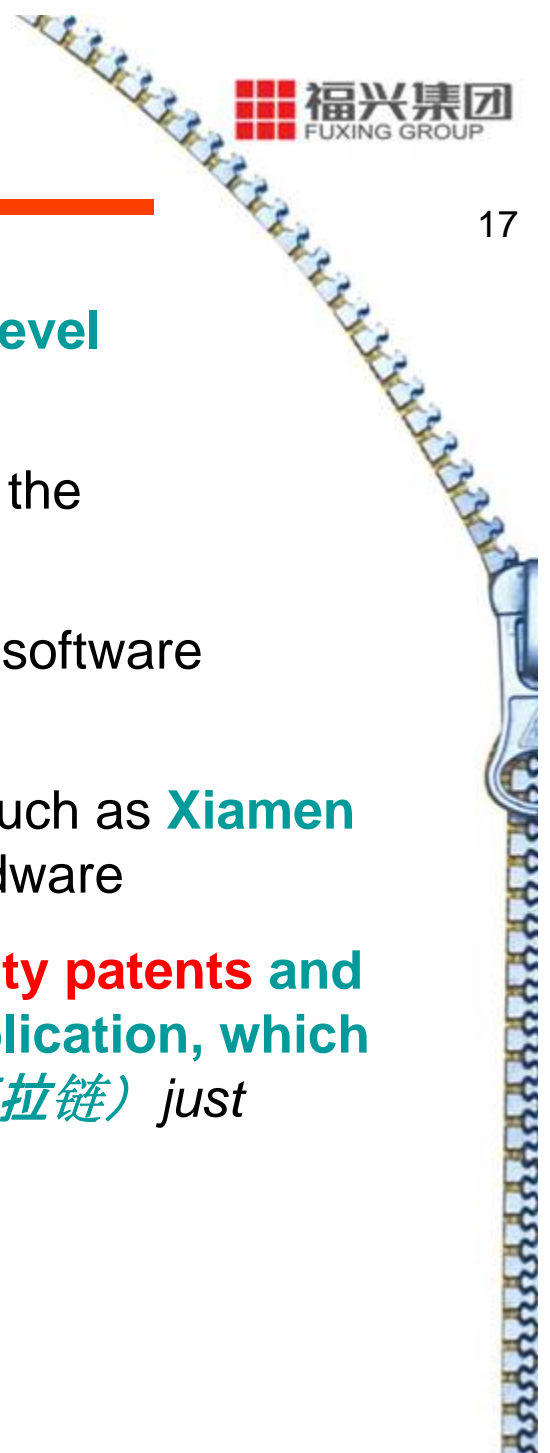


## Emphasis on Quality and R&D (注重质量和研发)

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- Our R&D facility was certified as “**Fujian Provincial Level Enterprise Technology Center**”
- **Intertek Eco-Certification** => products can be sold in the international markets
- **21 full time R&D staff** - members include professors, software engineers, tooling engineers and craftsmen
- **Collaborative partnerships** with research institutes such as **Xiamen University** for R&D of management software and hardware
- We currently have a total of **18 design patents, 3 utility patents and 1 invention patent**, and another **1 patent under application**, which includes patent for **Super Durable zipper (新型耐磨拉链)** just approved in 2010



# Experienced Management Team

(经验丰富的管理团队)

- Key management team
  - Mr Hong Qing Liang (Chief Executive Officer)  
*over 20 years experience*
  - Mr Hong Peng You (Director of Administration)
  - Mr Hong Qing Ke (Director of Sales)
  - Mr Hong Shui Ku (General Manager)
  - Mr Koh Choon Kong (CFO)



## Hong Qing Liang, Chief Executive Officer

洪清凉：首席执行官

- Over **20 years** of experience in the zipper industry
- Honourable Chairman of Zipper Industry Association of Fujian Province
- Vice Chairman of the Foreign Enterprise Association and Vice Chairman of Chamber of Commerce of Long Hu Town, Jinjiang City
- Member of CPPCC Fujian Province



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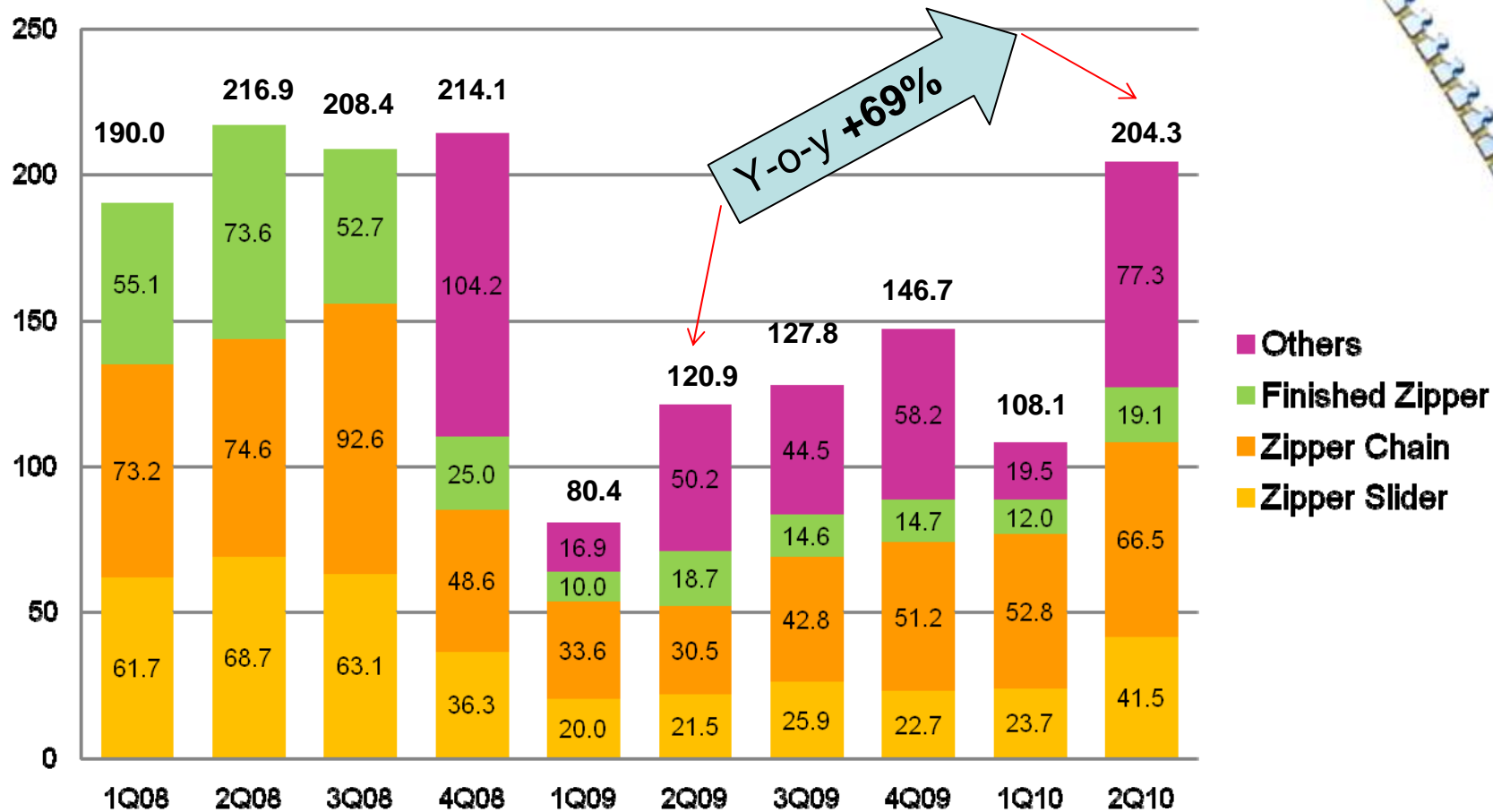


