QingMei

清美集團控股有限公司

QINGMEI GROUP HOLDINGS LIMITED

Keep On Moving

Annual Report 2011

CONTENTS

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 (K-Bird), 三六一度 (361°) and 特步 (Xtep).

Taking BIG STEPS for the FUTURE

To cater to the growing demand from PRC sports shoe manufacturers, the Group commenced construction for the new production facility in April 2010, increasing production capacity by 19 million pairs of soles, from 46 million pairs to 65 million pairs in FY2011. Alongside this capacity growth, the development of a comprehensive R&D centre will also strengthen our reputation as a manufacturer of high quality sports shoe soles, giving us the ability to acquire new customers and ensuring greater customer retention.

I AM PLEASED TO REPORT THAT QINGMEI GROUP HOLDINGS LIMITED HAS ACHIEVED YET ANOTHER SET OF STERLING FINANCIAL RESULTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011. THE GROUP HAS ALSO LAID THE GROUNDWORK FOR OUR FUTURE GROWTH. DURING THE YEAR, WE COMPLETED THE FIRST STAGE OF OUR PRODUCTION CAPACITY EXPANSION AND HAVE SINCE BEEN PROGRESSIVELY RAMPING UP PRODUCTION AT OUR FACILITIES.

CHAIRMAN'S STATEMENT

"In FY2011, we further strengthened our relationships with customers and expanded our product range with the addition of another 107 items. As at 30 June 2011, we have more than 82 customers. These include well-known domestic sports shoe manufacturers in the PRC who operate under their brand names such as 特步 (Xtep), 双星 (Double Star), 金鼠王 (Jin Shu Wang), 康踏 (Kang Ta), 三六一度 (361°), 乔丹 (Qiao Dan) and 贵人鸟 (K-Bird)."

Dear Shareholders,

I am pleased to report that Qingmei Group Holdings Limited ("Qingmei" or the "Group") has achieved yet another set of sterling financial results for the financial year ended 30 June 2011 ("FY2011").

The Group has also taken laid the groundwork for our future growth. During the year, we completed the first stage of our production capacity expansion and have since been progressively ramping up production at our facilities.

Record Revenue and Profits

The Group achieved record financials for the year under review, driven by the expansion of our production capacity during the second half of the financial year. FY2011 revenue grew 9.4% to RMB1.3 billion, compared to RMB1.2 billion for the financial year ended 30 June 2010 ("FY2010"). This was achieved on the back of a 10.4% increase in sales volume to 48.9 million pairs of sports shoe soles for FY2011.

For FY2011, the Group reported a 3.5% increase in gross profit to RMB373.2 million, from RMB360.7 million a year ago. This performance should be seen in the context of higher manufacturing overheads as well as a shift in product mix, which resulted in lower average selling prices ("ASPs") recorded for the year under review. Correspondingly, gross profit margin was marginally lower at 28.9% for FY2011, from 30.5% for FY2010.

In view of the above and a currency exchange gain due to the appreciating Singapore Dollar against the Renminbi in the year under review, profit attributable to shareholders rose 10.3% to RMB275.6 million, from RMB250.0 million in FY2010.

In line with our commitment to distribute 30% of FY2011 net profits attributable to shareholders as dividends, we are pleased to propose a final dividend of RMB12.92 cents per ordinary share in cash or scrip, to be approved by shareholders at the Annual General Meeting.

Stepping Up on Growth

When I wrote to our shareholders a year ago, we were in the midst of constructing our new production facility and a self-contained research & development ("R&D") centre. I am now pleased to inform shareholders that the construction of our new production facility, as well as the first stage installation of equipment and machineries was completed in December 2010.

The new production facility provided an additional maximum annual production capacity of 19 million pairs of sports shoe soles, raising our annual maximum production capacity to 65 million pairs of sports shoe soles.

Operating within the highly fragmented PRC sport shoe soles sector, Qingmei takes pride in its ability to differentiate against competition through offering value-added products to customers. As an original design manufacturer ("ODM") of mid-end and high-end sports shoe soles, we emphasise not only on functionality and comfort, but also ensure that the aesthetic appeal of our products is in line with the latest market trends and demands.

R&D remains an integral aspect of our growth strategies. We currently employ a research team of around 40 staff members and operate four research laboratories, which are respectively equipped to research on movement mechanics, test tearing strength, wear-resisting property and temperature resistance. Through these efforts, we seek to develop innovative product models to meet the demands of both existing and potential customers.

Our customer-centric approach has continued to yield positive results for the Group. In the year under review, we continue to build on our portfolio of customers, which include well-known domestic brand names such as 特步 (Xtep), 双星 (Double Star), 金鼠王 (Jin Shu Wang), 康踏 (Kang Ta), 乔丹 (Qiao Dan), 三六一度 (361°) and 贵人鸟 (K-Bird).

CHAIRMAN'S STATEMENT

Future Outlook

While inflationary concerns and rising labour costs in the PRC continues to be of concern to domestic manufacturers, the Group remains positive on the prospects for the domestic sports shoe sole market.

The PRC authorities have been active in promoting healthy lifestyles through physical exercise, evidenced through the implementation of its National Fitness Program 2011 – 2015[1] in February 2011. In line with this initiative, the PRC authorities have slated a target to increase the number of gymnasiums and stadiums in the PRC to 1.2 million by 2015 from 1.0 million currently.

The rising affluence and discretionary spending power of Chinese consumers, together with the hike in sports activities, is expected to drive the continued demand for sportswear, including sports footwear, in the PRC. In particular, consumers from the tier two, three and four cities are projected to further propel the growth of local PRC sportswear brands in the years ahead.

According to a Frost & Sullivan report provided to our Group in 2011, the sports footwear market is expected to grow from RMB43.0 billion in 2010 to RMB125.9 billion in 2015, with a CAGR of 23.9%. This is expected to drive the production volume of sports shoe soles from approximately 2.0 billion pairs in 2010 to approximately 4.3 billion pairs in 2015, representing a CAGR growth of 16.1%.

In 2010, Qingmei was ranked the PRC's second largest supplier of sports shoe soles, with a production volume of 44.6 million pairs. The Group is therefore poised to benefit positively from the positive industry dynamics and further strengthen our market share in the PRC.

We target to commence second stage installation of machineries and equipment at our production facilities in the first half of the financial year ended 30 June 2012 ("FY2012"). Upon its completion, Qingmei's annual maximum production capacity will increase by a further 19 million pairs of sports shoe soles to approximately 84 million pairs of sports shoe soles.

To enhance shareholder value, we are also on an active lookout for synergistic investments and acquisition opportunities to expand our shoe sole business. This will enable us to achieve vertical integration and further strengthen our value proposition.

[1] http://sports.people.com.cn/GB/22155/14001188.html

Scrip Dividend Scheme

For FY2011, the Board of Directors is recommending a final dividend of RMB12.92 cents per share (FY2010: RMB11.72 cents per share) as recognition of contribution and support from the shareholders. This works out to a dividend payout of approximately 30% of the Group's net profit.

At the same time, the Group is seeking to implement a Scrip Dividend Scheme ("Scheme") in this year.

This Scheme will enable shareholders to participate in the equity capital of the Group without having to incur transaction or other related costs. The Group will also benefit from the participation by shareholders in the Scheme as, to the extent that shareholders elect to receive dividends in the forms of new shares, the cash which would otherwise be payable by way of dividend will be retained for the Group's use to fund the Group's growth and expansion. The retention of cash and issue of new shares in lieu of cash dividend under the Scheme will also enlarge the Company's share capital base and strengthen its working capital position.

In Appreciation

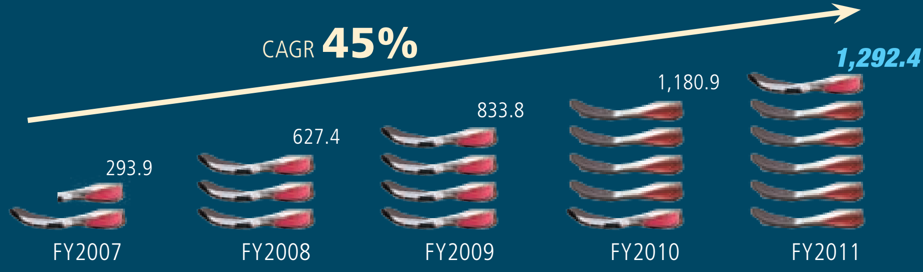
On behalf of the Board of Directors, I would like to express our appreciation for the support of our loyal shareholders, customers and business partners through the year. We also recognize the hard work and commitment of our management and staff, which was integral in achieving our performance for FY2011.

Moving forward, we will endeavour to perform at our best for the long-term benefit of our shareholders and customers.

