



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)

INTERIM RESULTS 2009
Corporate Presentation

August 2009



Agenda

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





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Financial Review



Financial Highlights

Financial Highlights for the 6 months ended 30 June

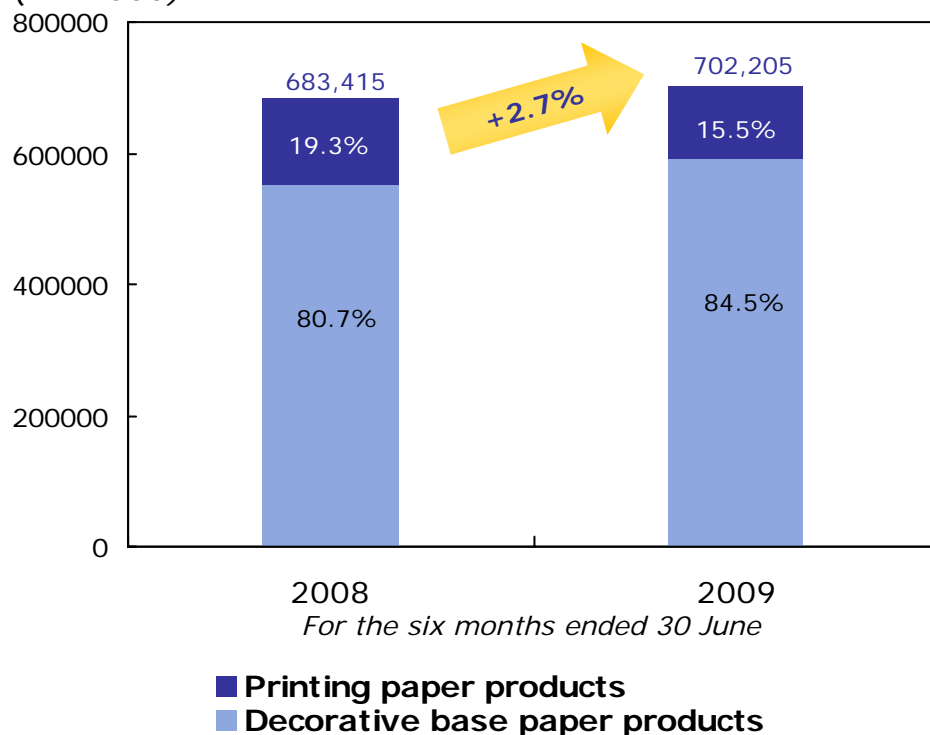
<i>RMB'000</i>	2009 (Unaudited)	2008 (Unaudited)	Change (%)
Revenue	702,205	683,415	+2.7
Gross profit	196,770	172,735	+13.9
Profit for the period	149,208	190,089	-21.5
Basic earnings per share (RMB cents)	14	18	-22.2
Profit for the period <i>Excluding other revenue and net gain & loss from non-core operations</i>	147,320	140,423	+4.9
Basic earnings per share (RMB cents) <i>Excluding other revenue and net gain & loss from non-core operations</i>	14.3	13.5	+5.9
Dividend per share (HK cents) - Interim	3.277	4.16	-21.2



Remarkable Turnover

Turnover

(RMB'000)



2008
For the six months ended 30 June

2009
For the six months ended 30 June

■ Printing paper products
■ Decorative base paper products



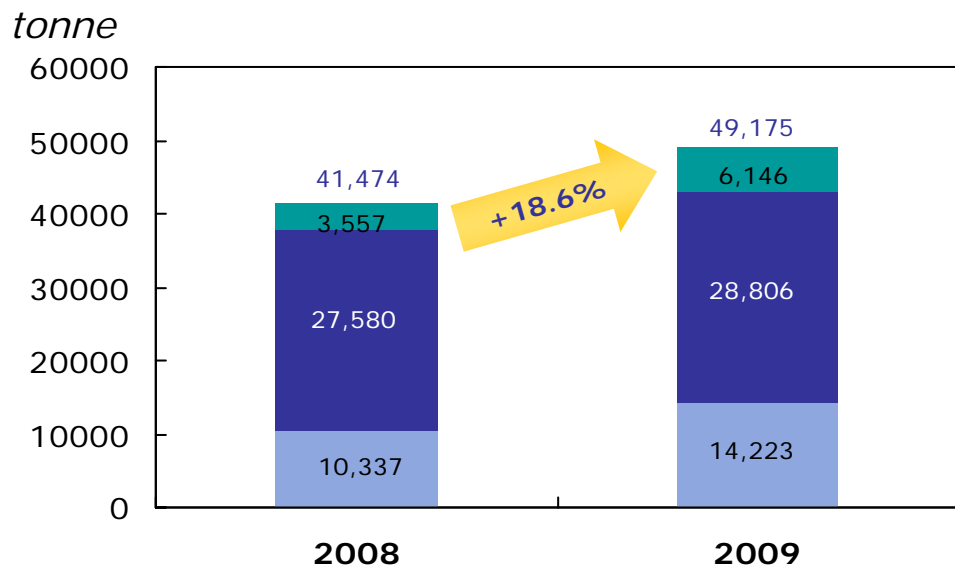
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- Increase in turnover:
 - Overall sales volumes increased by approx. 11.2% to 68,078 tonnes from 61,197 tonnes
 - Sales volume of decorative base paper products increased by approx. 18.6% to 49,175 tonnes from 41,474 tonnes
- ASP of our products:

