



QINGMEI GROUP HOLDINGS LIMITED

清美集團控股有限公司

(Incorporation in the Cayman Islands with registration number CT-230192)

FULL YEAR FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT

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.

PART I – INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY, HALF YEAR AND FULL YEAR ANNOUNCEMENTS

1(a) A statement of comprehensive income (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year

	Group					
	Three months ended			Year ended		
	30.06.2011 (Unaudited) RMB'000	30.06.2010 (Unaudited) RMB'000	Change	30.06.2011 (Unaudited) RMB'000	30.06.2010 (Audited) RMB'000	Change
Revenue	359,593	303,551	18.5%	1,292,439	1,180,898	9.4%
Cost of sales	(256,320)	(207,980)	23.2%	(919,277)	(820,219)	12.1%
Gross profit	103,273	95,571	8.1%	373,162	360,679	3.5%
Other income and gains	1,449	237	511.4%	11,945	782	1,427.5%
Selling and distribution expenses	(3,580)	(3,422)	4.6%	(12,385)	(12,249)	1.1%
Administrative expenses	(8,212)	(9,370)	-12.4%	(32,841)	(29,146)	12.7%
Other expenses	(11,354)	(3,112)	264.8%	(18,374)	(20,497)	-10.4%
Finance costs	-	(1,107)	-100.0%	-	(4,245)	-100.0%
Profit before income tax	81,576	78,797	3.5%	321,507	295,324	8.9%
Income tax expense	(16,999)	(15,829)	7.4%	(45,887)	(45,330)	1.2%
Profit for the period/year attributable to the owners of the Company	64,577	62,968	2.6%	275,620	249,994	10.3%
Other comprehensive income	-	-	N/A	-	-	N/A
Total comprehensive income for the period/year attributable to the owners of the Company	64,577	62,968	2.6%	275,620	249,994	10.3%
Earnings per share for profit attributable to the owners of the Company						
- Basic (RMB cents)	10.1	12.0		43.1	47.5	
- Diluted (RMB cents)	N/A	N/A		N/A	N/A	

Notes:

1. 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 and was listed on the Mainboard of the Singapore Exchange Securities Trading Limited (the "SGX-ST") on 17 March 2010. The principle activity of the Company is an investment holding company.
2. On 3 March 2010, the Company completed its restructuring exercise as set out in the Company's prospectus dated 8 March 2010 (the "Restructuring Exercise") to rationalise the Group's structure in preparation for the initial public offering of the Company's shares on the Mainboard of the SGX-ST. Subsequently on 17 March 2010, the Company was admitted to the Official List of the SGX-ST.

The operations of the Company and its subsidiaries (collectively the "Group") are carried out by Qingmei (China) Co., Ltd. ("Qingmei (PRC)"), a wholly foreign-owned enterprise, which was established with limited liabilities in the PRC on 29 April 2006. Since its incorporation, Qingmei (PRC) is indirectly wholly-owned by Qing Mei International Investment Limited ("Qingmei (BVI)"), a business company incorporated in the British Virgin Islands with limited liability. Pursuant to the Restructuring Exercise, the Company issued 480,000,000 shares to acquire the entire issued and paid up shares capital of Qingmei (BVI) and became the ultimate shareholder of Qingmei (PRC).

The Group is regarded as a continuing entity resulting from the Restructuring Exercise since the Company and Qingmei (BVI) were under common control before and immediately after the Restructuring Exercise. Consequently, immediately after the Restructuring Exercise, there was a continuation of the risks and benefits to the ultimate shareholders that existed prior to the Restructuring Exercise. Accordingly, the financial statements have been prepared as a reorganisation of business under common control as if the Restructuring Exercise was effective at the beginning of the earliest period presented.

Profit before income tax is determined after charging/(crediting) the following:

	Group					
	Three months ended			Year ended		
	30.06.2011	30.06.2010	Change	30.06.2011	30.06.2010	Change
	(Unaudited)	(Unaudited)		(Unaudited)	(Audited)	
	RMB'000	RMB'000		RMB'000	RMB'000	
Interest income	(356)	(237)	50.2%	(1,263)	(607)	108.1%
Loss on disposals of property, plant and equipment	4,826	-	100.0%	4,826	513	840.7%
Interest on bank borrowings	-	1,107	-100.0%	-	4,245	-100.0%
Net foreign exchange (gain)/loss	(905)	2,417	N/A	(10,389)	2,417	N/A
Amortisation of land use rights	627	410	52.9%	1,964	1,639	19.8%
Depreciation	14,696	9,603	53.0%	54,742	33,296	64.4%

