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Annual Report **2012**

QingMei

清美集團控股有限公司

QINGMEI GROUP HOLDINGS LIMITED

www.qingmeigroupholdings.com

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Corporate Profile

Based in Jinjiang City, Fujian Province, Qingmei Group Holdings Limited and its subsidiaries (the "Group") are principally engaged in the original design manufacturing of mid-end and high-end sports shoe soles under its trademark " " and "Qingmei" ("清美") brand name.

The Group focuses primarily on sports shoe soles used in high-end functional sports shoes. Its products comprise three types of sports shoe soles, namely MD II, MD I and RB shoe soles, which are used in the manufacture of shoes used for athletic, sporting and physical activities such as running, tennis, basketball, climbing, cross-training and casual-wear sports. The Group is also a vertically integrated manufacturer of sports shoe soles, with the ability to manufacture key semi-processed raw materials, EVA compound pellets, TPU pellets and RB.

The Group has a well-established customer base comprising well-known domestic brand names such as 双星 (Double Star), 金鼠王 (Jin Shu Wang), 康踏 (Kang Ta), 乔丹 (Qiao Dan), 贵人鸟 (KBird) and 特步 (Xtep).

Investing in our FUTURE

In order to survive in the current market situation, the Group has to be conservative to ensure it has sufficient working capital to face any unforeseeable challenges. Save for our continued commitment to invest in the research and development ("R&D") of products, all major capital expenditures are suspended to reduce cash outflow. I firmly believe that the resources we invest into R&D will put us ahead of competition and pay-off in the years to come.

OUR STATEMENT OF FINANCIAL POSITION, CASH RESOURCES SHEET AND CASH FLOW POSITION REMAINED HEALTHY BECAUSE OF OUR SOUND FINANCIAL FOUNDATION AND EXTENSIVE EXPERIENCE IN THE INDUSTRY

Su Qingyuan
Executive Chairman & CEO

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of our Board of Directors, I am pleased to present Qingmei Group Holdings Limited's ("Qingmei" or the "Group") annual report for the year ended 30 June 2012 ("FY2012"). It has been a challenging year for the sports footwear market in the PRC with the sector struggling with slowing demand, intense competition and the consolidation of downstream businesses, the result of fast expansion in past years. Even as I write this, domestic sports brands are still trying to cope with industry-wide inventory build-up, which has risen by 36% to 58% in 2011[1].

Heightening this tough operating environment further, the Eurozone Crisis has created economic uncertainties around the world, including the PRC, which has seen its economy slow over the last six quarters. For the three months ended 30 June 2012, the PRC's Gross Domestic Product grew only 7.6% year-on-year, the worst since the 2008-2009 global financial crisis[2].

1 The Wall Street Journal, "China's sportswear brands fall out of favour" dated 12 July 2012

2 AFP, "China's currency under pressure as growthslows" dated 19 August 2012

Still Standing Strong

Despite these adversities, Qingmei managed to keep on its feet in FY2012 and achieved a net profit attributable to shareholders of RMB133.2 million. The Group was not fully spared from the effects of industry consolidation and a cooling Chinese economy, leading to revenue in FY2012 declined to RMB912.4 million. This was the result of a 24.2% decrease in volume sales to 37.1 million pairs of shoe soles, as our customers become more prudent in placing their orders, and lower average selling price ("ASP").

Our gross profit margin slipped to 24.9% in FY2012 from 28.9% in FY2011 but is still within healthy levels. Our lower margin was largely due to higher production overheads as well as a change in our product mix as the Group saw increased demand for our RB shoe soles which generally command a lower selling price compared to our MD I and MD II shoe soles.

The Group, however, is confident of its ability to face challenges head on. For one, Qingmei's financial position remains very robust with zero bank borrowings. As at 30 June 2012, the Group had cash and cash equivalents of RMB581.9 million, an increase of approximately 45.8% compared to RMB399.0 million as at 30 June 2011, as we continued to generate healthy cash inflows from our operating activities.

Also, Qingmei is one of the largest and most cost efficient shoe soles manufacturers in the PRC with a maximum annual production capacity of 64.8 million pairs of soles. Within the highly fragmented PRC sports shoe sole sector, the size of our operations and the resultant economies of scale put Qingmei in a strong position to pull through this difficult period of industry consolidation.

Our strong R&D track record in creating new and innovative shoe soles models is another pillar which we believe holds the Group in good stead amid the current industry situation, as it allows us to keep up with the latest consumer trends and meet the changing demands of our customers. We currently have around 48 staff and operate 4 laboratories to conduct R&D on movement mechanics, test tearing strength, wear-resisting property and temperature resistance. Thanks to these efforts, we launched 159 new shoe sole products catering to the latest trends in FY2012, expanding our total offerings to around 575 products.

As a result of our customer-centric approach to product innovation, Qingmei continues to enjoy good relations with our group of around 90 long-standing customers. They include established and well-known domestic sports shoe manufacturers in the PRC who operate under brand names such as 双星 (Double Star), 金鼠王 (Jin Shu Wang), 康踏 (Kang Ta), 乔丹 (Qiao Dan), 贵人鸟 (KBird) and 特步 (Xtep).

The Path Ahead

The fundamental growth drivers of the sportswear industry in the PRC, such as urbanisation and the rising popularity of sports, have not changed. With rising per capita disposable income, the demand for sportswear including sports shoes and garments among consumers in the PRC has been soaring in recent years and in 2011, the sportswear market size in China hit RMB124.7 billion[3]. According to Shanghai-based China Market Research, the PRC sportswear market is expected to grow by 15-20% a year over the next three to five years, slower than the 25-30% rate it recorded after the Beijing Olympics[4].

However, with the current consolidation process in the PRC sport footwear market, it's a competition where the smaller and weaker companies are phased out and the largest and fittest survive. While painful and uncertain, this industry consolidation helps establish a healthy development environment for the sportswear industry in the long term. We believe that those companies that are still standing in the aftermath of the market consolidation will enjoy fruitful rewards in the future.

To be one of these survivors, we believe that we have to be fighting fit in terms of financial health, which we possess given our sound balance sheet and positive operating cash flows. The Group also needs to be financially conservative. This includes exercising stringent control over all expenditure items as well as conserving our resources to ensure we have sufficient working capital to face any unforeseeable challenges. At the same time, the management has been analysing and reviewing the market situation on an on-going basis, as well as adjusting and improving the Group's business strategies in order to keep Qingmei on a healthy and sustainable development track.

In line with this, the Group has suspended all major capital expenditure to reduce cash outflows, save for the investment in the R&D of products, which is a major thrust of the Group's growth strategies.The Group has decided that our priority for now will be to conserve our cash resources for future growth and working capital requirements, ensuring the Group ready for when market recovery is more certain.

This includes the funding of Stage II installation of our production facility through a combination of internal resources and unutilised IPO proceeds of around RMB16.1 million. Originally planned to take place in the second half of FY2012, the Stage II installation of new equipment and machinery at our newly constructed warehouse facilities, infrastructure and dedicated R&D centre at Jinjiang City is currently put on hold due to the market situation. Upon completion of the Group's Stage II expansion plan, our production capacity will increase from 64.8 million pairs of shoe soles per annum to 84.0 million pairs per annum, enabling Qingmei to lower its overall total production cost due to economies of scale.

This is an integral part of the Group's plan to develop a sustainable and cost-efficient business model given escalating costs in the PRC, including labour and raw materials costs, which are beyond our control. Since our industry is labour intensive, it is important for the Group to retain skilled and experienced workers to maintain a stable supply of our products in the market. Under the PRC's new labour law, workers are protected by minimum wage requirements which have affected the Group's average cost per unit.

3 Research and Markets, "China Sportswear Industry Report, 2011-2012" published June 2012

4 Reuters, "China's sportswear brands nurse Olympics hangover" dated 2 July 2012

CHAIRMAN'S STATEMENT

We believe that the planned capacity expansion, together with our strong customer base, will support the Group's revenue growth and lower overall manufacturing costs. At the same time, the negative effect of increased labour and raw materials costs would be mitigated by other cost savings arising from economies of scale, in particular the reduction in the average cost per unit.

The Group has also re-adjusted its marketing strategy toward promoting trendy shoe soles products, rather than functional items, in response to the latest consumer preference for 'hipper' products. To this end, we commercialised 159 of such product models during the year which was well-received by our customers. Moving forward, we plan to continue our R&D efforts to innovate new products.

Appreciation

In closing, I want to thank my fellow Board members for their advice, our staff for their hard work and adaptability, and to all our shareholders for your continued support and belief in Qingmei.

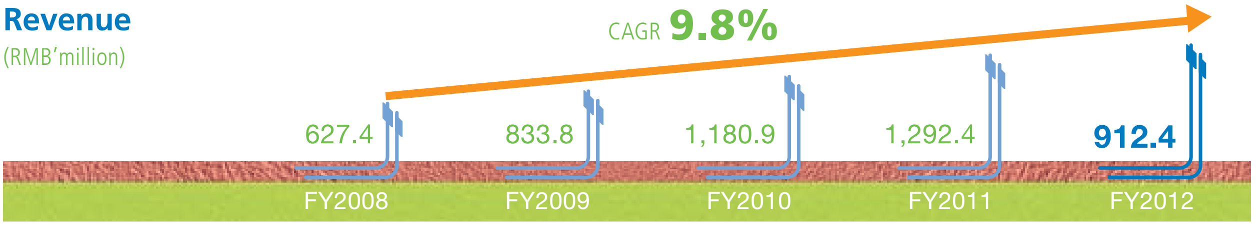
I would like to extend my appreciation to Ms Ni Xiaorong, who stepped down as an Independent Director in July 2012. Ms Ni has been promoted and is now full-fledged government servant and with her new role, she is no longer allowed to hold any position in the private sector. I wish her all the best in her future endeavours.

I would also like to reiterate my long term commitment and confidence in Qingmei, a business which I founded almost 15 years ago. Be assured that I, together with the Board and management team, will work to deliver new levels of growth and shareholder value in the year ahead.

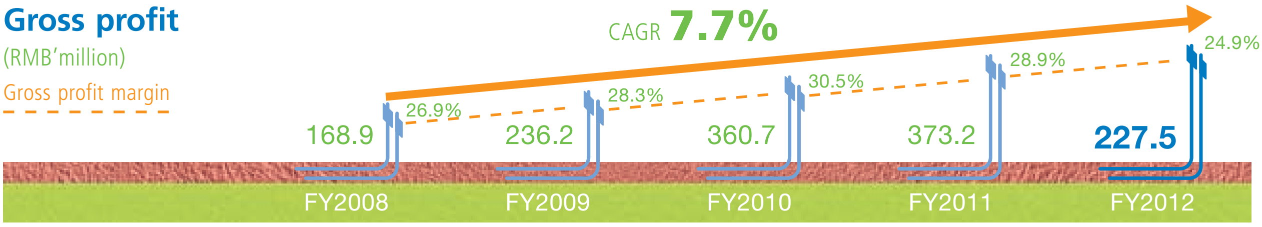
Su Qingyuan
Executive Chairman & CEO

Financial Highlights

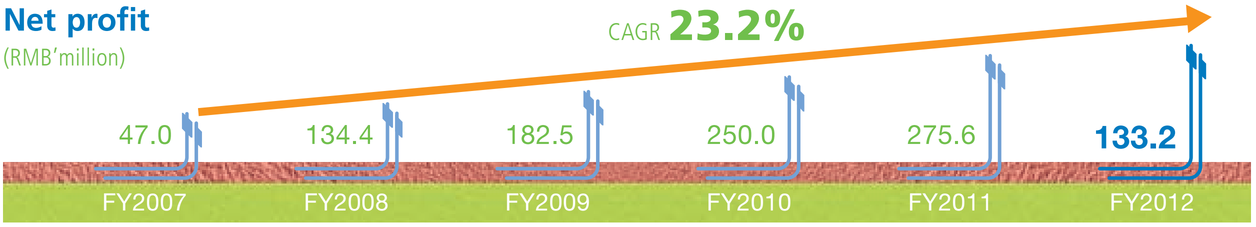
Revenue
(RMB'million)



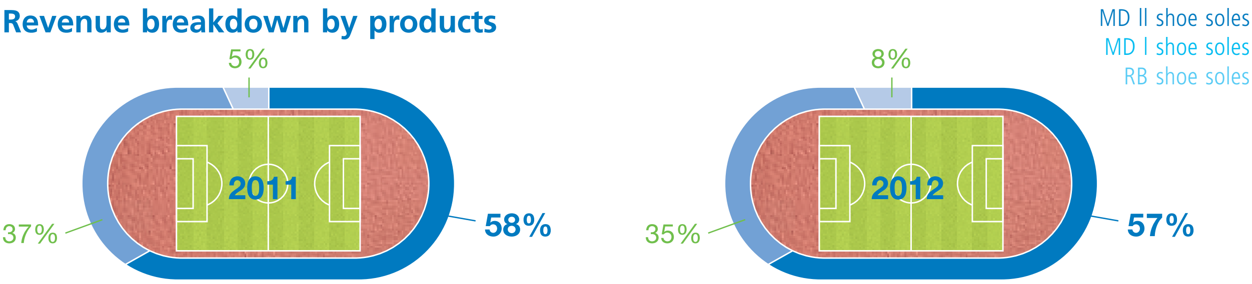
Gross profit
(RMB'million)
Gross profit margin



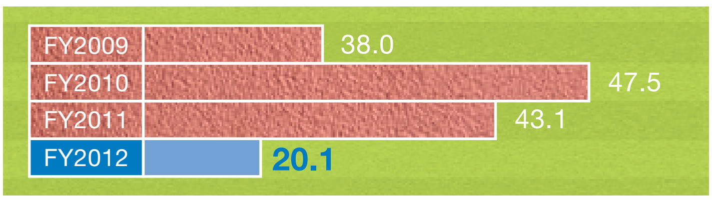
Net profit
(RMB'million)



Revenue breakdown by products

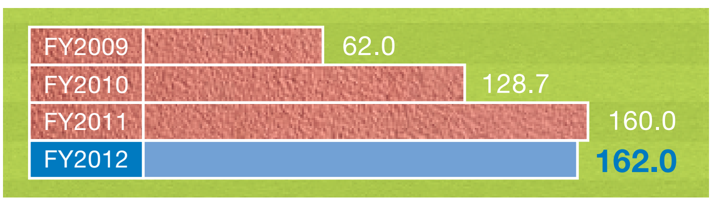


Earnings per share*
(RMB'cents)



* Based on 640,000,000 ordinary shares in issue for the period in FY2011 and weighted average number of 661,058,084 ordinary shares in issue for the period in FY2012; and the pre-invitation share capital of 480,000,000 shares in issue for the periods in FY2009.

Net asset value per share**
(RMB'cents)



** Based on 679,824,874 ordinary shares in issue as at 30 June 2012, 640,000,000 ordinary shares in issue as at 30 June 2011 and 2010, and pre-invitation number of 480,000,000 shares assumed to be in issue as at 30 June 2009 and 2008.

Operations Review

Maintaining Profitability Despite A Challenging Operating Environment

Our revenue decreased by approximately 29.4% or RMB380.0 million from RMB1,292.4 million for the year ended 30 June 2011 ("FY2011") to RMB912.4 million for the year ended 30 June 2012 ("FY2012"). The decrease in revenue for FY2012 versus FY2011 was mainly due to the decrease in sales quantity of 24.2% to 37.1 million pairs of shoe soles and the decrease in average selling price ("ASP") for our products. For the year under review, our sale volume from MD II and MD I dropped by 25.9% and 31.2% respectively while RB grew by 5.7%.

The drop in sale orders was mainly due to (i) the continued slow down in domestic market demand for our products due to the intensified competition and consolidation of downstream businesses, (ii) our customers became more prudent when placing their new orders for our products under current market conditions and (iii) the cyclical issue of excessive channel inventory in downstream businesses.

Gross profit decreased by approximately 39% or RMB145.7 million from RMB373.2 million for FY2011 to RMB227.5 million for FY2012. Gross profit margin narrowed to 24.9% for FY2012 from 28.9% for FY2011 due to the higher cost of production overheads and the decrease in ASP during the year. The fixed overhead unit cost of production was higher in the year under review due to lower production volume and the decrease in average selling price due to the increase in demand for RB which are generally charged at a lower selling price as compared with our other products.

Other income and gains decreased by 82.5% or RMB9.8 million from RMB11.9 million for FY2011 to RMB2.1 million for FY2012. The decrease was mainly attributable to unrealised exchange gains which amounted to RMB10.4 million for FY2011 on the Group's outstanding bank deposits in Singapore Dollar as the Singapore Dollar continued to appreciate against the Renminbi at that time.

