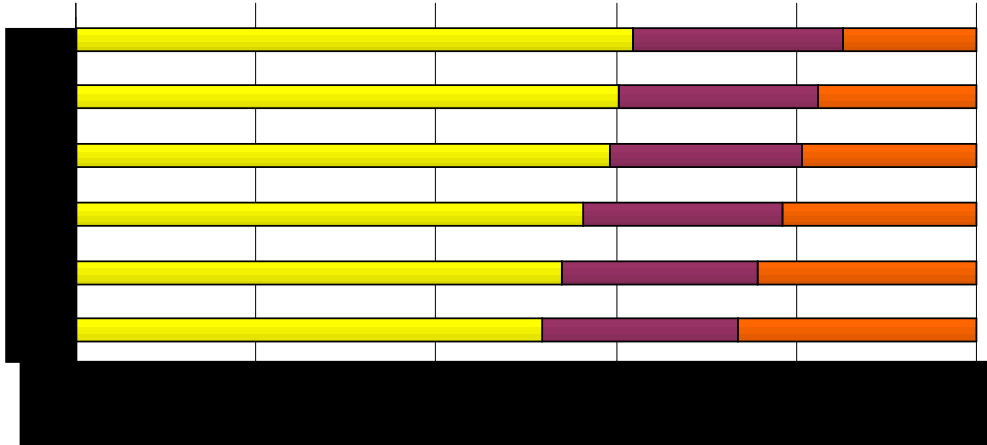


## II Key drivers and trends

### II-1 Change of fiber material structure

#### II-1-2 Historical fiber structure

Figure II-1-1 Consumption structure of pulp in China, 2004~2009

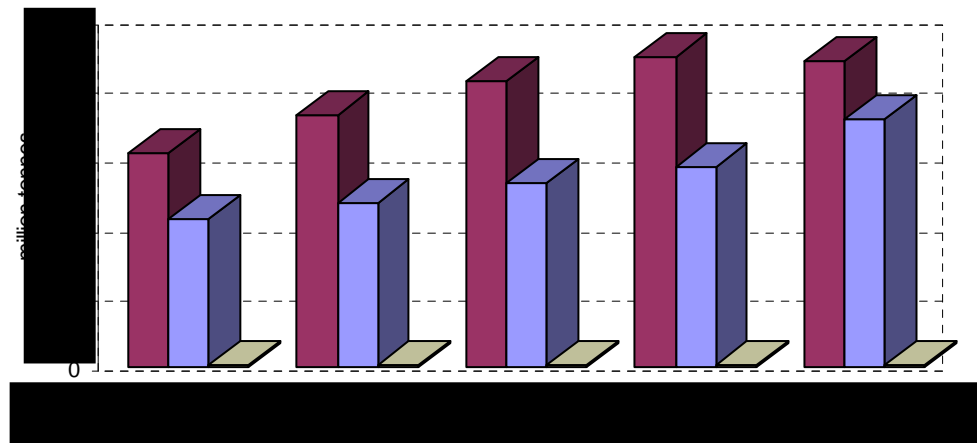


Source: CCM International

Waste paper in the raw material share keeps rising in recent years and has got to about 9% in 2009.

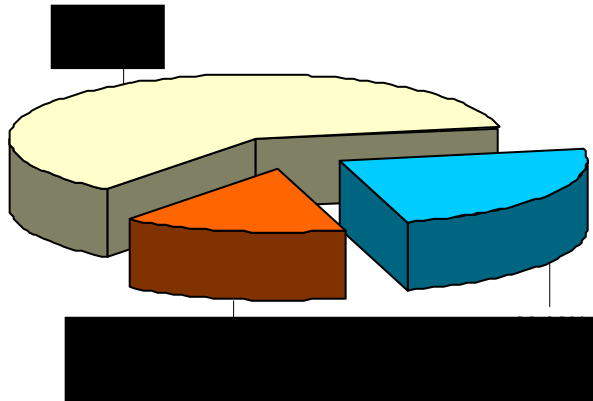
#### II-1-4 Impact of import wood pulp and waste paper