1(b)(i) Statements of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year

	Group		Company	
	30.06.2011	30.06.2010	30.06.2011	30.06.2010
	(Unaudited)	(Audited)	(Unaudited)	(Audited)
	RMB'000	RMB'000	RMB'000	RMB'000
ASSETS AND LIABILITIES				
Non-current assets				
Property, plant and equipment	423,803	226,200	-	-
Land use rights	96,002	76,298	-	-
Deposits paid for land use rights	-	16,641	-	-
Investments in subsidiaries	-	-	515,849	515,849
	<u>519,805</u>	<u>319,139</u>	<u>515,849</u>	<u>515,849</u>
Current assets				
Inventories	39,123	50,721	-	-
Trade receivables	289,400	279,761	-	-
Prepayments	9,579	5,270	-	-
Due from subsidiaries	-	-	326,853	305,939
Pledged bank deposits	995	3,103	-	-
Cash and cash equivalents	398,974	466,949	337	2,537
	<u>738,071</u>	<u>805,804</u>	<u>327,190</u>	<u>308,476</u>
Current liabilities				
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	-	-
Current income tax liabilities	19,584	15,962	-	-
	<u>233,810</u>	<u>301,497</u>	<u>1,756</u>	<u>2,134</u>
Net current assets	<u>504,261</u>	<u>504,307</u>	<u>325,434</u>	<u>306,342</u>
Net assets	<u>1,024,066</u>	<u>823,446</u>	<u>841,283</u>	<u>822,191</u>
EQUITY				
Equity attributable to the owners of the Company				
Share capital	312,544	312,544	312,544	312,544
Reserves	711,522	510,902	528,739	509,647
Total equity	<u>1,024,066</u>	<u>823,446</u>	<u>841,283</u>	<u>822,191</u>

1(b)(ii) Aggregate amount of group's borrowings and debt securities

		Group	
		As at 30.06.2011 RMB'000	As at 30.06.2010 RMB'000
	Notes		
Amount repayable in one year or less, or on demand			
- Secured bank loans	(a)	10,000	42,620
- Secured bills payables	(b)	4,977	6,207
- Unsecured bank loans	(c)	10,000	45,000
		<hr/>	<hr/>
		24,977	93,827

Details of any collateral:

- (a) As at 30 June 2011 and 30 June 2010, the Group's secured bank loans were secured by the Group's trade receivables of approximately RMB10.2 million and RMB43.8 million, respectively. Certain secured bank loans of approximately RMB10 million as at 30 June 2010, were supported by corporate guarantee executed by an independent major customer*.
- (b) As at 30 June 2011 and 30 June 2010, the Group's bills payables amounted to approximately RMB4.98 million and RMB6.21 million, respectively, were secured by the Group's pledged bank deposits. As at 30 June 2010, the Group's bills payables were guaranteed by an independent major customer*. As at 30 June 2011, there was no guarantee upon bills payables.
- (c) As at 30 June 2011, the Group's unsecured bank loans amounted to approximately RMB10.0 million with no guarantee. The unsecured bank loan as at 30 June 2010 was guaranteed by an independent major customer*.

* The independent major customer represents Jinjiang Xibodeng Sportswear Co., Ltd. ("Xibodeng"). Xibodeng has become an interested party to the Group since the acquisition by Mr. Su Qingyuan as detailed in Note 13. Accordingly, Xibodeng was still considered as a major independent customer to the Group as at 30 June 2010.

1(c) A statement of the cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year