Selling and distribution expenses increased by approximately 12.7% or RMB1.6 million from RMB12.4 million for FY2011 to RMB14.0 million for FY2012. The increase was mainly attributable to the Group's increase in its advertising and promotional expenses for our Qingmei brand name and products during the year under review.

Administrative expenses increased by approximately 22.9% or RMB7.6 million from RMB32.8 million for FY2011 to RMB40.4 million for FY2012. It was mainly attributable to (i) the increase in staff costs and the related expenses of approximately RMB1.5 million to support the increase of its production capacities by 19.0 million pairs per annum following the completion of the first stage of its expansion plan in December 2011 and (ii) the Group recognised a unrealised foreign exchange loss amounting to RMB3.8 million for FY2012 which arose from the translation of bank deposits denominated in Singapore Dollar at closing rate as at 30 June 2012, while the unrealised exchange gains amounted to RMB10.4 million for FY2011 recognised in other income and gains.

Other expenses decreased by approximately 59.9% or RMB11.0 million from RMB18.4 million for FY2011 to RMB7.4 million for FY2012. The other expenses for FY2012 represented research expenses of RMB7.3 million for the development of new materials in production of shoe soles.

No finance costs were recorded for both FY2012 and FY2011. It was mainly attributable to the full capitalisation of finance costs in connection with the construction in progress during the year.

Depreciation increased by approximately 5.4% or RMB3.0 million from RMB54.7 million for FY2011 to RMB57.7 million for FY2012. The increase was due mainly to the transfer of certain non-current assets previously recognised as construction in progress amounted to RMB13.3 million to property, plant and equipment during the year.

The income tax expense mainly comprised the Enterprise Income Tax ("EIT") of the PRC on profits for the Group's major operating subsidiary in the PRC, namely Qingmei (China) Co., Ltd ("Qingmei (PRC)"). Being a wholly foreign-owned enterprise, it enjoyed a preferential tax treatment of a two-year tax exemption, followed by a three-year 50% reduced tax rate to the prevailing current EIT of 25.0% for the three calendar years commencing from calendar year 2007. With effect from 1 January 2012, the Group is subject to income tax of 25% following the expiry of the tax holidays.

The Group has recognised withholding tax, which comprised 5% imposed on the dividends of approximately RMB128.0 million and RMB100.0 million received by HK Qingmei Trading Group Develop Limited from Qingmei (PRC) for FY2012 and FY2011, respectively.

As a result of the above, our net profit attributable to the owners of the Company decreased by approximately 51.7% or RMB142.4 million from RMB275.6 million for FY2011 to RMB133.2 million for FY2012.

A Strong Financial Position and Cash Inflows

Property, plant and equipment decreased by approximately 1.5% or RMB6.2 million to RMB417.6 million as at 30 June 2012, compared with RMB423.8 million as at 30 June 2011. The decrease was mainly due to depreciation expenses of approximately RMB57.7 million which was partially offset by the net addition of property, plant and equipment of approximately RMB51.5 million during the year.

Inventories decreased by approximately 63.1% or RMB24.7 million to RMB14.4 million as at 30 June 2012, compared with RMB39.1 million as at 30 June 2011. The decrease in inventories was in line with the decrease in purchase for the second half of the financial year.

Trade receivables decreased by approximately 79.7% or RMB230.6 million to RMB58.8 million as at 30 June 2012, compared with RMB289.4 million as at 30 June 2011, in line with the decrease in revenue of the Group for the second half of the financial year.

Prepayments and other receivables decreased by approximately 92.5% or RMB8.9 million to RMB0.7 million as at 30 June 2012, compared with RMB9.6 million as at 30 June 2011 as a result of the amortisation of the prepayment for research expenses.

Pledged bank deposits, as security for bills payables to banks, decreased to nil balance as at 30 June 2012, the decrease in pledged bank deposits was primarily due to the decrease in bills issued.

Trade and bills payables decreased by approximately 73.9% or RMB99.7 million to RMB35.1 million as at 30 June 2012, compared with RMB134.8 million as at 30 June 2011 as a result of the settlement of all bills payables which amounted to RMB5.0 million outstanding at 30 June 2011. The decrease was in line with the decrease in purchase for the second half of the financial year.

Other payables and accruals decreased by approximately 64.3% or RMB38.2 million to RMB21.2 million as at 30 June 2012, compared with RMB59.4 million as at 30 June 2011. It mainly represented (i) the outstanding balance owing to the mould equipment suppliers and (ii) the land use rights cost associated with the manufacturing plant.

Short-term bank borrowings decreased to nil balance as at 30 June 2012, since the Group has sufficient fund to support the operation.

Cash and cash equivalents increased by approximately 45.8% or RMB182.9 million to RMB581.9 million as at 30 June 2012, compared with RMB399.0 million as at 30 June 2011. The increase was due mainly to the net increase in cash inflows generated from operating activities during the year.

Outlook and Strategy

Looking ahead, the management expects to face a challenging operating environment in 1HFY2013 amid the current global economic uncertainties, especially with regard to the negative impact of the Euro zone debt crisis which may spread across different sectors. Our downstream customers have already experienced some setbacks in sale orders, which will undoubtedly trigger a chain reaction, and in turn affect upstream suppliers of shoe soles such as Qingmei. But we are confident that Qingmei is in a good position to combat the challenges ahead with our healthy financial position.

The Group will continue to exercise stringent control on its expenditure items. The management has been analysing and reviewing the situation on an ongoing basis in order to adjust and improve on its expansion plan, which will lead the Group into a healthier development track. The Group believes that companies with strong ability could survive and pull through this consolidation process.

Use of IPO Proceeds

The following table details the utilisation of IPO proceeds up to 30 June 2012:

Intended use	Amount allocated (RMB million)	Amount utilised (RMB million)	Balance amount (RMB million)
Expansion of production capacity, including the purchase of new equipment and machineries, the construction of new building facilities to house them, the construction of new building facilities for our administrative functions and a staff hostel	144.0	128.9	15.1
To set up a dedicated self-contained R&D centre	52.0	51.0	1.0
R&D purposes	15.0	15.0	–
General working capital	0.6	0.6	–
Total	**211.6**	**195.5**	**16.1**

Operations Review

For the expansion of production capacity, part of the IPO proceeds of RMB128.9 million was utilised in the following manner:

(i) the Group utilised approximately RMB82.9 million for the construction and building of the new production facility and staff hostel; and

(ii) approximately RMB46.0 million for the acquisition of additional production equipment and machinery for the first and second stage installation.

To set up a dedicated self-contained R&D centre.

(i) Approximately RMB51.0 million was utilised for the construction of building facilities for the self-contained R&D centre.

The expansion of production capacities for the first stage installation was completed in December 2010 and the second stage installation would be to put on hold at this stage. The new warehouse facilities, infrastructure and a dedicated R&D centre have been constructed at its current production location. However, the process of the installation of new equipment/machinery has slowed down during 2HFY2012 given the current market conditions. The management has been reviewing this situation closely in order to adjust its expansion plan to lead the Group to ride out the immediate difficult in the foreseeable future.

To complete the full installation of the plant and fulfil the future working capital requirements of those new lines for the second stage expansion plan, it will be funded through a combination of the internal resources and the unutilised IPO proceeds.

Board of Directors

Su Qingyuan (苏清远)

Executive Chairman and CEO

Mr Su Qingyuan is our Executive Chairman and CEO and is responsible for overseeing the business direction and development of our Group. He is overall-in-charge of the production, design and development department of the Group. Mr Su started his career in January 1990 at Sucuo Packaging Factory (苏厝包装厂) as a production supervisor and was in charge of daily operations of the production floor. In November 1996, he joined Jinjiang City Chendai Sucuo Qingmei Colour Printing Factory (晋江市陈埭苏厝清美彩色印刷厂), a company owned by his father, which was engaged in the printing and publishing of materials. He was a factory manager, responsible for the operations and management of the factory. In June 1998, he became a sole proprietor trading in sports shoe soles and their components and shoe materials, such as uppers, cloth material and laces. Mr Su and his brother, Mr Su Qingfei, jointly established Fujian Qingmei in September 2003 to carry out operations mainly as an OEM of MD I and RB sports shoes soles, EVA I Midsoles and RB Outsoles. In April 2006, he established Qingmei (PRC) to carry on the original design manufacturing sports shoe soles business on his own. Mr Su has more than 10 years experience in the sports shoe industry. His numerous affiliations with the Jinjiang City government committees include his appointment as committee member of the 11th Jinjiang City Government Committee (晋江市政协第十一届委员会) in 2006. He has also received awards as a testament to his leadership abilities and entrepreneurial spirit, including the Outstanding Youth Entrepreneur of Jinjiang City Award (晋江市优秀青年企业家) in 2007 awarded by the Jinjiang City Industrial and Commercial Administration Bureau (晋江市工商行政管理局) and the National Model Worker Award (Light Industry Category) (全国轻工行业劳动模) by the Ministry of Labour of the PRC (中华人民共和国人事部) in 2007. In addition, Mr. Su Qingyuan was also appointed as deputy chairman of the 3rd Youth Business Committee of Jinjiang City (晋江市青年商会第三届理事会) and chairman of the Chendai Youth Chamber of Commerce (陈埭镇青年商会) in 2008.

Su Qingjiang (苏清江)

Executive Director

Mr Su Qingjiang is our Executive Director and heads the production team of our Group. He is also overall-in-charge of the procurement and sales departments of the Group. Mr Su started his career in September 1987 with Sucuo Packaging Factory (苏厝包装厂) as a publication printing operator involved in the production and printing operations of the factory. In November 1996, he joined Jinjiang City Chendai Sucuo Qingmei Colour Printing Factory (晋江市陈埭苏厝清美彩色印刷厂), a company owned by his father, and was appointed as production manager and was placed in charge of the production operations and supervision of the production team. He left the company in December 1999 and was engaged in the business of trading of shoe materials. In September 2003, he joined his brothers, Mr Su Qingyuan and Mr Su Qingfei at Fujian Qingmei and worked as a production general manager and was involved in overseeing the operations of the production team. He joined Qingmei (PRC) in September 2006 as the vice-president of the sales and production department and was responsible for the entire sales and production operations.

Su Shubiao (苏树标)

Executive Director

Mr Su Shubiao is our Executive Director and is overall-in-charge of the finance and administration department of the Group. In October 1989, he joined Sucuo Village committee (苏厝村村委) as a full time executive member and his responsibilities included the registration of businesses and the management affairs of the committee. From July 1999 to December 2008, he reduced his involvement in this committee and was engaged as a part time member. In November 1999, Mr Su was employed by Quan Xing Shoe Plastic Co., Ltd. (泉兴鞋塑有限公司) as its finance and administrative manager and was involved in overseeing the day-to-day operations of the finance and administrative department. He joined Fujian Qingmei in September 2003 as its general manager and he was responsible for the supervision of the company's operations of the business as well as the coordination of the strategic planning functions of the company. He joined Qingmei (PRC) in September 2006 and carried out his duties as general manager. In July 2009, he was promoted to be the Vice President of Finance and Administration and has the overall responsibility of managing our Group's finance as well as administrative departments. Mr Su attended a correspondence course on agricultural enterprises management (农函大农村企业系农村财会专业) at the Fujian Farmers' Technology University (福建省农村致富技术函授大学) in 1993.

Board of Directors

Tan Siok Sing

Lead Independent Director

Mr Tan Siok Sing was appointed as our Independent Director on 28 December 2009. He is the Chairman of our Audit and Remuneration Committees and a member of the Nominating Committee. He is currently the Managing Director of Ironman Minerals & Ores Pte Ltd, an energy resources and minerals trading company. He has more than 18 years of experience in the financial industry as the Executive Director in Millennium Securities Pte Ltd. He graduated from The University of Tennessee with a Masters in Business Administration in 1984. Mr Tan's present directorships in other listed companies include CentraLand Limited, Changtian Plastic & Chemical Limited, Dukang Distillers Holdings Limited and Li Heng Chemical Fibre Technologies Limited.

Foo Say Tun

Independent Director

Mr Foo Say Tun was appointed as our Independent Director on 28 December 2009. He is the Chairman of our Nominating Committee and a member of the Audit and Remuneration Committees. Mr Foo is a partner of Messrs Wee, Tay & Lim, where he practices in the Litigation Department, primarily in the areas of civil and commercial litigation. Prior to his current practice, Mr Foo was a litigation lawyer at Messrs David Lim & Partners from 1994 to 1998, and Messrs Lim Seong Chun & Co in Ipoh from 1991 to 1994. He is a member of the Disciplinary Committee that presides over cases against lawyers for misconduct under the Legal Profession Act, and has been an instructor with the Board of Legal Education which runs the Postgraduate Practical Law Course since 2003. Mr Foo graduated from the University of East Anglia in England in 1990 with an LLB (Hons) degree and was then admitted to the Bar of England & Wales as a barrister-at-law in 1991. He gained admission as an Advocate & Solicitor of the High Court of Malaya in 1992 and was admitted to the Singapore Bar in 1995. Mr Foo's present directorships in other listed companies include Fu Yu Corporation Limited, JLJ Holdings Limited and Sino Techfibre Limited.

Pek Yew Chai

Independent Director

Mr Pek Yew Chai was appointed as our Independent Director on 23 August 2010. He is a member of the Audit, Nominating and Remuneration Committees. Mr Pek was the Country Head of Siemens IT Solutions and Services from December 2005 to March 2010. Prior to that, he held various key positions in Singapore Computer Systems Ltd (SCS), including President, Chief Executive Officer and Director from August 2003 to May 2005, and Chief Operating Officer from January to August 2003. Mr Pek was also the Managing Director of Siemens Business Services Pte Ltd from April 2001 to December 2002, and the Chief Operating Officer of Mediaring.com Ltd from October 1999 to January 2001. He graduated from the University of Southern California with a degree in Electrical Engineering & Biomedical Engineering.

Key Management

Tso Sze Wai, Jackson (曹思维)

Chief Financial Officer

Mr Tso Sze Wai, Jackson, was the Financial Controller of our Group and was promoted to Chief Financial Officer to replace Mr Au-Yeung Yu Ching in December 2011. He is in charge of the financial management of our Group.

Mr Tso holds a postgraduate diploma in Computing in the University of Western Sydney, Australia and a Bachelor of Commerce in University of New South Wales, Australia. He is a Certified Practicing Accountant of CPA Australian. He has over 10 years of experience in auditing, corporate finance as well as secretarial matters. Prior to joining our Group, he had held senior management positions in a number of listed companies in Hong Kong and Singapore.

Du Jinfeng (杜金凤)

Finance Manager

Ms Du Jinfeng is our Finance Manager and she has been with our Group since Qingmei (PRC) was incorporated in April 2006. She started her career with Fujian Qingmei as an accounts manager and was involved in the day-to-day maintaining of accounts of the company. She joined Qingmei (PRC) in April 2006 as our Group's Finance Manager and oversees the finance activities of our Group. Ms Du was awarded a Diploma in Audit and Accountancy from Fujian Management College (福建省经济管理干部学院) in 2004.

Liu Qi (刘旗)

Research and Development Manager

Mr Liu Qi is our R&D Officer and spearheads our R&D activities and projects. Since April 2009, he has played an instrumental role in spearheading the product design and development initiatives of our Group. Mr Liu has been engaged in the technical work for footwear manufacturing for over 20 years. He was a catet with the Heilongjiang Army (黑龙江兵团) from August 1969 to September 1976 and the Inner Mongolia Ba Meng Handicraft Industry Authority (内蒙巴盟手工业管理局) from September 1976 to October 1977. He joined the Light Industry Footwear Industry Research Institute (轻工业部制鞋工业科学研究所) from November 1977 to October 1998 as a footwear research engineer and was promoted to assistant supervisor and further promoted to shoe production department supervisor. In November 1998, he joined the China Leather and Footwear Industry Research Institute (中国皮革和制鞋工业研究院) as a director and was engaged in the supervision of the production and technology research team. In May 2007, he was under the employment of Fujian Jinjiang City Gou Hui (China) Co., Ltd. (福建省晋江市国辉(中国)有限公司) as its chief engineer and production centre director and was placed in charge of the overall production operations. Mr Liu graduated with a Bachelors Degree in Industrial Economic Management from China People's University (中国人民大学) in 1997. He was certified as a senior engineer by the China Light Industry Association (中国轻工总会) in 1999.

Deng Chuangneng (邓创能)

Product Design Officer

Mr Deng Chuangneng is our Product Design Officer. He joined Qingmei (PRC) when it was incorporated in April 2006 and was made the Vice President of R&D. He oversees the entire product design and development process and assists the CEO in the daily running and management of the product design and development team. He embarked on his career in September 1994 with Guangzhou Xie Yi Mould Co., Ltd. (广州协易模具有限公司) as a product design team leader engaged in the observation and collation of trend information for the design of moulds. In October 2000, he joined Jinjiang Taiya Shoes Materials Co., Ltd. (晋江泰亚鞋材有限公司) as its product design manager. He was appointed as the R&D manager of Fujian Qingmei in October 2003 and was involved in the supervision of workers in the production and design of shoe soles and shoe sole components. He graduated from Guangxi Quanzhou Long Shui High School (广西省全州县龙水高中) in 1990.

