



# Annual Results 2012 *Corporate Presentation*

March 2013



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



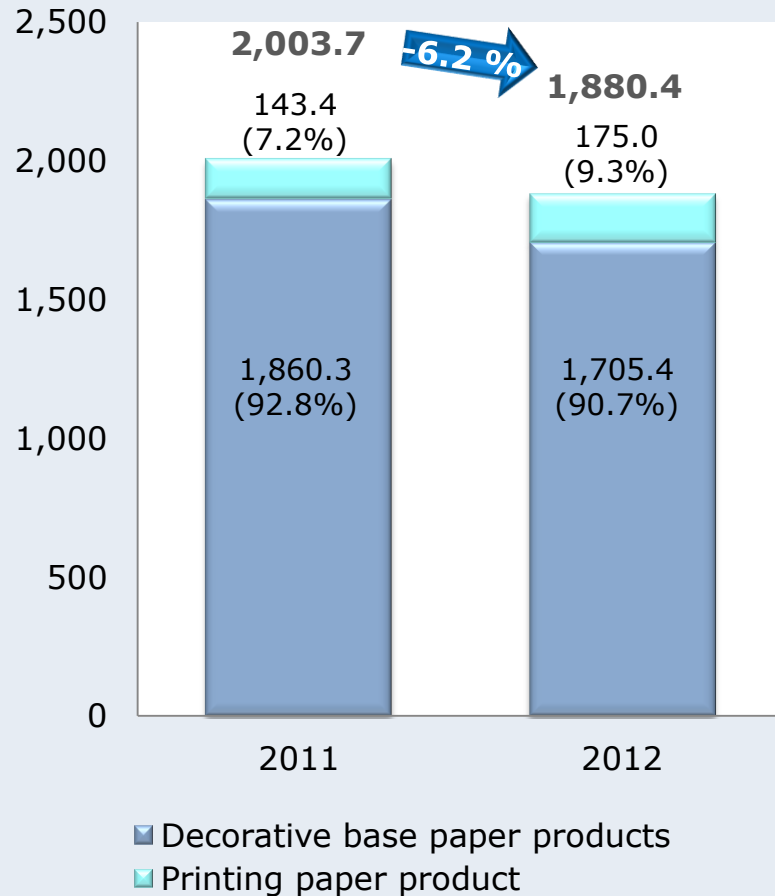
# Financial Highlights

	<i>For the year ended 31 December</i>		
	<b>2012</b>	2011	Change
<b>Turnover</b> (RMB '000)	<b>1,880,407</b>	2,003,651	-6.2%
<b>Gross profit</b> (RMB '000)	<b>206,979</b>	326,910	-36.7%
<b>Profit before taxation</b> (RMB '000)	<b>109,977</b>	256,183	-57.1%
<b>Profit for the year</b> (RMB '000)	<b>75,253</b>	221,968	-66.1%
<b>Basic earnings per share</b> (RMB cents)	<b>5</b>	14	-64.3%
<b>Final Dividend per share</b> (HK cents)	<b>1.229</b>	3.38	-63.6%

# Turnover

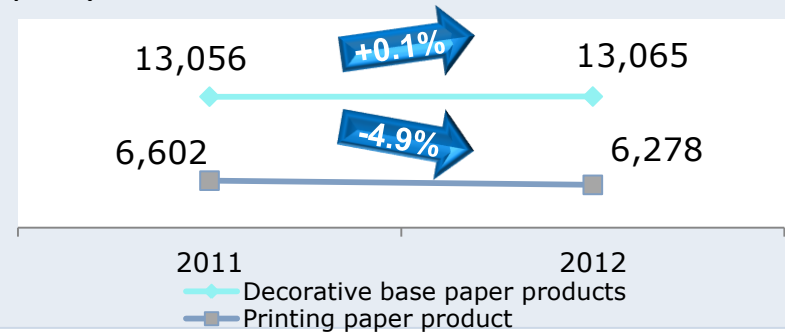
## Turnover

(RMB million)



