

Cayman



tungling

開曼東凌集團



Cayman Tung Ling Co., Limited

Presenter: Chan Chih-ming, Company Vice President

February, 2012




Presentation Highlights

- 1. Company profile**
- 2. Product lineup**
- 3. Market overview**
- 4. Sales scoreboard**
- 5. Operations summary**
- 6. Marketing Strategy**
- 7. Milestones in IP & trademarks**
- 8. Company strengths & market positioning**
- 9. Short-term outlook splendid,
long-term business roadmap on track**

Company profile



History

Year	Cayman Tung Ling Timeline
1988	Tung Ling Industrial Co. Ltd was established in Taipei, Taiwan.
1991	The “Piyo Piyo” trademark application was filed. 
1994	Businesses diversified from gift and stationary market to children’s outerwear/clothing and other kids’ products.
2000	The “Abby Bear” trademark application was filed. 
2002	Shanghai Tai Ling Baby Product Co. Ltd was established in Shanghai, China.
2002	First Piyo Piyo Fun House booth was opened in New World department store in Shanghai, China.
2003	The “Genki Dog” trademark application was filed. 
2005	Number of direct-owned retail stores/booths reached over 100.
2007	Shanghai Piyo Piyo Trading Co. was established to focus on retail channels.

Company profile



History (continued...)

Year	Cayman Tung Ling Timeline
2008	A logistics center was established in Kunshan, China.
2008	Number of direct-owned retail stores/booths reached over 200.
2009	Cayman Tung Ling Corp. was established.
2010	America Tung Ling Corp. was established in Irvine, CA, USA.
2010	Certified by ST Toy Association and rated “Premier Manufacture”.
2010	The “Menka” and “Kaeru” trademark applications were filed.  
2011	The “Piyo Piyo” brand was awarded as a “Shanghai Famous Brand”.

Company profile



History (continued...)

Year

Cayman Tung Ling Timeline

- | | |
|-------------|--|
| 2011 | The company was awarded as a “Taiwan’s Renowned Brand”. |
| 2011 | The company made its OTC IPO debut in December 2011, with paid-in capital of NT\$302.37mn. |
| 2011 | Number of direct-owned retail stores/booths reached over 300 in China. |

Company profile



Introduction

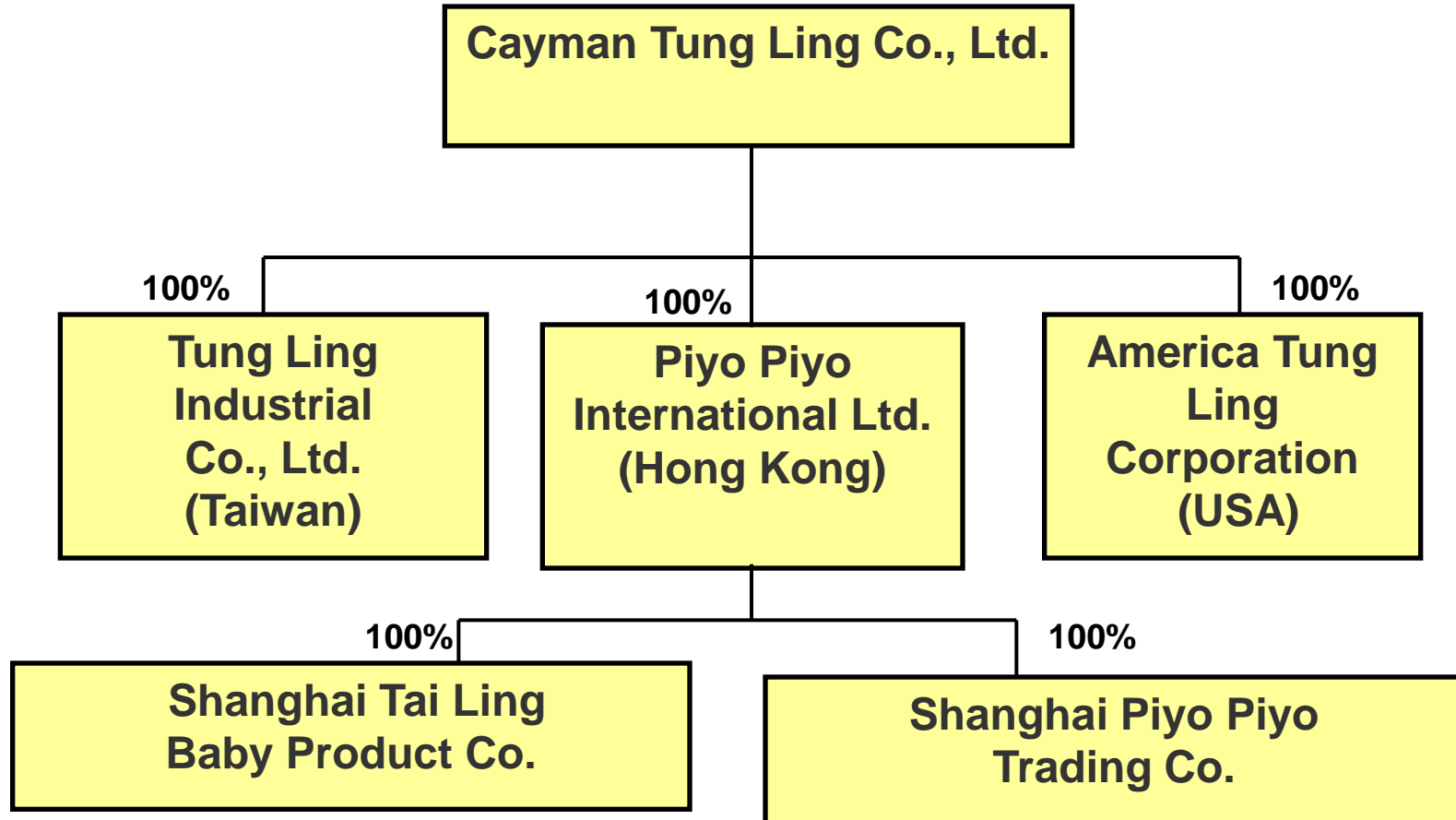
1. Date of incorporation: February 6, 2009
2. Place of incorporation: Cayman Islands
3. Paid-in capital registered with OTC market: NT\$302.37mn
4. Workforce worldwide as of December 31, 2011:
A total of 937 employees, with 84 in Taiwan, 828 in China, and 25 in the US
5. Chairman: Pao-hsia Lin
6. General manager: Fu-chin Hsu

