
Briefing on China's Interior Wall Decoration Materials Industry

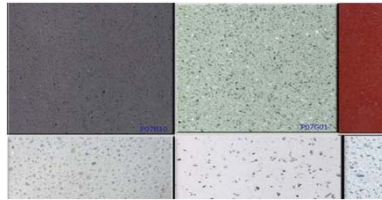


Materials and Applications Examples

Materials



Enamel steel



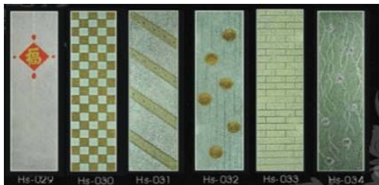
Artificial marble plate



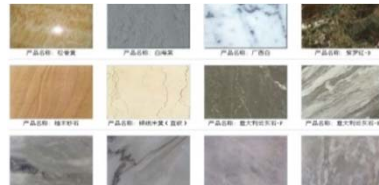
Wood veneer



Ceramic tile



Art glass



Natural marble



Wallpaper



Emulsion varnish

Commercial & Residential Applications



Metro station



Backdrop wall



Hotel lobby



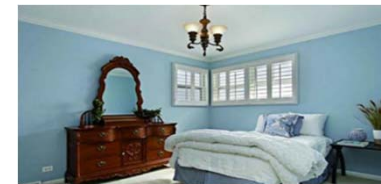
TV backdrop wall



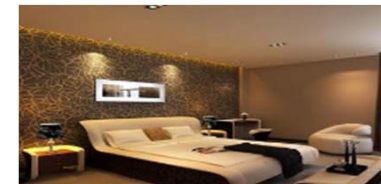
Restaurant



TV Backdrop wall



