

Company Presentation

1 March 2010

Zipped-on For Global Markets

福兴集团
FUXING GROUP

FUXING CHINA GROUP LIMITED

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Zipped-on For Global Markets

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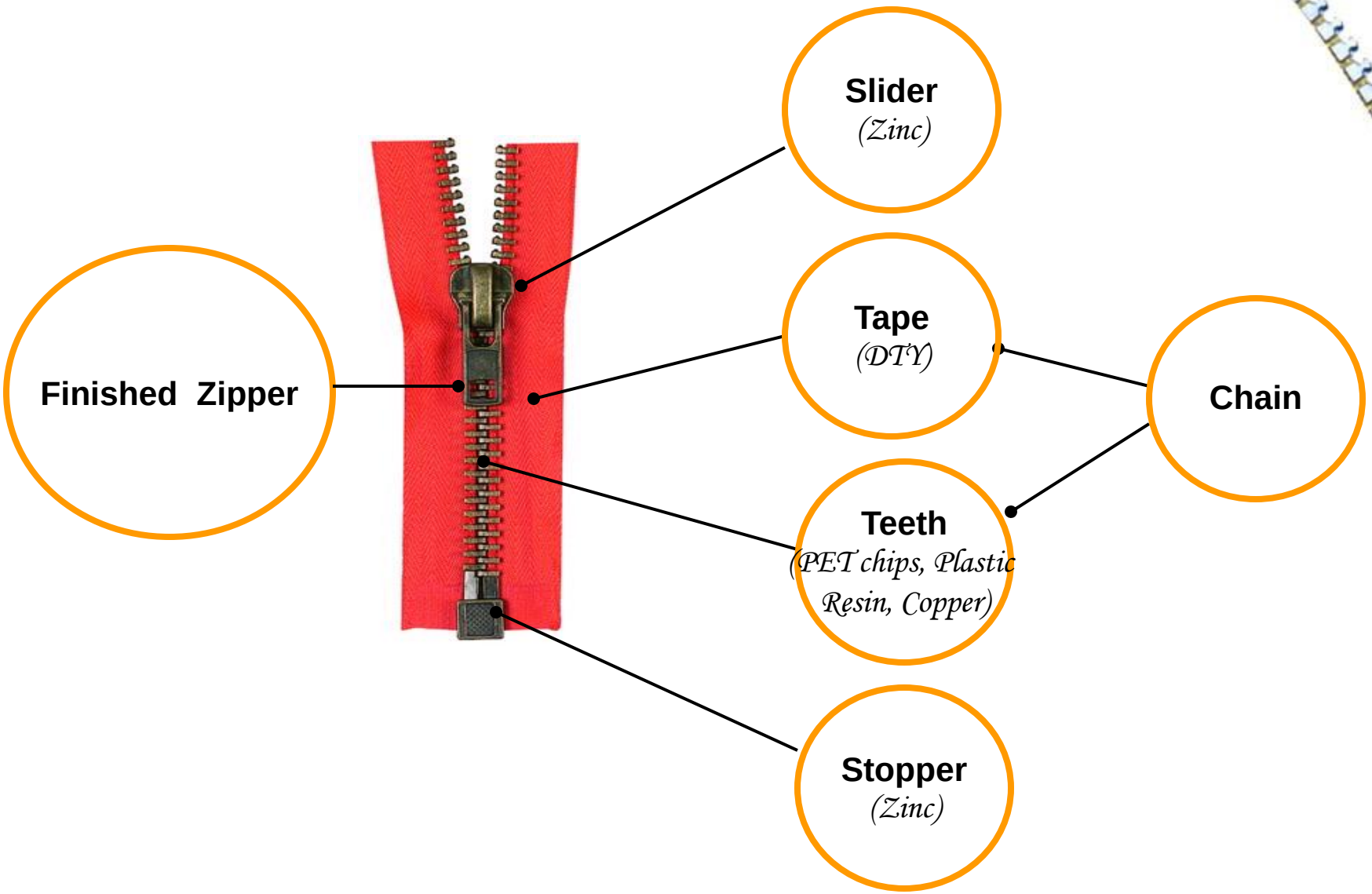
Business Overview

企业简介

Component of a Zipper (拉链的构成部件)



Our Business (我们的业务)

Principal activity	**Production of quality Zipper Sliders, Zipper Chains, Finished Zippers**
Customers	• **> 1,600 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

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)

Trademarks

3F



Invisible hook



Pin lock trade mark



Invisible with polyester tape



Nylon chain



Non lock double pull



Non lock double plastic pull



Auto lock ribbon pull



Non lock long key



Metal chain



Plastic chain

3F = Quality First, Customer First, Service First

Wide Product Application (产品的广泛用途)

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)

Zipper Chains

Sourcing of raw materials

Weaving

Acquisition in progress

Colour dyeing

Integration of plastic/metal teeth

Quality Inspection

Assembly of finished zipper

Sold as individual components

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

Die-casting

Assembly of zipper sliders

Acquisition in progress

Sold as individual components

Electro-plating/ Spray painting

Sold as individual components

Assembly of finished zippers

Production Capacity & Utilisation Rate
(产能和利用率)

Max Prodn Capacity	2006	2007	2008	2009	2010	1Q 2010	2Q 2010	3Q 2010	4Q 2010
(tons)									
Zipper chains	21,419	22,200	25,623	25,623	**25,623**	6,406	6,406	6,406	6,406
Zipper sliders	10,897	10,897	10,897	10,897	**10,897**	2,724	2,724	2,724	2,724
Finished zippers *	*	*	3,971	3,971	**3,971**	993	993	993	993
Utilization rate									
Zipper chains	89%	91%	55%	41%	**62%**	50%	62%	68%	67%
Zipper sliders	81%	80%	80%	44%	**50%**	37%	55%	59%	49%
Finished zippers *	*	*	**~50%**	51%	**54%**	38%	56%	58%	64%

* 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)

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**

2010

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

A preferential tax rate of 15% for three years pending for approval



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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)

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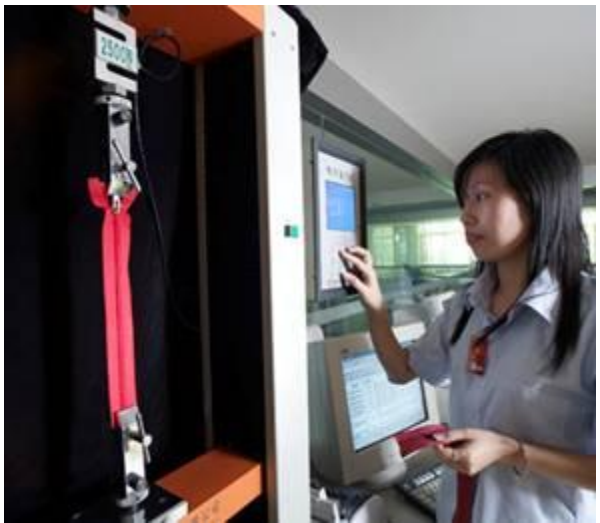
- Able to carry out **Upstream Activities**, including production of monofilament line, fabric tape and centre core thread
- Ability to assemble **Finished Zippers**
- Allows **Economies of Scale**
- Achieve **Consistency in Quality** of products











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

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

Sportswear:

ANTA(CHINA) CO., LTD.

adidas

NIKE

特步

LI-NING

deerway

PEAK

CBA Leisu

ERKE

Fashion:

GAP

Calvin Klein

JACK JONES

SEPTWOLVES

福建七匹狼实业股份有限公司 FUJIAN SEPTWOLVES INDUSTRY CO.,LTD.