Company profile



Corporation Structure

As of December 31, 2011



Product lineup



Highlights

1. We are principally engaged in the marketing and production of a broad range of “PIYO PIYO” branded children’s outerwear/clothing and accessories.
2. Our infant and toddler mix spans organic cotton apparel and underwear specifically designed for 0~4 year-old children.
3. Our mother-care and nursing categories includes series of products for 0~6 year-old children.



Product lineup



Primary product categories

Mothercare Series

媽咪用品類



Cotton Textile Series

棉紡製品類



Raising Series

哺育用品類



Feeding Series

離乳用品類



Apparel & Shoes Series

童裝內著類



Daily Commodity Series

生活居家類



Cleaning Series

清潔洗護類



Large Item Series

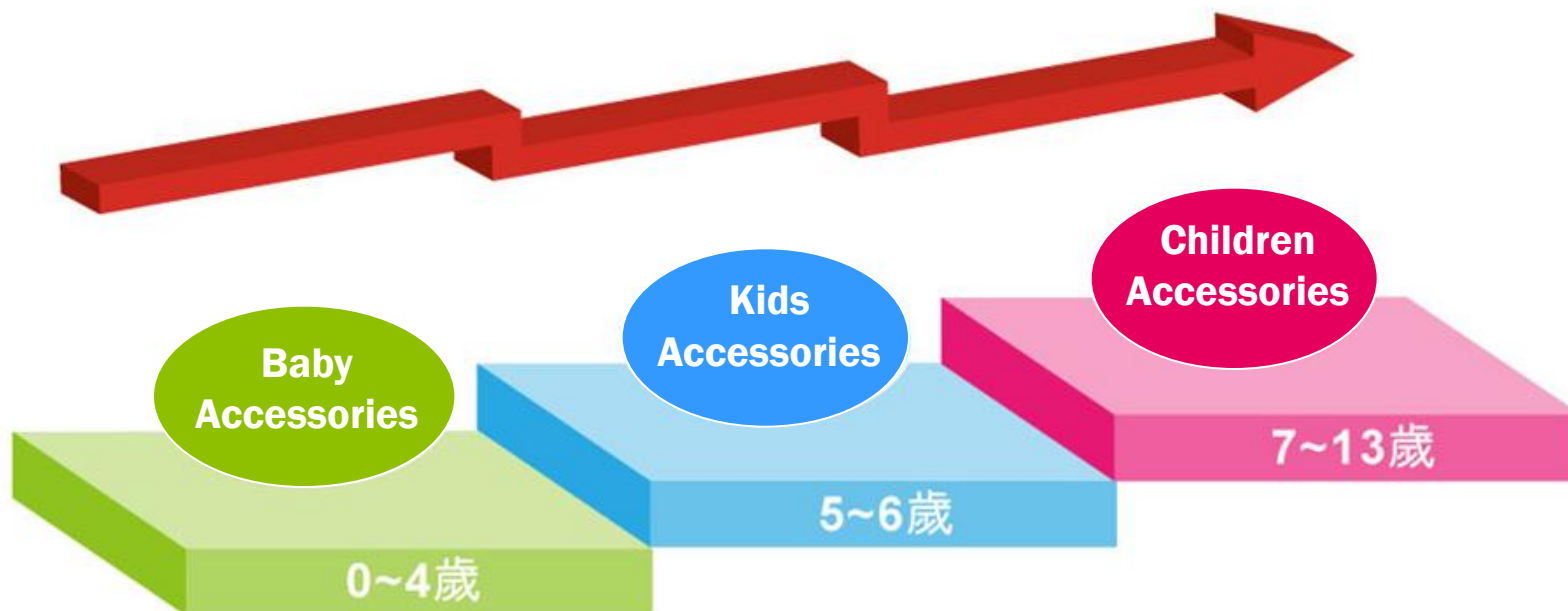
大型用品類





Product lineup

We have been shifting our product portfolio toward pre-school and school-age children from the existing focus on infants and toddlers.



