



Qunxing Paper Holdings Company Limited  
群星紙業控股有限公司

# **ANNUAL RESULTS 2008 Corporate Presentation**

**March 2009**



# Agenda

Financial Review

Operational Review

Future Plans and Strategies

Open Forum





# Financial Review



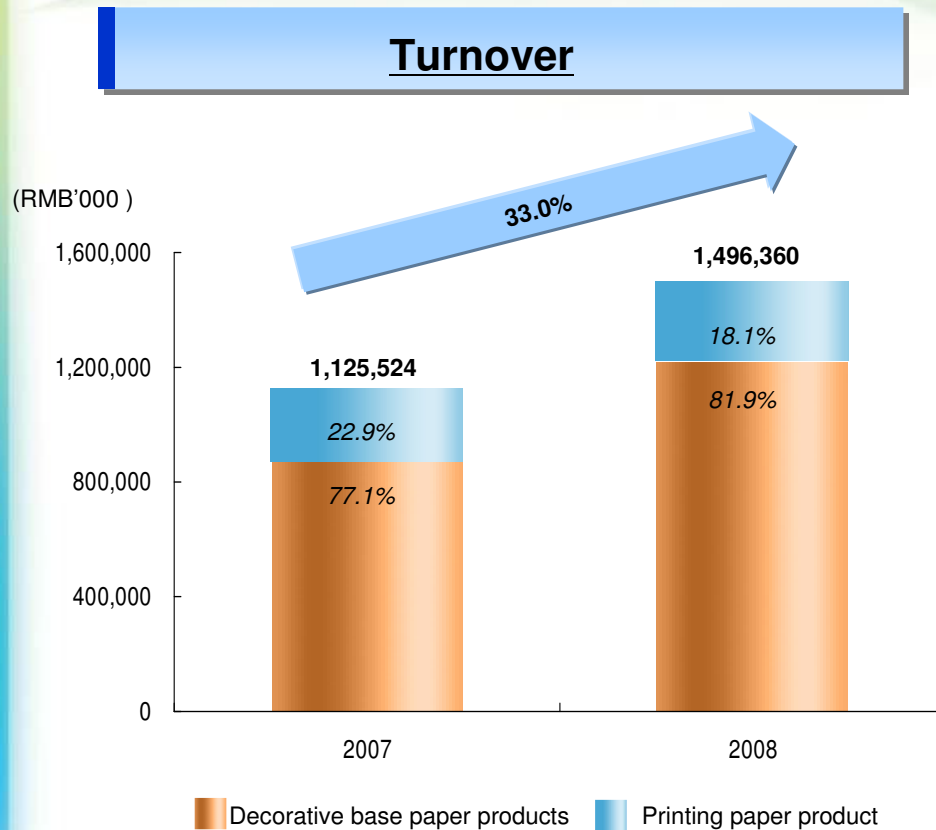
# Financial Highlights

Financial Highlights for the year ended 31 December			
	2008 (RMB'000)	2007 (RMB'000)	Change
<b>Revenue</b>	<b>1,496,360</b>	1,125,524	<b>+33.0%</b>
<b>Gross profit</b>	<b>405,516</b>	283,469	<b>+43.0%</b>
<b>Profit for the year</b>	<b>383,361</b>	350,572	<b>+9.4%</b>
<b>Profit for the year</b> <i>Excluding other income and other net loss from non-core operations</i>	<b>344,299</b>	229,247	<b>+50.2%</b>
<b>Basic earnings per share (RMB cents)*</b>	<b>37</b>	42	<b>-11.9%</b>
<b>Dividend per share (HK cents)</b>	<b>12.61</b>	11.28	<b>+11.8%</b>
- Interim	4.16	-	
- Final	8.45	11.28	

\* The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB383,361,000 (2007:RMB350,572,000) and the weighted average number of 1,038,273,000 (2007:826,562,000) ordinary shares in issue during the year.