Key Management

Zhang Yuguang (张玉光)

Procurement Officer

Mr Zhang Yuguang is our Procurement Officer and is in charge of the procurement department that purchases raw materials necessary for our production. He joined Fujian Qingmei in January 2006 as a production manager and Qingmei (PRC) as a production supervisor in May 2006. In September 2006, he took on a different role in Qingmei (PRC) as its assistant administrative manager involved in the leading of the administrative team in its day-to-day administrative functions. He started his career with PRC Coloured Metals Nan Chang Co., Ltd. (中国有色金属南昌公司) as a chief production officer in April 1987. He was promoted to the company secretary in November 1989 and deputy director of Office of Political Relations (党委办公室副主任) in April 1992. In January 2000, he joined Guangdong Dong Guan, Ji Bu, Jin Zheng Xing Footwear Industry Co., Ltd. (广东省东莞市寄步镇金正兴鞋业有限公司) as its production manager and was in charge of the daily operations of the production floor. In September 2004, he took on a similar role of production supervisor at Fujian Jinjiang City Canhui Footwear Industry Co., Ltd (福建省晋江市灿辉鞋业有限公司). Mr Zhang attended high school at Jiangxi Province Workers School (江西省职工学校) and graduated in 1986.

Du Kunming (杜昆明)

Sales and Marketing Officer

Mr Du Kunming is our Sales and Marketing Officer and he has been with our Group since we commenced operations in April 2006. Upon completion of his studies, he embarked on his career with Fujian Qingmei as a product design worker involved in the design and production operations. In April 2006, he joined Qingmei (PRC) as a product design supervisor and was involved in the supervision of the day-to-day operations of the product design department. In July 2008, he was appointed as the Sales and Marketing Officer of Qingmei (PRC) and he took on the role of supervising the sales team to facilitate the entering into purchase orders with customers. Mr Du was awarded a Diploma in Decorative Art Design from Quanzhou Huaqiao University (泉州华桥大学) in 2004.

Corporate Governance

Qingmei Group Holdings Limited (the "Company") is committed to ensuring and maintaining a high standard of corporate governance within the Company and its subsidiaries (the "Group"). Good corporate governance establishes and maintains a legal and ethical environment, which helps to preserve and enhance the interests of all shareholders.

This report describes the corporate governance framework and practices of the Company with specific reference to the principles of the Singapore Code of Corporate Governance introduced in April 2001 and amended in 2005 (the "Code").

This Report should be read as a whole, instead of being read separately under the different principles of the Code.

(A) BOARD MATTERS

Board's Conduct of its Affairs

Principle 1: Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the success of the Company. The Board works with Management to achieve this and the Management remains accountable to the Board.

Role of the Board of Directors ("Board")

The Board assumes responsibility for stewardship of the Group and is primarily responsible for the protection and enhancement of long-term value and returns for the shareholders. It supervises the management of the business and affairs of the Group, provides corporate direction, monitors managerial performance and reviews financial results of the Group. In addition, the Board is directly responsible for decision making in respect of the following matters:

a. approve the business strategies including significant acquisition and disposal of subsidiaries or assets and liabilities;

b. approve the annual budgets, major funding proposals, significant capital expenditures and investment and divestment proposals;

c. approve the release of the Group's quarterly and full year's financial results and interested person transactions;

d. oversee the processes for risk management, financial reporting and compliance and evaluate the adequacy of internal controls, as may be recommended by the Audit Committee;

e. review the performance of management, approve the nominees to the Board of Directors and appointment of key executives, as may be recommended by the Nominating Committee;

f. review and endorse the framework of remuneration for the Board and key executives, as may be recommended by the Remuneration Committee; and

g. renew and endorse corporate policies in keeping with good corporate governance and business practice.

The Board provides shareholders with a balanced and understandable assessment of the Group's performance, position and prospects on a quarterly basis.

To assist in the execution of its responsibilities, the Board has established a number of Board committees which include an Audit Committee ("AC"), a Nominating Committee ("NC") and a Remuneration Committee ("RC"), each of which functions within clearly defined terms of reference and operating procedures which are reviewed on a regular basis.

Board meetings and Meetings of Board committees

The Board meets on a quarterly basis and whenever necessary for the discharge of their duties. Dates of the Board meetings are normally set by the directors well in advance. Meetings of the Board and Board Committees may be conducted by way of telephone and video conferencing, if necessary.

Management would conduct briefings and orientation programmes to familiarise newly appointed Directors with the various businesses and operations of the Group, including site visits to the Group's plants in the People's Republic of China ("PRC"). During the financial year ended 30 June 2012, one Board meeting was held in the PRC where the Group has significant operations.

The number of meetings held by the Board and Board committees and their attendance thereat for the financial year ended 30 June 2012 are as follows:

DIRECTORS	BOARD		AC		RC		NC	
	No. of meetings	Attended	No. of meetings	Attended	No. of meetings	Attended	No. of meetings	Attended
Su Qingyuan	4	4	NA	NA	NA	NA	NA	NA
Su Qingjiang	4	3	NA	NA	NA	NA	NA	NA
Su Shubiao	4	4	NA	NA	NA	NA	NA	NA
Tan Siok Sing	4	4	5	5	1	1	1	1
Foo Say Tun	4	3	5	4	1	1	1	1
Ni Xiaorong[#1]	4	1	5	1	1	1	1	1
Pek Yew Chai	4	4	5	5	1	1	1	1

#1: Ms. Ni Xiaorong resigned as an independent director with effect from 20 July 2012

Training

The Board will constantly examine its size and, with a view to determining the impact of its number upon effectiveness, decide on what it considers an appropriate size for itself. The composition of the Board will be reviewed on an annual basis by the NC to ensure that the Board has the appropriate mix of expertise and experience.

Upon appointment, each Director will receive a letter of appointment from the Executive Chairman explaining his duties and obligations as a member of the Board. In addition, newly appointed Directors will receive an orientation that includes briefing by the Management on the Group's structure, businesses, operations and policies. Directors also have the opportunity to visit the Group's operational facilities and to meet with the Management so as to gain a better understanding of the Group's business operations. Directors who do not have prior experience or are not familiar with the duties and obligations required of a listed company in Singapore, will undergo the necessary training and briefing.

The Company welcomes Directors to seek explanations or clarifications from and/or convene informal discussions with the Management on any aspect of the Group's operations or business. Necessary arrangements will be made for the informal discussions or explanations as and when required.

Board Composition and Balance

Principle 2: There should be a strong and independent element on the Board, which is able to exercise objective judgment on corporate affairs independently, in particular, from Management. No individual or small group of individuals should be allowed to dominate the Board's decision making.

The Board consists of six (6) Directors of whom three (3) are independent. The list of Directors is as follows:

Executive Directors

Su Qingyuan (Executive Chairman and Chief Executive Officer)
Su Qingjiang (Executive Director)
Su Shubiao (Executive Director)

Non-Executive Directors

Tan Siok Sing (Lead Independent Director)
Foo Say Tun (Independent Director)
Pek Yew Chai (Independent Director)

The size and composition of the Board are reviewed from time to time by the NC to ensure that the size of the Board is conducive to effective discussions and decision making. The NC is of the view that the current Board size of six (6) Directors of which three (3) are Independent Directors, is appropriate and effective, taking into account the nature and scope of the Company's operations.

The current Board comprises persons with diverse expertise and experience in accounting, business and management, finance and risk management who as a group provide core competencies necessary to meet the Company's requirements. The Directors' objective judgment on corporate affairs and collective experience and knowledge are invaluable to the Group and allows for the useful exchange of ideas and views.

Independence of Directors

The NC reviews the independence of each Director on an annual basis based on the Code's definition of what constitutes an Independent Director. The NC is of the view that the three (3) Independent Directors (who represent half of the Board) are independent and that there is a strong and independent element on the Board which is able to exercise objective judgment on corporate matters independently, in particular, from Management, and that no individual or small group of individuals dominate the Board's decision-making process.

Chairman and Chief Executive Officer

Principle 3: There should be a clear division of responsibilities at the top of the company – the working of the Board and the executive responsibility of the company's business – which will ensure a balance of power and authority, such that no one individual represents a considerable concentration of power.

Mr Su Qingyuan ("Mr Su"), is the Executive Chairman and Chief Executive Officer ("CEO") of the Company. He is responsible for the business direction, long term strategic planning and its overall management and operations of the Group.

Mr Su is responsible for, among others, the exercise of control over quantity, quality and timeliness of the flow of information between the Management of the Company and the Board. He schedules Board meetings, oversees the preparation of the agenda for Board meetings and assists in ensuring compliance with the Group's guidelines on corporate governance.

Mr Su together with the Management comprising of each subsidiary's general managers and key senior managers, are responsible for the day-to-day management of the Group.

There is also a balance of power and authority with various committees chaired by the Independent Directors. In addition, the Board has appointed Mr Tan Siok Sing as the Lead Independent Director to co-ordinate the activities of the Non-Executive Directors and to be available to shareholders where they have concerns.

All major decisions made by the Executive Chairman and CEO are reviewed by the AC. Their performance and appointment to the Board are reviewed periodically by the NC and their remuneration packages are reviewed periodically by the RC. As such, the Board believes that there are adequate safeguards in place to ensure a balance of power and authority such that no one individual represents a considerable concentration of power.

Board Membership

Principle 4: There should be a formal and transparent process for the appointment of new directors to the Board.

The NC comprises of entirely Non-Executive and Independent Directors:

Foo Say Tun (Chairman)
Tan Siok Sing
Pek Yew Chai

The primary functions of the NC are as follows:

- to identify candidates and review all nominations for the appointment or re-appointment of members of the Board, the CEO of the Group, and to determine the selection criteria therefor;
- to ensure that all Board appointees undergo an appropriate induction programme;
- to regularly review the Board structure, size and composition and make recommendations to the Board with regard to any adjustments that are deemed necessary;
- to identify gaps in the mix of skills, experience and other qualities required in an effective Board and to nominate or recommend suitable candidates to fill these gaps;
- to decide whether a Director is able to and has been adequately carrying out his duties as Director of the Company, particularly where the Director has multiple board representations;
- to review the independence of each Director annually;
- to decide how the Board's performance may be evaluated and propose objective performance criteria for the Board's approval; and
- to evaluate the effectiveness of the Board as a whole and assesses the contribution by each individual Director, to the effectiveness of the Board.

For the year under review, the NC held one meeting.

The Directors will submit themselves for re-nomination and re-election at regular intervals of at least once every three (3) years. Under the Company's existing Articles of Association, each Director shall retire at least once every three (3) years and a retiring Director shall be eligible for re-election. In reviewing and recommending to the Board the re-nomination and re-election of existing Directors, the NC takes into consideration the Directors' contribution and performance at Board meetings, including attendance, preparedness, participation and candour.

Each member of the NC abstains from making any recommendations and/or participating in any deliberation of the NC and from voting on any resolution, in respect of the assessment of his own performance or re-nomination as a Director.

The NC is satisfied that sufficient time and attention are being given by the Directors to the affairs of the Company and Group, notwithstanding that some of the Directors have multiple board representations.

In its search and nomination process for new Directors, the NC has, at its disposal, search companies, personal contacts and recommendations, to cast its net as wide as possible for the right candidates.

Key information regarding the Directors is set out on pages 13 and 14.

Board Performance

Principle 5: There should be a formal assessment of the effectiveness of the Board as a whole and the contribution by each Director to the effectiveness of the Board.

The NC reviews the criteria for evaluating the Board's performance and recommends to the Board a set of objective performance criteria focusing on enhancing long-term shareholders' value. Based on the recommendations of the NC, the Board has established processes for evaluating the effectiveness of the Board as a whole.

The performance criteria for the Board evaluation includes an evaluation of the size and composition of the Board, the Board's access to information, accountability, Board processes, Board performance in relation to discharging its principal responsibilities, communication with Management and standards of conduct of the Directors.

In the course of the year, the NC has conducted the assessment by preparing a questionnaire to be completed by each Director, of which were then collated and the findings were analysed and discussed with a view to implementing certain recommendations to further enhance the effectiveness of the Board.

Access to Information

Principle 6: In order to fulfil their responsibilities, Board members should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis.

To assist the Board in fulfilling its responsibilities, the Management provides the Board with a management report containing complete, adequate and timely information prior to the Board meetings. All Directors have separate and independent access to the Management, including the Company Secretary at all times. The Company Secretary or his representative attends all Board meetings and ensures that Board procedures and all other rules and regulations applicable to the Company are complied with.

Changes to regulations are closely monitored by the Management and for changes which have an important bearing on the Company or the Directors' disclosure obligations, the Directors are briefed during Board meetings.

The Directors and the Chairmen of the respective Committees, whether as a group or individually are able to seek independent professional advice as and when necessary in furtherance of their duties at the Company's expense. The appointment of such professional advisor is subject to approval by the Board.

(B) REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

Principle 7: There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual Directors. No Director should be involved in deciding his own remuneration.

The RC comprises of entirely Non-Executive and Independent Directors:

Tan Siok Sing (Chairman)
Foo Say Tun
Pek Yew Chai

The members of the RC have many years of corporate experience and are knowledgeable in the field of executive compensation. In addition, the RC has access to expert professional advice on remuneration matters as and when necessary.

The responsibilities of the RC include the following:

- to review Directors' fees to ensure that they are at sufficiently competitive levels;
- to administer the Qingmei Employee Share Option Scheme;
- to review and advise the Board on the terms of appointment and remuneration of its members, CEO, key executive officers, senior management of the Group and all managerial staff who are related to any of the Directors or the CEO or substantial shareholders;
- to review the terms of the employment arrangements with Management so as to develop consistent group wide employment practices subject to regional differences;
- to recommend to the Board in consultation with senior management and the Chairman of the Board, any long term incentive scheme; and
- to review and approve any proposals or recommendations relating to senior management's remuneration.

The RC reviews all aspects of remuneration and compensation packages including but not limited to Directors' fees, salaries, allowances, bonuses, options and benefits-in-kind.

No Director is involved in determining his own remuneration.

For the year under review, the RC held one meeting.

Level and Mix of Remuneration

Principle 8: The level of remuneration should be appropriate to attract, retain and motivate the directors needed to run the company successfully but companies should avoid paying more than is necessary for this purpose. A significant proportion of executive directors' remuneration should be structured so as to link rewards to corporate and individual performance.

In setting remuneration packages, the RC takes into consideration the prevailing economic situation, the pay and employment conditions within the industry and in comparable companies. As part of its review, the RC ensures that the performance-related elements of remuneration form a significant part of the total remuneration package of Executive Directors and is designed to align the Directors' interests with those of shareholders and link rewards to corporate and individual performance. The RC also reviews all matters concerning the remuneration of Non-Executive Directors to ensure that the remuneration commensurate with the contribution and responsibilities of the Directors. The Company submits the quantum of Directors' fees of each year to the shareholders for approval at each Annual General Meeting ("AGM").

Non-Executive Directors have no service contracts. The Executive Directors have service contracts, details of which appeared on page 139 of the Company's Prospectus dated 8 March 2010, and they are not entitled to Directors' fees.

The Company adopted an employee share option scheme known as "Qingmei Employee Share Option Scheme" ("ESOS") on 29 December 2009 as a long term incentive plan for Directors and employees of the Group whose services are vital to the Group's well being and success. It is administered by the RC. No options have to-date been granted under the ESOS. Details of the ESOS appeared on pages 152 to 159 and Appendix H of the Company's Prospectus dated 8 March 2010.

Disclosure on Remuneration

Principle 9: Each company should provide clear disclosure of its remuneration policy, level and mix of remuneration, and the procedure for setting remuneration in the company's annual report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key executives, and performance.

A breakdown (in percentage terms) of the remuneration of the Directors and the top 5 key Executives (who are not also Directors) for the financial year ended 30 June 2012 are set out below:

Remuneration of the Directors

Remuneration band and names of Directors	Salary	Bonus (1)	Directors' fees (2)	Total
Below S$250,000				
Su Qingyuan	100%	–	–	100%
Su Qingjiang	100%	–	–	100%
Su Shubiao	100%	–	–	100%
Tan Siok Sing	–	–	100%	100%
Foo Say Tun	–	–	100%	100%
Ni Xiaorong (Resigned with effect from 20 July 2012)	–	–	100%	100%
Pek Yew Chai	–	–	100%	100%

Remuneration of top 5 Key Executives (who are not Directors)

Remuneration band and names of key Executives (who are not Directors)-	Salary	Bonus	Total
Below S$250,000			
Tso Sze Wai, Jackson	100%	–	100%
Deng Chuangneng	100%	–	100%
Zhang Yuguang	100%	–	100%
Liu Qi	100%	–	100%
Du Jinfeng	100%	–	100%

(1) These are under the service contracts. Under the service contracts, each of our Executive Directors is also entitled to a performance bonus (the "Performance Bonus") in respect of each financial year commencing from the financial year ended 30 June 2010, further details of which are set out in the section entitled "Service Agreements" on the page 139 of the Company's Prospectus dated on 8 March 2010.