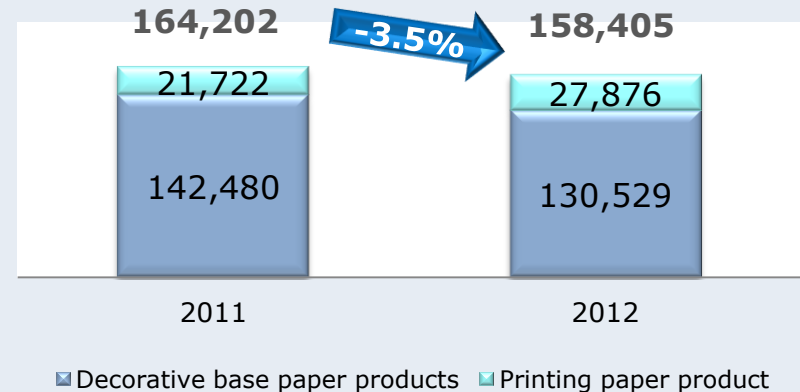
## ASP of products

(RMB)



## Sales Volume

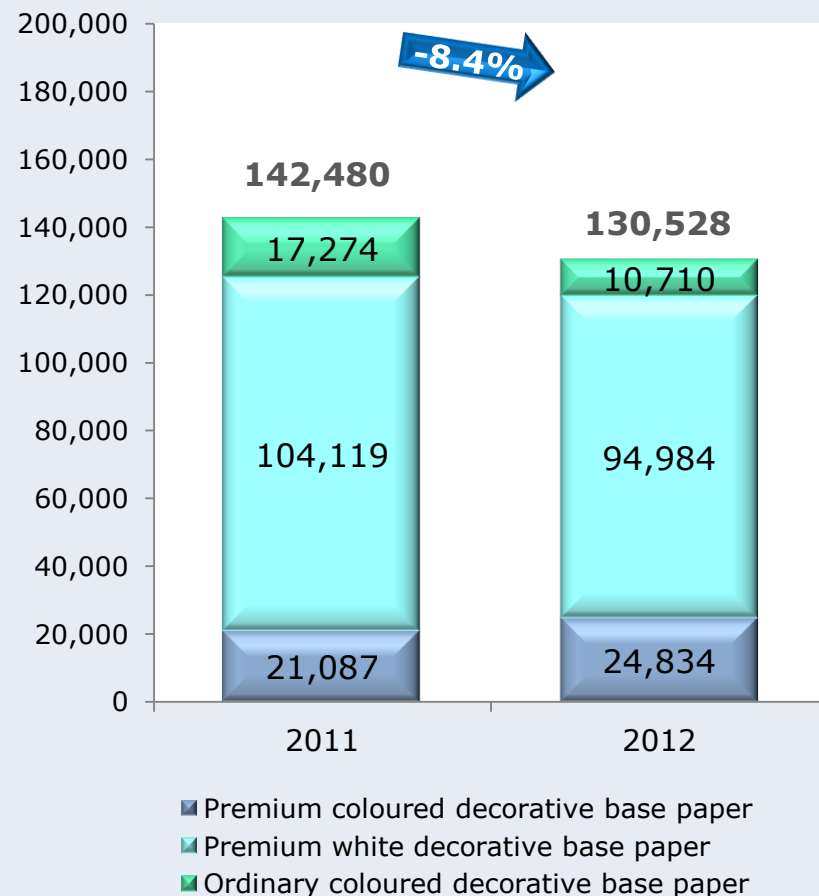
(tonne)



# Sales Volume - by Product Category

## Decorative Base Paper Products

(tonne)



## Printing Paper Product

(tonne)



