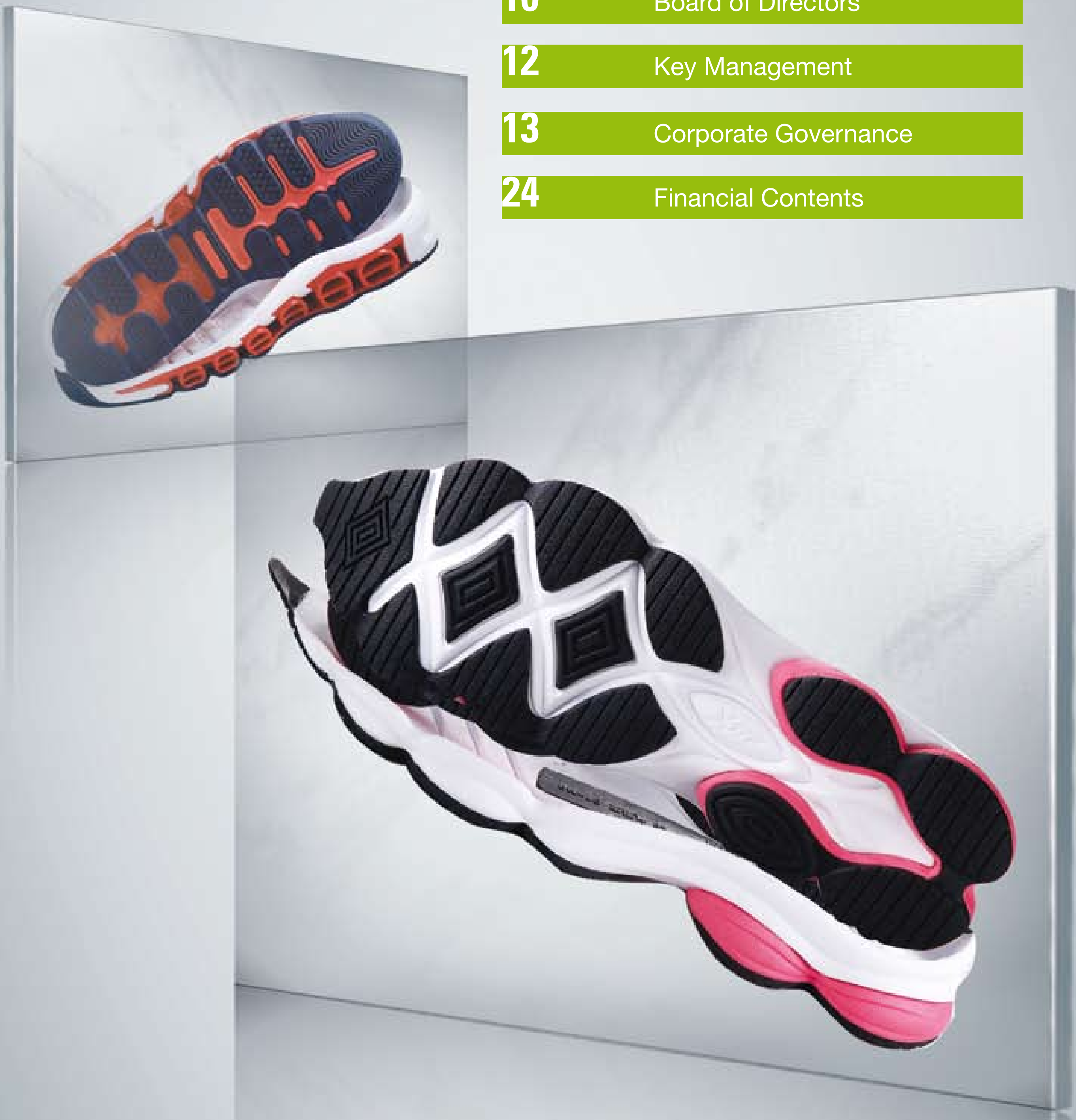
QingMei

QINGMEI GROUP HOLDINGS LIMITED

TRAILBLAZING AHEAD

Annual Report 2010

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.

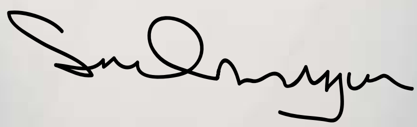
The Group has a well-established customer base comprising well-known domestic brand names such as 双星 (Double Star), 金鼠王 (Jin Shu Wang), 康踏 (Kang Ta), 乔丹 (Qiao Dan), 贵人鸟 (K-Bird), 三六一度 (361°), 特步 (Xtep) and 鸿星尔克 (ERKE).


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 20 million pairs of soles annually. 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.

CHAIRMAN'S STATEMENT

> "Financial Year 2010 was a milestone year for Qingmei Group as we successfully listed on the Mainboard of the Singapore Exchange. Following an Initial Public Offering ("IPO") on 17 March 2010, the Group is well-positioned with the financial strength to embark on our next chapter of growth."



Dear Shareholders,

Financial Year 2010 was a milestone year for Qingmei Group as we successfully listed on the Mainboard of the Singapore Exchange. Following an Initial Public Offering ("IPO") on 17 March 2010, the Group is well-positioned with the financial strength to embark on our next chapter of growth.

Starting Strong

We recorded a set of record financials for our first full year results as a listed company. Revenue jumped by 41.6% from RMB833.8 million in the last financial period ("FY2009") to RMB1.2 billion in the financial year ended 30 June 2010 ("FY2010"). Our record revenue growth was largely led by a 43.4% increase in sales volume and stable average selling price (ASP).

