

ACCA's 2nd Management Committee Meeting (2015-2017) 16th April 2016, Regal Palace Hotel, Dongguan, CHINA

Mr Kinardo Ang (PICCI) as Chairman of this ACCA's 2nd Management Committee Meeting (2015-2017) extended a warm welcome to all participants present. He expressed his gratitude to Reed Exhibitions for hosting the Meeting, and wished all participants an enjoyable stay. He pointed out that ACCA had two new membership applications from namely, Thailand Corrugated Packaging Association (Thai CPA) and GuangDong JiaJing Technology Co., Ltd.

Association Representatives Update of Local Corrugated Industry Activities

China

Mr Zhang Yaoquan (CPF) welcomed all ACCA management board members and participants to Dongguan, and made an enthusiastic presentation on China present day corrugated industry market. Over past thirty years, China Packaging Industry have developed a fundamental form of modern packaging industry chain. In 2015, the total value of out-put of Chinese packaging industry is over 1.7 trillion RMB (approx.. 262 billion US\$). Under the pressure of globalization and domestic enterprises' transformation, paper packaging industry remained health and sustainable. The total out-put of

Chinese corrugated and paper board is 104.392.000 tons, with 12,5% yearly growth. The total out-put of Chinese paper products in 2015 is 2 billion US\$ or 703.780.000 tons, with 9% yearly growth and the total out-put of corrugated boxes is 403.151.000 tons, with 3.5% yearly growth.

China is a large country. The different spatiality and advantages of every



province's economy development cause the imbalance of spread and development of the paper packaging companies from various regions. The Chinese paper packaging industry is mainly divided into three economy zones, Pearl River Delta, Yangtze River Delta and Bohai Bay. Thanks to the advanced concept, cutting-edge technology, the modern managements and mature market strength, this coastal industrial zones accounts for sixty per cent of the national paper packaging industry. With the development of China West and revitalization of China East Industry base, the imbalance of the whole paper packaging development has been improved. Hunan, Hubei, Chongqing, Chengdu and many areas will remark the new era of the Chinese economy development and also boost Chinese packaging development.

Comparing to other industrial countries, the comprehensive strength and competitiveness of Chinese packaging industry still has a big gap. Therefore, according to the Chinese twelfth five year plan spirit, Chinese packaging country principle as scientific development, green development, innovation development, recycling development and harmonious development. Especially on the 8th China Federation Council, Mr. Xu Bin, the chairman of the China Packaging Federation, presented clearly that, in order to lay the foundation of the industry development, we need to build five important platforms for internet information, science and technology innovation, talent cultivation, government and international communication and cooperation. The year of 2016 is the start of thirteenth five year plan.

The developing concepts can be summarized as innovation, coordination, green, open and sharing. The developing subjects are changing old-fashioned mind, improving structure, rising stably, soaking up capacity, cutting waste, reducing emissions and improving efficiency.

Chinese Taipei

Mr Sam Chen (CTCCA) presented the PowerPoint slides on the update of Chinese Taipei's corrugated industry. On the economic review it was mentioned that GDP forecast. While export and import is decreasing in 2015. Import of 2015 only 28 Billion US\$ compare to 31.4 billion in 2014 and import 2015 down to 22.9 billion US\$ from 27.4 billion US\$ in 2014. The average labour cost keep increasing from 47.300 NT\$ to 49.490 NT\$. Resources of recovered paper 15% import and it decreased from 3.772.000 tons in 2014 to 3.479.000 tons in 2015.

The total demand for corrugated in 2015 is slightly less than 2014 but expected to increase in 2016 from 2.127 billion sqm in 2015 to 2.158 billion sqm. With shipment to the end users as follows :

- Paper 19%
- Beverage 15%
- Food 17%
- Agriculture 9%
- Electronic & Electrical 8%
- Textile/Yarn 6%
- Chemical 6% and
- Others 21%

The corrugated trend has a rapid growing with online shopping the B2B business on corrugated has grown 16% in 2015 while B2C market growth 11%. While Innovation, efficiency & low cost is the key to success. We have to make Product Differentiation by investing in R &D lower waste &

energy as well as doing automation & robotics. Focus on Market Oriented Production for sustainability and 3R (Reduce, Reuse, Recycle).

