



QINGMEI GROUP HOLDINGS LIMITED

清美集團控股有限公司

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

FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE THREE MONTHS ENDED 31 MARCH 2011

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 (Q1, Q2, & Q3), 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			Nine months ended		
	31.03.2011	31.03.2010	Change	31.03.2011	31.03.2010	Change
	(Unaudited)	(Unaudited)		(Unaudited)	(Unaudited)	
	RMB'000	RMB'000		RMB'000	RMB'000	
Revenue	324,965	304,945	6.6%	932,846	877,347	6.3%
Cost of sales	(231,828)	(213,035)	8.8%	(662,957)	(612,239)	8.3%
Gross profit	93,137	91,910	1.3%	269,889	265,108	1.8%
Other income and gains	1,816	223	714.3%	10,496	545	1,825.9%
Selling and distribution expenses	(2,974)	(3,265)	-8.9%	(8,805)	(8,827)	-0.2%
Administrative expenses	(6,731)	(6,679)	0.8%	(24,629)	(19,777)	24.5%
Other expenses	(2,205)	(9,343)	-76.4%	(6,623)	(17,385)	-61.9%
Finance costs	(175)	(1,011)	-82.7%	(397)	(3,138)	-87.3%
Profit before income tax	82,868	71,835	15.4%	239,931	216,526	10.8%
Income tax expense	(9,674)	(10,185)	-5.0%	(28,888)	(29,501)	-2.1%
Profit for the period	73,194	61,650	18.7%	211,043	187,025	12.8%
Other comprehensive income for the period	-	-	N/A	-	-	N/A
Total comprehensive income for the period	73,194	61,650	18.7%	211,043	187,025	12.8%
Earnings per share						
- Basic (RMB cents)	11.4	12.2		33.0	38.3	
- 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 principal 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			Nine months ended		
	31.03.2011	31.03.2010		31.03.2011	31.03.2010	
	(Unaudited)	(Unaudited)	Change	(Unaudited)	(Unaudited)	Change
	RMB'000	RMB'000		RMB'000	RMB'000	
Interest income	(267)	(172)	55.2%	(907)	(370)	145.1%
Loss on disposals of property, plant and equipment	-	153	-100.0%	-	513	-100.0%
Interest on bank borrowings	175	1,011	-82.7%	397	3,138	-87.3%
Exchange (gains)/loss	(1,550)	-	N/A	(9,484)	137	N/A
Amortisation of land use rights	517	410	26.1%	1,337	1,229	8.8%
Depreciation of property, plant and equipment	14,138	8,435	67.6%	40,046	23,693	69.0%

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	
	31.03.2011	30.06.2010	31.03.2011	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	351,211	226,200	-	-
Land use rights	96,628	76,298	-	-
Deposits paid for land use rights	-	16,641	-	-
Investment in subsidiaries	-	-	515,849	515,849
	<u>447,839</u>	<u>319,139</u>	<u>515,849</u>	<u>515,849</u>
Current assets				
Inventories	59,823	50,721	-	-
Trade receivables	276,473	279,761	-	-
Other receivables and prepayments	1,071	5,270	-	-
Due from subsidiaries	-	-	228,148	305,939
Pledged bank deposits	995	3,103	-	-
Cash and cash equivalents	455,763	466,949	261	2,537
	<u>794,125</u>	<u>805,804</u>	<u>228,409</u>	<u>308,476</u>
Current liabilities				
Trade and bills payables	131,783	149,942	-	-
Other payables and accruals	67,974	47,973	1,618	2,134
Interest-bearing bank borrowings	70,000	87,620	-	-
Current income tax liabilities	12,718	15,962	-	-
	<u>282,475</u>	<u>301,497</u>	<u>1,618</u>	<u>2,134</u>
Net current assets	<u>511,650</u>	<u>504,307</u>	<u>226,791</u>	<u>306,342</u>
Net assets	<u>959,489</u>	<u>823,446</u>	<u>742,640</u>	<u>822,191</u>
EQUITY				
Equity attributable to the Company's owners				
Share capital	312,544	312,544	312,544	312,544
Reserves	646,945	510,902	430,096	509,647
Total equity	<u>959,489</u>	<u>823,446</u>	<u>742,640</u>	<u>822,191</u>

