

BETTER PAPER
BETTER LIFE
以纸为媒 让生活更美好

In-depth discussion on China's containerboard & fluting market --Challenges and Opportunities

Speaker: Wang He

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Vision:

Being a global leading provider of integrated green solutions that creates long-term value for customers

Shanying International Holdings Co., Ltd. (stock code: 600567) is an international enterprise that integrates industrial Internet platforms, comprehensive utilization of green resources, industrial and specialty paper manufacturing, and customization of packaging products. We are committed to building an industrial ecosystem and innovating business models to become “a global leading provider of integrated green solutions that creates long-term value for customers”.



Recycled fiber recovery



Industrial and specialty paper manufacturing



Customized packaging products and services



Industrial Internet

13



Industrial and specialty paper mills

with landing capacity of 8.12 million tons



Packaging product customization

Packaging product customization service provided in Jiangsu, Zhejiang, Anhui, Fujian, Guangdong, Guangxi, Hubei, Shandong, Sichuan, Chongqing, Guizhou, Tianjin and Vietnam, Thailand and other provinces and country.



Industrial and specialty paper manufacturing

- **China**

Industrial packaging paper and specialty paper produced in Ma'anshan, Anhui province, Jiaxing, Zhejiang province, Zhangzhou, Fujian province, Jingzhou, Hubei province, Zhaoqing, Guangdong province, Songyuan, Jilin province and Suzhou, Anhui province.

- **Overseas**

Natural greaseproof paper, specialty kraft paper, high-strength sack kraft paper, electrotechnical paper and absorbent paper produced by **Nordic Paper** in Sweden, Norway and Canada, a company successfully listed on Nasdaq in Sweden in October 2020.

Bleached Hardwood Pulp, UFS and inkjet paper produced by **Phoenix Paper** in Kentucky, USA.

53



Packaging product customization plants

more than 2 billion square meters
customized annually

Figures from Financial Statement 2023

In 2023, Shanying International's operating revenue reached 29.333 billion RMB. The net operating cash flow was 3.167 billion RMB.

8.12 million tons

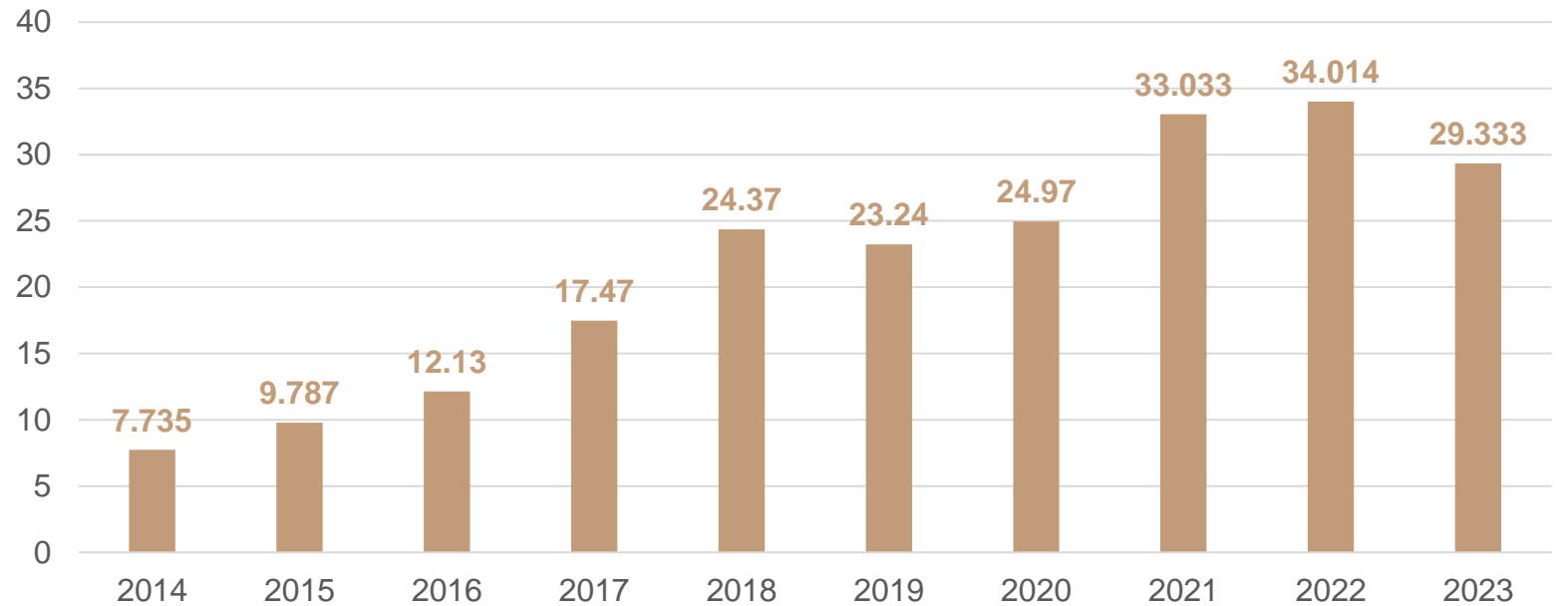
Full-year output of paper BU increased by 10.35% YOY

Over 2 billion square metres

Full-year gross profit margin of packaging BU increased by 2.69% YOY



Shanying International's Business Revenue in the past 10 years
(Unit: 1 billion RMB)



Directory

1. Market overview and trends

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4. Containerboard and corrugated trade

5. The challenge of raw materials

6. Looking ahead, challenges remain

Open-ended topics

1. Market overview and trends

China 's production and consumption of containerboard & fluting from 2014 to 2023

Containerboard

2023' s production 28.95 million tons, an increase of 3.02% over the previous year; Consumption was 34.18 million tons, an increase of 8.20% over the previous year.

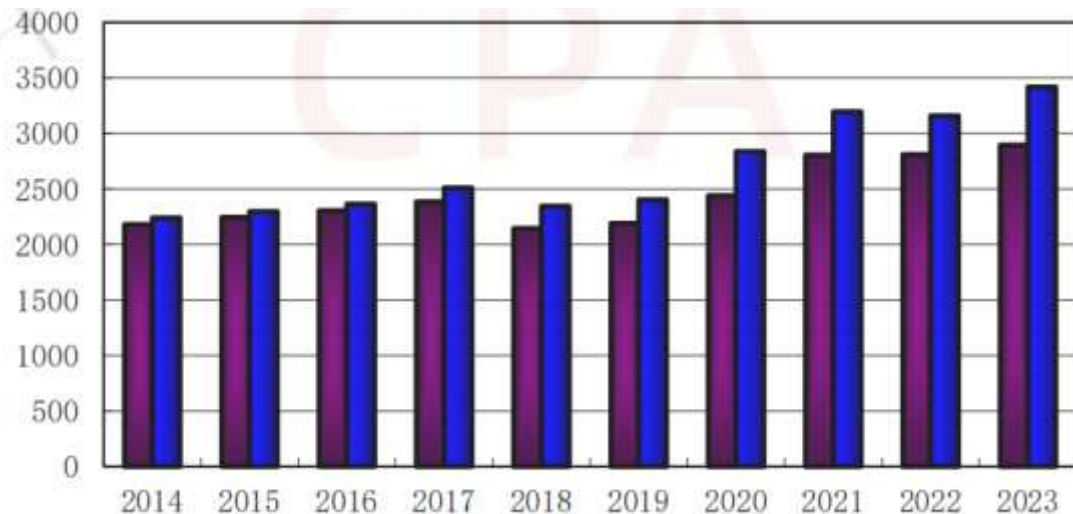
From 2014 to 2023, the average annual growth rate of production is 3.20% and the average annual growth rate of consumption is 4.81%.

Fluting

2023' s production 29.15 million tons, an increase of 5.23% over the previous year; Consumption was 32.72 million tons, an increase of 8.70% over the previous year.

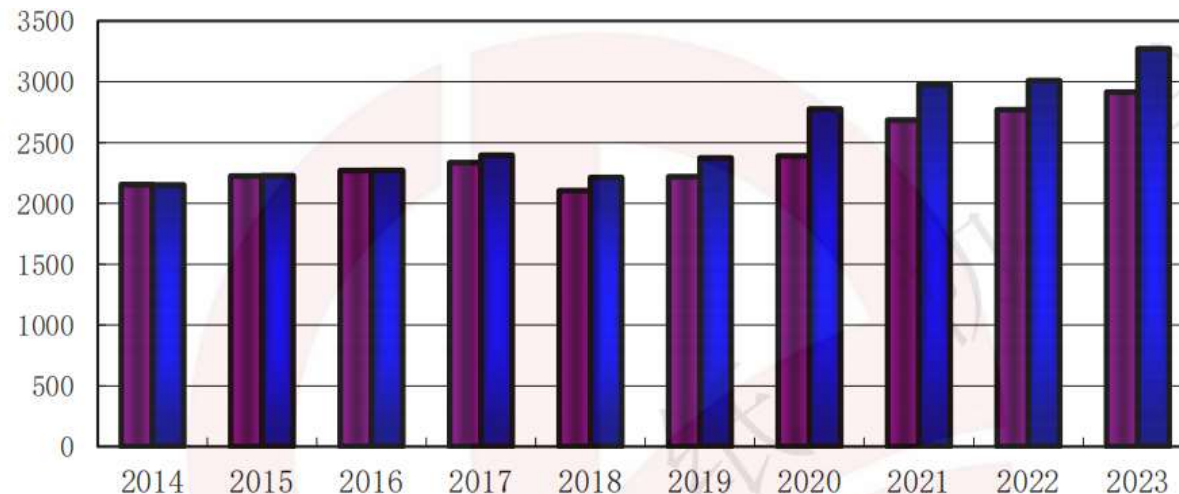
From 2014 to 2023, the average annual growth rate of production is 3.41%, and the average annual growth rate of consumption is 4.77%.

