



# Interim Results 2012 *Corporate Presentation*

*August 2012*



**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)

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# Financial Review



# Financial Highlights



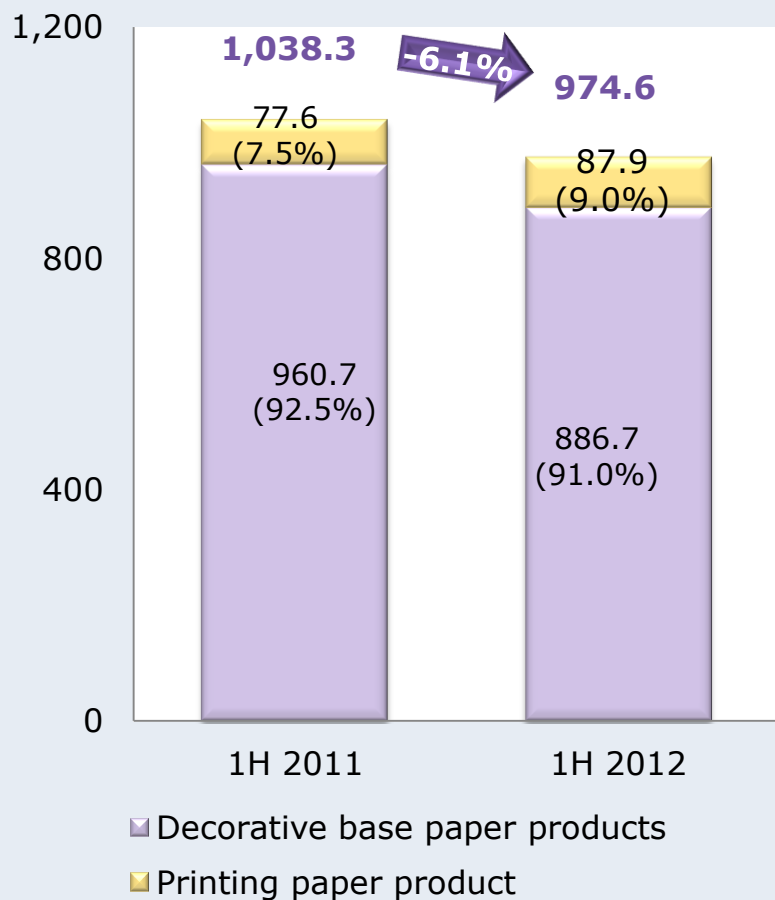
*For the six months ended 30 June*

<i>(RMB '000)</i>	<b>2012</b>	2011	Change
<b>Turnover</b>	<b>974,635</b>	1,038,341	-6.1%
<b>Gross profit</b>	<b>117,110</b>	220,866	-47.0%
<b>Profit before taxation</b>	<b>59,892</b>	183,002	-67.3%
<b>Profit for the year</b>	<b>40,829</b>	158,804	-74.3%
<b>Basic earnings per share</b> <i>(RMB cents)</i>	<b>3</b>	11	-72.7%
<b>Interim Dividend per share</b> <i>(HK cents)</i>	<b>-</b>	-	N/A

# Turnover

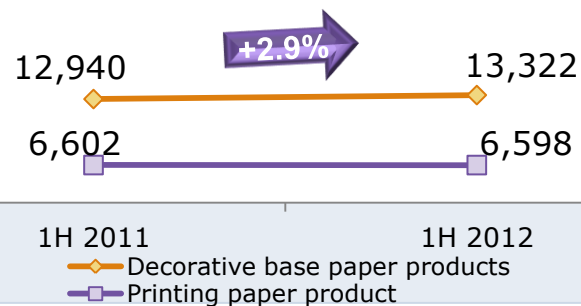
## Turnover

(RMB million)



