



ACCA'S MEETING

HELD ON 9TH APRIL 2018 AT THE

HJ INTERNATIONAL HOTEL, DONGGUAN, CHINA

MR. XU XIAOGUANG
(Hexing/CPF) as President, ACCA expressed his thanks to all participants.

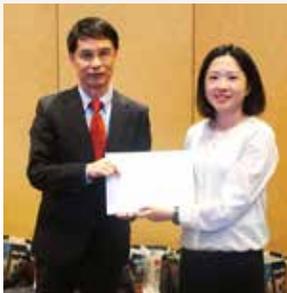
On this meeting we have new member Henkel and the representative of Henkel made a brief introduction Henkel organization and their respective products.

Country Report on Their Local Corrugated Industry Activities and Services

CHINA

China Paper Packaging Industry

In china at present paper only has 32% of the total packaging industry while in Europe has reached 41%. While the consumption per capita only 10% of the develop country therefore the opportunity to grow



is still very promising. We can see from the grow of the China National Paper Product output 68.088 million tons, an increase of 1.55% over the same period of last year. Among them, the output of corrugated cartons was 36,995,500 tons, an increase of 1.67% year-on-year. And the profit grow even much higher. In 2017, the national paper and paperboard container manufacturing industry realized a profit of 1,859.96 billion yuan, a year-on-year increase of 12.60%, an increase of 10.88 percentage points over the same period of 2016, and creating a new normal for the development of China's paper packaging industry.

Characteristics of the development of China's paper packaging industry

First, the industry scale achieved sustained and

steady growth (asset scale, output, output value, total profit, and total import and export volume). The second is the gradual optimization of the industrial structure. Pearl River Delta, Yangtze River Delta, Bohai Economic Zone, Central Plains Economic Zone, and Yangtze River Economic Belt - the five major paper packaging industry regions, accounted for more than 60% of the country's paper packaging industry. Third, the ability to adapt to changes in the market continues to increase. Fourth, diversification of business development approaches and models.

Fifth, the industry has taken a new step towards transformation and development. Intelligent manufacturing and "Internet Plus" have started, automated production lines and the plan to reduce employees from 1,000 person become only 100 persons.

HONG KONG

GBA Facts:

- Total Population: 68M
- Area: 56000 square KM
- Total GPD: USD1.4Trillion
- GDP 12% of China

GBA Aims to:

- Facilitate development advanced manufacturing, innovation, shipping trade and finance,
- Catalyst to the Belt and Road initiative
- 12% of China GDP

Corrugated Industry in the GBA

- Usage in Guangdong:
 - Y2017: 21,770,000T of container board produced
 - Increase of 3.1% year on year
 - Production volume the largest in China (17.3%)
- Over 700 corrugators (over 1.8m) in GBA

Analysis

- Domestic OCC continues to be at a high level
- Rising of pulp prices
- Government enforcement of environmental policies
- Limited New Domestic Supply
- Limited Import Supply still limited => Kraft and Medium Prices continues to be high; depending on market may have drastic increase in 3rd or 4th quarter 2018



Challenges

- Uncertain Market
- Interest Rate Increase in US and Hong Kong
- Trade War between China and US
- RMB Appreciation

INDONESIA

Indonesia Economic Performance in 2017 is quite good with yearly growth increase from 2015 (4.88%), 2016 (5.03%) and 2017 (5.07%) and Indonesia also No 3 in G20 & Brics (China 9%, India 7.4% and Indonesia 5.6%).

PRICES TREND OF DOMESTIC MEDIUM LINER & TEST LINER



Note :

1. Prices per MT in USD
2. Prices based on exchange rate 1 USD = IDR 13.300

MALAYSIA

Malaysia GDP Growth Slows to 5.9% in Q4.

The Malaysian economy advanced 5.9 percent year-on-year in the December quarter of 2017, compared to a 6.2 percent growth in the previous three months and beating market consensus of a 5.7 percent expansion. Private consumption, investment, and exports increased at softer paces while government spending accelerated. For full 2017, the economy grew 5.9 percent, the most in three years.

Malaysia Inflation Rate at 16-Month Low of 1.4%

Consumer prices in Malaysia increased 1.4 percent year-on-year in February of 2018, after a 2.7 percent rise in the prior month while market estimated a 1.9 percent gain. It was the lowest inflation rate since October 2016, mainly due to a slowdown in cost of food & non-alcoholic beverages and housing while prices of transport fell sharply.