Su Qingyuan
Executive Chairman & CEO

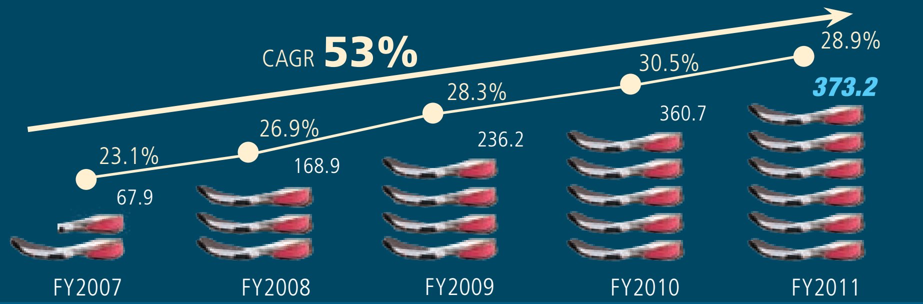
FINANCIAL HIGHLIGHTS

Revenue
(RMB'million)

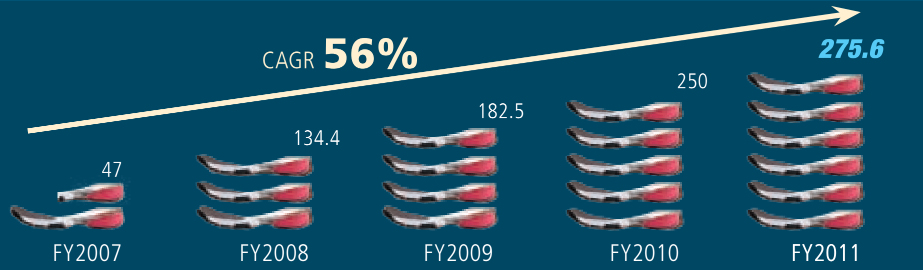


Gross profit
(RMB'million)

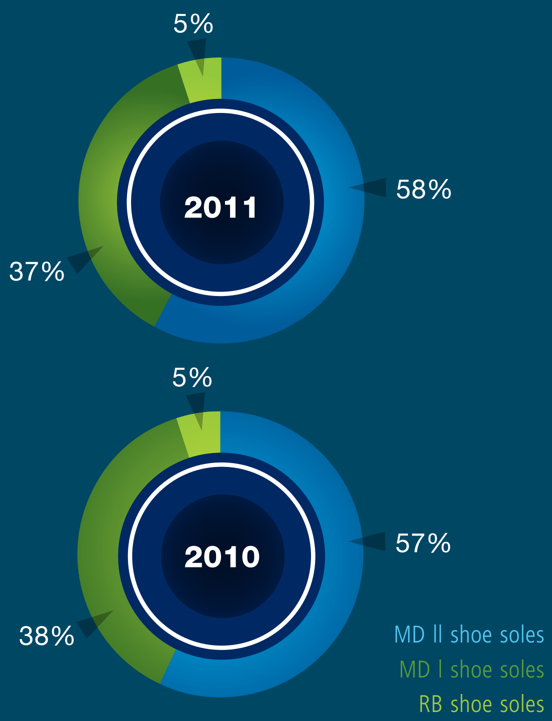
Gross profit margin



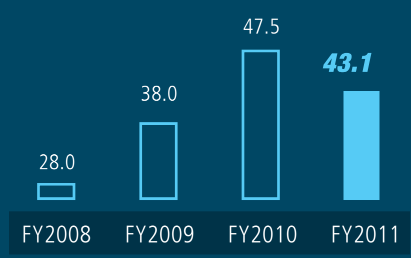
Net profit
(RMB'million)



Revenue breakdown by products

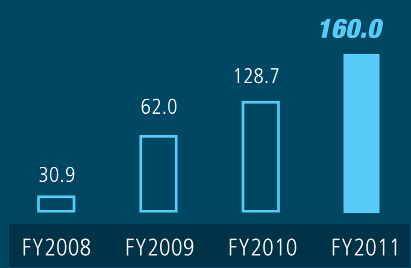


Earnings per share*
(RMB'cents)



* Based on 640,000,000 ordinary shares in issue for the period in FY2011 and weighted average number of 526,465,753 ordinary shares in issue for the period in FY2010; and the pre-invitation share capital of 480,000,000 shares in issue for the periods in FY2009 and FY2008.

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



** Based on 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

A RECORD YEAR

The Group achieved a 9.4% growth in revenue in FY2011 to RMB1,292.4 million, from RMB1,180.9 million in the previous corresponding financial year. The increase was largely due to a 10.4% increase in sales volume from 44.3 million pairs of sports shoe soles in FY2010 to 48.9 million pairs of sports shoe soles in the year under review. This more than offsets the marginal decrease in overall average selling price.

Revenue from MD II shoe soles grew 10.4% to RMB750.2 million, accounting for 58.0% of total revenue in FY2011. Revenue for MD I shoe soles rose 7.7% to RMB477.8 million, contributing 37.0% of total revenue and the remaining 5.0% of the Group's full-year revenue was attributed to RB shoe soles.

Qingmei recorded gross profit of RMB373.2 million in FY2011, representing a 3.5% increase from RMB360.7 million a year ago. Gross profit margin narrowed to 28.9% for FY2011 from 30.5% for FY2010, largely due to higher cost of production overheads and lower ASPs recorded.

Other income and gains jumped from RMB0.8 million in FY2010 to RMB11.9 million for FY2011. This was mainly due to an exchange gain amounting 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 in FY2011.

Selling and distribution expenses rose marginally by 1.1% to RMB12.4 million for FY2011, from RMB12.2 million for FY2010. This was mainly due to an increase in advertising expenses in connection with the promotion of the Group's 'Qingmei' brand name and products.

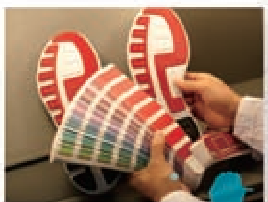
Administrative expenses increased by approximately 12.7% to RMB32.8 million for FY2011, from RMB29.1 million for FY2010. The increase was a result of increases in professional fees, directors' fee and salaries, following the Group's listing on the Singapore Exchange as well as the continued expansion of Qingmei's operations.

Other expenses were down approximately 10.4% to RMB18.4 million for FY2011, from RMB20.5 million for FY2010. The decrease was primarily due to the absence of one-off Initial Public Offering ("IPO") expenses incurred in FY2010. The other expenses for FY2011 included research expenses of RMB8.3 million for the development of new materials in production of shoe soles, loss on disposals of fixed assets of RMB4.8 million; and environmental improvement expenses for the manufacturing plant, which amounted to RMB5.2 million.

The Group did not record any finance costs for the year under review, which was due to the full capitalisation of finance costs in connection with the construction in progress during the year. Qingmei recorded finance costs of RMB4.2 million in FY2010.

Depreciation increased by approximately 64.4% to RMB54.7 million for FY2011, from RMB33.3 million for FY2010. The increase was mainly due to the purchase of moulds for production, production equipment and machinery in line with the expansion of our production scale during the year.

The Group recorded income tax of RMB45.9 million in FY2011. Income tax expenses largely comprised of Enterprise Income Tax ("EIT") charged by PRC authorities on profits by the Group's major operating subsidiary in the PRC, Qingmei (China) Co., Ltd. ("Qingmei (PRC)"). As a wholly-foreign owned enterprise, Qingmei (PRC) enjoys a preferential tax treatment of two-year tax exemption, followed by a three-year 50% reduced tax rate based on the prevailing EIT of 25.0%. The applicable tax rate for FY2011 was 12.5%.



OPERATIONS REVIEW

The Group also recognised withholding tax, which comprised of a 5% tax imposed on the dividends of approximately RMB100.0 million received by HK Qingmei Trading Group Develop Limited ("HK Qingmei") from Qingmei (PRC) in FY2011.

In view of the above, our net profit attributable to the owners of the Company rose by approximately 10.3% to RMB275.6 million for FY2011, from RMB250.0 million for FY2010. Net profit margin remained stable at 21% for both FY2010 and FY2011.

A Strong Financial Position

Property, plant and equipment increased by approximately 87.4% or RMB197.6 million to RMB423.8 million as at 30 June 2011, from RMB226.2 million as at 30 June 2010. The increase in property, plant and equipment was mainly due to additions to construction in progress related to the new production facilities of RMB29.6 million; and the purchase of plant and machinery, including new production machinery and moulds for production which amounted to RMB226.7 million. This increase was partially offset by depreciation expenses of RMB54.7 million and disposals of property, plant and equipment of RMB5.1 million during the year.