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

	Notes	Group	
		As at 31.03.2011 RMB'000 (Unaudited)	As at 30.06.2010 RMB'000 (Audited)
Amount repayable in one year or less, or on demand			
- Secured bank loans	(a)	40,000	42,620
- Secured bills payables	(b)	4,977	6,207
- Unsecured bank loans	(c)	30,000	45,000
		<u>74,977</u>	<u>93,827</u>

Details of any collateral:

- (a) As at 31 March 2011 and 30 June 2010, the Group's secured bank loans were secured by the Group's trade receivables of approximately RMB40.5 million and RMB43.8 million, respectively. Certain secured bank loans of approximately RMB10.0 million as at 30 June 2010 were supported by corporate guarantees executed by an independent third party.
- (b) As at 31 March 2011 and 30 June 2010, the Group's bills payables amounted to approximately RMB4.9 million and RMB6.2 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 third party*. As at 31 March 2011, there was no guarantee upon the bills payables.
- (c) As at 31 March 2011 and 30 June 2010, the Group's unsecured bank loans amounted to approximately RMB30.0 million and RMB45.0 million, respectively. The unsecured bank loans as at 30 June 2010 were guaranteed by an independent third party*. As at 31 March 2011, there was no guarantee upon the unsecured bank loans.

*The independent third party represents Jinjiang Xibodeng Sportswear Co., Ltd. ("Xibodeng"). Xibodeng has become an interested party to the Group since the acquisition by Mr. Su Qingyuan as discussed in Note 13. Accordingly, Xibodeng was still considered as an independent third party 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		Nine months ended	
	31.03.2011	31.03.2010	31.03.2011	31.03.2010
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	RMB'000	RMB'000	RMB'000	RMB'000
Cash flows from operating activities				
Profit before income tax	82,868	71,835	239,931	216,526
Adjustments for:				
Interest income	(267)	(172)	(907)	(370)
Interest expense	175	1,011	397	3,138
Loss on disposals of property, plant and equipment	-	153	-	513
Depreciation of property, plant and equipment	14,138	8,435	40,046	23,693
Amortisation of land use rights	517	410	1,337	1,229
Operating profits before working capital changes	97,431	81,672	280,804	244,729
Decrease/(increase) in trade receivables	1,208	(16,454)	3,288	(38,776)
Decrease/(increase) in other receivables and prepayments	1,681	860	4,199	(2,547)
Increase in inventories	(13,138)	(10,111)	(9,102)	(22,957)
Increase/(decrease) in trade and bills payables	3,465	9,341	(18,159)	3,649
Increase in other payables and accruals	18,149	15,041	14,975	14,435
Cash generated from operations	108,796	80,349	276,005	198,533
Income tax paid	(9,141)	(10,646)	(32,132)	(33,017)
Net cash generated from operating activities	99,655	69,703	243,873	165,516
Cash flows from investing activities				
Interest received	267	172	907	370
Increase/(decrease) in pledged bank deposits	(995)	(3,103)	2,108	9,630
Proceeds from disposal of property, plant and equipment	-	55	-	55
Deposits paid for property, plant and equipment	-	(50,000)	-	(50,000)
Payment for purchases of property, plant and equipment	(50,648)	(11,436)	(162,257)	(20,162)
Net cash used in investing activities	(51,376)	(64,312)	(159,242)	(60,107)
Cash flows from financing activities				
Proceeds from issue of new ordinary shares, net of share issue expenses	-	225,947	-	225,947
New bank borrowings	40,000	55,000	97,380	130,000
Repayment of bank borrowings	(45,000)	(55,000)	(115,000)	(117,000)
Dividends paid	-	-	(75,000)	(50,000)
Capital contribution from a shareholder	-	-	-	99,945
Interest paid	(876)	(1,011)	(3,197)	(3,138)
Net cash (used in)/generated from financing activities	(5,876)	224,936	(95,817)	285,754
Net increase/(decrease) in cash and cash equivalents	42,403	230,327	(11,186)	391,163
Cash and cash equivalents at beginning of financial period	413,360	176,971	466,949	16,135
Cash and cash equivalents at end of financial period	455,763	407,298	455,763	407,298