Figure II-1-2 Pulp supply in China, 2005~2009



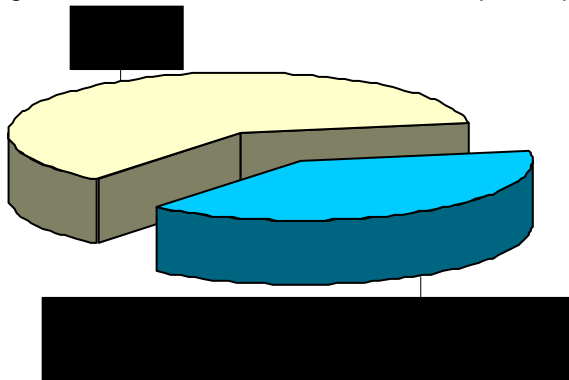
Source: CCM International

Figure II-1-3 Breakdown of structure of domestic made pulp for paper production, 2009



Source: CCM International

Figure II-1-4 Breakdown of structure of imported pulp for paper production, 2009

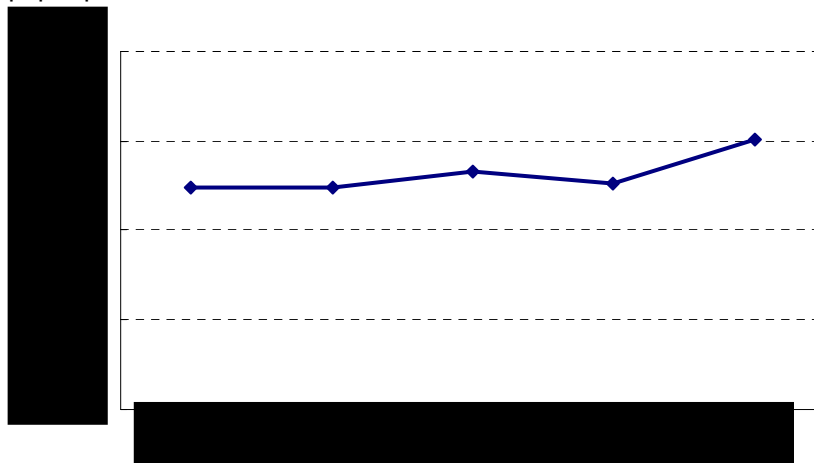


Source: CCM International

.....

Another significant impact from overseas is the increment of the [redacted]. The import quantity of [redacted] increased from [redacted] million tonnes in 2005 to about [redacted] million tonnes in 2009. However, it is expected that .....

Figure II-1-5 Percentage of imported waste paper among the total consumption of pulp for paper production in China, 2005~2009