## Financial Highlights

### 财务摘要

# Revenue by Quarter

RMB ' Mln



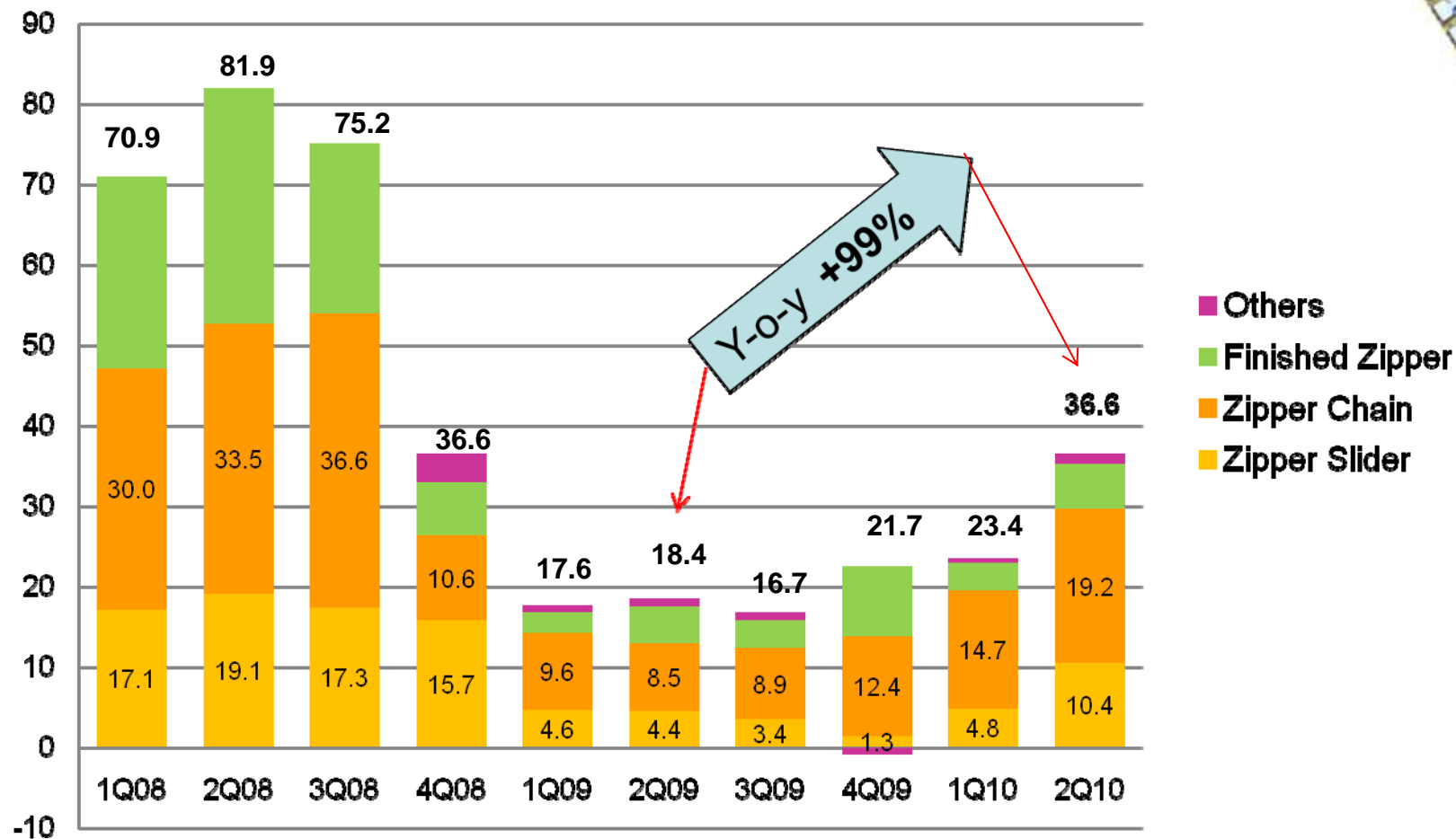
\* Others includes Knitting wool, Trading. Knitting wool business discontinued in 2Q2010



