

General Hardware



December 2010 US\$395



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GENERAL HARDWARE

Supplier capability in China

EXECUTIVE SUMMARY

China's general hardware industry is optimistic of strong sales in 2011, with growth projections reaching 30 percent. Makers are positive that overseas demand will continue to strengthen amid the gradual recovery of the global economy.

Customs statistics for the first seven months of 2010 attest to increasing market interest, with revenue from shipments rising 37 percent YoY to reach \$6.7 billion. Should the sector continue to perform at this pace, earnings are likely to exceed precrisis figures and breach \$10 billion.

Aiming for better competitive positions and sales while demand is on the upswing, companies are accelerating efforts to reach more end-user and geographic markets. A number of external factors, however, pose a challenge to this objective.

The following are some of the key trends we see in China's general hardware industry for the coming months:

- Prices are expected to remain relatively stable, with several companies intending to adjust quotes only if key manufacturing inputs rise by more than 10 percent. Suppliers are generally wary of implementing markups at this stage, with the strong yuan already making products more expensive overseas. For fasteners, the anti-dumping duties push quotes in certain markets even higher.

- Cost management will therefore be critical to continued profitability. To generate savings, companies are enhancing operating efficiency and making strategic changes in their procurement processes.

- Additionally, the upmarket shift will gather pace. Many enterprises will be moving their sales mix toward higher-value categories to boost overall profitability even as they engage in price competition in the low end.

- In line with this, most suppliers are exploring alternative materials or surface treatments to improve product performance. A number are going into niches.

- As regards target destinations, the EU will remain a key market, particularly for upscale designs. Many enterprises, however, will continue exploring emerging economies in the Asia-Pacific region, the Middle East, Africa, and Central and South America.

The report covers the major products of China's general hardware industry, namely fasteners, door, window and furniture fittings, mechanical and electronic locks, safes, and tape and adhesives.

The categories are discussed in separate sections. For each product, details about the different types offered, their common features and price determinants are provided.

The latest trends in design and materials are also discussed. Information on the supplier base and key sourcing centers can likewise be found.

The Industry Overview elaborates on the various challenges that makers are facing, including the appreciation of the yuan, rising raw material and labor costs, and anti-dumping measures. It also identifies the common strategies manufacturers are employing to sustain exports and boost competitiveness.

To reflect the industry structure, the majority of the suppliers featured in this report are local, privately owned enterprises. The rest consists of Hong Kong-, Macau- and foreign-invested businesses.

More than 70 percent of the companies are based in Guangdong, Zhejiang and Jiangsu provinces. Together, these areas account for nearly three-fourths of mainland China's general hardware exports in terms of both volume and value.

In this report

- 40 in-depth company profiles
- 170 top-selling export products
- Supplier demographics
- Supplier survey
- Industry statistics & charts

METHODOLOGY

To produce this report, Global Sources surveyed a wide range of suppliers. Rather than focus simply on high-profile makers, we compiled a representative sample of large, midsize and emerging manufacturers. All profiled companies are export-oriented professional suppliers that are verified by Global Sources.

Each supplier is confirmed to be authentic with a legally registered business. All companies are visited three or more times to ensure they are export-ready and have real offices and products.

The listed contact person has been verified to represent the registered company. In each case, companies were required to answer specific questions designed to verify their manufacturing and export credentials.

All profiled suppliers participated in a survey designed to provide insight into product and price trends, and challenges facing the industry. All survey questions are single choice.

Suppliers are ranked based on a 6-star ranking system. Companies with a higher star ranking provide more business information and verification reports on their Global Sources online homepages.

Suppliers rated 5 or 6 stars have a Credit Check report from First Advantage or Sino-Trust and a Supplier Capability Assessment report provided by Bureau Veritas online.

The rankings are correct at the time of publication and may be subject to change.

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INDUSTRY OVERVIEW

Encouraged by the gradual recovery of the global economy, China's general hardware suppliers have started taking serious steps toward overcoming trade barriers and building competitiveness in the international arena. Sales projections for the coming months are bullish, with most growth estimates ranging from 10 to 30 percent.

Customs statistics from January to July 2010 attest to stronger overseas demand. Export volume rose 29 percent YoY to 3 billion kilograms, while revenue surged 37 percent to nearly \$6.7 billion. Should the sector's performance continue at these rates, shipments this year are likely to exceed precrisis levels.

Fasteners experienced one of the highest increases during the period, soaring 47 percent YoY to 1.3 billion kilograms. This is a significant improvement from the whole of 2009, when deliveries plunged 40 percent to 1.6 billion kilograms.

Meanwhile, revenue from overseas shipments amounted to nearly \$2 billion, 46 percent higher than earnings during the same timeframe last year. This growth comes after a 46 percent decline in 2009, when sales reached \$2.5 billion.