	Group			
	Three months ended		Year ended	
	30.06.2011	30.06.2010	30.06.2011	30.06.2010
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	RMB'000	RMB'000	RMB'000	RMB'000
Cash flows from operating activities				
Profit before income tax	81,576	78,797	321,507	295,324
Adjustments for:				
Interest income	(356)	(237)	(1,263)	(607)
Interest expense	-	1,107	-	4,245
Loss on disposals of property, plant and equipment	4,826	-	4,826	513
Depreciation of property, plant and equipment	14,696	9,603	54,742	33,296
Amortisation of land use rights	627	410	1,964	1,639
Operating profits before working capital changes	101,369	89,680	381,776	334,410
Increase in trade receivables	(12,927)	(55,957)	(9,639)	(94,733)
(Increase)/decrease in prepayments	(8,508)	3,232	(4,309)	685
Decrease/(increase) in inventories	20,700	(2,227)	11,598	(25,184)
Increase/(decrease) in trade and bills payables	3,027	39,617	(15,132)	43,266
(Decrease)/increase in other payables and accruals	(15,059)	(11,536)	(84)	2,898
Cash generated from operations	88,602	62,809	364,210	261,342
Income tax paid	(10,133)	(10,053)	(42,265)	(43,070)
Net cash generated from operating activities	78,469	52,756	321,945	218,272
Cash flows from investing activities				
Interest received	356	237	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)	-	(3,356)
Payment for purchases of property, plant and equipment	(84,817)	(1,499)	(246,677)	(71,661)
Net cash used in investing activities	(84,461)	(4,618)	(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	-	32,620	97,380	162,620
Repayment of bank borrowings	(50,000)	(20,000)	(165,000)	(137,000)
Dividends paid	-	-	(75,000)	(50,000)
Capital contribution from a shareholder	-	-	-	99,945
Interest paid	(797)	(1,107)	(3,994)	(4,245)
Net cash (used in)/generated from financing activities	(50,797)	11,513	(146,614)	297,267
Net (decrease)/increase in cash and cash equivalents	(56,789)	59,651	(67,975)	450,814
Cash and cash equivalents at beginning of financial period/year	455,763	407,298	466,949	16,135
Cash and cash equivalents at end of financial period/year	398,974	466,949	398,974	466,949

1(d)(i) A statement of (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

GROUP

	Issued capital (Audited) RMB'000	Share premium (Audited) RMB'000	Capital reserves (Audited) RMB'000	Exchange reserve (Audited) RMB'000	Statutory reserve (Audited) RMB'000	Retained profits (Audited) RMB'000	Proposed final dividends (Audited) RMB'000	Total equity (Audited) RMB'000
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	-	-	-	-	-	(50,000)	-	(50,000)
Transaction with owners	78,352	147,595	99,945	-	-	(50,000)	-	275,892
Profit for the year	-	-	-	-	-	249,994	-	249,994
Other comprehensive income for the year	-	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	-	249,994	-	249,994
Appropriations to statutory reserve	-	-	-	-	27,596	(27,596)	-	-
2010 final dividends proposed	-	-	-	-	-	(75,000)	75,000	-
At 30 June 2010	312,544	147,595	(77,023)	2	63,362	301,966	75,000	823,446

	Issued capital (Unaudited) RMB'000	Share premium (Unaudited) RMB'000	Capital reserves (Unaudited) RMB'000	Exchange reserve (Unaudited) RMB'000	Statutory reserve (Unaudited) RMB'000	Retained profits (Unaudited) RMB'000	Proposed final dividends (Unaudited) RMB'000	Total equity (Unaudited) RMB'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	-	-	-	-	-	-	(75,000)	(75,000)
Transaction with owners	-	-	-	-	-	-	(75,000)	(75,000)
Profit for the year	-	-	-	-	-	275,620	-	275,620
Other comprehensive income for the year	-	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	-	275,620	-	275,620
Appropriations to statutory reserve	-	-	-	-	27,714	(27,714)	-	-
2011 final dividends proposed	-	-	-	-	-	(82,686)	82,686	-
At 30 June 2011	312,544	147,595	(77,023)	2	91,076	467,186	82,686	1,024,066

COMPANY

	Issued capital (Audited) RMB'000	Share premium (Audited) RMB'000	Contributed surplus (Audited) RMB'000	Retained profits (Audited) RMB'000	Proposed final dividends (Audited) RMB'000	Total equity (Audited) RMB'000
Balance 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	-	-	-	80,395	-	80,395
Other comprehensive income for the period	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	80,395	-	80,395
2010 final dividends proposed	-	-	-	(75,000)	75,000	-
At 30 June 2010	312,544	147,595	281,657	5,395	75,000	822,191

COMPANY

	Issued capital (Unaudited) RMB'000	Share premium (Unaudited) RMB'000	Contributed surplus (Unaudited) RMB'000	Retained profits (Unaudited) RMB'000	Proposed final dividends (Unaudited) RMB'000	Total equity (Unaudited) RMB'000
Balance at 30 June 2010 and 1 July 2010	312,544	147,595	281,657	5,395	75,000	822,191
Dividends	-	-	-	-	(75,000)	(75,000)
Transaction with owners	-	-	-	-	(75,000)	(75,000)
Profit for the year	-	-	-	94,092	-	94,092
Other comprehensive income for the year	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	94,092	-	94,092
2011 final dividends proposed	-	-	-	(82,686)	82,686	-
At 30 June 2011	312,544	147,595	281,657	16,801	82,686	841,283

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year

There were no changes in the Company's share capital for the year ended 30 June 2011.