# Gross Profit (毛利润)

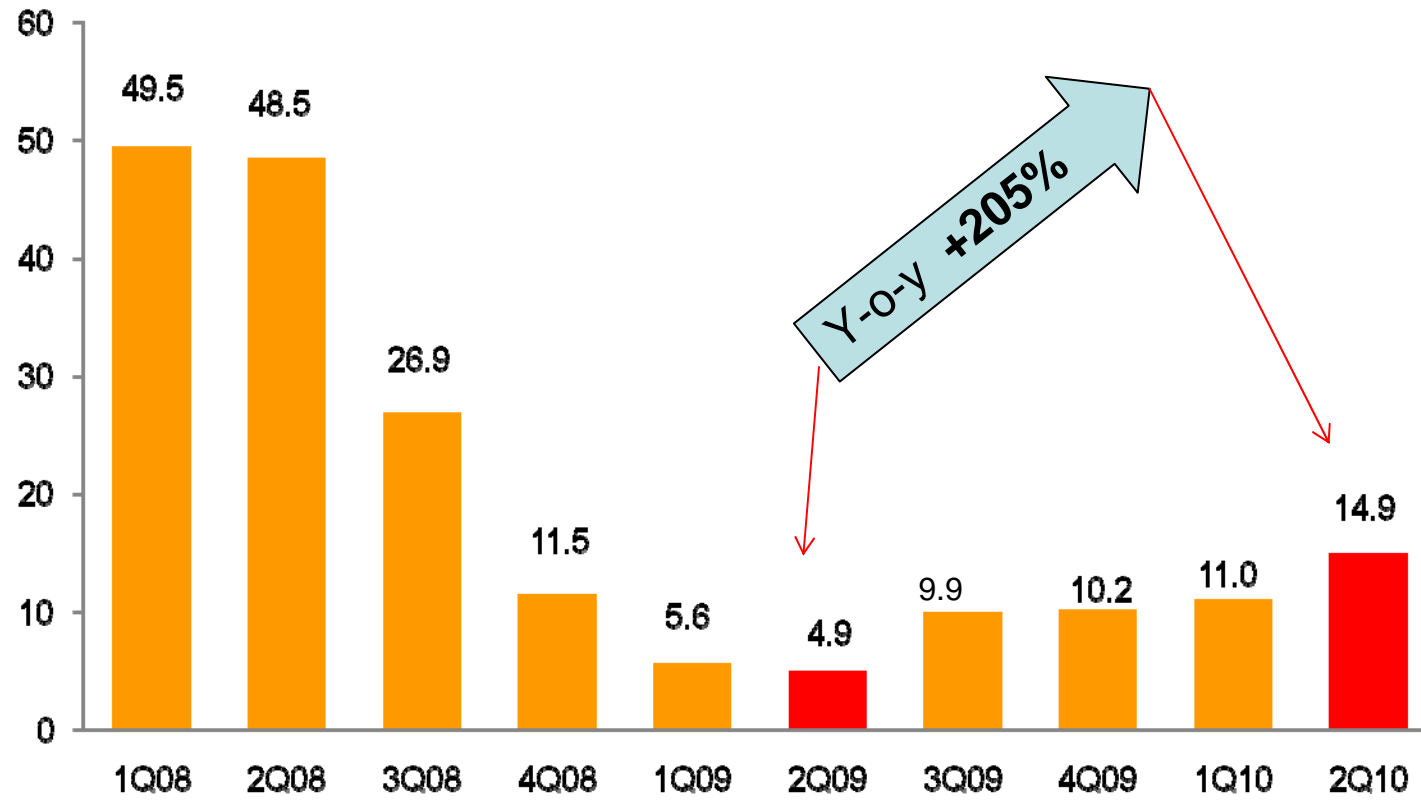
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RMB ' Mln