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 (Unaudited) RMB'000	Share premium (Unaudited) RMB'000	Capital reserves (Unaudited) RMB'000	Exchange reserve (Unaudited) RMB'000	Statutory reserve (Unaudited) RMB'000	Proposed final dividend (Unaudited) RMB'000	Retained profits (Unaudited) RMB'000	Total equity (Unaudited) 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
Total comprehensive income for the period	-	-	-	-	-	-	187,025	187,025
Appropriations to statutory reserve	-	-	-	-	20,315	-	(20,315)	-
At 31 March 2010	312,544	147,595	(77,023)	2	56,081	-	321,278	760,477
Balance at 1 July 2010	312,544	147,595	(77,023)	2	63,362	75,000	301,966	823,446
Dividends	-	-	-	-	-	(75,000)	-	(75,000)
Transaction with owners	-	-	-	-	-	(75,000)	-	(75,000)
Total comprehensive income for the period	-	-	-	-	-	-	211,043	211,043
Appropriations to statutory reserve	-	-	-	-	20,751	-	(20,751)	-
At 31 March 2011	312,544	147,595	(77,023)	2	84,113	-	492,258	959,489

COMPANY

	Issued capital (Unaudited) RMB'000	Share premium (Unaudited) RMB'000	Contributed surplus (Unaudited) RMB'000	Proposed final dividend (Unaudited) RMB'000	(Accumulated losses)/ retained profits (Unaudited) RMB'000	Total equity (Unaudited) 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
Total comprehensive income for the period	-	-	-	-	(13,086)	(13,086)
At 31 March 2010	312,544	147,595	281,657	-	(13,086)	728,710
Balance at 1 July 2010	312,544	147,595	281,657	75,000	5,395	822,191
Dividends	-	-	-	(75,000)	-	(75,000)
Transaction with owners	-	-	-	(75,000)	-	(75,000)
Total comprehensive income for the period	-	-	-	-	(4,551)	(4,551)
At 31 March 2011	312,544	147,595	281,657	-	844	742,640

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 three months ended 31 March 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 31.03.2011	As at 30.06.2010
Total number of issued shares	640,000,000	640,000,000
Less: Treasury shares	<u>-</u>	<u>-</u>
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 period 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 auditors.

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 Group's 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		Group	
	Three months ended		Nine months ended	
	31.03.2011	31.03.2010	31.03.2011	31.03.2010
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Earnings per share				
Basic (RMB cents)	11.4	12.2	33.0	38.3
Diluted (RMB cents)	N/A	N/A	N/A	N/A

The calculation of basic earnings per share for three months and nine months ended 31 March 2011 is computed on the profit attributable to the equity holders of the Company, divided by the weighted average number of 640,000,000 ordinary shares in issue for the nine months ended 31 March 2011.

The calculation of basic earnings per share for the three months and nine months ended 31 March 2010, divided by the weighted average number of 506,666,667 and 488,759,124 ordinary shares in issue, respectively.