For the 6 months ended 30 June			
(RMB/ tonne)	2009	2008	Change
Decorative base paper products	12,072	13,304	-9.3%
Printing paper product	5,744	6,674	-13.9%

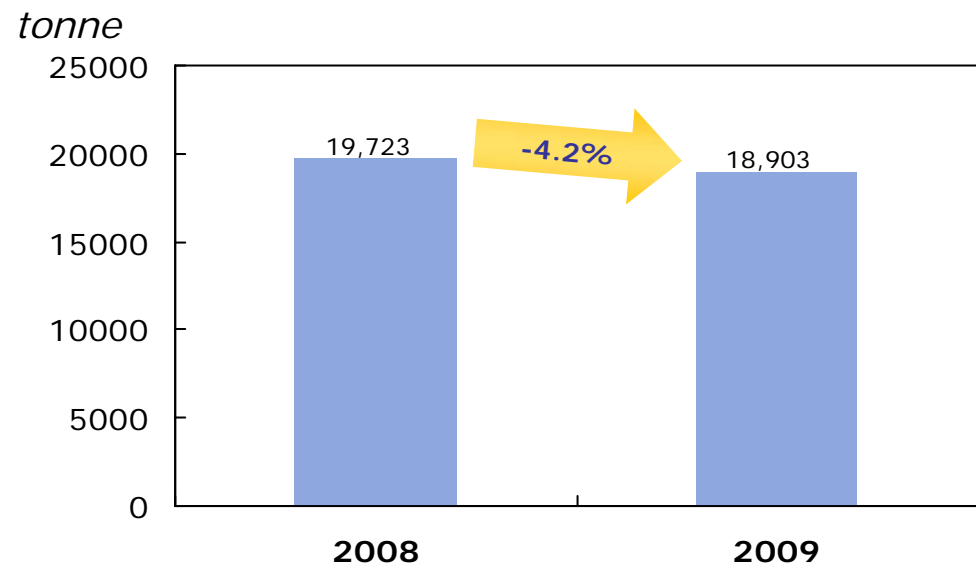
Sales Volume by Product Category

Decorative Base Paper Products



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

Printing Paper Products



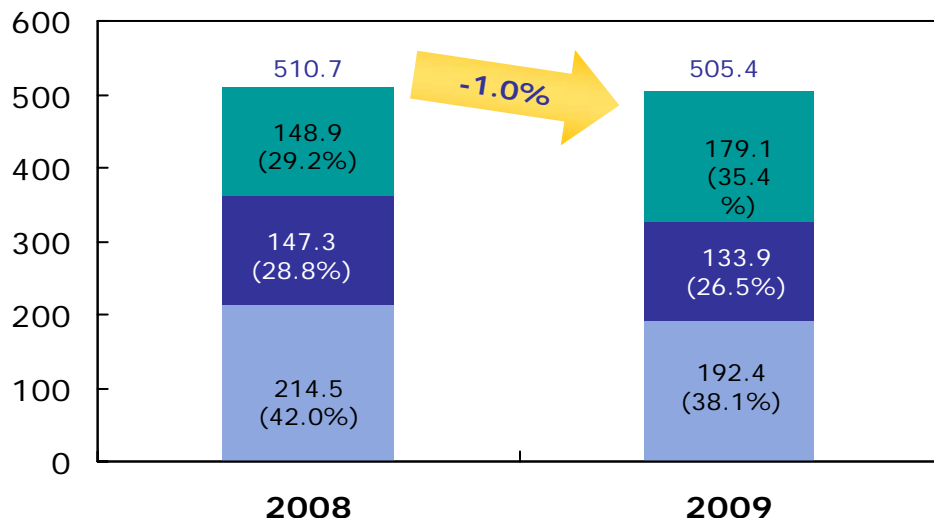
- Printing paper product



Operating Cost Structure

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

(RMB' million)