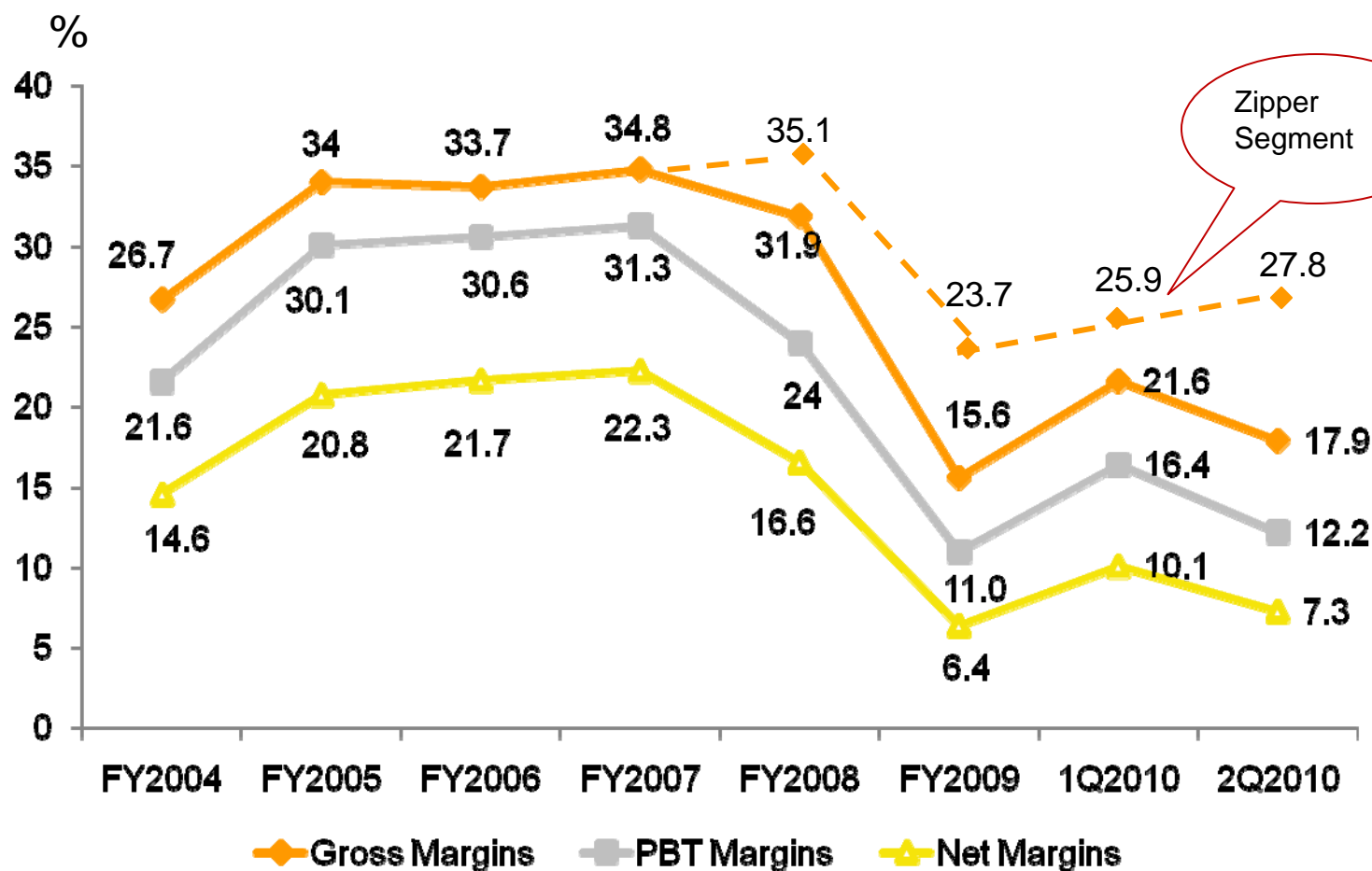


# Net Profit (净利润)

RMB ' Mln

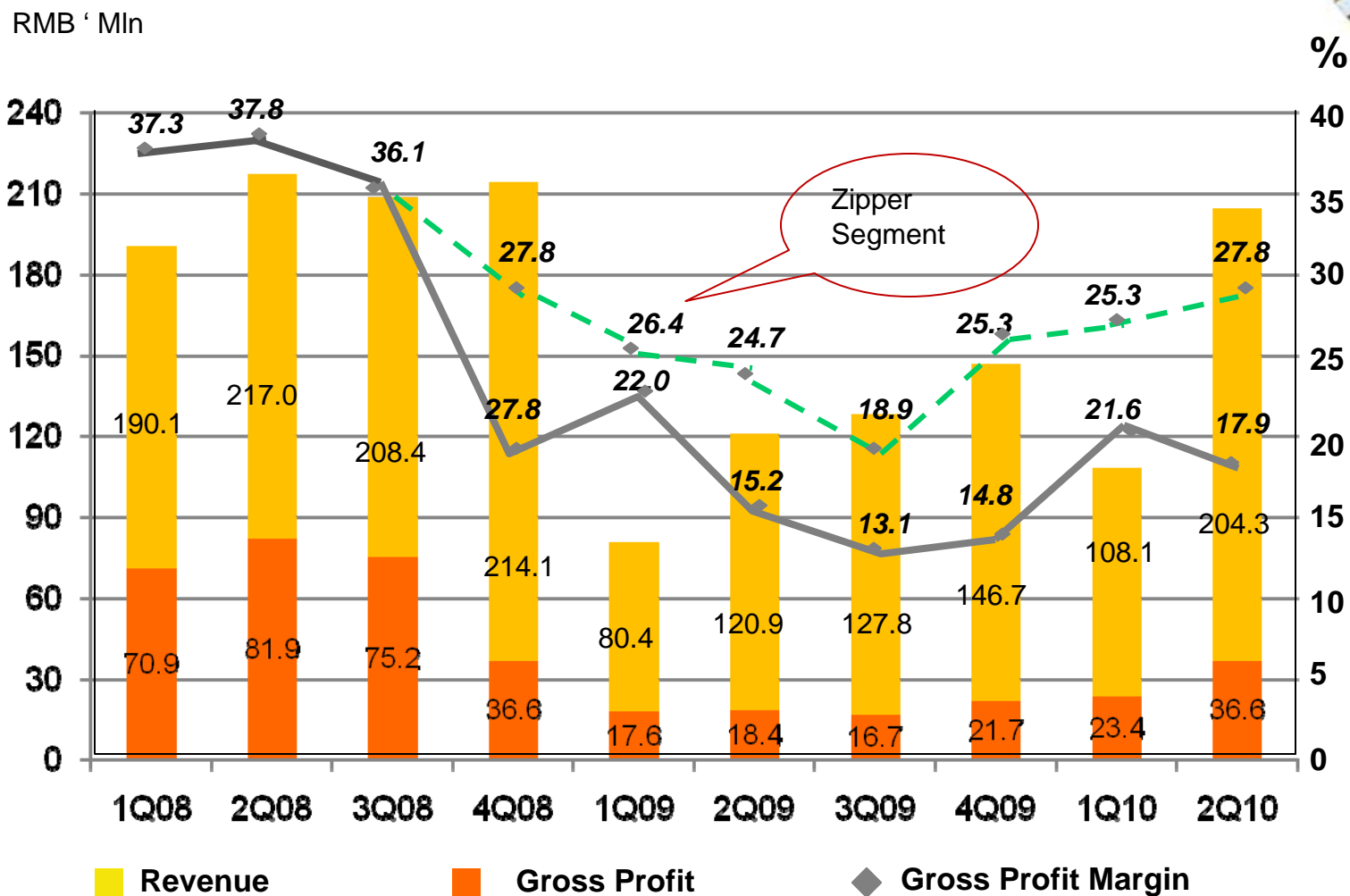


# Profit Margins (利润率)



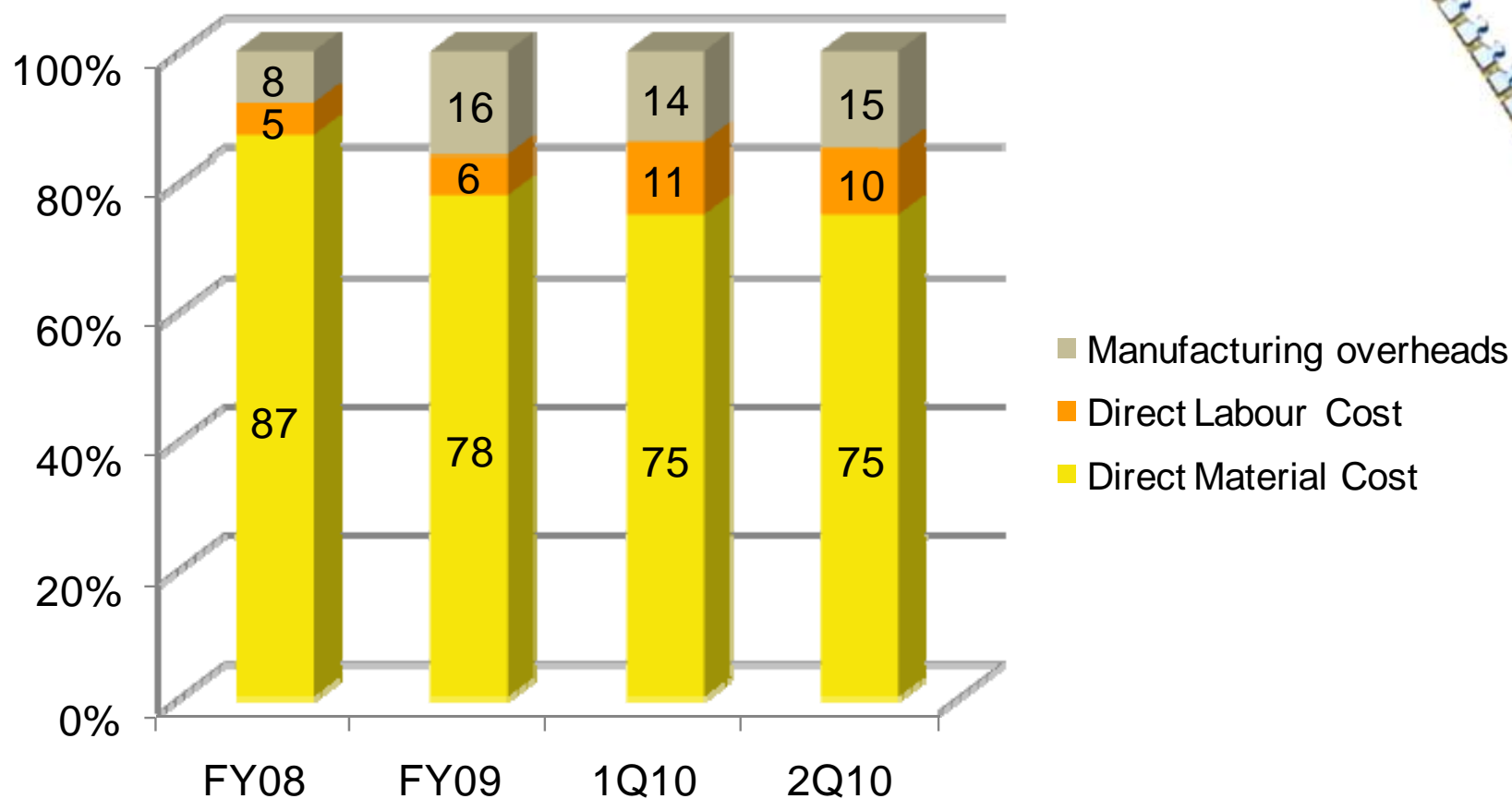
For other segment, Knitting wool suffered loss of RMB 0.039 million and trading commanded only 1.7% of GPM in 2Q2010

# Quarterly results (每季的财务摘要)





# COGS Composition (已售商品成本组成)



## Operating Expenses (营运支出)

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RMB' million	2Q10	2Q09	Variation
Selling and distribution exp	1.3	1.0	+31%
Gen and admin exp	9.4	7.5	+25%
Fin income and exp	0.8	2.1	-60%

### Notes:

- Selling/Distr exp up due to higher sales volume, adv/mktg exp in current qtr
- Gen/admin exp up on higher levels of business operations, more managerial staff, higher salaries/wages across the board, etc
- Fin exp down due to lower level of loans compared to prior period

## Cashflow Highlights (现金流摘要)

RMB' mil	2Q2010	2Q2009
<b>Cashflows from Operating activities</b>	(16.2)	72.1
<b>Cashflows used in Investing activities</b>	(3.0)	(35.0)
<b>Cashflows from Financing activities</b>	(0.8)	(127.3)