There were no potential ordinary shares in existence for the three months ended and nine months ended 31 March 2011 and 31 March 2010 and 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	
	31.03.2011 (Unaudited)	30.06.2010 (Unaudited)	31.03.2011 (Unaudited)	30.06.2010 (Unaudited)
Net asset value per share (RMB)	1.499	1.287	1.160	1.285

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 of 640,000,000 in issue as at 31 March 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			Nine months ended		
	31.03.2011	31.03.2010	Change	31.03.2011	31.03.2010	Change
	(Unaudited)	(Unaudited)		(Unaudited)	(Unaudited)	
	RMB'000	RMB'000		RMB'000	RMB'000	
Revenue						
MD II shoe soles ("MDII")	178,465	182,708	-2.3%	565,034	484,871	16.5%
MD I shoe soles ("MD I")	130,061	110,069	18.2%	323,439	350,842	-7.8%
RB shoe soles ("RB")	16,439	12,168	35.1%	44,373	41,634	6.6%
Total	324,965	304,945	6.6%	932,846	877,347	6.3%

(A) REVIEW OF OPERATING PERFORMANCE (CONTINUED)

	Group					
	Three months ended			Nine months ended		
	31.03.2011	31.03.2010	Change	31.03.2011	31.03.2010	Change
	(Unaudited)	(Unaudited)		(Unaudited)	(Unaudited)	
	Total	Total		Total	Total	
	units sold	units sold		units sold	units sold	
	'000	'000		'000	'000	
<u>Sales quantity</u>						
MD II shoe soles	6,002	6,252	-4.0%	19,196	16,459	16.6%
MD I shoe soles	4,828	3,996	20.8%	12,086	13,043	-7.3%
RB shoe soles	1,449	981	47.7%	3,869	3,433	12.7%
Total	12,279	11,229	9.4%	35,151	32,935	6.7%

Revenue, Gross Profit and Gross Profit Margin

Our revenue increased by approximately 6.3% or RMB55.5 million from RMB877.3 million for the nine months ended 31 March 2010 ("9MFY10") to RMB932.8 million for the nine months ended 31 March 2011 ("9MFY11"). The increase in revenue for 9MFY11 versus 9MFY10 was mainly due to the increase in sales quantity of 6.7% to 35.2 million pairs of shoe soles

Our revenue increased by approximately 6.6% or RMB20.1 million from RMB304.9 million for the three months ended 31 March 2010 ("3QFY10") to RMB325.0 million for the three months ended 31 March 2011 ("3QFY11").

The increase in revenue for 3QFY11 versus 3QFY10 was mainly due to the increase in sales quantity of 9.4% to 12.3 million pairs of shoe soles but offset by a slightly drop in ASP of 2.5%. The increase in sales quantity was supported by our new production facilities which commenced for production in December 2010 and provide a maximum annual production of approximately 19 million pairs increasing our annual maximum production capacity to approximately 65 million pairs. The decrease in ASP was mainly due to change in production mix as demand for MDI shoe soles exceeded that of MDII shoe soles.

For 9MFY11, our revenue from MDII shoe soles jumped 16.5% but our revenue from MD I shoe soles dropped by 7.8%. Due to our production capacity constraint in the first half year of FY2011, we have to inevitably cut down on the production of MD I shoe soles in order to produce more MDII shoe soles.

Gross profit increased slightly by approximately 1.8% or RMB4.8 million to RMB269.9 million for 9MFY11, as compared to RMB265.1 million for 9MFY10. Gross profit grew lesser than revenue growth as gross profit margin narrowed to 28.9% from 30.2% due to higher cost of sales namely labour and raw material costs during the period under review.

Gross profit slightly increased by approximately 1.3% or RMB1.2 million to RMB93.1 million for 3QFY11, as compared to RMB91.9 million for 3QFY10. Gross profit grew lesser than revenue growth as gross profit margin narrowed to 28.7% from 30.1% due mainly attributable to lower average selling price and higher cost of sales.

Other income and gains

Other income and gains increased by approximately 1,825.9% or RMB10.0 million from RMB0.5 million for 9MFY10 to RMB10.5 million for 9MFY11 and 714.3% or RMB1.6 million from RMB0.2 million for 3QFY10 to RMB1.8 million for 3QFY11. The increase was mainly attributable to unrealised exchange gains amounted to RMB8.5 million for 9MFY11 on the Group's outstanding bank deposits in Singapore Dollar as the Singapore Dollar continued to appreciate against the Renminbi during the period under review.

