



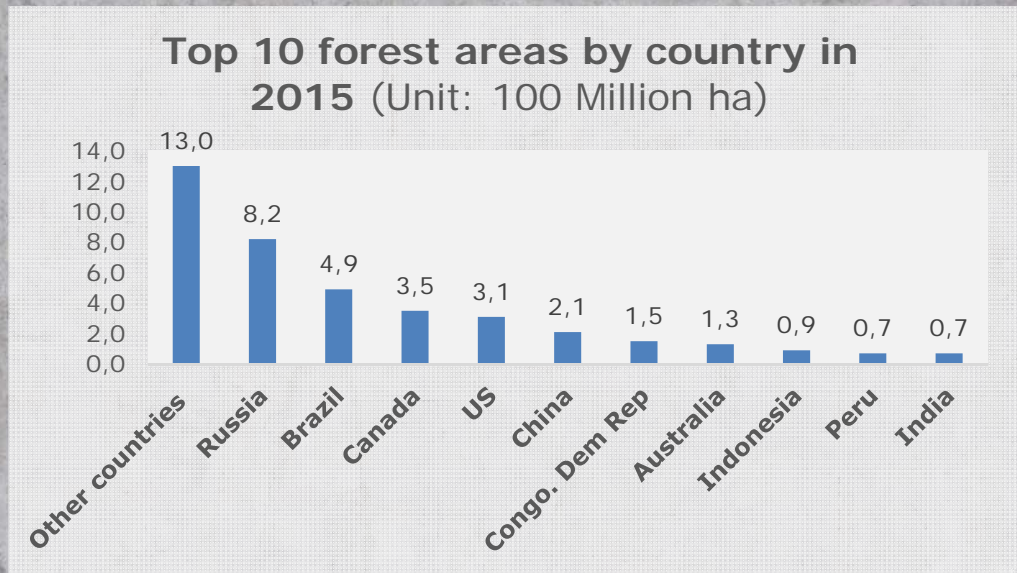
# China Forest Assets

China Forestry Status  
Global Forestry Industry Development  
Challenges  
Development Trends

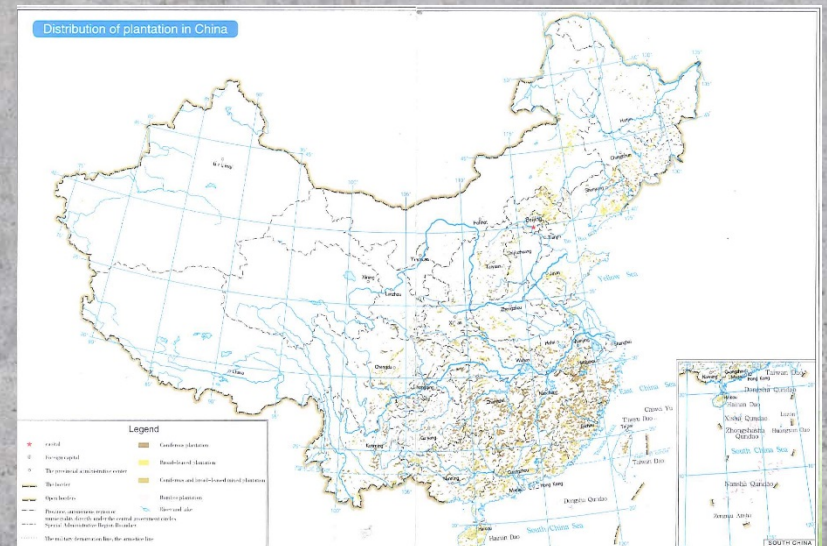


# China Forestry Status

- Degraded Natural forest and plantations.
- Chinas domestic resources depends on Plantation after 2014 April Natural forest harvesting ban