# Remarkable Turnover Growth



## Growth drivers:

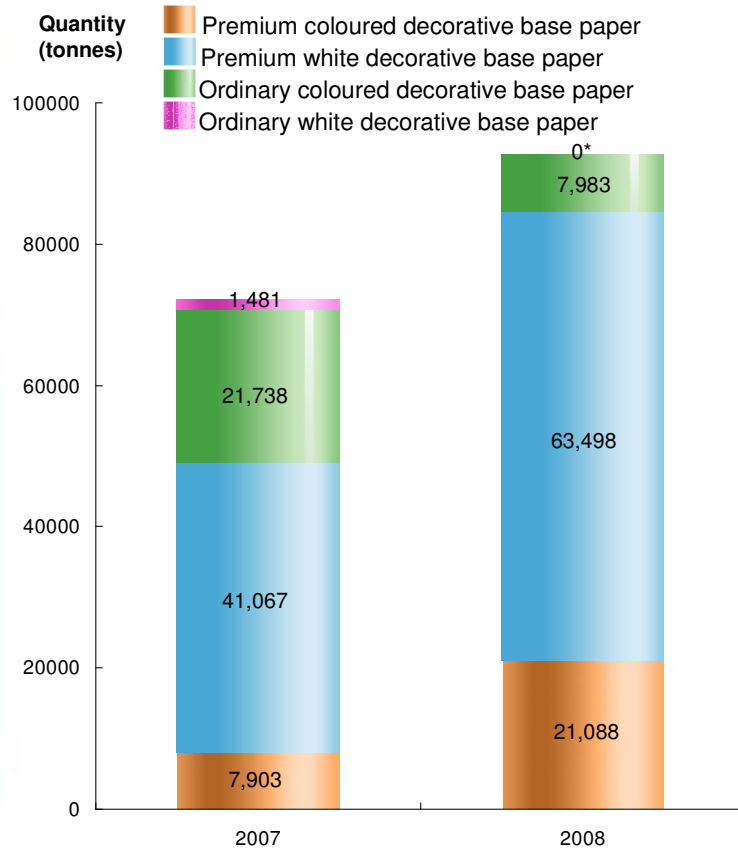
- Overall sales volumes increased by approx. 18.2% from 112,681 tonnes to 133,213 tonnes; In particular strong demand in decorative base paper products (Increase in sales volume by approx. 28.2% from 72,187 tonnes to 92,564 tonnes)
- ASP of our products increased as follows:

ASP (RMB/tonne)	2008	2007	Change
Decorative base paper products	<b>13,236</b>	12,028	+10.0%
Printing paper product	<b>6,670</b>	6,353	+5.0%