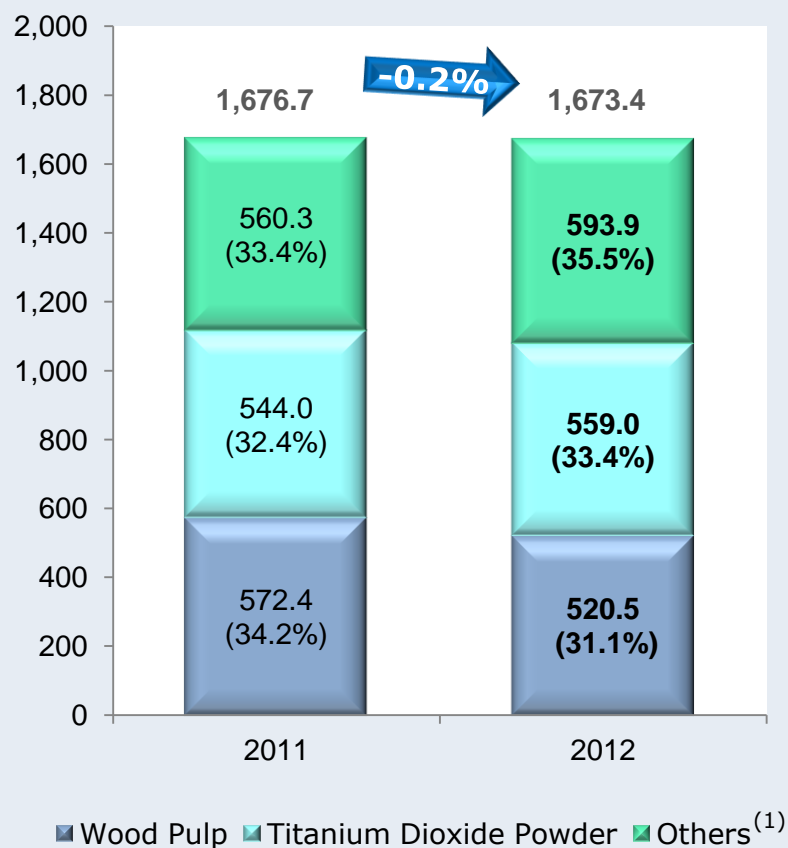


# Operating Cost Structure

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

as a percentage of cost of sales

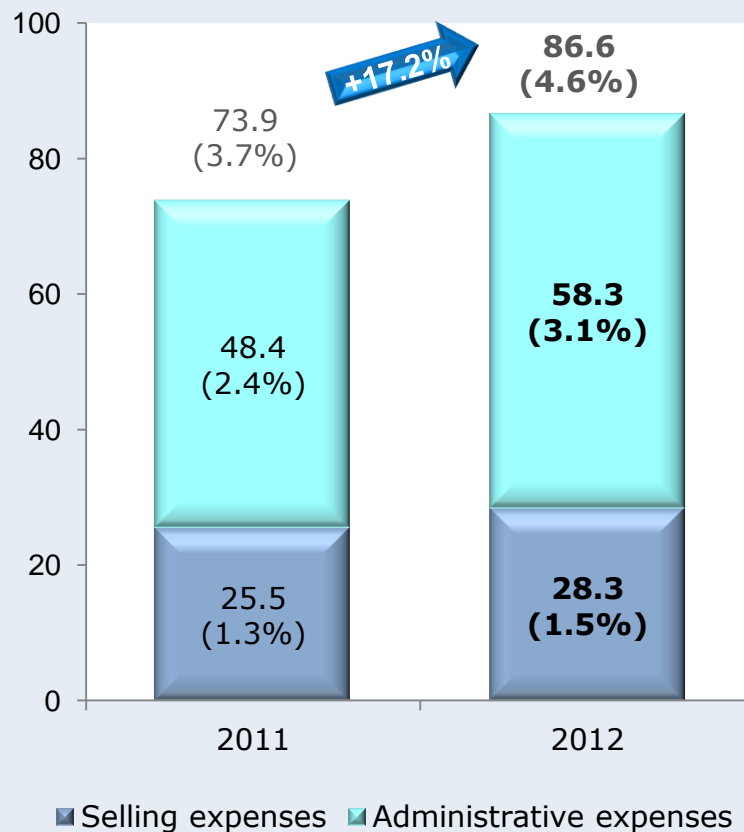
(RMB million)



## Operating Cost Breakdown

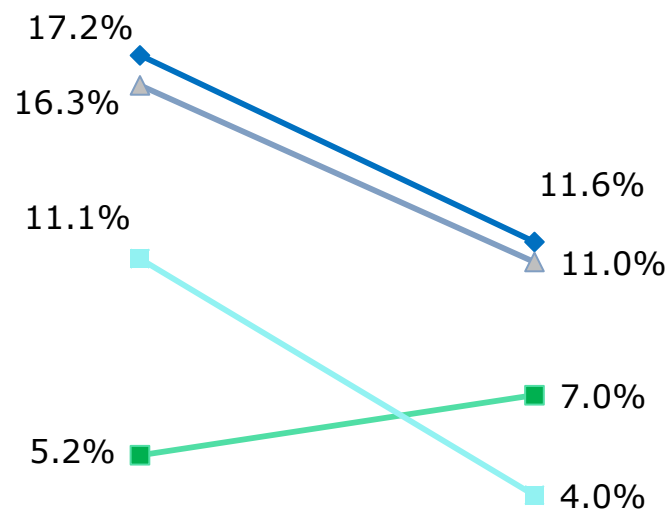
as a percentage of turnover

(RMB million)