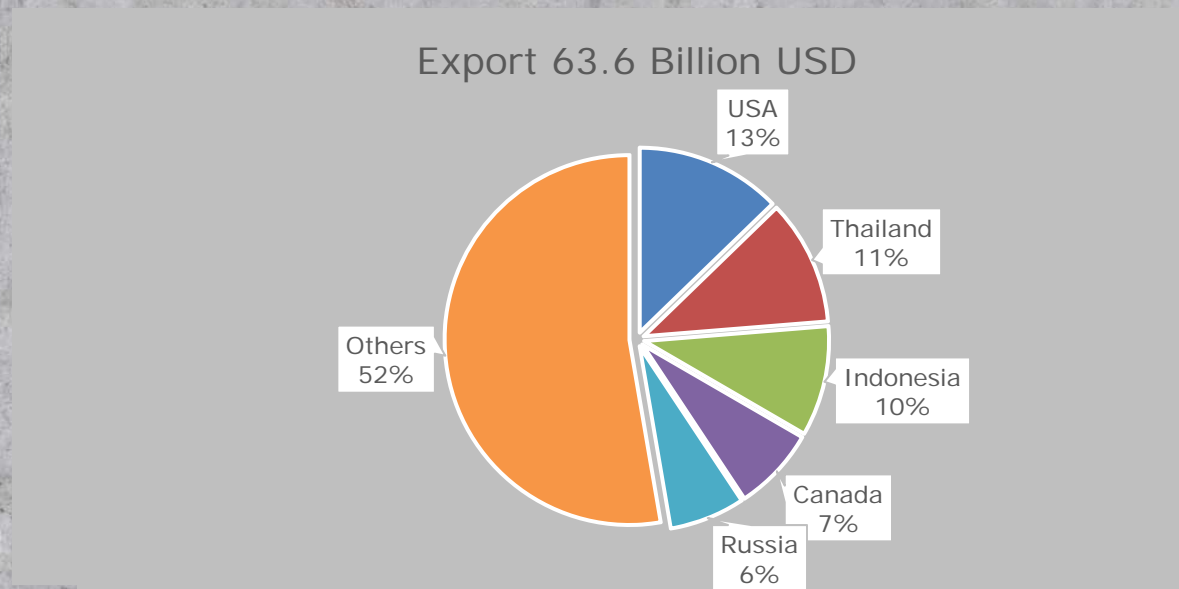


	Forest area (Million Ha)	Forest stock volume (Million m3)
China	208(5% of the world forest area)	15,137(3% of the world forest stock)
China Plantation (see map)	69.33 (36% of China forest area, Industrial plantation 47.07)	2,483 (17% of China forest stock)
Bamboo forests incl Plantation and Natural forest	6.01 (Moso bamboo)	Moso bamboo 11,213 Million m3



# China Forest Industry 2015

- Industry T.O. 950 BUSD (+ 9.8%)
- Domestic Forest Investment 69 BUSD  
( Eco protection and plantations)
- Forestry products international Trade



# China in the world.

- The largest producer and consumer of wood-based panels and paper in the world.
- Highly significant in international trade of forest raw material, the world's largest importer of industrial roundwood, sawnwood and fibre), and the largest exporter of wood-based panels.