(2) The Directors' fees are subject to the approval of the shareholders at the AGM.

There are no employees of the Group who are immediate family members of a Director or the CEO and whose remuneration exceeds S$150,000 during the financial year ended 30 June 2012.

(C) ACCOUNTABILITY AND AUDIT

Accountability

Principle 10: The Board should present a balanced and understandable assessment of the Company's performance, position and prospects.

The Board endeavors to ensure that the annual audited financial statements and quarterly announcements of the Group's results present a balanced and understandable assessment of the Group's position and prospects. The Board embraces openness and transparency in the conduct of the Company's affairs, whilst preserving the commercial interests of the Company. Financial and other price sensitive information are disseminated to shareholders through announcements via SGXNET.

The Management currently provides the Board with appropriately management accounts of the Group's performance, position and prospect on a regular basis.

Audit Committee

Principle 11: The Board should establish an Audit Committee ("AC") with written terms of reference which clearly set out its authority and duties.

The AC comprises of entirely Non-Executive and Independent Directors:

Tan Siok Sing (Chairman)
Foo Say Tun
Pek Yew Chai

It, *inter alia*, oversees the quality and integrity of the accounting, auditing, internal controls and financial practices of the Group.

All members of the AC have many years of experience in senior management positions in both financial and industrial sectors. The Board is of the view that the AC members, having accounting and related financial management expertise or experience, are appropriately qualified to discharge their responsibilities.

For the year under review, the AC held five (5) meetings with the Management, four (4) meetings with the external auditors of the Company and one (1) meeting with the internal auditors to discuss and review the following matters:–

- the audit plans of the external and internal auditors of the Company and their report arising from their audit;
- the adequacy of the assistance and cooperation given by the Company's Management to the external and internal auditors;
- the financial statements of the Company and the consolidated financial statements of the Group;
- the quarterly and annual announcement of the results of the Group before submission to the Board for approval;
- the adequacy of the Group's internal controls in respect of the management, business and service systems and practices;
- the adequacy of the Group's internal controls addressing financial, operational and compliance risks;
- the cost effectiveness, independence and objectivity of the external auditor;
- the approval of compensation to the external auditor;
- the nature and extent of non-audit services provided by the external auditor;
- the recommendation to the Board for the appointment or re-appointment of the external auditor of the Company;
- to report actions and minutes of the AC to the Board with such recommendations as the AC considers appropriate;
- interested person transactions to ensure that the current procedures for monitoring of interested party transactions have been complied with; and
- the use of IPO proceeds.

In performing its functions, the AC:

- met once with the external auditor and internal auditor (without the presence of the Company's Management) and reviewed the overall scope of the external audit, the internal audit and the assistance given by the Management to the auditors;
- has explicit authority to investigate any matter relating to the Group's accounting, auditing, internal controls and financial practices brought to its attention with full access to records, resources and personnel to enable it to discharge its function properly; and
- has full access to and cooperation of the Management and full discretion to invite any Director or executive officer to attend its meetings.
- will together with the RC, review the terms of employment of any new employees who are related to any Executive Directors, and Controlling Shareholders of the Company, and propose alternative employment arrangements, if necessary.

The external auditor and internal auditor have unrestricted access to the AC.

The AC has undertaken a review of all the non-audit services provided by the external auditor during the year under review and is satisfied that such services would not, in the AC's opinion, affect the independence of the external auditor.

The fees paid/payable to BDO Limited, Certified Public Accountants, Hong Kong ("BDO HK") the external auditor, for the financial year ended 30 June 2012 are as follows:-

Services Amount	(RMB)
Audit service	1,021,000
Non-audit service	32,000
Total	1,053,000

Save for professional fees and miscellaneous expenses incurred for audit services, the Company did not pay any other non-audit fee, to BDO HK, the external auditor, during the financial year ended 30 June 2012.

The Company has put in place a whistle blowing policy endorsed by the AC, by which staff of the Group may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters with the AC. The objectives for such arrangement is to ensure independent investigation of such matters and for appropriate follow-up action.

The AC has recommended to the Board the re-appointment of BDO HK for re-appointment as auditor of the Company at its forthcoming AGM. To comply with Rule 712(2) of the Listing Manual, the AC has also recommended that BDO LLP, Certified Public Accountants, Singapore be appointed as auditor of the Company, to act jointly with BDO HK, at the forthcoming EGM.

The Company has complied with Rule 715 and Rule 716 of the Listing Manual.

Internal Controls

Principle 12: The Board should ensure that the Management maintains a sound system of internal controls to safeguard the shareholders' investments and the company's assets.

The Board ensures that the Management maintains a sound system of internal controls and effective risk management policies to safeguard the shareholders' investment and the Company's assets and in this regard, is assisted by the AC which conducts the reviews.

The Company's internal and external auditors conduct an annual review of the effectiveness of the Company's material internal controls and risk assessment at least annually to ensure the adequacy thereof. In addition, annual review to ensure that safeguards, checks and balances are put in place to prevent any conflict of interest or any weakening of internal controls. Any material non-compliance or failures in internal controls and recommendations for improvements are reported to the AC. The AC also reviews the effectiveness of the actions taken by the Management on the recommendations made by the internal and external auditors in this respect.

Based on the internal controls established and maintained by the Group, work performed by external and internal auditors, the actions taken by the management, the on-going review and continuing efforts at enhancing controls and processes, the Board, with the concurrence of the AC, is of the opinion that the system of internal controls maintained by the management in the financial year is adequate to address the financial, operational and compliance risks and to meet the needs of the Group in its current business environment.

The system of internal control provides reasonable, but not absolute, assurance that the Group will not be adversely affected by any event that could be reasonably foreseen as it strives to achieve its business objectives.

However, the Board notes that no system of internal control could provide absolute assurance against the occurrence of material errors, poor judgment in decision-making, human error, losses, fraud or other irregularities.

Risks arising from the Group's financial operations are separately discussed in the notes to the financial statements on pages 66 to 69.

Internal Audit

Principle 13: The company should establish an internal audit function that is independent of the activities it audits.

The Group has appointed a professional accounting firm in Hong Kong, Wong Lam Leung & Kwok C.P.A. Limited ("WLLK"), to carry out the internal audit function. The internal auditor reports directly to the AC Chairman. The role of the internal auditor is to support the AC in ensuring that the Group maintains a sound system of internal controls by monitoring and assessing the effectiveness of key controls and procedures, conducting in-depth audits of high risk areas and undertaking investigations as directed by the AC.

The AC reviews the internal auditor's reports and approves annual audit plans and resources to ensure that the internal auditor has the necessary resources to adequately perform its functions.

(D) COMMUNICATION WITH SHAREHOLDERS

Communication with Shareholders

Principle 14: Companies should engage in regular, effective and fair communication with shareholders.

Principle 15: Companies should encourage greater shareholder participation at AGMs, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

The Company believes that a high standard of disclosure is key to raising the level of corporate governance. Quarterly results will be published through the SGXNET, news releases and the Company's website. All information of the Company's new initiatives are first disseminated via SGXNET followed by a news release, which is also available on the website.

The Company does not practise selective disclosure. Price sensitive information is publicly released and results are announced or issued within the mandatory period and are available on the Company's website. All shareholders of the Company receive the annual report and notice of AGM. The notice of AGM is also advertised in the newspaper.

The Company welcomes the views of the shareholders on matters concerning the Company and encourages shareholders' participation at AGM. The chairmen of the AC, NC and RC of the Company will be presented at the general meetings to answer questions from the shareholders. The external auditor will also be present to assist the Directors in addressing any relevant queries by shareholders.

The Company is not implementing absentia voting methods such as voting via mail, e-mail or fax until security, integrity and other pertinent issues are satisfactorily resolved.

Each item of special business included in the notice of the meeting is accompanied, where appropriate, by an explanation for the proposed resolution. Separate resolutions are proposed for substantially separate issues at the meeting.

(E) DEALINGS IN SECURITIES

The Company has issued a guideline on share dealings to all Directors and key employees (including employees with access to price sensitive information on the Company's shares) of the Group which sets out the code of conduct on transactions in the Company's shares by these persons, the implications of insider trading and general guidance on such dealings.

In line with Listing Rule 1207(19) issued by the SGX-ST, the Company issues a notification to all officers of the Company informing them that they should not deal in the securities of the Company during the periods commencing one month before the announcement of the Company's full-year results and two weeks before the Company's quarterly results until after the announcement. They are also discouraged from dealing in the Company's shares on short term considerations.

The Board confirms that for the financial year ended 30 June 2012, the Company has complied with Listing Rule 1207(19).

(F) INTERESTED PERSON TRANSACTIONS

As a listed Company on the SGX-ST, the Company is required to comply with Chapter 9 of the Listing Manual of the SGX-ST on interested person transactions. To ensure compliance with Chapter 9, the Company has adopted guidelines for future interested person transactions and procedures for on-going and future interested person transactions as stated on page 148 of the Company's Prospectus dated 8 March 2010.

For the financial year ended 30 June 2012, there were no interested person transactions between the Group and any of its interested persons (namely, Directors, Executive officers or controlling shareholders of the Group or the associates of such directors, CEO or controlling shareholders of the Company or the associates of such persons).

(G) MATERIAL CONTRACTS

Since the end of the previous financial year, the Group did not enter into any material contracts involving the interests of the CEO, Directors or controlling shareholders and no such material contracts subsisted at the end of the financial year, save for the Service Agreements entered into by the Executive Directors with the Company.

(H) RISK MANAGEMENT

The Management reviews regularly the Group's business and operational activities to identify areas of significant business risks as well as appropriate measures to control and mitigate these risks within the Group's policies and strategies. In addition, the external auditor carries out in the course of their statutory audit, a review of the effectiveness of the Company's material internal controls, including financial, operational and compliance controls. Material non-compliance and internal control weaknesses noted during their audit are reported to the AC together with their recommendations. The Management will follow up on the auditor's recommendations so as to strengthen the Group's internal control systems.

Risks arising from the Group's financial operations are separately discussed in Notes to the Financial Statements on pages 66 to 69.

(I) USE OF IPO PROCEEDS

The Company refers to the net IPO proceeds amounted to RMB211.6 million raised from the initial public offering of its shares.

The following table details the utilisation of IPO proceeds up to 30 June 2012:

Use of net proceeds	Amount allocated (RMB million)	Amount utilised (RMB million)	Balance amount (RMB million)
Expansion of production capacity, including the purchase of new equipment and machineries, the construction of new building facilities to house them, the construction of new building facilities for our administrative functions and a staff hostel	144.0	128.9	15.1
To set up a dedicated self-contained R&D centre	52.0	51.0	1.0
R&D purposes	15.0	15.0	–
General working capital	0.6	0.6	–
Total	**211.6**	**195.5**	**16.1**

The Company will continue to provide periodic updates on the use of the balance of the IPO proceeds through SGXNet as and when they are incurred.

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Expressed in Renminbi ("RMB")

Directors' Report

For the year ended 30 June 2012

The Directors present their report together with the audited financial statements of the Group for the year ended 30 June 2012 and the statement of financial position of the Company as at 30 June 2012.

Principal activity

The Company was incorporated in the Cayman Islands on 28 August 2009 under the Companies Law of the Cayman Islands as an exempted company with limited liability. The principal activity of the Company is investment holding.

Directors

The Directors of the Company in office during the financial year ended 30 June 2012 and up to the date of this report are as follows:

Executive Directors:
Su Qingyuan (Executive Chairman and Chief Executive Officer)
Su Qingjiang
Su Shubiao

Independent Directors:
Tan Siok Sing (Lead Independent Director)
Foo Say Tun
Pek Yew Chai
Ni Xiaorong (Resigned on 20 July 2012)

Arrangements to enable Directors to acquire shares and debentures

Neither at the end of nor at any time during the financial year was the Company or any of its subsidiaries a party to any arrangement whose object is to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Directors' interests in shares or debentures

According to the register of directors' shareholdings, the following Director holding office at the end of the financial year had interests in the shares or debentures of the Company as follows:

	Number of ordinary shares of S$0.10 each of the Company					
	Direct interest			Deemed interest		
Name of Director	At beginning of the year	At end of the year	As at 21 July 2012	At beginning of the year	At end of the year	As at 21 July 2012
Su Qingyuan[1]	6,000,000	3,035,556	3,035,556	409,632,000	311,448,415	311,448,415

(1) Su Qingyuan is deemed to be interested in 311,448,415 shares held by High Crown Limited, which is wholly owned by Su Qingyuan.

Except as disclosed in this report, no Director who held office at the end of the financial year had interests in shares or debentures of the Company or of its related corporations, either at the beginning or at the end of the financial year.

There was no change in any of the abovementioned interests of the Directors as at 21 July 2012.

Directors' service contracts

The Company entered into separate service contracts with Mr. Su Qingyuan, Mr. Su Qingjiang and Mr. Su Shubiao for a period of three years with effect from 17 March 2010 unless otherwise terminated by either party giving not less than six months' notice to the other.

Share options

The Company adopted an employee share option scheme known as "Qingmei Employee Share Option Scheme" ("ESOS") on 29 December 2009 as a long term incentive plan for Directors and employees of the Group whose services are vital to the Group's well being and success. It is administered by the Remuneration Committee. No options have to-date been granted under the ESOS.

Directors' contractual interests

Except as disclosed in the financial statements, no director of the Company has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director, or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

Audit committee, Nominating committee and Remuneration committee

Details of the Company's Audit committee, Nominating committee and Remuneration committee are set out in the Corporate Governance Report on pages 17 to 29 of this annual report.

Auditor

The auditor, BDO Limited, Certified Public Accountants, Hong Kong ("BDO HK") has expressed willingness to accept re-appointment at the Company's AGM. For the purpose of compliance with Rule 712(2) of Listing Manual, the Audit Committee has also recommended the nomination of BDO LLP, Certified Public Accountants, Singapore for appointment as the Company's auditor, to act jointly with BDO HK, at the forthcoming EGM.

On behalf of the Board

Su Qingyuan
Executive Director and Chairman

Su Shubiao
Executive Director

27 September 2012

Statement by the Directors

We, Su Qingyuan and Su Shubiao, being two of the Directors of Qingmei Group Holdings Limited, do hereby state that, in the opinion of the Directors,

(i) the accompanying consolidated and company statements of financial position, consolidated statement of comprehensive income, consolidated and company statements of changes in equity and consolidated statement of cash flows together with notes thereto as set out in pages 35 to 70 are drawn up so as to give a true and fair view of the financial positions of the Group and of the Company as at 30 June 2012 and of the financial performance of the Group, changes in equity of the Group and of the Company and cash flows of the Group for the financial year then ended; and

(ii) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The financial statements for the year ended 30 June 2012 were authorised for issue by the Board of Directors on the date stated hereunder.