Deposits paid for land use rights, which amounted to RMB16.6 million as at 30 June 2010, have been transferred and recorded as land use rights in FY2011 following the commencement of construction of Qingmei's new facilities in December 2010.

Inventories decreased by approximately 22.9% to RMB39.1 million as at 30 June 2011, from RMB50.7 million as at 30 June 2010. The decrease in inventories was mainly attributable to improvements in inventory management.

Trade receivables rose by approximately 3.4% to RMB289.4 million as at 30 June 2011, from RMB279.8 million as at 30 June 2010. This is in line with the higher revenue recorded for the year under review.

Pledged bank deposits, as security for bills payables to banks, decreased by approximately 67.8% to RMB1.0 million as at 30 June 2011, from RMB3.1 million as at 30 June 2010. The decrease in pledged bank deposits was primarily due a decrease in bills issued.

Trade and bills payables decreased by approximately 10.1% to RMB134.8 million as at 30 June 2011, from RMB149.9 million as at 30 June 2010, as a result of faster settlement to suppliers.

Other payables and accruals increased by approximately 23.8% to RMB59.4 million as at 30 June 2011, compared with RMB48.0 million as at 30 June 2010. This was mainly attributable to increases in:

(i) Outstanding balance owing to plant and equipment suppliers; and

(ii) Land use rights cost associated with the manufacturing plant.

Short-term bank borrowings decreased by approximately 77.2% to RMB20.0 million as at 30 June 2011, from RMB87.6 million as at 30 June 2010. Short-term borrowings were lower as the Group holds sufficient funding to support its operations.

Cash and cash equivalents decreased by approximately 14.5% to RMB399.0 million as at 30 June 2011, from RMB466.9 million as at 30 June 2010. The decrease was mainly due to the net cash outflows used in investing and increased financing activities during the year under review.

Outlook & Strategy

In line with our expansion plans, the Group has focused on setting up its new facilities and had completed first stage installation of equipment and machineries in December 2010. It has since started to utilise the additional capacity and is gradually ramping up production at its new facilities.

The new production facilities provided a maximum annual production of approximately 19 million pairs of sports shoe soles, raising Qingmei's annual maximum production capacity to approximately 65 million pairs of sports shoe soles. Barring any other unforeseen delays or circumstances, the Group intends to start second stage installation in the first half of FY2012.

During the year, the Group also completed construction for two new industrial buildings and two hostels. In addition, construction works are still ongoing for a self-contained research and development centre and an additional hostel. The abovementioned projects were all funded through a combination of internal resources and the IPO proceeds.

OPERATIONS REVIEW

In view of the minimum wages imposed by the PRC Government, domestic labour costs and raw materials prices would inevitably increase. However, the Group believes that the costs savings generated from its increased scale of operations, in particular the reduction in the average cost per unit for depreciation, amortisation, product design and development cost as a result of the substantial increase in production volume, will have more than offset any increase in direct labour costs.

Notwithstanding the trend of rising labour costs or any other increase in operating costs, the Group believes that the expanded capacities and strong customer base will support Qingmei's revenue growth. To further expand the shoe sole business and achieve synergies through vertical integration, the Group will continue to seek earnings accretive investments to enhance shareholder value.

Use of IPO Proceeds

The following table details the utilisation of IPO proceeds as at 30 June 2011:

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, construction of new building facilities to house them & the construction of new facilities for our administrative functions and a staff hostel	144.0	109.4	34.6
To set up a dedicated self-contained research and development centre	52.0	44.5	7.5
Research and development purposes	15.0	9.5	5.5
General working capital	0.6	–	0.6
Total	**211.6**	**163.4**	**48.2**

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 the 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 the 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 the 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.

Ni Xiaorong (倪晓嵘)

Independent Director

Ms Ni Xiaorong was appointed as our Independent Director on 28 December 2009. She is a member of the Audit, Nominating and Remuneration Committees. Since her graduation in 2002, Ms Ni has been with PRC People's Property Insurance Co., Ltd. Fuzhou Branch (中国人民财产保险股份有限公司福州市分公司国际业) as the manager of the international department, in charge of the administrative and sales management activities of this company. The international department of the company was subsequently converted to and registered as 中国人民财产保险股份有限公司福州市湖滨支公司, a sub-branch of the Fuzhou branch, of which Miss Ni remains in charge of. She has received several labour awards such as the Outstanding Worker (优秀展业员) award by her employer in 2003 and the Fujian Province May 1st Labour Award (福建省五一劳动奖章) by Fujian Province Federation of Trade Unions (福建省总工会) in 2007. Ms Ni graduated with a Bachelors Degree in International Trade from Quanzhou Yang-En University (泉州仰恩大学).

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

Au-Yeung Yu Ching (欧阳汝正)

Chief Financial Officer

Mr Au-Yeung Yu Ching is our Chief Financial Officer and is responsible for the finance and accounting matters of the Group since joining Qingmei (PRC) in April 2009. He started his career with K.P. Cheng & Co. as an audit manager and was involved in the provision of audit assurance and taxation services. In October 1997, he joined Greater China Appraisal Limited and was engaged in the appraisal of intangible assets. He was appointed as finance manager of Goldway Promotion Holdings Limited in April 2000 and was in charge of the accounting and finance department of its Hong Kong operations. In February 2001, Mr Au-Yeung joined CCT Telecoms Holdings Limited as the finance manager and was put in charge of its subsidiaries' accounting and finance department. In November 2004, he was appointed as an executive director of Day Business Centre Limited, a company which was engaged in the business of providing meeting and office facilities. From March 2005 to September 2005, he was engaged in the setting up of the accounting and finance department of CCT Tech Singapore Pte. Limited, the Singapore subsidiary of CCT Telecoms Holdings Limited. In January 2007, he was appointed s chief financial officer of Tint Bright Group Holdings Limited. Mr Au-Yeung has been qualified as a CPA Australia in Australia and Certified Public Accountant (Practising) in Hong Kong since 1996 and 1998 respectively. He graduated with a Bachelor of Commerce (Major in Accounting) from University of Western Sydney, Australia in 1993.

Tso Sze Wai, Jackson (曹思维)

Financial Controller

Mr. Tso Sze Wai, Jackson, is the financial controller of our Group. 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 the New South Wales, Australia. He is a member of Certified Practicing Accountant of Australian Society of CPA's. 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 research and development activities and projects. Since April 2009, he has been playing an instrumental role in spearheading our product design and development initiatives of our Group. Mr Liu has been engaged in the technical work of footwear manufacturing for over 20 years. He was a cadre 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 as the assistant supervisor and further promoted as the 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.

Key Management

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 research and development. 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 research and development 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.

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 be 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 (泉州华侨大学) 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 2005 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.

The number of meetings held by the Board and Board committees and their attendance thereat for the financial year ended 30 June 2011 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	4	NA	NA	NA	NA	NA	NA
Su Shubiao	4	4	NA	NA	NA	NA	NA	NA
Tan Siok Sing	4	4	4	4	1	1	1	1
Foo Say Tun	4	3	4	3	1	1	1	1
Ni Xiaorong	4	3	4	3	1	1	1	1
Pek Yew Chai	4	4	4	4	1	1	1	1

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 seven (7) Directors of whom four (4) 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)
Ni Xiaorong (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 seven (7) Directors of which four (4) 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 four (4) Independent Directors (who represent at least one-third 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
Ni Xiaorong
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 11 and 12.

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
Ni Xiaorong
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 2011 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	–	–	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			
Au Yeung Yu Ching	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 2011.

(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
Ni Xiaorong
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.

The AC held four meetings with the Management and the external auditor of the Company to discuss and review the following matters:–

- the audit plan 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 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 AC recommends to the Board the re-appointment of BDO Limited as the external auditor of the Company at the forthcoming AGM.

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.

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.

The AC, with the assistance of the internal and external auditors, have reviewed, and the Board is satisfied that, in the absence of any evidence to the contrary, the system on internal controls maintained by the Group's Management throughout the financial year ended 30 June 2011 up to the date of this report is adequate 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(18) 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 or half-year 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 2011, the Company has complied with Listing Rule 1207(18).

(F) INTERESTED PERSON TRANSACTIONS

The Company has adopted an internal policy governing procedures for the identification, approval and monitoring of interested person transactions. All interested person transactions are subject to review by the AC at its quarterly meetings to ensure that such transactions are conducted on an arm's length basis and are not prejudicial to the interests of the shareholders.

