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China Plastic Products and Modified Plastics Market Report, 2011

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2. Development of China Plastic Products Industry

2.1 Output

Chinese plastic industry has progressed rapidly and the output of plastic products has always taken the lead in the world, of which, PVC and amino mold plastics enjoy the largest output worldwide. China has blossomed into the plastic magnate. In 2010, the output of plastic products in China reached ** million tons, up **%YoY; and it rested on ** million tons across the first two months of 2011, up 17.85%YoY.

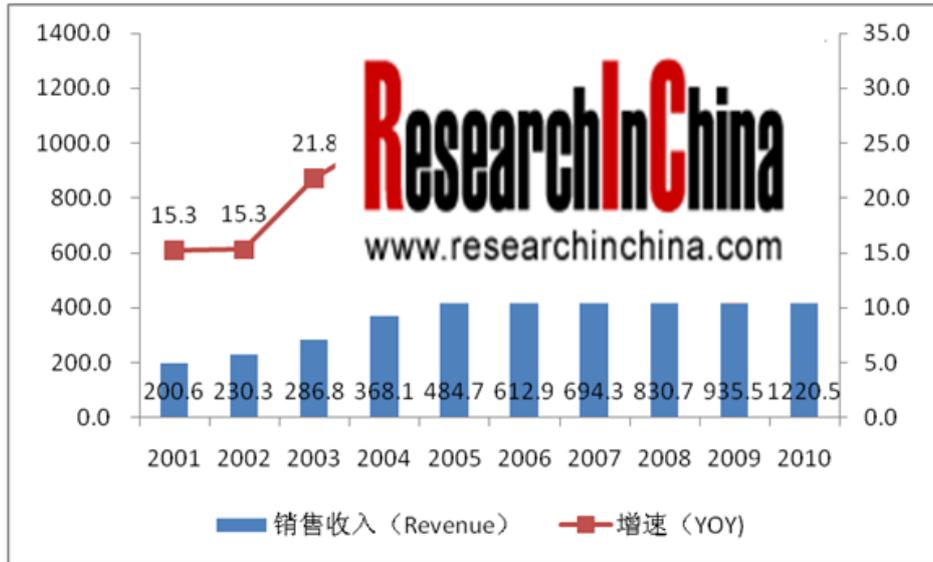
Output and Growth Rate of Plastic Products in China, 2001-2010 (mln tons, %)



Source: WIND

In 2010, there were 20,000 large-scale manufacturers of plastic products in China. Up to November 2010, the revenue totaled RMB** billion, up 31.4%YoY, the highest growth margin in the recent decade; primarily due to the fact that the price of plastic products rose along with that of synthetic resin in 2010, the profits of the enterprises recovered, and the enterprises expanded the capacity against the increasing domestic demand.

Operating Income and Growth Rate of China Plastic Product Industry, 2001-2010 (RMB bn, %)

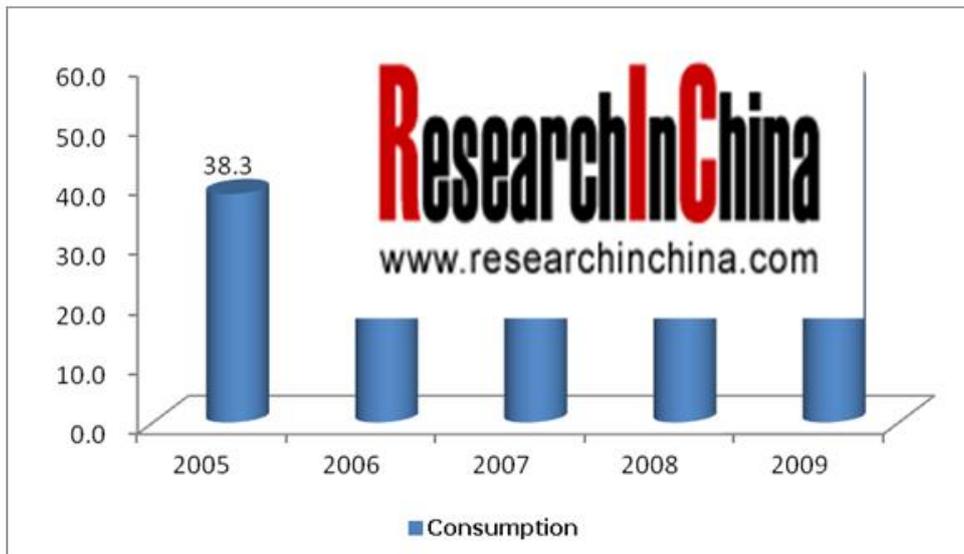


Source: WIND

2.2 Consumption

The consumption of plastic products in China was steadily on the rise in the past 5 years and it arrived at ** million tons in 2009. In 2010 when the domestic real estate industry recovered and such industries as home appliance, automobile, and building materials advanced, the demand for plastic products climbed, and the total consumption exceeded ** million tons, ranking the first worldwide.

