

Dissecting the Current Chinese Model – What you need to know to make money in China now

“Dissecting the current Chinese Model- What you need to know to make money in China now” Presented by Marvin Cunningham, President Long-Stanton Asia & Dan Cunningham, President Long-Stanton Mfg, in conjunction with Pei Zhang, Associate Frost Brown Todd on October 27, 2011.



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General conditions

- Raising Wages
- High Inflation
- High Turn Over
- High borrowing costs
- Uncertain regulatory environment
- Light Manufacturing leaving coastal areas
- High growth 9.1% (Q3)
- Overheated Real Estate
- Growing Middle Class

DNA of businesses that are doing well in China

- Have a brand, or tie into a brand that is well developed in China
 - KFC
 - De Beers
 - Apple
 - Mercedes
 - NBA
 - Emerson Electric (B2B)

DNA of businesses that are doing well in China....

- Small (or not so small) Niche Markets
 - Chicken feet
 - Hydraulic Bridge Jacks
 - Etiquette training
 - Nuclear Reactor access doors
 - Ginseng
 - Underground gas tank float brackets
 - Disposable Chopsticks

DNA of businesses that are doing well in China....

- High value added service and engineering companies
 - Architecture
 - Law Firms
 - Engineered solutions equipment providers
 - Software
 - Medical

Potential markets from the perspective of Chinese consumer patterns

- Companies that manufactures basic necessities (such as refrigerators, phones, cars)
- Service sectors (such as hotels, supermarkets, department stores)
- IT (such as software, online gaming, telecommunication equipment)
- Healthcare (equipment and drug)