RMB' mil	2Q2010	FY2009
Bank + Deposits – OD	<b>700.2</b>	<b>689.9</b>
Net Cash (Bank/Deposits-Bank Loans)	<b>626.8</b>	<b>645.7</b>

# Financial Highlights (财务摘要)

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RMB ' m	As at 30/06/2010	As at 31/12/2009
<b>Total Assets</b>	1,333.4	1,284.8
<b>Total Liabilities</b>	(249.4)	(190.1)
<b>Total Equity</b>	1,084.0	1,094.7
<b>Earnings per share* (RMB)</b>	0.03	0.04
<b>NTA per share ** (RMB)</b>	1.31 <b>~S\$0.27</b> @4.8351	1.32

**Net Cash per share as at 30/06/2010: RMB 75.8 (~S\$0.16)**

\* Basic EPS computed based on weighted average number of shares in 2010:  
830,401,918 shares

\*\* Based on issued share capital as at 30/06/2010: 826,480,000 shares



## Financial Ratios (主要的财务比率)

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	1H2010	FY2009
<b>Ave Trade receivable days</b>	112	171
<b>Ave Trade payable days</b>	14	18
<b>Inventory turnover days</b>	34	38
<b>Return on equity (%)</b>	2.4	2.8
<b>Return on assets (%)</b>	1.9	2.4
<b>Current Ratio (times)</b>	6.1	8.6
<b>Debt to equity* (%)</b>	23.1	17.4