BOSIDENG 世界名牌

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

Luggage/Bags:

Microsoft

SONY make.believe

asics

ANA ANA SKY WEB

Samsonite

dapai 达派

Camping Equipments:

Kampa

Gelert

路之谱 NORTHPOLE INNOVATION BEGINS HERE

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 2 invention patent (including patent for *Super Durable zipper (新型耐磨拉链)*, and another 6 patents under application**

Experienced Management Team
(经验丰富的管理团队)

- Key management team
  - **Mr Hong Qing Liang (Executive Chairman & CEO)**
    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, Executive Chairman and CEO

洪清凉：执行董事局主席兼首席执行官

- 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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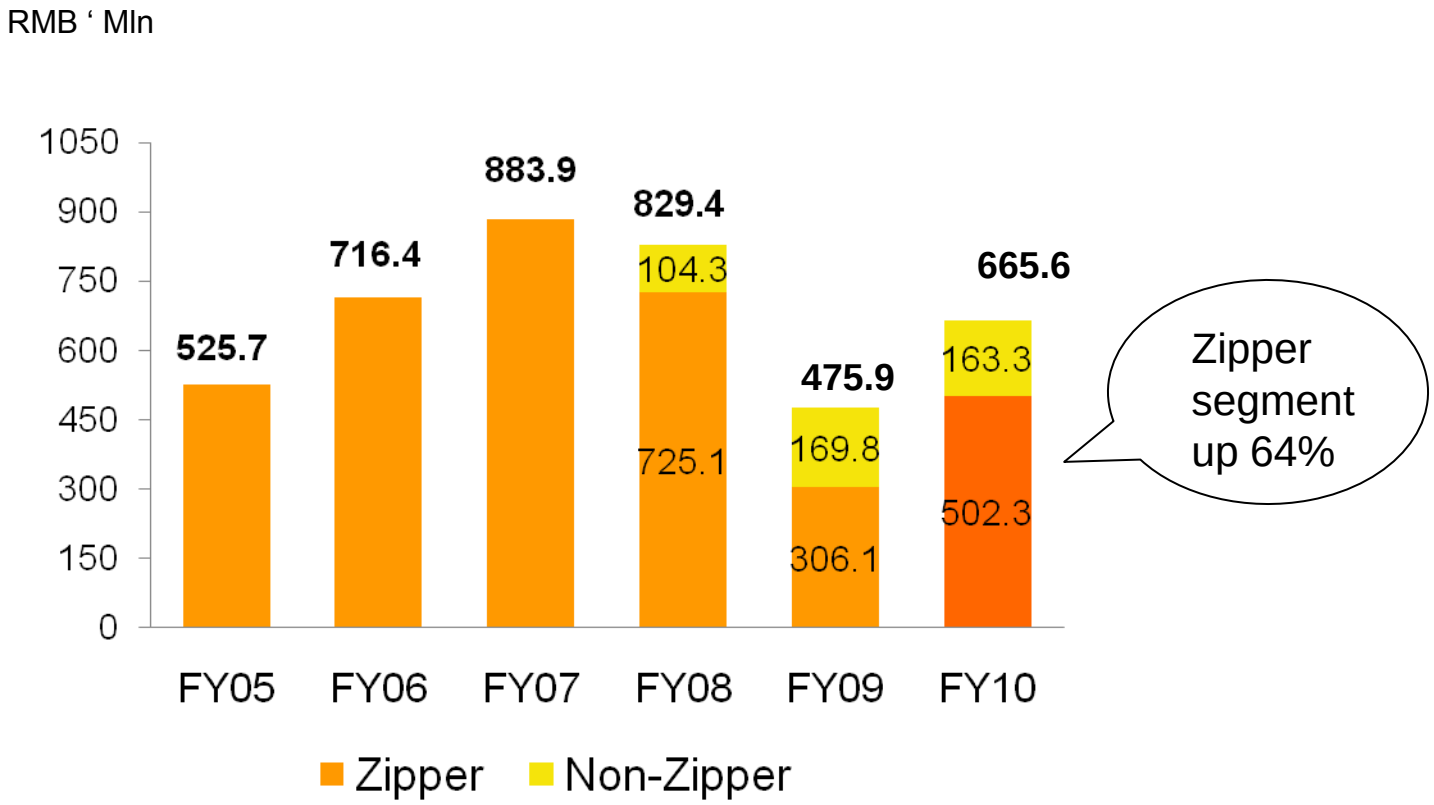
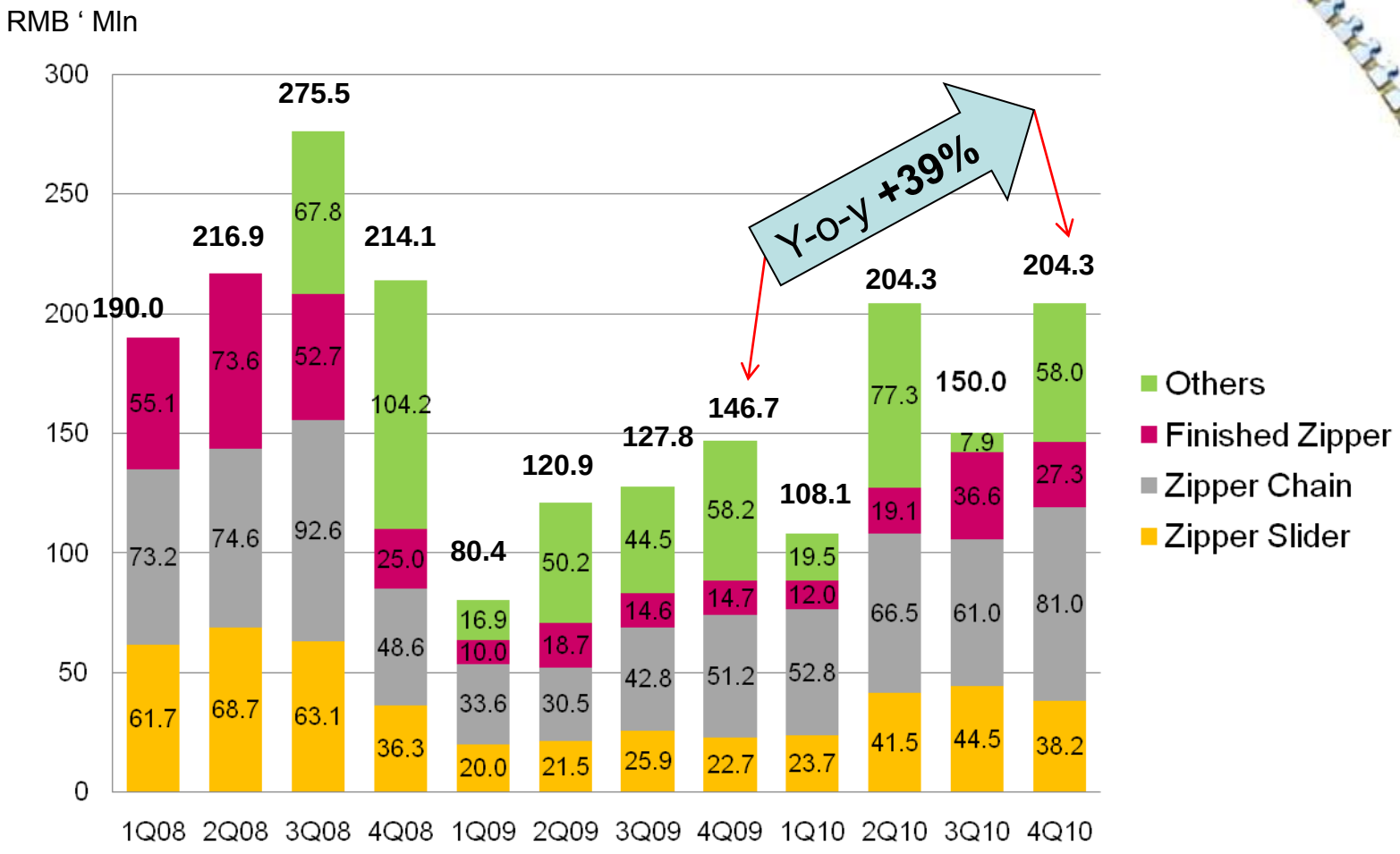
Financial Highlights
财务摘要

Revenue By Year (营业收入一览)



Revenue by Quarter (季度营业收入)