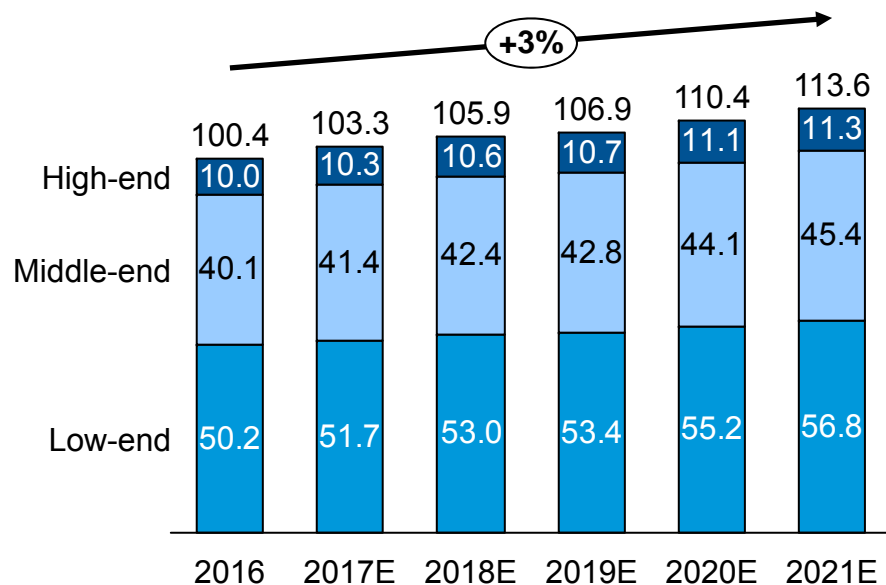
Bedroom wall



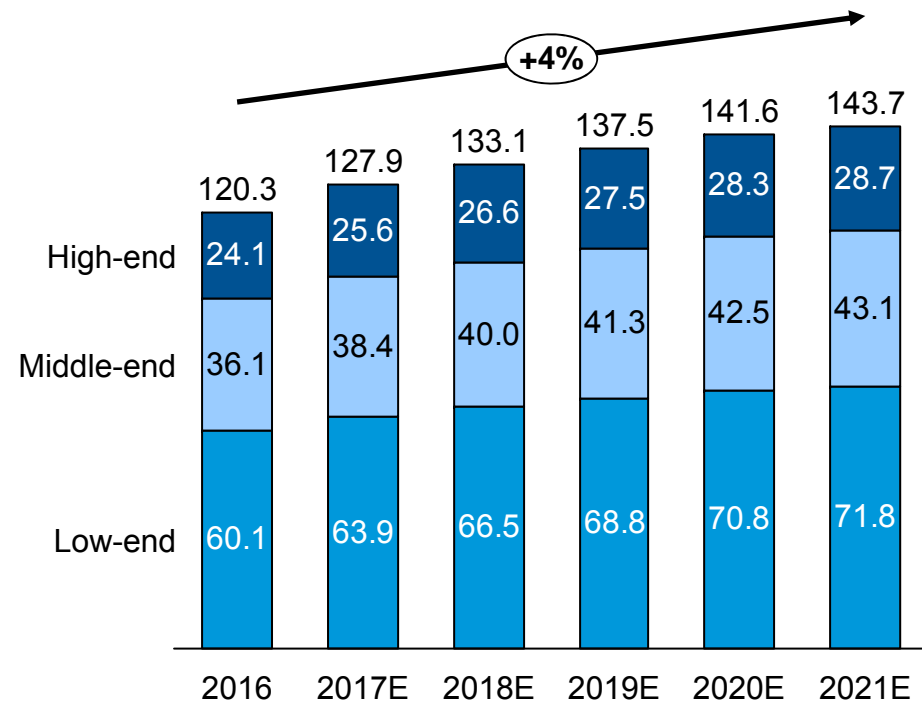
Hotel room

In 2017, China’s market sizes of wall decoration materials for commercial and residential applications are estimated to be 103 million and 143 million sq.m respectively, with a projected CAGR of 3% and 4% in the next 5 years

**Market size by Volume (million sq.m.)
for Commercial Buildings**



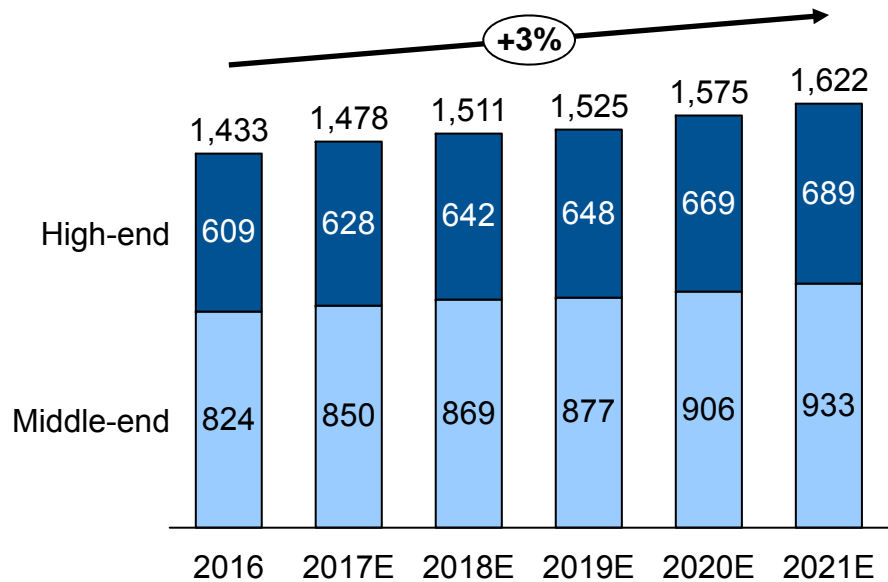
**Market Size by Volume (million sq.m.)
for Residential Walls**



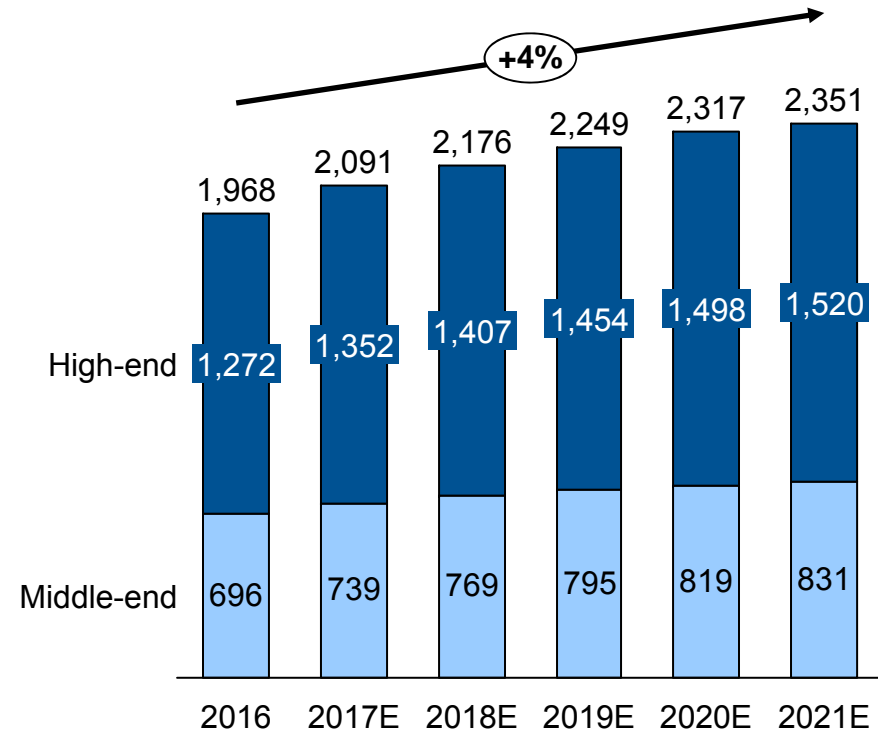
Source: National Bureau of Statistic of Chain

