**Year in Review: Top News in China Tissue Paper Industry in 2013**

**I. In 2013, China tissue paper market continued to grow and the whole industry was full of vitality. The enterprises increased investment with enthusiasm and improved competitiveness. However, the rapid growth of production capacity caused periodic overcapacity and falling products price. As a result, some enterprises found increasing pressure to survive.**

1. Leading companies continued to increase capacity

In 2013, the leading tissue paper manufacturers such as Gold Hongye, Vinda, CNSN, Dongshun, continued to increase their investment projects.

Gold Hongye (APP) speeded up the construction of its mill in Hainan. It increased 180,000 tpy new capacity in 2013 and plans to increase its total capacity in China to one million tpy in the first quarter of 2014.

Vinda increased 220,000 tpy new capacity in its Hubei, Guangdong and Shandong mills in 2013, making its total capacity 760,000 tpy.

CNSN increased 30,000 tpy new capacity in 2013. Another 180,000 tpy capacity started in 2013 is expected to be launched successively in the first two quarters of 2014.

Dongshun increased 4 BF-1200 tissue machines provided by Kawanoe Zoki in 2013, which is equivalent to 100,000 tons new capacity.

Welfare launched its fourth tissue machine provided by Kawanoe Zoki in 2013 and increased 12,500 tpy new capacity.

Lüjin Paper plans to set up 2 Metso tissue machines with the total capacity of 60,000 tpy after the Spring Festival in 2014.

Foliage started to set up its third tissue machine provided by PMP at the end of 2013 and increased 15,000 tpy new capacity.

Wuhan Chenming launched its first tissue machine with the capacity of 60,000 tpy. This Metso DCT200 new crescent tissue machine is the second tissue machine put into production after Chenming Group entering tissue paper industry.

2. Large pulp and paper enterprises entered tissue paper industry

On November 27, 2013, Shandong Sun Paper tissue plant held the opening ceremony, marking Sun Paper’s formal entry into tissue paper industry. Sun Paper tissue plant owns 2 Andritz new crescent tissue machines, with the capacity of 60,000 tpy respectively and plans to produce and sell 120,000 tons high-grade tissue paper in the first phase. At present, its Sun Element brand high-grade tissue paper, which includes 3 major series and 5 categories, has been officially in production. Its tissue machines will be launched in June 2014 and March 2015 successively.

Hong Kong Lee & Man Paper bought one Voith new crescent tissue machine, with the capacity of 60,000 tpy, and plans to put into production in Chongqing in 2014.

Yunnan Yunjing bought one Metso DCT100+ tissue machine with the capacity of 30,000 tpy in 2013 and plans to put into production in 2014.

**II. The performance of listed tissue paper companies stood out**

1. The performance of Hengan, Vinda, CNSN continued to grow

In the first half of 2013, the net profit of 16 listed paper companies decreased, which accounts for 67% of the total 23 listed paper companies. Besides, 6 listed paper companies had deficit in 2013. In contrast, the performances of 3 listed tissue paper companies were pretty good. According to Hengan, Vinda and CNSN’s performance reports in the first half of 2013, the turnover of these three listed companies maintained sustained growth and respectively grew by 15.2% to 10.415 billion HK dollars over the same period in 2012, up 14.8% to 3.31 billion HK dollars, up 4.6% to 1.14 billion Yuan.

1. SCA increased its ownership in Vinda

On December 16, 2013, the world's second largest tissue paper manufacturer SCA Group completed its ownership share increase in Vinda International Holdings Limited (hereinafter referred to as "Vinda").  SCA now holds 51.40% of the shares in Vinda. The public holds 25.01% of the shares. Vinda maintained its status as an independent listed company.

1. Dongshun Group accelerated development and entered IPO counseling period in 2013. It is expected to become the second listed tissue paper company in the A-share.

**III. Tissue paper enterprises developed diversified new business**

In 2013, Vinda officially launched its VIA sanitary napkin, which is another big move into the disposable hygiene products industry after successfully launching Babifit baby diapers in 2012. Vinda became the second manufacturer who can produce both tissue paper and disposable hygiene products among the top 4 tissue manufacturers in China.

Dongshun launched one Italy GDM diaper production line and 2 Italy GDM sanitary napkin production lines in its headquarter in Dongping, Shandong.

Orient Champion launched its sanitary napkin project in Wujiang production base.

Fujian Annuo Group launched Mom bobo baby diaper/diaper pads.

Yinge accelerated the construction of baby diaper project, with the total investment of 250 million Yuan. The project includes 4 baby diaper production lines, 3 baby diaper pad production lines, one adult diaper/diaper pad production line, one under pad production line and some wet wipes production lines.

**IV. Leading enterprises took the lead in automation upgrading**

On March 18, 2013, Vinda successfully finished its full-automatic production lines - packaging lines - automatic three-dimensional warehouse construction for its first phase 80,000 tpy project and achieved full-automatic operation of production and storage. With high standards, high starting point and a new attitude, Vinda now has one of the largest and advanced tissue paper production bases in Asia and becomes one of the paper-making enterprises in the world that first use automatic three-dimensional warehouse.

Hengan Group started its second phase of Wuhu parent roll production base project and also constructed the three-dimensional warehouse in the second half of 2013. The project is estimated to be put into production in 2015.