The aggregate value of the interested person transactions carried out during the financial year ended 30 June 2011 is as follows:

Name of interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S$100,000)
Jinjiang City Xi Bo Deng Sports Wear Co., Ltd (晋江喜伯登体育用品有限公司) ("Xibodeng")		
– Supply of sport shoe soles to Xibodeng		
Xibodeng is directly owned by our Executive Chairman and Chief Executive Officer, Mr Su Qingyuan since 18 January 2011	Not applicable	RMB27.6 million

(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 2011:

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	109.4	34.6
To set up a dedicated self-contained research and development centre	52.0	44.5	7.5
Research and development purposes	15.0	9.5	5.5
General working capital	0.6	–	0.6
Total	**211.6**	**163.4**	**48.2**

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

FINANCIAL CONTENTS

DIRECTORS' REPORT

For the year ended 30 June 2011

The Directors present their report together with the audited financial statements of the Group for the year ended 30 June 2011 and the statement of financial position of the Company as at 30 June 2011.

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 2011 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
Ni Xiaorong
Pek Yew Chai

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 2011	At beginning of the year	At end of the year	As at 21 July 2011
Su Qingyuan[(1)]	6,000,000	6,000,000	6,000,000	409,632,000	409,632,000	409,632,000

(1) Su Qingyuan is deemed to be interested in 409,632,000 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 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 2011.

DIRECTORS' REPORT

For the year ended 30 June 2011

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 for the transactions disclosed in note 25 to the financial statements, Related Party Transactions, and the section entitled "Interested Person Transactions" on page 26 of this annual report, during the financial year under review, no director 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 he is a member or with a company in which he 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 15 to 27 of this annual report.

Auditor

The financial statements since the year ended 30 June 2010 were audited by Grant Thornton ("GTHK"), now known as JBPB & Co. Due to a merger of businesses of GTHK and BDO Limited ("BDO") to practise in the name of BDO as announced on 26 November 2010, GTHK resigned on 3 December 2010 and BDO was appointed as auditor of the Company on 7 December 2010. The financial statements for the year ended 30 June 2011 were audited by BDO.

A resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint BDO as auditor of the Company.

On behalf of the Board

Su Qingyuan
Executive Chairman and Chief Executive Officer

Su Shubiao
Executive Director

26 September 2011

STATEMENT BY 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 33 to 70 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 30 June 2011 and of the results of the business 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 2011 were authorised for issue by the Board of Directors on the date stated hereunder.

On behalf of the Board

Su Qingyuan
Executive Chairman and Chief Executive Officer

Su Shubiao
Executive Director

26 September 2011

Independent Auditor's Report

Tel : +852 2218 8288
Fax : +852 2815 2239
www.bdo.com.hk

电话：+852 2218 8288
传真：+852 2815 2239
www.bdo.com.hk

25th Floor Wing On Centre
111 Connaught Road Central
Hong Kong

香港干诺道中111号
永安中心25楼

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 33 to 70, which comprise the consolidated and company statements of financial position as at 30 June 2011, 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 2011, 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, 26 September 2011

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2011

	Notes	Group 2011 RMB'000	2010 RMB'000
Revenue	6	**1,292,439**	1,180,898
Cost of sales		**(919,277)**	(820,219)
Gross profit		**373,162**	360,679
Other income and gains	6	**11,945**	782
Selling and distribution expenses		**(12,385)**	(12,249)
Administrative expenses		**(32,841)**	(29,146)
Other expenses		**(18,374)**	(20,497)
Finance costs	7	**–**	(4,245)
Profit before income tax	9	**321,507**	295,324
Income tax expense	10	**(45,887)**	(45,330)
Profit for the year attributable to the owners of the Company		**275,620**	249,994
Other comprehensive income for the year		**–**	–
Total comprehensive income for the year attributable to the owners of the Company		**275,620**	249,994
Earnings per share for profit attributable to the owners of the Company during the year	12		
– Basic (RMB cents)		**43.1**	47.5
– Diluted (RMB cents)		**N/A**	N/A

Statements of Financial Position

As at 30 June 2011

		Group		Company	
		2011	2010	**2011**	2010
	Notes	**RMB'000**	RMB'000	**RMB'000**	RMB'000
ASSETS AND LIABILITIES					
Non-current assets					
Property, plant and equipment	13	**423,803**	226,200	**–**	–
Land use rights	14	**96,002**	76,298	**–**	–
Deposits paid for land use rights		**–**	16,641	**–**	–
Investments in subsidiaries	15	**–**	–	**515,849**	515,849
		519,805	319,139	**515,849**	515,849
Current assets					
Inventories	16	**39,123**	50,721	**–**	–
Trade receivables	17	**289,400**	279,761	**–**	–
Prepayments		**9,579**	5,270	**–**	–
Due from subsidiaries	15	**–**	–	**326,853**	305,939
Pledged bank deposits	18	**995**	3,103	**–**	–
Cash and cash equivalents	19	**398,974**	466,949	**337**	2,537
		738,071	805,804	**327,190**	308,476
Current liabilities					
Trade and bills payables	20	**134,810**	149,942	**–**	–
Other payables and accruals	21	**59,416**	47,973	**1,756**	2,134
Interest-bearing bank borrowings	22	**20,000**	87,620	**–**	–
Current income tax liabilities		**19,584**	15,962	**–**	–
		233,810	301,497	**1,756**	2,134
Net current assets		**504,261**	504,307	**325,434**	306,342
Net assets		**1,024,066**	823,446	**841,283**	822,191
EQUITY					
Equity attributable to the owners of the Company					
Share capital	23	**312,544**	312,544	**312,544**	312,544
Reserves	24	**711,522**	510,902	**528,739**	509,647
Total equity		**1,024,066**	823,446	**841,283**	822,191

Statements of Changes in Equity

For the year ended 30 June 2011

GROUP

	Share 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 23)	(note 24)	(note 24)		(note 24)			
Balance at 1 July 2009	234,192	–	(176,968)	2	35,766	204,568	–	297,560
Capital contribution from a shareholder	–	–	99,945	–	–	–	–	99,945
Issue of new shares	78,352	164,539	–	–	–	–	–	242,891
Share issue expenses	–	(16,944)	–	–	–	–	–	(16,944)
Dividends (note 11)	–	–	–	–	–	(50,000)	–	(50,000)
Transaction with owners	78,352	147,595	99,945	–	–	(50,000)	–	275,892
Profit for the year and total comprehensive income for the year	–	–	–	–	–	249,994	–	249,994
Appropriations to statutory reserve	–	–	–	–	27,596	(27,596)	–	–
2010 final dividends proposed (note 11)	–	–	–	–	–	(75,000)	75,000	–
Balance at 30 June 2010 and 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	312,544	147,595	(77,023)	2	91,076	467,186	82,686	1,024,066

* These reserve accounts comprise the consolidated reserves of approximately RMB711,522,000 in the consolidated statement of financial position as at 30 June 2011 (2010: RMB510,902,000).

Statements of Changes in Equity

For the year ended 30 June 2011

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 23)		(note 24)			
As at 28 August 2009	234,192	–	281,657	–	–	515,849
Issue of new shares	78,352	164,539	–	–	–	242,891
Share issue expenses	–	(16,944)	–	–	–	(16,944)
Transaction with owners	78,352	147,595	–	–	–	225,947
Profit for the period and total comprehensive income for the period	–	–	–	80,395	–	80,395
2010 final dividends proposed (note 11)	–	–	–	(75,000)	75,000	–
Balance at 30 June 2010 and 1 July 2010	312,544	147,595	281,657	5,395	75,000	822,191
Dividend (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	312,544	147,595	281,657	16,801	82,686	841,283

** These reserve accounts comprise the Company's reserves of approximately RMB528,739,000 in the Company's statement of financial position as at 30 June 2011 (2010: RMB509,647,000).

Consolidated Statement of Cash Flows

For the year ended 30 June 2011

	2011 RMB'000	2010 RMB'000
Cash flows from operating activities		
Profit before income tax	**321,507**	295,324
Adjustments for:		
Interest income	**(1,263)**	(607)
Interest expense	**–**	4,245
Depreciation of property, plant and equipment	**54,742**	33,296
Loss on disposals of property, plant and equipment	**4,826**	513
Amortisation of land use rights	**1,964**	1,639
Operating profits before working capital changes	**381,776**	334,410
Increase in trade receivables	**(9,639)**	(94,733)
(Increase)/decrease in prepayments	**(4,309)**	685
Decrease/(increase) in inventories	**11,598**	(25,184)
(Decrease)/increase in trade and bills payables	**(15,132)**	43,266
(Decrease)/increase in other payables and accruals	**(84)**	2,898
Cash generated from operations	**364,210**	261,342
Income tax paid	**(42,265)**	(43,070)
Net cash generated from operating activities	**321,945**	218,272
Cash flows from investing activities		
Interest received	**1,263**	607
Decrease in pledged bank deposits	**2,108**	9,630
Proceeds from disposals of property, plant and equipment	**–**	55
Payment for purchases of land use rights	**–**	(3,356)
Payment for purchases of property, plant and equipment	**(246,677)**	(71,661)
Net cash used in investing activities	**(243,306)**	(64,725)
Cash flows from financing activities		
Proceeds from issue of new ordinary shares, net of share issue expenses	**–**	225,947
New bank borrowings	**97,380**	162,620
Capital contribution from a shareholder	**–**	99,945
Repayment of bank borrowings	**(165,000)**	(137,000)
Dividends paid	**(75,000)**	(50,000)
Interest paid	**(3,994)**	(4,245)
Net cash (used in)/generated from financing activities	**(146,614)**	297,267
Net (decrease)/increase in cash and cash equivalents	**(67,975)**	450,814
Cash and cash equivalents at beginning of year	**466,949**	16,135
Cash and cash equivalents at end of year	**398,974**	466,949

1. Corporate Information/Group Restructuring

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.