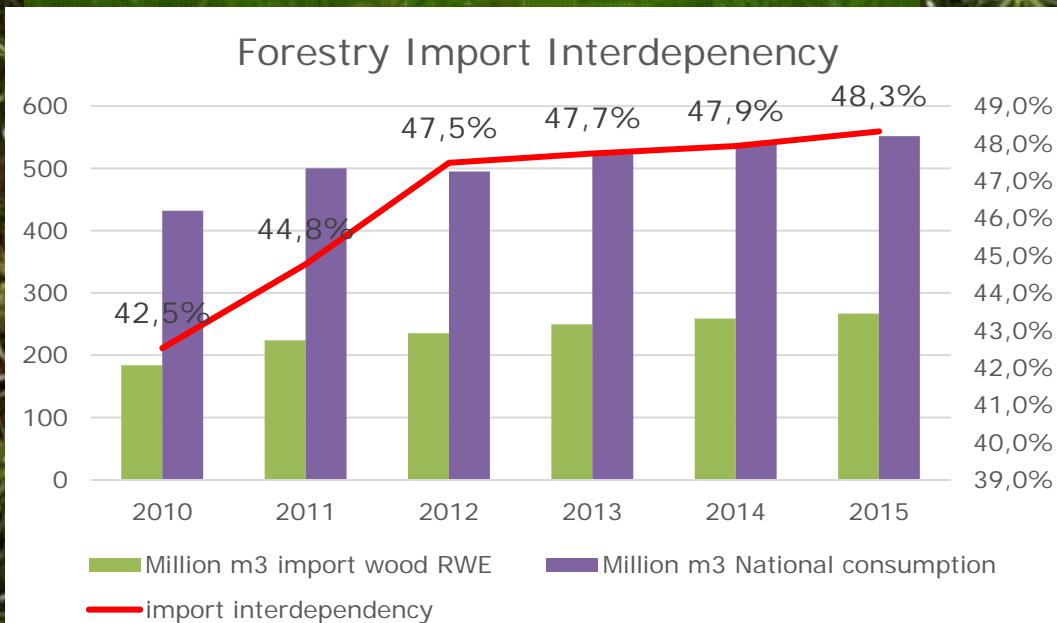
CN Import and Consumption by years



# Challenges

## –Lack of domestic raw material

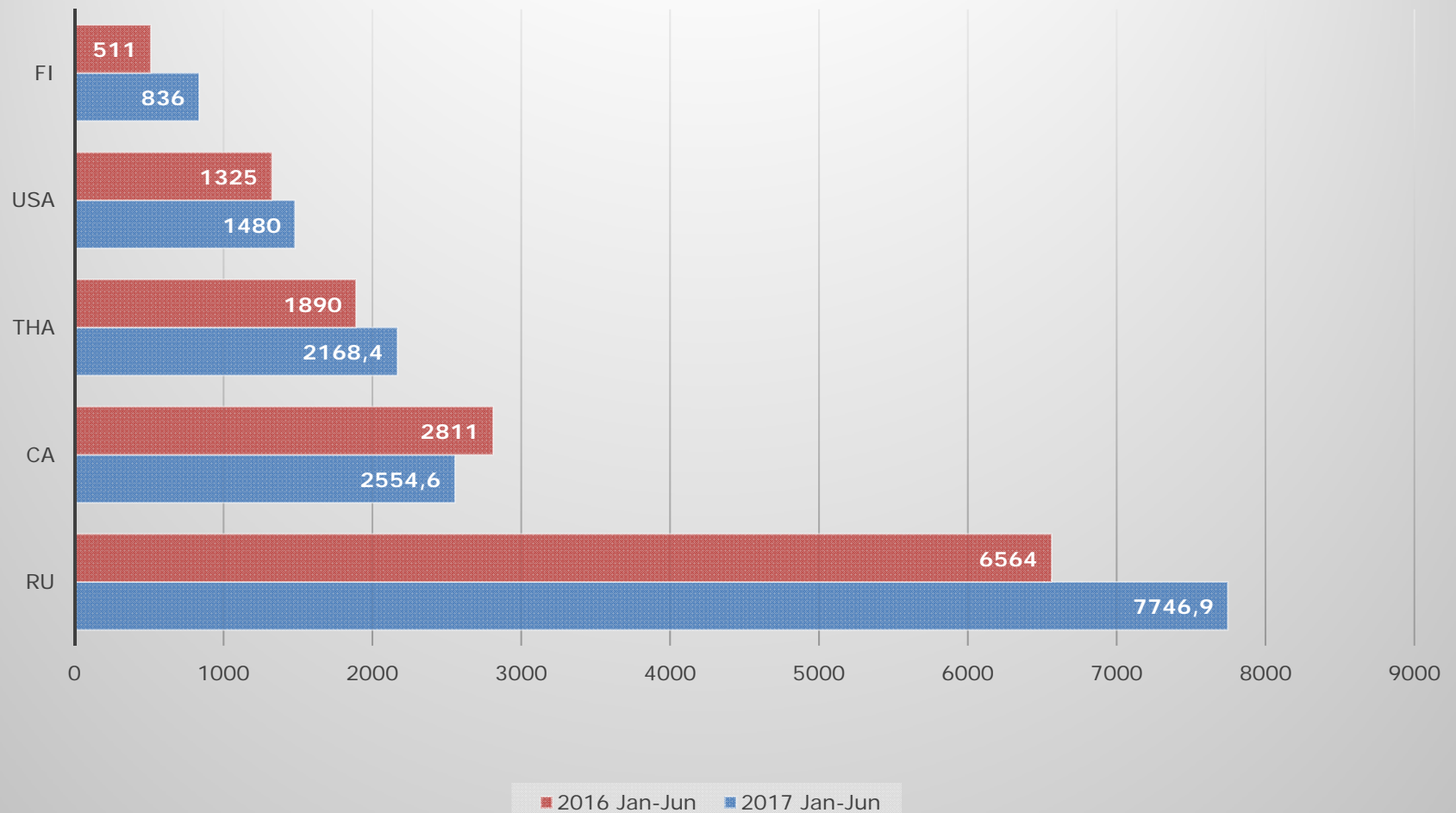
- Only Fast grow plantation species
- High Import dependency-mainly import log, sawngoods, pulp and recovered paper.



