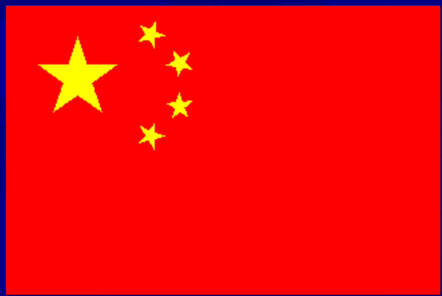
China Structural Lumber Market



Major Components of Structural Wood Demand

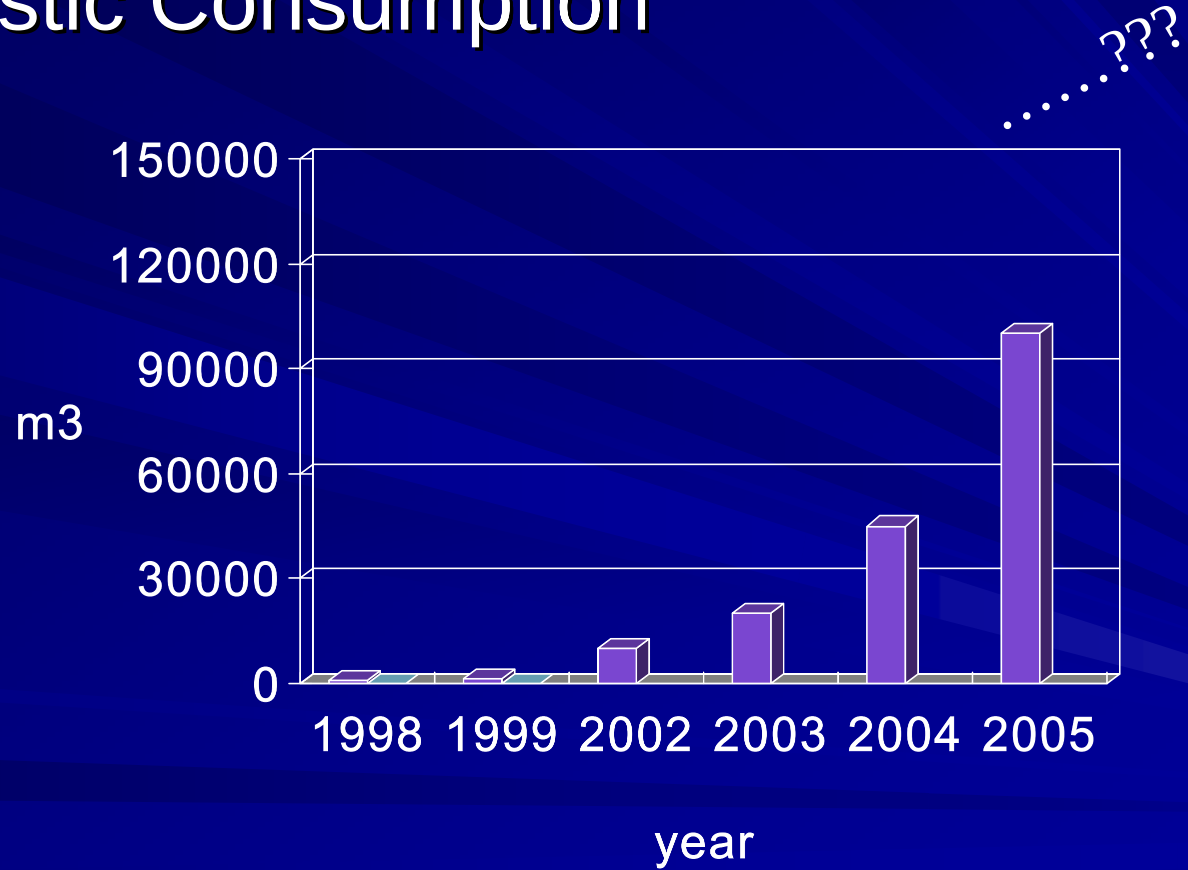
- Construction
  - In China, nearly all Single family
  - Some roof truss and Engineered wood construction starting to appear
- Outdoor
  - Includes engineered wood, but largely treated wood products

Construction Market

- Single Family homes
  - Approximately 800 starts in 2004;
  - Canadian industry wants to see 100,000 per year by 2015;
  - Homes generally larger in size than in North America (<300m²)
    - Average consumption of lumber for wood frame construction in China is approximately 0.126 m3/m2;
    - 20-25% wastage of wood materials because lack of training and poor skills, versus North American projects
- Some (few) Engineered wood projects
  - Bridges, clubhouses for heavy timber (glulam) usage

Treated Wood Market

- Domestic Consumption



Market Breakdown

- Market Growing
  - 2002-2004 saw demand at least grow by 100% per year
  - 2005 expect to see growth again near 100%
- Market Share
  - 75% is imported product
    - Approximately 30% is US Southern Pine, all structural grade;
    - 50-55% from Europe (primarily Finnforest) also largely structural grade;
    - Others (Canada, NZ, other)
  - 25% PRC or Russian, not structural grade

PRC Domestic Structural Industry

- Small engineered wood industry in and around Dalian
  - Produces almost entirely for export to Japan;
  - Total volume somewhere around 2000m³/mo;
  - All raw materials sourced from Russia, manufacturing efficiency of structural timbers is between 15-20%;
- Domestic treated wood industry growing, and will begin to use more structural timber (imported untreated and processed locally)
  - Primary sources: Russia, NZ, USA, Canada;
- No domestic panels industry seen yet – largely a raw material and technology issue