Unit: 10,000 tons Production ■ Consumption ■



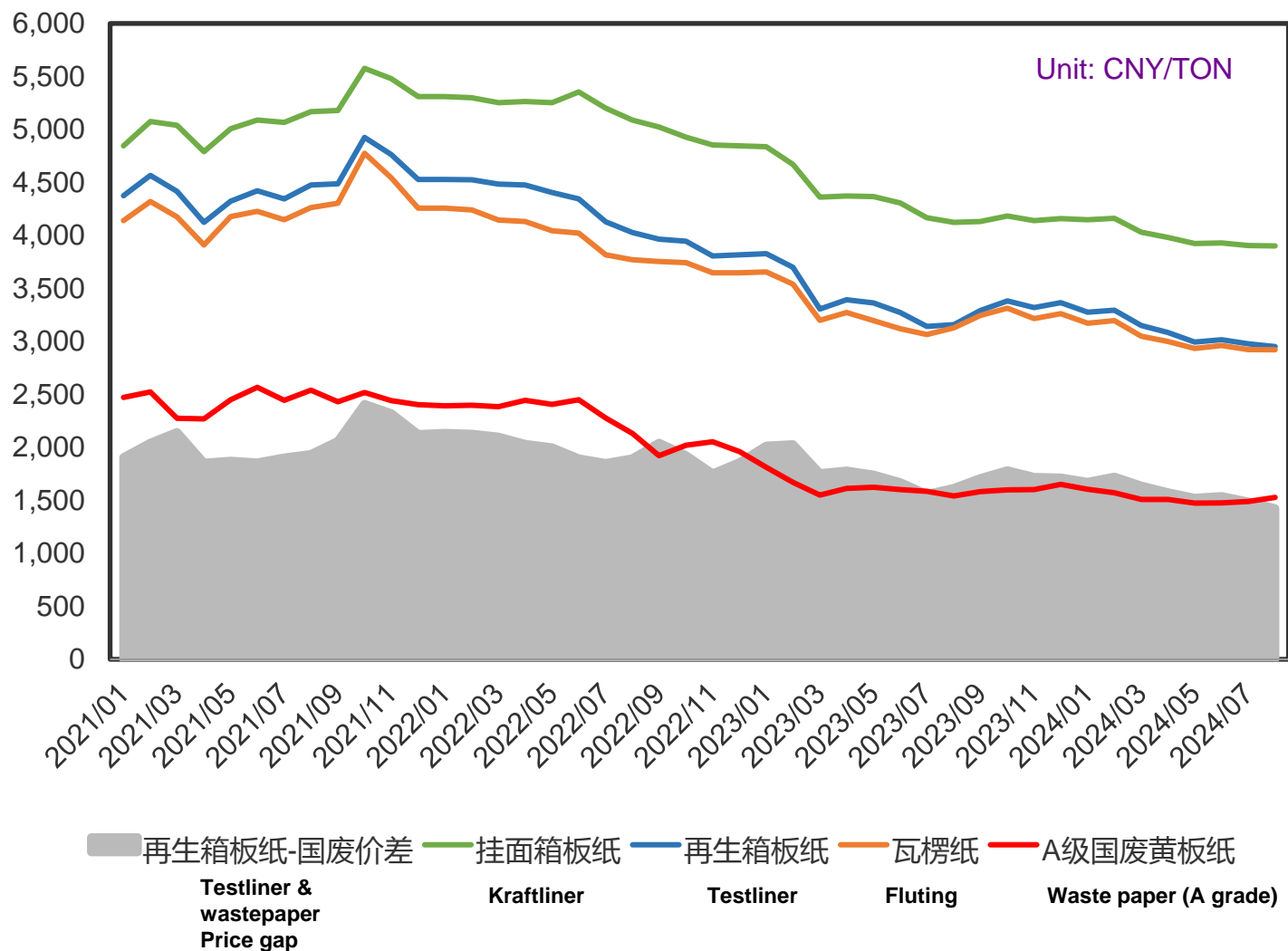
Containerboard production & consumption in 2014~2023

Unit: 10,000 tons Production ■ Consumption ■



Fluitng production & consumption in 2014~2023

1. Market overview and trends



Source: UMPaper

Packaging paper market trend

Since 2021, the price has continued to decline and is now close to its historical bottom.

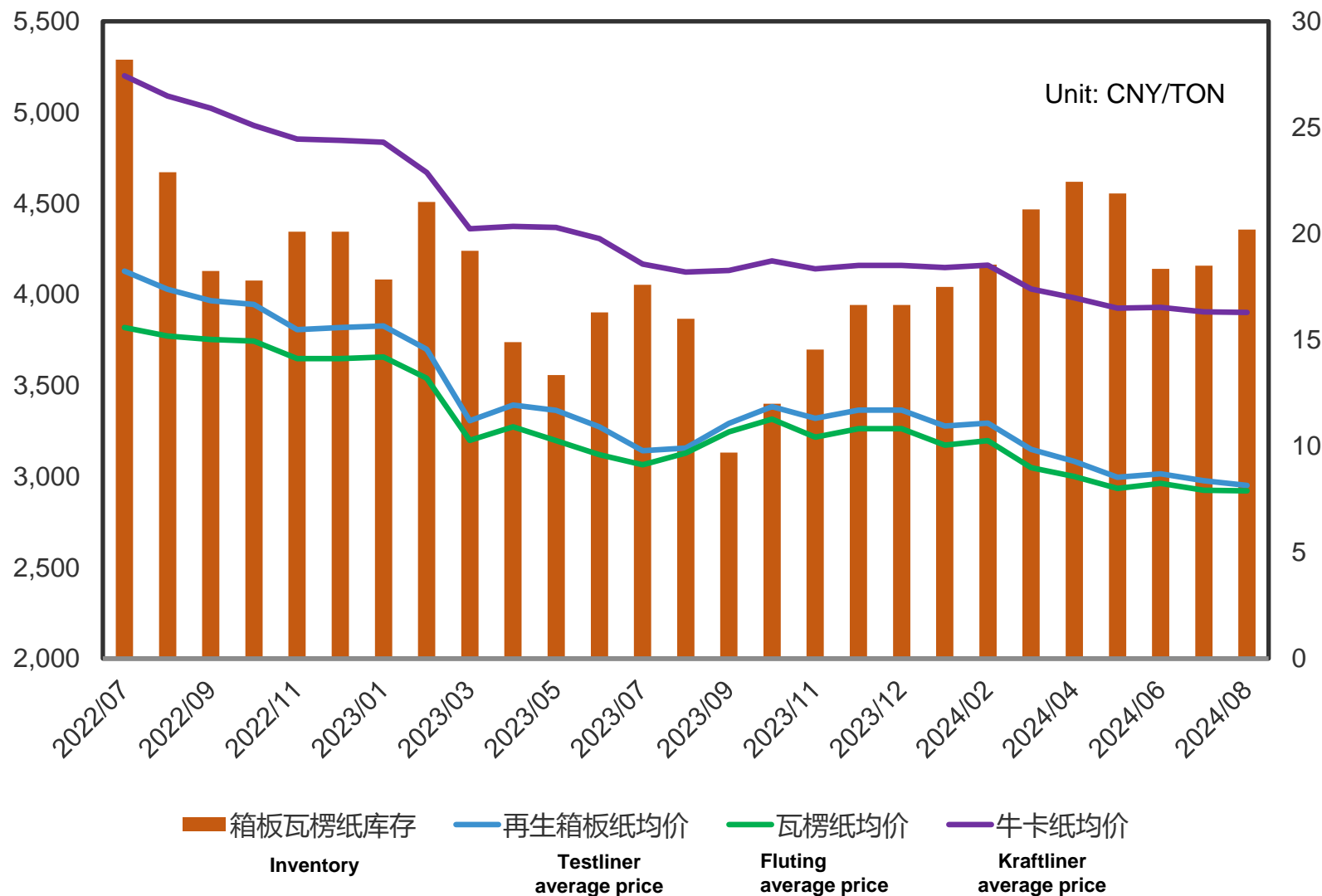
The recent market has an upward trend under the background of the gradual introduction of national stimulus policies, but the sustainability is worth observing

Waste paper market trend

After a sustained sharp decline, although paper mills continue to suppress waste prices this year, the price decline of waste paper (yellow) is limited, and further price suppression will lead to waste paper recycling

Paper mills' margins are extremely compressed

1. Market overview and trends

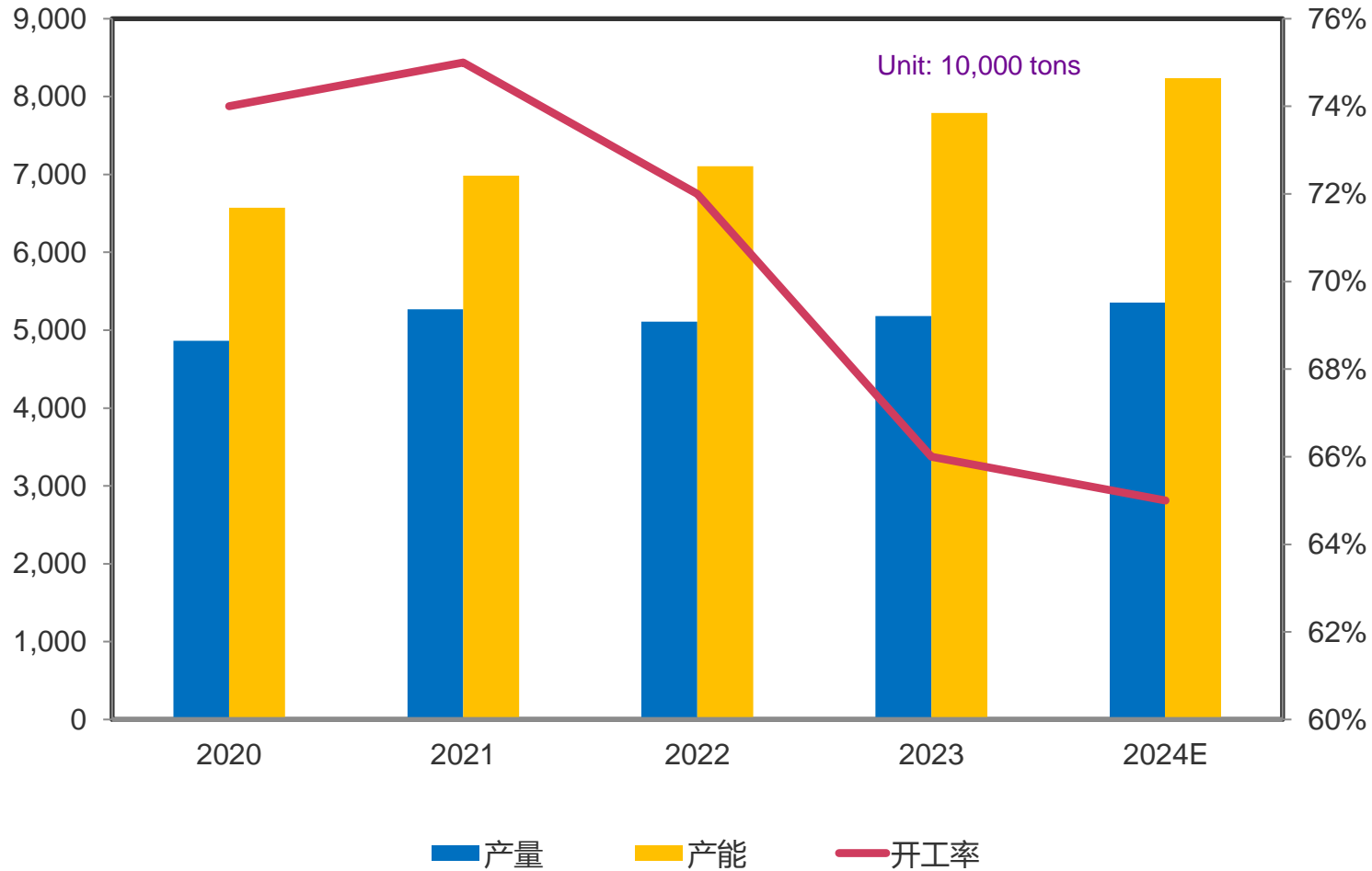


Since the low stock in September last year, the stock of China's paper mills has continued to rise, and has now reached a high level of nearly 20 days