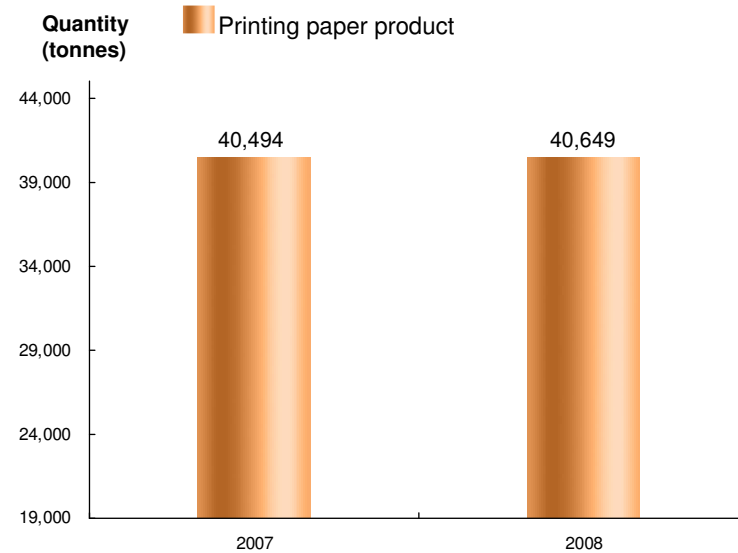
# Sales Volume by Products Category

## Decorative Base Paper Products



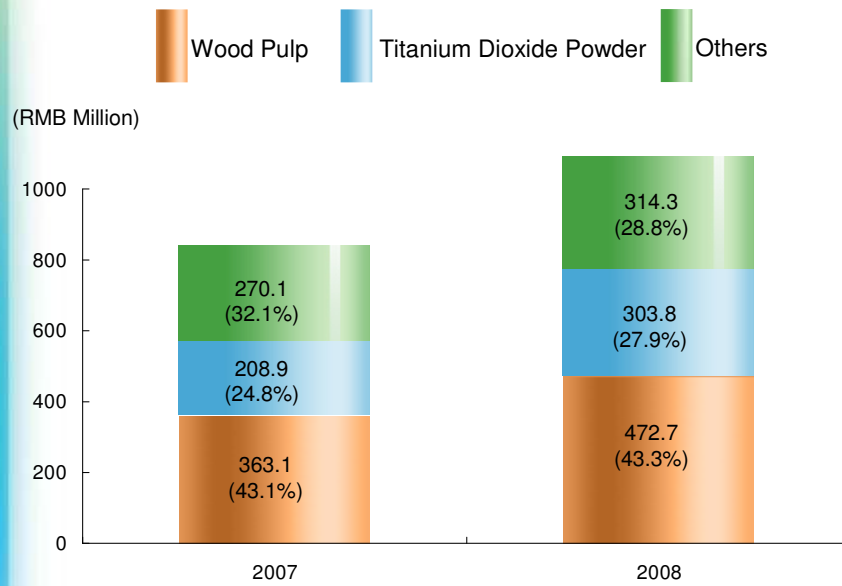
*\*We ceased to sell ordinary white decorative base paper since March 2007 as a result of product mix realignment*