The market values of high and middle-end wall decoration materials for commercial and residential applications in 2017 are estimated to be 1.5 billion and 2.1 billion USD respectively

Market size by Value (million USD) for Commercial Buildings



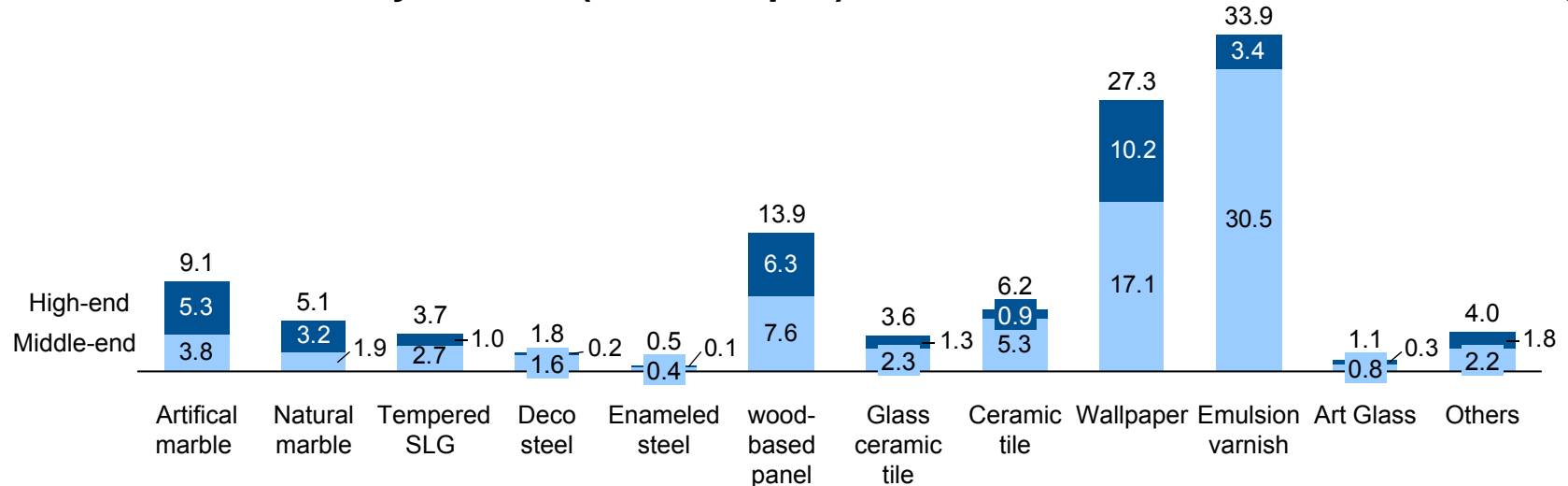
Market Size by Value (million USD) for Residential Walls