In the same period, the price has gradually decreased, and the paper mill price reduction strategy is still the same, but the effect is diminishing

Under the continuous release of new production capacity, the contradiction between supply and demand in the domestic market continues to be prominent

Difficult to improve the situation of mill' s operating rate in the short term



It is difficult to convert 100% new capacity into production:

- 1) Insufficient support on the demand side**
- 2) The operating rate is down**

Bankruptcy restructurings are emerging

Operation of major mills and packaging plants

Mill Name		Daily production (tons)		Inventory (Day)		Inventory (10,000 tons)		Inventory (10,000 tons)															
						2024-9-9		2024-9-2		2024-8-26		2024-8-19		2024-8-12		2024-8-5		2024-7-29		2024-7-22		2024-7-15	
		Packaging paper	White	Packaging paper	White	Packaging paper	White	Packaging paper	White	Packaging paper	White	Packaging paper	White	Packaging paper	White	Packaging paper	White	Packaging paper	White	Packaging paper	White	Packaging paper	White
N&D	Dongguan	10000	5000	26	16	26.1	8	26.8	7.3	27.4	7.3	27.2	6.2	26.5	6.5	27.8	4.7	27.3	6.1	29	6.6	29.1	6
	Quanzhou	3200		23	/	7.3	/	7	/	7.3	/	6.8	/	6.1	/	5.8	/	6.6	/	6.7	/	6.2	/
	Taicang	7000	1700	20	30	14.3	5.1	14.5	5.2	14.6	5.4	14.4	4.7	13.5	5.2	14	5.3	13.2	5.2	13.4	5.3	12.9	5.3
	Tianjin	5000	1300	18	35	9	4.5	8.5	4	8.7	4	9	4	8	4.5	7.2	5	7	4.5	8	5	8	3
	Hebei	3300		23	/	7.5	/	7	/	7	/	7	/	7.2	/	7.5	/	8	/	8	/	8.2	/
	Shenyang	5200		21	/	11	/	12	/	11.8	/	12	/	12	/	12	/	11	/	12	/	11.5	/
	Sichuan	890		9	/	0.8	/	0.75	/	0.85	/	0.8	/	0.7	/	0.85	/	0.8	/	0.95	/	0.93	/
	Chongqing	4200	1500	15	47	6.2	7	6.1	6.8	6.6	6.9	6.5	7	6.3	7	6.6	6.7	6.2	6	6.5	6	6.1	5.6
	Hubei	3000		24	/	7.3	/	7.6	/	7.1	/	7	/	7.2	/	7.4	/	8.7	/	8.5	/	8.7	/
	Beihai	1500		28	/	4.2	/	4	/	3.9	/	4.1	/	4	/	4.1	/	4.1	/	4.5	/	4.4	/
Total	41790	9500	23		118.3		117.6		118.9		116.7		114.7		115.0		114.7		120.5		115.9		
L&M	Guangdong	5300	1100	27	22	14.5	2.4	14.8	2	14.2	2	13.6	1.6	13.1	1.3	12	2	14.2	1.2	14.5	2	13.9	1.1
	Chongqing	3500		7	/	2.6	/	2.7	/	3.2	/	3.1	/	3.4	/	3.5	/	2.9	/	3.3	/	3.5	/
	Jiangxi	1600		23	/	3.6	/	3.2	/	3.1	/	2.9	/	3.1	/	3.2	/	3.3	/	3.4	/	3.3	/
	Jiangsu	3700		25	/	9.3	/	9.1	/	9	/	8.9	/	9.1	/	9	/	9	/	9.5	/	9.8	/
	Total	14100	1100	21	22	30	2.4	29.8	2	29.5	2	28.5	1.6	28.7	1.3	27.7	2	29.4	1.2	30.7	2	30.5	1.1
Rongcheng	Hubei	3500		17	/	6	/	5	/	5.2	/	5.4	/	4.3	/	4.8	/	5	/	4.5	/	3.8	/
	Pinghu+Wuxi	4000		11	/	4.4	/	2.8	/	3.4	/	3.5	/	3.6	/	3.2	/	3.4	/	2.9	/	2.8	/
	Total	7500		14	/	10.4	/	7.8	/	8.6	/	8.9	/	7.9	/	8	/	8.4	/	7.4	/	6.6	/
Others	Zhejiang Jingxing	4000		11	/	4.56	/	4.2	/	5	/	4.97	/	5.22	/	5.2	/	6.6	/	6.4	/	6.4	/
	Yangzhou YFY	2800		11	/	3.2	/	3	/	2.8	/	3.7	/	3.6	/	4	/	4.2	/	4.3	/	4.2	/
	Sunshine	1000	3000	21		8.5		8.3		8		7.7		7.6		7.6		7.7		7.4		7.1	
	Sun Paper	4600		17	/	8	/	7.7	/	7.4	/	7.1	/	7.1	/	7.2	/	7.2	/	6.9	/	6.6	/
	Lian sheng	5000	2000	25	29	12.3	5.7	12	5.3	11.5	5.5	13	5	12	5	12	5	11.8	5	11.5	5	11	5.5
	Jian hui	2000	1500	13		2.6		2.8		3		2.6		2.4		2.7		2.8		3.2		3	
	Dongguan Jin zhou	4000		15	/	6	/	6.2	/	6.5	/	5.8	/	5.7	/	5.7	/	6.1	/	6.1	/	5.7	/
	Anhui Lin ping	3600		6	/	2	/	2.4	/	2.3	/	2.4	/	2	/	2.5	/	2	/	2	/	1.9	/
	Henan long yuan	2000		13	/	2.5	/	2.4	/	2.2	/	2.1	/	2.2	/	2.4	/	2.4	/	2.3	/	2.2	/
	Jin feng huang	4400		3	/	1.5	/	1.1	/	1.2	/	1	/	1.6	/	1.7	/	1.5	/	1.7	/	1.8	/
Shan Ying	Anhui	5600		13	/	7.34	/	6.88	/	7.09	/	7.23	/	7.09	/	7.23	/	7.24	/	7.56	/	7.17	/
	Zhejiang	4600	1500	12	27	5.31	3.98	4.61	4.09	5.57	4.30	5.88	4.40	6.02	4.40	6.18	4.38	5.91	4.40	6.23	4.51	5.91	4.35
	Hubei	3200		9	/	2.83	/	2.49	/	2.16	/	2.58	/	2.73	/	2.64	/	3.28	/	3.88	/	3.66	/
	Fujian	2600		9	/	2.41	/	2.21	/	2.63	/	2.37	/	1.78	/	1.89	/	2.06	/	2.03	/	1.58	/
	Guangdong	3400		7	/	2.27	/	2.13	/	3.40	/	3.89	/	3.24	/	2.65	/	2.78	/	3.29	/	3.56	/
	Jilin	780		15	/	1.14	/	1.47	/	1.60	/	1.47	/	1.33	/	1.05	/	0.78	/	0.63	/	0.43	/
Total	20180	1500	11	27	21.29	3.98	19.79	4.09	22.46	4.30	23.41	4.40	22.20	4.40	21.64	4.38	22.05	4.40	23.63	4.51	22.31	4.35	

The opening probability of the packaging plants are basically 60%~70%, the inventory is generally about 20-25 days, the market fluctuation is unstable, the on-demand procurement is mainly, and the inventory is extremely compressed.

Packaging plants in some areas put into production 2.8-3 meters of new corrugator, with the same demand and reduced production time.¹⁰