## Printing Paper Products

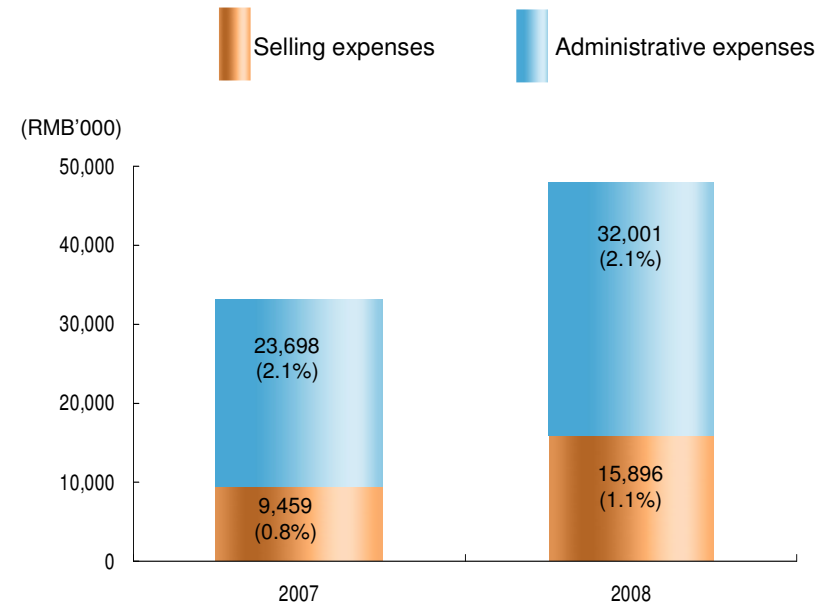


# Operating Cost Structure

## Wood Pulp, Titanium Dioxide Powder and Other Direct Costs as a Percentage of Cost of Sales

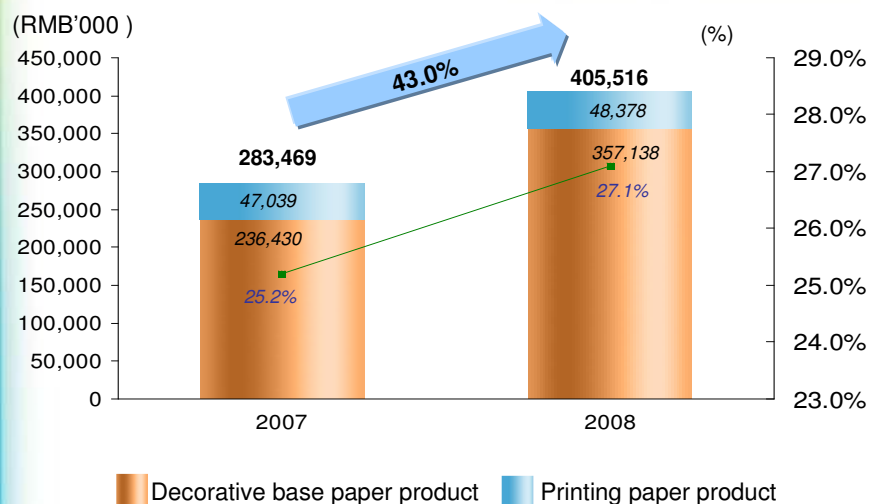


## Operating Cost as a Percentage of Turnover

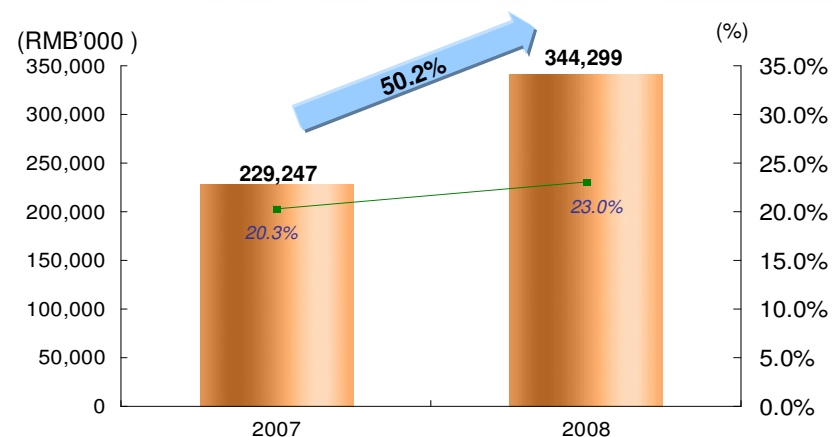


# Strengthened Profitability

## Gross Profit and Margin



## Net Profit and Margin <sup>(1)</sup>



(1) Net profit excluding other income and other net loss from non-core operations of RMB 121,352,000 and 39,062,000 in 2007 and 2008 respectively.

## Growth drivers:

- Realignment of product mix by increasing the proportion of high margin premium decorative base paper products
- Expansion of production capacity resulted in higher economies of scale and production efficiency





## Gross Profit Margin – By Product Category

<i>For the year ended 31 Dec</i>	<b>2008</b>	2007
Premium coloured decorative base paper	36.7%	35.1%
Premium white decorative base paper	27.2%	26.4%
Ordinary coloured decorative base paper	22.2%	25.9%
Ordinary white decorative base paper	- *	18.4%
<b>Decorative base paper products</b>	<b>29.1%</b>	<b>27.2%</b>
<b>Printing paper product</b>	<b>17.8%</b>	<b>18.3%</b>
<b>Overall Gross Profit Margin</b>	<b>27.1%</b>	<b>25.2%</b>

*\*We ceased to sell ordinary white decorative base paper since March 2007 as a result of product mix realignment*



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## Key Financial Ratios

	31 Dec 2008	31 Dec 2007	Change
<b>Total Assets (RMB'000)</b>	<b>2,689,828</b>	2,517,922	+6.8%
<b>Net Assets (RMB'000)</b>	<b>2,235,207</b>	2,041,650	+9.5%
<b>Return on assets (%)</b>	<b>14.3%</b>	13.9%	+0.4pp
<b>Return on equity (%)</b>	<b>17.2%</b>	17.2%	-
<b>Debtors' turnover (days)</b>	<b>9</b>	16	-7 days
<b>Creditors' turnover (days)</b>	<b>37</b>	35	+2 days
<b>Current ratio (Times)</b>	<b>3.7</b>	7.0	-3.3 times
<b>Quick ratio (Times)</b>	<b>3.6</b>	6.8	-3.2 times
<b>Gearing ratio (%)</b>	<b>4.6%</b>	9.4%	-4.8pp
<b>Inventory turnover (days)</b>	<b>18</b>	20	-2 days
<b>Effective tax rate (%)</b>	<b>0%*</b>	0%*	-