There were no share options or convertibles outstanding that may be converted into the Company's shares as at 30 June 2011.

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

Company	As at 30.06.2011	As at 30.06.2010
Total number of issued shares	640,000,000	640,000,000
Less: Treasury shares	-	-
Total number of issued share capital excluding treasury shares	<u>640,000,000</u>	<u>640,000,000</u>

1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on

Not Applicable. As at end of the current financial year reported, the Company did not have any treasury shares.

2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice

The figures have neither been audited nor reviewed by the Company's auditor.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter)

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied

The Group has adopted the same accounting policies and methods of computation as stated in the audited financial statements of the Group for the year ended 30 June 2010, except for the adoption of the new and amended International Financial Reporting Standards ("IFRSs") which became effective on 1 July 2010. The adoption of these IFRSs did not give rise to significant changes in the financial statements.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change

Not applicable.

6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends

	Group			
	Three months ended		Year ended	
	30.06.2011 (Unaudited)	30.06.2010 (Unaudited)	30.06.2011 (Unaudited)	30.06.2010 (Audited)
Earnings per share				
Basic (RMB cents)	10.1	12.0	43.1	47.5
Diluted (RMB cents)	N/A	N/A	N/A	N/A

The calculation of basic earnings per share for three months and year ended 30 June 2011 is computed on the profit attributable to the owners of the Company, divided by the 640,000,000 ordinary shares in issue during the period/year.

The calculation of basic earnings per share for the three months and year ended 30 June 2010, divided by the weighted average number of 526,465,753 ordinary shares in issue.

There were no potential ordinary shares in existence for the years ended 30 June 2011 and 30 June 2010. Accordingly, no diluted earnings per share has been presented.

7. Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the (a) current financial period reported on; and (b) immediately preceding financial year

	Group		Company	
	30.06.2011	30.06.2010	30.06.2011	30.06.2010
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Net asset value per share (RMB)	1.60	1.29	1.31	1.28

Net asset value per ordinary share of the Group/Company is calculated based on the shareholders' equity of the Group as at the end of financial period divided by the number of ordinary shares in issue of 640,000,000 as at 30 June 2011 and 30 June 2010.

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-

- (i) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and
- (ii) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on

(A) REVIEW OF OPERATING PERFORMANCE

	Group					
	Three months ended			Year ended		
	30.06.2011	30.06.2010	Change	30.06.2011	30.06.2010	Change
	(Unaudited)	(Unaudited)		(Unaudited)	(Unaudited)	
	RMB'000	RMB'000		RMB'000	RMB'000	
Revenue						
MD II shoe soles ("MD II")	185,174	194,490	-4.8%	750,208	679,361	10.4%
MD I shoe soles ("MD I")	154,365	92,659	66.6%	477,804	443,501	7.7%
RB shoe soles ("RB")	20,054	16,402	22.3%	64,427	58,036	11.0%
Total	359,593	303,551	18.5%	1,292,439	1,180,898	9.4%

	Group					
	Three months ended			Year ended		
	30.06.2011	30.06.2010	Change	30.06.2011	30.06.2010	Change
	(Unaudited)	(Unaudited)		(Unaudited)	(Unaudited)	
	Total	Total		Total	Total	
	units sold	units sold		units sold	units sold	
	'000	'000		'000	'000	
Sales volume						
MD II shoe soles	6,366	6,579	-3.2%	25,562	23,038	11.0%
MD I shoe soles	5,681	3,351	69.5%	17,767	16,394	8.4%
RB shoe soles	1,721	1,435	19.9%	5,590	4,868	14.8%
Total	13,768	11,365	21.1%	48,919	44,300	10.4%

Revenue, Gross Profit and Gross Profit Margin

Our revenue increased by approximately 9.4% or RMB111.5 million from RMB1,180.9 million for the year ended 30 June 2010 ("FY2010") to RMB1,292.4 million for the year ended 30 June 2011 ("FY2011"). This was due mainly to the moderate growth of 10.4% in sales volume from 44.3 million pairs to 48.9 million pairs and offset marginal decrease in average selling price ("ASP"). For the year under review, our revenue from MD II, MD I and RB recorded growth of 10.4%, 7.7% and 11.0%, respectively.

