



Qunxing Paper Holdings Company Limited

群星紙業控股有限公司

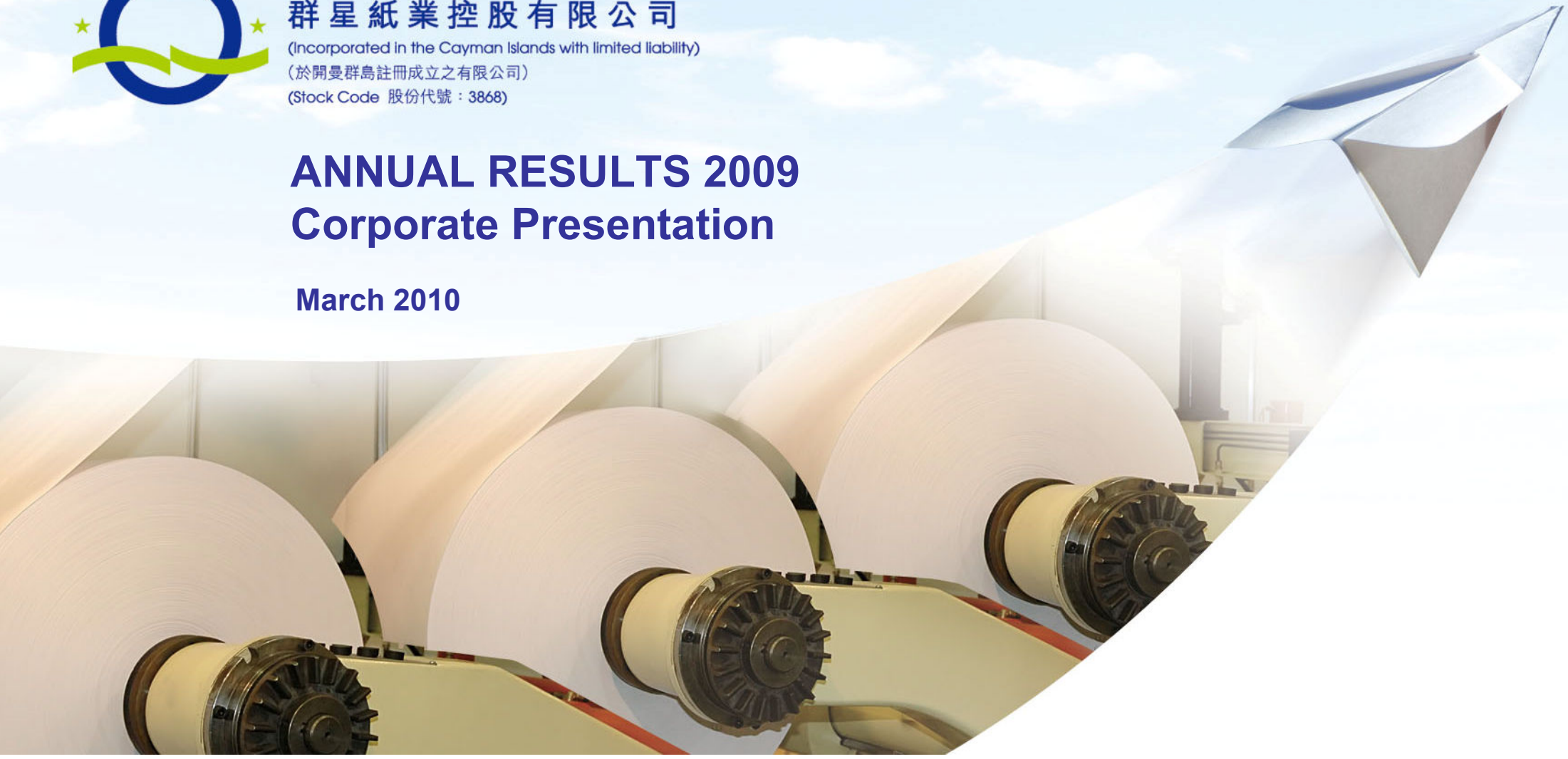
(Incorporated in the Cayman Islands with limited liability)

(於開曼群島註冊成立之有限公司)

(Stock Code 股份代號 : 3868)

ANNUAL RESULTS 2009 Corporate Presentation

March 2010





Agenda

- ▶ **Financial Review**
- ▶ **Operational Review**
- ▶ **Future Plans and Strategies**
- ▶ **Open Forum**