\* Debt includes bills payable to banks and short term bank loans



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## Industry Outlook

### 行业前景

## Private consumption as a percentage of the world's consumption

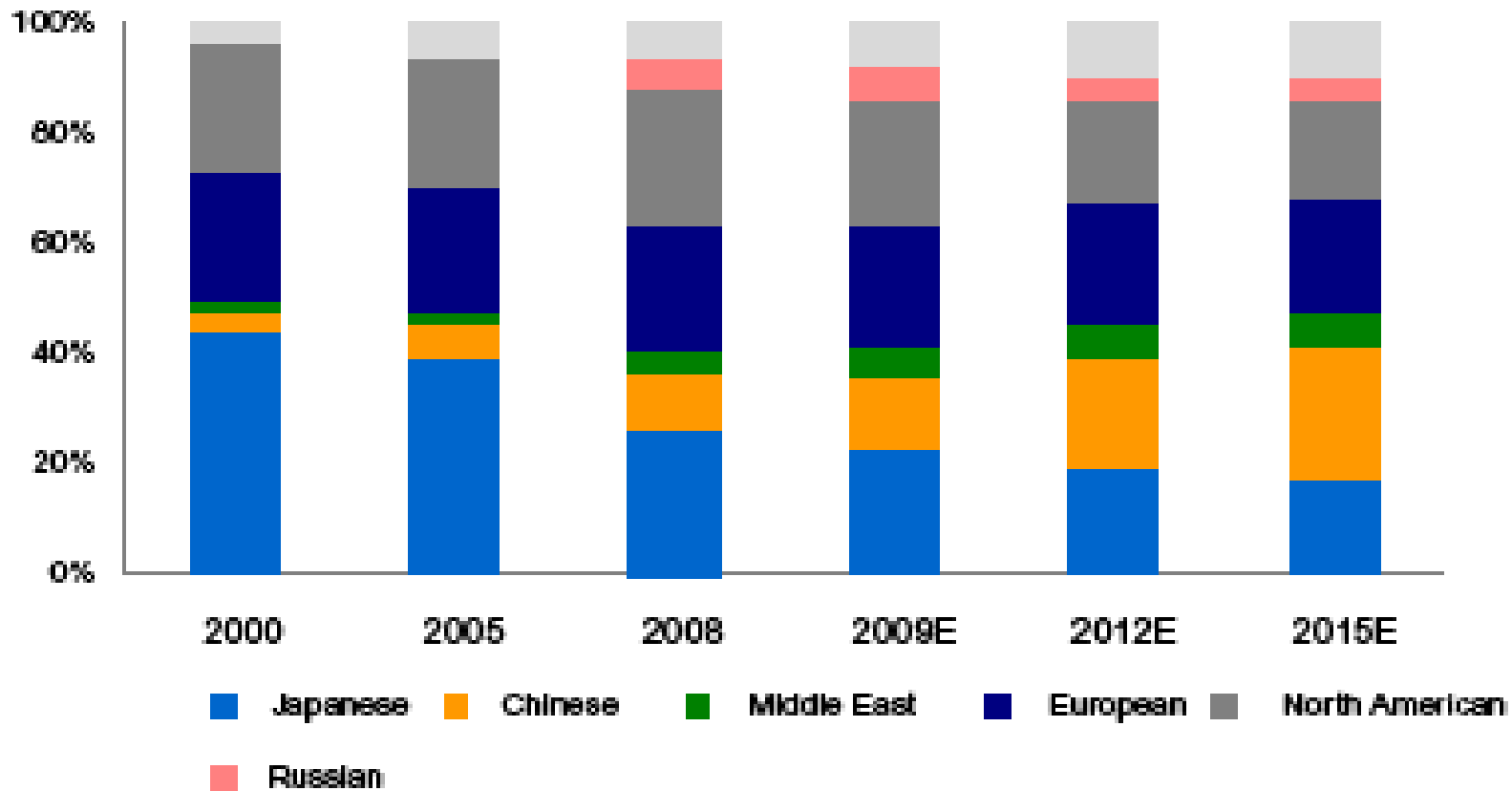
Exhibit 1: Private consumption as percentage of world's consumption

USD bn	2008	2009	2010	2013	2015	2018	2020	2023	2025
US	30.5	30.3	29.7	27.3	26.4	24.4	22.9	21.2	20.5
Japan	8.6	8.3	8.1	7.4	7.1	6.6	6.2	5.7	5.6
Germany	6.2	6.0	5.8	5.2	5.0	4.6	4.3	4.0	3.8
China	4.7	5.2	5.8	8.5	11.1	16.5	23.1	28.4	28.8
UK	5.1	5.0	4.9	4.5	4.4	4.2	4.0	3.8	3.7
France	4.9	4.9	4.8	4.3	4.2	3.9	3.6	3.4	3.3
Italy	4.1	4.0	3.8	3.4	3.3	3.0	2.8	2.5	2.4
Spain	2.7	2.7	2.6	2.3	2.2	2.0	1.9	1.7	1.7
Canada	2.5	2.5	2.5	2.3	2.3	2.1	2.0	1.9	1.9
India	2.0	2.2	2.3	2.7	3.2	4.1	5.0	5.7	6.3
NIE4*	2.9	2.9	2.9	3.1	3.3	3.7	4.0	4.1	4.3
ASEAN4**	2.1	2.1	2.2	2.3	2.6	3.0	3.3	3.6	3.8
Non-Japan Asia	11.7	12.4	13.2	16.6	20.3	27.4	35.4	39.8	43.2

Note: \*NIE4 includes Hong Kong, Korea, Taiwan and Singapore. \*\*ASEAN4 includes Indonesia, Malaysia, Philippines and Thailand.

