



ACCA'S MEETING

HELD ON 3TH PROPOSED 2018

AT DOUBLE TREE HILTON – BANGKOK

MR. XU XIAOGUANG (Hexing/CPF) as President, ACCA expressed his thanks to all participants. On this meeting we have two new member LCCA (Srilanka) and EFI. They both make a brief introduction of their organization. Tuti suggested that beside making commercial on the website we also would like to make webinar in addition to the corrugated summit. Any players in this industry is welcome to participate in this events for their new technology or any respective solutions.

CHINA

I. The economic operation overview of the industry.

The industry's main business income from January to June 2018, the main business income



of national enterprises above designated size in the paper and paperboard container manufacturing industry amounted to a total of 153.977 billion RMB, up 10.39% year on year.

While the main economic benefit indicators in the industry from January to June, the accumulated profits of enterprises above designated size reached 7.94 billion RMB, up 4.90% year on year. From January to June, the industry's accumulated profit rate from the main business income was 5.16%, down 0.27% year on year. From January to June, the cumulative loss of the industry was 14.10%, up 0.34% year on year.

The loss of loss-making enterprises was 573 million RMB, a year-on-year increase of 28.78%. The inventory of finished products was 7.027 billion RMB, up 13.15% year on year. Industry

export delivery value from January to June increase of 7.92%. However, in June, it decreased by 3.69 percentage points from May.

II. The current characteristics of China's paper packaging industry development. As a paper packaging industry, faced with a complicated international environment and a harduous new trend of domestic reform, development and stability, we have experienced a high-speed development stage and now have established a considerable industrial scale, becoming an important part of China's manufacturing industry. The industry as a whole has maintained a healthy and sustainable development momentum.

1. The paper packaging industry has five characteristics

- First the industrial scale has been growing in a sustainable and steady fashion.
- Second, the industrial structure is gradually optimized.
- Third, the ability to adapt to market change is enhancing.
- Fourth, the development path and mode of enterprises have presented diversified
- Fifth, the industry made a big stride forward to restructuring as intelligent manufacturing and "Internet plus" have embarked on.

2. Problems

- First, overcapacity and low industrial concentration;
- Second, weak integration of information and industrialization, and poor productivity.
- Third, due to the impact of imported waste paper, the price of waste paper rose and the price fluctuated greatly.

- Fourth, the Sino-US trade war has led to a decline in the packaging of export products.

Corrugated Industry Trend and Challenge

1. Increasing Labor Cost
2. Electricity Problems
3. Environmental Regulations Getting Tougher

HONG KONG

Hong Kong Corrugated Paper Manufacturers Association (Guangdong Hong Kong Macao Greater Bay Area)

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 900 corrugators in GBA

Recent Events

- China US Trade War
- Reminbi Depreciation
- Limit OCC imports
- Chaotic Market Situations

Analysis

- China US trade war highly unpredictable and fluctuating
- Limit of Import OCC drives Paper Prices up
- Slow market demand drives Paper Prices Down
- Excess Capacity Creates too much supply
=> WHO KNOWS?

INDONESIA

INDONESIA'S QUARTERLY GDP GROWTH 2015-2018 (ANNUAL % CHANGE)

Year	Q1	Q2	Q3	Q4	Full Year
2015	4,71	4,66	4,74	5,04	4,9
2016	4,92	5,19	5,01	4,94	5,
2017	5,01	5,01	5,06	5,19	5,1
2018	5,06	5,27	5,4 (Forecast)	5,4 (Forecast)	5,4 (Forecast)

Price Trend of Domestic Medium Liner & Test Liner



Inflation in Indonesia 3.5% (2016), 4.3% (2017) and 3.5% (F 2018)

Industry News / Trends

- Lighter Grammage
 - Medium Liner : From 125gsm to 110gsm & 150gsm to 125gsm
 - Test Liner : From 150gsm to 125gsm
- Demand of RDC boxes increases
- Papermills still enjoying export to China
- Two papermills are converting the existing paper machines producing fine papers into medium/test liners. Expected to run production end of 2018 with 1000TPD Capacity and Q1/2019 with 1500TPD Capacity.