Pursuant to a group restructuring exercise (the "Restructuring Exercise") to rationalise the structure of the Group in preparation for the initial public offering of the Company's shares on the Singapore Exchange Securities Trading Limited ("SGX-ST"), on 3 March 2010, the Company became the holding company of the subsidiaries comprising the Group. This was accomplished by entering into a share swap agreement (the "Share Swap Agreement") between the Company, Super Riches Limited ("Super Riches"), wholly-owned by Mr. Su Qingyuan ("Mr. Su"), and Qing Mei International Investment Limited ("Qing Mei International"). Pursuant to the Share Swap Agreement, the Company acquired the entire issued and paid up share capital of Qing Mei International, the then holding company of the subsidiaries as set out in note 15 to the financial statements, comprising 20,000 shares in Qing Mei International shares from Super Riches. The consideration for the said acquisition amounting to Singapore Dollars ("S$") 47,999,999.90 was satisfied by (i) the crediting as fully paid, at par, of 9,999 nil-paid ordinary shares of S$0.10 in the capital of the Company held by Super Riches; and (ii) the allotment and issue to Super Riches of an aggregate of 479,990,000 new ordinary shares of S$0.10 in the capital of the Company, credited as fully paid at par. Further details of the Restructuring Exercise are set out in note 23 to the financial statements and the Company's Prospectus dated 8 March 2010. The Company's shares were successfully listed on SGX-ST on 17 March 2010.

The Group resulting from the Restructuring Exercise is regarded as a continuing entity as it involved combinations of entities under common control, which were controlled by the same ultimate controlling shareholder, Mr. Su, immediately before and after the Restructuring Exercise. Accordingly, the consolidated financial statements of the Group have been prepared by adopting the uniting of interests method of accounting. Under this method, the Company has been treated as the holding company of its subsidiaries for the financial years presented rather than from the date of acquisition of the subsidiaries. The consolidated financial statements of the Group have been prepared as if the Company has always been the holding company of the Group.

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 2011 were approved for issue by the board of directors (the "Directors") on 26 September 2011.

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

(a) Adoption of new/revised IFRSs – effective 1 July 2010

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 2010:

Various	Improvements to IFRSs 2009

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.

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

(a) Adoption of new/revised IFRSs – effective 1 July 2010 (Continued)

IAS 17 (Amendments) – Leases

As part of Improvements to IFRSs issued in 2009, IAS 17 has been amended in relation to the classification of leasehold land. Before the amendment to IAS 17, the Group was required to classify leasehold land as operating leases and to present leasehold land as prepaid lease payments in the statement of financial position. The amendment to IAS 17 has removed such a requirement and requires that the classification of leasehold land should be based on the general principles set out in IAS 17, that is, whether or not substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee. The Group concluded that the classification of such leases as operating leases continues to be appropriate (See note 5(a)). The adoption of IAS 17 has had no impact during the year and the new accounting policy has been applied prospectively according to the transitional provision in IAS 17 (Amendments).

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

The Directors anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement. Information on new and amended IFRSs that are expected to have impact on the Group's accounting policies is provided below. Certain other new and amended IFRSs have been issued but are not expected to have a material impact of the Group's financial statements.

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	Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income[4]
Amendments to IAS 12	Income Taxes – Deferred Tax: Recovery of Underlying Assets[3]
IAS 19 (2011)	Employee Benefits[5]
IAS 24 (Revised)	Related Party Disclosures[1]
IAS 27 (2011)	Separate Financial Statements[5]
Amendments to IFRS 7	Disclosure – Transfers of Financial Assets[2]
IFRS 9	Financial Instruments[5]
IFRS 10	Consolidated Financial Statements[5]
IFRS 12	Disclosure of interests in other entities[5]
IFRS 13	Fair Value Measurement[5]
Various	Improvements to IFRSs 2010[1]

1 Effective for annual periods beginning on or after 1 January 2011
2 Effective for annual periods beginning on or after 1 July 2011
3 Effective for annual periods beginning on or after 1 January 2012
4 Effective for annual periods beginning on or after 1 July 2012
5 Effective for annual periods beginning on or after 1 January 2013

The amendments to IFRS 7 improve the disclosure requirements for transfer transactions of financial assets and allow users of financial statements to better understand the possible effects of any risks that may remain with the entity on transferred assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period.

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

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

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.

3. Basis of Preparation

(a) Statement of Compliance

The financial statements on pages 33 to 70 have been prepared in accordance with all IFRSs which collective term includes all applicable individual International Financial Reporting Standards and Interpretations approved by the International Accounting Standards Board ("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.

(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.

4. Summary of Significant Accounting Policies (Continued)

(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

Subsidiaries are entities (including special purpose entities) over which the Group has the power to control its financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

In the Company's statement of financial position, subsidiaries are carried at cost less any impairment loss unless the subsidiary is held for sale or included in a disposal group. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the reporting date. All dividends whether received out of the investee's pre or post-acquisition profits are recognised in the Company's profit or loss.

(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.

4. Summary of Significant Accounting Policies (Continued)

(d) Property, Plant and Equipment (Continued)

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.

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.

4. Summary of Significant Accounting Policies (Continued)

(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.

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) it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; or

(iv) significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

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.

4. Summary of Significant Accounting Policies (Continued)

(i) Financial Assets (Continued)

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.

(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.

4. Summary of Significant Accounting Policies (Continued)

(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.

(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.

4. Summary of Significant Accounting Policies (Continued)

(m) Income Taxes (Continued)

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.

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.

4. Summary of Significant Accounting Policies (Continued)

(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.

(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.

4. Summary of Significant Accounting Policies (Continued)

(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;

(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

For the purpose of these financial statements, a party is considered to be related to the Group if:

(i) the party has the ability, directly, or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

(ii) the Group and the party are subject to common control;

(iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;

(iv) the party is a member of the key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

(vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

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 has reassessed the classification of its unexpired land use rights in the PRC upon the adoption of the IAS 17 (Amendments). 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	
	2011	2010
	RMB'000	RMB'000
MD I shoe soles	**477,804**	443,501
MD II shoe soles	**750,208**	679,361
RB shoe soles	**64,427**	58,036
	1,292,439	1,180,898

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	
	2011	2010
	RMB'000	RMB'000
Other income		
Interest income on financial assets that are not at fair value through profit or loss	**1,263**	607
Gains		
Gains on disposals of scrap materials	**293**	175
Net foreign exchange gain	**10,389**	–
	10,682	175
	11,945	782

7. Finance Costs

	Group	
	2011	2010
	RMB'000	RMB'000
Interest charges on financial liabilities carried at amortised cost:		
- Bank borrowings wholly repayable within five years	**3,994**	4,245
Less: Interest capitalised as qualifying assets	**(3,994)**	–
	–	4,245

The borrowing costs have been capitalised at a rate of 5.6% per annum for the year ended 30 June 2011 (2010: Nil).

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.

During the year, approximately RMB182,424,000 or 14% of the Group's revenues depended on a single customer in the sale of shoe soles (2010: approximately RMB121,487,000 or 10%).

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	
	2011	2010
	RMB'000	RMB'000
Amortisation of land use rights (note 14)	**1,964**	1,639
Cost of inventories sold	**590,968**	558,800
Loss on disposals of property, plant and equipment	**4,826**	513
Depreciation of property, plant and equipment (note 13)	**54,742**	33,296
Research and development costs (note (ii))	**26,602**	20,554
Net foreign exchange (gain)/loss	**(10,389)**	2,417
Staff costs (including directors' remuneration) (note 25(iii))		
- Wages, salaries and other short-term benefits	**186,075**	168,975
- Defined contributions	**12,117**	9,618
	198,192	178,593

Notes:

(i) No other non-audit fees were paid to the independent auditor by the Group and the Company during the year. The independent auditor received non-audit fee of approximately RMB2,726,000 during the year ended 30 June 2010 for acting as the reporting accountants in respect of the preparation of the initial public offering of the Company's shares on the SGX-ST.