**V. The export trade was active in tissue paper industry. Production export continued to grow. In the first three quarters of 2013, tissue paper export volume and value increased by 14.97% and 31.34% respectively, compared with the same period in 2012.**

**VI. Tissue paper manufacturers competed in online sales channel**

 On November 11, 2013 (November 11 is the online shopping festival in China), Hengan, Vinda, Gold Hongye, CNSN and other tissue paper manufacturers all launched their special online sales activities and attracted lots of online customers. Hengan’s production sales value reached 15.34 million Yuan on that day on TMALL.com. Hengan’s E-commerce sales target in 2014 will be to quadruple its current online sales value. It will actively develop online sales channel to cover all the major domestic B2C platforms. In addition, Hengan will launch special products for online business.

**VII. Overcapacity caused falling price**

Starting from the second half of 2013, the product stock removal speed in tissue paper industry declined. Some tissue paper manufacturers chose low price promotion to reduce the inventory of finished paper products. According to some media reports, the tissue paper price declined in general in many cities.

**VIII. Imported tissue machinery suppliers continued to promote localization, maintaining their territory in China market**

1. Metso and Kawanoe Zoki strengthened cooperation in tissue paper production technology

In 2013, Metso and Kawanoe Zoki renewed their cooperation agreement on tissue paper production technology. According to the new agreement, Kawanoe Zoki’s mill in Jiaxing Zhejiang will manufacture, sell and install Advantage DCT 40 and Advantage DCT 60 tissue machines. Metso will provide the key parts, such as OptiFlo II TIS headbox, yankee cylinder and vacuum pressure roller, as part of Kawanoe Zoki’s supply.

 The first order after their team-up is the 4 Advantage DCT 60 tissue machines provided for Shandong Dongshun Group, which will be put into operation successively from 2014.

2. Voith accelerates local engineers training in China, improves the localized product series and management personnel, and is building a localized service and engineers team. Voith also emphasizes on developing mid-grade tissue machines, which are more energy saving, environment friendly and more suitable to Chinese customers. It is trying to improve its localization level from the current 50% to 70% for tissue machine manufacture, 90% for products and services, 100% for rollers and fabrics in 5 years.

**IX. Homemade tissue machines developed steadily and achieved gratifying results**

In 2013, Foshan Baotuo launched two key series: SF10-600 and SF10-800 “economic” tissue machines, with the speed of 600m/min and 800m/min respectively and trimmed width of 2660-3400mm. These new tissue machines are more suitable to the middle and small size tissue mills. Baotuo will introduce European technology to develop new crescent tissue machine with the speed of 1200-1600 m/min.

In 2013, 7 tissue machines provided by Baotuo were put into operation in Sichuan Shubang, Guangdong Longcheng Paper, Guangdong Piaohe Paper, and Nanning Jiada Paper. All these tissue machines are vacuum cylinder machines, with trimmed width of 2,860mm, speed of 800m/min.

Shandong Hualin and Panjin Dongsheng Paper signed a contract of 3 new crescent tissue machines, which are designed and manufactured by Hualin independently. The design speed is 1,200m/min, trimmed width at 2,850mm, and the total production capacity is 50,000 tpy. The three tissue machines are expected to be put into production in June, 2014. Shandong Hualin and Guangxi Huaxin Paper signed a contract of 2 new crescent tissue machines, which are more suitable for using mixed pulp as raw material. The ratio of bagasse pulp in the mixed pulp can be raised to 75%. The design speed is 900m/min, trimmed width 2,800mm, and production capacity can reach 40 tons per day.

Liaoyang Allideas Papertech Co., Ltd. and Sichuan Santai Sanjiao Paper signed a contract of one new crescent tissue machine, with the production capacity of 50 tons per day, trimmed width of 2,850mm, and highest speed of 1,200m/min. The supply also included steel drying cylinder.

 Weifang Hicredit and Sichuan Mianyang Chaolan Sanitary Articles Co., Ltd. signed a contract of 2 HC-800 vacuum cylinder tissue machines, with the trimmed width of 2,820mm, design speed of 900m/min, and production speed of 10,000 tpy respectively. The two machines are expected to be put into operation in November 2013 and August 2014 respectively.

**X. 20 years anniversary of China National Household Paper Industry Association (CNHPIA) and *Tissue Paper & Disposable Products* magazine**

In 2013, CNHPIA and *Tissue Paper & Disposable Products* magazine celebrated their 20 years anniversary. CNHPIA has grown from small seedling to a leafy tree in 20 years. In the course of 20 years, CNHPIA has always adhered to the principle of providing service to the industry enterprises. CNHPIA has always been a good adviser for the government to make decisions, a good assistant for enterprises to develop business, and has given full play to the role as a link to connect the government and enterprises. CNHPIA has been actively promoting the healthy development and improving the levels of the tissue paper industry. It has been praised and recognized by industry colleagues.

In the future, CNHPIA secretariat will do the work with more enthusiasm, adhere to its initial principle, keep innovating in the work, continue to strengthen the association's own building, and ensure full play to the role of the association. CNHPIA will take its own responsibility in enhancing the vitality of technological innovation and healthy development of China tissue paper industry, and will try its best to get much greater achievement.