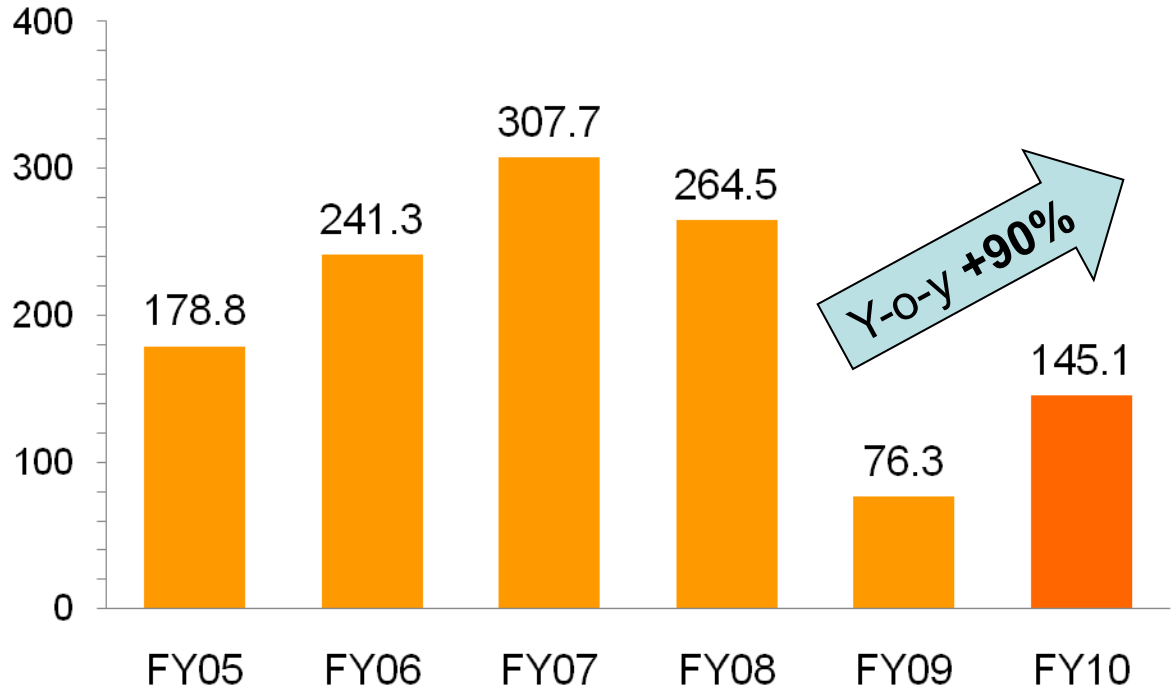


- Others includes Knitting wool, Trading. Knitting wool business discontinued in 2Q2010

- Zipper Segment sales Q-o-Q up 3%

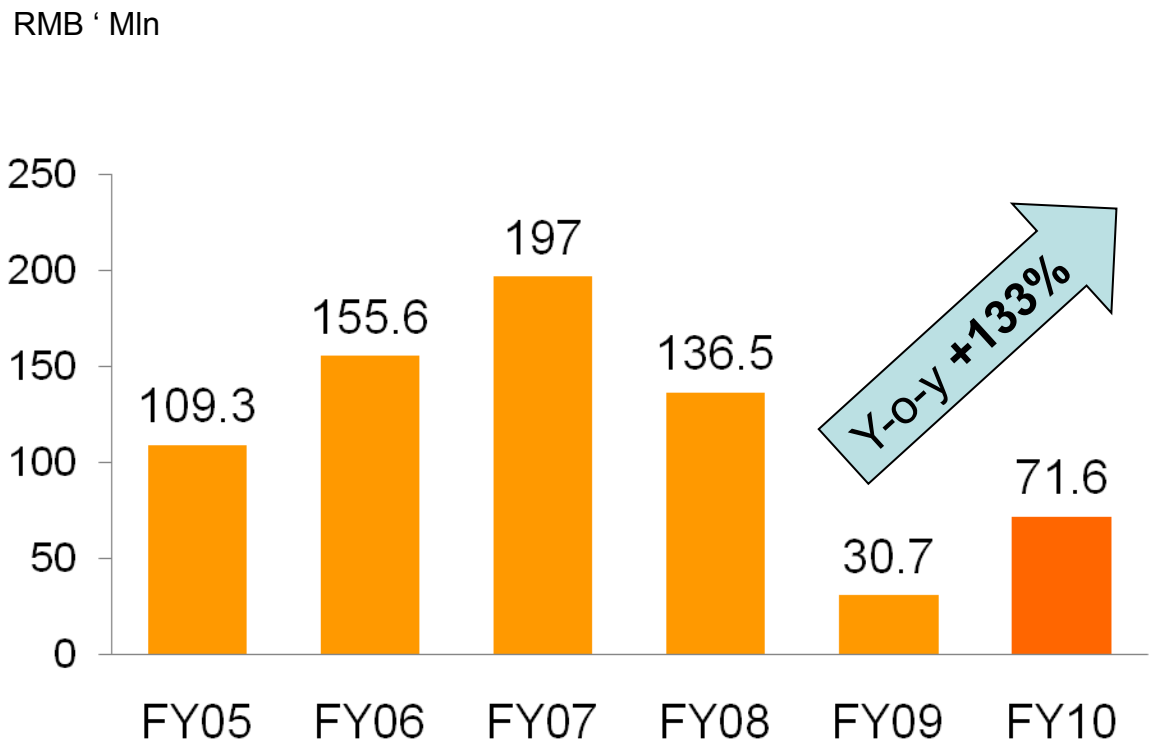
Gross Profit By Year (毛利一览)

RMB ' Mln

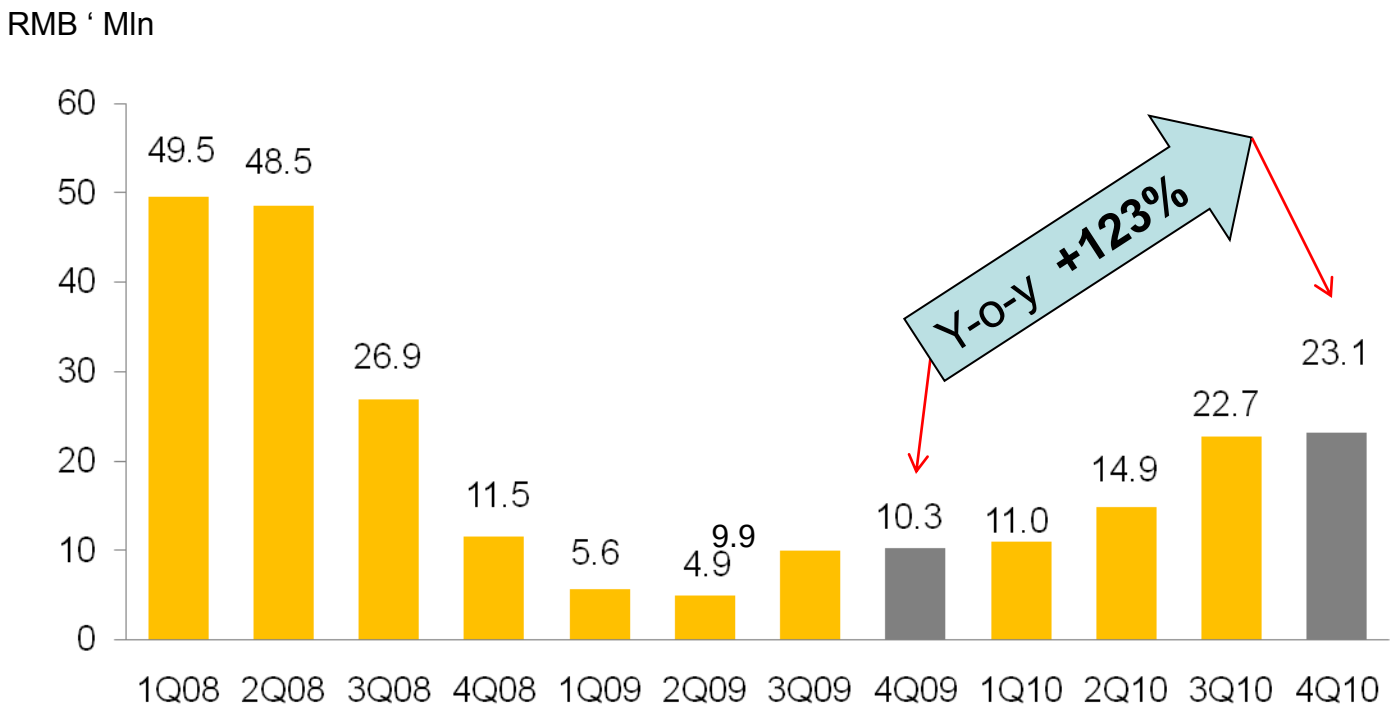


- Emphasis on higher margin business- Finished Zipper segment

Net Profit By Year (净利一览)