\* Tax effect of tax concession period





# Operational Review



# Market Review

## Economic growth of China in 2008

- Global financial crisis and global economic downturn
- Sluggish domestic consumption, drop in export and investment setback
- GDP of the China increased by 9%
- Pace of growth remained fast and steady in absolute term

## Opportunities:

**PRC government's new measures to encourage construction of economic residential properties**

**Urbanization of 2<sup>nd</sup> and 3<sup>rd</sup> tiered cities and the emergence of new housing demand from lower income group**

**Fuelled the demand for laminated board and decorative base paper**



# Expansion of Production Capacity

- **Production base**
  - **Highly automated production base located in Zouping County, Shandong province, with a total site area of approximately 169,186 sq.m.**
- **Existing designed annual production capacity as at 18 March, 2009:**
  - **Decorative base paper: 210,000 tonnes**
  - **Printing paper: 50,000 tonnes**

## Designed annual production capacity

<i>(In tonnes)</i>			
Production Line	As at 31 Dec 2007	As at 31 Dec 2008	As at 18 Mar 2009
1, 2, 3, 4	110,000	110,000	<b>110,000</b>
5, 6	60,000	60,000	<b>60,000</b>
7	-	30,000	<b>30,000</b>
8, 9	-	-	<b>60,000</b>
<b>Total</b>	<b>170,000</b>	<b>200,000</b>	<b>260,000</b>

## Expansion Schedule

Production Line	Designed Annual Production Capacity (In tonnes)	Completion of Construction (Expected)
10, 11	30,000 each	Mid 2009
12, 13	30,000 each	Early 2010



## Consolidation of Distribution Channels



### 6 designated sales regions

*Shandong, Sichuan, Guangdong, Beijing, Jiangsu and Zhejiang*



**Over 96 customers covering 13 provinces, autonomous regions and municipalities in the PRC**

### **Consolidation of distribution channels enables the Group:**

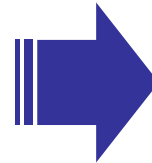
- To increase the sales of products with higher profit margin
- To improve overall scale and quality of clientele
- To further improve client relationship



# Diversification of Production Applications

## Versatile Applications

Developed and marketed more than 80 types of decorative base paper products to cater different market demands



Furniture



Kitchen ware



Wall covering decoration



Composite office wares



Fortified wooden floorboard



Motor vehicles



Aircraft



# Awards and Recognition in 2008

## QX Paper:

### **“Growing China Corporate Citizen in 2008”**

*A campaign co-organised by Committee of Corporate Citizenship of China Association of Social Workers, CCTV Economic Channel and Tencent Charity Foundation*