Top 5 Dominant Species	Area % in Forest plantation	Stock volume %
Chinese Fir	19.01	25.18
poplar	18.14	20.25
Eucalyptus	9.47	6.46
Larch	6.66	7.42
Masson Pine	6.51	6.91

# Log and Sawngoods Import Status

Top 5 Countries for The Imported Sawn goods to China (Thousand m<sup>3</sup>)

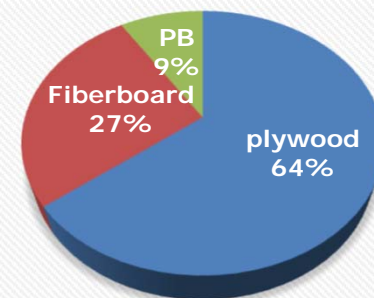


# Challenges

## Scattered Industry Capacity low value-added products

- Containerboard paper mills
  - 32 % small scale capacity
- Wood-based panels capacity 2016
  - low value products in market
    - E2=1/3 capacity, E1=1/2
  - Small scales mills
    - Plywood-10,000 mills, average capacity= 16,5 Tm<sup>3</sup>
    - Fiberboard-684 mills, average capacity= 100 Tm<sup>3</sup>
    - PB-350 mills, average capacity 65Tm<sup>3</sup>/year.

2016 CN wood-based panels  
Production Capacity 256.28M m<sup>3</sup>



■ plywood ■ Fiberboard ■ PB

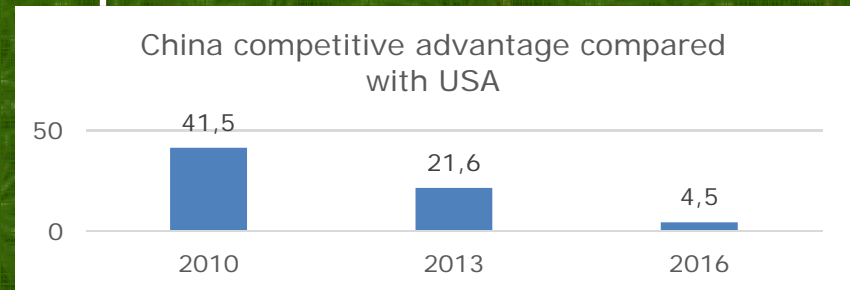


# Challenges

## Decreasing Competitiveness

- Global manufacturing competitiveness index shows less advantage

- e.g. CN Vs. USA



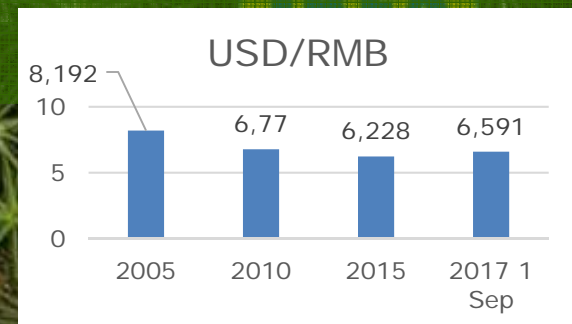
- Cost increase

- Labor cost increase 13%/year (2015 vs. 1995)

