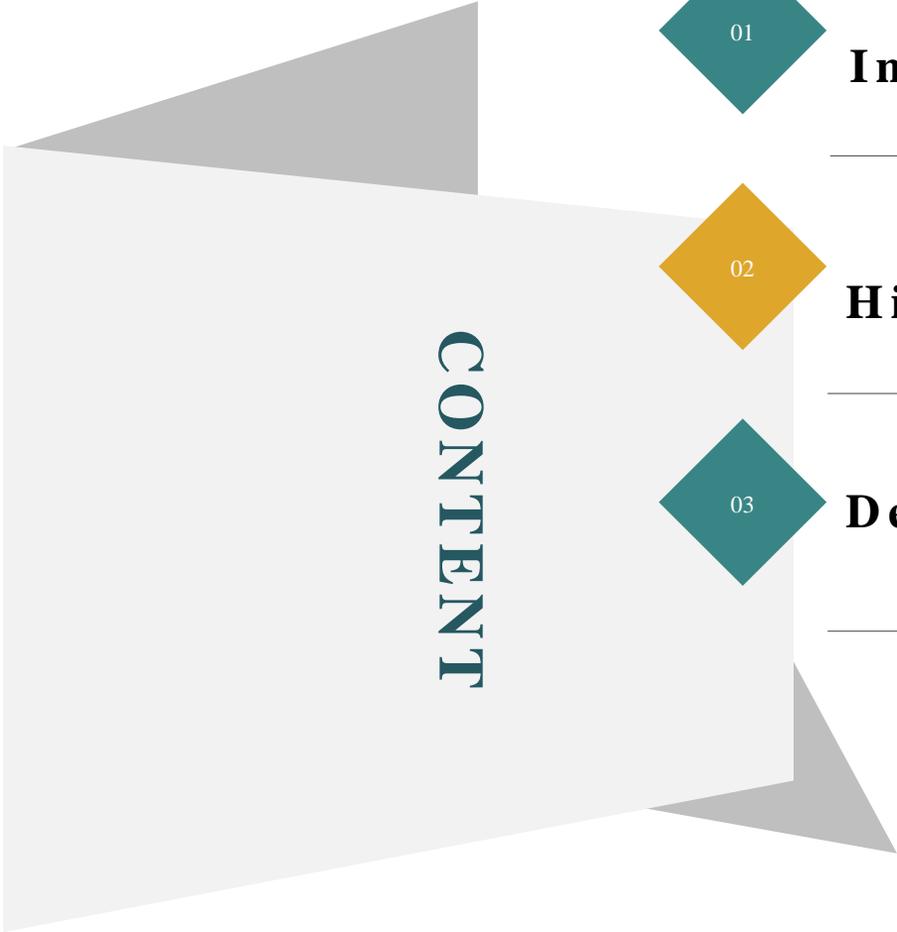




Report Date

Reporter Name

Development Overview of Timber Products in Jingang Town (Zhangjiagang Bonded Zone)



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01

Imports

2018 Timber Imports in Zhangjiagang

- 1. Imports (in 2018)
- According to the data of Zhangjiagang customs, in 2018, Zhangjiagang contributed 20% of imports to Jiangsu and 5.6% to China; 5.6 million cubic meters of timber were imported, up 13.3% YoY; the value of goods was US \$1.51 billion, up 28.4% YoY; the proportion of imported logs and sawn timber was 10:1; 84% of the imported timber was imported through the port terminals.



A decorative graphic on the left side of the slide. It consists of two teal-colored triangles pointing towards each other, forming a diamond shape. The top and bottom triangles are larger, while the left and right triangles are smaller. In the center of this diamond is a gold-colored diamond shape pointing to the right. Inside the gold diamond, the number '02' is written in a white, serif font.

02

History and Status Quo

Long History of Timber Trade in Jingang Town (Zhangjiagang Bonded Area)

1

On May 7, 1983, the first Panamanian foreign ship “Japanese merchant” berthed in Zhangjiagang Port, and unloaded the first batch of imported timber, marking the beginning of Zhangjiagang timber industry. After over 30 years of development, Zhangjiagang has fostered the development mode dominated by hardwood, attracting nearly 50,000 foreigners to settle in, and creating 26,000 timber-related jobs for the locals.

Status Quo of Timber Products in Jingang Town (Zhangjiagang Bonded Zone)

- Jingang Town (Zhangjiagang Bonded Area) has formed a set of industrial chain systems based on terminals, customs and commodities inspection, timber labs, timber importers, timber markets, timber dealers, timber processors, financial institutions, etc. Jingang has grown steadily at 5%-15% over the past five years. There are 28 timber markets, covering a total area of over 1 million square meters, 44 crude processing plants, and nearly 2000 timber trading enterprises, with an output value of nearly 80 billion Yuan.

Trading mode

- Precious timber is mainly divided into logs and sawn timber. Due to different standards in different countries, there is no unified industry standard in China. The trading is still made with prompt goods, cash and on-site. With the change of payment habits, cash trading is stepping towards account payment, online banking transfer, etc.