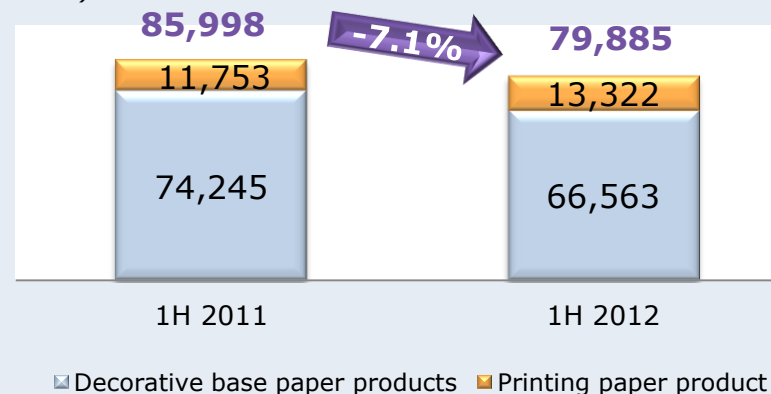
## ASP of products

(RMB)



## Sales Volume

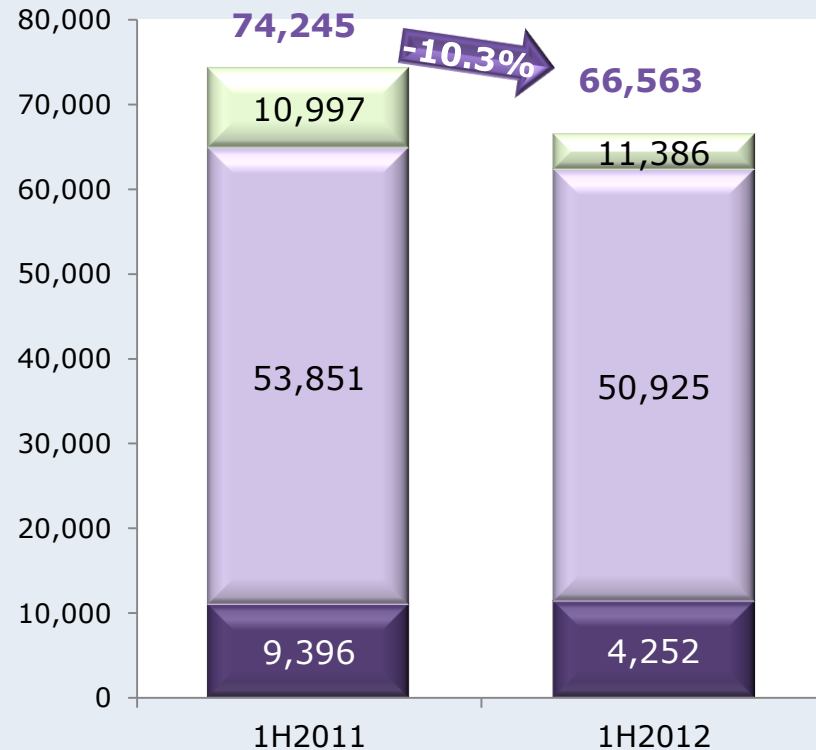
(tonne)