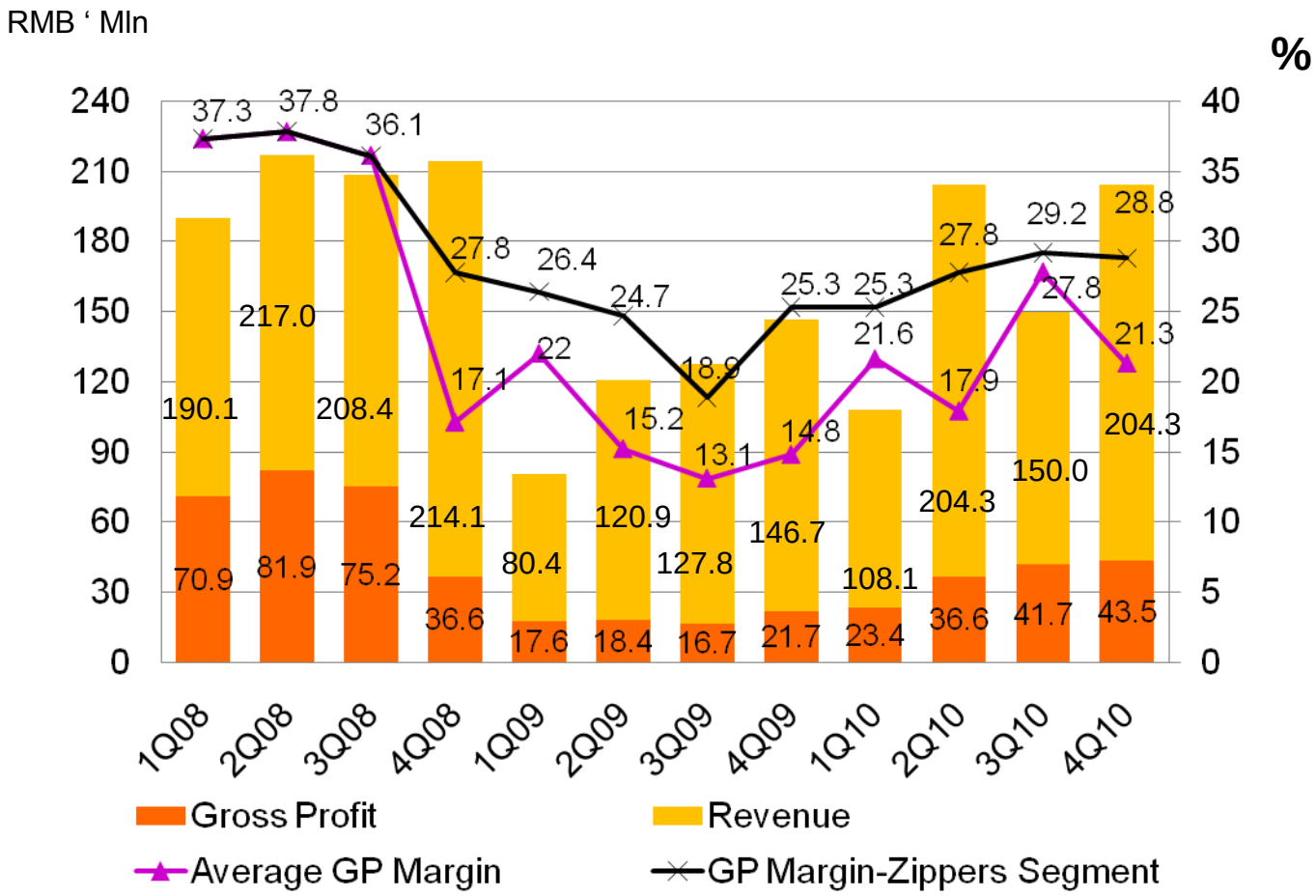


Net Profit by Quarter(季度净利润)



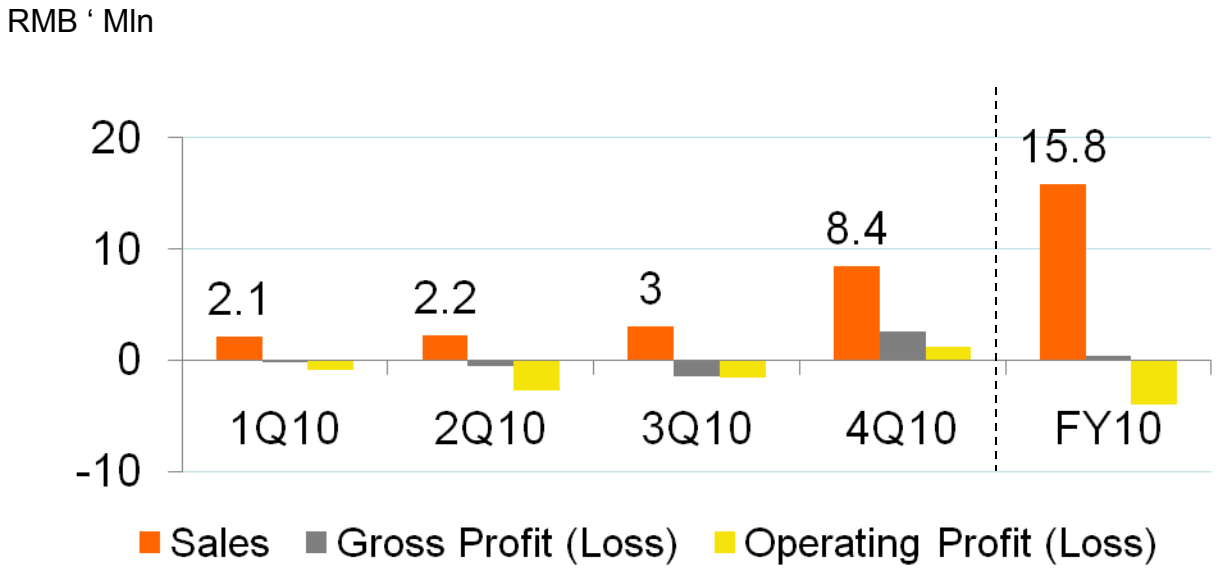
Q-o-Q Net Profit up 2%

Quarterly results (季度财务摘要)



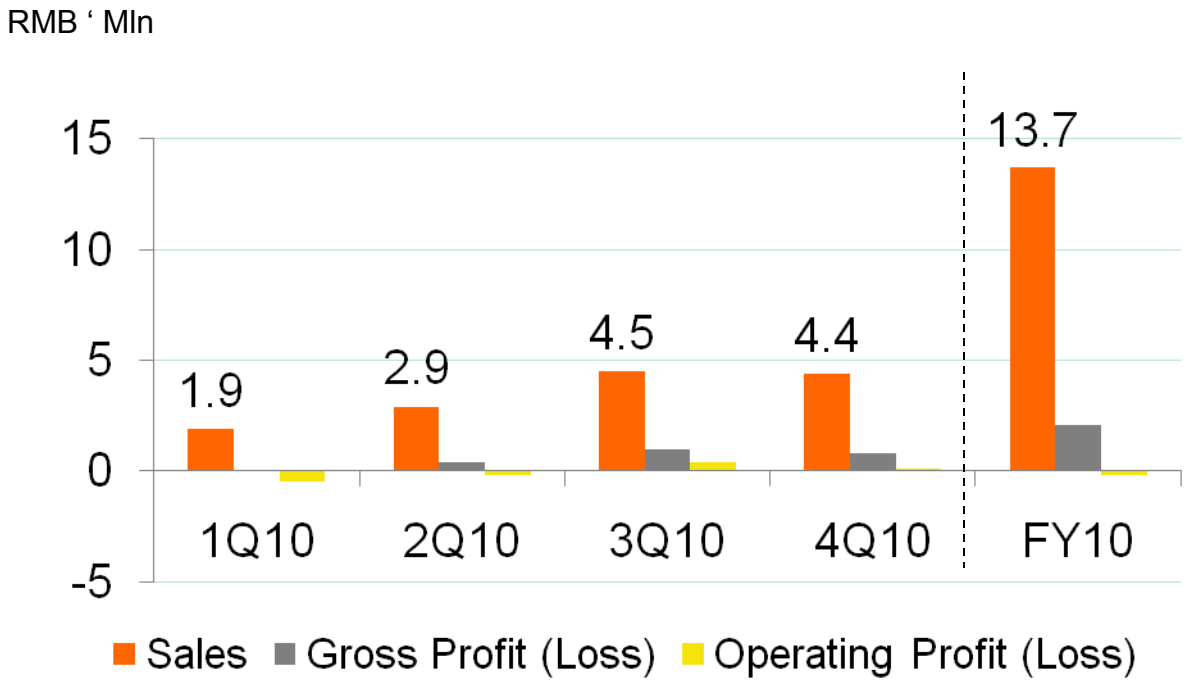
Shanghai Plant Performance (上海工厂业绩)

1Q & 2Q10 incl. discontinued knitting wool ops.



