

MINUTES OF THE ACCA'S 1ST MANAGEMENT COMMITTEE MEETING (2017-2019) HELD ON 25TH SEPTEMBER 2017 SWISS GRAND HOTEL, XIAMEN, CHINA



Mr. Xu Xiaoguang (Hexing/CPF) as President, ACCA cum Chairman of this ACCA's 1st Management Committee Meeting (2017-2019) expressed his thanks to all

present for his election as the new President of ACCA, and appreciated his new weighty responsibility. He also expressed his deep admiration and respect to all the past years' ACCA presidents. Since its foundation in 1997, Asian Corrugated Case Association (ACCA) had made great efforts in promoting international exchanges of experience, knowledge, cooperation and standardization of the corrugated industry in the Asian region.

After 20 years of its development, ACCA has now earned broad influence and appeal despite the challenges of diverse regional cultures. He remarked that this year China government would be convening its important 19th National Congress of the Communist Party. This grand convention would open up new China dream that would integrate with the dreams of people around the world for the common global progress and development. The China Packaging Federation

(CPF) aspired to unite the world industry players for a brighter future of our packaging industry.

Country Report on Their Local Corrugated Industry Activities and Services CHINA

Mr. Zhang Yaoquan (CPF) inform us that year 2017 marked an important year during the 13th National Five-year plan. In this year, China deepened the supply-side reform, which aims to solve the structural problem in China's economy, the mismatch between the supply and the need. Chinese economy is slowly getting better and more stable. During the first six months of 2017, wide scale industrial enterprises in the carton and cardboard container manufacturing industry reached the prime operating revenue about 172,335 billion RMB across the country, with a year-on-year growth of 14.41%. We achieved the profit about 9,597 billion RMB, increased by 14.08% yearly. The profit rate is 5.57%, declined 0.02% than a year earlier.

From January to June, the percentage of loss-incurring enterprises in China's carton and cardboard container manufacturing industry is 11.92%, 2.22% lower than last year. The total value of losses in these enterprises reached 399 million Yuan, dropped 4.9% compared with the same period of last year. While the export volume we achieved

during last six month is 2.1 billion US dollars, 16.07% higher than a year earlier. Imports increased 0.3% than last year, reached to 73.9125 million US dollars.

To enhance core competitiveness and the construction of a powerful country in packaging industry, Chinese Ministry of Industry and Information, Ministry of Commerce jointly issued the Guidance of Accelerating the Transformation and Development of Packaging Industry (Guidance) on the 6th, 12, 2016, pointing to us the direction of future development. All those efforts led us to tackle problems limited this industry. Focused on the key technology and application bottleneck, we fully promoted the reform and efficiency, which is a major opportunity as well as a severe challenge for China's corrugated industry.

Since the start of the 13th Five-year plan, under the guidance of green development concept and with the implementation of the supply-side reform, our government strengthened the environmental governance. Lots of companies and factories were closed for transformation, causing the prices of raw materials rising continuously. At the same time, price of corrugated medium has also doubled for the recent three months. As a result, enterprises in the industry began to slash overcapacity and followed the tough environmental measures, which led to the raise of the production cost and the drop of the supply. Given the current situation, he

wouldn't assume the trend of higher prices will disappear in a short term, thus they have to adjust to this new normal. China are undergoing an unprecedented industrial integration, which he believe will definitely speed the pace for industry concentration.

Chinese Taipei

Mr. Sam Chen (CTCCA) presented the PowerPoint slides on the update of Chinese Taipei's corrugated industry (Attachment 4)

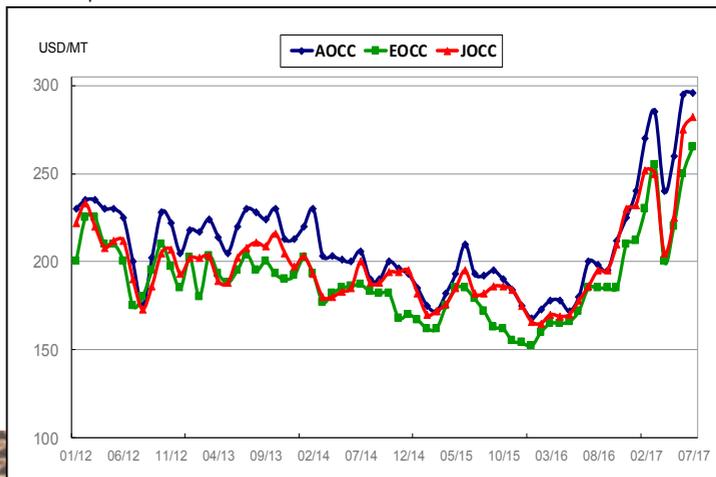
Economic Overview

Though GDP growth from 2015 to 2016 only growth... % (525.2 billion to 529.9 billions) it is forecast that in 2017 will growth ... % to 568.2 billion. While the economic growth expected to be 2.11% (while only 1.48% in 2016 and 0.72% in 2015). Labor cost increase about 5% in average.