# Sales Volume - by Product Category

## Decorative Base Paper Products

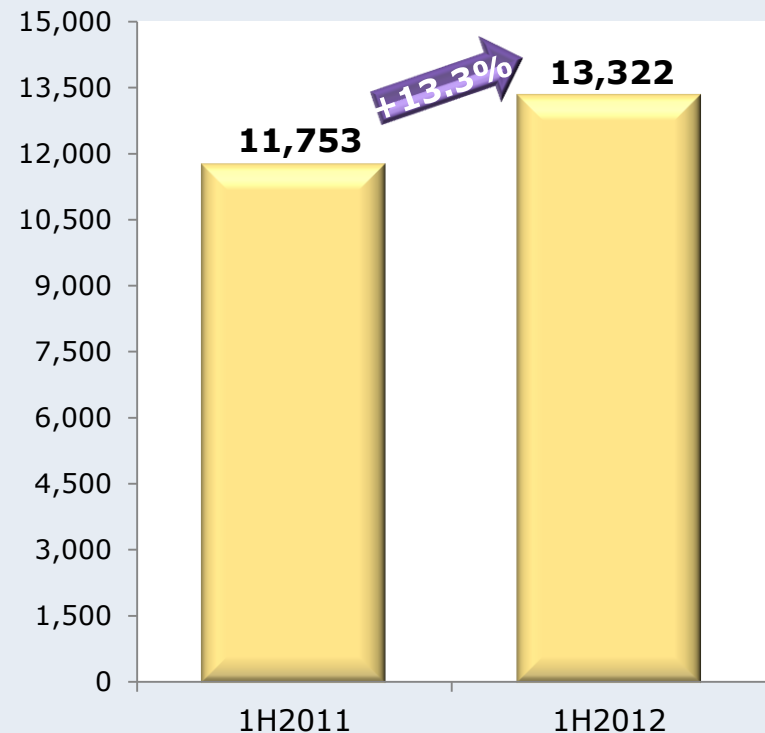
(tonne)



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

## Printing Paper Product

(tonne)



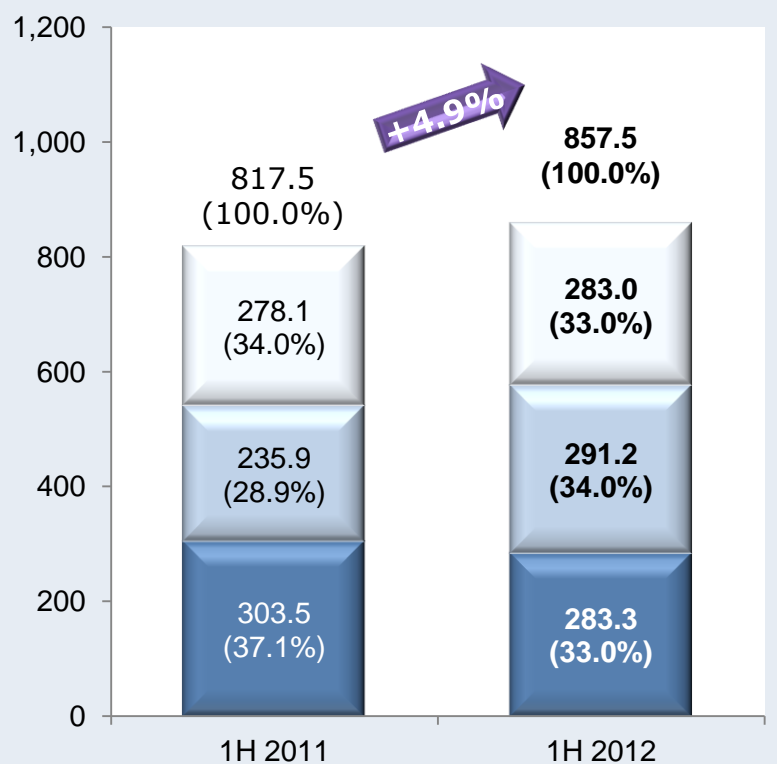
- Printing Paper Product

# Operating Cost Structure

## Wood Pulp, Titanium Dioxide Powder and Other Direct Costs

as a percentage of cost of sales

(RMB million)