- Environmental cost increase 15.5%/year  
2014 144 BUSD vs Y2000 15 BUSD

- RMB stronger from 2005 to 1 SEP2017

- USD/RMB decrease 19.5%



# COUNTRY MACRO & TRADING ENVIRONMENT

- Supply-side Reform
- Made in China 2025
- Regional Cluster Development



# Development Trends Manufacturing

- Develop Core-competitiveness
- Optimize Supply Side Structure
  - Close low quality/low productivity Capacity
    - paper mills
      - 40 Million ton capacity in 2010-2015
      - New qualified capacity 10 Million ton in 2017
      - Concentration ratio(CR) increase: 2016 CR10 39% (2004 is 19%)
    - Wood-based panels
      - Close down 10% capacity which is low productivity in 2016
  - Decrease the institutional cost
    - Deduct certain Tax and administration cost
    - Simplify administrative licensing procedure
  - Finance support
    - Enlarge finance network
    - Enhance finance function-subsidized loan and Financial Guarantee on Green industry such as forestry, technology.

# Moment of purchase and transaction are minimized



**4.9 billion payment transactions**



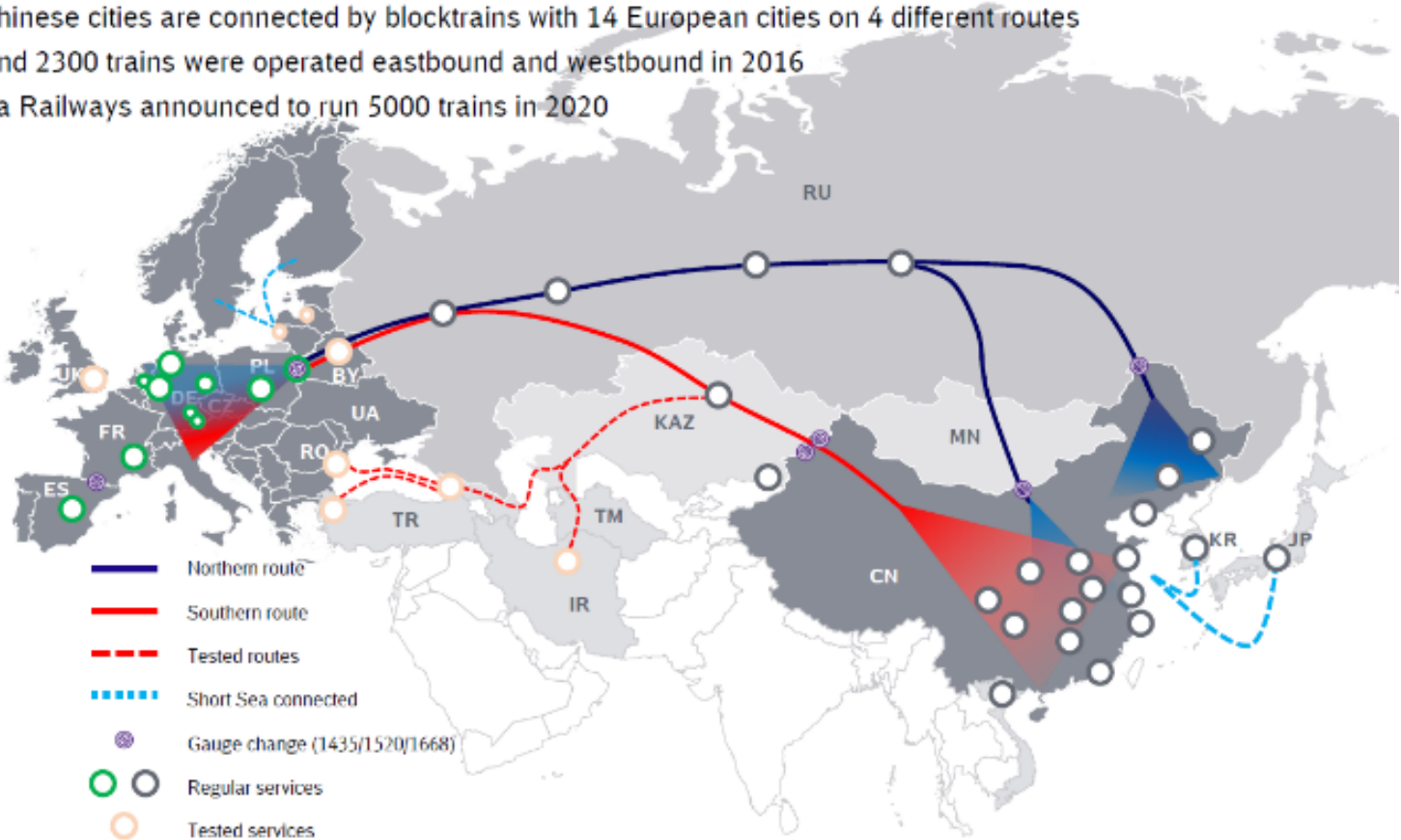
**1 day**



**12 months**

# Railway Express Between China & Europe

- 14 Chinese cities are connected by blocktrains with 14 European cities on 4 different routes
- Around 2300 trains were operated eastbound and westbound in 2016
- China Railways announced to run 5000 trains in 2020



# Development Trends Manufacturing

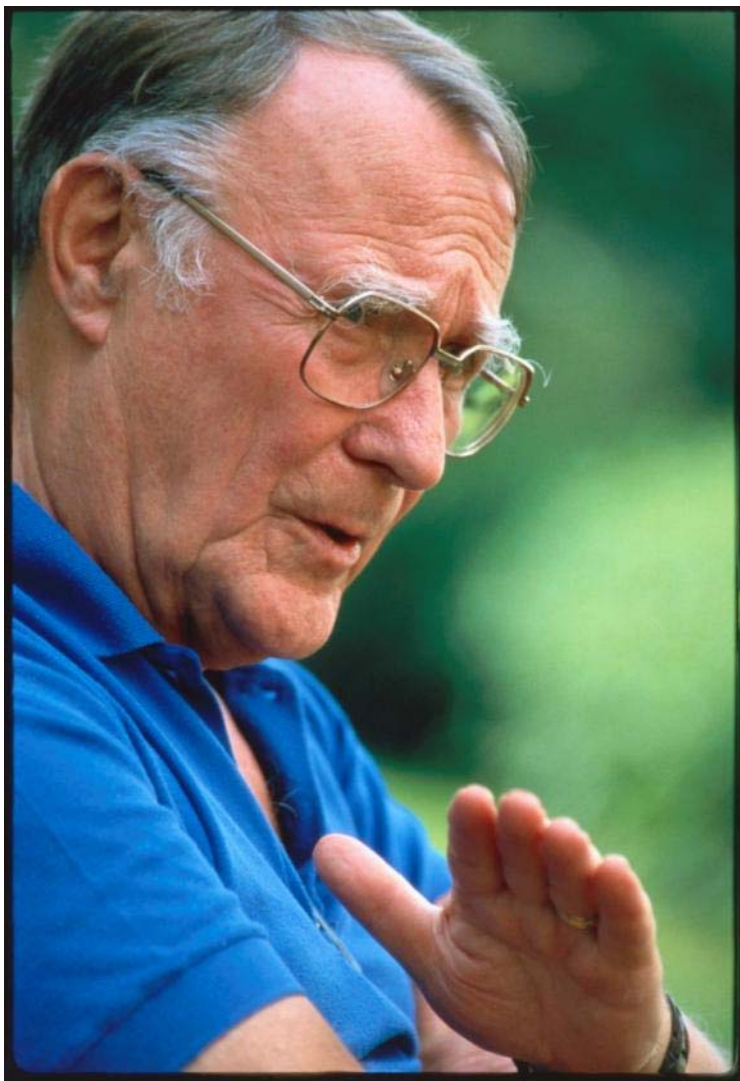
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# Development Trends

-develop domestic raw material/mitigate import dependency

Consumption forecast 800 M m<sup>3</sup> in 2020

- Strategic plantation development plan in China
  - add 14 Million ha plantation area by 2020  
(+ 95 Mm<sup>3</sup>/year)
- Oversea investment
  - Up to 2015, China company has rented or purchased about 61.4 M ha. of forest in other countries, annual harvesting volume 23.8M m<sup>3</sup>.
- Sustainable Forest management certification
  - Increasing demand to promote FSC, e.g. 16% ha increased during Jan-July 2017