Corrugated Market

Total Corrugated output in 2016 decrease from 2,127 million sqm to 2,022 million sqm and expected to increase to 2,077 million sqm in 2017

Recovered Paper Resources TOCC 80%, 20% imported (JOCC 6.7%, AOCC 7.7%. Others 5.4%)
AOCC/JOCC/EOCC Price Trend (2012.01~2017.07)



Corrugated Industry Trend and Challenge

- The risk of electricity shortage
- Increasing labor cost and manpower issue
- Environmental regulations getting tougher

HONG KONG

Mr. Larry Szeto (HKCPMA) presented the update of Hong Kong's corrugated industry (Attachment 5)

Economic and Trade Information

- 2017 GDP Increased by 4% year on year
- Retail sales dropped by 0.6% year-on-year in January-June 2017, after the decline of 8.1% for 2016.
- Unemployment rate: 3.1%
- Hong Kong's exports increased by 8.5% year-on-year in January-July 2017, after a marginal decrease of 0.5% in 2016. Hong Kong's merchandise exports are projected to grow by 5% as a whole in 2017.

Major Economic Indicators	2014	2015	2016	Forecast/Latest
Population, Mid-year (million)	7.23	7.29	7.34	7.39 ^a
Gross Domestic Product (US\$ billion)	289.7	307.5	319.4	334.9-338.2 ^b
GDP Per Capita (US\$)	40,100	42,200	43,500	45,300-45,800 ^b
Real GDP Growth (%)	+2.8	+2.4	+2.0	+3.4 ^b
Inflation (% Change in Composite CPI)	+4.4	+3.0	+2.4	+1.4 ^c
Unemployment Rate (%)	3.3	3.3	3.4	3.1 ^d
Retail Sales Growth (%)	-0.2	-3.7	-8.1	-0.6 ^e
Visitor Arrival Growth (%)	+12.0	-2.5	-4.5	+2.4 ^e

a (mid-year of 2017); b (government forecast for 2017) ; c (year-on-year change in January-July 2017) ; d (seasonally adjusted, May-July 2017); e (year-on-year change in January-June 2017)

Hong Kong's Direct Investment in the Chinese Mainland

Projects, contracted and utilized direct investment	2016		1979-2016	
	No./Value	Share of The National Total (%)	No./Value	Share of The National Total (%)
Number of approved projects	12,753	45.7	386,464	44.7
Projects Utilized direct investment (US\$ bn)	81.5	64.7	913.7	51.8

Sources: China Monthly Statistics

Hong Kong's Trade with the Chinese Mainland

Unit (US\$ million)	2016			Jan-Jun 2017		
	Value	Growth (+/-%)	Ranking	Value	Growth (+/-%)	Ranking
Total exports	249,163	0.4	1	123,097	9.5	1
Domestic exports	2,380	-9.2	1	1,032	-2.3	1
Re-exports	246,783	0.5	1	122,065	9.6	1
Imports	245,748	-3.4	1	119,242	6.6	1
Total Trade	494,910	-1.5	1	242,339	8.0	1
Trade Balance	3,415	—	—	3,855	—	—

Current Economic Situation of Pearl River Delta Economic Zone (PRD) 2015*

*** 2016 figures will only be available in November 2017**

The Pearl River Delta economic zone (PRD) is one of China's leading economic regions and a major manufacturing center:

- Real GDP of the PRD grew by an average of 8.6%
- The PRD accounted for 54.1% of Guangdong's population or 4.3% of China's total population
- The PRD accounted for 79.1% of Guangdong's GDP or 9.1% of China's GDP
- The PRD accounted for 94.6% of Guangdong's exports or 26.8% of China's total export
- The PRD accounted for 72.1% of Guangdong's retail sales or 7.5% of China's total retail sales of consumer goods

Corrugated Industry in PRD

- Due to limitation of OCC imports, OCC prices has increased over 100% in 3 months
- As a result Liner and Medium Prices has also went up
- Liner and Medium Prices (2016/11-2017/9) - Increase of 103%

Corrugated Packaging Market Challenges:

- Ever increasing raw materials prices
- Labour costs increase
- CNY-HKD exchange rate are still high
- Facing domestic and overseas competition
- Decreasing exports

Opportunities:

- Focus on domestic market
- Accelerated the mechanization and automation
- Import Paper to lower procurement costs

INDONESIA

Indonesia GDP Annual growth rate up top 5.02% increase from 4.79% in 2015 and expected to growth further to 5.10% in 2017 (though in reality only 5.01% in 1st semester 2017)

Inflation rate in 2016 down to 3.02% from 3.70% in 2015 but expected to increase to 4% in 2017 (while in 1st semester the inflation 2.53%). At present US\$ exchange rate 1 US\$ = RP 13,305. Total Corrugated Production in 2016 3.3 million tons (6.6 billion sqm) up from 3.2 million tons and expected to growth further about 3.12% this year.