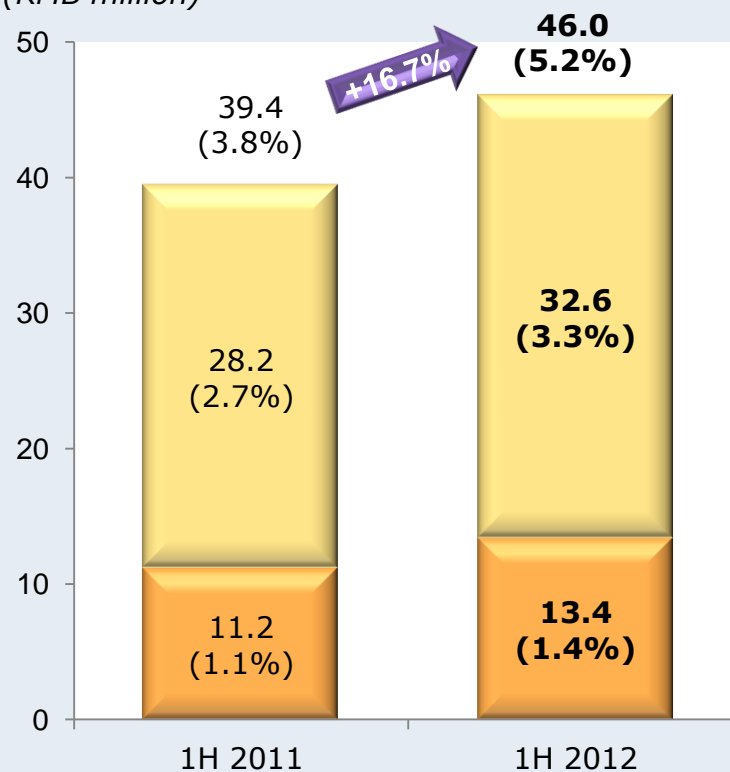


■ Wood Pulp ■ Titanium Dioxide Powder ■ Others<sup>(1)</sup>

## Operating Cost Breakdown

as a percentage of turnover

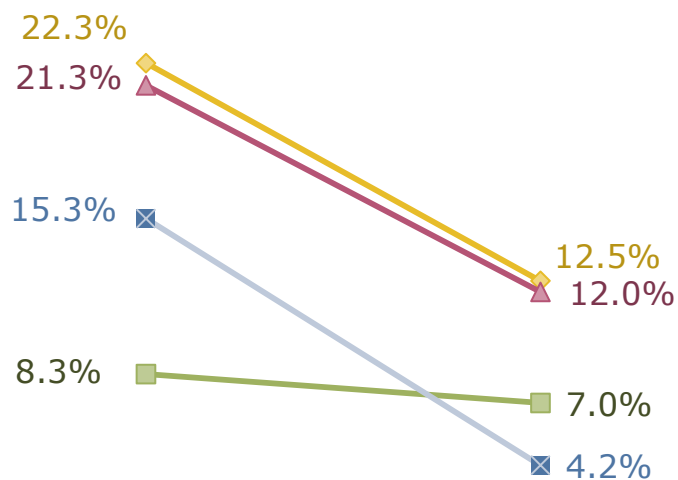
(RMB million)



■ Selling expenses ■ Administrative expenses

# Profitability Analysis

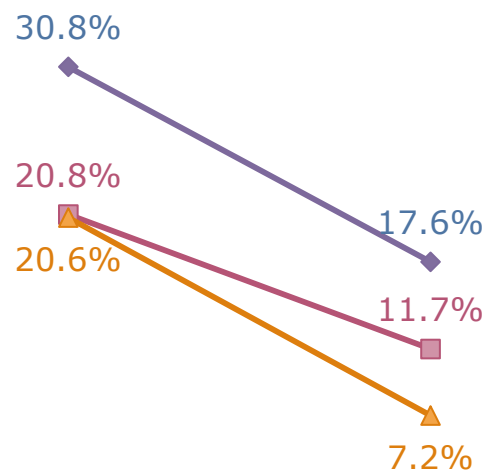
## Gross Profit Margin and Net Profit Margin



- 1H2011
- 1H2012
- ◆ Decorative base paper products GP Margin
- Printing paper product GP margin
- ▲ Overall Gross Profit Margin
- ⊠ Overall Net Profit Margin