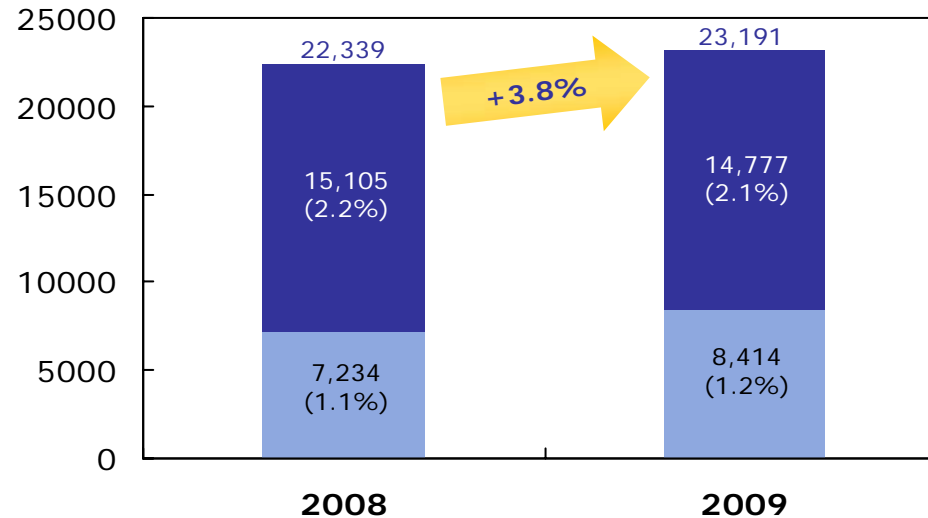


For the 6 months ended 30 June

■ Wood Pulp ■ Titanium Dioxide Powder ■ Others

Operating Cost Breakdown as a percentage of turnover

(RMB' 000)



For the 6 months ended 30 June

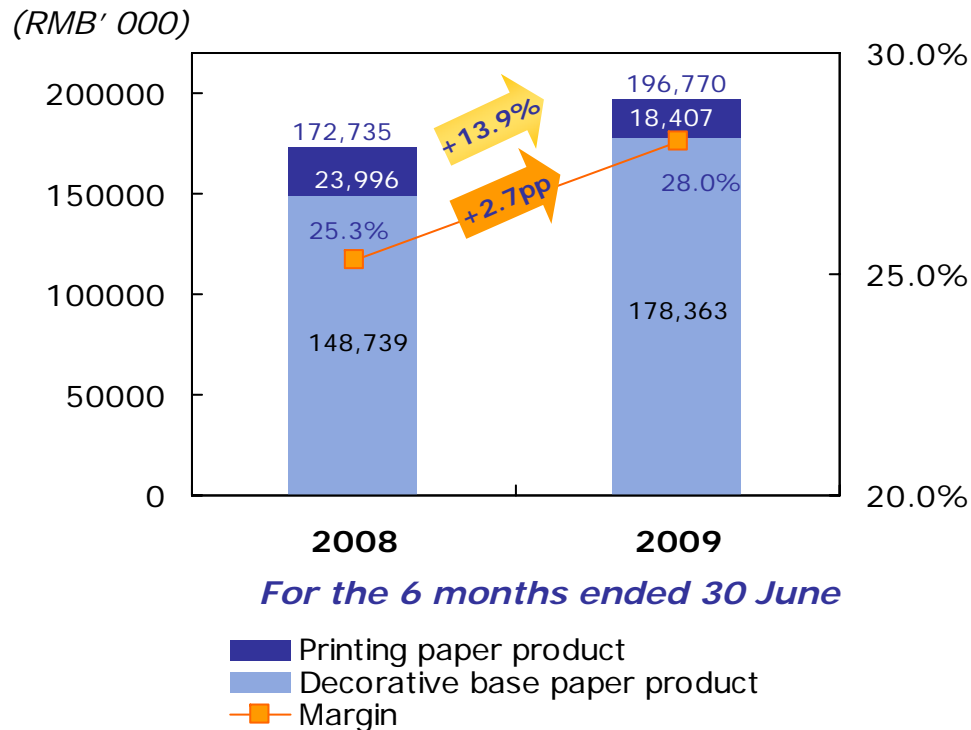
■ Selling expenses ■ Administrative expenses