The main industries serve my Indonesian Corrugated Box are:

1. Food & Beverage
2. Fast moving consumer goods
3. Electronics & Electrical Products
4. Building related material and ceramic tiles
5. Automotive Industry
6. Fruits & Vegetables
7. Textile Garments & Shoes Boxes
8. Household Products like ceramic wares & furniture

Paper price increase since the last 8 months from December 2016 about 19% for medium and 17% for test liner (US\$ 575 and US\$ 530 respectively in August 2017) while Domestic OCC increase 34% in the same period (US\$ 255 in August 2017)

Industry News / Trends:

1. Corrugated Board Industry in first semester 2017 has been slightly dropped compared to first semester 2016 due to the weakening of Food & Beverage Industry and retail business too.
2. Very aggressive approach from one paper mill on lighter paper gram mage i.e. 90gsm, 100gsm, 110gsm.
3. More automation machine (Robot)
4. Some expansion still going on, about 7 new corrugator lines to be installed in 2017.

MALAYSIA'S TRADE PERFORMANCE IN JANUARY-JULY 2017

TOTAL TRADE	EXPORTS	IMPORTS	TRADE BALANCE
RM 1.008 trill (↑22.7%)	RM 529.68 trill (↑22.3%)	RM 478.71 trill (↑23.0%)	RM 50.97 trill (↑16.3%)

TOP 5 EXPORT PRODUCTS

E&E Product	RM 189.52 bil (35.8% share)	↑21.6%
Petroleum Products	RM 43.11 bil (8.1% share)	↑ 44.9%
Chemical & Chemical Products	RM 39.15 bil (7.4% share)	↑ 18.7%
Palm Oil & Palm Oil Based Agriculture Products	RM 31.11 bil (5.9% share)	↑ 25.3%
Machinery, Equipment & Parts	RM 24.05 bil (4.5% share)	↑ 6.9%

% growth in January-July 2017 compared to January-July 2016

TOP 5 EXPORT MARKETS

ASEAN	RM 156.28 bil (29.5% share)	↑21.8%
PRC	RM 69.17 bil (13.1% share)	↑ 39.4%
EU	RM 54.52 bil (10.3% share)	↑ 23.6%
USA	RM 50.54 bil (9.5% share)	↑ 11.1%
JAPAN	RM 44.03 bil (8.3% share)	↑ 22.4%

rise in the prior month and below market expectations of a 3.3 percent increase. It was the lowest inflation rate since January, mainly due to a slowdown in the cost of food & non-alcoholic beverages, recreation services & culture and transport while inflation was steady for housing & utilities.

MALAYSIA

Mr. Lee Chin Wan (MACCMA) presented the update of Malaysia's corrugated industry (Attachment 7).

Malaysia GDP Growth Beats Estimates in Q2

The Malaysian economy expanded 5.8 percent year-on-year in the second quarter of 2017, compared to a 5.6 percent growth in the previous three months and above market expectations of 5.4 percent. The expansion remained at its strongest level since the March quarter 2015, as private consumption rose at a faster pace and growth in most sectors accelerated

Malaysia Inflation Rate Eases to 6-Month Low Of 3.2% in July

Consumer prices in Malaysia rose 3.2 percent from a year earlier in July of 2017, compared to a 3.6 percent