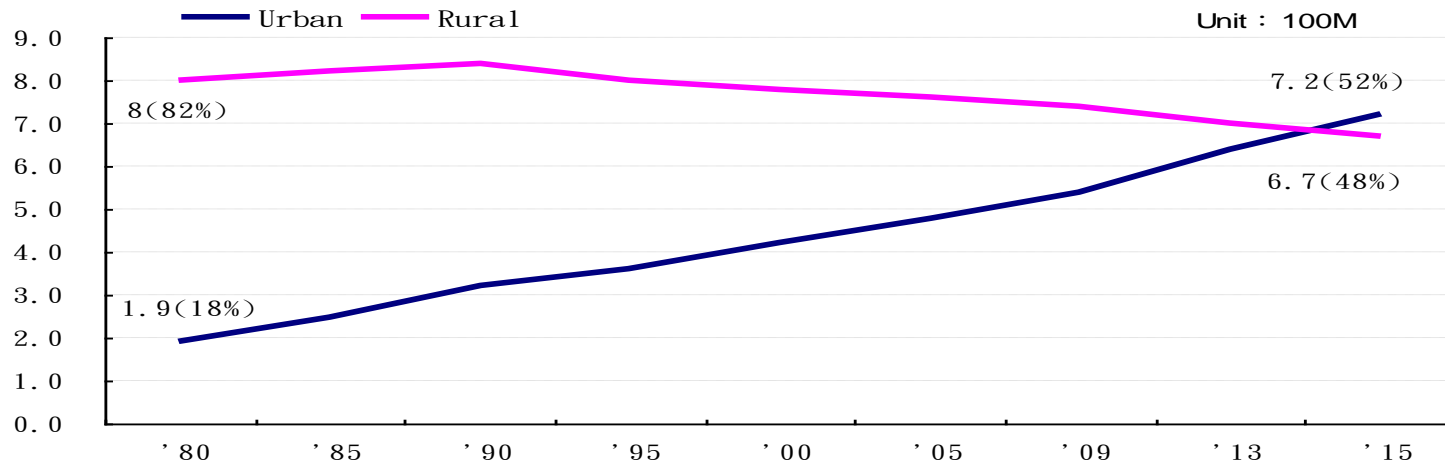
Market overview



➤ Nationwide urbanization and the rise of the middle class heat up China's consumer market

- China's urban population as a percent of total population topped 50% and leapt 1.32ppts (21mn) to 51.27% (69.08mn) last year, according to NBSC's 2011 data. These figures present a significant upside potential in China's urban population compared to an average of 85% in advanced counterparts.
- CASS' projections show that a 1% annual urbanization rate will translate into an addition of over 10mn urban residents a year, which could in turn lift consumer spending by 1.6%. A clear uptrend in China's urbanization will continue to catalyze the consumer market going forward.

