

CHINA MARKET HIGHLIGHT

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CANADA WOOD in CHINA

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RECONSTRUCTION EFFORTS INTENSIFY IN SICHUAN

Nine months after an 8.0 magnitude earthquake devastated parts of Sichuan, large scale reconstruction is underway. Workers are hauling away rubble, repairing damaged buildings and setting up new construction sites across the worst hit areas.

The quake destroyed at least seven million buildings while twenty five million more suffered damage. Some survivors were taken in by other family members while those who had no place to go, some five million people, took refuge in temporary housing camps.

County level government

officials are under pressure from the Central government to get their residents into new permanent homes. In Qingchuan County, where FII and Canada Wood are building three low-cost demonstration houses, the government intends to move all of their 200,000 displaced people into new homes before the end of 2009.

Government personnel are working closely with builders to expedite the construction process. The leadership of Qingchuan has embraced the WFC system, and would approve more wood homes if the capacity existed to build them quickly.



WENCHUAN COUNTY, CHINA: Survivors of the May 12 Sichuan Earthquake work to rebuild a house. - Getty Images

RURAL DEMONSTRATION HOUSES



GUANZHUANG, QINGCHUAN: The 220 m² version (above) and the 80 m² version (bottom right) of Canada Wood's rural demonstration houses take shape. February 2009.

Three low-cost demonstration houses are under construction in Guangzhuang (GZ). GZ is a picturesque village in Qingchuan (QC) County set in a river valley carved with terraced mountain-side farms.

The demo houses range from 80m² to 220 m² . They were designed to be seismically safe and appeal to the local lifestyle. These houses were required to meet a target price of less than 800 RMB/m². All three houses are scheduled to be complete by the end of March.

The demo houses will serve several purposes;

- Illustrate the WFC system to new builders
- Provide a sales office for prospective buyers
- Promote WFC to officials from nearby counties

The demos have generated interest from curious local residents who have become daily job-site spectators. Early feedback indicates the two story lay-out is popular. It has also been suggested that some people want the option to buy an un-finished house, and that houses with 150 to 175 m² of floor space are the most desirable.

CANADA WOOD COLLEGE in SICHUAN



Canada Wood College is set to begin its second term of builder training in Deyang, Sichuan. The course runs from March 2nd to the 20th and will feed graduates onto job sites in Qingchuan County.

Daniel Brigham is returning to Sichuan from Ottawa's Algonquin College to resume his role as the lead instructor.



Canada Wood College is establishing itself as an integral component of China's WFC industry. One of China's largest developers, Greenland, enrolled four workers into the builder training program last November. These employees are currently engaged in Greenland's first wood frame project, a large school in Dujiangyan.

Canada Wood College recently received a rash of applications from Houjia village. Canada Wood assembled two WFC structures for the Rural Housing Initiative in Houjia last June; a project that apparently made a positive impression on the residents.

DEYANG, SICHUAN: Canada Wood College students during the builder training program at the well appointed facilities of the Sichuan College of Architectural Technology. November 2008.

STUDENT BUNKHOUSE DONATION



Students from the Canada Wood College builder training program, held last November in Sichuan, built two 25 m² bunkhouses. One of these buildings was donated to a boarding school in Mianzhu. Mianzhu is a small city near Deyang that suffered severe damage, sadly resulting in the tragic collapse of several schools while classes were in session.

The bunkhouse donated by Canada Wood has been re-assembled at the site of a temporary school facility and is scheduled to be finished by the end of March. The school plans to use the building as a dormitory for teachers.

While this is a small contribution for a school that accommodates 2400 children, the building is much needed and the gesture is deeply appreciated



TOP: A bunkhouse destined for the Mianzhu School is built by students at Canada Wood College, Nov. 2008. LEFT: A distraught mother searches for her child in the rubble of a collapsed building. Mianzhu, May, 13, 2008. (photo Xinhua). MIDDLE/RIGHT: Children who survived the quake recover with the help of activities in a Mianzhu housing camp. May, 31, 2008. (photos Xinhua).