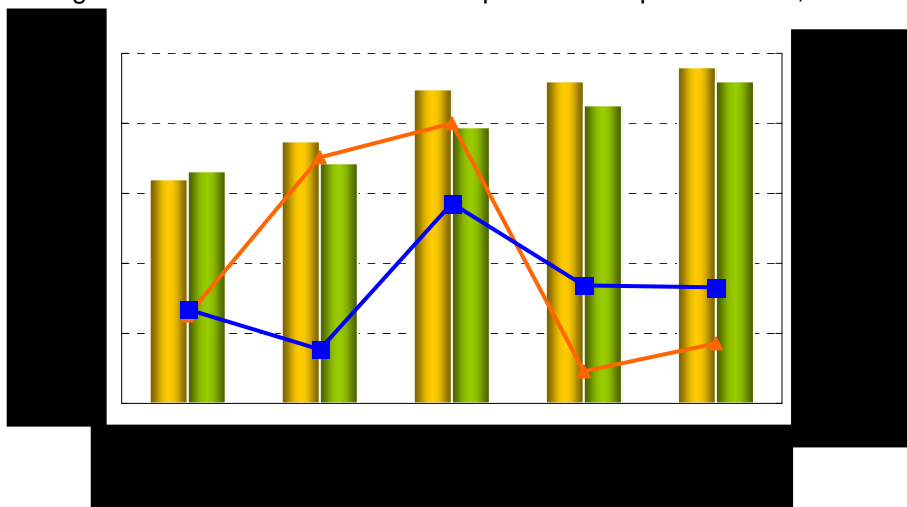


Source: CCM International

## II-2 Paper and paper board production in China

### II-2-2 Newsprint

Figure II-2-4 Production and consumption of newsprint in China, 2005~2009



Source: CCM International

In the next five years, the demand for newsprint will keep increasing in China. As the following factors attribute to the growing demand for newsprint in China:

- ✓ Fast development of newspaper industry in China. Though new media such as website has greatly reduced newspaper market share in cities especially in the east of China, but in China, [REDACTED] % people are still living in rural areas where the new media are not so popular and people there have increasing demand for newspaper thanks to improving living conditions. In 2009, many news papers.....
- ✓ Low per capita consumption of newsprint in China. The increasing trend in demand will .....

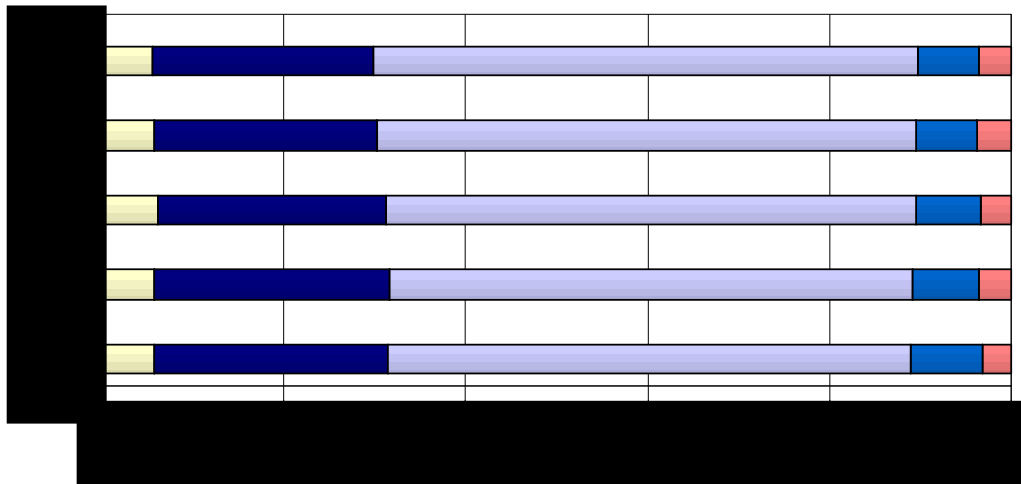
Here is the trend for newsprint and its impact on SPCs.

- ✓ Newsprint equipments in major producers have realized roboticized and large-scale production which will further depend on SPCs to .....
- ✓ More and more newsprint producers adopt waste paper pulp instead of .....

### II-3 Structure of paper grades

Though output of each paper species has increasing in the past five years, the different developing rate among paper species results in the changing output structure annually. In output of China's paper products, [REDACTED], such as [REDACTED], capture the largest share, which has enlarged year by year between 2005 and 2009.

Figure II-3-1 Output structure of paper in China, 2005~2009



Source: CCM International

The output structure may not change much in the near future, but the trend may change in the future. The share of packaging may gradually reduce and that of .....

■■■■■ is the now the fast developing paper species and newsprint ranks second. But in the near future, they may slow down and tissue may be the fastest developed paper in China, as the import slows down due to .....

- ✓ The impact of economic crisis will continue for the .....
- ✓ China has kept fast economic development .....

In the next five years, China's GDP grow rate may remain at ■■■%, which will greatly support the paper consumption growth. Some paper products, such as .....