Prices of Domestic OCC



Note:

- Prices per MT in USD
- Prices based on exchange rate 1USD=IDR 13.300, except Apr-July IDR 14.400
- Price based on selling price direct from carton box plants to paper mills

MALAYSIA

Malaysia Q2 GDP Growth Weakest in 1-1/2 Years

The Malaysian economy grew 4.5 percent year-on-year in the second quarter of 2018, following a 5.4 percent expansion in the previous three-month period and missing market consensus of 5.2 percent. It was the weakest growth rate since the fourth quarter of 2016, as net external demand contributed negatively to GDP growth, while private consumption, investment, and government spending continued to increase at a solid pace.

Malaysia June Inflation Rate at Near 3-1/2 Year Low of 0.8%

Malaysia's consumer price inflation eased to 0.8 percent year-on-year in June of 2018 from 1.8 percent in the previous month and below market expectations of 1.3 percent. It is the lowest inflation rate since February 2015, as prices were lower mainly for food and housing, following the withdrawal of a goods and services tax on June 1.

Corrugated Case Trend

- E-commerce packaging market continues its rapid growth bolstered by the presence of e-commerce giants such as Alibaba Group, Amazon and Tencent, driving demand for packaging solution in the Asia Pacific region.
- Advancement of ultra-high speed digital printing technology continues to pose challenges to flexographic printing.
- New Malaysian government reform policies and revelations resulting in uncertainties to the economy.

- New 5-year minimum wages plan from MYR1000 to MYR1500 may add pressure to escalating labour cost.
- Fluctuating Malaysian Ringgit against the US Dollar causing volatile paper demand situation.
- High waste paper inventory in recent months pressing prices of paper down.
- New and upgrading of machineries increasing production capacity.
- Uncertainties from impact of on-going US-China trade war.

SINGAPORE

- Economic outlook
- Market situation
- Industry and Segmental Demand
- Paper price

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

Exports of Non-oil Domestic Exports Of in Singapore increased 4.30 percent in July, recovering from an upwardly revised 11.1 percent fall in June of 2018.

3.9% in June 2018. Excluding biomedical manufacturing, output fell 0.6%.

Manufacturing Output

On a year-on-year basis, Singapore's manufacturing output increased 7.4% in June 2018. Excluding biomedical manufacturing, output grew 5.9%. On a seasonally adjusted month-on-month basis, manufacturing output increased

THAILAND

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

Thailand's Economic Situation
H1/2018: Thai economy in H1/2018 grew by +4.8%, attributed mainly

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

Food & Beverages

Electrical Appliances

Consumer Products

H1/2018

Domestic demand remained stable as new tax affect on beverage industry.

Most produces stimulated market by new products launch and marketing campaigns.

Meanwhile, export continued to grow especially from frozen chicken.

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.

Organic growth in domestic demand driven by promotional campaigns and E-Commerce sales channel. Growth of diaper products is forecasted to be at 10-15% per year. Export situation slightly improved.

H2/2018

Export increase from world economic recovery

(+) Food: Export of frozen chicken and canned tuna are the key driver food industry while noodle and snack may dropped due to customer's health consciousness.

(-) Beverage: Seasonal low demand during rainy season; producers plan to launch new products.

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

Positive outlook for export market

(+) Air conditioner: High export to ASEAN

(-) Washing m/c: Demand remains stable; US market slow down due to Safe guard policy.

(+) Multifunction copy m/c: Continued high production to serve export demand.

Challenges: Indirect effect from US trade policy.

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.

Innovative Circularity of Packaging Chain



to an acceleration of private consumption expenditure along with external demand and continuous expansion of both private and public investment.

H2/2018: GDP 2018 is forecasted to grow by 4.2-4.7%: 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.

Corrugated Industry Challenge

- Labor shortage
- Price squeeze by Customer.....

Corrugated Trends

- Decrease usage of Plastic packaging (Especially single use plastic)

>>> Positive for paper packaging

- Add more Automation in production line
 - Brand owner have more concern and growing demand on Circular Economy / sustainable packaging solutions
- >>> Positive for Paper Packaging

In Conclusion.....

- Prepare for packaging regulation (GMP,BRC/ IOP,SEDEX....)
- Prepare workforce for the future (IT, Mechatronic, Data Scientist ...)
- Keep up to date with New Technologies
 - » Material science, Additive manufacturing
 - » R&D among networks