## Gross Profit Margin


*By decorative base paper products*



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



# Key Financial Ratios

	As at 30 Jun 2012	As at 31 Dec 2011	Change
 <b>Cash and Cash equivalents (RMB'000)</b>	<b>574,010</b>	488,934	+17.4%
<b>Total Assets (RMB'000)</b>	<b>3,414,979</b>	3,316,004	+3.0%
<b>Net Assets (RMB'000)</b>	<b>3,200,666</b>	3,202,396	-0.05%
<b>Return on assets (%)</b>	<b>2.4%*</b>	6.7%	-4.3 pp
<b>Return on equity (%)</b>	<b>2.4%*</b>	6.9%	-4.5 pp
<b>Debtors' turnover (days)</b>	<b>18</b>	13	+5 days
<b>Creditors' turnover (days)</b>	<b>34</b>	23	+11 days
<b>Inventory turnover (days)</b>	<b>18</b>	15	+ 3 days
<b>Current ratio (Times)</b>	<b>3.6</b>	5.4	-1.8 times
<b>Quick ratio (Times)</b>	<b>3.3</b>	5.0	-1.7 times
<b>Gearing ratio (%)</b>	<b>0</b>	0	N/A
<b>Effective tax rate (%)</b>	<b>31.8%</b>	13.2%	+18.6 pp



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# Operational Review



# Expansion of Production Capacity

## Designed Annual Production Capacity

Production line	As at 31 Dec 2008	As at 31 Dec 2009	As at 31 Dec 2010	As at 31 Dec 2011	As at 30 Jun 2012	By 31 Dec 2012 (Estimated)
1, 2 (Note A)	30,000	30,000	30,000	-	<b>60,000</b>	60,000
3, 4 (Note B)	80,000	80,000	80,000	80,000	<b>80,000</b>	80,000
5, 6	60,000	60,000	60,000	60,000	<b>60,000</b>	60,000
7	30,000	30,000	30,000	30,000	<b>30,000</b>	30,000
8, 9	60,000	60,000	60,000	60,000	<b>60,000</b>	60,000
10, 11	-	60,000	60,000	60,000	<b>60,000</b>	60,000
12,13	-	-	60,000	60,000	<b>60,000</b>	60,000
总计	260,000	320,000	380,000	350,000	<b>410,000</b>	410,000

Note:

- (A) Rebuilding of Production lines #1 and #2 were commenced in Sep 2010 and construction was completed in 4Q of 2011. Production lines #1 and #2 commence commercial production in March 2012.
- (B) Production line #4 with designed annual production capacity of 50,000 tonnes is principally engaged for production of printing paper products.

# Comprehensive Distribution Channels



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

# Research and Development

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**



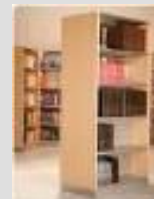
**Composite office wares**

**Aircraft**



**Fortified wooden floorboard**

**Furniture**



**Kitchen ware**

**Wall covering decoration**



# Environmental Protection

The PRC Government strongly promotes the development of environmental protection related enterprises

## “Decorative base paper products being a cost-effective substitute for wooden products”

- The premium wood pulp that used to produce decorative base paper products causes almost zero environmental pollution during the production process and is in line with the national policies on environmental protection.
- Sewage after treatment from production can be reused for irrigation system at our production base in Shandong

## “Sewage treatment system expansion”

- Two waste water treatment systems with a total annual processing capacity of approximately 5,350,000 cubic metres.
- The Group has upgraded and improved one of the systems with an annual processing capacity of approximately 1,700,000 cubic metres in October 2010 and completed in 2011





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# Future Plans and Strategies