Consumption of Plastic Products in China, 2005-2009 (mln tons)



Source: China Plastic Industry Yearbook 2010

4. Modified Plastics Market

4.3 Competition Pattern

Chinese modified plastics industry boasts broad market space yet the relatively low market share of merely **% owing to the backward technology and single product types of the manufacturers resulted from the comparatively late startup. Thanks to the powerful R&D strength, the foreign-funded enterprises occupy approximately **% market share. The major foreign-funded manufacturers of modified plastics in China are listed below:

Major Foreign-funded Modified Plastics Manufacturers

Country	Companies
USA	PolyOne, DuPont, Dow
Germany	BASF, Bayer, LANXESS
Japan	Asahi Kasei, Techno Polyer, Nippon, Toray), Mitsubishi Chemical
South Korea	Samsung, LG, Hyundai

Source: Prospectus of Guangdong Silver Age Sci & Tech Co., Ltd.

There are over ** local manufacturers of modified plastics in China, but most of them feature the annual output shy of ** tons, and few of them possess the annual output of more than 10 kilotons. In addition, the manufacturers highlight the common engineering plastic masterbatches used as raw materials with fewer types. Till present, Kingfa Science & Technology Co., Ltd has formed the annual output of more than 500 kilotons after years of progress and been absolutely leading in the industry.

Capacity of Top 10 Local Modified Plastics Manufacturers in China, 2009



Source: ResearchInChina

Furthermore, the other local manufacturers of modified plastics give priority to certain market segment and have shaped the scale and competitive edges.

Major Manufacturers in Modified Plastics Market Segments in China, 2009

Market Segments	Manufacturers
Automobile	Kingfa Science & Technology Co., Ltd, Harbin Xinda Macromolecule Material Co., Ltd., Nanjing Julong Engineering Plastics Co., Ltd., etc.
Home Appliance	Kingfa Science & Technology Co., Ltd, Guangzhou KeYuan Innovative Materials Co., Ltd, Guangdong Silver Age Sci & Tech. Co., Ltd., etc.
Wire & Cable	Guangdong Silver Age Sci & Tech. Co., Ltd., Guande Plastic (Shenzhen) Co., Ltd., Dongxin Plastic Co., Ltd., etc.
Energy-saving Lamps	Kingfa Science & Technology Co., Ltd, Jiangyin Jihua New Material Co., Ltd, Nantong Xingchen Synthetic Material Co., Ltd, etc.
Electric Tools	Kingfa Science & Technology Co., Ltd, Hengdian Group Tospo Engineering Plastics Co., Ltd, Zhongshan Napu Engineering Plastic Co., Ltd, etc.
Electronics & Electric Devices	Kingfa Science & Technology Co., Ltd, Zhejiang Juner New Materials Co., Ltd, Guangdong Silver Age Sci & Tech. Co., Ltd., etc.
Toy	Kequan Plastic (Shenzhen) Co., Ltd., Polyplastics (China) Ltd., Dongguan Lize Plastic Hardware Work, etc.

Source: ResearchInChina

6.1 Kingfa Science & Technology

6.1.1 Profile

Kingfa Science & Technology, as a modified plastics manufacturer that founded in 1993, boasts the biggest scale and most complete product range at home. With the headquarters in Guangzhou of China, it has built three production bases in Guangzhou, Shanghai and Mianyang where total capacities hit 600 kilotons. Kingfa Science & Technology owns 4 series of flame-retardant resin, enhanced resin, toughened resin and plastic alloy including over 100 varieties and more than 4,000-branded products, showing remarkable competitive power. In 2010, Kingfa Science & Technology occupied 11% and ranked the first place in Chinese modified plastics market.

6.1.2 Operation

In 2010, Kingfa Science & Technology sold out ** tons of different modified plastic products (excluding trade goods), year-on-year up by 30.59%; achieving operating income RMB** billion, year-on-year increased by 44.01%; net income RM** million, year-on-year rising by 102.1%.

Operating Income and Net Income of Kingfa Science & Technology, 2008-2010 (RMB bn)