Hong Kong

Mr. Larry Szeto (HKCPMA) presented the the update of Hong Kong's corrugated industry. Political Climate in Hong Kong becoming more and more unstable while the retail continue to drop. Residential and Commercial Property Prices in a



downward trend. 2016 February unemployment rate 3.5% while 2015 GDP growth 2.3%. Private Domestic Price Index (Housing) 2015 Dec 285.3, 2016 Jan 278.9 and Feb 272.8
GDP comparison with other Chinese cities :

- Shanghai 28 Trillion RMB (+6.9%)
- Beijing 22.7 Trillion RMB (+6.9%)
- Guangzhou 18 Trillion RMB (+8.4%)
- Hong Kong 17.9 Trillion RMB (+2.3%)
- Shenzhen 17.5 Trillion RMB (+8.9%)

Hong Kong Packaging Companies face a tough competition with price war and domestic competition. Continuous trend of Box plants selling/closing down/retiring.

Hong Kong Packaging Companies Challenges are oversupply, especially due to economic growth slow down, high labour costs, weak export, strong domestic competition and strict and inconsistent govern-

ment regulations (environmental laws and stricter custom laws). China Paper Prices keep increasing from 2850 in early august 2015 to 2900 in April 2016. The trend : companies consolidation while government policies start to save companies and lower insurance companies

Malaysia

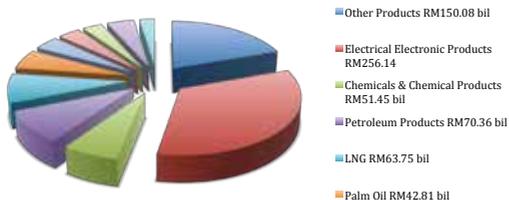
Mr Alex Soon (MACCMA) presented the update of Malaysia's corrugated industry. Malaysia GDP growth set to slow to 4.5% in 2016. Performance of industrial production index for the period January to February 2016 : expanded by 3.5% as compared to the same period of the previous year. The expansion was supported by the increase of 3 indices : Manufacturing (4.2%), Mining (0.9%) and Electricity (9%)

Based on the statistics from the IMF – World Economic Outlook Database, Malaysia's total GDP amounted to US\$ 813.5 billion in 2015. Therefore, exports accounted for about 24.6% of total Malaysian economic output. From a continental perspective, 70.5% of Malaysian exports by value are delivered to Asian countries while 10.8% are sold to European importers. Malaysia ships another 10.6% to North American customers and just 2.5% worth to Africa.

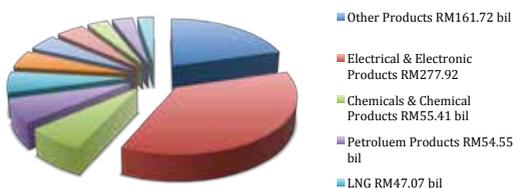
The consumer price index inflation rate accelerate above 4%, inflationary pressure will continue to build up

- Lower GDP growth of 3.4% predicted for the year. Weak ringgit against most major currency.
- Local demand for non-essential goods like TV, Audio and furniture is expected to drop as consumer becoming more prudent on their spending needs.
- Customers request for cost down &

Jan-Dec 2014
Total Exports: RM765.42 billion



Jan-Dec 2015
Total Exports: RM779.95



Products	Jan-Dec 2014 RM bil	Jan-Dec 2015 RM bil	% Change
Total Exports	765.42	779.95	1.86%
Electrical & Electronic Products	256.45	277.92	7.73%
Liquefied Nature Gas	63.75	47.07	-35.44%
Petroleum Products	70.36	54.55	-28.98%
Chemicals & Chemical Products	51.15	55.14	7.24%
Palm Oil	42.81	40.14	-5.65%
Machinery, Appliances & Parts	30	36.14	16.99%
Grude Petroleum	32.72	26.06	-25.46%
Manufactures of Metal	26.44	34.89	24.22%
Optical & Scientific Equipment	23.66	26.11	9.38%
Rubber Products	18	20.18	10.80%
Others	150.08	161.73	7.20%

longer payment term due to inflation pressure and additional working capital requirement due to GST.

- Cost of all imprinted raw material increased.
- Weak RM reduces locals purchasing power and results in lesser spending on discretionary items, a negative for Consumer Discretionary.