Source: IMF, CEIC, Credit Suisse

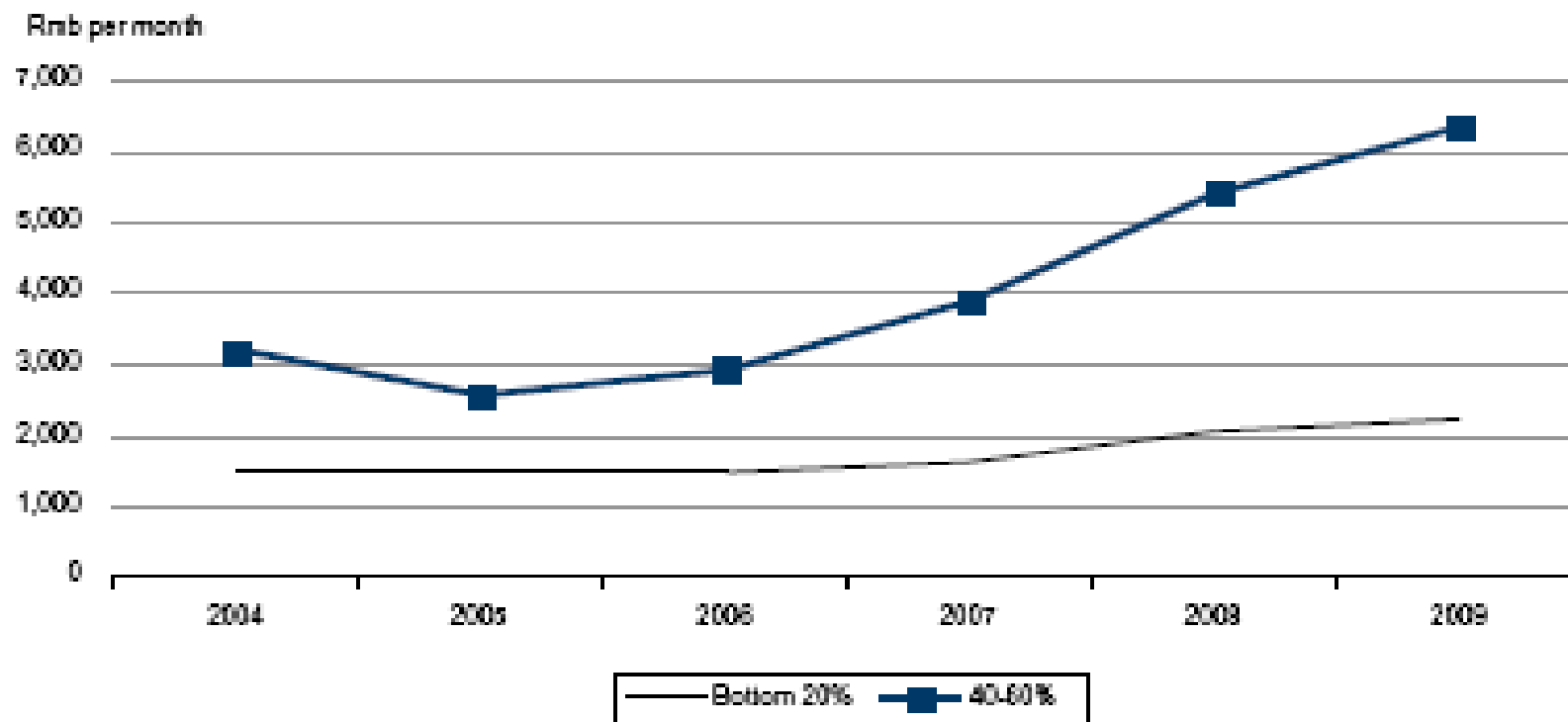
## China will overtake other markets



Source: UBS WMR, Company data



## Household incomes of the poor and middle class still growing



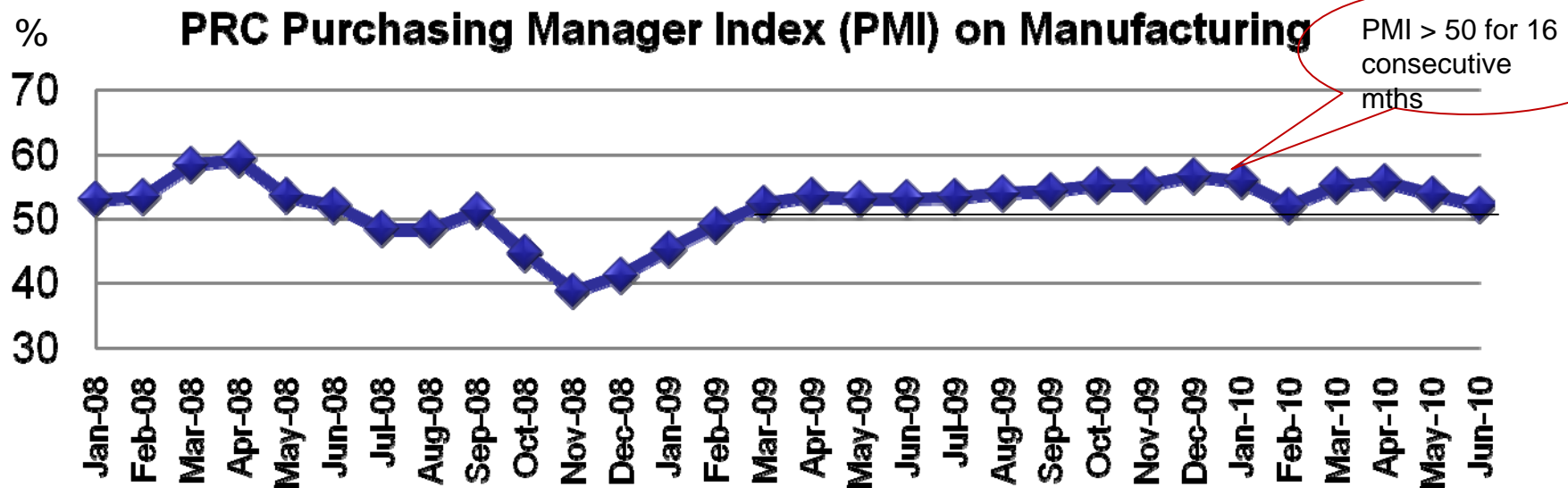
Source: Credit Suisse China Consumer Survey

# PRC's Macro Economy Environment (中国的宏观经济环境)

## Growing Consumer Price Index (CPI)

%	2003	2004	2005	2006	2007	2008	2009	1H10
CPI (YOY growth)	1.2	3.9	1.8	1.5	4.8	5.9	- 0.7	2.6

Estimated PRC CPI in 2010 is within 3% - a moderate inflation - Source:《经济参考报》



Source: National Bureau of Statistics of China

PMI > 50, shows PRC economy in rising phase

PMI < 50, shows stable or decreasing

## Textile & Garment

- During the 6 months of this year, Chinese textile and garment exports rose 22.1% to USD88.88 billion
- In June 2010, China's textile and garment exports rose 33.4% to USD 18.67 billion, resume to the level before Lehman Shock

- Statistic by PRC Customs

## Shoes

- In 1H2010, Guangdong exported more than 2.1 billion pairs of shoes, worth USD5.6 billion , up 17% y-o-y.
- 

- Guangzhou Customs statistics

## Luggage Bags

- Luggage bags export of Fujian Province from January to February 2010 reached USD250 million, up 51.4% y-o-y