Qunxing Paper Holdings Company Limited
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Financial Review



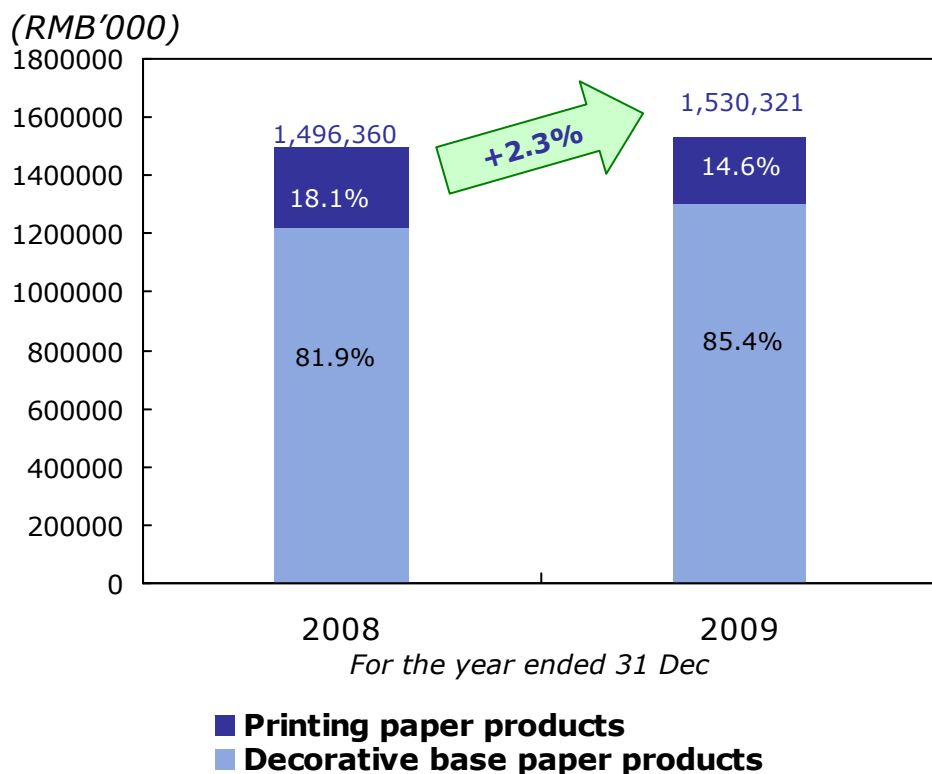
Financial Highlights

Financial Highlights for the year ended 31 Dec			
RMB'000	2009	2008	Change (%)
Revenue	1,530,321	1,496,360	+2.3
Gross profit	424,804	405,516	+4.8
Profit for the year	324,087	383,361	-15.5
Basic earnings per share (RMB cents)	31	37	-16.2
Profit from operations before tax <i>Excluding other revenue and net gain & loss from non-core operations</i>	367,385	344,299	+6.7
Basic earnings per share (RMB cents) <i>Excluding other revenue and net gain & loss from non-core operations</i>	31	33	-6.1
Dividend per share (HK cents)	10.68	12.61	N.A.
- Interim	3.277	4.16	
- Final	7.403	8.45	



Remarkable Turnover

Turnover



- ◆ Increase in turnover:
 - Overall sales volumes increased by approx. 10% to 146,506 tonnes from 133,213 tonnes
 - Sales volume of decorative base paper products increased by approx. 16.3% to 107,667 tonnes from 92,564 tonnes

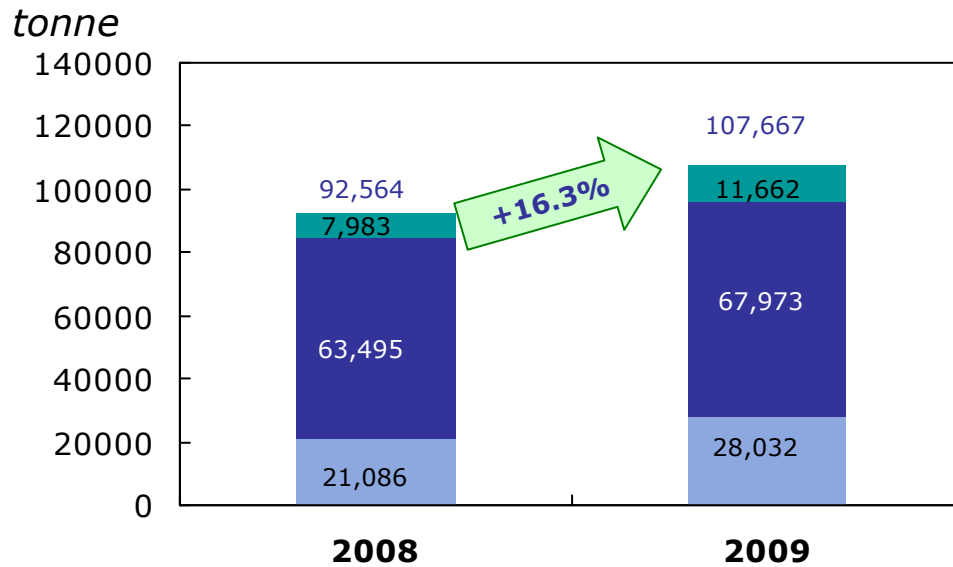
◆ ASP of our products:

For the year ended 31 Dec			
(RMB/ tonne)	2009	2008	Change
Decorative base paper products	12,142	13,236	-8.3%
Printing paper product	5,744	6,670	-13.9%



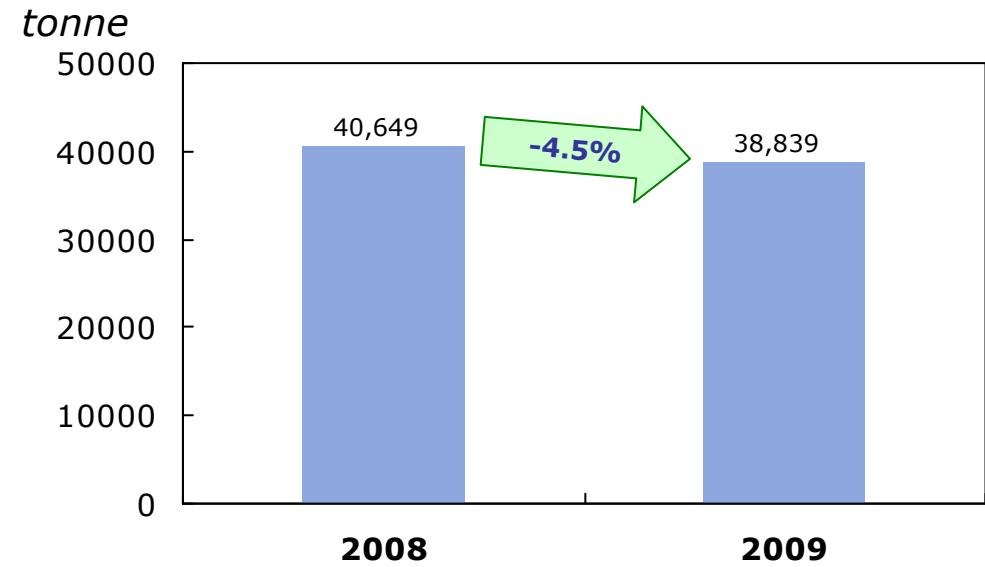
Sales Volume by Product Category

Decorative Base Paper Products



- Ordinary coloured decorative base paper
- Premium white decorative base paper
- Premium coloured decorative base paper