On behalf of the Board

Su Qingyuan
Executive Director and Chairman

Su Shubiao
Executive Director

27 September 2012

Independent Auditor's Report

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TO THE SHAREHOLDERS OF QINGMEI GROUP HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Qingmei Group Holdings Limited ("the Company") and its subsidiaries (together "the Group") set out on pages 35 to 72, which comprise the consolidated and company statements of financial position as at 30 June 2012, and the consolidated statement of comprehensive income, the consolidated and company statements of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards, and for such internal control as directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial positions of the Group and of the Company as at 30 June 2012, and of the Group's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

BDO Limited
Certified Public Accountants
Hong Kong, 27 September 2012

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2012

	Notes	Group 2012 RMB'000	2011 RMB'000
Revenue	6	**912,376**	1,292,439
Cost of sales		**(684,869)**	(919,277)
Gross profit		**227,507**	373,162
Other income and gains	6	**2,088**	11,945
Selling and distribution expenses		**(13,953)**	(12,385)
Administrative expenses		**(40,355)**	(32,841)
Other expenses		**(7,365)**	(18,374)
Finance costs	7	**–**	–
Profit before income tax	9	**167,922**	321,507
Income tax expense	10	**(34,763)**	(45,887)
Profit for the year attributable to the owners of the Company		**133,159**	275,620
Other comprehensive income for the year		**–**	–
Total comprehensive income for the year attributable to the owners of the Company		**133,159**	275,620
Earnings per share for profit attributable to the owners of the Company during the year	12		
– Basic (RMB cents)		**20.1**	43.1
– Diluted (RMB cents)		**N/A**	N/A

Statements of Financial Position

As at 30 June 2012

		Group		Company	
	Notes	**2012 RMB'000**	2011 RMB'000	**2012 RMB'000**	2011 RMB'000
ASSETS AND LIABILITIES					
Non-current assets					
Property, plant and equipment	13	**417,598**	423,803	**–**	–
Land use rights	14	**93,930**	96,002	**–**	–
Investments in subsidiaries	15	**–**	–	**515,849**	515,849
		511,528	519,805	**515,849**	515,849
Current assets					
Inventories	16	**14,442**	39,123	**–**	–
Trade receivables	17	**58,786**	289,400	**–**	–
Prepayments and other receivables		**723**	9,579	**–**	–
Due from subsidiaries	15	**–**	–	**388,491**	326,853
Pledged bank deposits	18	**–**	995	**–**	–
Cash and cash equivalents	19	**581,880**	398,974	**32**	337
		655,831	738,071	**388,523**	327,190
Current liabilities					
Trade and bills payables		**35,131**	134,810	**–**	–
Other payables and accruals	20	**21,236**	59,416	**2,543**	1,756
Interest-bearing bank borrowings	21	**–**	20,000	**–**	–
Current income tax liabilities		**9,540**	19,584	**–**	–
		65,907	233,810	**2,543**	1,756
Net current assets		**589,924**	504,261	**385,980**	325,434
Net assets		**1,101,452**	1,024,066	**901,829**	841,283
EQUITY					
Equity attributable to the owners of the Company					
Share capital	22	**332,456**	312,544	**332,456**	312,544
Reserves	23	**768,996**	711,522	**569,373**	528,739
Total equity		**1,101,452**	1,024,066	**901,829**	841,283

Statements of Changes in Equity

For the year ended 30 June 2012

GROUP

	Issued capital RMB'000	Share premium* RMB'000	Capital reserves* RMB'000	Exchange reserve* RMB'000	Statutory reserve* RMB'000	Retained profits* RMB'000	Proposed final dividends* RMB'000	Total equity RMB'000
	(note 22)	(note 23)	(note 23)		(note 23)			
Balance at 1 July 2010	312,544	147,595	(77,023)	2	63,362	301,966	75,000	823,446
Dividends (note 11)	–	–	–	–	–	–	(75,000)	(75,000)
Transaction with owners	–	–	–	–	–	–	(75,000)	(75,000)
Profit for the year and total comprehensive income for the year	–	–	–	–	–	275,620	–	275,620
Appropriations to statutory reserve	–	–	–	–	27,714	(27,714)	–	–
2011 final dividends proposed (note 11)	–	–	–	–	–	(82,686)	82,686	–
Balance at 30 June 2011 and 1 July 2011	312,544	147,595	(77,023)	2	91,076	467,186	82,686	1,024,066
Issue of scrip dividend shares (note 11)	19,912	7,274	–	–	–	–	(27,186)	–
Share issue expenses	–	(273)	–	–	–	–	–	(273)
Dividends paid (note 11)	–	–	–	–	–	–	(55,500)	(55,500)
Transaction with owners	19,912	7,001	–	–	–	–	(82,686)	(55,773)
Profit for the year and total comprehensive income for the year	–	–	–	–	–	133,159	–	133,159
Appropriations to statutory reserve	–	–	–	–	15,044	(15,044)	–	–
Balance at 30 June 2012	332,456	154,596	(77,023)	2	106,120	585,301	–	1,101,452

* These reserve accounts comprise the consolidated reserves of approximately RMB768,996,000 in the consolidated statement of financial position as at 30 June 2012 (2011: RMB711,522,000).

Statements of Changes in Equity

For the year ended 30 June 2012

COMPANY

	Share capital RMB'000	Share premium** RMB'000	Contributed surplus** RMB'000	Retained profits** RMB'000	Proposed final dividends** RMB'000	Total equity RMB'000
	(note 22)	(note 23)	(note 23)			
As at 1 July 2010	312,544	147,595	281,657	5,395	75,000	822,191
Dividends (note 11)	–	–	–	–	(75,000)	(75,000)
Transaction with owners	–	–	–	–	(75,000)	(75,000)
Profit for the year and total comprehensive income for the year	–	–	–	94,092	–	94,092
2011 final dividends proposed (note 11)	–	–	–	(82,686)	82,686	–
Balance at 30 June 2011 and 1 July 2011	312,544	147,595	281,657	16,801	82,686	841,283
Issue of scrip dividend shares (note 11)	19,912	7,274	–	–	(27,186)	–
Share issue expenses	–	(273)	–	–	–	(273)
Dividends paid (note 11)	–	–	–	–	(55,500)	(55,500)
Transaction with owners	19,912	7,001	–	–	(82,686)	(55,773)
Profit for the year and total comprehensive income for the year	–	–	–	116,319	–	116,319
Balance at 30 June 2012	332,456	154,596	281,657	133,120	–	901,829

** These reserve accounts comprise the Company's reserves of approximately RMB569,373,000 in the Company's statement of financial position as at 30 June 2012 (2011: RMB528,739,000).

Consolidated Statement of Cash Flows

For the year ended 30 June 2012

	2012 RMB'000	2011 RMB'000
Cash flows from operating activities		
Profit before income tax	**167,922**	321,507
Adjustments for:		
Interest income	**(1,984)**	(1,263)
Depreciation of property, plant and equipment	**57,672**	54,742
Write down of inventories to net realisable value	**1,520**	–
Loss on disposals of property, plant and equipment	**32**	4,826
Amortisation of land use rights	**2,072**	1,964
Operating profits before working capital changes	**227,234**	381,776
Decrease/(increase) in trade receivables	**230,614**	(9,639)
Decrease/(increase) in prepayments and other receivables	**8,856**	(4,309)
Decrease in inventories	**23,161**	11,598
Decrease in trade and bills payables	**(99,679)**	(15,132)
Decrease in other payables and accruals	**(38,180)**	(84)
Cash generated from operations	**352,006**	364,210
Income tax paid	**(44,807)**	(42,265)
Net cash generated from operating activities	**307,199**	321,945
Cash flows from investing activities		
Interest received	**1,984**	1,263
Decrease in pledged bank deposits	**995**	2,108
Proceeds from disposals of property, plant and equipment	**47**	–
Payment for purchases of property, plant and equipment	**(51,230)**	(246,677)
Net cash used in investing activities	**(48,204)**	(243,306)
Cash flows from financing activities		
Share issue expenses	**(273)**	–
New bank borrowings	**–**	97,380
Repayment of bank borrowings	**(20,000)**	(165,000)
Dividends paid	**(55,500)**	(75,000)
Interest paid	**(316)**	(3,994)
Net cash used in financing activities	**(76,089)**	(146,614)
Net increase/(decrease) in cash and cash equivalents	**182,906**	(67,975)
Cash and cash equivalents at beginning of year	**398,974**	466,949
Cash and cash equivalents at end of year	**581,880**	398,974

1. Corporate Information

The Company was incorporated in the Cayman Islands on 28 August 2009 under the Cayman Companies Law as an exempted company with limited liability under the Companies Law of the Cayman Islands. The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are set out in note 15 to the financial statements. The Company and its subsidiaries are collectively referred to as the "Group" hereafter.

The Group's operations are principally conducted in the People's Republic of China, excluding Hong Kong and Macau (the "PRC"). The consolidated financial statements have been presented in Renminbi ("RMB"), being the functional and presentation currency of the Company and its subsidiaries.

The financial statements for the year ended 30 June 2012 were approved for issue by the board of directors (the "Directors") on 27 September 2012.

2. Adoption of International Financial Reporting Standards ("IFRSs")

(a) Adoption of new/revised IFRSs – effective 1 July 2011

In the current year, the Group has applied for the first time the following new standards, amendments and interpretations ("the New IFRSs") issued by the International Accounting Standards Board ("IASB"), and the International Financial Reporting Interpretations Committee (the "IFRIC") of the IASB, which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 July 2011:

IFRSs (Amendments)	Improvements to IFRSs 2010
International Accounting Standards ("IAS")24 (Revised)	Related Party Disclosures
Amendments to IFRS 7	Disclosure – Transfers of Financial Assets

Except as explained below, the adoption of the New IFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

IAS 24 (Revised) – Related Party Disclosures

IAS 24 (Revised) amends the definition of related party and clarifies its meaning. This may result in changes to those parties who are identified as being related parties of the reporting entity. The Group has reassessed the identification of its related parties in accordance with the revised definition and concluded that the revised definition does not have any material impact on the Group's related party disclosures in the current and previous years. IAS 24 (Revised) also introduces simplified disclosure requirements applicable to related party transactions where the Group and the counterparty are under common control, joint control or significant influence of a government, government agency or similar body. These new disclosures are not relevant to the Group because the Group is not a government related entity.

2. Adoption of International Financial Reporting Standards ("IFRSs") (Continued)

(b) New/revised IFRSs that have been issued but are not yet effective

At the date of authorisation, the following new/revised IFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

Amendments to IAS 1 (Revised)	Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income[2]
Amendments to IAS 12	Deferred Tax: Recovery of Underlying Assets[1]
Amendments to IAS 32	Financial Instruments – Presentation – Offsetting Financial Assets and Financial Liabilities[4]
IFRIC – Interpretation 20	Stripping Costs in the Production Phase of a Surface Mine[3]
IAS 19 (2011)	Employee Benefits[3]
IAS 27 (2011)	Separate Financial Statements[3]
IFRS 9	Financial Instruments[5]
IFRS 10	Consolidated Financial Statements[3]
IFRS 11	Joint Arrangements[3]
IFRS 12	Disclosure of interests in other entities[3]
IFRS 13	Fair Value Measurement[3]
Various	Annual Improvements to IFRS 2009-2011 Cycle[3]

[1] Effective for annual periods beginning on or after 1 January 2012
[2] Effective for annual periods beginning on or after 1 July 2012
[3] Effective for annual periods beginning on or after 1 January 2013
[4] Effective for annual periods beginning on or after 1 January 2014
[5] Effective for annual periods beginning on or after 1 January 2015

Amendments to IAS 1 (Revised) – Presentation of Items of Other Comprehensive Income

The amendments to IAS 1 (Revised) requires the Group to separate items presented in other comprehensive income into those that may be reclassified to profit or loss in the future (e.g. revaluation of available-for-sale financial assets) and those that may not (e.g. revaluations of property, plant and equipment). Tax on items of other comprehensive income is allocated and disclosed on the same basis. The amendments will be applied retrospectively.

Amendments to IAS 12 – Deferred Tax – Recovery of Underlying Assets

The amendments to IAS 12 introduce a rebuttable presumption that an investment property is recovered entirely through sale. This presumption is rebutted if the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. The amendments will be applied retrospectively.

2. Adoption of International Financial Reporting Standards ("IFRSs") (Continued)

(b) New/revised IFRSs that have been issued but are not yet effective (Continued)

IFRS 9 – Financial Instruments

Under IFRS 9, financial assets are classified into financial assets measured at fair value or at amortised cost depending on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains or losses will be recognised in profit or loss except for those non-trade equity investments, which the entity will have a choice to recognise the gains or losses in other comprehensive income. IFRS 9 carries forward the recognition and measurement requirements for financial liabilities from IAS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, IFRS 9 retains the requirements in IAS 39 for derecognition of financial assets and financial liabilities.

The Group is in the process of making an assessment of the potential impact of these new/revised IFRSs and the directors so far concluded that the application of these new/revised IFRSs will have no material impact on the Group's financial statements.

IFRS 10 – Consolidated Financial Statements

IFRS 10 introduces a single control model for consolidation of all investee entities. An investor has control when it has power over the investee (whether or not that power is used in practice), exposure or rights to variable returns from the investee and the ability to use the power over the investee to affect those returns. IFRS 10 contains extensive guidance on the assessment of control. For example, the standard introduces the concept of "de facto" control where an investor can control an investee while holding less than 50% of the investee's voting rights in circumstances where its voting interest is of sufficiently dominant size relative to the size and dispersion of those of other individual shareholders to give it power over the investee. Potential voting rights are considered in the analysis of control only when these are substantive, i.e. the holder has the practical ability to exercise them. The standard explicitly requires an assessment of whether an investor with decision making rights is acting as principal or agent and also whether other parties with decision making rights are acting as agents of the investor. An agent is engaged to act on behalf of and for the benefit of another party and therefore does not control the investee when it exercises its decision making authority. The implementation of IFRS 10 may result in changes in those entities which are regarded as being controlled by the Group and are therefore consolidated in the financial statements. The accounting requirements in the existing IAS 27 on other consolidation related matters are carried forward unchanged. IFRS 10 is applied retrospectively subject to certain transitional provisions.

3. Basis of Preparation

(a) Statement of compliance

The financial statements on pages 35 to 72 have been prepared in accordance with all IFRSs which collective term includes all applicable individual International Financial Reporting Standards and Interpretations approved by the IASB, and all applicable individual International Accounting Standards and Interpretations as originated by the Board of the International Accounting Standards Committee and adopted by the IASB. The financial statements also include the applicable disclosure requirements of the Listing Manual (the "Listing Manual") of the SGX-ST.

3. Basis of Preparation (Continued)

(b) Basis of measurement

The financial statements have been prepared on the historical cost convention. The measurement bases are fully described in the accounting policies below.

4. Summary of Significant Accounting Policies

(a) Basis of preparation

The significant accounting policies that have been used in the preparation of these financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated. The adoption of new or amended IFRSs and the impacts on the Group's financial statements, if any, are disclosed in note 2.

It should be noted that accounting estimates and assumptions are used in preparation of the financial statements. Although these estimates are based on management's best knowledge and judgment of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 5.

(b) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries made up to 30 June each year.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are excluded from consolidation from the date that control ceases.

Intra-group transactions, balances and unrealised gains and losses on transactions between group companies are eliminated in preparing the consolidated financial statements. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from the Group's perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

(c) Subsidiaries

A subsidiary is an entity over which the Company is able to exercise control. Control is achieved where the Company, directly or indirectly, has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are presently exercisable are taken into account.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

4. Summary of Significant Accounting Policies (Continued)

(d) Property, plant and equipment

Property, plant and equipment, other than construction-in-progress ("CIP"), are stated at acquisition cost less accumulated depreciation and accumulated impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to the working condition and location for its intended use.

Depreciation on property, plant and equipment, other than CIP is provided on the straight line basis to write off the cost of property, plant and equipment, less any estimated residual values, over the following estimated useful lives:

Leasehold buildings	The shorter of the lease terms and 20 years
Plant and machinery	1-10 years
Motor vehicles	5 years
Furniture, fixtures and office equipment	5 years

The assets' estimated residual values, depreciation methods, and estimated useful lives are reviewed, and adjusted if appropriate, at each reporting date.

The gain or loss arising on disposal or retirement is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the profit or loss.

CIP, which represents buildings under construction, and plant and machinery pending installation, is stated at cost less impairment losses. Cost comprises direct costs incurred during the periods of construction, installation and testing. No depreciation is provided on CIP. CIP is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other costs, such as repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

(e) Land use rights

Land use rights represent up-front payments to acquire long term leasehold interests in the usage of land. They are stated at cost less accumulated amortisation and impairment losses, if any. The determination of an arrangement is or contains a lease and the lease is an operating lease is detailed in note 5(a). The up-front payments are amortised over the lease period on a straight-line basis and the amortisation is charged to profit or loss.

(f) Impairment of non-financial assets

Property, plant and equipment, land use rights and investments in subsidiaries are subject to impairment testing. All assets are tested for impairment whenever events or changes in circumstances indicate that the asset's carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

4. Summary of Significant Accounting Policies (Continued)

(f) Impairment of non-financial assets (Continued)

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit ("CGU")). As a result, some assets are tested individually for impairment and some are tested at CGU level.

Impairment losses is charged pro rata to the assets in the CGU, except that the carrying value of an asset will not be reduced below its individual fair value less cost to sell, or value-in-use, if determinable.

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(g) Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is determined using a weighted-average basis. In the case of work-in-progress and finished goods, cost comprises of direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and applicable selling expenses.

(h) Cash and cash equivalents

Cash and cash equivalents include cash at banks and on hand.

(i) Financial assets

Financial assets other than investments in subsidiaries, are loans and receivables. Management determines the classification of its financial assets on initial recognition depending on the purpose for which the financial assets were acquired and, where allowed and appropriate, re-evaluates this designation at every reporting date.

All financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. Regular purchases and sales of financial assets are recognised on trade date. When financial assets are recognised initially, they are measured at fair value, plus directly attributable transaction costs.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are subsequently measured at amortised cost using the effective interest method, less any impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost.

Derecognition of financial assets occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred. At each reporting date, financial assets are reviewed to assess whether there is objective evidence of impairment. If any such evidence exists, the impairment loss is determined and recognised based on the classification of the asset.