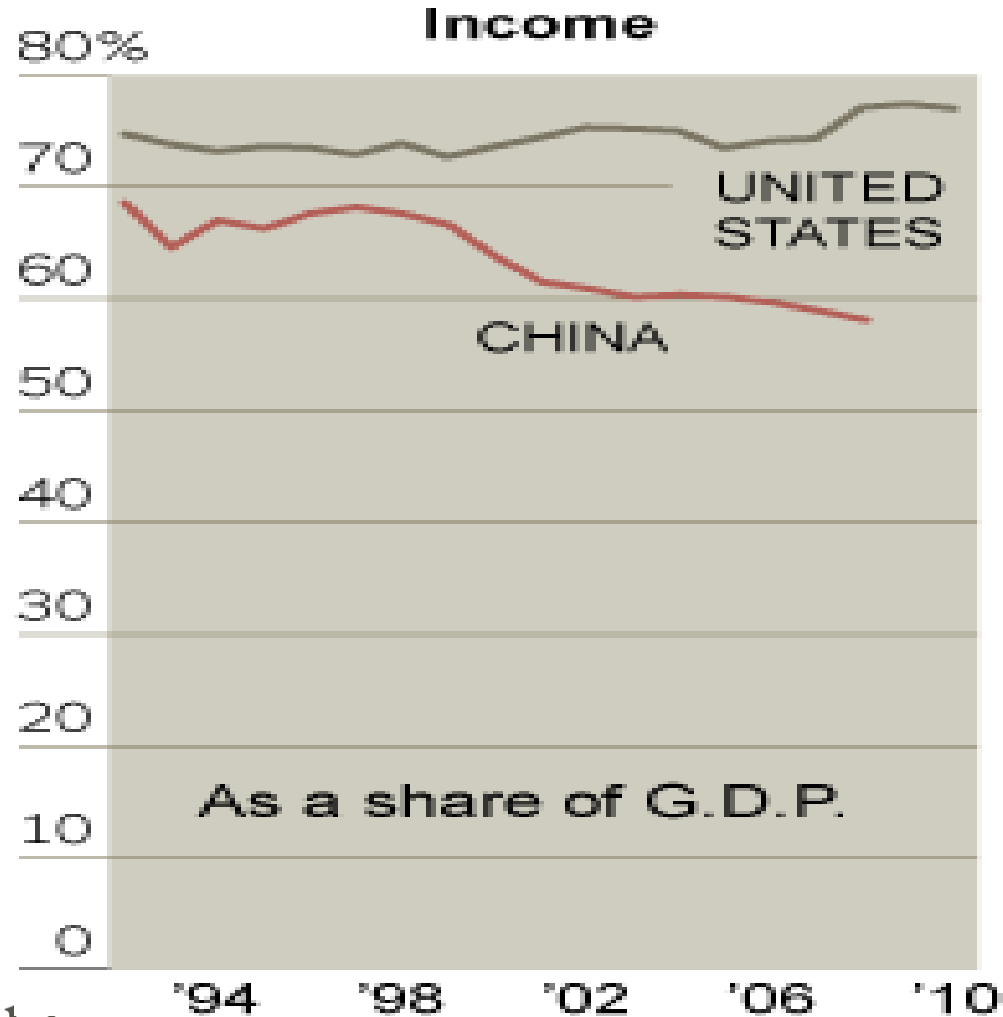
Different Business Models

- Selling into China, rather than exporting (from Domestic Chinese plant)
- Selling directly into China, skipping manufacturing in China altogether.
- Selling from China to a wide range of other countries and regions (not just EU & US)
- Decline of the Joint Venture

Questions #1

- How much has China's personal income as a percentage of GDP, changed in the last 12 years?
 - A. +30%
 - B. +15%
 - C. +10%
 - D. -15%

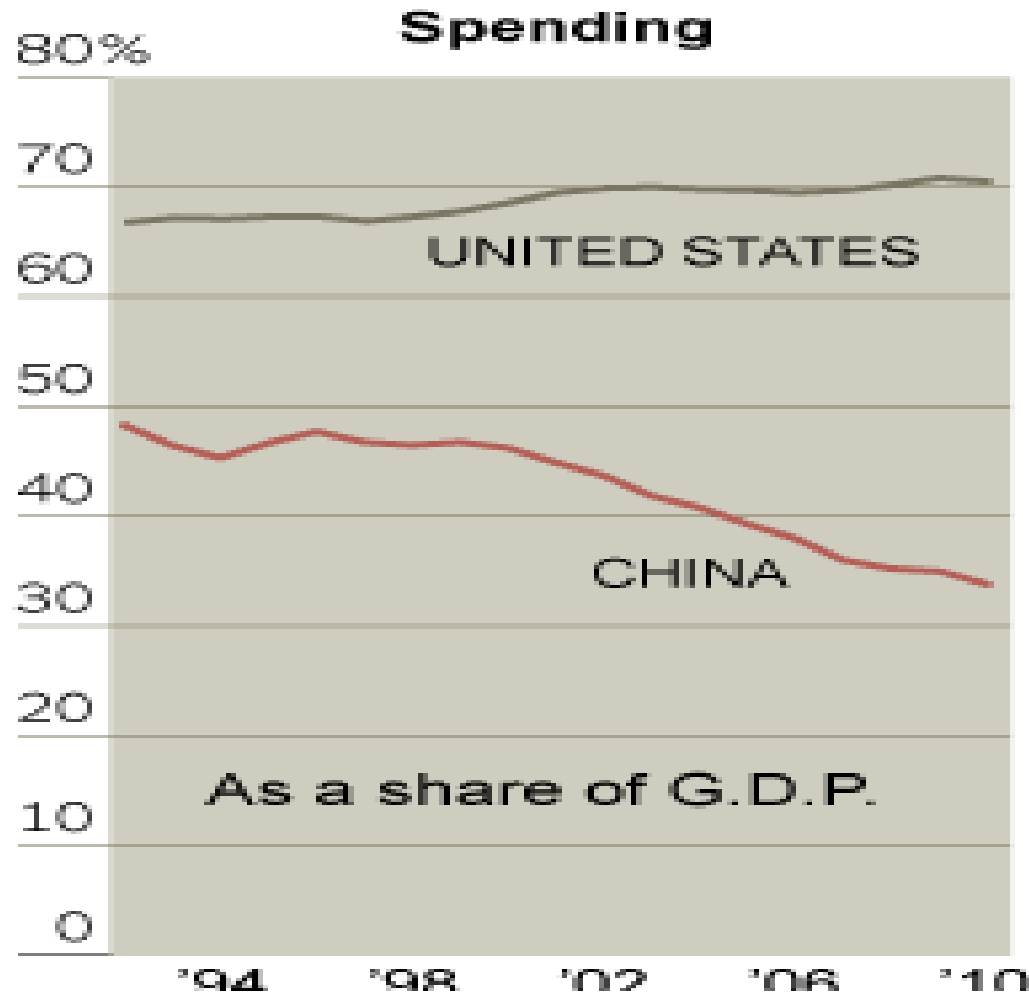
Income as a Share of GDP



Question #2

- How much do you think Chinese consumption (personal spending), as a percentage of GDP, has changed in the last 12 years?
 - A. +70%
 - B. +50%
 - C. +30%
 - D. -20%