The population of Chinese Rural and Urban area in three decades



Source: CASS

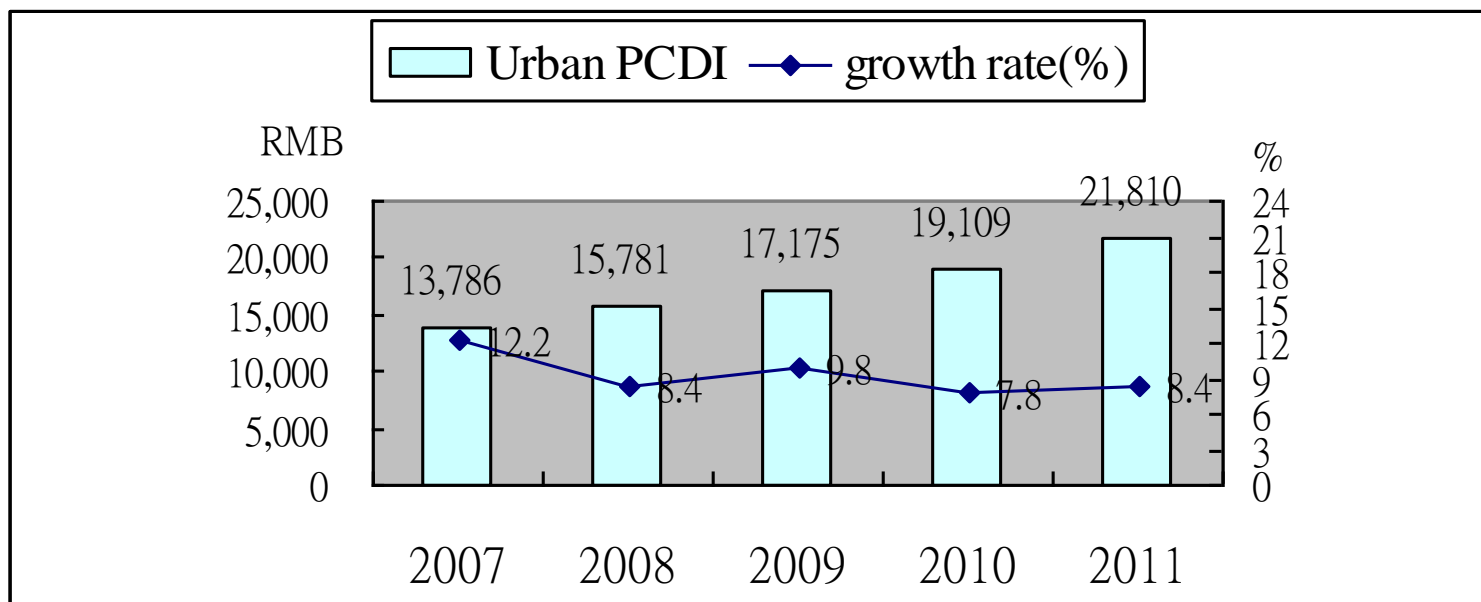


Market overview

➤ An upturn in PCDI boosts China's domestic demand

China's 2011 urban PCDI was RMB21,810, up RMB2,710 or 14.1% YoY and YoY expansion excluding price factors was 8.4%, based on NBSC's data.

YoY change in Chinese 2007-2011 urban PCDI



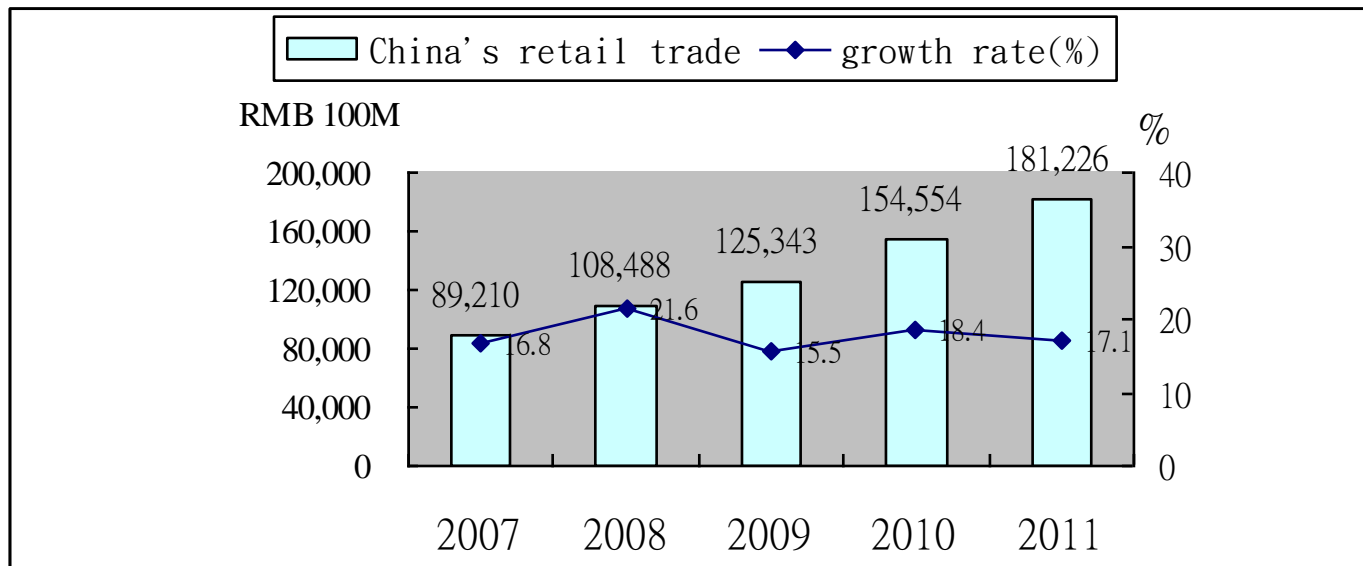
Market overview



➤ China's consumer market boom in focus

NBSC's data indicate that China's 2011 retail trade soared 17.1% YoY to RMB18.1tn.

YoY change in China's 2007-2011 retail trades





Market overview

➤ Baby and Children's apparel and accessories market in China

- China's kids apparel market is forecast to expand at a **12.6% CAGR** to **RMB140bn** in 2015 from 2010's **RMB77.6bn**.
- China's kids accessories market is projected to pace a **8.69% CAGR** to **RMB219.5bn** in 2015 from **RMB141bn** in 2010.

Source: CASS

Market overview



- Baby and Children's apparel and accessories markets in China
 - Clothing/outerwear, baby bedding products, toys, and nursery accessories are categorized as baby care supplies and nursery items in China.
 - Average household expenditure on baby and children's products is projected to accelerate from RMB5,095 in 2010 to RMB7,914 in 2013, with an estimated 14.52% CAGR.