Printing Paper Products

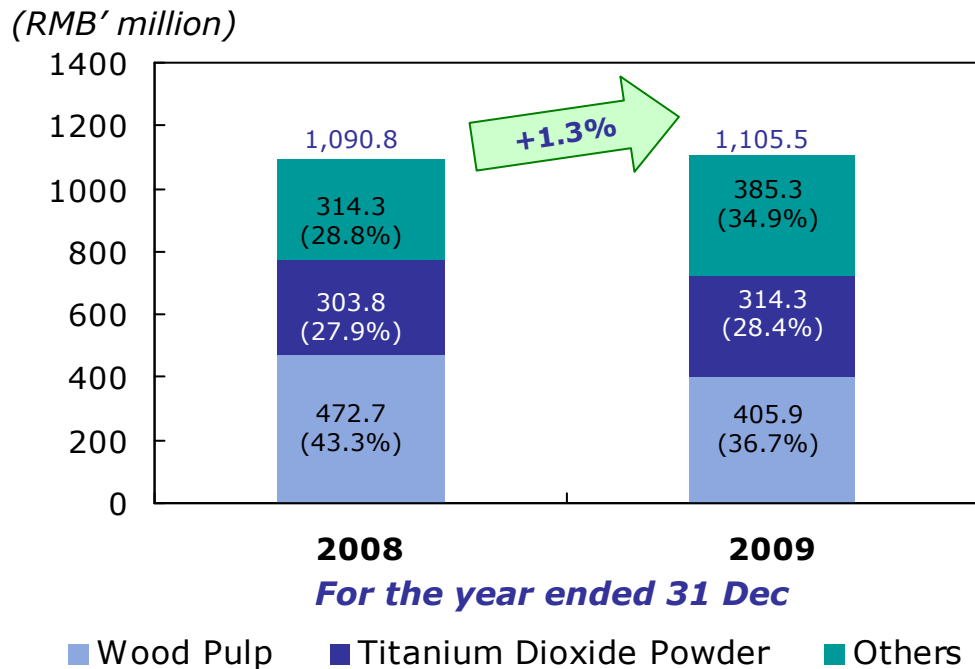


- Printing paper product

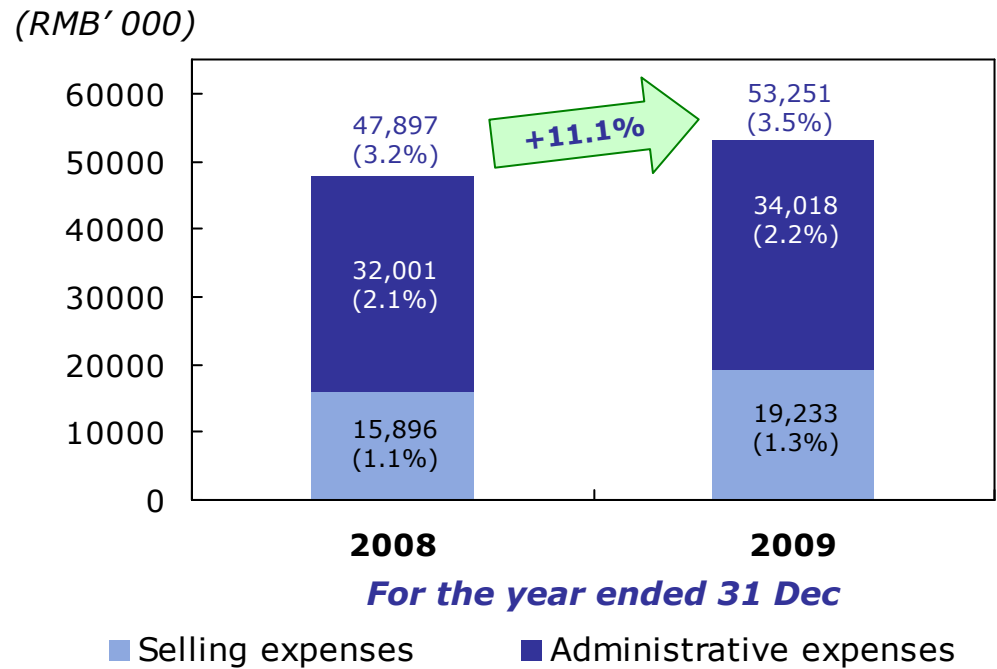


Operating Cost Structure

▶ **Wood Pulp, Titanium Dioxide Powder and Other Direct Costs**
as a percentage of cost of sales