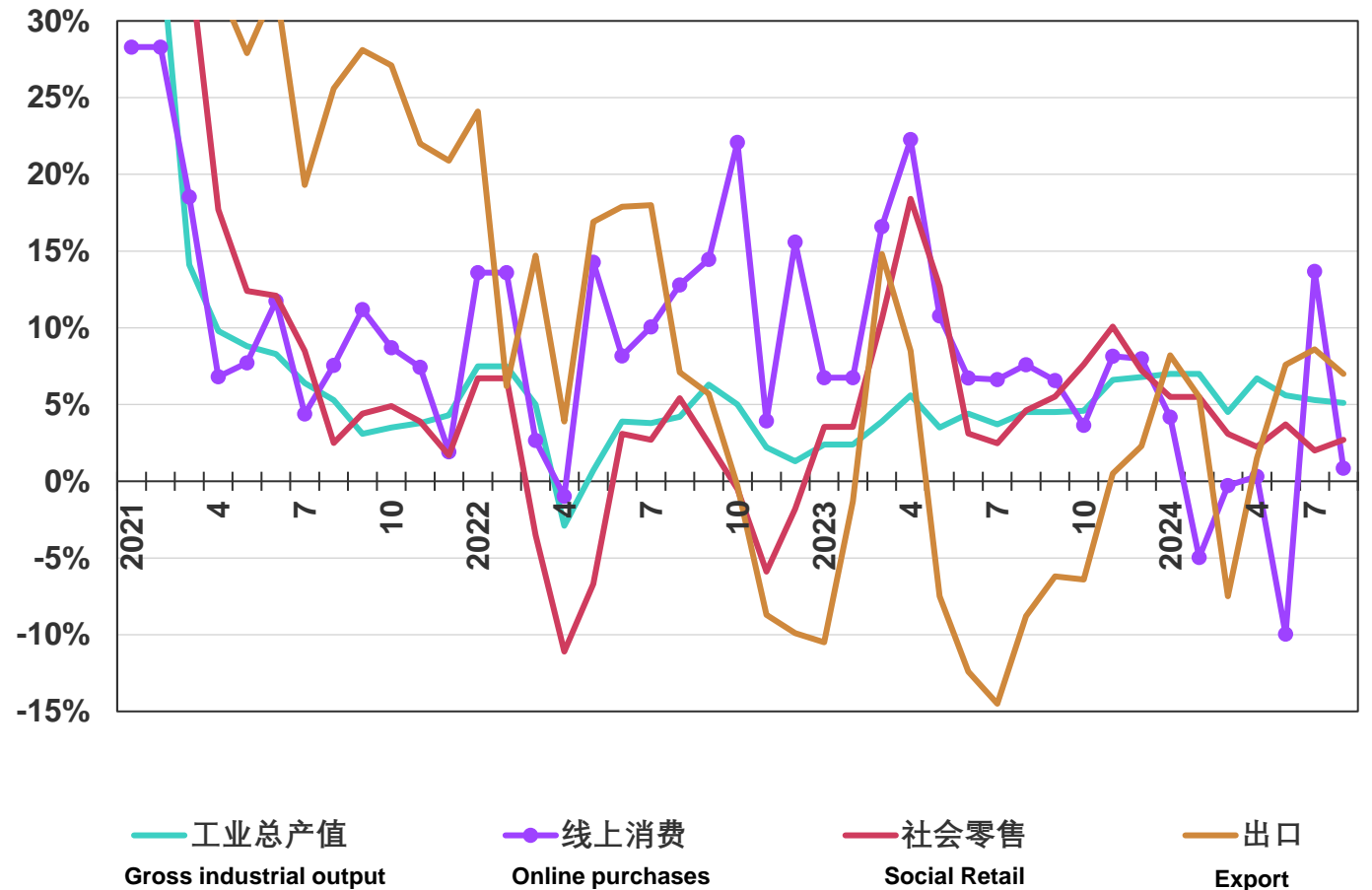
2. Market demand analysis

The rebound in domestic containerboard corrugated demand is weak, and the peak season is not prosperous.

The post-pandemic recovery of goods and services has been uneven, with services recovering relatively quickly, but product consumption recovering relatively slowly, and consumer confidence is sluggish.

High inflation in overseas developed countries suppresses product demand, resulting in pressure on the China export sector, while changes in the structure of export products also affect carton demand.

It remains to be seen how effective the government's new round of stimulus policies will work, and it will take time, and the current domestic PMI is still in the contraction range below 50.



2. Market demand analysis

Containerboard supply and demand balance sheet

Unit: 10000 tons

Index	2019	2020	2021	2022	2023
Beginning inventory	183	168	250	331	324
Capacity	2503	2695	2769	2692	2806
Import	220	406	394	359	532
Total supply	2906	3269	3413	3382	3662
Domestic consumption	2731	3012	3074	3047	3353
Export	7	7	8	11	9
Total demand	2738	3019	3082	3058	3362
Ending inventory	168	250	331	324	300

From 2019 to 2023, the supply and demand gap of the containerboard will show an inverted "V" shaped change, and the supply and demand gap will decline in 2022 and 2023, and the supply and demand relationship will ease slightly, but the supply and demand gap is still at a high level, and the contradiction between supply and demand is still prominent, mainly affected by the fact that there is more new production capacity and the demand recovery is less than expected.

2. Market demand analysis

Fluting supply and demand balance sheet

Unit: 10000 tons

Index	2019年	2020年	2021年	2022年	2023年
Beginning inventory	97	105	159	189	184
Capacity	2107	2152	2187	2087	2162
Import	157	397	302	243	359
Total supply	2361	2654	2648	2519	2705
Domestic consumption	2251	2490	2454	2331	2525
Export	5	5	5	4	5
Total demand	2256	2495	2459	2335	2530
Ending inventory	105	159	189	184	175

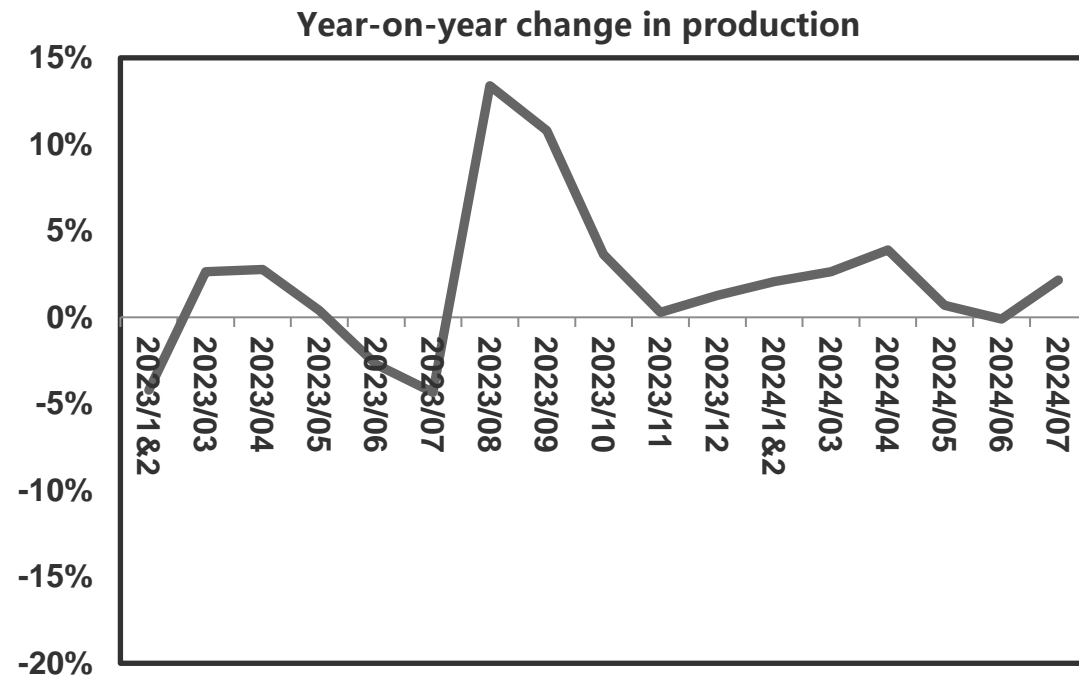
From 2019 to 2023, the difference between supply and demand in the fluting showed a trend of first increase and then decrease, mainly affected by multiple factors such as new production capacity, import increase, and slow recovery of demand

3. Market supply analysis

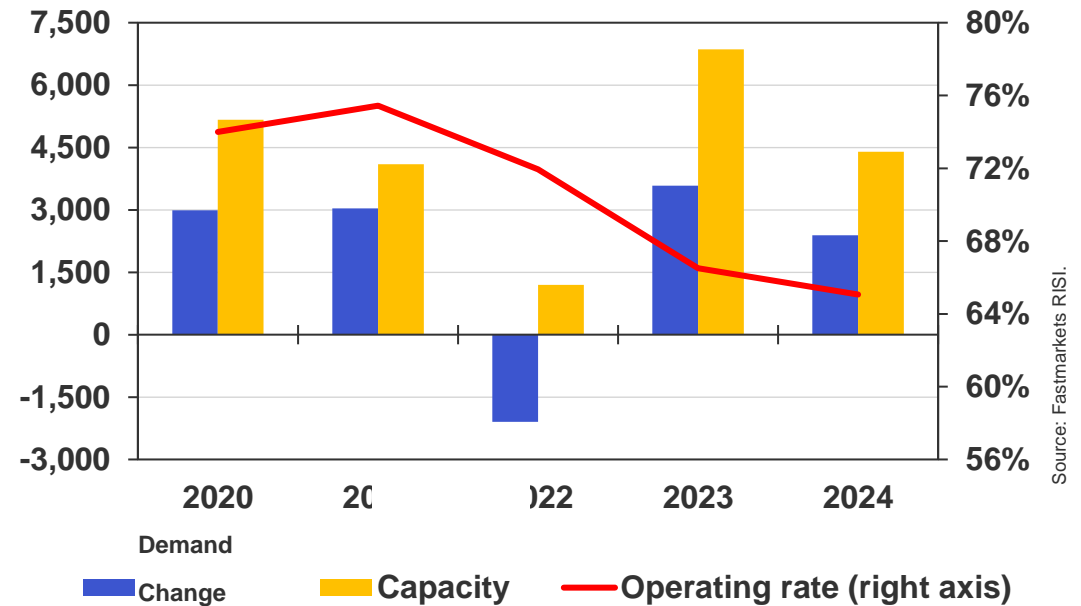
The market supply is sufficient, and China packaging paper output has increased by only 2%

1. The market shutdown is relatively reduced: the Spring Festival is normally shut down, and big mills are less shut down after the festival

2. But in the same period, as of August this year, the new production capacity continued to grow by 3.55 million tons, making the overall operating rate of the industry is still declining, and the closure of small and medium-sized factories in the region began to appear



Source: UMPaper



Source: Fastmarkets RISI

Source: Fastmarkets RISI

3. Market supply analysis

2024 New production capacity

Product	Company Name	Capacity (10,000 tons)	Expected start
FLuting	Henan Xinxiang Henry Paper Co., Ltd	30	2024
FLuting	Shandong Renfeng Special Materials Co., Ltd	30	2024
FLuting	Hubei Zhixing Paper Co., Ltd	30	2024
FLuting	N & D(Hubei)Co., Ltd	60	2024
FLuting	Guizhou Pengsheng (Group) Paper Co., Ltd	25	2024
Container board	Shandong Sun Honghe Paper Co., Ltd	80	2024
Container board	Henan Longyuan Paper Co., Ltd	40	2024
Container board	Henan Yadu Paper Co., Ltd	35	2024
Container board	Linshu Huaxing Paper Co., Ltd	20	2024
Container board	Hubei Zhixing Paper Co., Ltd	30	2024
Container board	N&D(Hubei) Co., Ltd	60	2024
Container board	Guizhou Pengsheng (Group) Paper Co., Ltd	35	2024
Container board	Yiliang Red Star Brothers Paper Co., Ltd	20	2024
Container board	Guizhou Shengshi Rongchuang Regeneration Technology Co., Ltd	30	2024
Container board	Yunnan Dongsheng Paper Co., Ltd	20	2024
Container board	Shaanxi Wugong Oriental Paper Group Co., Ltd	50	2024