Source: Frost & Sullivan

Sales scoreboard



Summarized income statements

	FY08	FY09	FY10	1-3Q11
Sales (unit:NT\$1k)	569,307	774,443	954,489	794,873
Gross profit (unit:NT\$1k)	204,067	391,021	540,154	441,853
Gross margin (%)	36%	50%	57%	56%
Operating profit (unit:NT\$1k)	47,181	106,943	174,823	98,416
Pre-tax profit (unit:NT\$1k)	44,385	101,361	170,316	101,300
Net profit (unit:NT\$1k)	33,594	64,634	125,157	65,519

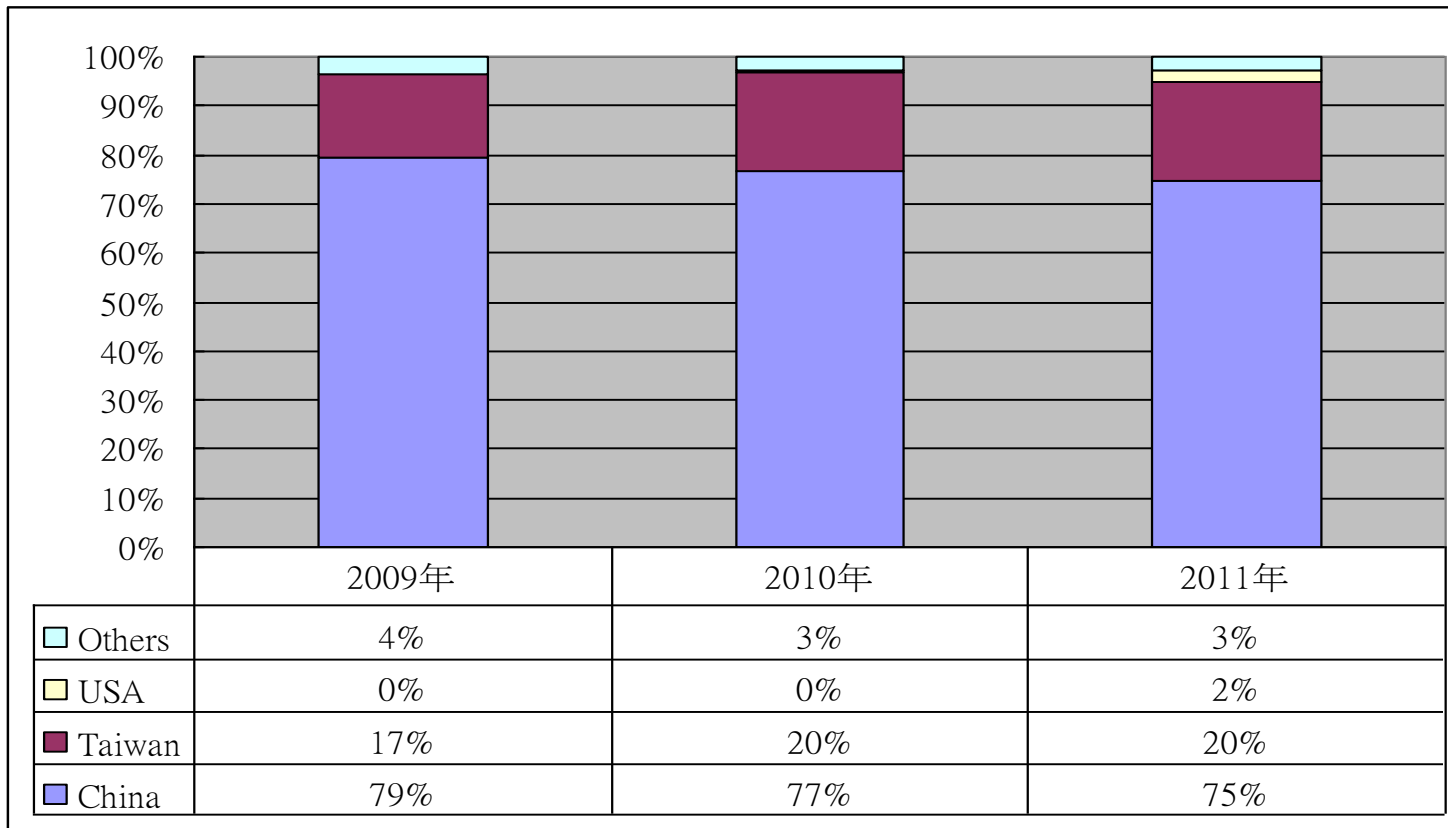
Note:

1. Disclosure of FY08-10 statements was prepared based on a compilation of pro forma financial information. 1-3Q11 statements were reports based on reviewed consolidated financial information.
2. The pro forma financial statements included the consolidated balance sheets of subsidiaries in China and Taiwan (the “Group”).