- Xiamen Customs statistics

# General Concerns/ Measures

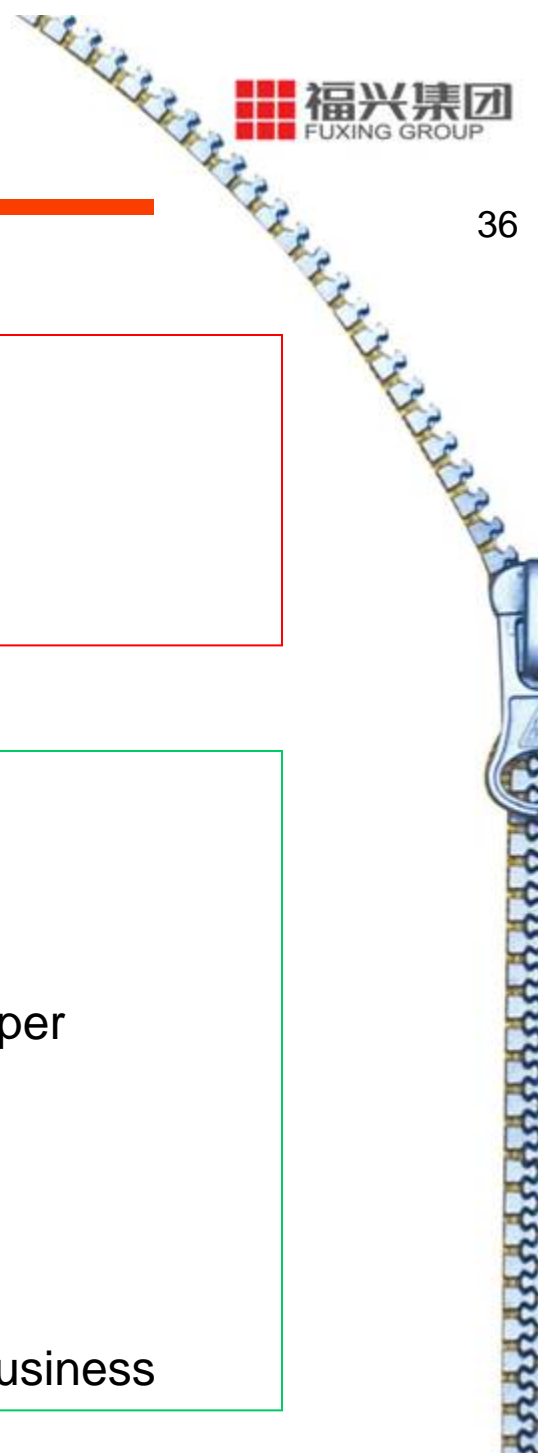
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## Concerns:

- Potential appreciation of RMB
- Shortage of labour supply
- Global economy recovery sustainable?

## Measures:

- Flexible pricing strategy to support customers
- Improving operating efficiency and process automation
- Exiting knitting wool operations. Focus on Finished Zipper production in Shanghai and Qingdao plants
- Marketing new products –***Super Durable Zipper***
  - ***High-end user, higher margin expected***
- Explore M&A opportunities to invest in zipper related business

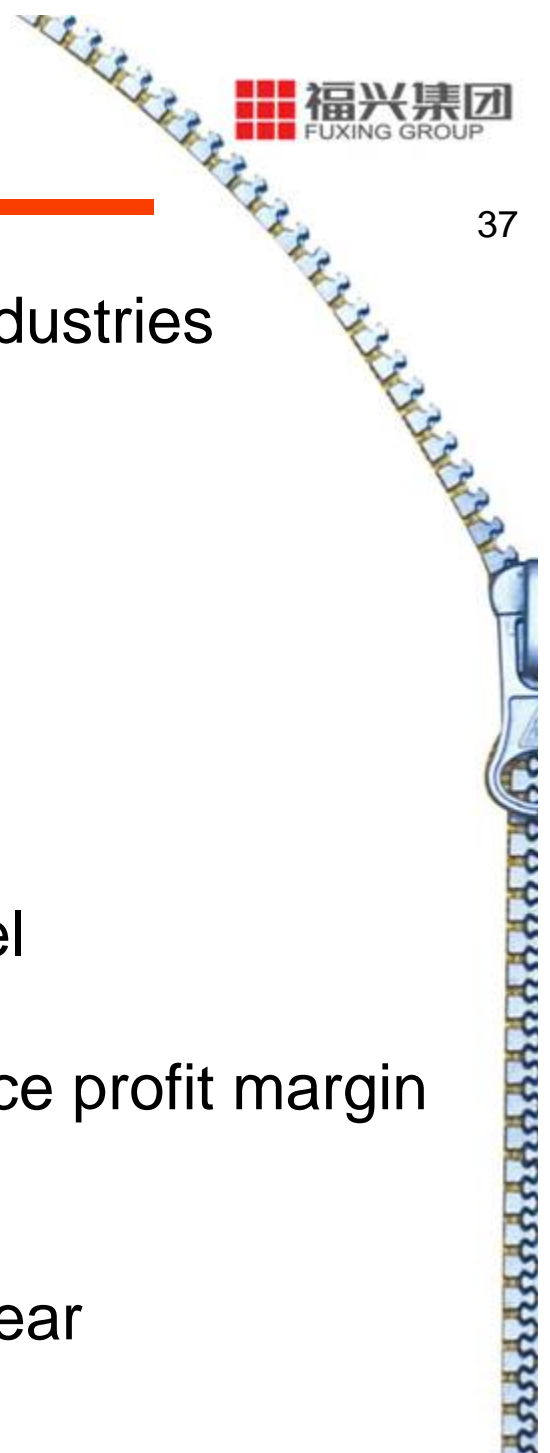




## Going Forward

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- Positive signs showing recovery in most industries
  - Garment
  - Bag/Luggage Bag
  - Shoes
  - Camping Equipment/Tent
- Order book till Oct 2010
- Utilization of capacity at a satisfactory level
- Move towards high-end markets to enhance profit margin and broaden revenue base
- Confident on the profit growth in coming year



# Dividend Payout (股息支付)

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	FY2008		FY2009	FY2010	
Name of Dividend	Interim	Final	Final	<b>1Q2010 Interim</b>	Interim/ Final ?
Dividend Type	Cash	Cash	Cash	<b>Cash</b>	
Amount Per Share (In RMB)	0.01	0.02	0.02	<b>0.02</b>	
Tax Rate	N.A.	N.A.	N.A.	<b>N.A</b>	
Total Per Share (In RMB)	0.03		0.02		

## Dividend Policy:

**Payout ratio not less than 40% of net profit each year from FY2010**

## CEO's Message (主席致词)



CEO Hong Qing Liang  
洪清凉

***We shall continue to enhance our Brand name and develop sales strategies to remain competitive and grow its market share. We will also continue to pursue opportunities for growth through new product, M&A in zipper-related businesses.***

***FY2010 is a growth year. So will the next year be for Fuxing China.***



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**Q & A**



FUXING CHINA GROUP LIMITED

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