Nonetheless, suppliers still face pressure from a slew of challenges.

The biggest stems from the de-pegging of the yuan against the US dollar in June this year. Since 2005, the former has appreciated more than 22 percent versus the US currency. In the past six months, the yuan has advanced about 2 percent against the US dollar and the next half year may see a further increase in value.

Makers are worried the continuing appreciation of the yuan will severely dent profits. For most, a percentage point increase in the China currency's value against the US dollar means a similar reduction in margins.

Rising wages likewise pose a concern, especially in the

manufacturing hubs of Guangdong, Zhejiang and Jiangsu provinces.

At the start of the year, enterprises increased average salaries from \$200 to \$270 to attract and retain employees. This is because more workers are moving to the central and western parts of China. The difference in wages is about \$50 to \$100 compared with those in the coastal areas, but laborers can save from other costs such as room rent.

Adding to the pressure is the higher spending for key manufacturing inputs, which rebounded from 2009 levels amid the global economic recovery.

Zinc alloy rates, for instance, rose to \$3,000 per ton in November from \$2,200 earlier this year. The metal is the primary raw material of most window and cabinet locks, accounting for 60 to 70 percent of total outlay.

For fastener suppliers, anti-dumping measures also remain a major concern.

Among these, the EU's imposition of 26.5 to 87 percent tariffs poses the biggest concern. Many enterprises point to this and the spread of the US financial crisis as the primary contributors to the double-digit downturn of exports to the area last year.

Overall, China's revenue from general hardware shipments to the bloc fell 48 percent to \$1.8 billion. Deliveries of fasteners, in particular, amounted to only \$433.6 million, about one-fourth of sales in 2008.

Wider market reach

Bent on improving competitive positions and profitability while demand is on an upturn, most suppliers are preparing to seize opportunities that may arise as the global economic recovery gathers pace.

Foremost of the strategies under this thrust is market diversification. Last year, manufacturers began

Supplier summary

Suppliers surveyed	40
Export sales	\$351.5mn
Export ratio	62%
OEM business	48%
Capacity utilized	68%
Annual R&D spending	\$11.7mn
Full-time employees	13,544

Data: All surveyed suppliers

targeting actively nontraditional but high-demand destinations to draw in new clients and offset partly losses from the EU.

Among the top prospects are South America, Africa, the Asia-Pacific region and Eastern Europe, locations with sufficiently high consumption levels.

For instance, between January and July 2010, the last absorbed \$553.9 million worth of general hardware, accounting for 8 percent of total export sales. Within this area, Russia was the top destination, ranking third overall in terms of sales contribution during the aforementioned period, with imports worth \$281.2 million.

In the Asia-Pacific, most companies are looking toward Southeast Asia for growth, as the China-ASEAN Free Trade Area pact has been stimulating demand.

The agreement eliminates import tariffs for over 7,000 goods. It was enforced in January 2010 in Thailand, Indonesia, Malaysia, Singapore, the Philippines and Brunei. Cambodia, Laos, Myanmar and Vietnam will follow suit.

The ASEAN and other Asia-Pacific economies are currently the top overseas destinations of China-made general hardware, overtaking the EU in 2009. Exports to the area between January and July 2010 generated nearly \$2 billion, or 30 percent of the national aggregate.

Besides being a major export destination, the region also serves as a base for offshore operations. A number of large suppliers have

APS Industries (H.K.)



APS offers hardware for doors, window and furniture. Last year, the trading company exported an average of 500,000 pieces monthly, generating \$1.5 million in annual sales.

Deliveries abroad included door handles and hinges, cabinet and window locks, and padlocks. Models bearing the in-house APS brand accounted for 50 percent of overseas shipments, while the other half consisted of products under OEM or ODM contracts.

North America and the Asia-Pacific region were the primary

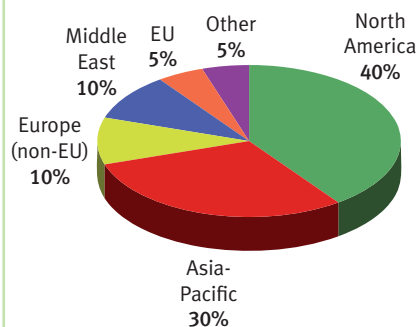
markets, absorbing 40 and 30 percent of exports, respectively. Europe and the Middle East were also key export destinations, accounting for 15 and 10 percent.

Based in Hong Kong, APS sources general hardware from one partner factory in Jiangmen, Guangdong province. The supplier has two full time employees in charge of QC.