Operations summary



Sales breakdown by region

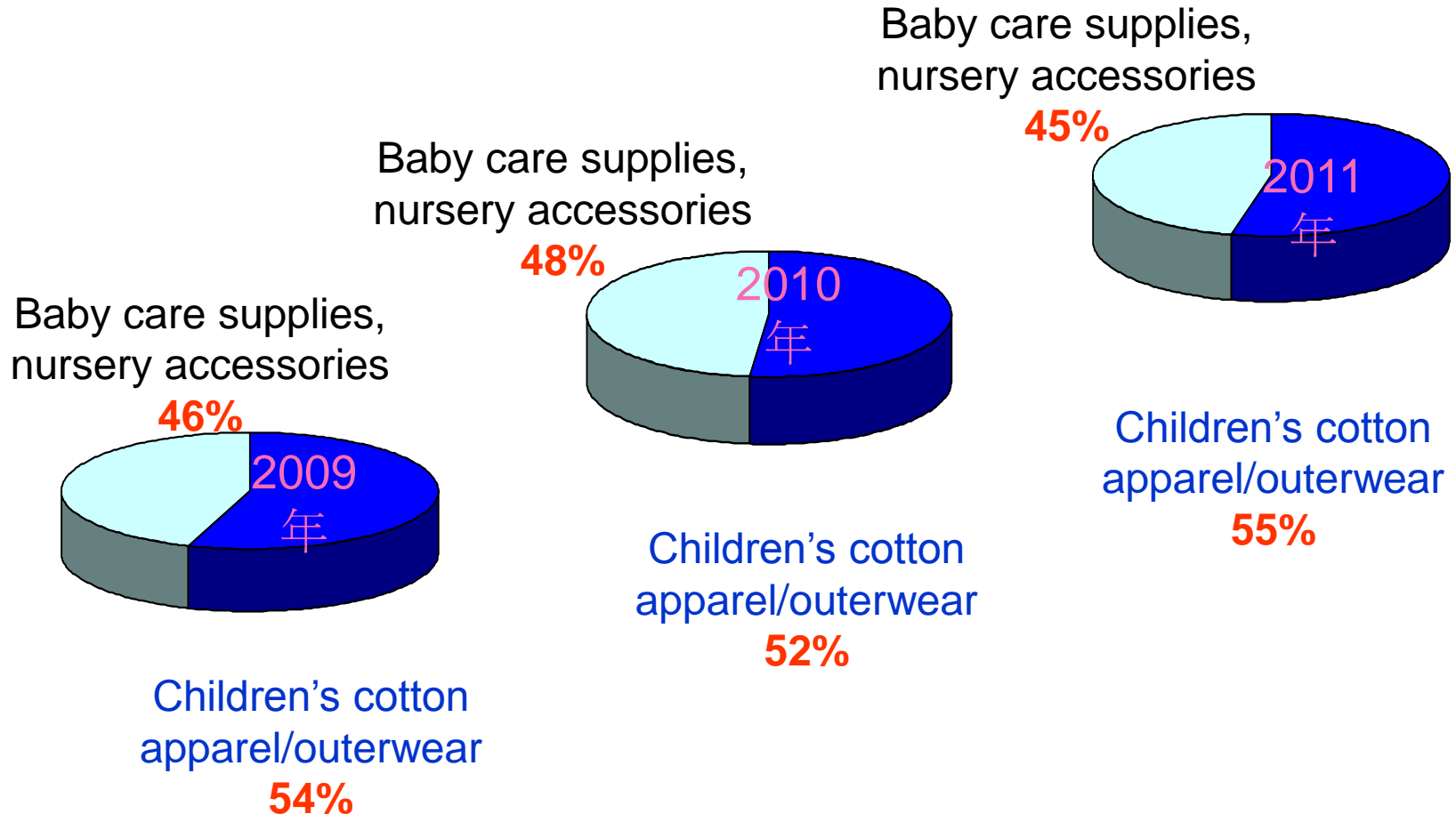


Note: Others include Hong Kong, India, Indonesia, Malaysia, Singapore, and other Asian countries.