Malaysia Average Monthly Wages in Manufacturing 2012-2018

Wages in Manufacturing in Malaysia decreased to 3494 MYR/Month

Malaysia Corrugated Supply Vs Demand ('000MT)



in January from 3568 MYR/Month in December of 2017. Wages in Manufacturing in Malaysia averaged 2896.86 MYR/Month from 2012 until 2018, reaching an all time high of 3568 MYR/Month in December of 2017 and a record low of 2391 MYR/Month in August of 2012.

Corrugated Case Trend

- E-commerce retail market in Malaysia continues to remain robust and growing at an encouraging rate which augurs well for packaging.
- Advancement in digital printing technology posing a challenge to flexographic printing.
- Slower demand for local paper amidst stronger Malaysian Ringgit resulting in local prices partially down in March 2018 after having stabilized in the last quarter of 2017 through February 2018.
- Manpower shortage and high cost of levy forcing industry players to opt for automation.
- New and upgrading of machineries increasing production capacity.

SINGAPORE

S'pore Economy Outlook 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.
- Singapore open economy will suffer if trade war erupts between USA and China

Manufacturing remained resilient (+8.9%) in Feb-18, dispelling concerns after non-oil domestic exports contracted (-5.9%) in Feb. Electronics (+17%) remains the key driver despite our expectations of a moderation due to the high base, boosted by

semiconductors (+27%). All clusters recorded gains in Feb except general manufacturing.

THAILAND

Corrugated Carton Industry Thailand H2/2017 & Outlook H1/2018

Economic situation

- H1/2018: Thai economy in H1/2018 remained strong, supported by expanding in export sector .Thailand's private consumption also improved due to an increase in consumer confidence. Government projects has fueled positive growth in tourism and private investment.
- H2/2018: GDP 2018 is forecasted to grow by 3.6-4.6%: Driven mainly by the export due to the acceleration of the world economic growth. A global trade war from US and China may affect Thai exports. Private investment is expected to rapidly increase by growth in export.



Thailand: Industry Situation H1/2018 and Outlook H2/20

Food and Beverages H1/ 2018

Organic growth in domestic demand. Most producers stimulated market by new products launch and marketing campaigns. Meanwhile,

export continued to grow especially from frozen chicken and canned food due to higher raw mat. supply. Domestic consumption could increase from improved consumer confidence

(+) Food: High growth in poultry exports from secured food safety standards with expected +7% export growth y-o-y.

(O) Beverage: Seasonal low demand during rainy season / new products and sizing strategy play key roles in stimulating sales.

Challenges: New excise tax adjustment both Alcoholic bev. and Sugar tax

Electrical Appliance

Overall production picked up from 2017 , followed by innovative product launched and early summer season. At the same time, export orders remained strong from world economic growth.

Positive outlook for export market

(+) Air conditioner : higher demand both domestic and export.

(+) Washing m/c: Higher production for export markets.

(+) Multifunction copy m/c :

Continued high production to serve export demand.

Challenges: Indirect effect from US trade policy

Consumer Products

Aggressive promotional campaigns and E-Commerce sales channel help boost domestic demand. Growth of diaper products is forecasted to be at 10-15% per year. Export situation slightly improved. MNC producers continue to expand capacity in Thailand

(+) Skin / Hair care: Improve buying activities in export countries esp. Japan, Philippines.

(+) Diapers and Convenience products: Sales expansion to rural areas and online channel.

Challenges: Household indebtedness and consumer confidence.

Corrugated Industry situation and trend in THAILAND

- Labor shortage
- Retail Ready Packaging is growing
- Changing corrugated specifications from RSC to Die-cut
- Changing board construction to micro flute
- Sustainability; reduce, reuse and recycled
- Automation
- Environmental Issue (Waste water treatment ...)

Retail Ready Packaging is growing

Shelf-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

Automation Investment

Automation investment in order to increase productivity, improve product quality and serve E commerce market



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

As usual after the meeting, we have dinner and exchange gift with each country. The next day we all invited for the Hong Kong Association Anniversary Dinner which is amazing for me. The place ... the ceremony.

During this event we also amazed by PackCon - The exhibition Hall for corrugated and other China



RSC W/A → Die cut Double wall Single wall

converter plants display their products. Some innovation and good marketing strategy (will be covered in the Sino Corrugated Dongguan 2018 article on next page).

ACCA'S DINNER