Spending as share of GDP



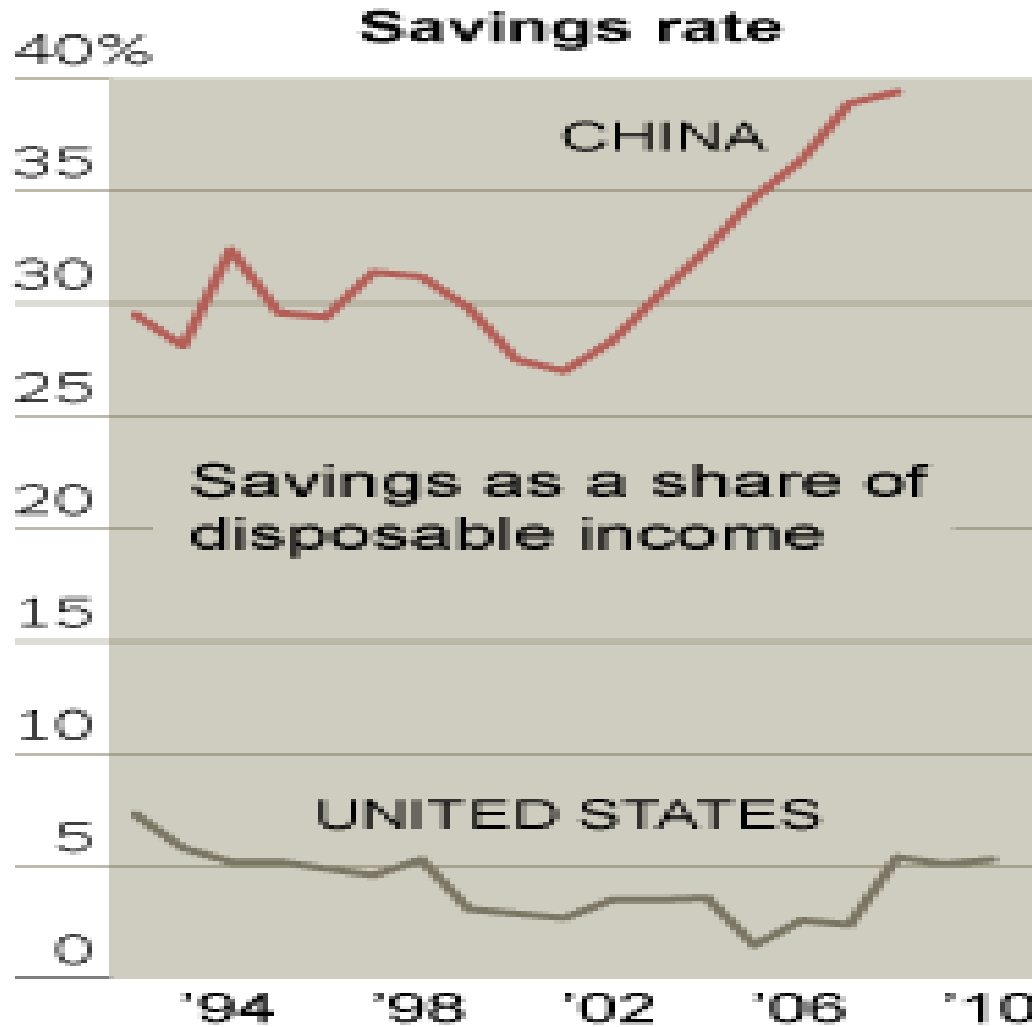
Wall Street Journal
October, 9th 2011



Questions #3

- What do you think China's personal savings rate (as percentage of disposable income) is?
 - A. 40%
 - B. 30%
 - C. 20%
 - D. 10%

Savings rate as a share of disposable income



Wall Street Journal
October, 9th 2011



Question # 4

- Are you interested in consulting help for your efforts in China?
 - Yes
 - No

Question #5

- Would you like us to contact you about the presentation today or anything else?
 - Yes
 - No

Thank you for attending our presentation today

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Answers

- Personal income as a % of GDP fallen 15% since 1998.
- Personal consumption as a % of GDP has fallen 20% since 1998
- China's personal savings rate is 40% of personal income.