Operations summary



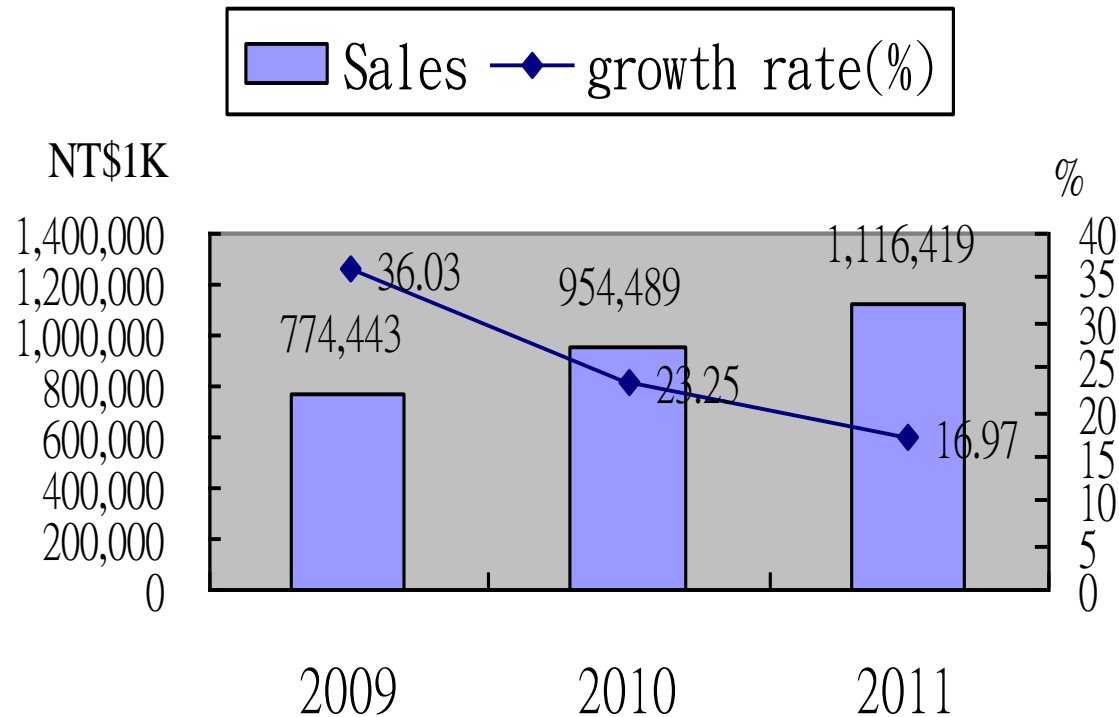
Sales breakdown by product category



Operations summary



YoY changes in FY09-11 sales



Note:

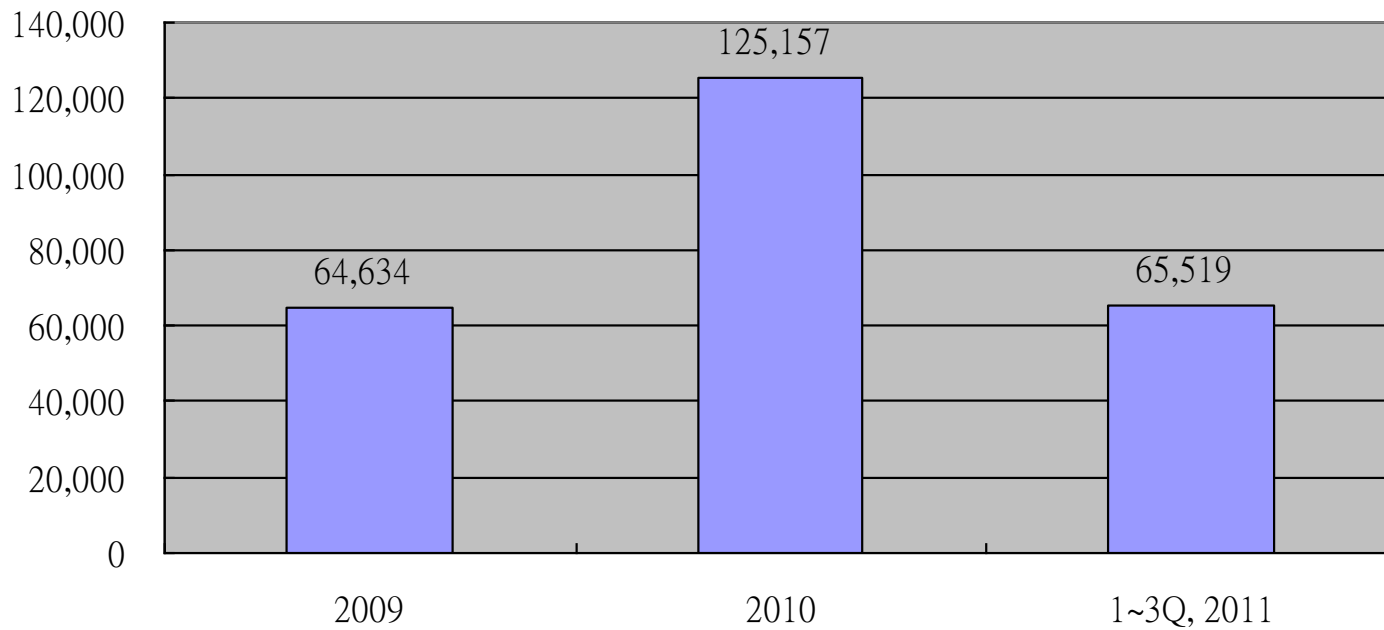
FY09-10 results were reported based on audited pro forma financial statements. FY11 statements disclosed unaudited financial information.

Operations summary



YoY change in net income

Unit:NT\$1K



Note:

FY09-10 net incomes were reported based on audited pro forma financial statements. 1-3Q11 statements disclosed reviewed financial information

Marketing Strategy



Network of operations in China

- Headquarters in Shanghai
- Logistics center in Kunshan
- 8 offices for regional operations
- 220 direct-owned stores/booths in 40 cities nationwide
- 84 wholesaler-owned stores/booths
- 195 kids clothing and accessories shops and chains
- approximately 1,000 sales channels in China



Marketing Strategy

Business Development Strategy in China



	Sales Dept.- Retail, Central Eastern Region Division	Sales Dept.- Retail , Non Central Eastern Region Division	Sales Dept.- Wholesale
Target	Central eastern region: Direct-owned retail stores/booths	Non central eastern region: Direct-owned retail stores/booths	Wholesalers(2nd and 3rd tier cities)
Strategy	Department stores	Department stores	Department stores, baby clothing and accessories shops and chains
Major Cities	Shanghai, Dalian, Hangzhou, Suzhou, Wuxi, Ningbo, Nanjing, Changzhou, Jinhua, Lishui, Hefei, etc.	Beijing, Tianjin, Chongqing, Chengdu, Guiyang, Guangzhou, Shenzhen, Xiamen, Fuzhou, Wuhan, Kunming, etc.	Three Northeast provinces (Jilin, Liaoning, and Heilongjiang), Inner Mongolia, Xinjiang province, Qinghai province, and others