Malaysia Average Monthly Wages in Manufacturing 2012-2017

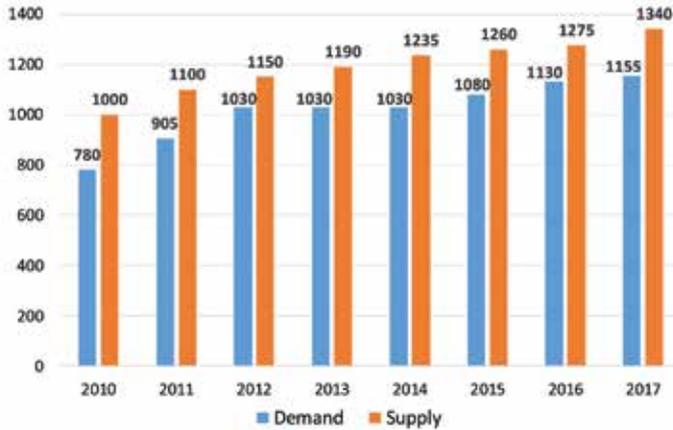
Wages in Manufacturing in Malaysia increased to 3339 MYR/Month in June from 3293 MYR/Month in May of 2017. Wages in Manufacturing in Malaysia averaged 2842.80 MYR/Month from 2012 until 2017, reaching an all-time high of 3344 MYR/Month in December of 2016 and a record low of 2391 MYR/Month in August of 2012.

Paper Price Trend increase 25 – 30%

Corrugated Case Trend

- Increasing demand from e-commerce driving the growth of packaging.
- Malaysia-China economic ties a further boost to export market.
- Advancement in Digital

Malaysia Corrugated Supply Vs Demand ('000MT)



Printing technology complementing flexographic printing.

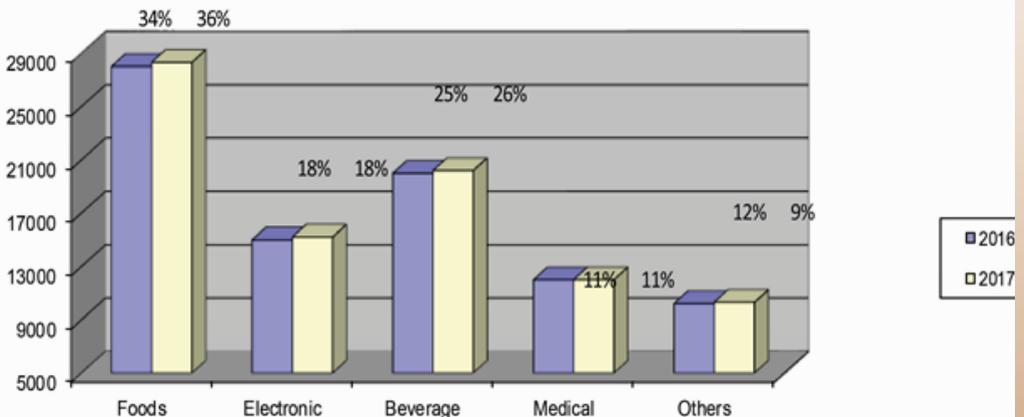
- Paper crisis continues through Q3 2017 with increasing pressure from rising raw material prices.
- Increasing labour cost adding pressure to manufacturing sector.
- Manpower issue.
- New/upgraded machineries – increased capacity.

SINGAPORE

Mr Phua Thye Hin (CBMA) presented the update of Singapore's corrugated industry. **Economy Outlook**

GDP latest forecast to grow 2-3% in 2017

Industry Demand (metric tons)



Positive

- 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.
- Political stable

Negative

- Government tightens the foreign worker supply further with more increase in foreign worker levy and reduce the number. These will have impact to local SME.
- China Economy growth stills not robust
- European financial austerity measures will suppress demand.
- "Brexit" adds to the export woes and "America first" factor.

THAILAND

Khun Varna (TCG) presented the update of Thailand's corrugated industry. Corrugated Industry situation and trend in THAILAND:

- Raw material price increase
- Labor shortage
- Retail Ready Packaging is growing
 - Changing corrugated specifications from RSC to Die-cut
 - Changing board construction to more micro flute
- Substance weight reduction
- Environmental issues ; reduce, reuse and recycled
- Safety Culture
- Automation Investment

Retail Ready Packaging is growing Self-ready packaging (SRP) is

delivered to a retailer in a ready-to-sell merchandised unit. Products which come in SRP can be easily placed on the shelf without the need for unpacking or repacking.

Safety Culture-Life saving Rules

Integrated Safety Concept and standard into working procedure

ACCA Work Plan for Years 2017 / 2018

It was agreed that the next ACCA meeting would be held in conjunction with this SinoCorrugated South 2018 (4 in 1 exhibitions, 10-12 April 2018) in Dongguan, China, hosted by Reed Exhibitions.

For the subsequent ACCA's 22nd AGM in August/September 2018, it was agreed that the choice venue/ host would be either Thailand or Malaysia.

Automation Investment

Automation investment in order to increase productivity and improve product quality.

Increase productivity:

- Increase running speed
- Short set up time
- Minimal man power (lack of Thai worker in Packaging industry)

RSC	--->	W/A, Die cut
Double Wall	--->	Single wall