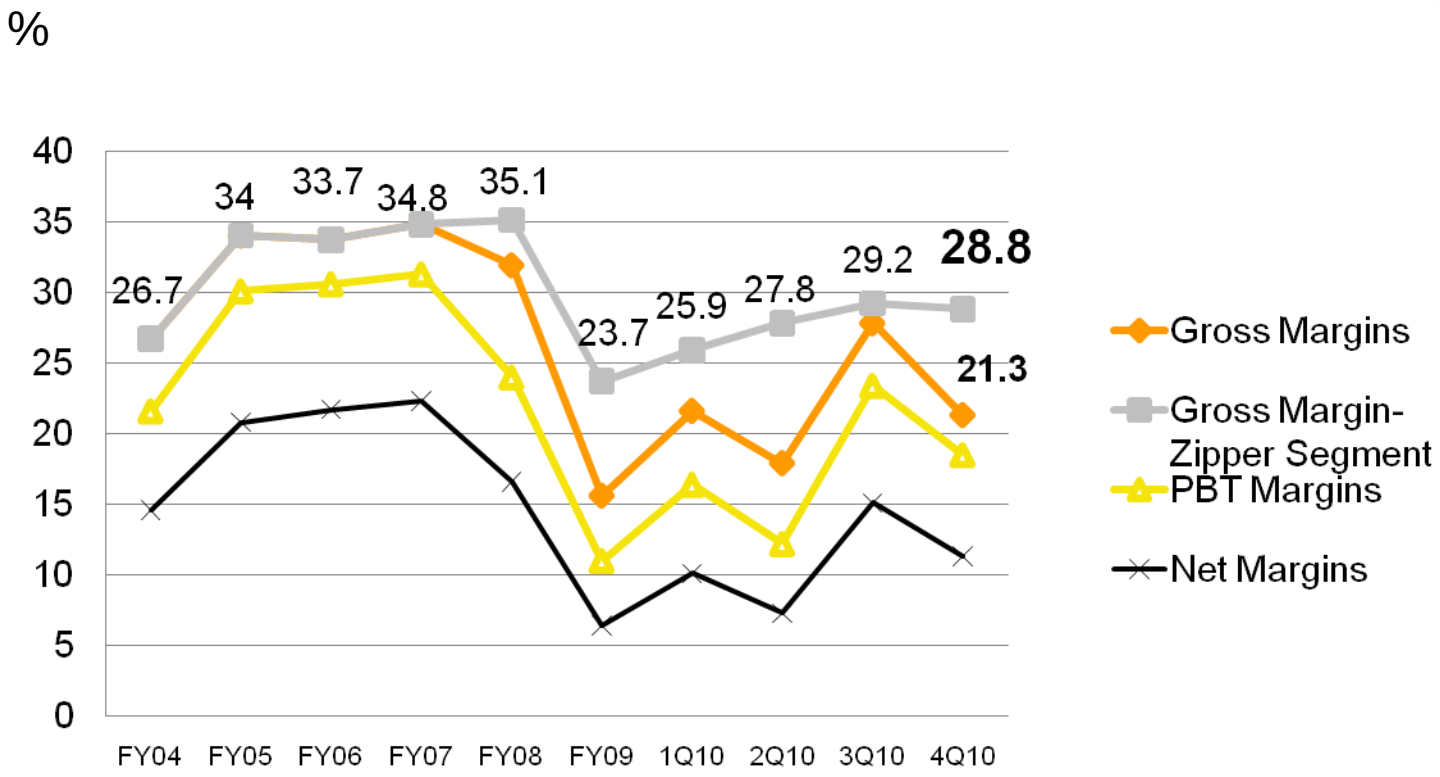
Targeting Positive contribution FY2011

Qingdao Plant Performance (青岛工厂业绩)



Improving sales in 3Q and 4Q.
Expecting positive contribution FY2011

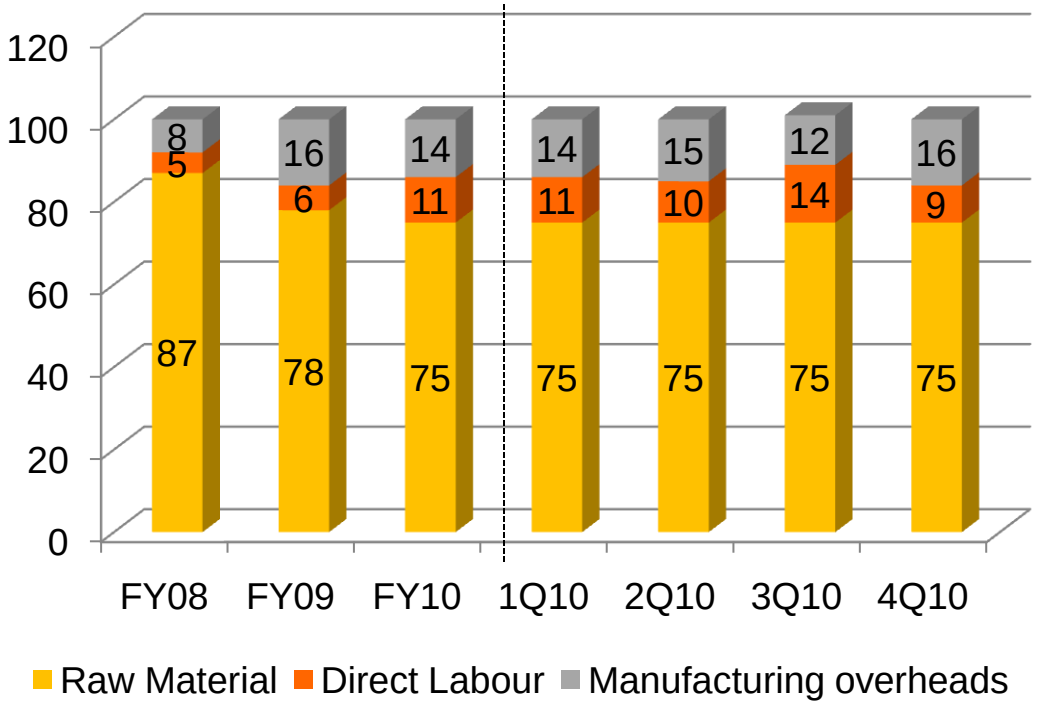
Profit Margins (利润率)



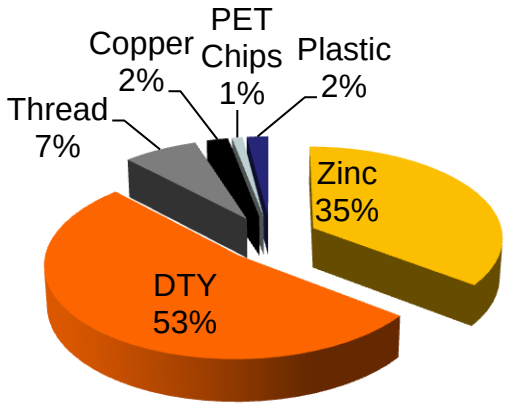
4Q10 Net Margin dropped due to bigger trading business pulling down the whole margin level

COGS & Raw Materials (生产成本及原材料组成)

COGS Composition



FY10 Raw Material Composition



Sales Contribution Breakdown (地区销售情况)

(excluding knitting and trading business)

RMB' million	FY2008	FY2009	FY2010	4Q2010
Local sales	83%	70%	61%	64%
Export sales	17%	30%	39%	36%

Operating Expenses (营运支出)

RMB' million	4Q10	4Q09	Variation
Selling and distribution expense	2.0	2.3	-11%
Gen and admin expense	12.7	3.8	+238%
Finance expense	0.9	1.1	-18%
Finance income	0.8	0.6	+33%

Notes:

- Selling/Distr exp decreased due to lower promotional costs
- Gen/admin exp up due to salary increase and allowance for doubtful debts
- Finance expense down due to the decrease in bank overdrafts and bills payable
- Fin income up due to higher fixed deposit