NEW CHENGDU BRANCH OFFICE



Canada Wood opened a branch office in Chengdu to help administer the earthquake reconstruction project activity. The new office opened November 1, 2008, and is staffed by an Office Coordinator, Mr. Shen Zhaopeng.

Zhaopeng is a Sichuan native who graduated from Tongji University's Urban Planning program. He has worked in various urban planning capacities for ten years, including four years with The World Bank. Zhaopeng worked and trained in Europe before returning home to Chengdu in 2004. He subsequently speaks fluent English and French as well as Mandarin and the Sichuan dialect.

Although Zhaopeng is only available to Canada Wood on part-time basis, it has been a big advantage to have representation from a respected local professional. Zhaopeng also maintains his role as a partner in an urban planning consulting agency.

Left: Mr. Shen Zhaopeng introduces Minister Bell at the Canada Wood College opening ceremony. Nov. 2008, Deyang. Right: Zhaopeng representing Canada Wood in the Sichuan branch office. Feb. 2009, Chengdu. Bottom: Chengdu city center. (photo Xinhua)

DONATION PROJECTS : PHASE 1

FII is managing the implementation of three reconstruction projects planned for phase one of the \$8 million BC/Canada donation. Canada Wood is supporting these projects with builder training and quality assurance services.

The Xiang'e Primary School (pictured) is a beautiful 5300 m², multi-story complex in Dujiangyan that includes classrooms, a cafeteria and dormitories. Other phase one projects include a multi-story elderly care facility and a multi-story school for the disabled.

The Xiang'e school site was visited by the Mayor of Shanghai on February 9th. Mayor Zheng Han praised the project for being seismically stable, energy efficient and environmentally friendly.



The Mayor's comments were picked up by television stations from Shanghai and Chengdu as well as newspaper, internet and trade journal media.

These donation projects will create several valuable PR opportunities. FII will use the media to convey that multi-story WFC is a viable, cost-effective system, that is well suited for China.



Top: The main building of the Xiang'e school complex. Bottom: Mayor Han of Shanghai is followed by news cameras as he visits the Xiang'e project site. Both photos - February 9, 2009.

BUILDERS' SEMINAR

To sell large numbers of wood frame houses in Sichuan, there needs to be builders in place to build them. The Qingchuan (QC) demo houses were used as a venue for a Builders' Seminar on Feb. 22. The seminar sought to encourage builders to bid for contracts in QC.

Twenty five builders attended to learn about the contract bidding process, lumber distribution, the county reconstruction plan, and the type of support that Canada Wood can provide. In addition to Canada Wood staff, the Mayor of QC County, a rep from Canfor, and reps from two construction companies made presentations.

This event succeeded in connecting builders to the government which is a critical step in initiating the construction of rural WFC houses. This event also gave Canada Wood a chance to discuss the advantages WFC has over the post and beam homes built in the area with Russian pine.

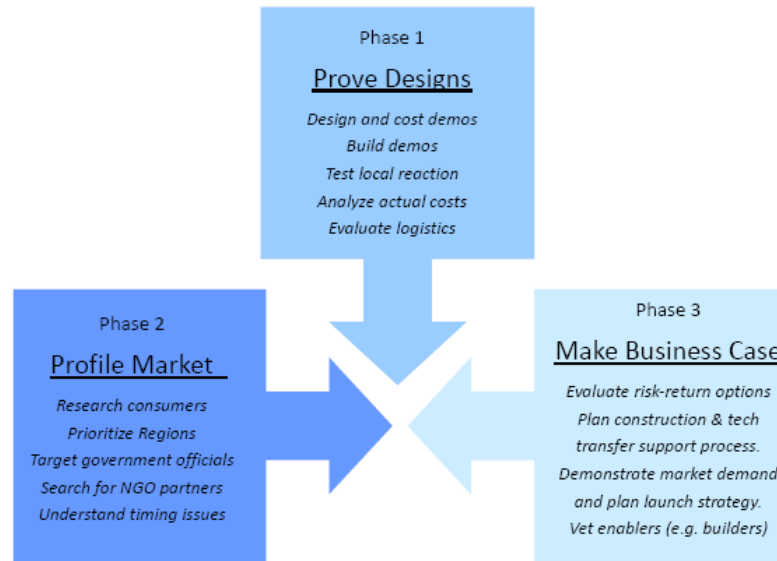


Above: Canada Wood's Leonard Mao leads builders on a tour of the demo houses. The builders are joined by several groups of potential home owners.