(ii) Research and development costs of approximately RMB18,294,000 (2010: RMB14,909,000) and RMB8,308,000 (2010: RMB5,645,000) 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	
	2011	2010
	RMB'000	RMB'000
Current tax		
The PRC		
- Income tax (note (ii))	**40,887**	39,198
- Withholding tax (note (iii))	**5,000**	8,632
	45,887	47,830
Deferred tax (note (b))	**–**	(2,500)
	45,887	45,330

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.

(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 RMB100,000,000 received by HK Qingmei Trading Group Develop Limited ("HK Qingmei") from Qingmei China.

During the year ended 30 June 2010, the Group has recognised withholding tax, totally comprising (i) 5% imposed on interim dividends of approximately RMB50,000,000 received by HK Qingmei from Qingmei China before the Restructuring Exercise; and (ii) 5% imposed on the interim dividends of approximately RMB122,632,000 declared and payable by Qingmei China to HK Qingmei after the Restructuring Exercise.

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

10. Income Tax Expense (Continued)

(a) (Continued)

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

	Group	
	2011 RMB'000	2010 RMB'000
Profit before income tax	**321,507**	295,324
Tax calculated at domestic tax rates applicable to profits in the respective jurisdictions	**80,377**	73,831
Non-taxable income	**(2,432)**	–
Non-deductible expenses	**10,168**	8,630
Effect of Tax Holiday of a subsidiary	**(47,226)**	(43,263)
Withholding tax on dividend received by a subsidiary	**5,000**	8,632
Reversal of withholding tax on undistributed earnings (note (b))	**–**	(2,500)
Income tax expense	**45,887**	45,330

(b) A reversal of deferred tax in respect of the withholding tax on undistributed earnings of RMB2,500,000 was made during the year ended 30 June 2010, following the interim dividends of approximately RMB50,000,000 were being paid by Qingmei China to its immediate holding company, HK Qingmei before the Restructuring Exercise. There is no deferred tax recognised in respect of the above-mentioned matter as at reporting date.

The following is the deferred tax recognised and movements thereon during the year ended 30 June 2010:

	Group Withholding tax on undistributed earnings RMB'000
At 1 July 2009	2,500
Credited to profit or loss during the year ended 30 June 2010 (note (a))	(2,500)
At 30 June 2010, 1 July 2010 and 30 June 2011	**–**

(c) At the reporting date, deferred tax liabilities amounted to approximately RMB21,607,000 (2010: RMB13,691,000) 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	
	2011 **RMB'000**	2010 RMB'000
Interim dividends (note (i))	–	50,000
Proposed final dividends (note (ii)) - RMB0.1292 per share (2010: RMB0.1172)	**82,686**	75,000

Notes:

(i) Interim dividends of approximately RMB50,000,000 represented dividends paid by Qing Mei International to its then equity owner before the Restructuring Exercise in 2010. The rates of dividend and the number of shares ranking for dividends are not presented as such information are not meaningful.

(ii) A final dividend of RMB0.1292 (2010: RMB0.1172) per ordinary share, amounting to approximately RMB82,686,000 (2010: RMB75,000,000) has been proposed and will be submitted for formal approval at the forthcoming Annual General Meeting. As such, the final dividend proposed has not been recognised as a liability at reporting dates, but reflected as an appropriation of retained profits during the year. The proposed 2011 final dividends will be payable in cash with a scrip dividend alternative.

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

	Group	
	2011 **RMB'000**	2010 RMB'000
Final dividend paid to the owners of Company, per ordinary share in respect of the previous financial year: - RMB0.1172 per share	**75,000**	–

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 RMB275,620,000 (2010: RMB249,994,000) and on 640,000,000 (2010: weighted average of 526,465,753) ordinary shares in issue during the year.

Diluted earnings per share for the years ended 30 June 2011 and 2010 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 2009						
Cost	139,793	112,181	4,685	4,253	2,504	263,416
Accumulated depreciation	(17,300)	(53,954)	(2,221)	(1,538)	–	(75,013)
Net book amount	122,493	58,227	2,464	2,715	2,504	188,403
Year ended 30 June 2010						
Opening net book amount	122,493	58,227	2,464	2,715	2,504	188,403
Additions	–	19,851	1,314	–	50,496	71,661
Transfer in/(out)	3,000	–	–	–	(3,000)	–
Disposals	–	(341)	(207)	(20)	–	(568)
Depreciation (note 9)	(6,381)	(25,461)	(740)	(714)	–	(33,296)
Closing net book amount	119,112	52,276	2,831	1,981	50,000	226,200
At 30 June 2010 and 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

	Group	
	2011 RMB'000	2010 RMB'000
Depreciation charged to:		
Cost of sales	**49,939**	29,516
Administrative expenses	**4,802**	3,779
Selling and distribution expenses	**1**	1
	54,742	33,296

13. Property, Plant and Equipment (Continued)

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 the reporting date, the leasehold buildings included certain buildings with net book amounts of approximately RMB121,569,000 (2010: Nil) for which the Group is still in the process of obtaining the building ownership certificates. These buildings with net book amounts of approximately RMB78,148,000 (2010: Nil) are erected on lands for which the relevant land use rights certificates have been obtained by the Group and with net book amounts of RMB43,421,000 (2010: Nil) 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	
	2011	2010
	RMB'000	RMB'000
At 1 July		
Gross carrying amount	**82,991**	82,991
Accumulated amortisation	**(6,693)**	(5,054)
Net carrying amount	**76,298**	77,937
For the year ended 30 June		
Opening net carrying amount	**76,298**	77,937
Additions	**21,668**	–
Amortisation charge (note 9)	**(1,964)**	(1,639)
Closing net carrying amount	**96,002**	76,298
At 30 June		
Gross carrying amount	**104,659**	82,991
Accumulated amortisation	**(8,657)**	(6,693)
Net carrying amount	**96,002**	76,298

	Group	
	2011	2010
	RMB'000	RMB'000
Amortisation charged to:		
Cost of sales	**983**	983
Administrative expenses	**981**	656
	1,964	1,639

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 the reporting date, the land use rights included net carrying amounts of approximately RMB21,343,000 (2010: Nil) 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 2011 RMB'000	Company 2010 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 2011 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	Percentage of equity attributable to the Company Indirect	Principal activities
Qing Mei International	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	
	2011	2010
	RMB'000	RMB'000
Raw materials	**2,392**	11,630
Work in progress	**30,084**	34,262
Finished goods	**6,647**	4,829
	39,123	50,721

17. Trade Receivables

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

	Group	
	2011	2010
	RMB'000	RMB'000
Neither past due nor impaired	**278,110**	269,454
1 – 30 days past due	**8,393**	10,307
31 – 60 days past due	**2,897**	–
	11,290	10,307
Total trade receivables, net	**289,400**	279,761

Notes:

(i) The trade receivables generally have credit terms ranging from 60 days to 90 days (2010: 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 2011 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 (2010: RMB43,778,000) are pledged for certain bank borrowings of the Group (note 22(ii)).

(iii) Included in the Group's trade receivables are amount due from a related company (note 25) of approximately RMB13,085,000, which are unsecured, interest free and has credit terms ranging from 60 days to 90 days. The trading balances as at 30 June 2011 due from this related company were fully settled in August 2011.

(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

As at 30 June 2011, the Group's bills payables amounting to approximately RMB4,977,000 (2010: RMB6,207,000) (note 20 (ii)) are secured by pledging of the Group's bank deposits of approximately RMB995,000 (2010: RMB3,103,000). The interest rate per annum on the Group's pledged bank deposit range from 0.40% to 1.98% during the year (2010: 0.36% to 1.98%).

The Directors considered the fair value of pledged bank deposits to approximate their carrying amounts.

19. Cash and Cash Equivalents

As at 30 June 2011, the cash and bank balance denominated in RMB amounted to approximately RMB316,230,000 (2010: RMB304,221,000) 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. Trade and Bills Payables

	Group	
	2011	2010
	RMB'000	RMB'000
Trade payables (note (i))	**129,833**	143,735
Bills payables (note (ii))	**4,977**	6,207
	134,810	149,942

Notes:

(i) Trade payables are non-interest bearing and are normally settled within a 60 to 90 days term (2010: 60 days to 90 days).

(ii) All bills payables of the Group are repayable within 6 months and are secured by pledged bank deposits set out in note 18. As at 30 June 2010, the Group has bills payables of approximately RMB6,207,000 guaranteed by an independent customer*.