Cashflow Highlights (现金流摘要)

RMB' mil	4Q2010	4Q2009	FY2010	FY2009
Cashflows from / (used in) Operating activities*	(169.3)	24.8	(93.3)	512.3
Cashflows from / (used in) Investing activities	(57.9)	(8.7)	(84.1)	(93.8)
Cashflows from / (used in) Financing activities	3.9	14.1	(26.4)	(72.2)

RMB' mil			FY2010	FY2009
Bank + Deposits – OD			**484.9**	**689.9**
Net Cash (Bank/Deposits-Bank Loans)			**414.1**	**645.7**

* Due mainly to the advances paid to suppliers to secure a stable stream of raw material supplies and obtain a competitive price

CapEx (资本支出)

Project	CapEx (RMB million)
Construction worker's dormitory (just commenced)	25
Install 100 sets of machinery for Super Durable zippers (WIP)	25
Extension of 2 production flrs 15,000 sqm (WIP)	20

Financial Highlights (财务摘要)

RMB ' m	As at 31/12/2010	As at 31/12/2009
Total Assets	1,335.0	1,285.3
Total Liabilities	(190.0)	(190.5)
Total Equity	1,145.2	1,094.8
Earnings per share* (RMB)	0.09	0.04
NAV per share ** (RMB)	1.33 **~S$0.26** @5.1191	1.32

Net Cash per share as at 31/12/2010: RMB 48 cents (~S$0.09)

* Basic EPS computed based on weighted average number of shares in 2010: 831,237,326 shares

** Based on issued share capital as at 31/12/2010: 860,272,000 shares

Financial Ratios (主要的财务比率)

	FY2010	FY2009
Avg Trade receivable days	100	171
Avg Trade payable days	5	18
Inventory turnover days	33	38
Return on equity (%)	6.3	2.8
Return on assets (%)	5.4	2.4
Current Ratio (times)	6.4	8.6
Debt to equity* (%)	16.6	17.4

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



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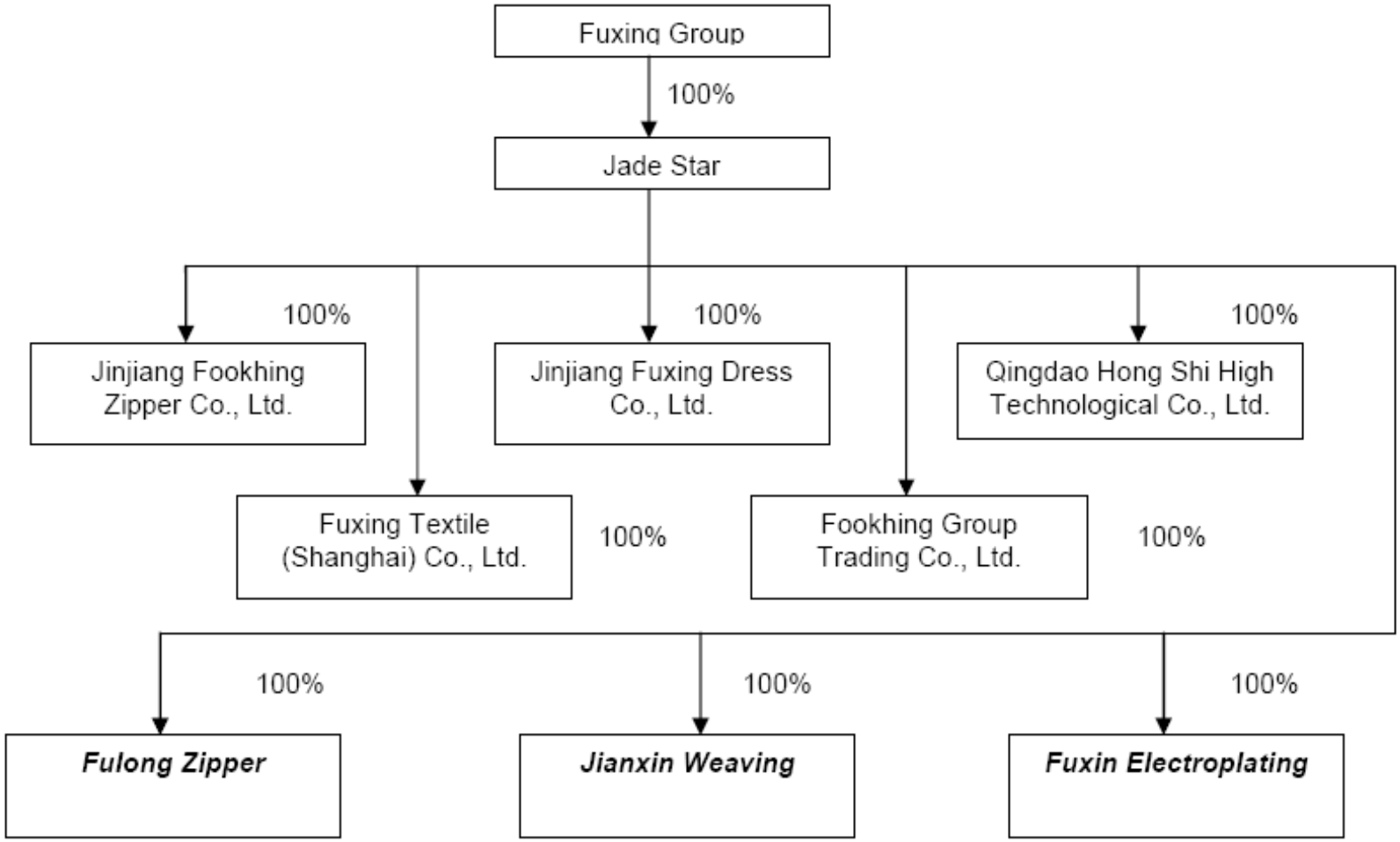
Acquisition Update
收购情况介绍

Consideration

Company	Stake	Valuation	Consideration
		(RMB)	(RMB)
1. Fulong Zipper	100%	129 mln	120 mln
2. Jianxin Weaving	100%	116.8 mln	107 mln
3. Fuxin Electroplating	100%	156.3 mln	145 mln
Total			372 mln

The entire amount will be paid using internal funds, 10% upon signing SPA, 90% upon Full Completion, after conditions precedent fulfilled

Group Structure After Acquisition



Rationale

- ✓ Competitive advantage – Barrier to entry
  - Government unlikely to approve or issue new licenses in the dyeing and electroplating industry due to environmental pollution issues

- ✓ Vertical integration and synergies achieved
  - By acquiring these 3 target companies, the Group will be fully integrated in zipper industry.
  - Control over quality, processing, efficiency, delivery, cost saving etc

- ✓ Widen earnings base and revenue stream
  - Consolidation of the target companies with the Group
  - Addition of new stable revenue/profit to existing zipper business
  - Can tap into customer base of target companies

Purchase Consideration

3 companies for RMB372 million in cash

	2009	2010e*
Net Profit of 3 companies (RMB'000)	38,411	34,707
P/E ratio	9.6	10.7

* Per respective mgt expectation

Financial Effects - NTA

Assuming the Acquisition had been effected in FY2009

	FY2009		1H2010	
	NTA	NTA per share	NTA	NTA per share
	(RMB'000)	(RMB/SGD)	(RMB'000)	(RMB/SGD)
Before adj. acq.	1,050,646	1.26	1,040,071	1.26
After adj. acq.	780,636	0.97/0.19	773,480	0.90/0.18

- Based on weighted average no. of shares:
  2009: 803,703,000 shares
  2010: 860,272,000 shares