### **One of the “Asia’s 200 Best Under a Billion” companies in 2008**

*Forbes Asia, a renowned international finance magazine*

## Shandong Qunxing Paper Limited:

### **Appointment as the Standing Council Member**

*Shandong Province Paper Manufacturing Industry Association*

### **“Top 20 Papermaking Enterprises in China” in 2007**

*China Paper Industry, the Journal of China Paper Association*

### **“2008 Chinese Enterprise with Excellent Integrity”**

*China Enterprise Confederation and the China Entrepreneur Association*

### **“Advanced Enterprise of Shandong Province’s Paper Manufacturing Industry in 2007”**

*Shandong Province Paper Manufacturing Industry Association*





## Future Plans and Strategies



# Outlook

**1. Urbanization in 2<sup>nd</sup> and 3<sup>rd</sup> tiered cities underway**

**2. New policy to speed up construction of economic residential properties**

**Demand for decorative base paper products**

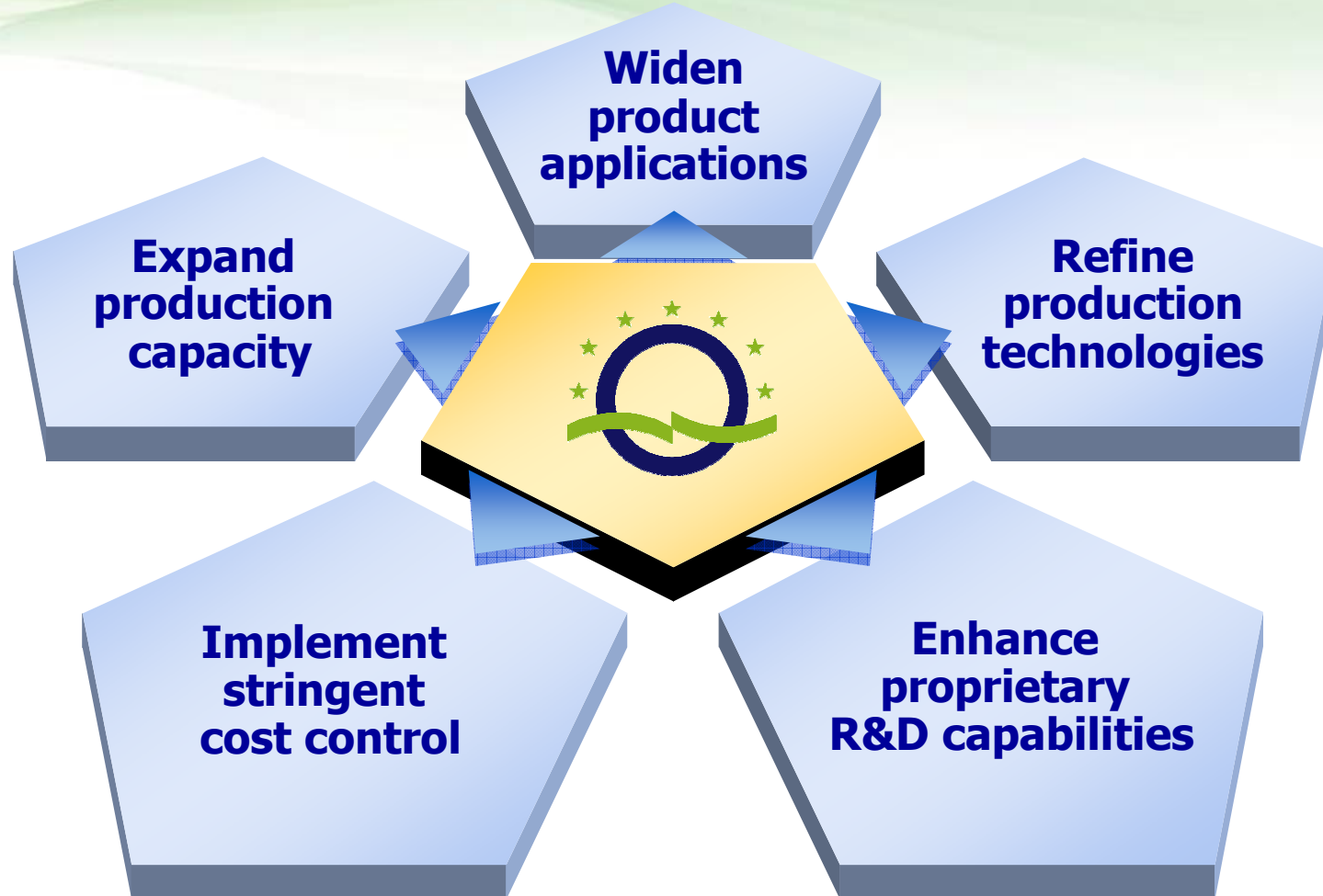


**3. New policy to speed up renovation of old buildings over the country**

**4. Cost conscious middle class families seeking to improve living standard**



# Future Plans and Strategies



## Planned Capital Expenditure from 2009-2010

<i>(RMB million)</i>	Year ending 31 December	
	2009	2010
<b>Estimated capital expenditure budget</b>	<b>606.1</b>	<b>439.4</b>

### Vision

To become the largest decorative base paper manufacturing in Asia.





# Open Forum