(iii) The Directors considered the carrying amounts of trade and bills payables to approximate their fair values.

* *The independent customer represented Jinjiang City Xi Bo Deng Sports Wear Co., Ltd ("Xi Bo Deng"), which is considered as a related company since the Acquisition and thereafter as detailed in note 25. Accordingly it was considered as an independent third party as at 30 June 2010.*

21. Other Payables and Accruals

	Group 2011 RMB'000	Group 2010 RMB'000	Company 2011 RMB'000	Company 2010 RMB'000
Other payables:				
- Land use rights cost payables	**8,181**	3,154	**–**	–
- Value-added tax payables	**13,683**	7,589	**–**	–
- Various other tax payables	**2,535**	2,219	**–**	–
- Others (note (i))	**12,867**	16,998	**–**	–
	37,266	29,960	**–**	–
Accruals	**22,150**	18,013	**1,756**	2,134
	59,416	47,973	**1,756**	2,134

Notes:

(i) As at 30 June 2010, included in the Group's other payables and accruals are amounts due to the director of approximately RMB5,994,000 which are unsecured, interest-free and repayable on demand. The balance has been fully repaid during the year.

(ii) The Directors considered the carrying amounts of other payables and accruals to approximate their fair values.

22. Interest-bearing Bank Borrowings

	Group 2011 RMB'000	Group 2010 RMB'000
Current and repayable within one year		
Bank loans, unsecured (note (i))	**10,000**	45,000
Factoring loan financing (note (ii))	**10,000**	42,620
	20,000	87,620

Notes:

(i) The Group's interest-bearing bank loans as at 30 June 2011 are unsecured with no guarantee. The Group's bank interest-bearing bank loans as at 30 June 2010 were guaranteed by an independent customer*.

The bank loans were bearing interest rates ranging from 5.31% to 5.81% (2010: 5.31% to 9.71%) per annum during the year.

(ii) Factoring loan financing with recourse bears fixed interest rate of 5.35% (2010: ranging from 3.22% to 4.86%) per annum. As at 30 June 2011, the factoring loan financing is secured by the Group's trade receivables of approximately RMB10,174,000 (2010: RMB43,778,000) (note 17(ii)). As at 30 June 2010, certain factoring loan financing of approximately RMB10,000,000 is supported by corporate guarantees executed by an independent customer*.

(iii) The Directors considered the carrying amounts of the interest-bearing bank borrowings to approximate their fair values.

22. Interest-bearing Bank Borrowings (Continued)

Notes: (Continued)

(iv) As at the reporting date, 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 (2010: RMB125,723,000), of which approximately RMB14,977,000 (2010: RMB93,827,000) had been utilised as at 30 June 2011.

* *The independent customer represented Xi Bo Deng, which is considered as a related company since the Acquisition and thereafter as detailed in note 25. Accordingly it was considered as an independent third party as at 30 June 2010.*

23. Share Capital

Group and Company

	Notes	Par value of HK$0.10 each		Par value of S$0.10 each	
		Number of shares	Amount RMB'000	Number of shares	Amount RMB'000
Authorised:					
On 28 August 2009 (date of incorporation), ordinary shares of HK$0.10 each	(a)	3,800,000	334		
Redenomination of currency of share capital from HK$ to S$ pursuant to a written resolution	(b)			500,000	245
Increase of authorised share capital during the year ended 30 June 2010	(d)			999,500,000	484,620
As at 30 June 2010, 1 July 2010 and 30 June 2011				1,000,000,000	484,865
Issued:					
Issued 1 share of HK$0.10 each on 28 August 2009 (date of incorporation)	(a)	1	–		
Issued 1 fully paid share of S$0.10 each upon the redenomination of currency of share capital	(b)			1	–
Cancellation of a fully-paid share of HK$0.10 each	(b)	(1)	–		
Issue of 9,999 shares as nil-paid pursuant to the Restructuring Exercise	(c)			9,999	–
Issue of 479,990,000 shares credited as fully paid the 9,999 nil-paid shares credited as fully paid upon the completion of the Restructuring Exercise	(e)			479,990,000	234,192
Issue of shares by initial public offering as fully paid	(g)			160,000,000	78,352
As at 30 June 2010, 1 July 2010 and 30 June 2011		–	–	640,000,000	312,544

23. Share Capital (Continued)

The movements in share capital were as follows:

(a) As at the date of incorporation, the authorised share capital of the Company was HK$380,000 divided into 3,800,000 ordinary shares of HK$0.10 each and 1 ordinary share of HK$0.10 each was issued as fully paid.

(b) Pursuant to a written resolution dated on 4 November 2009, the currency in which the share capital of the Company denominated was changed from HK$ to S$ and the authorised share capital the Company was consequently changed to S$50,000 divided into 500,000 ordinary shares of S$0.10 each.

On the same date, an issuance of fully-paid 1 share of S$0.10 each and a cancellation of a fully-paid share of HK$0.10 each, were executed.

(c) On 4 November 2009, 9,999 ordinary shares of S$0.10 each were issued as nil-paid to Super Riches.

(d) Pursuant to written resolutions dated on 29 December 2009 and 3 March 2010, the authorised share capital of the Company was increased by 999,500,000 ordinary shares of S$0.10 each to 1,000,000,000 ordinary shares of S$0.10 each.

(e) Pursuant to the Share Swap Agreement entered on 3 March 2010, an aggregate of 9,999 nil-paid ordinary shares of S$0.10 each in the Company were credited as fully paid held by Super Riches; and 479,990,000 ordinary shares of S$0.10 each, credited as fully paid, in consideration of and exchange for the acquisition by the Company of the entire issued share capital of Qing Mei International was issued.

(f) The share capital in the consolidated statement of financial position as at 30 June 2010 represented the capital of the Company, arising on incorporation and from the share exchange described in (a) to (e) above, which is deemed to have been in issue throughout the accounting year presented.

(g) On 16 March 2010, the Company allotted and issued 160,000,000 ordinary shares of S$0.10 each at S$0.31 per share. The shares of the Company were listed on the Main board of the SGX-ST on 17 March 2010.

24. 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.

24. Reserves (Continued)

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.

25. 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) Significant related party transactions during the year

	Group	
	2011	2010
	RMB'000	RMB'000
Sales to a related company	**27,606**	–

Mr. Su, executive director of the Company, acquired Xi Bo Deng in January 2011 (the "Acquisition"). The stated sales to Xi Bo Deng, were considered as related party transactions since the Acquisition and thereafter. The transactions were negotiated and carried out in the ordinary course of business and at terms agreed between the parties.

(ii) Outstanding balances with related parties

Details of the Group's balances with a related company and the director as at the reporting dates are disclosed in notes 17(iii) and 21(i) to the financial statements, respectively.

(iii) Compensation of key management personnel

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

	Group	
	2011	2010
	RMB'000	RMB'000
Total remuneration of directors and other members of key management during the year		
- short-term employee benefits	**3,411**	2,864

26. Capital Commitments

As at 30 June 2011, the Group had the following capital commitments:

		Group 2011 RMB'000	Group 2010 RMB'000
(i)	Contracted, but not provided for, in respect of:		
	- construction of leasehold buildings	**800**	56,000

(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 2011, the Group had the following commitments:

	Group 2011 RMB'000	Group 2010 RMB'000
Contracted, but not provided for, in respect of:		
- advertisement fees negotiated	**3,560**	2,460
- research and development fees negotiated	**4,000**	4,410
	7,560	6,870

The Company did not have any commitments as at 30 June 2011.

27. 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.

The Group's financial instruments mainly consisted of cash and cash equivalents, pledged bank deposits, trade and other receivables, trade and bills payables, other payables and accruals and interest-bearing bank borrowings. 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.

The interest rates and terms of repayment of the Group's interest-bearing bank borrowings are disclosed in note 22. The Group's exposure to fair value interest risk on financial liabilities is minimal. The Group manages interest rate risk by monitoring its interest rate profile regularly and the policies to manage interest rate risk followed by the Group are considered to be effective. 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	
	2011 RMB'000	2010 RMB'000	**2011 RMB'000**	2010 RMB'000
Bank balances denominated in				
- HK$	**52**	356	**–**	–
- S$	**82,692**	162,372	**337**	2,537

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

27. 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 2011, if RMB had weakened/strengthened by 2% (2010: 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 RMB1,654,000 (2010: RMB3,247,000) 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 2010.

(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. The Group's credit risk is primarily attributable to trade and other receivables, pledged bank deposits, and cash and cash equivalents.