# Profitability Analysis

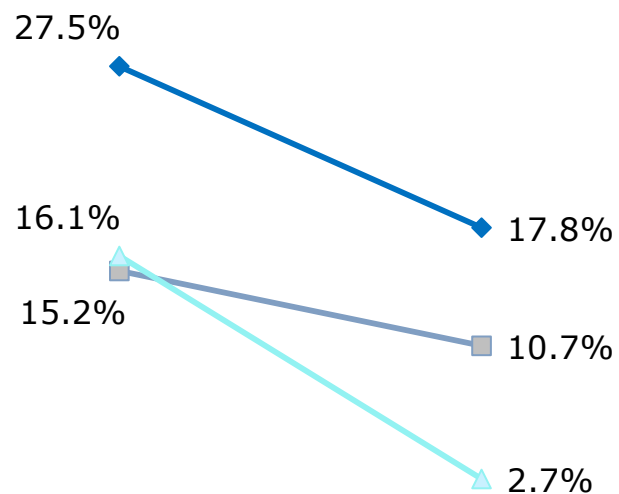
## Gross Profit Margin and Net Profit Margin



- ◆ 2011
- ◆ 2012
- ◆ 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*



- ◆ 2011
- ◆ 2012
- ◆ Premium coloured decorative base paper
- Premium white decorative base paper
- ▲ Ordinary coloured decorative base paper



# Key Financial Ratios

	As at 31 Dec 2012	As at 31 Dec 2011	Change
<b>Cash and Cash equivalents</b> (RMB'000)	<b>539,535</b>	488,934	+10.3%
<b>Total Assets</b> (RMB'000)	<b>3,345,282</b>	3,316,004	+0.9%
<b>Net Assets</b> (RMB'000)	<b>3,234,293</b>	3,202,396	+1.0%
<b>Return on assets</b> (%)	<b>2.2%</b>	6.7%	-4.5 pp
<b>Return on equity</b> (%)	<b>2.3%</b>	6.9%	-4.6 pp
<b>Debtors' turnover</b> (days)	<b>10</b>	13	-3 days
<b>Creditors' turnover</b> (days)	<b>24</b>	23	+1 days
<b>Inventory turnover</b> (days)	<b>13</b>	15	-2 days
<b>Current ratio</b> (Times)	<b>6.4</b>	5.4	+1 times
<b>Quick ratio</b> (Times)	<b>6.0</b>	5.0	+1 times
<b>Gearing ratio</b> (%)	<b>0</b>	0	N/A
<b>Effective tax rate</b> (%)	<b>31.5%</b>	13.3%	+18.2 pp



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# Operational Review



# Expansion of Production Capacity

## Designed Annual Production Capacity

<b>Production line</b>	As at 31 Dec 2008	As at 31 Dec 2009	As at 31 Dec 2010	As at 31 Dec 2011	<b>As at 31 Dec 2012</b>	<b>By 31 Dec 2013 (Estimated)</b>
1, 2 ( <i>Note A</i> )	30,000	30,000	30,000	-	60,000	60,000
3, 4 ( <i>Note B</i> )	80,000	80,000	80,000	80,000	80,000	80,000
5, 6	60,000	60,000	60,000	60,000	60,000	60,000
7	30,000	30,000	30,000	30,000	30,000	30,000
8, 9	60,000	60,000	60,000	60,000	60,000	60,000
10, 11	-	60,000	60,000	60,000	60,000	60,000
12,13	-	-	60,000	60,000	60,000	60,000
<b>Total</b>	<b>260,000</b>	<b>320,000</b>	<b>380,000</b>	<b>350,000</b>	<b>410,000</b>	<b>410,000</b>

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 commenced commercial production in March 2012.
- (B) Reconstruction of production line #3 commenced in May 2012, and was expected to complete in Q4 of 2013. Production line #4 with designed annual production capacity of 50,000 tonnes is principally engaged for production of printing paper products.