2025~2028 New production capacity

Product	Company Name	Capacity (10,000 tons)	Expected start
FLuting	Guiping Qiaoyu Paper Co., Ltd	12	2025
FLuting	Henan Longyuan Paper Co., Ltd	40	2025
FLuting	Henan New Asia New Technology Packaging Materials Co., Ltd	35	2025
FLuting	ShanYing Paper(Suzhou)Co., Ltd	40	2025
FLuting	Henan Xinxiang Henry Paper Co., Ltd	30	2024
FLuting	ShanYing Paper(Suzhou)Co., Ltd	50	2025
Container board	Guiping Qiaoyu Paper Co., Ltd	33	2025
FLuting	Shandong Renfeng Special Materials Co., Ltd	30	2024
FLuting	Hubei Zhixing Paper Co., Ltd	30	2024
FLuting	N & D(Hubei)Co., Ltd	60	2024
Container board	Guangxi Jianhui Paper Co., Ltd	120	2025
Container board	Henan New Asia New Technology Packaging Materials Co., Ltd	65	2025
FLuting	Guizhou Pengsheng (Group) Paper Co., Ltd	25	2024
FLuting	Jiangxi Xinfuyuan Paper Co., Ltd	10	2026
FLuting	Jiangsu Shangshan Paper Co., Ltd	45	2026
Container board	Anhui Zhaolong Paper Co., Ltd	20	2026
Container board	Taizhou Senlin Paper Co., Ltd	50	2026
FLuting	Yiwu Yinan Paper Co., Ltd	50	2027
FLuting	Taizhou Senlin Paper Co., Ltd	50	2027
Container board	Shandong Sun Honghe Paper Co., Ltd	80	2024
Container board	Anhui Zhaolong Paper Co., Ltd	20	2027
Container board	Henan Longyuan Paper Co., Ltd	120	2027
Container board	Henan Longyuan Paper Co., Ltd	40	2024
Container board	Henan Yadu Paper Co., Ltd	35	2024
Container board	ShanYing Paper(Suzhou)Co., Ltd	40	2027
Container board	ShanYing Paper(Suzhou)Co., Ltd	50	2027
Container board	Linshu Huaxing Paper Co., Ltd	20	2024
Container board	Hubei Zhixing Paper Co., Ltd	30	2024
Container board	N&D(Hubei) Co., Ltd	60	2024
FLuting	Guiping Qiaoyu Paper Co., Ltd	35	2028
FLuting	Kunming Zhongxiang Paper Co., Ltd	20	2028
Container board	Guizhou Pengsheng (Group) Paper Co., Ltd	35	2024
Container board	Yiliang Red Star Brothers Paper Co., Ltd	20	2024
Container board	Guizhou Shengshi Rongchuang Regeneration Technology Co., Ltd	30	2024
Container board	Yunnan Dongsheng Paper Co., Ltd	20	2024
Container board	Shaanxi Wugong Oriental Paper Group Co., Ltd	50	2024
Container board	Guiping Qiaoyu Paper Co., Ltd	33	2028
Container board	Yiwu Yinan Paper Co., Ltd	50	2028

3. Market supply analysis

Sufficient supply: In recent years, a large number of new production capacity

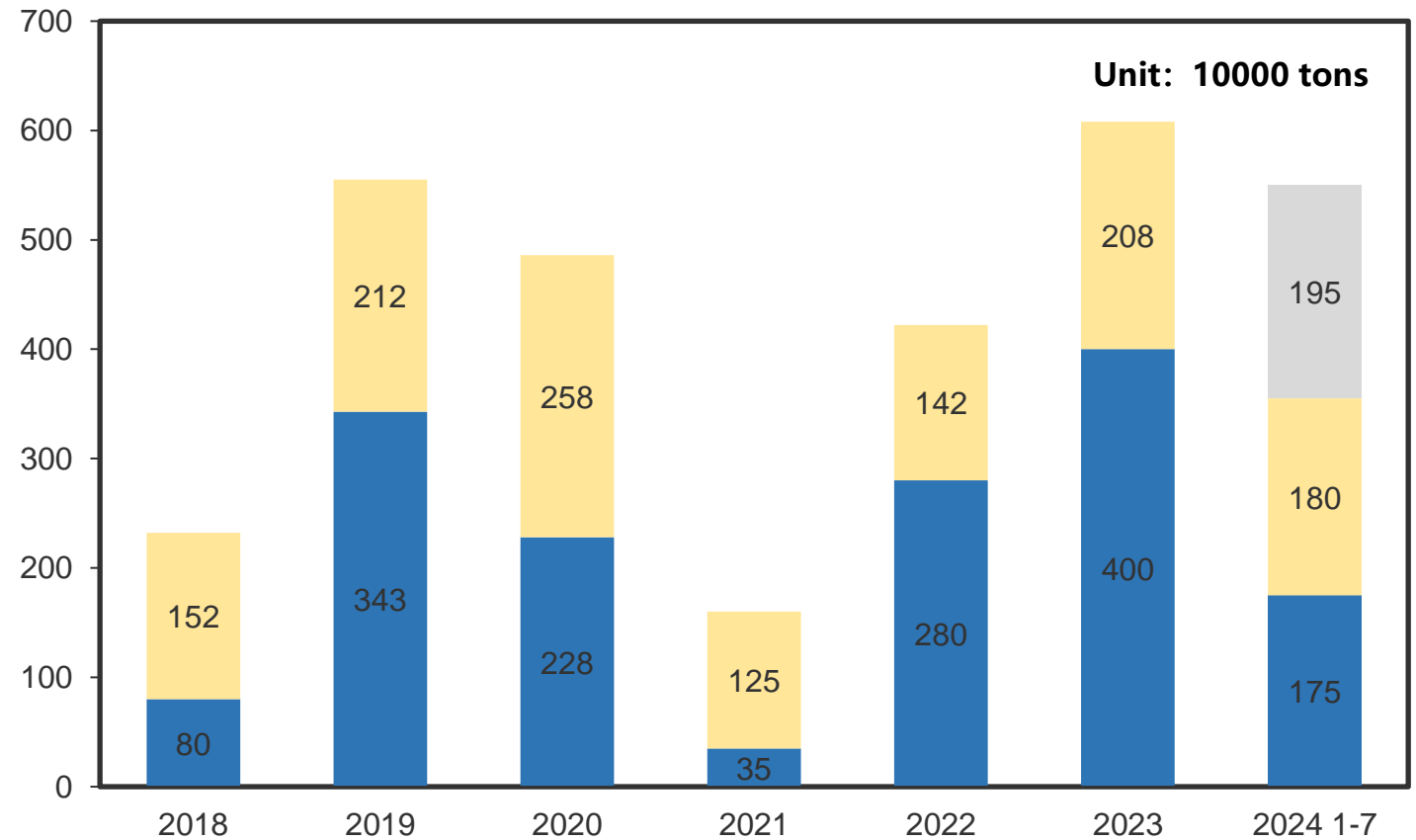
In the past five years, with the exception of 2021, the annual added capacity of the rest of the year has been 4-5 million tons, and last year it was more than 6 million tons.

From January to August this year, the China packaging paper added 3.55 million tons of production capacity, and the actual annual new production capacity is expected to exceed 5 million tons.

In 2025 and after the packaging paper production capacity is still large

1. Announced production capacity of more than 20 million tons

2. The big mills' planning has decreased



■ 箱板纸 Containerboard
 ■ 瓦楞纸 Fluting
 ■ 计划投产项目 Planned project

Source: UMPaper

4. Containerboard and corrugated trade

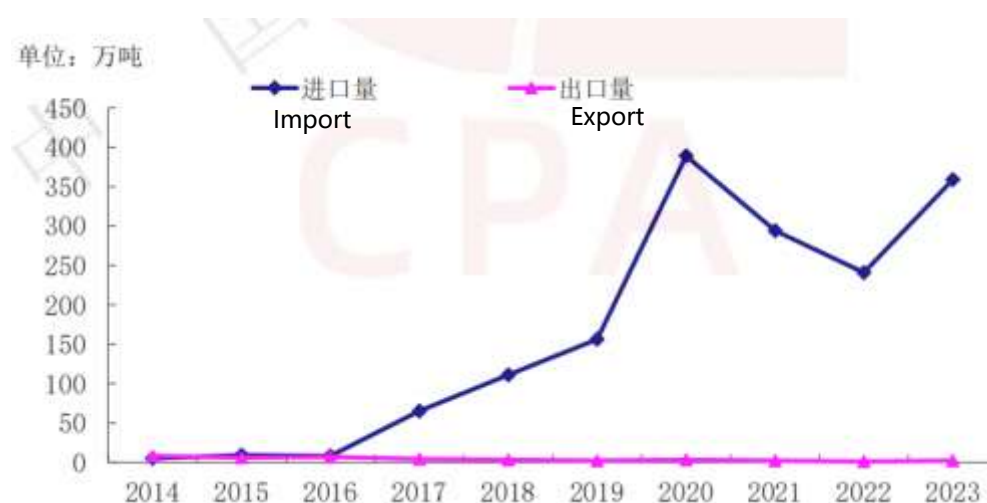
The zero-tariff policy continues, and the import of packaging paper has increased sharply in recent years, with a total of 4.97 million tons of imported paper from January to July this year, a slight increase of 6% year-on-year, but there is a differentiation between different paper grades.