Our revenue increased by approximately 18.5% or RMB56.0 million from RMB303.6 million for the three months ended 30 June 2010 ("4QFY10") to RMB 359.6 million for the three months ended 30 June 2011 ("4QFY11"). This was due mainly to the increase of 21.1% in sales volume from 11.4 million pairs to 13.8 million pairs. For the period under review, our sale volume from MD I and RB grew by 69.5% and 19.9%, respectively, whereas our sale volume from MD II decreased by 3.2%.

Gross profit increased by approximately 3.5% or RMB12.5 million from RMB360.7 million for FY2010 to RMB373.2 million for FY2011. However, gross profit margin narrowed to 28.9% for FY2011 from 30.5% for FY2010 due to higher cost of production overheads and decrease in ASP during the year.

Gross profit increased by approximately 8.1% or RMB7.7 million from RMB95.6 million for 4QFY10 to RMB103.3 million for 4QFY11. However, the gross profit margin narrowed to 28.7% in FY2011 from 31.5% in FY2010 due mainly to the lower average selling price and higher cost of production overheads. The shift in product mix from MD II to MD I also contributed to the decrease as MD I product fetched lower gross margins than MD II, lowering the overall gross profit margin of our products.

Other income and gains

Other income and gains increased by 1,427.5% or RMB11.1 million from RMB0.8 million for FY2010 to RMB11.9 million for FY2011. The increase was due mainly due to exchange gain amounted to RMB10.4 million for FY2011 on the Group's outstanding bank deposits in Singapore Dollar as the Singapore Dollar continued to appreciate against the Renminbi during the year.

Selling and distribution expenses

Selling and distribution expenses increased by approximately 1.1% or RMB0.2 million from RMB12.2 million for FY2010 to RMB12.4million for FY2011. For 4QFY10 versus 4QFY11, the increase was approximately 4.6% or RMB0.2 million from RMB3.4 million for 4QFY10 to RMB3.6 million for 4QFY11. The increase was mainly attributable to the increase in advertising expenses in connection with the promotion of our Qingmei brand name and products.

Administrative expenses

Administrative expenses increased by approximately 12.7% or RMB3.7 million from RMB29.1 million for FY2010 to RMB32.8 million for FY2011. The increase was a result of increases in professional fees, directors' fee and salaries since listing of the Group as well as the expansion of the Group 's operation.

Other expenses

Other expenses decreased by approximately 10.4% or RMB2.1 million from RMB20.5 million for FY2010 to RMB18.4 million for FY2011 was primarily due to Initial Public Offering ("IPO") expenses while the amount incurred in the other expenses in FY2010. For 4QFY10 versus 4QFY11, the increase was approximately of RMB8.3 million from RMB3.1 million for 4QFY10 to RMB11.4 million for 4QFY11. The other expenses for FY2011 represented (i) research expenses for the development of new materials in production of shoe soles of RMB8.3 million,

(ii) loss on disposals of fixed assets of RMB4.8 million and (iii) environmental improvement expenses for the manufacturing plant amounted to RMB5.2 million.

Finance costs

Finance costs decreased by approximately 100% or RMB4.2 million from RMB4.2 million in FY2010, resulted from full capitalisation of finance costs in connection with the construction in progress during the year.

Depreciation

Depreciation increased by approximately 64.4% or RMB 21.4 million from RMB33.3 million for FY2010 to RMB 54.7 million for FY2011. The increase was due mainly to the increase in purchase of moulds for production, production equipment and machinery in line with the expansion of our production scale during the year.

Taxation

Income tax

The income tax expenses mainly comprised of the Enterprise Income Tax ("EIT") of the PRC on profits for the Group's major operating subsidiary in the PRC, namely Qingmei (PRC). Being a wholly-foreign owned enterprise, it enjoyed a preferential tax treatment of a two-year tax exemption, followed by a three-year 50% reduced tax rate to the prevailing current EIT of 25.0% for the three calendar years commencing from calendar year 2007. The applicable tax rate for FY 2010 and FY2011 is 12.5%.