# Comprehensive Distribution Channels



- 6 designated sales regions
- Over 130 customers covering 13 provinces, autonomous regions and municipalities in the PRC

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**



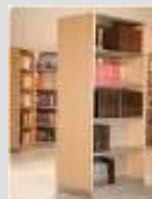
**Composite office wares**

**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
- 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







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# Future Plans and Strategies



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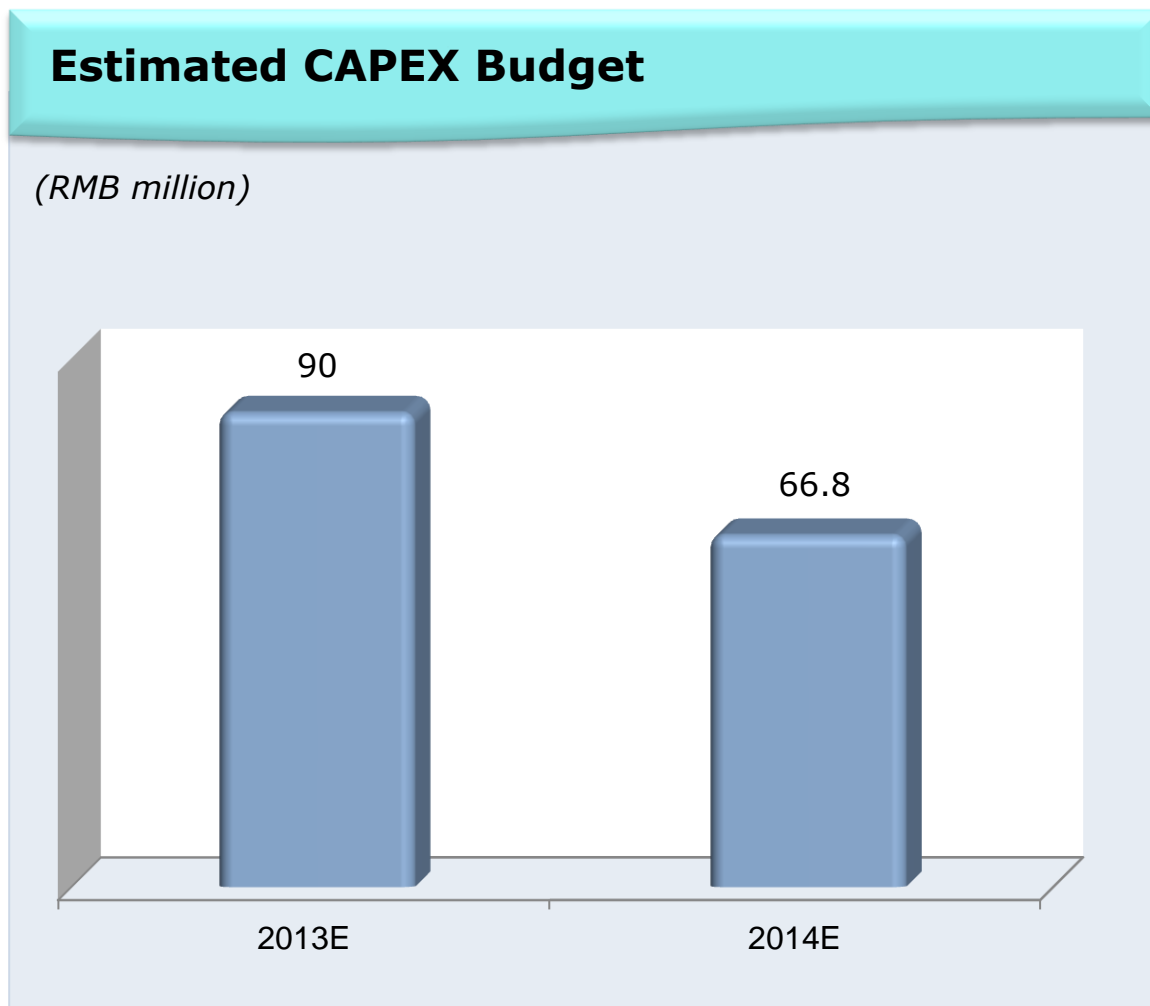
## Cautiously optimistic about the outlook in 2013

- 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

## 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

# Planned Capital Expenditure





Qunxing Paper Holdings Company Limited  
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[www.qxpaper.com](http://www.qxpaper.com)