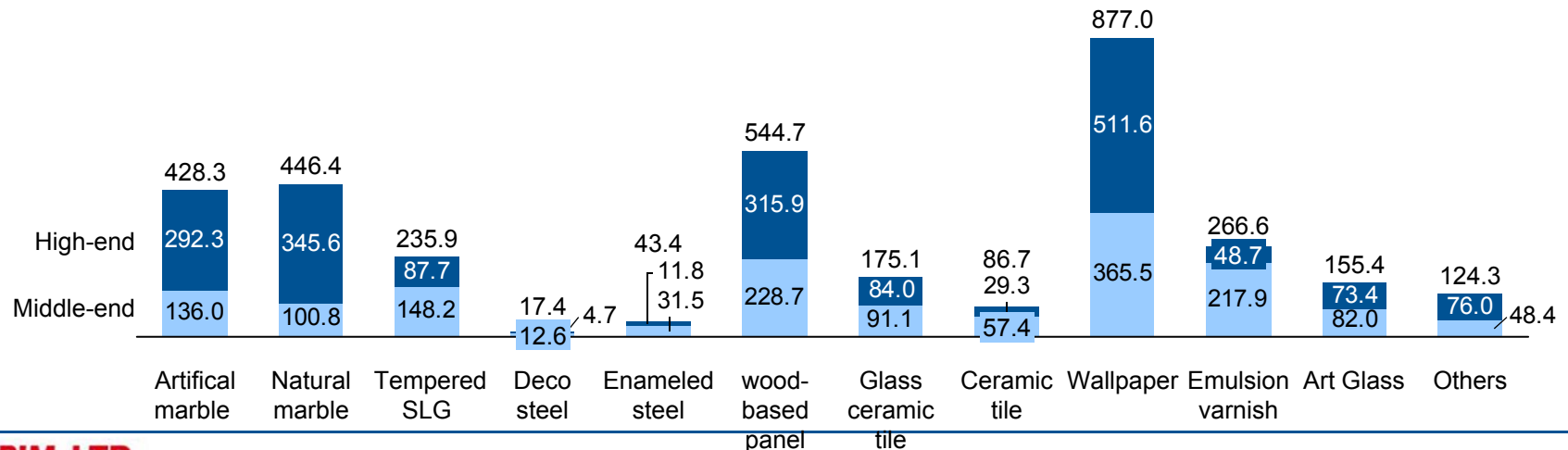
Source: National Bureau of Statistic of Chain

Emulsion varnish, wallpaper, wood-based panel are the leading 3 materials by volume