Innovative samples

- CLD: One stop service for timber foreign trade
- Port Group: Local port timber consultation + port integrated element platform
- Jingang Logistics: ERP-based real time big data “timber station”
- Finwood.com: S2B platform of timber trading supply chain
- mtrp2p.com: Financial P2P platform of wood supply chain
- and so on

Import volume over the years

张家港 历年木材进口量统计		
年	进口量 (万m ³)	备注
2016	436.9	
2017	466	
2018	520	
注：数据来源网络		



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03

Development Overview of Timber Market

Timber Imports in Zhangjiagang and Surrounding Ports



According to the commodity inspection data, in 2016, Zhangjiagang imported 4.3692 million cubic meters of timber, worth \$929 million, with an increase of 8.83%, ranking the second in Jiangsu; Jiangsu imported 23.3183 million cubic meters of timber, worth \$3.762 billion, with an increase of 5.56%; China's main ports imported 80.233 million cubic meters of timber, worth \$8.079 billion, with an increase of 12.8%. Zhangjiagang ranked second in Jiangsu by timber import volume, but its import value represented 24.69% in Jiangsu and 11.50% in China; evidently, Zhangjiagang port mainly imports precious timber.



Timber Markets

- There are about 25 timber markets, more than six times that of four markets in 2012, including seven in 2017 alone. The 25 markets cover an area of nearly 1 million cubic meters, 17 of which cover an area of more than 10000 square meters and seven of which cover an area of more than 90000 square meters.
- Lease and purchase are two sources of business places in the timber markets. Lease dominates. Mostly, idle plants and warehouses in recent years would be leased to expand business, so there is a huge demand for land. There are 20-150 employees in each timber market: 20-50 in a small and medium-sized market and 50-150 in an upper scale market.
- Timber market operators mostly come from Fujian and Shandong, while customers are from all over the country, mainly from Yangtze River Delta, Guangdong, Fujian, and Sichuan. A timber trading market connects traders and final producers. The sales exhibition of timber mostly take place in the markets, which is the key link to activate timber trading.



Timber Processing Factories

There are more than 80 timber processing plants, mostly sawn timber plants, which make sawn timber of various specifications by cutting and drying logs with some processing fees charged. They mainly lease business places and purchase equipment, close to the migratory enterprises. Due to low technology content, sawn timber plants belong to the labor-intensive industry, with many workers, about 20 in a small sawn timber factory. They have cutting process vulnerable to dust pollution, and traditional drying process using fire. The poor work environment and messy layout lead to adverse consequences such as safety risks. However, timber processing plants are playing an active role in serving timber trade, promoting employment and driving regional economic prosperity.





Timber Traders

- People engaged in wood trade in Jingang Town exceeded 1700 (including companies, individual businesses and unregistered individuals).
- There are three major categories of timber traders.
- First, trading companies engaged in direct timber imports. Large trading companies and small and medium-sized trading companies with sales channels import from abroad for wholesale. It is worth noting that most of the big traders are not locals. The goods are imported from Shanghai or Zhangjiagang. After finding the downstream buyers, they will invoice from their head offices for sales, only storing in Zhangjiagang (the storage cost in Shanghai is relatively high).
- Second, small and medium-sized trading companies specialized in receiving goods at the terminals. They purchase timber from primary importers and sell in to the secondary wholesaling markets. There are also some nonlocal furniture processing plants. They sent personnel at the terminals and purchase raw materials from primary importers for a long time.
- Third, professional scalpers and brokers. They inspect goods near the terminals and yards for a long time to earn commissions mainly by helping suppliers and residents reach a deal on personal decoration materials. Therefore, Zhangjiagang has formed a trade processing mode of import, rough processing, storage and sales in the wood industry chain.

Tax Contribution

Timber trading markets, processing plants and traders are major practitioners in the timber markets. Most small trading markets and small traders engage in individual businesses, paying a fixed tax of 10000 Yuan per year; most large traders register and invoice in other places; processing plants often provide processing services for individuals, not requiring invoices; in addition, many scalpers not handling industry and commerce registration are difficult to be identified and supervised, so they pay no tax.



Industrial Development

According to this survey, affected by the labor cost pressure, rent rise and environmental protection renovation of the timber industry in Shanghai, industrial transfer is inevitable. Many timber related enterprises flow to Zhangjiagang, Taicang and Nantong, contributing to a growth trend of the timber industry in Jingang Town. In 2017, the expected turnover of the wood market was 6.8 billion Yuan, up 5% YoY, whose market share was still small compared with that of the chemicals, textile and consumer goods (including grain, oil and red wine) markets. On the other hand, similar to Shanghai and Taicang, the timber industry in Jingang contribute few direct taxes. However, local timber products are mostly traded offline, which can attract high-end customers, drive the development of service industries including logistics and catering, improve the employment rate of the timber industry, and boom the port economy in Jingang Town.



Thanks.