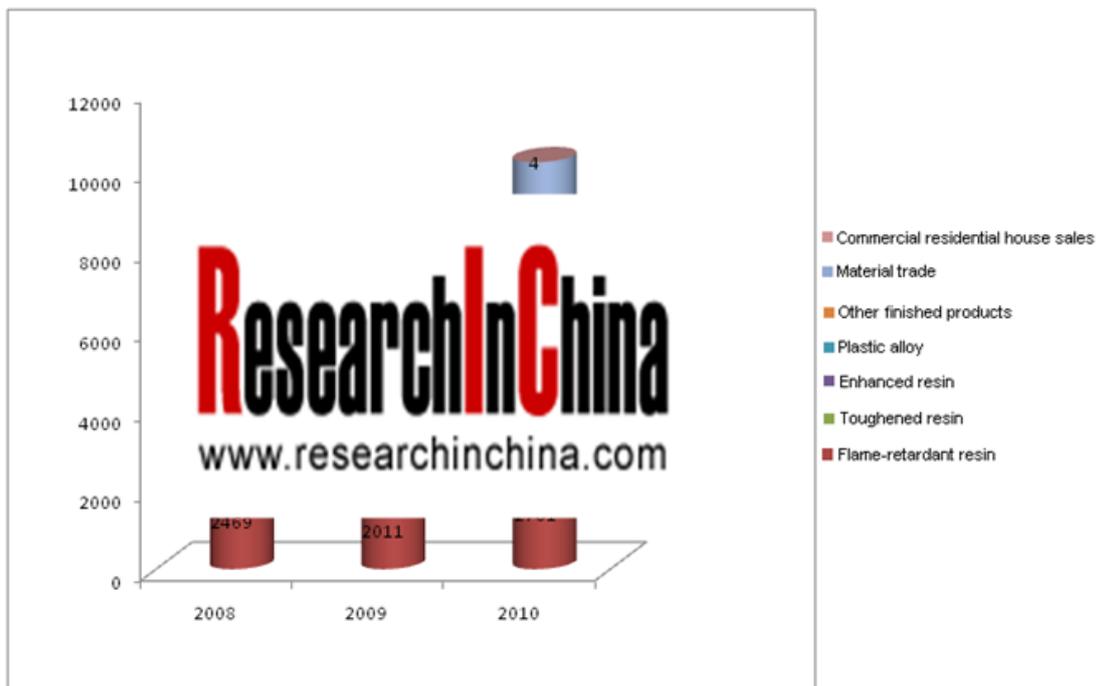


Source: Company Annual Report

In 2010, Kingfa Science & Technology obtained the sales income of RMB** billion from the modified plastics industry, accounting for 99.8% of the total, and the remaining from the real estate. To reduce money supply for business development, Kingfa Science & Technology will continually strip the real estate business in 2011.

Kingfa Science & Technology focuses its main products on 5 varieties including flame-retardant resin, enhanced and toughened resin and plastic alloy. In 2010, the sales income from flame-retardant resin products was RMB** billion, year-on-year up by 38.28%; RMB3.43 billion from the enhanced and toughened resin products; and RMB** million from the plastic alloy products, significantly rising by 90% year on year.

Operating Income (by Product) of Kingfa Science & Technology, 2008-2010 (RMB mln)



Source: Company Annual Report

Through a large number of R&D investment by Kingfa Science & Technology, a new batch of high-end new material product will usher in an industrialization era and expect to be the key source for growing profit.

Industrialization of New High-end Products of Kingfa Science & Technology

High-End New Products	Technology Level	Production Stage
fully biodegradable plastics	domestic leader	realizing mass production; planning to set up 10,000-ton-level fully biodegradable plastics production base
PA10T	far ahead of foreign equivalents	realizing mass production
wood plastic composite	independent R&D technology	applied by well-known manufacturers such as Konka, Philips and Sony
free-spraying plastic material	high-gloss, free-spraying, scratch resistant	widely applied in many well-known electronic brands worldwide
high-performance TPE material	independent R&D, breaking the zero record nationwide	-
LSOH antifiaming PO electric wire and cable materials	independent R&D with the technology meeting domestic advanced level, acquiring US UL authentication	-
halogen-free antifiaming enhanced PPE/PA alloy material	possessing independent intellectual property; the only new-type plastic alloy material approving UL94 V-0 authentication in the industry	realizing bulk supply for world-renowned enterprises Apple, HP, TOSHIBA, etc

Source: Annual of Kingfa Science & Technology

In 2010, the revenue of Kingfa Science & Technology in domestic market realized RMB9.538billion, making up **% of the total, while that in overseas market touched RMB** million, up 131.01% year-on-year. In 2011, Kingfa Science & Technology strives to spread its wing to overseas market, with the revenue in foreign market expecting to see continuous growth.

Operating Income of Kingfa Science & Technology by Region, 2008-2010 (RMB mln)



Source: Annual of Kingfa Science & Technology

6.1.3 Development Strategy

1. In 2013, its production bases located in Tianjin and Kunshan are expected to put into operation, by then, Kingfa Science & Technology will realize 110,000 tons of equity capacity, with capacity bottleneck getting released.

2. new high-end material projects that will see gradual industrialization: fully biodegradable plastics, high-temperature resistant engineering plastic material, carbon fiber, thermoplastic composite, etc. In particular, biodegradable plastics project is estimated to realize 20,000-ton production line construction before June 2011, with the products mainly for export.

3. Kingfa Science & Technology will invest in the projects of 800,000-ton environmental-protection high-performance car plastic construction, 100,000-ton new-type free-spraying highlight ABS construction, 100,000-ton environmental protection high-performance PC and its alloy production, 80,000-ton high-strength nylon production, 150,000-ton regenerated plastic high-performance technological transformation, with the total investment expecting to RMB3.83306billion. And the new capacity will amount 1.23million, 3 folds of that in 2010, approximately.

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