2016 Market size by Volume (million sq.m.) for Commercial & Residential Buildings



2016 Market size by Value (million USD) for Commercial & Residential Buildings

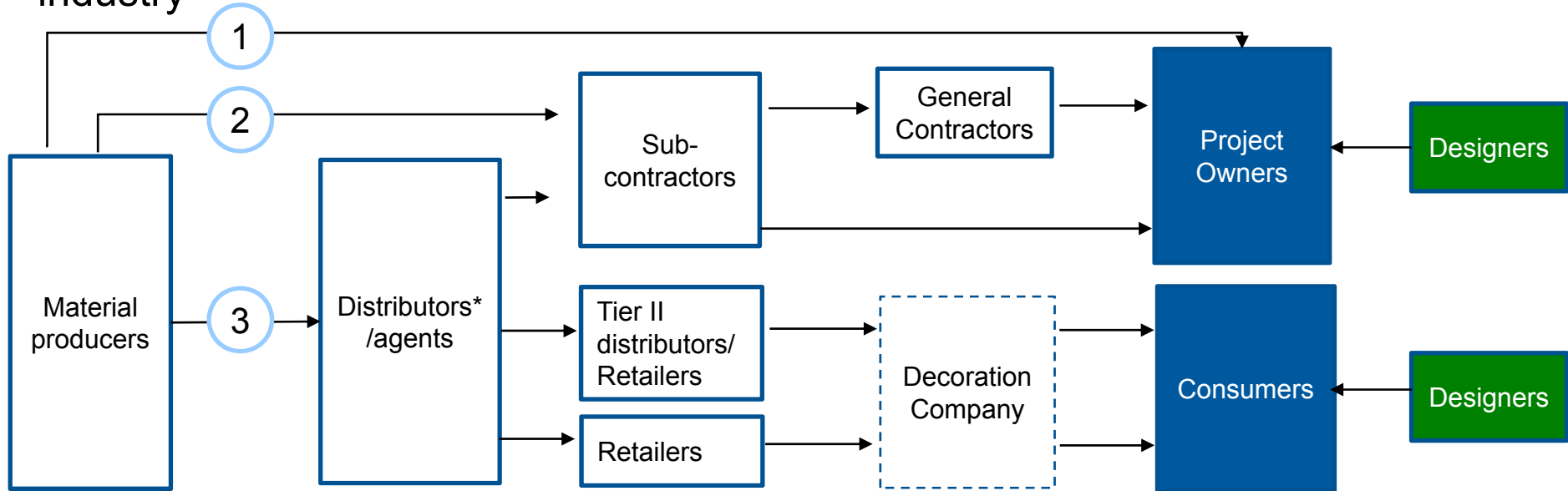


Key players of major materials and their sales volume or market share in 2016

Key players			
Materials	Key players	Major Production Area	Sales Volume/Market Share
Natural marble	<ul style="list-style-type: none"> UMGG Wanli Stone 	<ul style="list-style-type: none"> Guangdong Fujian 	<ul style="list-style-type: none"> 146 million USD (UMGG) 98.9 million USD(Wanli)
Artificial marble	<ul style="list-style-type: none"> WF-Stone Guangdong Chuanqi Foshan Rongguan 	<ul style="list-style-type: none"> Guangdong Fujian 	-----
Backpaint panels	<ul style="list-style-type: none"> JYC Xinglong Group 	<ul style="list-style-type: none"> Guangdong Hunan 	-----
Enameled steel panels	<ul style="list-style-type: none"> Kaier New Materials Tangshan Ruierfa 	<ul style="list-style-type: none"> Zhejiang Hebei 	<ul style="list-style-type: none"> 55.7 million USD (Kaier) 60% market share(Kaier)
Tile	<ul style="list-style-type: none"> Nabel Marcopolo Dongpeng 	<ul style="list-style-type: none"> Zhejiang Guangdong 	<ul style="list-style-type: none"> 1.2 billion USD (Nabel) 1.2 billion USD(Marcopolo) 769 million USD (Dongpeng)
Wood based panels	<ul style="list-style-type: none"> EGGER TUBAO 	<ul style="list-style-type: none"> Europe Zhejiang 	<ul style="list-style-type: none"> 289 million USD (Tubao)
Wallpaper	<ul style="list-style-type: none"> Rainbow Detai Roen 	<ul style="list-style-type: none"> Beijing Jiangsu 	-----
Emulsion varnish	<ul style="list-style-type: none"> Dulux Nippon Carpoly 	<ul style="list-style-type: none"> Shanghai Guangdong 	-----

Source: Face-to-face interviewed with 8 experts (2 designers + 3 sub-contractors +3 project owners)

Three value chain modes are used in China's interior wall decoration materials industry



Modes	Description	Features	Natural marbles	Enameled steels	Tiles	Artificial marbles	Backpaint SLG	Wall paper	Emulsion varnish
①	Sell to project owners	<ul style="list-style-type: none"> Group purchase Projects based 			√				
②	Sell to sub-contractors	<ul style="list-style-type: none"> Projects based 	√	√	√	√	√	√	√
③	Sell to distributors/agents	<ul style="list-style-type: none"> projects and retail markets 	√		√	√	√	√	√

Notes: * Sometimes, distributors or agents also have their retailer shops
 Source: PIM interviews and analysis, Aug. 2017

√ Applied

Designers focus on texture and shape flexibility, owners are most concerned about cost and quality, while installers focus on installation processes

Factors for Consideration and Levels* for Commercial Use

	High	Medium	Low
Designers	<ul style="list-style-type: none"> • Fire resistance • Texture and shape flexible • Successful cases 	<ul style="list-style-type: none"> • Cost 	<ul style="list-style-type: none"> • Environmentally friendly
Owners*	<ul style="list-style-type: none"> • Quality • Materials cost • Fire resistance 	<ul style="list-style-type: none"> • Texture • Successful cases • Installation cost 	<ul style="list-style-type: none"> • Installation convenience • Environmentally friendly
General/ sub Contractors	<ul style="list-style-type: none"> • Materials cost (if they are the buyers) • Installation cost 	<ul style="list-style-type: none"> • Installation convenience • Quality stability (less maintenance) 	

- It is reported that **successful cases are very important for branding** especially for a new entrant, and it is suggested that even losing money at the beginning, the new entrant should build up successful cases and educate the designers and owners, as most designers are reluctant to use new materials to avoid any uncertain risks
- Environmentally friendly is required for some buildings that aim to apply for LEED or green buildings

Source: PIM interview and analysis, Aug.2017

Commercial customers are more concerned about fire-rating, material costs and texture, while residential customers focus more on environmentally friendly features, texture and material cost

Key Factors of Concern of Commercial and High-end Residential Customers

	Commercial Buildings	Residential Buildings	Natural marble	Artificial marble	Backpaint panels	Enameled steel panels	Tile	Wood based panels	Wall paper	Emulsion varnish
Materials Cost	●	◐	2	3	3	2	3	4	4	5
Diversity of appearance	◐	◐	4	1	5	1	4	2	4	2
Texture (matte finish, light surface)	◐	◐	5	3	5	2	4	4	2	1
Shape (Flat, curved surface, concave-convex)	◐	◐	4	4	3	3	1	5	4	4
Warpage	◐	○	5	5	5	4	3	3	3	3
Onsite processing	◐	○	5	5	3	1	5	5	5	4
Installation convenience	◐	◐	2	2	4	3	4	5	5	4
Installation cost	◐	◐	1	2	5	3	4	4	4	4
Environmentally friendly	◐	●	2	1	5	5	4	3	3	1
Fire-rating	●	◐	5	5	5	5	5	3	3	4

○ → ● Importance of factors: Low → High

5 → 1: Scoring of materials high → low

Thank you!



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