Top: The owner of an established WFC building company from Shanghai discusses one of the QC demo houses with other builders. Bottom: Steve Ross distributes Canada Wood brochures to local builders who are interested in learning to build with wood.

RURAL HOUSING STRATEGIC PLAN



The opportunities to develop the WFC market in post-quake Sichuan initially drew comparisons to the 1995 situation in Kobe. Two distinctions define the situation in China; Sichuan did not have a WFC industry prior to the quake, meaning there were no builders, no distribution of WFC materials, and no awareness of WFC's benefits. Secondly, the level of income in Sichuan is much lower than in Kobe.

A primary goal of the rural initiative in 2009 is to ensure that 500 – 1000 low cost houses will be built in Qingchuan County.

To achieve this goal, new designs are being tested that meet the cost restrictions and accommodate the local lifestyle. These designs are being used to build three demo houses. The demo houses will facilitate the sales process between the builders and prospective home buyers. The demos will also be used to promote WFC to government officials from other Sichuan counties.

Builders are a vital piece of the rural housing strategy. Canada Wood is pitching the opportunity to build in QC to Sichuan masonry builders, Jiangsu post and beam builders, and East Coast WFC builders. The re-construction of QC presents a low margin, high volume opportunity for small builders who stand to benefit from Canada Wood's contribution of designs, logistics, marketing support, worker training, and government contacts (which ultimately means customers).

The re-construction in QC will identify commercially viable low cost house designs, it will produce insights on low cost materials, and provide WFC experience to new builders. These developments will enable the promotion of rural WFC houses beyond Sichuan. Market research is currently being conducted by FII on other earthquake zones in China to guide the post QC marketing campaigns.



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TELLING THE WFC STORY



Left: Mayco Lou from Canfor explains the advantages Canadian SPF to a group of Sichuan builders. Feb. 22, Guangzhuang. **Middle:** China's largest newspaper ran a story on the WFC demo houses in Qingchuan, Jan. 24. **Right:** Steve Ross from Canada Wood guides the Deputy Secretary of Zhejiang Province, his entourage, and a pack of media through a tour of a Qingchuan demo house. Feb. 25.

The promotion of WFC as it relates to Sichuan is being assailed on two fronts. Target groups such as builders, government officials, and displaced rural residents are being approached with direct marketing efforts including seminars, surveys, brochures, demo-tours, and face to face meetings. At the same time, a wider audience is being reached through the media.

Events in Sichuan continue to attract the attention of people across the nation. The involvement of officials from all levels

of government lends added intensity to the media coverage. A story recently ran on page one of the People's Daily (Renmin Ribao) about the Qingchuan demo-houses. The People's Daily is the official newspaper of the CCP with a circulation of 3 to 4 million copies per issue. Another large newspaper from Zhejiang Province covered WFC in a feature of two of Canada Wood's Construction Specialists. The results from the early marketing and PR initiatives have exceeded expectations.

RECOVERING AND ADAPTING



Donghekou village in Qingchuan Country, with 1200 residents, was almost entirely wiped out by an enormous landslide caused by the quake. The same house is circled in both photos to provide a reference point.

In some areas the destruction from massive seismic forces was so complete that tragedy was unpreventable. In other locations, lives could have been spared with safer building systems. Non-reinforced masonry combined with pre-cast concrete floor/roof planks performed poorly in the earthquake and is blamed for numerous casualties. Unfortunately this used to be the most common type of structure built in Sichuan.

While people in Sichuan need economical homes, they also want safe homes. Local governments are endorsing new building systems, creating a favorable environment to introduce low-cost, wood frame designs to officials and residents alike. The time is right to grow a market niche for safe, inexpensive, WFC housing in Sichuan.
