



# Wood Panel and Laminate Flooring in China

Asia Dekor - Mr Liu Gongting

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# Abstract

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- Rapid development in China's wood panel industry in the recent years
- Development journey of Asia Dekor
- Comments and reflection of an entrepreneur on the current status of China's wood panel industry and its future prospects.



# Panel Board in China

➤ Fiberboard and particleboard

Panel board that enjoys the fastest speed of development in recent years

<b>Time</b>	<b>PB volume/m<sup>3</sup></b>	<b>MDF/HDF volume/m<sup>3</sup></b>	<b>Total volume/m<sup>3</sup></b>	<b>PB total %</b>
<b>2001</b>	<b>4.0m</b>	<b>6.4m</b>	<b>10.4m</b>	<b>38%</b>
<b>2002</b>	<b>4.5m</b>	<b>8.1m</b>	<b>12.6m</b>	<b>36%</b>
<b>2003</b>	<b>5.5m</b>	<b>11.3m</b>	<b>16.8m</b>	<b>33%</b>
<b>2004</b>	<b>6.5m</b>	<b>15.6m</b>	<b>22.1m</b>	<b>29%</b>
<b>2005</b>	<b>5.8m</b>	<b>20.6m</b>	<b>26.4m</b>	<b>22%</b>
<b>2006(E)</b>	<b>7.0m</b>	<b>20.0m</b>	<b>27.0m</b>	<b>26%</b>
<b>Growth rate</b>	<b>15.0%</b>	<b>42.5%</b>	<b>31.9%</b>	

# Panel Board in China

## ➤ Plywood

China's largest panel board industry

<b>Time</b>	<b>Industry volume/m3</b>
<b>2002</b>	<b>11,350,000</b>
<b>2003</b>	<b>21,020,000</b>
<b>2004</b>	<b>20,980,000</b>
<b>2005</b>	<b>25,140,000</b>
<b>2006(E)</b>	<b>26,000,000</b>



# Panel Board in China

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- The total volume of panel board manufactured and sold in 2006 is estimated at 55,000,000 m<sup>3</sup> to 59,000,000 m<sup>3</sup>.

(vs. Official data – over 65,000,000 m<sup>3</sup>)

- In term of quantity, China is one of the biggest countries of wood panel board in the world.

- No OSB

# Laminate flooring in China

<b>Time</b>	<b>Industry volume/m2</b>	<b>Export volume/m2</b>	<b>Number of producers</b>	<b>Market share on floor coverings</b>
<b>2001</b>	<b>75m</b>	<b>0</b>	<b>~100</b>	<b>7%</b>
<b>2002</b>	<b>95m</b>	<b>1.6m</b>	<b>&gt;200</b>	<b>10%</b>
<b>2003</b>	<b>120m</b>	<b>2.4m</b>	<b>&gt;500</b>	<b>12%</b>
<b>2004</b>	<b>150m</b>	<b>18.4m</b>	<b>&lt;500</b>	<b>14%</b>
<b>2005</b>	<b>190m</b>	<b>45.0m</b>	<b>&lt;200</b>	<b>17%</b>
<b>2006(E)</b>	<b>190m</b>	<b>35.0m</b>	<b>&lt;150</b>	<b>17%</b>

# Laminate flooring - A revolution in floor coverings

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- A product of HDF (high-density fibreboard), with laminates pasted on the surface for its durability and design versatility
- Large scale production and full automation
- Perfectly matched the purchasing power, climate and environmental policy in China:
  - Affordable and durable
  - Resistant to both stains and moisture climate
  - Environmentally friendly

# Reasons for fast development of China's panel board industry

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- Sustainable high-growth of China's economy
- Natural forest protection policy in China prohibiting logging activities, reducing the supply of natural-grown woods
- China is now the largest manufacture base of furniture in the world
- Housing reform in China. Living standards have kept improving quickly.



# Main issues in China's panel board industry

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- Shortage of raw materials
- Backwardness of production equipment
- Irrationality in geographical distribution and high transportation cost
- Deformed development of panel board structure
- Low quality product with short life-span and poor reputation

# Asia Dekor's Journey of Growth

Time	Events
1994	Started to trade laminate floor from Germany and registered own brand "Power Dekor".
1997	Built 1st factory to process semi-finished products from Germany.
1999	Publicly listed in Singapore.
2001	Built 2nd factory with daily capacity of 45,000sqm to produce laminate flooring products.
2004	Built 3rd factory having an annual production capacity of 200,000m <sup>3</sup> HDF/MDF. Set up own plantation base .

# Asia Dekor's Journey of Growth

Time	Events
2006	<p>Built 4th factory to produce 220,000m<sup>3</sup> particleboard annually in Guangdong .</p> <p>Well-established distribution network through a JV operation with over 1,700 outlets (about 85% franchised operations). Laminate flooring products marketed mainly under flagship premium brand “<b>Power Dekor</b>”, the <b><u>No.1</u></b> name in China's laminated flooring market.</p>
2007	<p>Building another laminate flooring factory with daily capacity 30,000 m<sup>2</sup>.</p> <p>Developing own plantation base up to 5,000 hectares in Heyuan and Huizhou regions of Guangdong Province.</p>

# Shenzhen Laminate Flooring Plant



# Heyuan HDF/MDF Plant



# Huizhou PB Plant



# Forecast of future 5 years' development

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- Wood resource is in short supply in China
- Large-scale advanced production factories and equipment will replace small factories with old equipment
- Overall industry will grow at about 10% despite implementing macroeconomic control in China
- Growth rate of particleboard production will slow down
- Volume of plywood will soon reduce

# Forecast of future 5 years' development

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- Direct export of plywood and fiberboard will be controlled by China government, but the exports of the downstream products will increase
- International wood groups will increase investments in China in all aspects of the wood panel industry, that is both upstream and downstream products.
- Investment considerations will not only be equipment and technology, but also wood resources and supply



# Development strategies of Asia Dekor

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- 1) To strengthen the production and marketing of laminated wood flooring
- 2) To set up own artificial high-growing plantation base
- 3) To expand board production capacity in China
- 4) To join with investment partners or form business alliance enjoying the high growth of China's wood panel industry

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**Thank You!**

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