Selling and distribution expenses

Selling and distribution expenses slightly dropped approximately 0.2% to RMB8.8 million for 9MFY2011 but decreased by approximately 8.9% or RMB0.3 million from RMB3.3 million for 3QFY10 to RMB3.0 million for 3QFY11. The decrease for 3QFY11 was attributable to the advertising expenses incurred for the IPO in March 2010.

Administrative expenses

Administrative expenses increased by approximately 24.5% or RMB4.8 million from RMB19.8 million for 9MFY10 to RMB24.6 million for 9MFY11 and approximately 0.8% or RMB0.1 million from RMB6.6 million to RMB6.7 million for 3QFY10. It was mainly attributable to the increase in professional fees, directors' fee and salaries since the listing of the Group as well as the expansion of the Group's operation.

Other expenses

Other expenses decreased by approximately 61.9% or RMB10.8 million from RMB17.4 million for 9MFY10 to RMB6.6 million for 9MFY11 and approximately 76.4% or RMB7.1 million from RMB9.3 million for 3QFY10 to RMB2.2 million for 3QFY11. The other expenses for 9MFY10 and 3QFY10 were mainly incurred in our IPO exercise for FY2010 while the amount incurred in the other expenses for 9MFY11 and 3QFY11 are represented by the research expenses for the development of new materials for the production of shoe soles.

Finance costs

Finance costs decreased by approximately 87.3% or RMB2.7 million from RMB3.1 million for 9MFY10 to RMB0.4 million for 9MFY11. The total finance costs incurred in 9MFY11 was approximately RMB3.2 million, offset an adjustment for the capitalisation of finance costs in connection with the construction in progress amounted to approximately RMB2.8 million during the period under view.

Depreciation

Depreciation increased by approximately 69.0% or RMB16.3 million from RMB23.7 million for 9MFY10 to RMB40.0 million for 9MFY11 and approximately 67.6% or RMB5.7 million from RMB8.4 million for 3QFY10 to RMB14.1 million for 3QFY11. The increase was mainly due to the purchase of moulds for production in line with the expansion of our production scale during the period under review.

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 FY2010 and FY2011 is 12.5%.

Net profit attributed to shareholders

As a result of the above, our net profit increased by approximately 12.8% or RMB24.0 million from RMB187.0 million for 9MFY10 to RMB211.0 million for 9MFY11 and by approximately 18.7% or RMB11.5 million from RMB61.7 million for 3QFY10 to RMB73.2 million for 3QFY11.

(B) REVIEW OF FINANCIAL POSITION AND CASH FLOWS

Property, plant and equipment increased by approximately 55.3% or RMB125.0 million to RMB351.2 million as at 31 March 2011, compared with RMB226.2 million as at 30 June 2010. The increase in property, plant and equipment was due to the increase in the additions to construction in progress in relation to new production facilities of RMB114.6 million and the purchase of plant and machinery, including new production machinery of RMB12.4 million and moulds for production of RMB38.0 million, offset by the charge of depreciation expenses of RMB40.0 million.

Inventories increased by approximately 17.9% or RMB9.1 million to RMB59.8 million as at 31 March 2011, compared with RMB50.7 million as at 30 June 2010. The increase was in line with the increase the scale of production.

Trade receivables decreased by approximately 1.2% or RMB3.3 million to RMB276.5 million as at 31 March 2011, compared with RMB279.8 million as at 30 June 2010. The change in trade receivables was not significant.

Other receivables and prepayments decreased by approximately 79.2% or RMB4.2 million to RMB1.1 million as at 31 March 2011, compared with RMB5.3 million as at 30 June 2010 as a result of the amortisation of the prepayment for research expenses.

Pledged bank deposits were mainly used as security for bills payables to banks. Pledged bank deposits decreased by approximately 67.7% or RMB2.1 million to RMB1.0 million as at 31 March 2011, compared with RMB3.1 million as at 30 June 2010 as a result of the decrease of bills payables and the reduction of ratio for the pledged bank deposits with issuance of bills.