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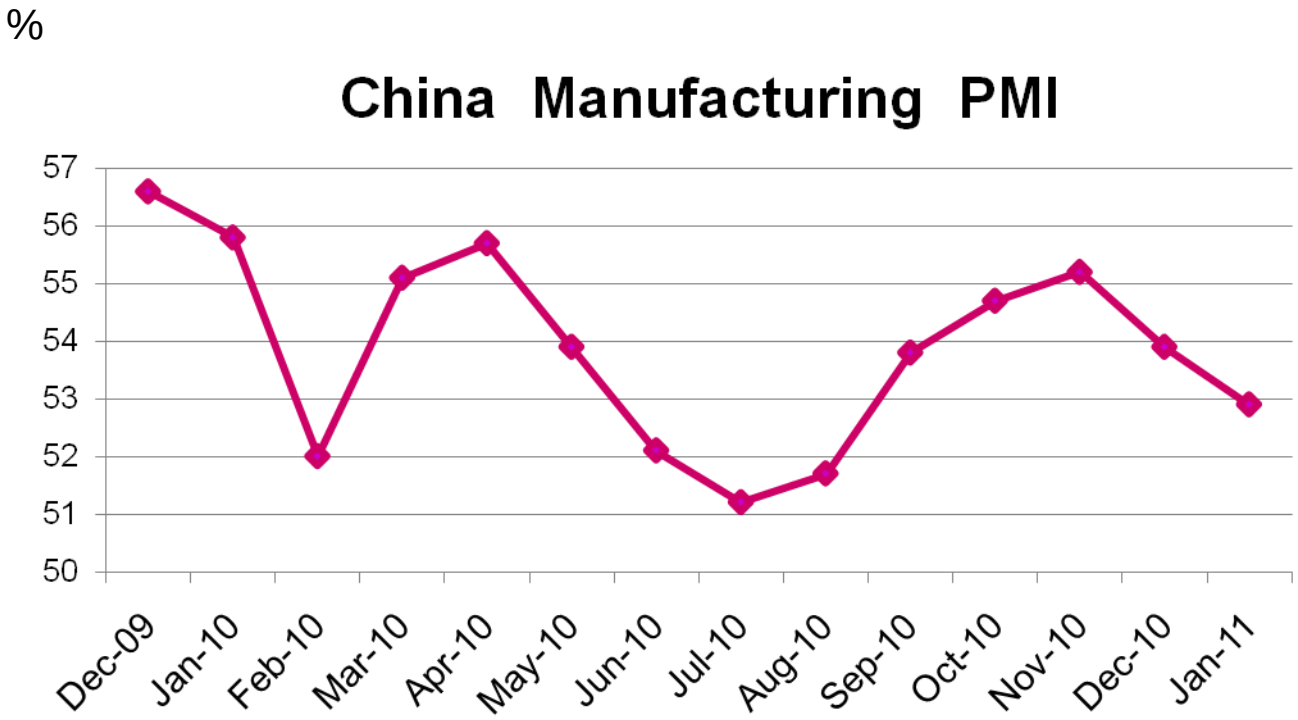
Outlook
前景

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

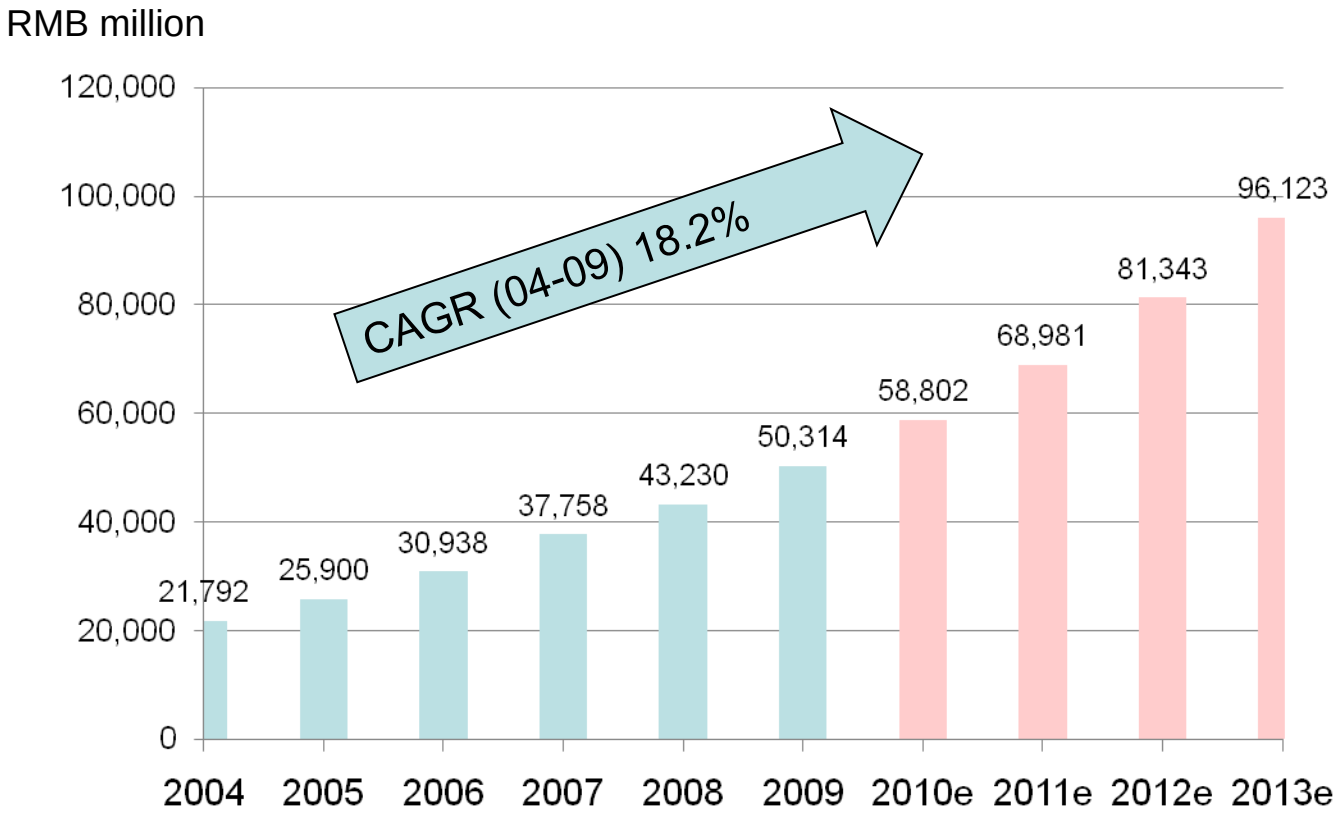


Source: National Bureau of Statistics of China

Industry Info(行业讯息)

Source: CMMC Report 2009(*)

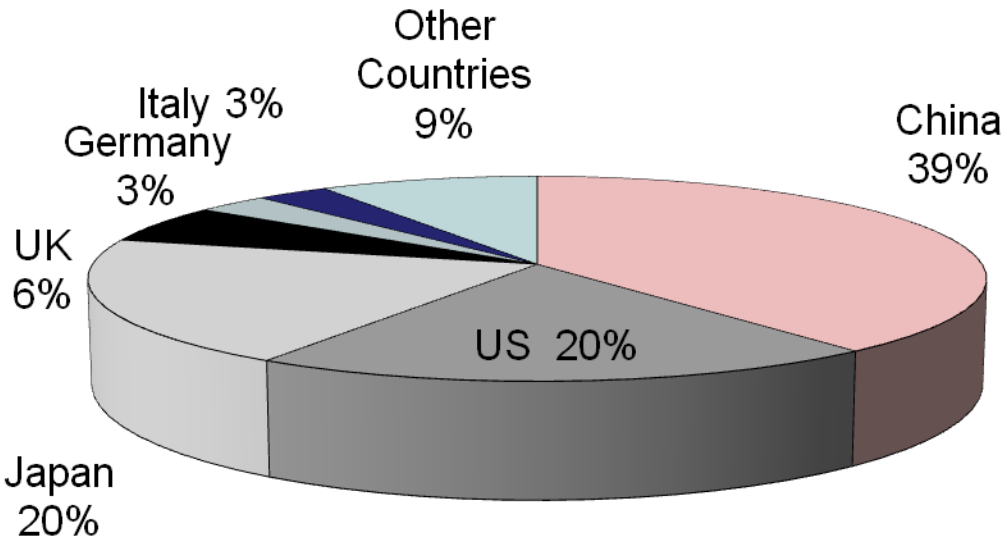
Sales value of the zipper industry in China



* The **China Market Monitor Centre (CMMC)** Report is an industry research report. The sources of data and analysis in the CMMC Report 2009 include (i) the National Bureau of Statistics of China; (ii) the State Administration for Industry and Commerce; (iii) the General Administration of Customs of China; (iv) the State Administration of Taxation; and (v) major associations in the zipper industry.