4. Summary of Significant Accounting Policies (Continued)

(i) Financial assets (Continued)

Objective evidence of impairment of individual financial assets includes observable data that comes to the attention of the Group about one or more of the following loss events:

(i) significant financial difficulty of the debtor;

(ii) a breach of contract, such as a default or delinquency in interest or principal payments;

(iii) granting concession to a debtor because of debtor's financial difficulty;

(iv) it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

Loss events in respect of a group of financial assets included observable data indicating that there is a measurable decrease in the estimated future cash flows from the group of financial assets. Such observable data includes but not limited to adverse changes in the payment status of debtors in the Group and, national or local economic conditions that correlate with defaults on the assets in the Group.

If there is objective evidence that an impairment loss on loans and receivables has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of impairment loss is recognised in profit or loss of the period in which the impairment occurs.

If, in subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss of the period in which the reversal occurs.

Impairment losses are written off against the corresponding assets directly. Where the recovery of receivables is considered doubtful but not remote, the impairment losses for doubtful receivables are recorded using an allowance account. When the Group is satisfied that recovery of trade receivables is remote, the amount considered irrecoverable is written off against trade receivables directly and any amounts held in the allowance account in respect of that receivable are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

4. Summary of Significant Accounting Policies (Continued)

(j) Financial liabilities

The Group's financial liabilities include trade and bills payables, other payables and accruals, and interest-bearing bank borrowings.

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised in accordance with the Group's accounting policy for borrowing costs (note 4(o)). A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired.

Where an existing financial liability is replaced by another form from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in profit or loss.

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the year of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Trade and bills payables, other payables and accruals, are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method.

(k) Revenue recognition

Revenue comprises the fair value for the sales of goods, net of rebates and discounts. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised as follows:

(i) from sales of goods when the significant risks and rewards of ownership have been transferred to the customer, this is usually taken as the time when the goods are delivered and the customer has accepted the goods; and

(ii) interest income is, on a time-proportion basis using the effective interest method.

(l) Issued capital

Ordinary shares are classified as equity. Issued capital is determined using the nominal value of shares that have been issued.

Any transaction costs associated with the issuing of shares are deducted from share premium, net of any related income tax benefit, to the extent they are incremental costs directly attributable to the equity transaction.

4. Summary of Significant Accounting Policies (Continued)

(m) Income taxes

Income tax comprises current and deferred tax.

Current income tax assets and/or liabilities comprise those obligation to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the reporting date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of tax expense in profit or loss.

PRC corporate income tax is provided at rates applicable to an enterprise in the PRC on income for financial reporting purpose, adjusted for income and expenses items which are not assessable or deductible for income tax purposes.

Deferred tax is calculated using the liability method on temporary differences at the reporting date between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit, including existing taxable temporary differences, will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary differences arise from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset is realised, provided they are enacted or substantively enacted at the reporting date.

Changes in deferred tax assets or liabilities are recognised in profit or loss, or in other comprehensive income or directly in equity if they relate to items that are charged or credited to other comprehensive income or directly in equity.

Current tax assets and current tax liabilities are presented in net if, and only if,

(i) the Group has the legally enforceable right to set off the recognised amounts; and

(ii) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

4. Summary of Significant Accounting Policies (Continued)

(m) Income taxes (Continued)

The Group presents deferred tax assets and deferred tax liabilities in net if, and only if,

(i) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and

(ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

(a) the same taxable entity; or

(b) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(n) Foreign currency

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At the reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the reporting date retranslation of monetary assets and liabilities are recognised in profit or loss.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined and are reported as part of the fair value gain or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

In the consolidated financial statements, all individual financial statements of subsidiaries, originally presented in a currency different from the Group's presentation currency, have been converted into RMB. Assets and liabilities have been translated into RMB at the closing rate at the reporting date. Income and expenses have been converted into RMB at the exchange rates ruling at the transaction dates, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been recognised in other comprehensive income and accumulated separately in the translation reserve in equity.

(o) Capitalisation of borrowing costs

Borrowing costs attributable directly to the acquisition, construction or production of any qualifying assets which require a substantial period of time to be ready for their intended use, are capitalised as part of the cost of those assets. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete. All other borrowing costs are expensed when incurred.

4. Summary of Significant Accounting Policies (Continued)

(p) Provision and contingent liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. When the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Contingent liabilities are recognised in the course of the allocation of purchase price to the assets and liabilities acquired in a business combination. They are initially measured at fair value at the date of acquisition and subsequently measured at the higher of the amount that would be recognised in a comparable provision as described above and the amount initially recognised less any accumulated amortisation, if appropriate.

(q) Retirement benefits

Pursuant to the relevant regulations of the PRC government, the subsidiary operating in the PRC participates in a local municipal government retirement benefits scheme (the "Scheme"), whereby the subsidiary of the Company in the PRC is required to contribute a certain percentage of the basic salaries of its employees to the Scheme to fund its retirement benefits. The local municipal government undertakes to assume the retirement benefits obligations of all existing and future retired employees of the subsidiary of the Company. The only obligation of the Group with respect to the Scheme is to pay the ongoing required contributions under the Scheme mentioned above. Contributions under the Scheme are charged to profit or loss as incurred. There are no provisions under the Scheme whereby forfeited contributions may be used to reduce future contributions.

(r) Research and development costs

Costs associated with research activities are expensed in profit or loss as they occur. Costs that are directly attributable to development activities are recognised as intangible assets provided they meet the following recognition requirements:

(i) demonstration of technical feasibility of the prospective product for internal use or sale;

(ii) the Group has the intention to complete the intangible asset and use or sell it;

(iii) the Group's ability to use or sell the intangible asset is demonstrated;

(iv) the intangible asset will generate probable economic benefits through internal use or sale;

4. Summary of Significant Accounting Policies (Continued)

(r) Research and development costs (Continued)

(v) sufficient technical, financial and other resources are available for completion; and

(vi) the expenditure attributable to the intangible asset can be reliably measured.

Direct costs include employee costs incurred on development activities along with an appropriate portion of relevant overheads. The costs of development of internally generated software, products or knowhow that meet the above recognition criteria are recognised as intangible assets. They are subject to the same subsequent measurement method as acquired intangible assets.

All other development costs are expensed as incurred.

(s) Related parties

(1) A person or a close member of that person's family is related to the Group if that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of key management personnel of the Group or the Company's parent.

(2) An entity is related to the Group if any of the following conditions apply:

- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.
- (vi) The entity is controlled or jointly controlled by a person identified in (1).
- (vii) A person identified in (1)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

4. Summary of Significant Accounting Policies (Continued)

(t) Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined following the Group's major product lines.

5. Critical Accounting Judgments and Key Sources of Estimation Uncertainty

In the application of the Company's accounting policies, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(a) Critical judgments in applying accounting policies

Classification of land use rights

The Group amortises its land use rights using straight-line method over the lease terms and remains to classify as operating leases, based on substantially all the risks and rewards associated with the leases in the PRC have not been transferred to the Group.

(b) Key sources of estimation uncertainty

In addition to information disclosed elsewhere in these financial statements, other key sources of estimation uncertainty that has a significant risk of resulting a material adjustment to the carrying amounts of assets and liabilities within next financial year are as follows:

(i) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of competitor's actions in response to severe industry cycles. Management reassesses the estimations at the reporting date.

(ii) Impairment of trade receivables

The Group's management assesses the collectibility of trade receivables on a regular basis. This estimate is based on the credit history of its customers and the current market condition. Management reassesses the provision for impairment at the reporting date.

5. Critical Accounting Judgments and Key Sources of Estimation Uncertainty (Continued)

(b) Key sources of estimation uncertainty (Continued)

(iii) Estimated useful lives of property, plant and equipment

In assessing the estimated useful lives of the property, plant and equipment, the Group takes into account factors, such as the expected usage of the assets by the Group based on past experience, the expected physical wear and tear and technical obsolescence arising from changes or improvements in production or from a change in the market demand for the products. The estimation of the useful lives is a matter of judgment based on the experience of the Group.

(iv) Income taxes

The Group is subject to income taxes in the PRC. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provision in the period in which such determination is made.

6. Revenue, Other Income and Gains

Revenue, which is also the Group's turnover, represents the net amounts received and receivable for goods sold, less allowances for returns and trade discounts, and after all significant intra-group transactions.

The executive directors have identified the Group's three major product lines which are as follows:

(i) MD I shoe soles - they are integrated shoe sole units which comprise an Ethylene vinyl acetate ("EVA") I* midsole, synthetic rubber ("RB") outsole, and depending on the design and functional specifications of such shoe sole unit, may include Thermoplastic polyurethane ("TPU") components and air cushioning gels;

(ii) MD II shoe soles - they comprise an EVA II* midsole and RB outsole and may, depending on the design and function requirements of such shoe sole unit, include TPU components and air cushioning gels. This product line of shoe soles has greater variability in design and functionalities; and

(iii) RB shoes soles - they are comprised of a single piece of shoe sole made primarily of RB.

* *indicates the number of stages required for an injection moulding process with EVA compound pellets*

(a) Revenue

Revenue by products from the Group's principal activities recognised is as follows:

	Group	
	2012	2011
	RMB'000	RMB'000
MD I shoe soles	**319,797**	477,804
MD II shoe soles	**520,957**	750,208
RB shoe soles	**71,622**	64,427
	912,376	1,292,439

6. Revenue, Other Income and Gains (Continued)

(b) Other income and Gains

An analysis of the Group's other income and gains is as follows:

	Group 2012 RMB'000	Group 2011 RMB'000
Other income		
Interest income on financial assets that are not at fair value through profit or loss	**1,984**	1,263
Gains		
Gains on disposals of scrap materials	**104**	293
Net foreign exchange gain	**–**	10,389
	104	10,682
	2,088	11,945

7. Finance Costs

	Group 2012 RMB'000	Group 2011 RMB'000
Interest charges on financial liabilities carried at amortised cost:		
- Bank borrowings wholly repayable within five years	**316**	3,994
Less: Interest capitalised as qualifying assets	**(316)**	(3,994)
	–	–

The borrowing costs have been capitalised at a rate of 6.6% per annum for the year ended 30 June 2012 (2011: 5.6%).

8. Segment Information

The Group has identified its operating segments and prepared segment information based on the regular internal financial information reported to the Group's executive directors for their decisions about resources allocation to the Group's business components and review of these components' performance. There is only one single business component/reportable segment in the internal reporting to the executive directors, which is the manufacturing and trading of shoe soles. The Group's assets and capital expenditure are principally attributable to this business component.

Revenue from external customers for each product category, are disclosed in note 6.

Geographic location of customers is based on the location to which the goods are delivered. No separate analysis of segment information by geographical segment is presented as the Group's revenue, non-current assets and capital expenditure are principally attributable to a single geographical region, which is the PRC.

9. Profit Before Income Tax

Profit before income tax is arrived at after charging/(crediting) the following items:

	Group 2012 RMB'000	Group 2011 RMB'000
Auditor's remuneration		
- Audit services	**1,021**	1,065
- Other services (note (i))	**32**	–
	1,053	1,065
Amortisation of land use rights (note 14)	**2,072**	1,964
Cost of inventories sold	**404,059**	590,968
Write down of inventories to net realisable value	**1,520**	–
Loss on disposals of property, plant and equipment	**32**	4,826
Depreciation of property, plant and equipment (note 13)	**57,672**	54,742
Research and development costs (note (ii))	**23,921**	26,602
Net foreign exchange loss/(gain)	**3,804**	(10,389)
Staff costs (including directors' remuneration)(note 24(ii))		
- Wages, salaries and other short-term benefits	**141,579**	186,075
- Defined contributions	**12,344**	12,117
	153,923	198,192

Notes:

(i) The independent auditor received non-audit fee of approximately RMB32,000 (2011: Nil) for professional services rendered in connection with the financial information of the Group during the year.

(ii) Research and development costs of approximately RMB16,588,000 (2011: RMB18,294,000) and RMB7,333,000 (2011: RMB8,308,000) have been charged to cost of sales and other expenses during the year respectively.

10. Income Tax Expense

(a) The major components of income tax expense for the year are as follows:

	Group 2012 RMB'000	Group 2011 RMB'000
Current tax		
The PRC		
- Income tax (note (ii))	**28,363**	40,887
- Withholding tax (note (iii))	**6,400**	5,000
	34,763	45,887

10. Income Tax Expense (Continued)

(a) (Continued)

Notes:

(i) No provision for Hong Kong income tax has been made as the Group had no assessable income arising from or derived in Hong Kong during the year and prior year.

(ii) The PRC income tax is calculated based on the statutory income tax rate as determined in accordance with the relevant PRC income tax rules and regulations for the year. In accordance with the tax rules issued by State Tax Bureau and the Local Tax Bureau of the PRC, Qingmei (China) Co., Ltd. ("Qingmei China"), established as a wholly foreign-owned enterprise ("WOFE") in the PRC, is exempted from the state and local corporate income tax for the first two profitable financial years, and thereafter is entitled to a 50% relief from the state corporate income tax and exempted from the local corporate tax of the PRC for the following three financial years (the "Tax Holiday").

According to the new Enterprise Income Tax Law of the PRC, Qingmei China would be subject to the reduced tax rate of 12.5% for the three calendar years from 31 December 2009 to 31 December 2011. Upon expiry of the Tax Holiday on 31 December 2011, a unified income tax rate of 25% is applicable to Qingmei China. Qingmei China is subject to income tax rate of 25% since 1 January 2012.

(iii) Pursuant to the new Enterprise Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in the PRC. A lower withholding tax rate is enjoyed by the Group because there is a tax treaty between the PRC and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5%. The Group is therefore liable to withholding taxes on dividends distributed by those subsidiaries established in the PRC.

During the year, the Group has recognised withholding tax of 5% imposed on interim dividends of approximately RMB128,000,000 (2011: RMB100,000,000) received by HK Qingmei Trading Group Develop Limited ("HK Qingmei") from Qingmei China.

(iv) Tax has not been provided by the Company as the Company did not derive any assessable profits during the year.

A reconciliation of income tax expense and accounting profits at applicable tax rate is as follows:

	Group	
	2012 **RMB'000**	2011 RMB'000
Profit before income tax	**167,922**	321,507
Tax calculated at domestic tax rates applicable to profits in the respective jurisdictions	**41,980**	80,377
Non-taxable income	**–**	(2,432)
Non-deductible expenses	**8,962**	10,168
Effect of Tax Holiday of a subsidiary	**(22,579)**	(47,226)
Withholding tax on dividend received by a subsidiary	**6,400**	5,000
Income tax expense	**34,763**	45,887

(b) At the reporting date, deferred tax liabilities amounted to approximately RMB22,884,000 (2011: RMB21,607,000) in respect of aggregate amount of temporary differences associated with undistributed earnings of a subsidiary have not been recognised. No deferred tax liabilities have been recognised in respect of these differences because the Group is in a position to control the dividend policy of the subsidiary and it is probable that such differences will not reverse in the foreseeable future.

11. Dividends

(a) Dividends attributable to the year

	Group 2012 RMB'000	2011 RMB'000
Proposed final dividends of RMBNil per share (2011: RMB0.1292) (Note)	–	82,686

(b) Final dividends attributable to the previous financial year, approved and paid during the year.

	Group 2012 RMB'000	2011 RMB'000
Scrip dividend (Note)	**27,186**	–
Final dividend, cash paid to the owners of Company, per ordinary share in respect of the previous financial year:		
- RMB0.1292 per share (2011: RMB0.1172) (Note)	**55,500**	75,000
	82,686	75,000

Note: The Company declared a final dividend of RMB0.1292 per share amounting to RMB82,686,000 for the year ended 30 June 2011 with a scrip alternative to offer the right to shareholders to elect to receive the final dividend by allotment of new shares in lieu of cash. On 21 December 2011, scrip dividend of RMB27,186,000 was paid by 39,824,874 shares of S$0.10 each in the Company at S$0.135 per share and cash dividend of RMB55,500,000 was paid.

12. Earnings Per Share

The calculation of basic earnings per share is based on the profit attributable to the owners of the Company of approximately RMB133,159,000 (2011: RMB275,620,000) and on the weighted average of 661,058,084 (2011: 640,000,000) ordinary shares in issue during the year.

Diluted earnings per share for the years ended 30 June 2012 and 2011 was not presented as there is no potential ordinary share.