Trade and bills payables decreased by approximately 12.1% or RMB18.1 million to RMB131.8 million as at 31 March 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 41.7% or RMB20.0 million to RMB68.0 million as at 31 March 2011, compared with RMB48.0 million as at 30 June 2010. The increase was mainly attributable to the increase in other payables on the purchase of additional moulds for new models of our products which will be released for the coming autumn-winter season.

Short-term bank borrowings decreased by approximately 20.1% or RMB17.6 million to RMB70.0 million as at 31 March 2011, compared with RMB87.6 million as at 30 June 2010. The bank loans decreased since the company has sufficient fund to support its operation.

Cash and cash equivalents decreased by approximately 2.4% or RMB11.1 million to RMB455.8 million as at 31 March 2011, compared with RMB466.9 million as at 30 June 2010. The decrease was due mainly to the net increase in cash outflows used in investing activities during the period under review.

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 our business strategies and future plans as set out in the Company's prospectus dated 8 March 2010.

The Group plans to utilize approximately RMB82.9 million for the construction and building of the new production facility and staff hostel, approximately RMB61.1 million for the acquisition of additional production equipment and machinery for the first and second stage installation and approximately RMB52.0 million for the construction of building facilities for the self-contained research and development centre and for the purchase of the necessary equipment and machinery for research and testing purposes.

Construction work for the new production facility and self-contained research and development centre commenced since 2 April 2010 and a total of RMB130.5 million has been paid and accounted for as construction-in-progress. Two new research projects for the development of new materials for the production of shoe soles commenced in 4QFY10 and incurred approximately RMB8.8 million so far.

The first stage of the installation of equipment and machineries was completed and commenced to use since December 2010 and expected to be 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 quarter of next financial year. Upon completion of the second stage installation, our production capacity will increase to approximately 84 million pairs of sports shoes soles per annum.

The following table details the utilisation of IPO proceeds up as at 31 March 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	100.6	43.4
To set up a dedicated self-contained research and development centre	52.0	41.3	10.7
Research and development purposes	15.0	8.8	6.2
General working capital	0.6	-	0.6
Total	211.6	150.7	60.9

QINGMEI GROUP HOLDINGS LIMITED

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 and profit growth and lay a strong foundation for our long term growth.

11. Dividend

(a) Current Financial Period Reported On

None

(b) Corresponding Period of the Immediately Preceding Financial Year

None

(c) Date payable

Not applicable

(d) Books closure date

Not applicable

(e) Other comments relating to Dividend

None

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

No dividend has been declared or recommended for the quarter ended 31 March 2011.

13. Interested Person Transactions

The Group have conducted the following interested person transactions during the quarter ended 31 March 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 an existing customer of the Group, which is 60% indirectly owned by our Executive Chairman and Chief Executive Officer, Mr Su Qingyuan as of 18 January 2011.</p>	Not applicable	RMB10.2 million

Apart from the above transaction, the Group had unsecured bank loans amounting to RMB25 million which were fully repaid on 18 January 2011, the day on which the Xibodeng acquisition was completed. These unsecured bank loans were guaranteed by Xibodeng

BY ORDER OF THE BOARD

Qingmei Group Holdings Limited

Su Qingyuan

Executive Chairman and Chief Executive Officer

Date: 11 May 2011

Confirmation by the Board pursuant to Rule 705(5) of the Listing Manual

We, Su Qingyuan and Su Shubiao, being two of the directors of Qingmei Group Holdings Limited (the “Company”), do hereby confirm on behalf of the directors of the Company that, to the best of our knowledge, nothing has come to the attention of the board of directors of the Company which may render the unaudited financial statements for the third quarter ended 31 March 2011 to be false or misleading in any material aspect.

BY ORDER OF THE BOARD

Qingmei Group Holdings Limited

Name: Su Qingyuan
Executive Chairman

Name: Su Shubiao
Executive Director

Date: 11 May 2011