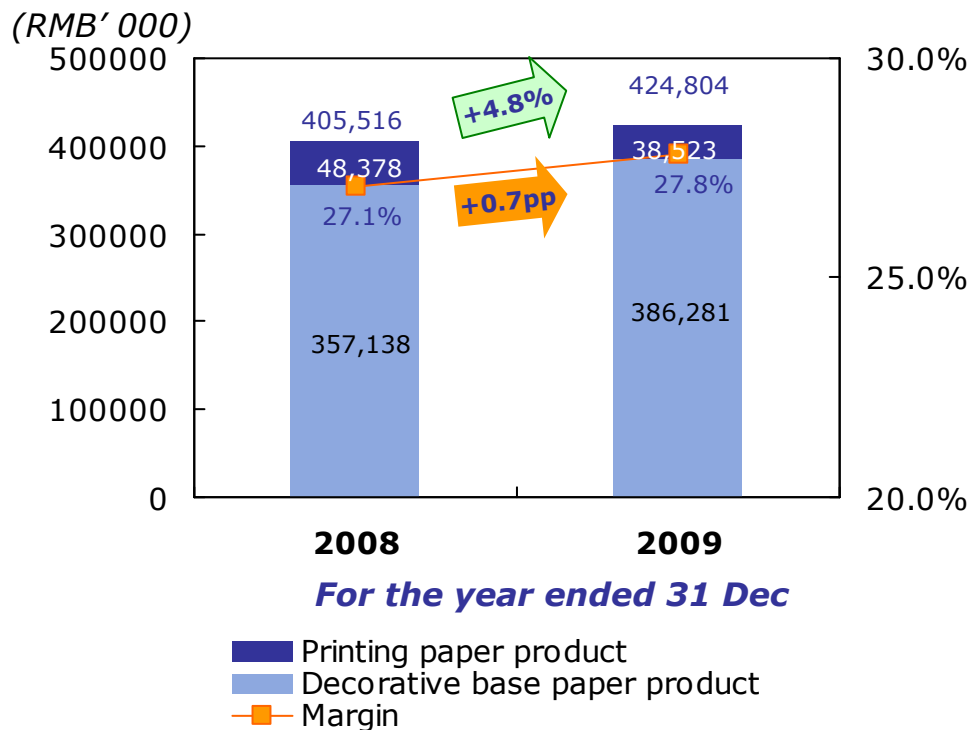


▶ **Operating Cost Breakdown**
as a percentage of turnover

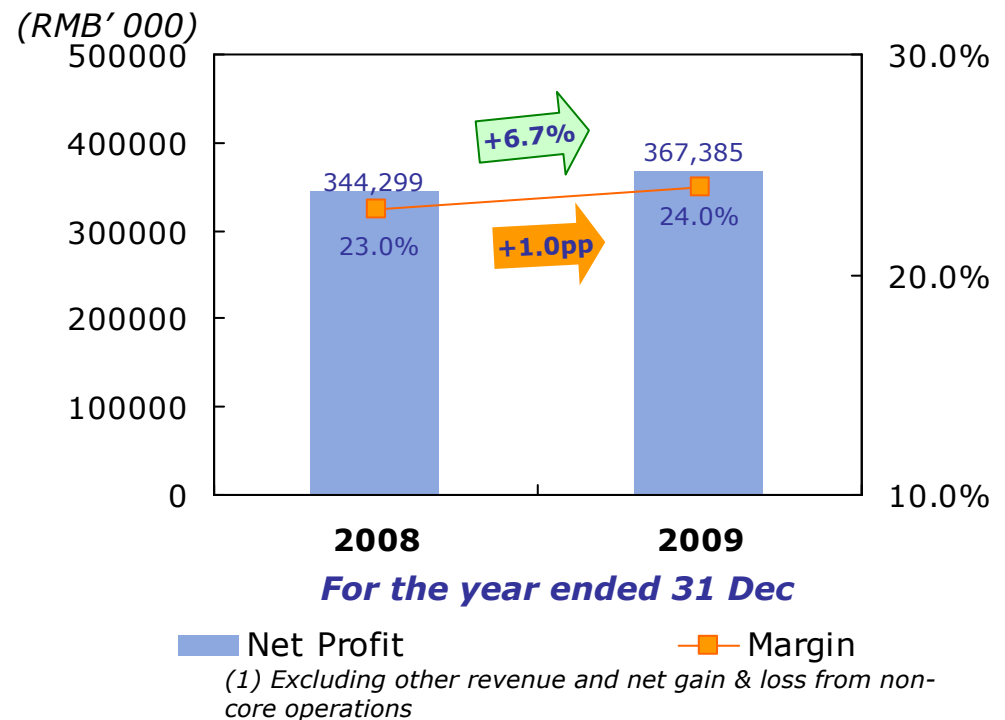


Strengthened Profitability

Gross Profit and Margin



Profit from operations before tax and Margin (1)



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>		
	2009	2008
Premium coloured decorative base paper	37.7%	36.7%
Premium white decorative base paper	26.4%	27.2%
Ordinary coloured decorative base paper	26.4%	22.2%
Decorative base paper products	29.6%	29.1%
Printing paper product	17.3%	17.8%
Overall gross profit margin	27.8%	27.1%





Key Financial Ratios

	31 Dec 2009	31 Dec 2008	Change
Total Assets (RMB'000)	2,530,525	2,689,828	-5.9%
Net Assets (RMB'000)	2,452,309	2,235,207	+9.7%
Return on assets (%)	12.8%	14.3%	-1.5pp
Return on equity (%)	13.2%	17.2%	-4.0pp
Debtors' turnover (days)	7	9	-2 days
Creditors' turnover (days)	20	37	-17 days
Inventory turnover (days)	16	18	-2 days
Current ratio (Times)	10.1	3.7	+6.4 times
Quick ratio (Times)	9.7	3.6	+6.1 times
Gearing ratio (%)	0%	4.6%	-4.6pp
Effective tax rate (%)	12.8%	0%	+12.8pp