13. Property, Plant and Equipment

Group

	Leasehold buildings RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Furniture, fixtures and office equipment RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 July 2010						
Cost	142,793	126,492	5,402	4,226	50,000	328,913
Accumulated depreciation	(23,681)	(74,216)	(2,571)	(2,245)	–	(102,713)
Net book amount	119,112	52,276	2,831	1,981	50,000	226,200
Year ended 30 June 2011						
Opening net book amount	119,112	52,276	2,831	1,981	50,000	226,200
Additions	–	38,007	703	462	218,239	257,411
Transfer in/(out)	157,537	31,141	–	–	(188,678)	–
Disposals	–	(5,066)	–	–	–	(5,066)
Depreciation (note 9)	(8,198)	(44,968)	(841)	(735)	–	(54,742)
Closing net book amount	268,451	71,390	2,693	1,708	79,561	423,803
At 30 June 2011						
Cost	300,330	172,838	6,105	4,688	79,561	563,522
Accumulated depreciation	(31,879)	(101,448)	(3,412)	(2,980)	–	(139,719)
Net book amount	268,451	71,390	2,693	1,708	79,561	423,803
Year ended 30 June 2012						
Opening net book amount	268,451	71,390	2,693	1,708	79,561	423,803
Additions	15,600	35,630	–	–	316	51,546
Transfer in/(out)	13,328	–	–	–	(13,328)	–
Disposals	–	–	(79)	–	–	(79)
Depreciation (note 9)	(13,765)	(42,623)	(813)	(471)	–	(57,672)
Closing net book amount	283,614	64,397	1,801	1,237	66,549	417,598
At 30 June 2012						
Cost	329,258	190,811	5,312	4,688	66,549	596,618
Accumulated depreciation	(45,644)	(126,414)	(3,511)	(3,451)	–	(179,020)
Net book amount	283,614	64,397	1,801	1,237	66,549	417,598

13. Property, Plant and Equipment (Continued)

	Group	
	2012	2011
	RMB'000	RMB'000
Depreciation charged to:		
Cost of sales	**50,143**	49,939
Administrative expenses	**7,529**	4,802
Selling and distribution expenses	**–**	1
	57,672	54,742

All property, plant and equipment held by the Group are located in the PRC. The Group's leasehold buildings are erected on land held under term leases of 53 years in the PRC.

As at 30 June 2012, the leasehold buildings included certain buildings with net book amounts of approximately RMB129,114,000 (2011: RMB121,569,000) for which the Group is still in the process of obtaining the building ownership certificates. These buildings with net book amounts of approximately RMB74,591,000 (2011: RMB78,148,000) are erected on lands for which the relevant land use rights certificates have been obtained by the Group and with net book amounts of RMB54,523,000 (2011: RMB43,421,000) are erected on lands for which the Group is still in the process of obtaining the land use rights certificates. As confirmed by the Group's legal advisor and in the opinion of the directors of the Company, the Group's right and interest in such leasehold buildings will not be severely prejudiced.

14. Land Use Rights

	Group 2012 RMB'000	Group 2011 RMB'000
At 1 July		
Gross carrying amount	**104,659**	82,991
Accumulated amortisation	**(8,657)**	(6,693)
Net carrying amount	**96,002**	76,298
For the year ended 30 June		
Opening net carrying amount	**96,002**	76,298
Additions	**–**	21,668
Amortisation charge (note 9)	**(2,072)**	(1,964)
Closing net carrying amount	**93,930**	96,002
At 30 June		
Gross carrying amount	**104,659**	104,659
Accumulated amortisation	**(10,729)**	(8,657)
Net carrying amount	**93,930**	96,002

	Group 2012 RMB'000	Group 2011 RMB'000
Amortisation charged to:		
Cost of sales	**983**	983
Administrative expenses	**1,089**	981
	2,072	1,964

The Group's land use rights represented leasehold interests in land located in the PRC under term leases of 50 to 53 years.

As at 30 June 2012, the land use rights included net carrying amounts of approximately RMB20,909,000 (2011: RMB21,343,000) for which the Group is still in the process of obtaining the land use rights certificates. As confirmed by the Group's legal advisor and in the opinion of the directors of the Company, the Group has obtained the right to use the lands legally by way of such acquisition.

15. Investments in Subsidiaries

	Company 2012 RMB'000	2011 RMB'000
Unlisted shares, at cost	**515,849**	515,849

The balances with subsidiaries are unsecured, interest-free and repayable on demand.

Particulars of the subsidiaries at 30 June 2012 are as follows:

Name	Place of incorporation/ establishment and operations	Nominal value of issued ordinary/ paid-up registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Qing Mei International Investment Limited	The British Virgin Islands	United States dollars 14,654,000	100	–	Investment holding
HK Qingmei	Hong Kong	Hong Kong dollars ("HK$")10,000	–	100	Investment holding
Qingmei China 清美（中國）有限公司	The PRC	HK$317,071,000*	–	100	Manufacturing and trading of shoe soles

* Qingmei China is a WOFE established by the Group in the PRC for an operating period of 50 years commencing from the date of issuance of its business licence on 29 April 2006. On 16 March 2011, the registered capital of Qingmei China was approved to be increased from HK$360,000,000 to HK$450,000,000. Up to the reporting date, approximately HK$317,071,000 of the registered capital of Qingmei China has been paid up and HK Qingmei therefore had an outstanding investment commitment of approximately HK$132,929,000 in the subsidiary.

The financial statements of the above subsidiaries are audited by BDO Limited for statutory purpose/for the purpose of the Group consolidation of Qingmei Group Holdings Limited.

16. Inventories

	Group	
	2012	2011
	RMB'000	RMB'000
Raw materials	**1,958**	2,392
Work in progress	**9,659**	30,084
Finished goods	**2,825**	6,647
	14,442	39,123

17. Trade Receivables

The ageing analysis of trade receivables that are neither individually nor collectively considered to be impaired is as follows:

	Group	
	2012	2011
	RMB'000	RMB'000
Neither past due nor impaired	**45,794**	278,110
1 – 30 days past due	**12,357**	8,393
31 – 60 days past due	**610**	2,897
61 – 90 days past due	**25**	–
	12,992	11,290
Total trade receivables, net	**58,786**	289,400

Notes:

(i) The trade receivables generally have credit terms ranging from 60 days to 90 days (2011: from 60 days to 90 days). At each reporting date, the Group's trade receivables are individually determined for impairment testing. The Group's trade receivables as at 30 June 2012 that were neither past due nor impaired related to a wide range of customers for whom there was no recent history of default. The Group's management considers that trade receivables that were past due but not impaired under review are of good credit quality. When the Group is satisfied that recovery of trade receivables is remote, the amount considered irrecoverable is written off against trade receivables directly.

(ii) As at 30 June 2011, trade receivables of approximately RMB10,174,000 were pledged for certain bank borrowings of the Group (note 21). There were no pledge of trade receivables as at 30 June 2012.

(iii) As at 30 June 2011, included in the Group's trade receivables were amount due from a related company (note 24) of approximately RMB13,085,000, which were unsecured, interest free and had credit terms ranging from 60 days to 90 days. The trading balances due from this related company were fully settled during the year.

(iv) The Directors considered the carrying amount of trade receivables to approximate their fair values because these amounts have short maturity periods on their inception.

18. Pledged Bank Deposits

The Group's bills payables amounting to approximately RMB4,977,000 as at 30 June 2011 were secured by pledging of the Group's bank deposits of approximately RMB995,000. The interest rate per annum on the Group's pledged bank deposit range from 0.40% to 1.98% during the year ended 30 June 2011. There were no bills payables and pledged bank deposits as at 30 June 2012.

19. Cash and Cash Equivalents

As at 30 June 2012, the cash and bank balance denominated in RMB amounted to approximately RMB580,397,000 (2011: RMB316,230,000) which are deposited with the banks in the PRC. The RMB is not freely convertible into foreign currencies. Under the PRC Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through the banks that are authorised to conduct foreign exchange business.

The Directors considered the carrying amounts of cash and cash equivalents to approximate their fair value.

20. Other Payables and Accruals

	Group		Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Other payables:				
- Land use rights cost payables	**4,681**	8,181	**–**	–
- Value-added tax payables	**–**	13,683	**–**	–
- Various other tax payables	**365**	2,535	**–**	–
- Others	**8,333**	12,867	**–**	–
	13,379	37,266	**–**	–
Accruals	**7,857**	22,150	**2,543**	1,756
	21,236	59,416	**2,543**	1,756

The Directors considered the carrying amounts of other payables and accruals to approximate their fair value.

21. Interest-bearing Bank Borrowings

	Group	
	2012	2011
	RMB'000	RMB'000
Current and repayable within one year		
Bank loans, unsecured	**–**	10,000
Factoring loan financing	**–**	10,000
	–	20,000

Notes: All interest-bearing bank borrowings have been fully settled during the year. The factoring loan financing with recourse as at 30 June 2011 was secured by the Group's trade receivables of approximately RMB10,174,000 (note 17(ii)). It beared fixed interest rate of 5.35% per annum during the year ended 30 June 2011. The Group's banking facilities including its bank borrowings, bills, import/export loans, letters of credit, documentary credits and trust receipts are secured by the Group's trade receivables and pledged bank deposits. The Group's banking facilities amounting to approximately RMB14,977,000, had been fully utilised as at 30 June 2011.

22. Share Capital

	Number of ordinary shares	Amount RMB'000
Authorised: Ordinary shares of S$0.10 each		
As at 1 July 2010, 30 June 2011, 1 July 2011 and 30 June 2012	1,000,000,000	484,865
Issued: Ordinary shares of S$0.10 each		
As at 1 July 2010, 30 June 2011 and 1 July 2011 as fully paid	640,000,000	312,544
Issue of shares as scrip dividend (Note)	39,824,874	19,912
As at 30 June 2012 as fully paid	679,824,874	332,456

Note: The Company declared a final dividend of RMB0.1292 per share amounting to RMB82,686,000 for the year ended 30 June 2011 with a scrip alternative to offer the right to shareholders to elect to receive the final dividend by allotment of new shares in lieu of cash. On 21 December 2011, scrip dividend of RMB27,186,000 was paid by 39,824,874 shares of S$0.10 each in the Company at S$0.135 per share and cash dividend of RMB55,500,000 was paid.

23. Reserves

Group

(i) Share premium

Under the bye-laws of the Company, the share premium account is not distributable.

(ii) Capital reserves

The capital reserves of the Group represented the difference between the aggregate nominal value of the shares of the subsidiaries acquired and the nominal value of the share capital of the Company issued in exchange thereof pursuant to the restructuring exercise.

(iii) Statutory reserve

According to the relevant laws and regulations in the PRC, the subsidiary of the Company established in the PRC is required to transfer 10% of its profits after income tax and after off-setting the accumulated losses brought forward from prior years, as determined under the PRC Accounting Regulations, to statutory reserve until the reserve balance reaches 50% of the registered capital. Any further appropriation is optional. This reserve may be used to make good previous years' losses, if any, and may be converted to increase paid-up capital of the respective entities. The transfer to this reserve is made before distribution of a dividend to shareholder.

Company

Contributed surplus

The contributed surplus of the Company represented the difference between the net assets of the subsidiaries then acquired and the nominal value of the share capital of the Company issued in exchange thereof pursuant to the restructuring exercise.

24. Related Party Transactions

Other than the related party information disclosed elsewhere in these financial statements, the Group has the following related party transactions during the year:

(i) Mr. Su Qingyuan, executive director of the Company, acquired Jinjiang City Xi Bo Deng Sports Wear Co., Ltd ("Xi Bo Deng") in January 2011 (the "Acquisition"). The sales to Xi Bo Deng after the Acquisition were considered as related party transaction, of which the sales were amounted to approximately RMB27,606,000. The transactions were negotiated and carried out in the ordinary course of business and at terms agreed between the parties. There were no sales between the parties during the year.

(ii) Compensation of key management personnel

Total staff costs include compensations to the key management personnel, the details of which are as follows:

	Group	
	2012	2011
	RMB'000	RMB'000
Total remuneration of directors and other members of key management during the year		
- short-term employee benefits	**4,429**	3,411

25. Capital Commitments

As at 30 June 2012, the Group had the following capital commitments:

	Group	
	2012	2011
	RMB'000	RMB'000
(i) Contracted, but not provided for, in respect of:		
- construction of leasehold buildings	**800**	800

(ii) During the year, the Group had contracted advertising agreements with various independent broadcasting providers and advertising agents, and also research and development agreements with an independent institution for promoting the Group's products through television and other promotional channels, and conducting research of the Group's shoes soles. As at 30 June 2012, the Group had the following commitments:

	Group	
	2012	2011
	RMB'000	RMB'000
Contracted, but not provided for, in respect of:		
- advertisement fees negotiated	**3,560**	3,560
- research and development fees negotiated	**3,333**	4,000
	6,893	7,560

26. Financial Risk Management and Fair Value Measurements

The Group does not have written risk management policies and guidelines. However, the board of directors meets periodically to analyse and formulate measures to manage and monitor the Group's exposure to market risk, including principally changes in interest rates and currency exchange rates, credit risk and liquidity risk. Generally, the Group employs a conservative strategy regarding its risk management. As the Group's exposure to market risks is kept at a minimum level, the Group has not used any derivatives or other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes.

As at 30 June 2012, the Group's financial instruments mainly consisted of cash and cash equivalents, trade and other receivables, trade payables, other payables and accruals. The most significant financial risks to which the Group is exposed are described below.

(i) Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. Financial instruments bearing variable rates and fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively.

As at 30 June 2012, the Group has no significant variable interest-bearing financial assets and liabilities. The Group's income and operating cash flows are substantially independent of changes in market interest rate. The Group adopts centralised treasury policies in cash and financial management and focuses on reducing the Group's overall interest expenses. The Directors are of the opinion that the Group's sensitivity to the change in interest rate is low.

(ii) Foreign currency risk

The Group mainly operates in the PRC. Most of the Group's transactions are carried out in RMB which is the functional currency of the Group's entities. Exposures to currency exchange rates arise from the Group's bank balances which are denominated in HK$ and S$ as set out below. The Group does not use derivative financial instruments to hedge its foreign currency risk.

Foreign currency risk exposure

The following table details the Group's and Company's exposure at the reporting date to foreign currency risk from the bank balances denominated in a currency other than the functional currency to which the operating entities relate:

	Group		Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Bank balances denominated in				
- HK$	**40**	52	**–**	–
- S$	**1,443**	82,692	**32**	337

Apart from the above, all of the Group's financial assets and liabilities are denominated in RMB.

26. Financial Risk Management and Fair Value Measurements (Continued)

(ii) Foreign Currency Risk (Continued)

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the end of the reporting period and had been applied to each of the group entities; exposure to currency risk for both derivative and non-derivative financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant.

At 30 June 2012, if RMB had weakened/strengthened by 2% (2011: 2%) against S$ with all other variables held constant, the Group's profit after income tax and retained profits for the year would have been RMB30,000 (2011: RMB1,654,000) higher/lower.

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next annual reporting date. Results of the analysis represent an aggregation of the effects on each of the group entities profit/(loss) for the year and equity measured in the respective functional currencies, translated into RMB at the exchange rate ruling at the end of reporting period for presentation purposes. The analysis is performed on the same basis for 2011.

(iii) Credit risk

The Group's exposure to credit risk is limited to the carrying amount of financial assets recognised at the reporting date, as summarised in note (vi) below. As at 30 June 2012, the Group's credit risk is primarily attributable to trade and other receivables, cash and cash equivalents.

The credit risk on cash and cash equivalents is limited because the counterparties are banks with high credit-ratings.

The Group has no significant concentration of credit risk arising from its ordinary course of business due to its relatively large customer base. Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates.

The Group performs ongoing credit evaluation of its customers' financial position. Provision for impairment is based upon a review of the expected collectability of all receivables. None of the Group's financial assets are secured by collateral or other credit enhancements.

The Company's credit risk is primarily attributable to amounts due from subsidiaries.

(iv) Fair Values

The fair values of the Group's financial assets and liabilities are not materially different from their carrying amounts because of the immediate or short term maturity.

27. Financial Risk Management and Fair Value Measurements (Continued)

(v) Liquidity risk

The Group monitors and maintains a level of cash and cash equivalents assessed as adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group relies on internally generated funding and borrowings as significant sources of liquidity.