**MOST THINGS STILL  
REMAIN TO BE DONE.**

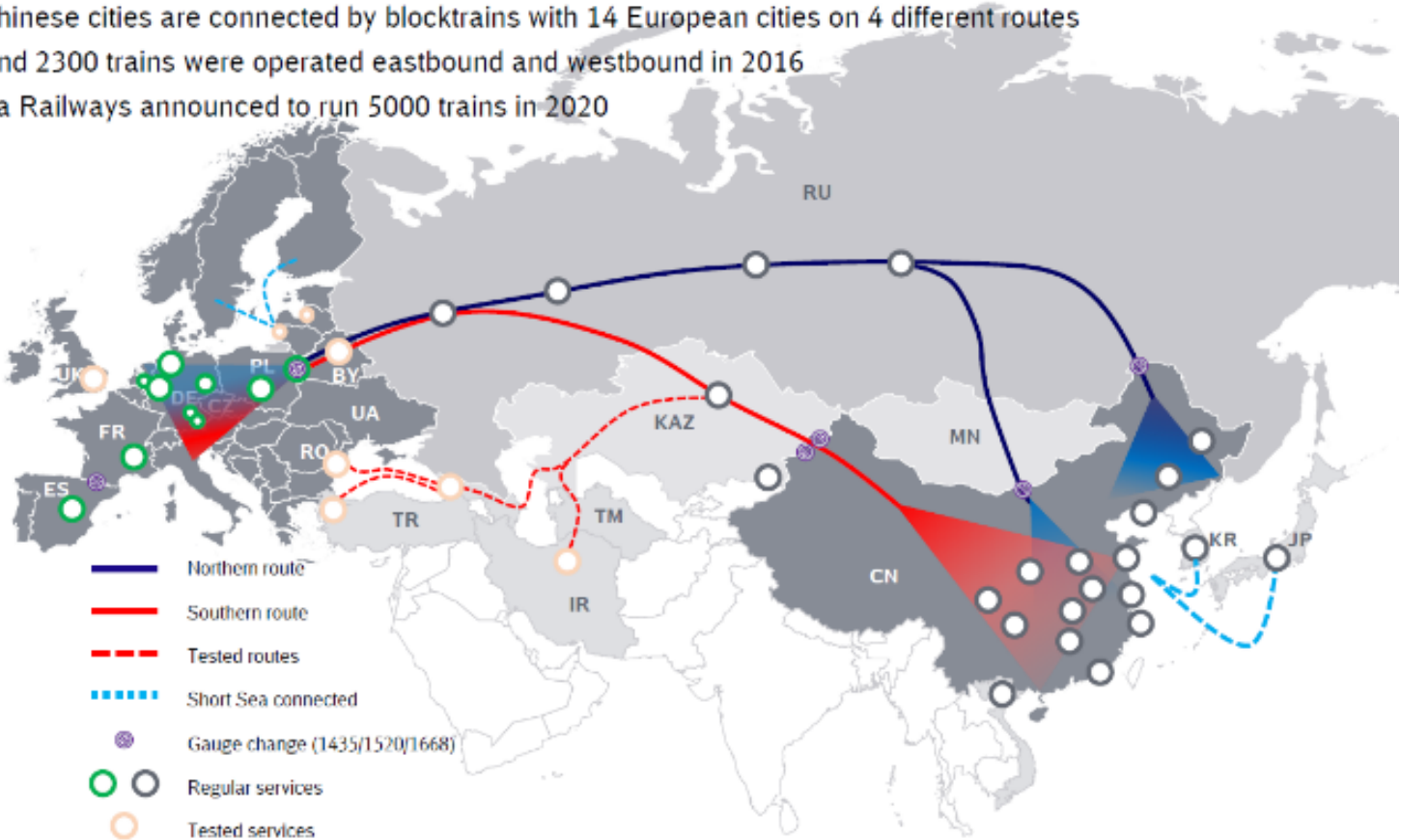
**GLORIOUS FUTURE!**





# Railway Express Between China & Europe

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# Potential Hotspots in China



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**1 day**



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