China's containerboard and fluting import and export situation in 2014~2023

Containerboard: net imports of 5.23 million tons in 2023



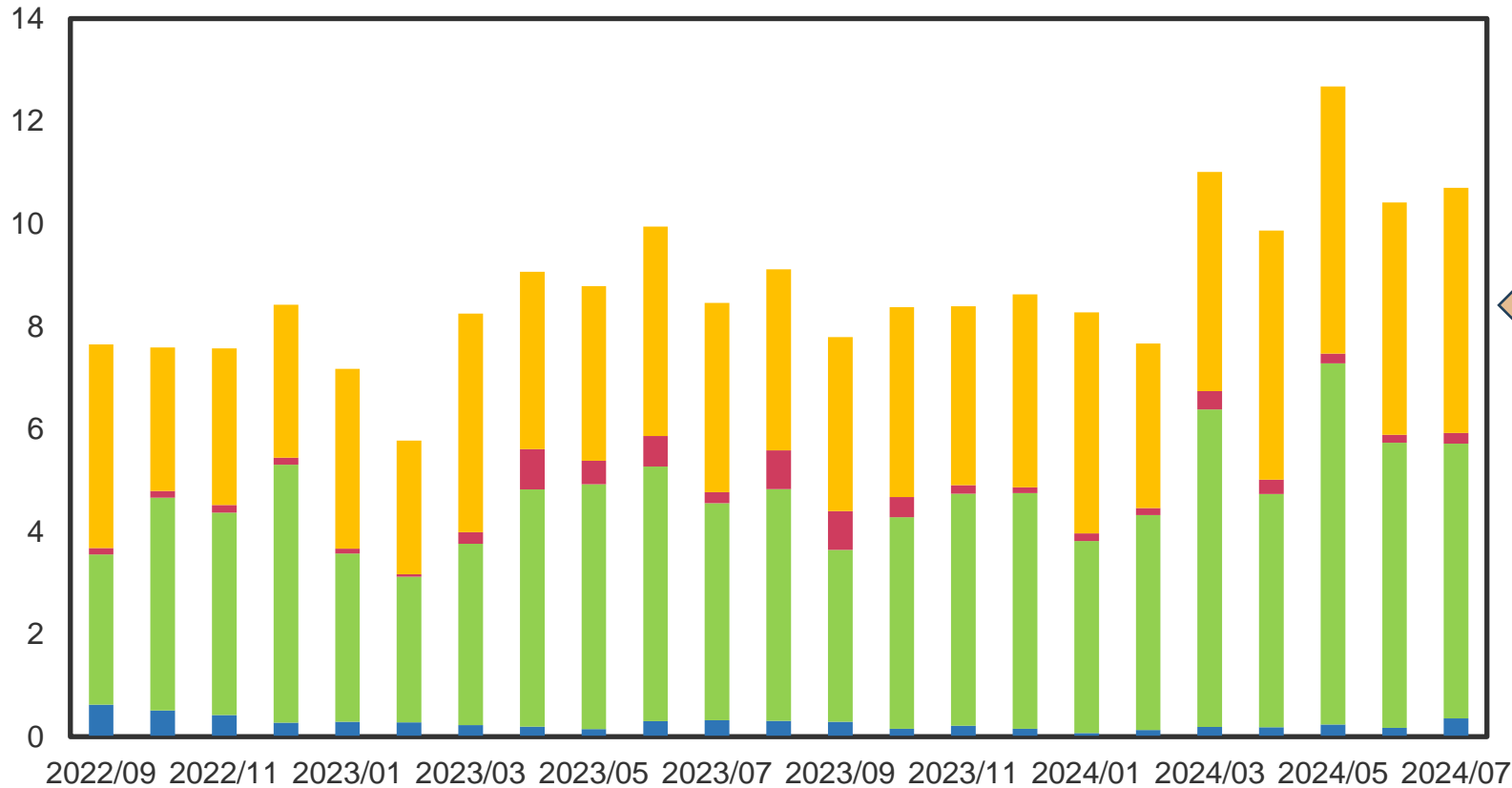
Fluting: net imports of 3.57 million tons in 2023



Source: China Paper Association

4. Containerboard and corrugated trade

Overseas new capacity to stimulate the growth of imported paper: imported kraftliner growth of 23%



In the past two years, Kraftliner imports have resumed growth, of which Russia has significantly increased due to the release of new capacity of ILIM 's Ust-Ilimsk. The high price Kraftliner from United States will continue decline.

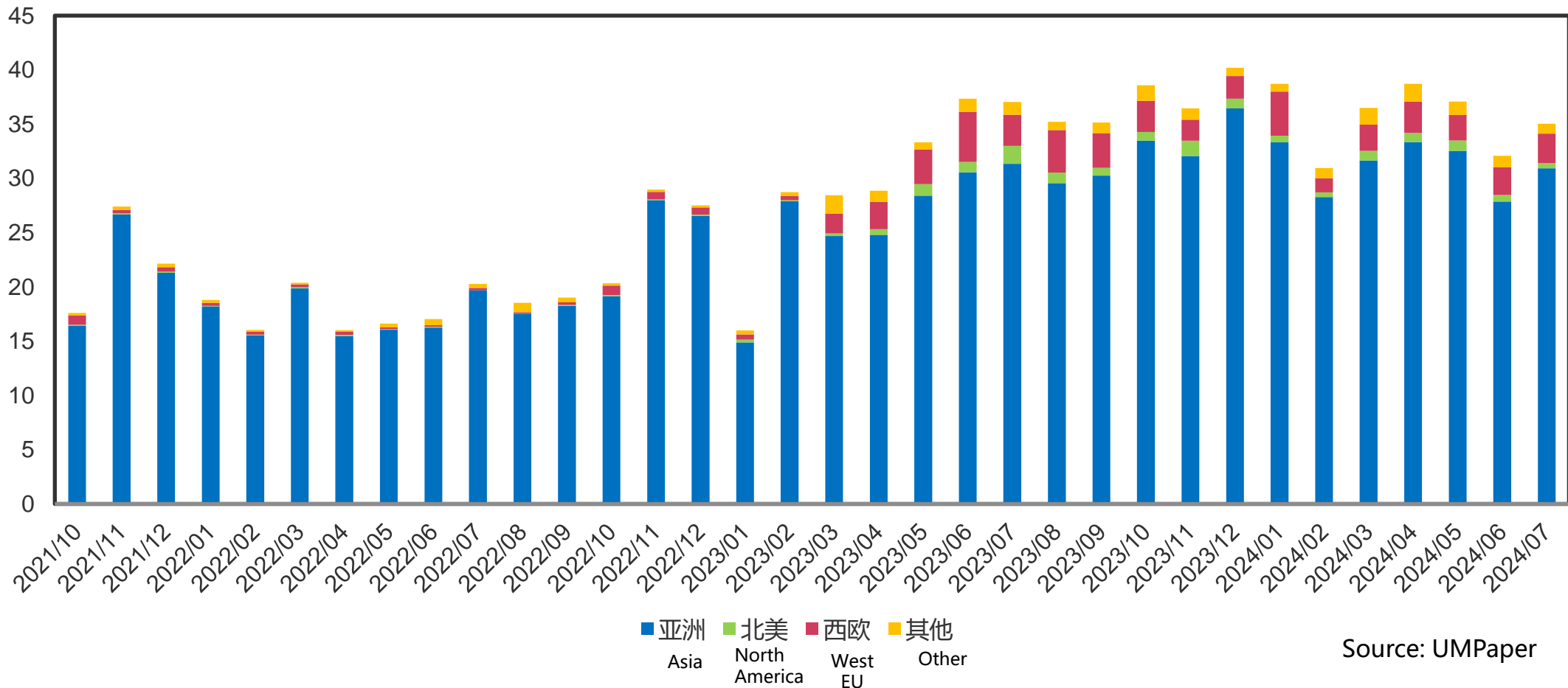
■ 亚洲 Asia
■ 北美 North America
■ 西欧 West EU
■ 其他 Other

Source: UMPaper

4. Containerboard and corrugated trade

From January to July this year, China imported 2.49 million tons of recycled containerboard, a year-on-year increase of 19%

Since the import of waste paper to zero in 2020, some Chinese paper mills have invested in Southeast Asia, and this part of the production capacity has been gradually put into operation in the past two or three years, resulting in a large number of recycled containerboard from Southeast Asia being imported to China, impacting the domestic high-end market.

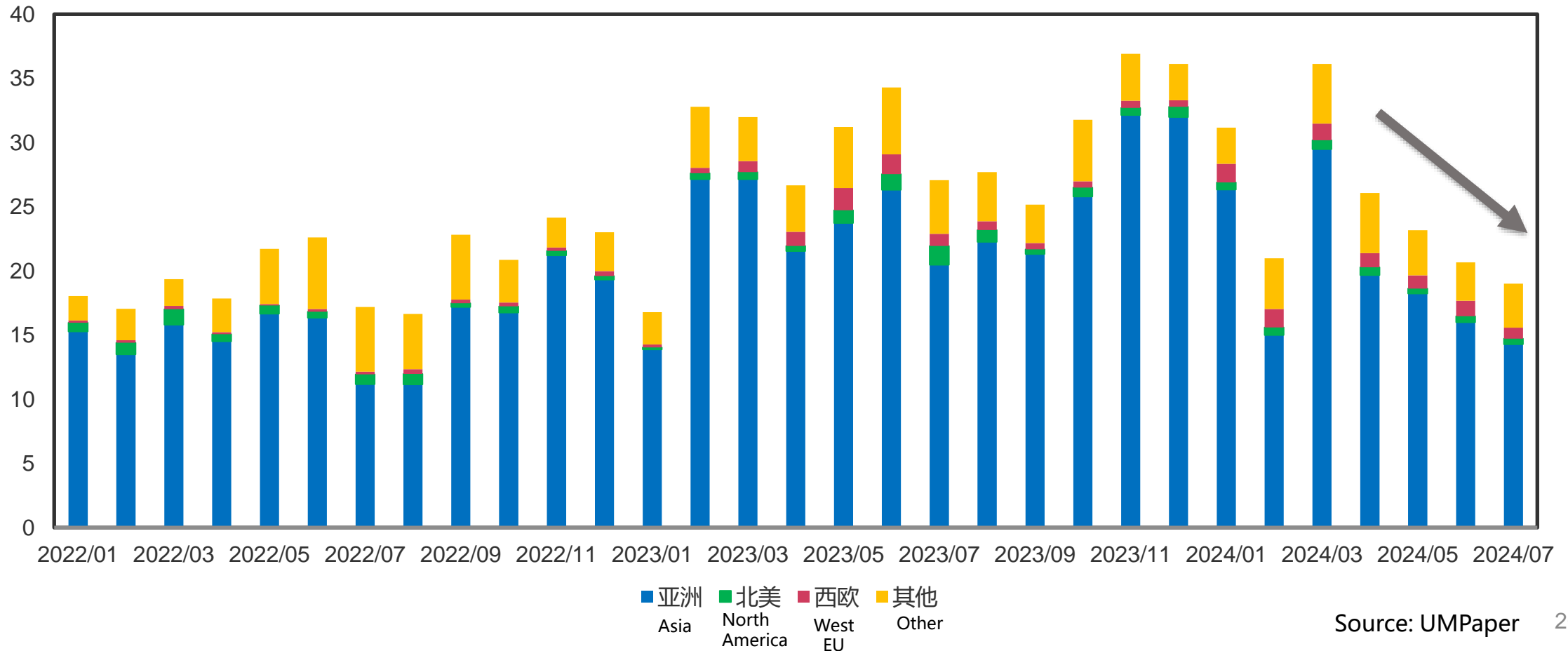


4. Containerboard and corrugated trade

Fluting imports fell month-on-month, with a total of 1.77 million tons of fluting imports in the first seven months, a year-on-year decrease of 9%.