As at 30 June 2012 and 30 June 2011, the remaining contractual maturities of the Group's and Company's financial liabilities which are based on undiscounted cash flows are summarised below:

	Group 2012				
	Carrying amount RMB'000	**Total contractual undiscounted cash flow RMB'000**	**On demand RMB'000**	**Within 6 months RMB'000**	**6 to 12 months RMB'000**
Trade payables	**35,131**	**35,131**	**–**	**35,131**	**–**
Other payables and accruals	**21,236**	**21,236**	**–**	**21,236**	**–**
	56,367	**56,367**	**–**	**56,367**	**–**

	Group 2011				
	Carrying amount RMB'000	Total contractual undiscounted cash flow RMB'000	On demand RMB'000	Within 6 months RMB'000	6 to 12 months RMB'000
Trade and bills payables	134,810	134,810	–	134,810	–
Other payables and accruals	59,416	59,416	–	59,416	–
Interest-bearing bank borrowings	20,000	20,333	–	10,309	10,024
	214,226	214,559	–	204,535	10,024

	Company 2012				
	Carrying amount RMB'000	**Total contractual undiscounted cash flow RMB'000**	**On demand RMB'000**	**Within 6 months RMB'000**	**6 to 12 months RMB'000**
Other payables and accruals	**2,543**	**2,543**	**–**	**2,543**	**–**

26. Financial Risk Management and Fair Value Measurements (Continued)

(v) Liquidity Risk (Continued)

	Company 2011				
	Carrying amount RMB'000	Total contractual undiscounted cash flow RMB'000	On demand RMB'000	Within 6 months RMB'000	6 to 12 months RMB'000
Other payables and accruals	1,756	1,756	–	1,756	–

The management has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

(vi) Summary of financial assets and liabilities by category

The carrying amounts of the Group's financial assets and liabilities as recognised at 30 June 2012 and 2011 are categorised as follows. See notes 4(i) and 4(j) for explanations about how the categorisation of financial instruments affects their subsequent measurement.

	Group		Company	
	2012 RMB'000	2011 RMB'000	**2012 RMB'000**	2011 RMB'000
Financial assets				
Current assets				
Cash and cash equivalents	**581,880**	398,974	**32**	337
Pledged bank deposits	**–**	995	**–**	–
Loans and receivables				
- Trade receivables	**58,786**	289,400	**–**	–
- Other receivables	**6**	–	**–**	–
- Due from subsidiaries	**–**	–	**388,491**	326,853
	640,672	689,369	**388,523**	327,190

	Group		Company	
	2012 RMB'000	2011 RMB'000	**2012 RMB'000**	2011 RMB'000
Financial liabilities				
Current liabilities				
Financial liabilities measured at amortised cost				
- Trade and bills payables	**35,131**	134,810	**–**	–
- Other payables and accruals	**21,236**	59,416	**2,543**	1,756
- Interest-bearing bank borrowings	**–**	20,000	**–**	–
	56,367	214,226	**2,543**	1,756

27. Notes to the Consolidated Statement of Cash Flows

Major non-cash transactions

(i) As at 30 June 2011, deposits of approximately RMB16,641,000 paid in 2009 for the acquisition of land use rights were capitalised as land use rights upon completion of acquisition during the year ended 30 June 2011.

(ii) As at 30 June 2011, the Group disposed certain machineries with net book value amount of approximately RMB5,066,000 at consideration of approximately RMB240,000 via trade-in for certain new machineries acquired during the year ended 30 June 2011.

28. Directors' Remuneration

The remuneration of the directors of the Company analysed into the following bands is disclosed in compliance with rule 1207(12) of Chapter 12 of the Listing Manual of SGX-ST:

Year ended 30 June 2012

	Executive directors	**Non-executive directors**	**Total**
Below S$250,000 (equivalent to approximately RMB1,265,000)	**3**	**4**	**7**

Note: Subsequent to the reporting date on 20 July 2012, Ms. Ni Xiaorong resigned as a Non-executive director of the Company.

Year ended 30 June 2011

	Executive directors	Non-executive directors	Total
Below S$250,000 (equivalent to approximately RMB1,279,000)	3	4	7

29. Capital Management

The Group's objectives when managing capital are:

(i) To safeguard the Group's ability to continue as a going concern;

(ii) To support the Group's stability and growth; and

(iii) To provide capital for the purpose of strengthening the Group's risk management capability.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder's returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities.

Management regards total equity as capital. The amount of capital as at 30 June 2012 and 2011 amounted to approximately RMB1,101,452,000 and RMB1,024,066,000 respectively, which the management considers as optimal having consider the projected capital expenditures and the projected strategic investment opportunities.

Statistics of Shareholdings

As at 19 September 2012

Share Capital

Authorised share capital	-	S$100,000,000
Issued and fully paid-up share capital	-	S$67,982,487
Class of shares	-	Ordinary shares of S$0.10 each
Voting rights	-	On a show of hands - One vote for each member
	-	On a poll - One vote for each ordinary share

Distribution of Shareholdings

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 – 999	5	0.28	2,093	0.00
1,000 – 10,000	276	15.42	1,849,515	0.27
10,001 – 1,000,000	1,460	81.56	196,436,130	28.90
1,000,001 and above	49	2.74	481,537,136	70.83
Total	**1,790**	**100.00**	**679,824,874**	**100.00**

Substantial Shareholders

	Direct Interest		Deemed Interest	
	Number of Shares	%	Number of Shares	%
High Crown Limited[1]	311,448,415	45.81	–	–
Mr Su Qingyuan[2]	3,035,556	0.45	311,448,415	45.81

Note:

(1) 106,632,415 shares out of 311,448,415 shares are held by the nominee company, UOB Kay Hian Pte Ltd.

(2) Mr Su Qingyuan is deemed to be interested in 311,448,415 shares held by High Crown Limited, which is wholly owned by Mr Su Qingyuan.

Statistics of Shareholdings

As at 19 September 2012

Twenty Largest Shareholders

	Name	No. of Shares	%
1	HIGH CROWN LIMITED	204,816,000	30.13
2	UOB KAY HIAN PTE LTD	120,940,934	17.79
3	PHILLIP SECURITIES PTE LTD	13,002,778	1.91
4	MAYBANK KIM ENG SECURITIES PTE LTD	12,702,000	1.87
5	HONG LEONG FINANCE NOMINEES PTE LTD	10,982,260	1.62
6	OCBC SECURITIES PRIVATE LTD	9,102,000	1.34
7	DBS NOMINEES PTE LTD	9,087,778	1.34
8	NG HIAN CHOW	7,010,000	1.03
9	CITIBANK NOMINEES SINGAPORE PTE LTD	6,593,000	0.97
10	DBS VICKERS SECURITIES (S) PTE LTD	6,380,000	0.94
11	NG BOON THIAM	6,228,000	0.92
12	LIU LU OR ZHU ZHENGHONG	5,319,000	0.78
13	LIM & TAN SECURITIES PTE LTD	3,945,000	0.58
14	SOLIGNY BRUNO LUDOVIC	3,641,000	0.54
15	MORGAN STANLEY ASIA (S) SECURITIES PTE LTD	3,125,000	0.46
16	KHOO CHEW HUAT	3,000,000	0.44
17	JONATHAN SOEYANTO MOELJOHARTONO	2,768,000	0.41
18	CIMB SECURITIES (SINGAPORE) PTE LTD	2,676,386	0.39
19	LIM AH BENG	2,600,000	0.38
20	CHU ENG FONG	2,576,000	0.38
	TOTAL	**436,495,136**	**64.22**

Percentage of Shareholding held in Public Hands

Based on the information available to the Company as at 19 September 2012, approximately 53.74% of the issued shares of the Company is held by the public and therefore, Rule 723 of the SGX-ST Listing Manual has been complied with. The Company does not hold any treasury shares.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at Level 3, Swallow Room, Grand Copthorne Waterfront Hotel 392 Havelock Road Singapore 169663 on Tuesday, 30 October 2012 at 9.30 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and the Audited Accounts of the Company for the financial year ended 30 June 2012 together with the Auditors' Report thereon. **(Resolution 1)**

2. To re-elect Mr Su Qingjiang, a Director retiring by rotation. **(Resolution 2)**

3. To re-elect Mr Foo Say Tun, a Director retiring by rotation. [See Explanatory Note (i)] **(Resolution 3)**

4. To approve the payment of S$160,000 as Directors' Fees for the financial year ending 30 June 2013, to be paid quarterly in arrears. (previous year: S$210,000) **(Resolution 4)**

5. To re-appoint BDO Limited, Certified Public Accountants, Hong Kong ("BDO HK") as auditor of the Company for the ensuing year and to authorise the Directors to fix their remuneration. **(Resolution 5)**

6. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without modifications:

7. SHARE ISSUE MANDATE

"That pursuant to Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST"), authority be and is hereby given to the Directors of the Company to:

1. (i) allot and issue shares in the capital of the Company (the "Shares") (whether by way of rights, bonus or otherwise); and/or

   (ii) make or grant offers, agreements or options that may or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into Shares (collectively, the "Instruments"),

2. (notwithstanding that the authority conferred by paragraph 1 of this Resolution may have ceased to be in force) issue Shares in pursuance of any Instrument made or granted by the Directors while this resolution was in force,

at any time and from time to time upon such terms and conditions, whether for cash or otherwise, and for such purposes and to such persons as the Directors may think fit for the benefit of the Company, provided that:

a. the aggregate number of Shares to be issued pursuant to this Resolution (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution and including Shares which may be issued pursuant to any adjustments ("Adjustments") effected under any relevant Instrument, which Adjustments shall be made in compliance with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Articles of Association for the time being of the Company) does not exceed fifty per cent. (50%) of the total number of issued Shares excluding treasury shares of the Company (as calculated in accordance with sub-paragraph b. below), of which the aggregate number of Shares to be issued other than on a pro-rata basis to shareholders of the Company (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed twenty per cent. (20%) of the total number of issued Shares excluding treasury shares of the Company (as calculated in accordance with sub-paragraph b. below);

b. for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph a. above, the percentage of the total number of issued Shares excluding treasury shares shall be calculated based on the total number of issued Shares excluding treasury shares of the Company at the time of the passing of this resolution, after adjusting for:

   (i) new Shares arising from the conversion or exercise of any convertible securities;

   (ii) new Shares arising from exercise of share options or vesting of share awards outstanding or subsisting at the time of the passing of this resolution, provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual of the SGX-ST; and

   (iii) any subsequent bonus issue, consolidation or subdivision of Shares;

c. in exercising the authority conferred by this resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Articles of Association for the time being of the Company; and

d. unless revoked or varied by the Company in general meeting, the authority conferred by this resolution shall continue in force until the conclusion of the next Annual General meeting of the Company or the date by which the next annual general meeting of the Company is required to be held, whichever is the earlier, except that the Directors shall be authorised to allot and issue Shares pursuant to any Instrument made or granted by the Directors while this resolution was in force notwithstanding that such authority has ceased to be in force at the time of issue of such Shares."
[See Explanatory Note (ii)] **(Resolution 6)**

8. QINGMEI EMPLOYEE SHARE OPTION SCHEME

"That the Directors of the Company be and are hereby authorised to offer and grant options in accordance with the provisions of the Qingmei Employee Share Option Scheme (the "Scheme") and pursuant to rules of Chapter 8 of the Listing Manual of the SGX-ST, to allot and issue from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the exercise of the options under the Scheme provided always that the aggregate number of shares to be issued pursuant to the Scheme shall not exceed fifteen percent (15%) of the total number of issued shares excluding treasury shares of the Company from time to time."
[See Explanatory Note (iii)] **(Resolution 7)**

9. RENEWAL OF SHARE PURCHASE MANDATE

"That the Directors of the Company be and are hereby authorised to make purchases or otherwise acquire issued shares in the capital of the Company from time to time (whether by way of market purchases or off-market purchases on an equal access scheme) of up to ten per centum (10%) of the total number of issued shares in the capital of the Company (as ascertained as at the date of Annual General Meeting of the Company) at the price of up to but not exceeding the Maximum Price as defined in the Company's Circular dated 12 October 2011 and Appendix dated 12 October 2012 and in accordance with the Terms set out therein and this mandate shall, unless revoked or varied by the Company in general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier."

[See Explanatory Note (iv) and the attached Appendix dated 12 October 2012] **(Resolution 8)**

By Order of the Board

Tso Sze Wai, Jackson
Joint Company Secretary

Singapore, 12 October 2012

Explanatory Notes:

(i) Mr Foo Say Tun will, upon re-election as a Director of the Company, remain as the Chairman of the Nominating Committee as well as a member of the Audit Committee and the Remuneration Committee. Mr Foo is an Independent Director.

(ii) **Ordinary Resolution 6** proposed in item 7. above, if passed, is to empower the Directors to issue Shares in the capital of the Company and/or Instruments (as defined above). The aggregate number of Shares to be issued pursuant to Resolution 6 (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) shall not exceed fifty per cent. (50%) of the total number of issued Shares excluding treasury shares of the Company, with a sub-limit of twenty per cent. (20%) for Shares issued other than on a pro-rata basis (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) to shareholders. For the purpose of determining the aggregate number of Shares that may be issued, the percentage of the total number of issued Shares excluding treasury shares of the Company will be calculated based on the total number of issued Shares excluding treasury shares of the Company at the time of the passing of Resolution 6, after adjusting for (i) new Shares arising from the conversion or exercise of any convertible securities; (ii) new Shares arising from exercise of share options or vesting of share awards outstanding or subsisting at the time of the passing of Resolution 6, provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual of the SGX-ST; and (iii) any subsequent bonus issue, consolidation or subdivision of Shares.

(iii) **Ordinary Resolution 7** proposed in item 8. above, if passed, is to authorise the Directors to offer and grant options in accordance with the provisions of the Scheme and to allot and issue shares under the Scheme. The size of the Scheme is limited to fifteen per cent. (15%) of the total number of issued shares excluding treasury shares of the Company for the time being.

(iv) **Ordinary Resolution 8** proposed in item 9. above, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier, to repurchase ordinary shares of the Company by way of market purchases or off-market purchases of up to ten per centum (10%) of the total number of issued shares in the capital of the Company at the Maximum Price as defined in the Company's Circular dated 12 October 2011 and Appendix dated 12 October 2012. The Company did not purchase any ordinary shares of the Company during the financial year ended 30 June 2012. Detailed information on the Renewal of Share Purchase Mandate is set out in the Appendix dated 12 October 2012.

Notes:

(1) Save as provided in the Articles of Association of the Company, a Shareholder (other than CDP) entitled to attend and vote at the Annual General Meeting is entitled to appoint up to two proxies to attend and vote in his stead. A proxy need not be a member of the Company.

(2) If a Shareholder wishes to appoint a proxy/proxies, then the Proxy Form must be completed and deposited at the office of the Singapore share transfer agent, Boardroom Corporate & Advisory Services Pte. Ltd., at 50 Raffles Place, Singapore Land Tower #32-01, Singapore 048623, not less than 48 hours before the time of the Annual General Meeting.

(3) If a Depositor (who is not a natural person) whose name appears in the Depository Register (as defines in Section 130A of the Singapore Companies Act) as at the time not earlier than 48 hours prior to the time of the Annual General Meeting wishes to attend and vote at the Annual General Meeting, then it should complete the Depository Proxy Form and deposit the duly completed Depository Proxy Form at the office of the Singapore share transfer agent, Boardroom Corporate & Advisory Services Pte. Ltd., at 50 Raffles Place, Singapore Land Tower #32-01, Singapore 048623, not less than 48 hours before the time of the Annual General Meeting. A depository who is a natural person (and whose name appears in the Depository Register as at the time not earlier than 48 hours prior to the time of the Annual General Meeting need not complete the Depository Proxy Form if he/she intends to attend the Annual General Meeting in person.

Corporate Information

BOARD OF DIRECTORS

Su Qingyuan (Executive Chairman and CEO)
Su Qingjiang (Executive Director)
Su Shubiao (Executive Director)
Tan Siok Sing (Lead Independent Director)
Foo Say Tun (Independent Director)
Pek Yew Chai (Independent Director)

AUDIT COMMITTEE

Tan Siok Sing (Chairman)
Foo Say Tun
Pek Yew Chai

NOMINATING COMMITTEE

Foo Say Tun (Chairman)
Tan Siok Sing
Pek Yew Chai

REMUNERATION COMMITTEE

Tan Siok Sing (Chairman)
Foo Say Tun
Pek Yew Chai

JOINT COMPANY SECRETARIES

Tso Sze Wai, Jackson, ASCPA
Codan Trust Company (Cayman) Limited
Cheam Heng Haw, LLB (Hons)

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

中国福建省晋江市陈埭苏厝村
Sucuo Village
Chendai Town, Jinjiang City
Fujian Province 362200
PRC

SHARE REGISTRAR

Boardroom Corporate & Advisory
Services Pte. Ltd.
50 Raffles Place #32-01
Singapore Land Tower
Singapore 048623

AUDITOR

BDO Limited
Certified Public Accountants
25th Floor, Wing On Centre
111 Connaught Road Central
Hong Kong

Engagement Director:
Cheung Or Ping
(Appointed from the financial year
ended 30 June 2012)

PRINCIPAL BANKERS

中国农业银行晋江市支行
Agricultural Bank of China, Jinjiang Branch
Nonghang Building, Zengjing Economic Zone
Qingyang Town, Jinjiang City
Fujian Province 362200
PRC

中国工商银行股份有限公司晋江市支行
China ICBC Bank, Jinjiang Branch
Chongde Road
Qingyang Town, Jinjiang City
Fujian Province 362200
PRC

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QingMei

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