## II-4 Environmental issues

### II-4-1 Overall pollution situation in China

Table II-4-1 Discharge volume of wastewater and COD, 2001~2008

Year	Waste water, billion tonnes			COD, million tonnes			Amino Nitrogen, million tonnes		
	Total	Industrial sewage	Domestic sewage	Total	Industrial sewage	Domestic sewage	Total	Industrial sewage	Domestic sewage
2001	■■■	■■■	■■■	■■■	■■■	■■■	■■■	■■■	■■■
2002	■■■	■■■	■■■	■■■	■■■	■■■	■■■	■■■	■■■
2003	■■■	■■■	■■■	■■■	■■■	■■■	■■■	■■■	■■■
2004	■■■	■■■	■■■	■■■	■■■	■■■	■■■	■■■	■■■
2005	■■■	■■■	■■■	■■■	■■■	■■■	■■■	■■■	■■■
2006	■■■	■■■	■■■	■■■	■■■	■■■	■■■	■■■	■■■
2007	■■■	■■■	■■■	■■■	■■■	■■■	■■■	■■■	■■■
2008	■■■	■■■	■■■	■■■	■■■	■■■	■■■	■■■	■■■

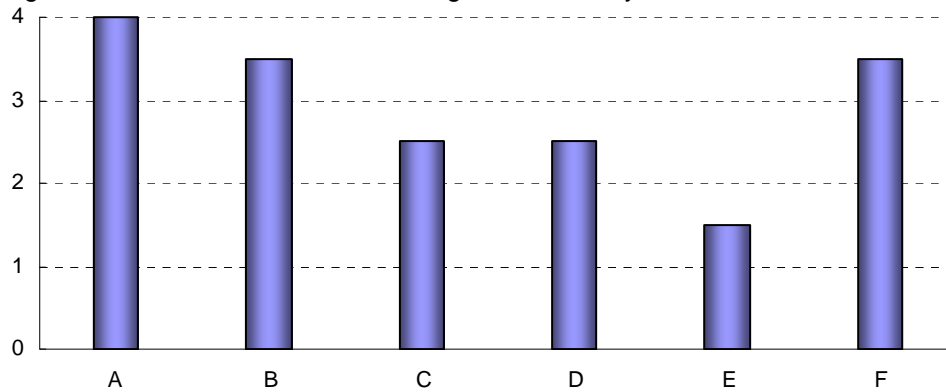
Source: China Environment Report, 2008.

## VI Market forecasts to 2014

### VI-1 Macro factors

Factors influencing SPCs industry are various, besides raw material supply and downstream demand.....

Figure VI-1-1 Macro factors influencing SPCs industry



Source: CCM International

Note: the data in the figure indicate the importance of each option according to the feedback collected from XX exporters.

4=Very important 3=Important 2= less important 1= No important

A:  
B:  
C:  
D:  
E:  
F:

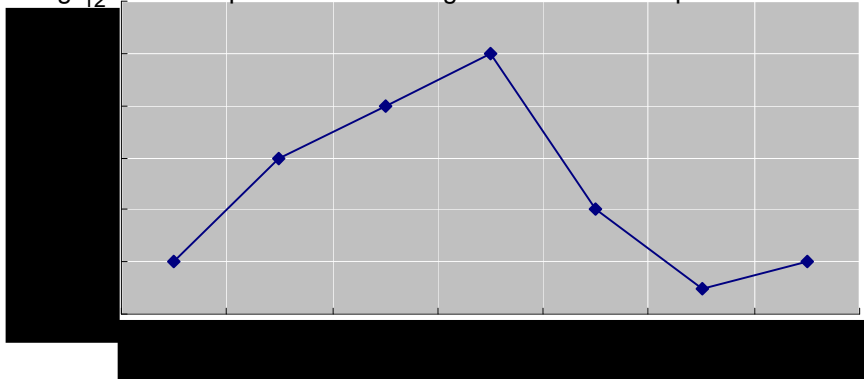
.....

### VI-4-1 Forecast on paper in China for 2010-2014

#### VI-4-1.1 Newsprint

.....

Figure VI-4-1 Experts' view on the growth rate of newsprint demand in China, 2010-2014



Source: CCM International