# Future Plans and Strategies

## Cautiously optimistic about the outlook in 2H2012

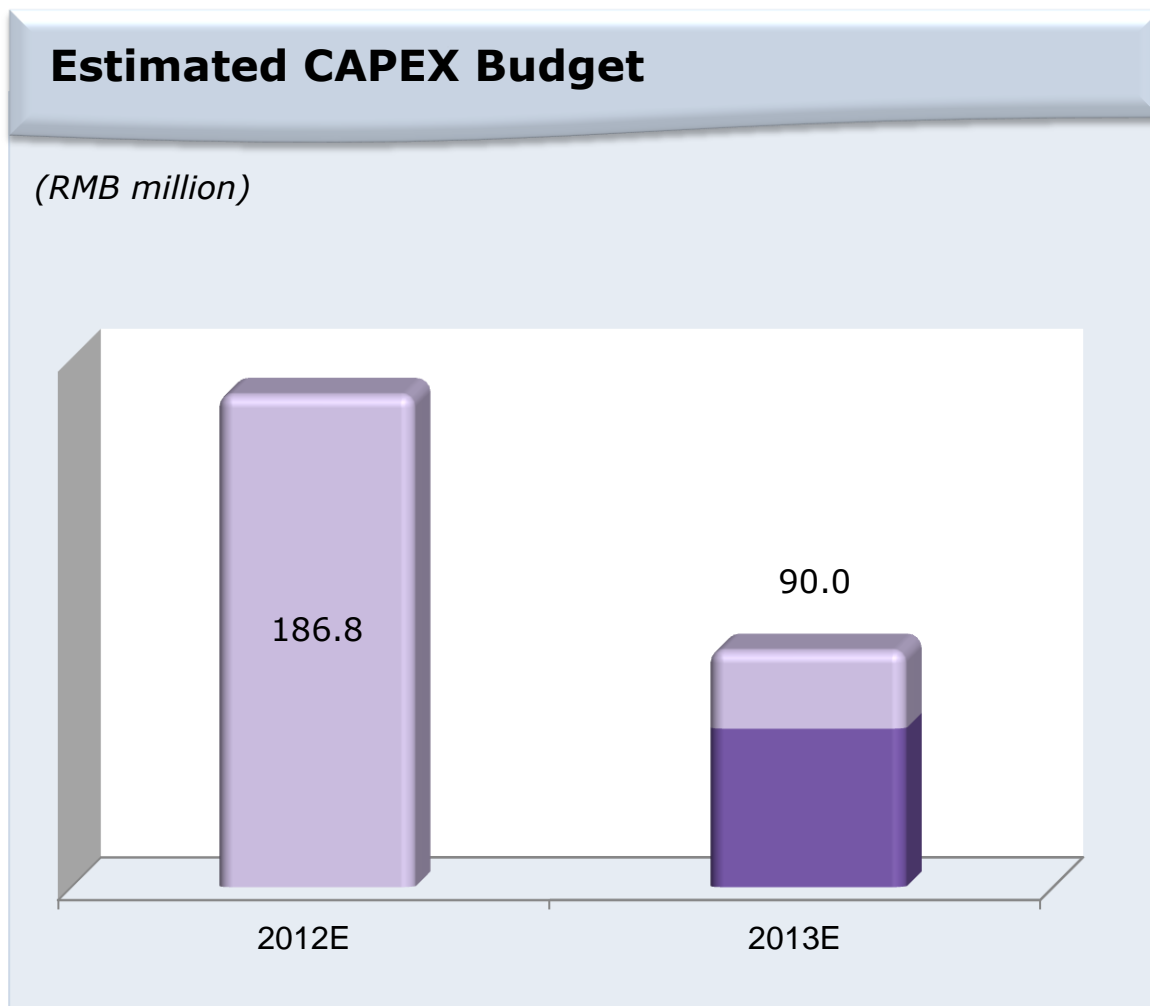
- The Government's 12<sup>th</sup> five year plan supports the construction work of social security housing, further stimulate the growth of the market demand for decorative base paper
- Long-term steady growth in China's economy as well as increase in national income promote demand for decorative base paper
- Pressure on raw material costs will remain

## Future Plans and Strategies

- Enhance product quality and goodwill by upgrading existing production facilities to increase our market share
- Strengthen leading market position and customer base in existing sales regions, as well as attract new customers
- Optimize product mix, boost sales and market share of premium products with a higher profit margin, and implement rigorous cost-control measures
- Secure competitive raw materials prices by establishing long-term relationship with suppliers



# Planned Capital Expenditure





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[www.qxpaper.com](http://www.qxpaper.com)