Marketing Strategy



Highlights of the China business expansion strategy

2012 market expansion plans

- 1. Store expansion strategy by end of 2012:** Targeting the addition of 40~50 kids clothing and accessories stores in department stores and shopping malls
- 2. Tightening grip on IP rights including copyrights, trademarks, industrial design rights:** Apply “Shanghai Famous Trademark” in 2012 to increase brand value and protect intellectual property rights of the company
- 3. Widening dimensions of “PIYO PIYO” brand product mix breadth:** Extending the reach into the older, school-age children’s market
- 4. Stepping up expansion of baby care supply, nursery accessory chain stores:** Adding outlets in second- and third-tier cities
- 5. Diversifying into higher-end and wholesales markets to create new sales and earnings streams**



Marketing Strategy

Network of Taiwan's operations

Sales breakdown by segment: contracted distribution 64%, DOS 24%, and international trade 12%

- 1. Distributor Channels:** mostly pharmacies, chain drug stores and large-sized baby care supplies, nursery accessories stores
- 2. DOS:** the number of its Direct-owned retail stores/booths totaled 14 including 8 stand-alone stores and 6 shops in department stores as of December 31, 2011
- 3. International trade:** sales in Hong Kong, Singapore, Malaysia, India, Indonesia, and other markets in Southeastern Asia

Marketing Strategy



Network of operations in US

Office of US operations:

14150 Myford Rd. Irvine, CA, 92606

Target market: west coast cities with large Asian populations

- **DOS: 6 direct-owned retail stores**
- **Contracted distributor/retailers: large-sized baby care and drug stores/pharmacies including CVS and Walgreens**
- **Online retailers like Amazon**

Milestones in IP & trademarks

IP Scoreboard



Nation	Design patents
Taiwan	16
China	15
Germany	1
US	1
Total	33

Nation	Trademarks	Nation	Trademarks
Taiwan	272	South Korea	7
China	156	Japan	3
Singapore	24	India	11
Hong Kong	19	Thailand	12
US	13	Malaysia	3
Indonesia	11	Eurozone	1
Total: 532			

台灣專利證書/專利號碼
 新型第M255025號
 中國大陸專利證書/專利號碼
 ZL200420049905.X



日本專利證書
登錄第 310520 號



德國專利證書
No. 20 2004 010 113 0



韓國專利證書
PAT# 0367136



PiYoPiYo
©1991 TUNG LING CO., LTD.



Abby Bear
©2003 TUNG LING CO., LTD.



Genki dog
©2003 TUNG LING CO., LTD.



Menka
©2003 TUNG LING CO., LTD.



Kaeru
©2003 TUNG LING CO., LTD.



Milestones in branding & trademarks

Commitment to R&D programs and innovation in product designs

1. R&D guiding principles

Trendiness, modernization, and safety

2. Near-term R&D focus

Adding a product lineup of educational toys and learning toys for children aged 0~6

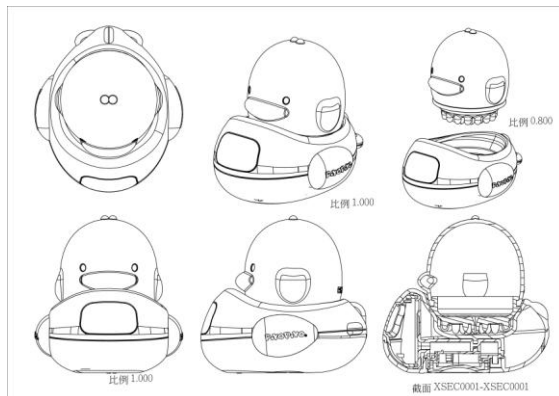
Diversifying mix into indoor toys for kids aged 7~13



Company strengths & market positioning



- Building core competencies and brand values by offering products characterized by pleasant aesthetics and human touch designs
- Strive for continuous improvement in innovation of products and molding design to set our products far apart from typical products with boring designs
- Providing a broad spectrum of products targeting a myriad of market segments and satisfying clients' various demands





Short-term outlook splendid, long-term business roadmap on track

Short-term plans

- ✓ Widen dimensions of brand product mix breadth
- ✓ Extend its reach into the older school-age children market segment
- ✓ Deepening distribution channel penetration in China's third and fourth-tier cities and building footprint in the US online and physical retail markets

Medium-and long-term plans

- ✓ Cross-industry cooperation plans like participation in cartoon motion picture production aiming to boost sales of cartoon character products
- ✓ Shifting its brand licensing strategy to products outside of its existing focus on children's clothing and accessories to create new revenue streams
- ✓ Active involvement in internal trade shows and exhibitions to extend channel distribution footprint in new markets

Cayman



tungling

Thanks for your attention
感謝您的聆聽與指教



KenKi

Menka

P.YO.P.YO

AbbyBear

Kaeru