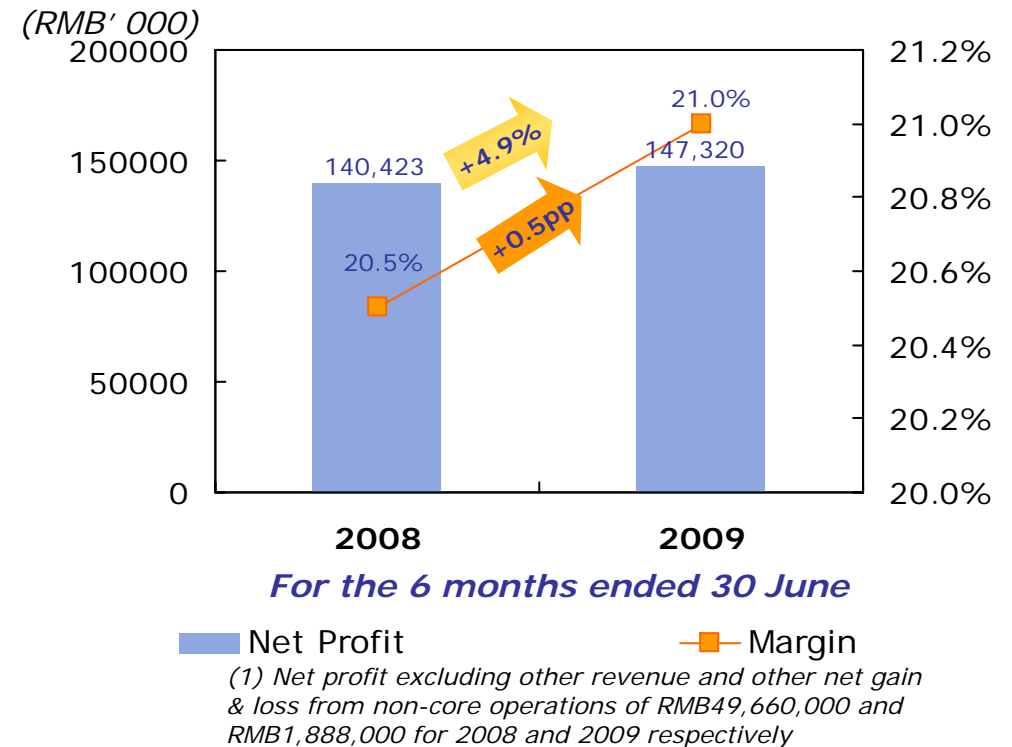
Strengthened Profitability



Gross Profit and Margin



Net Profit 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 6 months ended 30 June</i>		
	2009	2008
Premium coloured decorative base paper	37.7%	35.4%
Premium white decorative base paper	26.8%	24.2%
Ordinary coloured decorative base paper	25.8%	21.6%
Decorative base paper products	30.0%	27.0%
Printing paper product	17.0%	18.0%
Overall gross profit margin	28.0%	25.3%



Key Financial Ratios

	30 Jun 2009	31 Dec 2008	Change
Total Assets (RMB'000)	2,467,402	2,689,828	-8.3%
Net Assets (RMB'000)	2,307,392	2,235,207	+3.2%
Return on assets (%)	11.4%	14.3%	-2.9 pp
Return on equity (%)	12.1%	17.2%	-5.1 pp
Debtors' turnover (days)	13	9	+4 days
Creditors' turnover (days)	36	37	-1 days
Current ratio (Times)	8.5	3.7	+4.8 times
Quick ratio (Times)	8.3	3.6	+4.7 times
Gearing ratio (%)	0%	4.6%	-4.6pp
Inventory turnover (days)	19	18	+1 day
Effective tax rate (%)	12.9%	0%	+12.9pp





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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	By end of 2009 (Estimated)	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 30 June 2009:**
 - Decorative base paper products: 210,000 tonnes
 - Printing paper product: 50,000 tonnes
- **Average utilisation rate for the 6 months ended 30 June 2009: over 90%**



Comprehensive Distribution Channels



Further consolidated its leading market position and customer base to form a solid foundation for future expansion



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



Diversification of Production Applications

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



Versatile Applications

Motor vehicles



Composite office wares

Aircraft



Fortified wooden floorboard

Furniture



Kitchen ware

Wall covering decoration



Environmental Protection

- Great emphasis on implementing environmental protection and corporate social responsibility
 - 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
 - Annual processing capacity will increased to 3,650,000 cubic meters from the existing annual processing capacity of approx. 1,700,000 cubic meters



Awards and Recognition in 1H2009



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
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





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Future Plans and Strategies



Outlook in 2H2009



▶ Market outlook

- RMB 4 trillion economic stimulus plan and moderately loose monetary policy
- ▼
- PRC economy will recover at a faster pace than other countries with a stronger growth momentum
- ▼
- Cautiously optimistic about the prospects of our mid and long-term business development

▶ Company's strength

- Expand production capacity
- Widen product applications
- Refine production technologies
- Enhance proprietary R&D capabilities
- Implement stringent cost control



Planned Capital Expenditure 2009-2010

<i>For the full year</i>	
<i>(RMB million)</i>	Estimated capex budget
2009	656.1
2010	459.4
2011	166.0

Vision

To become the largest decorative base paper manufacturer in Asia



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