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Operational Review



Expansion of Production Capacity

Annual Production Capacity				
<i>(in tonne)</i>				
Production line	As at 31 Dec 2008	As at 30 Jun 2009	As at 31 Dec 2009	By mid-2010 (Estimated)
1, 2, 3, 4	110,000	110,000	110,000	110,000
5, 6	60,000	60,000	60,000	60,000
7	30,000	30,000	30,000	30,000
8, 9	-	60,000	60,000	60,000
10, 11	-	-	60,000	60,000
12,13	-	-	-	60,000
Total	200,000	260,000	320,000	380,000

- **Designed annual production capacity as at 31 Dec 2009:**
 - Decorative base paper products: 270,000 tonnes
 - Printing paper product: 50,000 tonnes





Comprehensive Distribution Channels

The Group maintains comprehensive distribution channels with:

6 designated sales regions

Shandong, Sichuan, Guangdong, Beijing, Jiangsu and Zhejiang

Nationwide customer base

Over 110 customers covering 13 provinces, autonomous regions and municipalities in the PRC

Strive to maintain and consolidate long-term relationship with existing customers for future expansion





Research and Development of Products

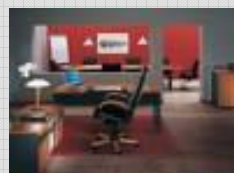
Developed and marketed more than **80 types of decorative base paper products** to cater different market demands

Formed strategic partnership with **Research and Design Institute of Papermaking Industry of Shandong Province**
(山東造紙工業研究設計院)



Products can be used in diversified spectrum of areas:

Motor vehicles



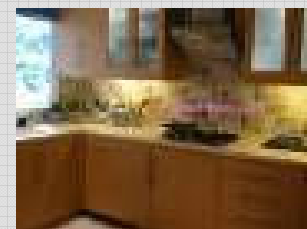
Composite office wares

Aircraft



Fortified wooden floorboard

Furniture



Kitchen ware

Wall covering decoration





Environmental Protection

▶ Great emphasis on implementing environmental protection

- ◆ Decorative base paper products being a cost-effective substitute for wooden products
- ◆ Using premium wood pulp is pollution free and in line with the Industrial Policy of Environmental Protection in the PRC
- ◆ Sewage after treatment from production can be reused for irrigation system at our production base in Shandong

▶ Sewage treatment system

- ◆ Construction of an additional waste water treatment system with an annual processing capacity of 3,650,000 cubic meters has been completed in Dec 2009
- ◆ Total annual processing capacity reached 5,350,000 cubic meters





Awards and Recognition in 2009

Awardees	Awards	Organizations
QX Paper	The Credible Enterprise of China Accreditation 2009	Jointly by China Enterprise Reputation & Credibility Association (Overseas) Limited and Reputation Institute China
	Top 500 Overseas Chinese Merchants in China Market	Jointly by Tai Kung Pao and Hai Wan Wen Zhai (海外文摘)
Shandong Qunxing Paper	2008 Chinese Enterprise with Excellent Integrity	China Enterprise Confederation and the China Entrepreneur Association
	Top 30 Papermaking Enterprises in China	China Paper Association
Dr. Zhu Yuguo, Chairman	Outstanding Entrepreneur of Papermaking Industry in China	China Paper Association





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Future Plans and Strategies





Future Plans and Strategies

Cautiously optimistic about the outlook in 2010

PRC economy: domestic market and export-driven demand continue to grow

PRC Government strong support in industries related to environmental protection

Uniqueness of decorative base paper products and solid foundation of the Group

Continue to uphold its competitiveness and strengthen its leading market position via various initiatives:

- ◆ Expand production capacity
- ◆ Widen product applications
- ◆ Optimize product portfolio
- ◆ Enhance proprietary R&D capabilities
- ◆ Strengthen cost and quality control





Planned Capital Expenditure 2010-2011

<i>For the full year</i>	
<i>(RMB million)</i>	Estimated CAPEX budget
2010	538.1
2011	166.0



Vision

To become the largest decorative base paper manufacturer in Asia





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www.qxpaper.com