The credit risk on pledged bank deposits and 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 amount 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 2011 and 30 June 2010, the remaining contractual maturities of the Group's and Company's financial liabilities which are based on undiscounted cash flows are summarised below:

	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**

	Group 2010				
	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	149,942	149,942	–	149,942	–
Other payables and accruals	47,973	47,973	–	47,973	–
Interest-bearing bank borrowings	87,620	89,689	–	44,437	45,252
	285,535	287,604	–	242,352	45,252

	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**	**–**

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

(v) Liquidity Risk (Continued)

	Company 2010				
	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	2,134	2,134	–	2,134	–

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 2011 and 2010 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	
	2011 RMB'000	2010 RMB'000	**2011 RMB'000**	2010 RMB'000
Financial assets				
Current assets				
Cash and cash equivalents	**398,974**	466,949	**337**	2,537
Pledged bank deposits	**995**	3,103	**–**	–
Loans and receivables				
- Trade receivables	**289,400**	279,761	**–**	–
- Due from subsidiaries	**–**	–	**326,853**	305,939
	689,369	749,813	**327,190**	308,476

	Group		Company	
	2011 RMB'000	2010 RMB'000	**2011 RMB'000**	2010 RMB'000
Financial liabilities				
Current liabilities				
Financial liabilities measured at amortised cost				
- Trade and bills payables	**134,810**	149,942	**–**	–
- Other payables and accruals	**59,416**	47,973	**1,756**	2,134
- Interest-bearing bank borrowings	**20,000**	87,620	**–**	–
	214,226	285,535	**1,756**	2,134

28. Notes to the Consolidated Statement of Cash Flows

Major Non-cash Transactions

(i) 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.

(ii) 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.

29. Directors' Remuneration

The remuneration of the directors of the Company analysed into the following bands is disclosed in compliance with rule 1207(11) of Chapter 12 of the Listing Manual of SGX-ST:

Year ended 30 June 2011

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

Period ended 30 June 2010

	Executive directors	Non-executive directors	Total
Below S$250,000 (equivalent to approximately RMB1,209,000)	3	3	6

30. 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 2011 and 2010 amounted to approximately RMB1,024,066,000 and RMB823,446,000 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 2011

Share Capital

Authorised share capital	-	S$100,000,000
Issued and fully paid-up share capital	-	S$64,000,000
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	1	0.09	54	0.00
1,000 – 10,000	281	26.71	1,907,946	0.30
10,001 – 1,000,000	745	70.82	67,810,000	10.59
1,000,001 and above	25	2.38	570,282,000	89.11
Total	**1,052**	**100.00**	**640,000,000**	**100.00**

Substantial Shareholders

	Direct Interest		Deemed Interest	
	Number of Shares	%	Number of Shares	%
High Crown Limited	409,632,000	64.01	–	–
Mr Su Qingyuan(1)	6,000,000	0.94	409,632,000	64.01
Hunter Hall Investment Management Limited and its related entities(2)	–	–	47,450,000	7.41

Note:

(1) Mr Su Qingyuan is deemed to be interested in 409,632,000 shares held by High Crown Limited, which is wholly owned by Mr Su Qingyuan.

(2) Hunter Hall Investment Management Limited and its related entities are deemed to be interested in 47,450,000 shares held through their nominees.

Statistics of Shareholdings

As at 19 September 2011

Twenty Largest Shareholders

	Name	No. of Shares	%
1	HIGH CROWN LIMITED	409,632,000	64.01
2	DBSN SERVICES PTE LTD	49,024,000	7.66
3	LIM & TAN SECURITIES PTE LTD	28,421,000	4.44
4	UOB KAY HIAN PTE LTD	25,150,000	3.93
5	NG CHEOW BOO	7,127,000	1.11
6	DBS NOMINEES PTE LTD	6,371,000	1.00
7	HL BANK NOMINEES (S) PTE LTD	5,739,000	0.90
8	BNP PARIBAS NOMINEES SINGAPORE PTE LTD	5,193,000	0.81
9	OCBC SECURITIES PRIVATE LTD	4,574,000	0.71
10	PHILLIP SECURITIES PTE LTD	3,720,000	0.58
11	GONG NGIE KING @ KONG NGIE KING	3,100,000	0.48
12	UNITED OVERSEAS BANK NOMINEES PTE LTD	2,511,000	0.39
13	HO SOON SANG	2,112,000	0.33
14	KIM ENG SECURITIES PTE. LTD.	2,045,000	0.32
15	KOH BOON CHYE (GAO WENCAI)	1,915,000	0.30
16	CITIBANK NOMINEES SINGAPORE PTE LTD	1,896,000	0.30
17	LIM PUAY KIANG	1,600,000	0.25
18	CHEN YI	1,570,000	0.25
19	HONG LEONG FINANCE NOMINEES PTE LTD	1,330,000	0.21
20	TEO SEOK HIANG	1,303,000	0.20
	TOTAL	**564,333,000**	**88.18**

Percentage of Shareholding held in Public Hands

Based on the information available to the Company as at 19 September 2011, approximately 35.06% 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 4, Enterprise Room, Raffles City Convention Centre, 80 Bras Basah Road, Singapore 189560 on Monday, 31 October 2011 at 10.00 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 2011 together with the Auditor Report thereon. **(Resolution 1)**

2. To declare a Final Dividend of RMB0.1292 per ordinary share (tax not applicable) for the financial year ended 30 June 2011. [See Explanatory Note (i)] **(Resolution 2)**

3. To re-elect Mr Tan Siok Sing, a Director retiring by rotation. [See Explanatory Note (ii)] **(Resolution 3)**

4. To re-elect Mr Su Shubiao, a Director retiring by rotation. **(Resolution 4)**

5. To approve the payment of S$210,000 as Directors' Fees for the financial year ending 30 June 2012, to be paid quarterly in arrears. **(Resolution 5)**

6. To re-appoint Messrs BDO Limited, Certified Public Accountants, Hong Kong as Auditor of the Company for the ensuing year and to authorise the Directors to fix their remuneration. **(Resolution 6)**

7. 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:

8. **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 Adjustment 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 (iii)] **(Resolution 7)**

9. **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 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 per cent. (15%) of the total number of issued shares excluding treasury shares of the Company from time to time."
[See Explanatory Note (iv)] **(Resolution 8)**

Notice of Annual General Meeting

10. **AUTHORITY TO ALLOT AND ISSUE SHARES UNDER THE SCRIP DIVIDEND SCHEME**

"That authority be given to the Directors of the Company to allot and issue from time to time such number of new fully-paid ordinary shares in the capital of the Company as may be required to be allotted and issued pursuant to the scrip dividend scheme of the Company (the "Scrip Dividend Scheme").
[See Explanatory Note (v)] **(Resolution 9)**

By Order of the Board

Au-Yeung Yu Ching
Joint Company Secretary

Singapore, 12 October 2011

Explanatory Notes:

(i) The Company intends to apply the Scrip Dividend Scheme to the proposed Final Dividend of RMB0.1292 per ordinary share (tax not applicable) for the financial year ended 30 June 2011.

(ii) Mr Tan Siok Sing will, upon re-election as a Director of the Company, remain as the Chairman of the Audit Committee and the Remuneration Committee as well as a member of the Nominating Committee. Mr Tan is the Lead Independent Director.

(iii) **Ordinary Resolution 7** proposed in item 8. 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 7 (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 7, 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 7, 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.

(iv) **Ordinary Resolution 8** proposed in item 9. 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.

(v) **Ordinary Resolution 9** proposed in item 10. above, if passed, will empower the Directors to allot and issue new fully-paid ordinary shares in the capital of the Company pursuant to the Scrip Dividend Scheme to shareholders who/which, in respect of a qualifying dividend, have elected to receive their dividends in the form of shares in lieu of part only or all of the cash amount of that qualifying dividend.

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.

Boulton Capital Asia Pte. Limited and SAC Capital Private Limited were the joint issue managers for the initial public offering of Qingmei Group Holdings Limited (the "Company"). This announcement has been prepared and released by the Company.

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)
Ni Xiaorong (Independent Director)
Pek Yew Chai (Independent Director)

AUDIT COMMITTEE

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

NOMINATING COMMITTEE

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

REMUNERATION COMMITTEE

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

JOINT COMPANY SECRETARIES

Au-Yeung Yu Ching, CPA
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
Partner-in-charge: Andrew Lam
(Appointed from the financial year
ended 30 June 2011)

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

INVESTOR RELATIONS ADVISOR

Citigate Dewe Rogerson, i.MAGE
1 Raffles Place #26-02
One Raffles Place
Singapore 048616

Sucuo Village
Chendai Town
Jinjiang City
Fujian Province 362200
People's Republic of China

QINGMEI GROUP HOLDINGS LIMITED
清美集團控股有限公司

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