Different from recycled containerboard, China fluting imports declined significantly in recent months, mainly because China fluting prices are at historical locations, plus the continued appreciation of the US dollar, and importers continue to lose money

Note: Indonesia and Vietnam mainly high grammage fluting, Russia and South Korea mainly interliner



4. Containerboard and corrugated trade

Import status of each grade

High burst: Have advantage on production cost, the main supply of Laos Sun paper Gold sun T, Malaysia L&M HT, Malaysia Nine Dragons, etc., the price recently fell by more than CNY 100, CNY 3800 CFR orders in November (specific prices by region), and the index is high, low attenuation

Burst 2.8-3.0 grade: The index is high in burst , low in folding resistance, but the price is cheap, which takes a differentiated route, such as Vietnam HKB burst above 3.0, the price is CNY 3150, Taiwan Zhenglong burst above 2.8, the price is about CNY 3200;

Burst 2.4-2.5 grade : Some paper mills have higher short-term price and cost, and generally cannot enter, and now the main force is Vietnam TC which is about CNY 3030.

T grade: The general price is inverted with the Chinese standard price, so lower grammage , such as Spain SAICA 75g, at the beginning of the year is CNY3050, and now there is a T 70g from Indonesia which is about CNY 3000.

Fluting: high-gsm mainly from APP, Fajar 120g, price is about CNY 2720, with China price go down, there are also cheap small mills CNY2550 offers, so generally imported fluing is 85-90 grams.

Interliner: China production is now more, import price are falling, South Korea 45g CNY3600 for CFR price , CNY 3630 for inventory; 42g CNY 3700 for CFR

Kraftliner: US prices continue to rise, imports decline more; Russia' s kraftliner performance eye-catching, DAP price is about 4300

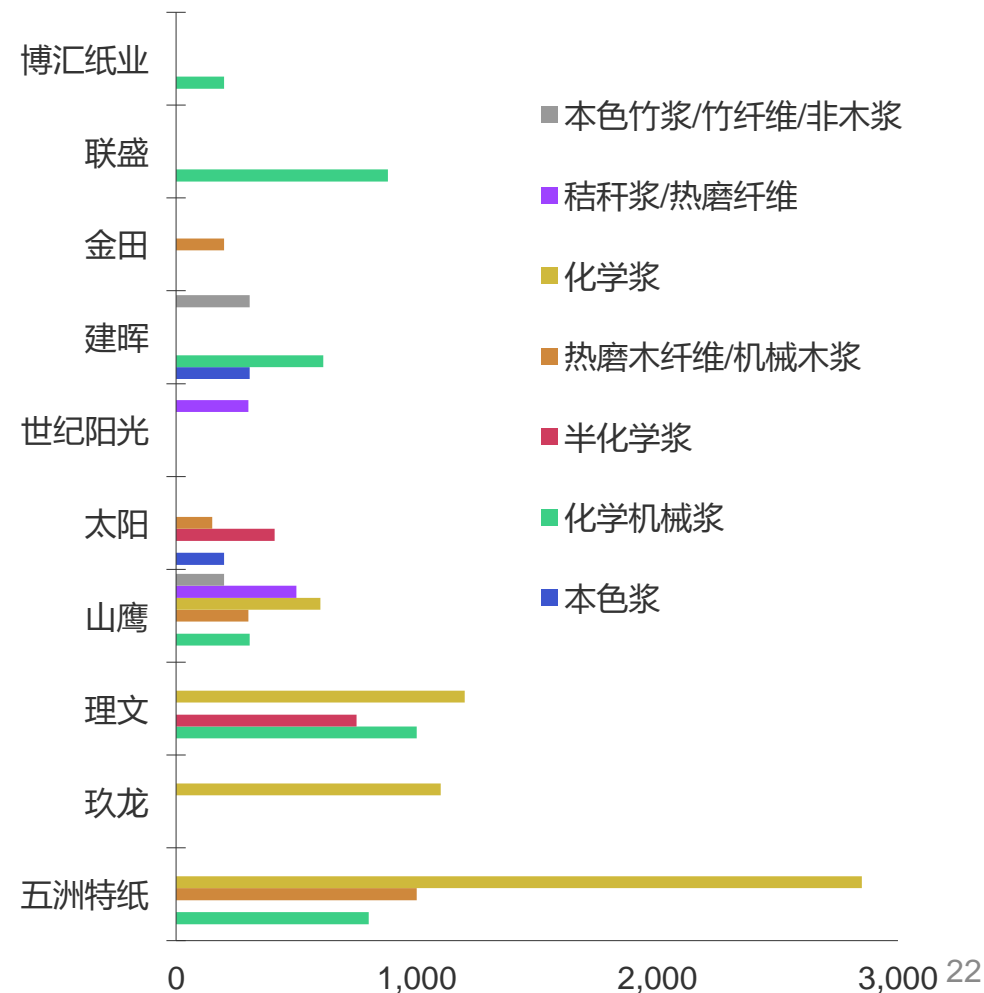
5.The challenge of raw materials

Since the ban on the import of waste paper, the quality of China fiber has been seriously affected, and in the past two years, a variety of China fiber raw material projects have been concentrated, superimposing a substantial increase in recycled dry grinding pulp (nearly 5 million tons of imports in 2023).

China Packaging Paper Supporting Virgin Pulp Project (put into production, incomplete statistics)

ENTERPRISE	GRADE	CAPACITY/ 10,000 TONS	LOCATION	DATE
Sun Paper	本色浆	50	Guangxi	2023
N&D	化学木浆	32	Liaoning	2023
N&D	热磨木纤维	175	Multiple	2023
Jian Hui	化机浆	20	Guangdong	2023
Lian Sheng	化机浆	88	Fujian	2023
L&M	竹浆	35	Jiangxi	2023
L&M	半化学浆	30	Chongqing	2023
L&M	化机浆	20	Chongqing	2023
N&D	化机浆	20	Guangxi	2024
Wu Zhou	化机浆	30	Jiangxi	2024
N&D	本色半化学浆	35	Guangxi	2024
Lian Sheng	阔叶浆	170	Fujian	2024
N&D	化机浆	60	Guangxi	2024

Under construction



6. Looking ahead, challenges remain

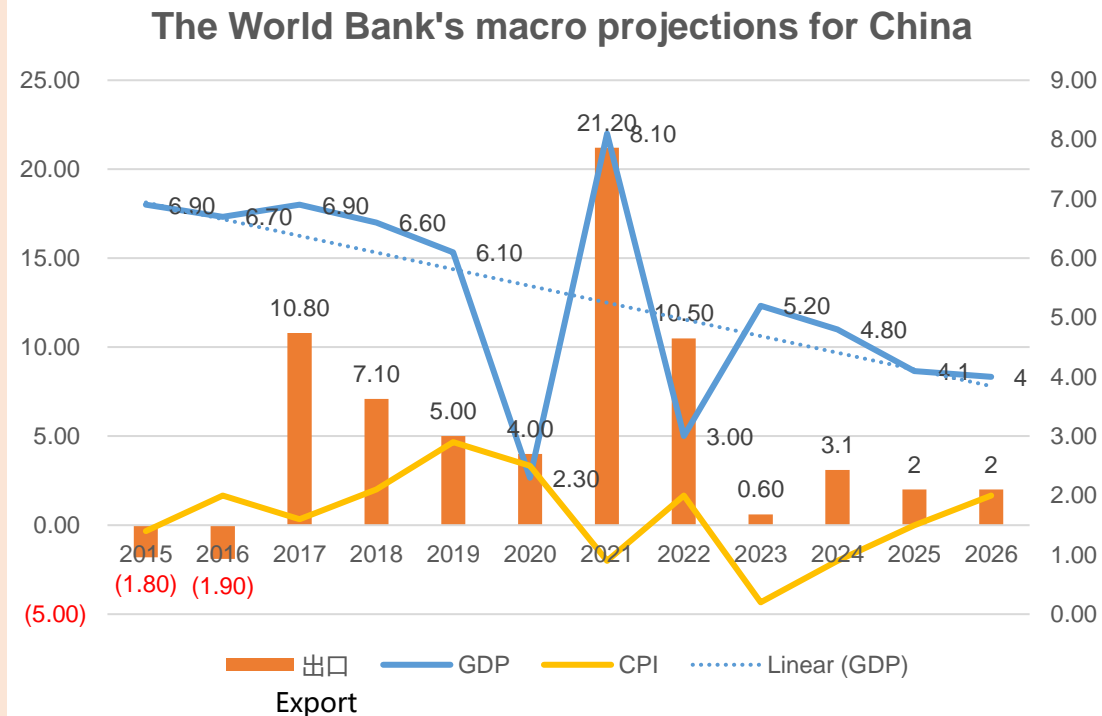
As shown in the chart on the right, China's economic forecast based on the World Bank's China Economic Brief shows:

1.GDP growth rate: As China is adversely affected by aging and slower productivity growth, China's GDP growth is expected to slow to 4.5% in 2025 and continue to slow over the medium term, falling to 3.3% by 2029;

2.Export growth: International trade is expected to gradually recover, is expected to 24-25 years growth will recover to about 3.25% per year, and once again in line with global GDP growth guaranteed. But with manufacturing still in the doldrums, the quarterly nature will be more pronounced. And global trade as a share of GDP will remain stable, thanks to a sharp increase in cross-border trade restrictions that hurt trade between the more geographically distant camps;

3.CPI situation: Global inflation will continue to decline, service inflation will last longer, and commodity prices will continue to rise. However, with the gradual cooling of the labor market and the expected decline in energy prices, overall inflation is expected to return to normal levels by the end of 2025.