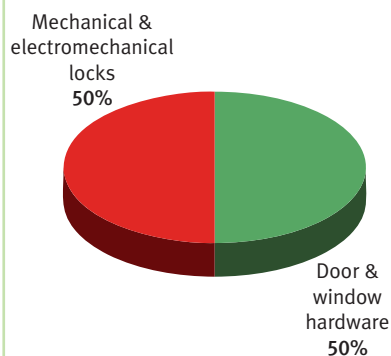
Established in 2004, the company offers sample-making, export documentation, shipping and aftersales consultation services. It can also assist in assembly and packaging.

Profile

Export markets



Products exported



Contact details

Business contact

MAK Stephen

Phone

(852) 3598-5288

Fax

(852) 2735-5033

E-mail

stnmak@biznetvigator.com

URL

www.apsind.com

www.globalsources.com/aps.co

Address

Room 1319, 13F Block A, Profit Industrial Building, 1-15 Kwai Fung Crescent, Kwai Chung, Hong Kong

Company facts

Year established	2004
Business type	Trading company
Company ownership	Hong Kong-invested
Head office location	Hong Kong
No. of subcontracting factories	1
Factory location(s)	Jiangmen (Guangdong)
No. of full-time employees	2
No. of in-house R&D/design staff	—
No. of production line QC staff	2
Annual export sales (all products)	\$1.5mn
Annual R&D spending	—
ISO certification	No

Sales & exports: General hardware

Annual export sales	\$1.5mn
Share of total export sales	100%
Average monthly exports	500,000 pieces
OEM % of exports	25%
ODM % of exports	25%
OBM % of exports	50%

Capability

Services provided

Sample making	Yes
Export documentation	Yes
Shipping	Yes
Aftersales	Yes
In-house packaging	Yes
In-house assembly	Yes
Dedicated capacity	Yes

Exports by product

Fasteners	—
Door & window hardware	50%
Furniture hardware	—
Mechanical & electromechanical locks	50%
Electronic locks	—
Safes	—
Tape & adhesives	—
Rope & twine	—

Exports by market

North America	40%
European Union	5%
Europe (non-EU)	10%
Asia-Pacific	30%
Middle East	10%
Other	5%

Survey

- **Export prices**
Increased
- **Export price increase**
Less than 5%
- **Export sales**
Increase less than 10%
- **Target market**
North America
- **Capital expenditure**
No increase
- **Major challenge**
Cost of raw materials
- **Export capability**
Widen product range

Popular export models



Description: Rim deadlatch; zinc alloy; brass- or chrome-plated finish; with solid brass cylinder and two keys

Mechanical/electromechanical lock

Model	402
MOQ	200 sets
Packaging	Printed box
Delivery	60 days
Price	•



Description: Chain bolt; steel; brass- or chrome-plated finish; 4in

Mechanical/electromechanical lock

Model	140
MOQ	2,500 pieces
Packaging	Double blister pack
Delivery	55 days
Price	•



Description: Door chain lock; zinc alloy; brass- or chrome-plated finish

Mechanical/electromechanical lock

Model	640
MOQ	3,000 pieces
Packaging	Skin pack with card
Delivery	45 days
Price	•

• Information not disclosed

PRODUCT GALLERY

Fasteners



Chonghong
(profile page 44)
Model: CHHB010609
MOQ: 100 pieces
Packaging: Bulk or small box with palette
Delivery: 20 days
Price: •
Description: Bolt; carbon steel, copper or stainless steel; 4.8 or 8.8 grade; M6 to M48; DIN 912



Cixi Chuangzhi
(profile page 46)
Model: Countersunk Head Self Drilling Screw
MOQ: 100,000 pieces
Packaging: Bulk or small white or colored box
Delivery: 20 days
Price: •
Description: Self-drilling screw; countersunk head; carbon steel; custom sizes



Cixi Chuangzhi
(profile page 46)
Model: Hex Washer Head Self Drilling Screw
MOQ: 100,000 pieces
Packaging: Bulk or small white or colored box
Delivery: 20 days
Price: •
Description: Self-drilling screw; hex washer head; carbon steel; custom sizes



Cixi Chuangzhi
(profile page 46)
Model: Pan Head Self Drilling Screw
MOQ: 100,000 pieces
Packaging: Bulk or small white or colored box
Delivery: 20 days
Price: •
Description: Self-drilling screw; pan head; carbon steel; custom sizes



Cixi Zhencheng
(profile page 48)
Model: ZC01
MOQ: 200,000 pieces
Packaging: Carton with pallet
Delivery: 40 days
Price: •
Description: Self-drilling screw; hex washer head; carbon steel; zinc-plated finish; 3.5 to 6.5mm diameter; DIN, IFI, JIS, BS



Cixi Zhencheng
(profile page 48)
Model: ZC02
MOQ: 200,000 pieces
Packaging: Carton with pallet
Delivery: 40 days
Price: •
Description: Self-drilling screw; pan head; carbon steel; zinc-plated finish; 3.5 to 6.5mm diameter; DIN, IFI, JIS, BS

• Information not disclosed

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