Consumer prices in Malaysia rose 4.2% year on year in February 2016 as compare to a 3.5% increase in Janu-

ary and above market consensus of a 4% rise. It is the highest inflation figure since December 2008 as cost increased for all categories. Containerboard Market Demand & Supply increase a little bit in 2015 (1,260,000 tons) compare to 2014 (1,235,000 tons) and expected to increase as well in 2016 (1,275,000 tons) while the supply as well increase a little bit 1,030,000 tons (2014) to 1,080,000 tons (2015) to 1,130,000 tons (2016).

Corrugated trend generally, the demand for corrugated case soften in the last two years with some MNC customer move their plant, but fortunately cushion by rubber glove, consumer and F & B sector. High mix low volume order – from E & E and latex glove sector. While new & upgraded machineries increase capacity. Labour cost also increase.



Indonesia

Mr Hatari Tjandi (PICCI) presented the update of Indonesia's economy and corrugated industry. Indonesian GDP Annual Growth Rate was 4.79% in 2015 and forecast to be 5.5% in 2016 while Indonesian inflation rate was 3.7% in 2015 and expected to be 4.7% in 2016.

Total corrugated board production in 2015 3.2 million ton constrain 5.9% from 2014 as it was 3.4 million ton. Two paper mills producing test liner and medium liner were closed down in 2015 with total output about 25000 Ton. Four corrugated plants were closed down in 2015 for various reasons. Since Q4/15, paper prices have been increasing continuously which already reached 30% by now. Strong pressure from one paper mill to corrugated plants to use less paper grammage. New approach from big paper mills to sell paper directly to corrugated boxes end users especially to multi national companies instead to corrugated box plants.

Hin presented the Singapore's corrugated industry. GDP is forecast to grow 2-3% in 2016. On a year to year basis NODX contracted by 7.2% in December 2015. On a year to year basis NORX expanded by 0.8% in December 2015. Singapore excellent infrastructure will continue to attract/retain high value manufacturing to ride on recovery in USA economy. MIT helps to promote Food Industry (ready meal) for export. The 2 IR continue to boost good demand in F & B industry while the political stable. Negative point-Government tightness the foreign worker supply further with more increase in foreign worker levy and reduce the number. These will have impact to local SME. Slow down in China economy. European financial austerity measures will suppress demand. Strong US\$ would cause inflationary pressure.

Demand for corrugated onl 90.000 tons and forecast to increase to 93.000 tons in 2016. The industry demand are food (34%), Beverage

Singapore

Mr Phua Thyee

Paper Price Decrease					
	Ave-1stH'14	Ave-2ndH'14	Ave-1stH'15	Ave-2ndH'15	Ave-1stQ'16
 Kraft	670	670	620	620	580
 Kraft Top	580	580	540	540	510
 Medium	460	460	415	415	395
 Test Liner	470	470	420	420	400

ACCA Fo
in Honour

the past two decades
(16th April 2016)



(25%), Electronic (18%), Medical (11%) and others.

Thailand

Khun Suchai Korprasertsri (TCG) presented the update of Thailand's corrugated industry. Thai CPA was established as a platform for its members to interact and promote the better of corrugated packaging standard, enabling the industry to play an integral part in the development of the Thai economy.

Y 2015 GDP growth rate registered at 2.8% High household debt, low agricultural prices and poor global economy resulted to flat private consumption, investment and exports.

However, Thai economy was pushed up by government expenditure. 2016 GDP is forecasted to grow by 2.8 – 3.8%. The depreciation of Thai Baht will enhance export liquidity and income. Government spending on infrastructure and low oil price will also play a significant role in driving Thai economy.

Containerboard demand in 2015 increase 2,15% compare to 2014. Food and Beverage in 2015 slightly demand increased while electrical appliance production move out (relocate to Vietnam). Consumer products demand generally stagnant. Food and Beverage in 2016 expecting for a speeding up demand and export to CLMV, Overall demand for electrical appliance will slightly increase. While demand on consumer products will lift for CLMV exports, while domestic increase moderately.

The corrugated trend to light weight, smaller lot size, growth of Preprint and Digital Printing, investment on automation as well as safety and environment issue. The growth of Preprint and Digital Printing will support the marketing campaign. Automation investment in order to increase productivity and improve product quality (increase running speed,, shorter set up time, minimal man power).