China's GDP, exports and CPI growth in 2025 and 2026 will be 4.1%/4.0%, 2%/2% and 1.5%/2% respectively.



6. Looking ahead, challenges remain

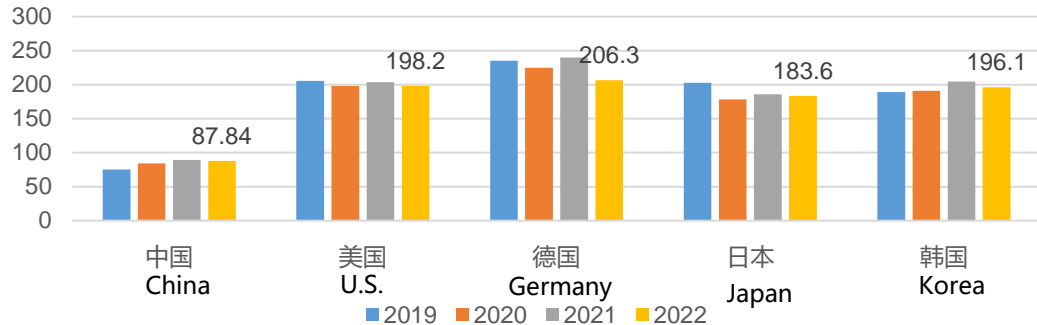
The future consumption growth trend of paper and packaging paper

Industry space: From 1996 to 2023, the proportion of China's paper and packaging consumption in global consumption increased rapidly from 10.8% to about 30%. During the epidemic period (2020~2022), consumption still maintained an upward trend;

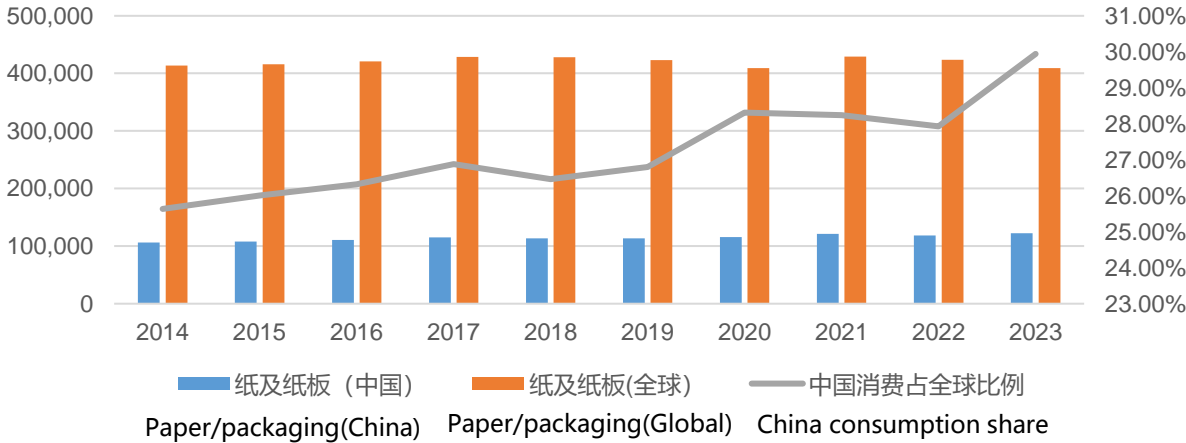
At present, China's per capita consumption of paper and packaging is less than half of the developed countries, in 2023, China's per capita consumption of paper and cardboard is 93.37 kg, and there is still a large room for improvement in the future.

According to Fastmarkets RISI, China's paper and packaging industry will continue to maintain a growth rate of more than 3% in the next five years, including packaging paper growth rate of more than 4%

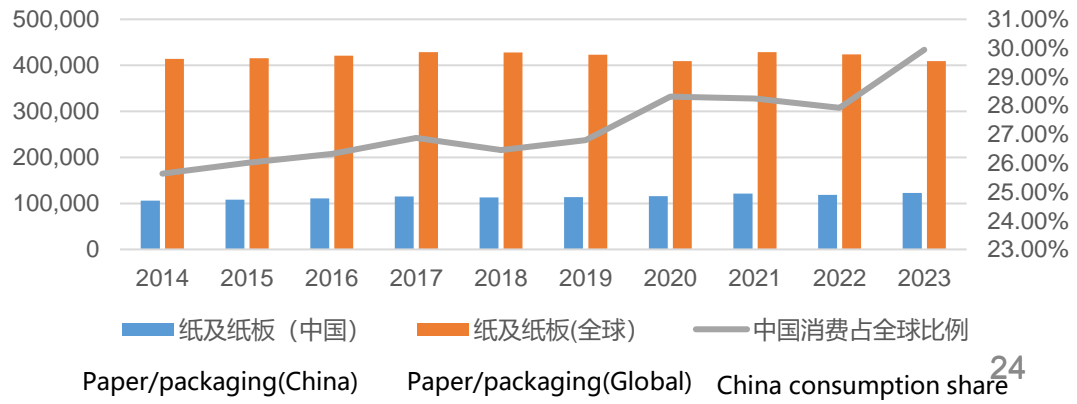
Consumption of paper and packaging paper per capita by countries (kg)



China's consumption share and the global share



Packaging paper China's consumption accounts for the global proportion



6. Looking ahead, challenges remain

Challenge

**More Supply
Less Demand**

- China's economic slowdown, coupled with the outward migration of industries brought about by competition between China and the United States, has suppressed China demand
- The continuous release of new production capacity will make the operating rate of the industry remain relatively low for a long time
- Subject to the quality of China fibers, the high burst containerboard will continue to be affected by imported paper
- The industry concentration is low, and it is difficult to integrate mergers and acquisitions in the superimposed industry, which makes it impossible to eliminate low-end production capacity in the short term
- The price difference between raw materials and paper is under pressure, and the ultimate cost reduction and acceleration of turnover can maintain profitability

Opportunity

**Policy and
Differentiation**

- **Policy opportunities:** Lay out the policy support track in advance, and use the government's investment-guided industrial policies to seek opportunities;
- **Partner influence:** Maintain regional market share, use leadership to establish regional peers, upstream and downstream supply alliances;
- **Key customer benchmarking and product benchmarking:** regional differences, grammage differences, index-price differences, new grade research and development and other strategies to form differentiated profitability

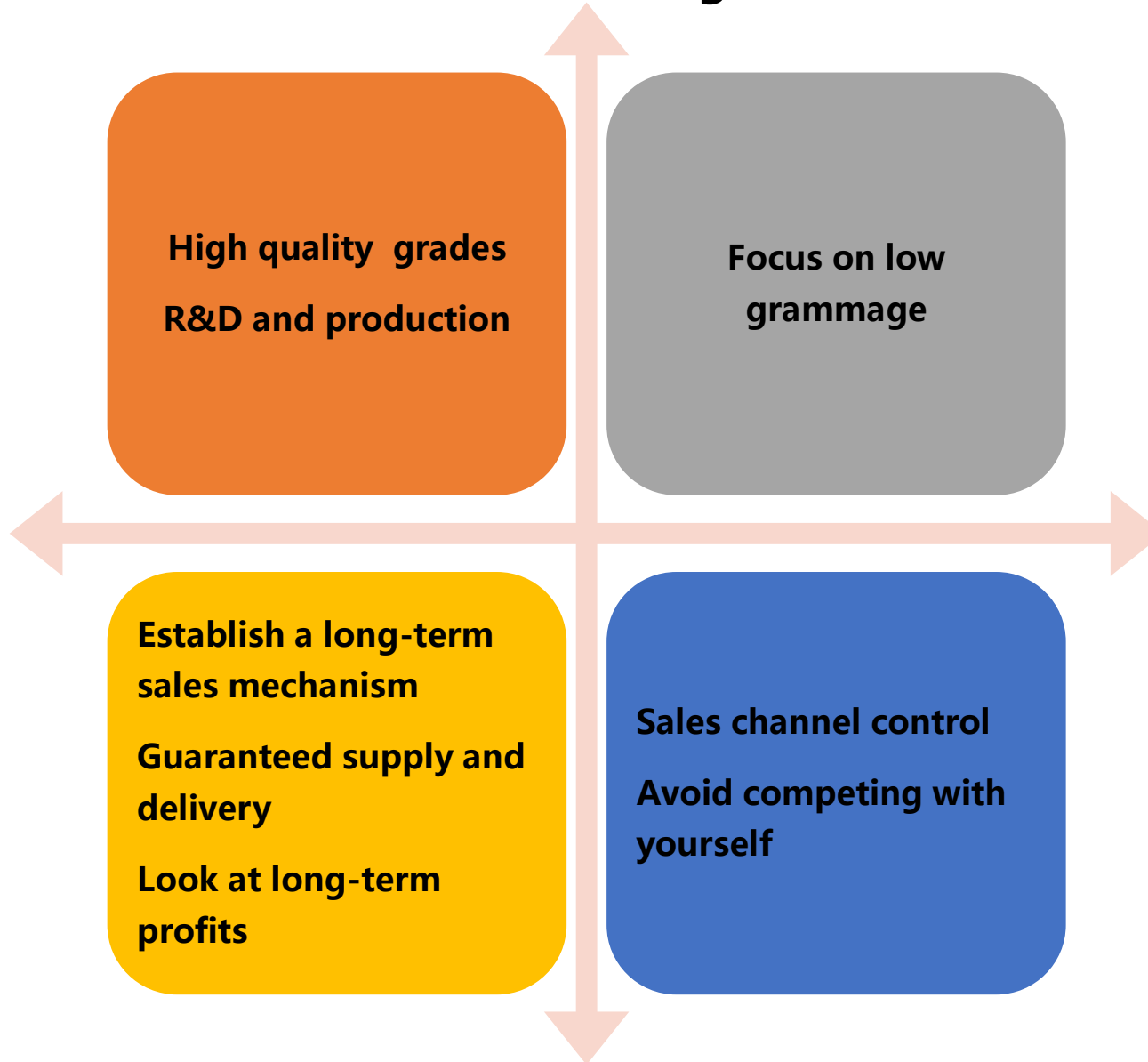
Open-ended topic 1:

Papermaking belongs to the cyclical industry, how to survive through the cycle?



Open-ended topic 2:

Can Southeast Asian containerboard and fluting continue to be exported to China?





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Shanying International headquarter building, No.645 Anpu Road, Shanghai

T:021 6036 0888
F:021 6237 6799

股票代码: 600567
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