Withholding tax

The Group has recognised withholding tax, which comprised of 5% imposed on the dividends of approximately RMB100.0 million and RMB 172.6 million received by HK Qingmei Trading Group Develop Limited ("HK Qingmei") from Qingmei (PRC) for FY2011 and FY2010, respectively.

Net profit attributable to the owners of the Company

As a result of the above, our net profit attributable to the owners of the Company increased by approximately 10.3% or RMB25.6 million from RMB250.0 million for FY2010 to RMB275.6 million for FY2011 and increased approximately 2.6% or RMB 1.6 million from RMB63.0 million for 4QFY10 to RMB64.6 million for 4QFY11. Our net profit margin remained at 21% for both FY2010 and FY2011 and decreased from 20.7% for 4QFY10 to 18.0% for 4QFY11.

(B)REVIEW OF FINANCIAL POSITION AND CASH FLOWS

Property, plant and equipment increased by approximately 87.4% or RMB197.6 million to RMB423.8 million as at 30 June 2011, compared with RMB226.2 million as at 30 June 2010. The increase in property, plant and equipment was mainly due to the increase in (1) the additions to construction in progress related to new production facilities of RMB29.6 million, and

(2) the purchase of plant and machinery, including new production machinery and moulds for production of RMB226.7 million, offset by the charge of depreciation expenses of RMB54.7 million and disposals of fixed assets of RMB5.1 million during the year.

Deposits paid for land use rights amounted to RMB16.6 million as at 30 June 2010 has transferred to land use rights following the commencement of construction of the new facilities during the year.

Inventories decreased by approximately 22.9% or RMB11.6 million to RMB39.1 million as at 30 June 2011, compared with RMB50.7 million as at 30 June 2010. The decrease in inventories was mainly attributable to the improvement of inventory management.

Trade receivables increased by approximately 3.4% or RMB9.6 million to RMB289.4 million as at 30 June 2011, compared with RMB279.8 million as at 30 June 2010 in line with the increase of revenue of the Group during the year.

Pledged bank deposits, as security for bills payables to banks, decreased by approximately 67.8% or RMB2.1 million to RMB1.0 million as at 30 June 2011, compared with RMB3.1 million as at 30 June 2010. The decrease in pledged bank deposits was primarily due to the decrease in bills issued.

Trade and bills payables decreased by approximately 10.1% or RMB15.1 million to RMB134.8 million as at 30 June 2011, compared with 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% or RMB11.4 million to RMB59.4 million as at 30 June 2011, compared with RMB48.0 million as at 30 June 2010. The increase was mainly attributable to (1) the outstanding balance owing to the plant and equipment suppliers and (2) the increase in land use rights cost associated with manufacturing plant.

Short-term bank borrowings decreased by approximately 77.2% or RMB67.6 million to RMB20.0 million as at 30 June 2011, compared with RMB87.6 million as at 30 June 2010. The decrease in short-term borrowings was due to the Group has sufficient funding to support its operation.

Cash and cash equivalents decreased by approximately 14.5% or RMB67.9 million to RMB399.0 million as at 30 June 2011, compared with RMB466.9 million as at 30 June 2010. The decrease was mainly due to the net cash outflows used in investing and financing activities increased during the year.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results

Not applicable.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the Group operates and any known factors or events that may affect the Group in the next reporting period and the next 12 months

The Company was listed on the Mainboard of SGX-ST on 17 March 2010 and raised net proceeds of approximately S\$44.1 million. The Company will continue to pursue its business strategies and future plans as set out in the Company's prospectus dated 8 March 2010.

As part of our expansion plans, the first stage of the installation of equipment and machineries was completed and commenced to use since December 2010 and production has since been ramped up gradually. The new production facilities will provide a maximum annual production of approximately 19 million pairs, increasing our annual maximum production capacity to approximately 65 million pairs per annum. Barring any other unforeseen delays or circumstances, second stage installation will commence in the first half of next financial year.

After the completion of the second stage of installation, we will have a production capacity of approximately 84 million pairs of sports shoe soles per annum.

As at 30 June 2011, two new industrial buildings with approximately 30,000 square meters and two hostels with approximately 15,000 square meters have been finished for construction and accounted for as fixed assets while construction work for one self-contained research and development centre with approximately 18,000 square meter and one hostel with approximately 9,000 square meters commenced since 2 April 2010 accounted for as construction-in-progress. Those projects were funded through a combination of the internal resources and IPO proceeds.