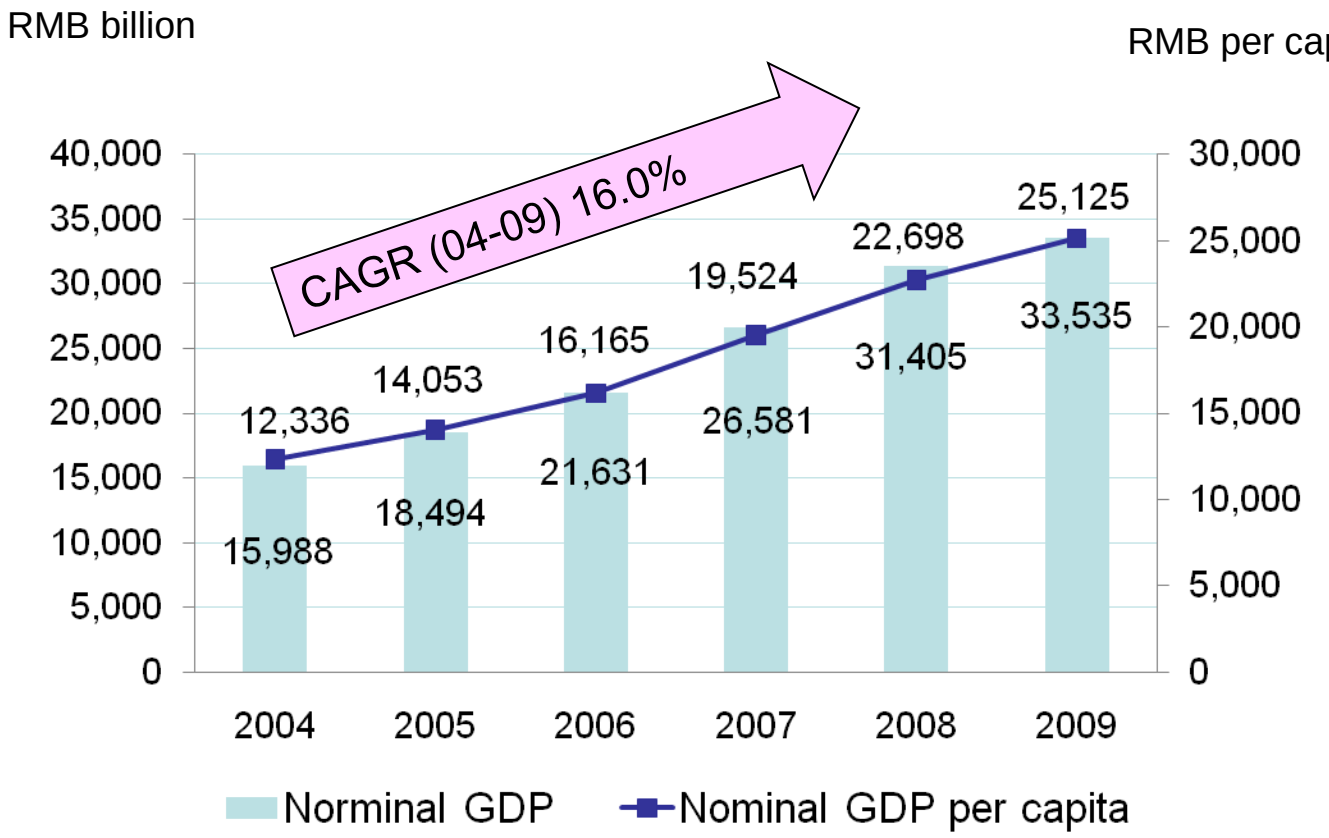
Industry Info(行业讯息)

Global market share for zippers in terms of production volume in 2009



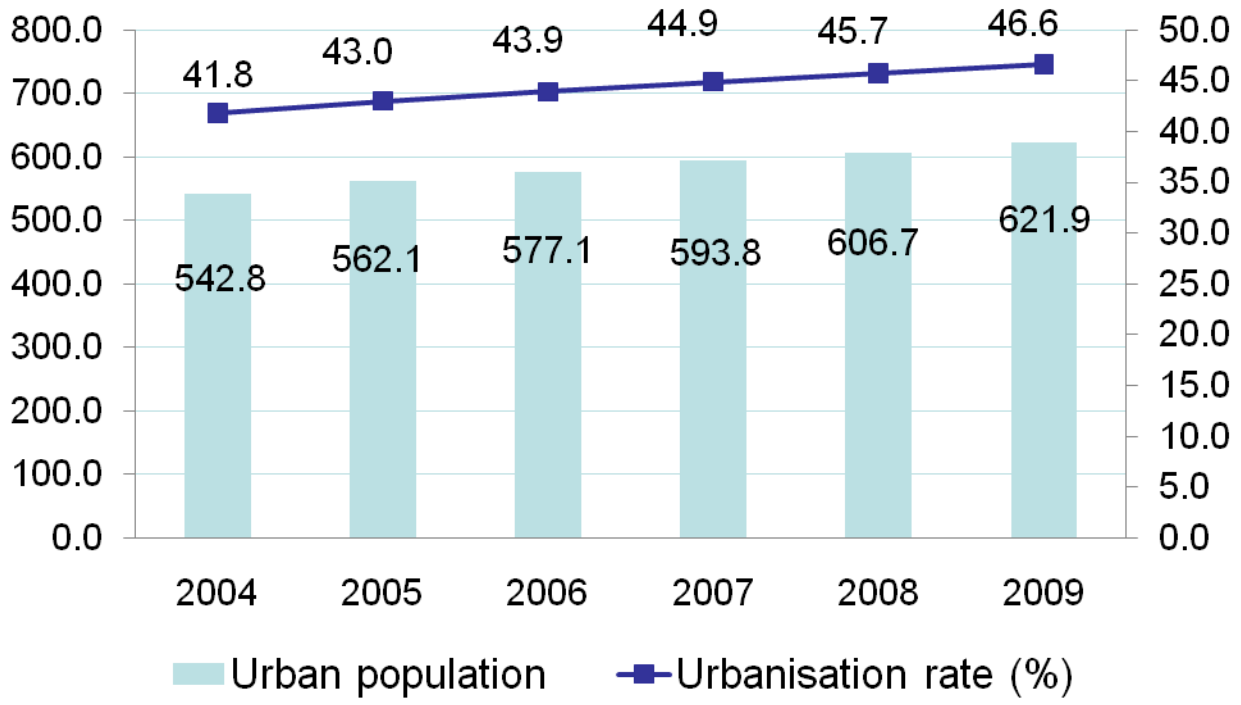
Forecast numbers by CMMC
Source: CMMC Report 2009

Nominal GDP and nominal GDP per capita



Forecast numbers by CMMC
Source: CMMC Report 2009

Urban population and urbanisation rate in PRC



Forecast numbers by CMMC
Source: CMMC Report 2009

General Concerns (关注的问题)

- Appreciation of RMB currency vsUSD
- Shortage of labor supply & increasing labor cost
- Interest rate hikes
- Raw material costs

Our Growth Strategies (成长策略)

- Exploring new M & A opportunities: looking at 2 zipper companies
- Shanghai, Qingdao plants – positive contribution for FY2011
- Push out patented ***Super Durable Zipper***
  - *High-end user, higher margin expected*
- Increase Sales of Finished Zippers to 25%-30% from now <20%
- Improve operating efficiency, process automation
- Enhance brand name

Dividend Payout (股息支付)

	FY2008		FY2009	FY2010	
Name of Dividend	Interim	Final	Final	1Q2010 Interim	**Final**
Dividend Type	Cash	Cash	Cash	Cash	**Cash**
Amount Per Share (In RMB)	0.01	0.02	0.02	0.02	**0.02**
Tax Rate	N.A.	N.A.	N.A.	N.A	**N.A.**
Total Per Share (In RMB)	0.03		0.02	0.04	

- **Payout ratio 47% of net profit in FY2010, in line with the previous dividend policy of not less than 40%**
- **In consideration of potential M&A and business expansion, the Group recommended to change its dividend policy to payout of not less than 25% of net profit in FY2011 and going forward**

CEO's Message (主席致词)



Executive Chairman & CEO

洪清凉

We shall continue to enhance our 3F Brand name through Service and Quality and grow our market share.

This year, we need to grow our patented Super Durable Zipper. We shall continue to pursue a Growth via M&A strategy.

FY2011 shall be a growth year. So shall next year for Fuxing China.

1 Mar 2011



Zipped-on For Global Markets

Q & A

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FUXING GROUP

FUXING CHINA GROUP LIMITED

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