The following table details the utilisation of IPO proceeds up 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, 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

In view of the implementation of minimum wages by local governments, labour costs and costs of raw materials would inevitably increase. To this end, although manufacturing costs would increase, the negative effect would be mitigated by other cost savings such as economies of scale, in particular the reduction in the average cost per unit for depreciation, amortisation, product design and development cost as a result of substantial increase in production volume have more than offset any increase in direct labour costs.

Notwithstanding the trend of rising labour costs or any other increase in cost of sales, we believe that the expanded capacities and strong customer base will support our revenue growth. The management is looking for any possible expansion of production facilities to cater for the different directions to expand the original shoe sole business and to achieve synergies from vertical integration, the Company continues to seek potential investments to enhance shareholders' value.

The Group had not received any new orders from 晋江喜伯登体育用品有限公司 (Jinjiang City Xi Bo Deng Sports Wear Co., Ltd.) ("Xi Bo Deng") since July 2011 and Xi Bo Deng had not indicated any intention to continue its purchases from the Group. The Group does not expect any material impact on the Group's existing business, operations and financial performance arising from the cessation of sales transactions with Xi Bo Deng as the percentage of our sales to Xi Bo Deng to our total revenue has been reducing over the 3-year period and this is offset by an increase in orders from other existing and new customers. As at 30 June 2011, the outstanding receivables from Xi Bo Deng amounted to approximately RMB13.1 million, which was fully collected in the early August of 2011.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

The directors are pleased to recommend a final dividend of RMB82.7 million which may be paid out either in cash or pursuant to a scrip dividend scheme ("Dividend Scheme"). The payment of final dividends is subject to shareholders' approval at the forthcoming Annual General Meeting. The listing and quotation of trading of shares issued pursuant to Dividend Scheme (if any) will be subject to certain approvals being obtained by the Company from the Singapore Exchange Securities Trading Limited. Details of the proposed Dividend Scheme (if any) will be announced at a later date.

Proposed final dividend for FY2011

Dividend type: Cash or pursuant to a scrip dividend scheme

Dividend rate: RMB0.1292 per ordinary share

Tax rate: Tax not applicable as the Company is a Cayman Islands incorporated company

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the current financial period reported on?

Proposed first and final dividend for FY2010

Dividend type: Cash

Dividend rate: RMB0.1172 per ordinary share

Tax rate: Tax not applicable as the Company is a Cayman Islands incorporated company

(c) Date payable

To be announced later.

(d) Books closure date

To be announced later.

(e) Other comments relating to Dividend

None.

12. If no dividend has been declared/recommended, a statement to that effect

Not applicable.

13. Interested Person Transactions

The Group has conducted the following interested person transactions during the year ended 30 June 2011:

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)
<p>Jinjiang Xibodeng Sportswear Co., Ltd. (晋江喜伯登体育用品有限公司) ("Xibodeng")</p> <ul style="list-style-type: none">Supply of sport shoe soles to Xibodeng <p>Xibodeng is directly owned by our Executive Chairman and Chief Executive Officer, Mr Su Qingyuan since 18 January 2011.</p>	Not applicable	RMB 27.6 million

PART II – ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT

(This part is not applicable to Q1, Q2, Q3 or Half Year Results)

14. **Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative formation for the immediately preceding year**

Not applicable as our Group's revenue is attributable to a single geographic region, being the PRC.

15. **In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments**

Not applicable

16. **A breakdown of sales**

	Group		
	30.06.2011 (Unaudited) RMB'000	30.06.2010 (Unaudited) RMB'000	Change
Revenue for the first half year	607,881	572,402	6.2%
Profit attributable to the owners of the Company for the first half year	137,849	125,375	9.9%
Revenue for the second half year	684,558	608,496	12.5%
Profit attributable to the owners of the Company for the second half year	137,771	124,619	10.6%

17. **A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year.**

	Note	FY2011 RMB'000	FY2010 RMB'000
Interim dividend paid to the then shareholders	(a)	-	50,000
Proposed final dividend		82,686	75,000

Note (a) : This was paid by Qing Mei International Investment Limited

BY ORDER OF THE BOARD

Qingmei Group Holdings Limited

Su Qingyuan

Executive Chairman and Chief Executive Officer

Date: **25 August 2011**