Gross profit increased significantly by 52.7% to RMB360.7 million. This was due mainly to cost savings enjoyed as a result of economies of scale, where the substantial increase in production volume reduced the average cost per unit for depreciation, amortisation, product design and development. Hence, gross profit margin rose by 2.2 percentage points from 28.3% in FY2009 to 30.5% in FY2010.

Our robust growth resulted in a healthy 37.0% increase in net profit to RMB250.0 million.

In line with the Group's commitment in our IPO prospectus, the Board of Directors has proposed a final dividend of RMB0.1172 per ordinary share, which works out to a dividend payout of 30.0% of our total net profit.

Focused on Design and Development

At Qingmei, we place a strong emphasis on product design and development to constantly update and enhance our product offerings. By being responsive to current market trends and changing demands, we are able to design and develop shoe soles that offer both comfort and functionality. As at 30 June 2010, the Group has successfully commercialised 328 shoe sole designs.

On top of in-house research and development ("R&D"), we have strengthened our capabilities through collaborations with the Hefei Institutes of Physical Sciences under the Chinese Academy of Sciences. This partnership enables us to produce new and improved midsole materials for better shock absorption and breathability.

Going forward, we will maintain a proactive approach towards R&D to be at the forefront of sports technology. This combination of technological research and dynamic partnerships will further enhance the quality of our semi-processed raw materials, and enable us to develop shoe soles of better quality, appearance and durability.

Growing Customer Base

With our strong product design and development capabilities, we are increasingly able to attract and retain well-known sports shoe manufacturers in the PRC. We interact closely with our customers to fine-tune product features and functions, materials and styles.

In FY2010, we further strengthened our relationships with customers and expanded our customer base with the addition of another nine customers. As at 30 June 2010, we have a total of 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).

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Production Capacity Expansion

After our listing in Singapore, we commenced work on the construction of the new production facility and self-contained R&D centre in April 2010. Due to the recent unfavourable weather conditions, the construction of the new facilities and first stage installation is now expected to take nine months to complete – two months longer than previously scheduled.

With the completion of the first stage of installation, maximum production capacity will reach approximately 65.0 million pairs per annum. The second stage that follows six months after will boost maximum production capacity to approximately 84.0 million pairs of sports shoe soles yearly. This will greatly improve our economies of scale and enable us to cater to growing market demand.

Aside from the boost in our manufacturing capabilities, we launched two new research projects in the last quarter of FY2010. Our aim is to develop new materials for the production of shoe soles with enhanced designs and functionality.

On the Growth Path

Industry prospects are buoyant. Forbes Magazine reported in May 2010 that China's growth will rapidly expand the middle class and propel more than 100 million households into the middle- and affluent-class segments from 2010 to 2020[1].

This projection is supported by the Boston Consulting Group, whose report "The Keys to the Kingdom – Unlocking China's Consumer Power"[2] states that by the year 2020, the size of China's urban middle class will likely have doubled, and its affluent class will have increased nearly four times over, giving rise to more than 130 million urban households living at the middle-class level or above.

Given China's ongoing economic growth and urbanisation, the Group believes that this will continue to drive growth in the sporting goods sector, including sports shoes.

Sports and sporting events are also gaining greater ground, with events like the Beijing Olympics and the upcoming Asian Games propelling Chinese athletes and numerous sporting events into the limelight. They serve not only to indirectly market sports, but also sporting apparel and accessories. As a supplier of sports shoe soles to major domestic sports shoe brands, the appeal and recognition for these brands will continue to be a positive boost for Qingmei.

These trends bode well for the Group, strategically positioning us to capitalise on these growth opportunities.

We will further develop our customer base by focusing marketing efforts on sports shoe manufacturers with high growth potential, thereby increasing demand for our products. We have identified some of our existing customers who have great potential and are likely to achieve high growth within the next couple of years.

Coupled with our capacity expansion and R&D plans, the Group is well-positioned for future growth and success.

In Appreciation

On a final note, I would like to express heartfelt appreciation to you, our shareholders, for your confidence in us; to our fellow directors, the management and our staff for their dedication and commitment to the Group; and to our customers and business partners for supporting and believing in us.

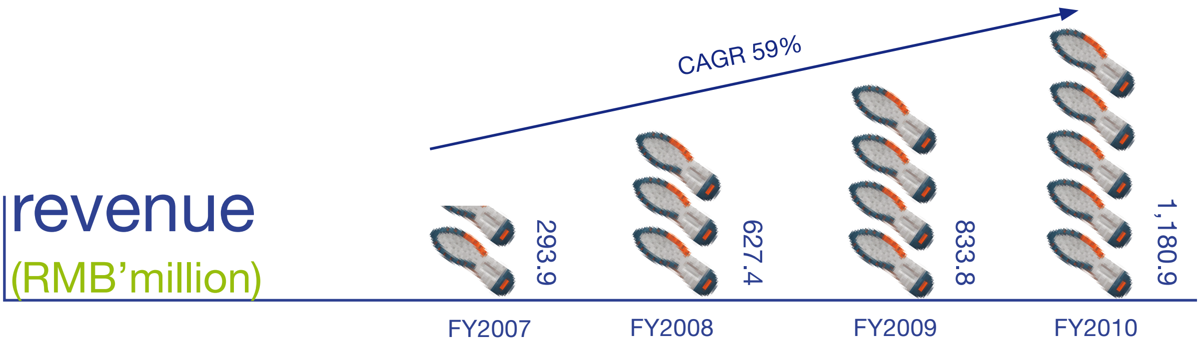
All of you have been instrumental in the Group's success today, and we look forward to your continuing support as we take Qingmei to the next level of growth.

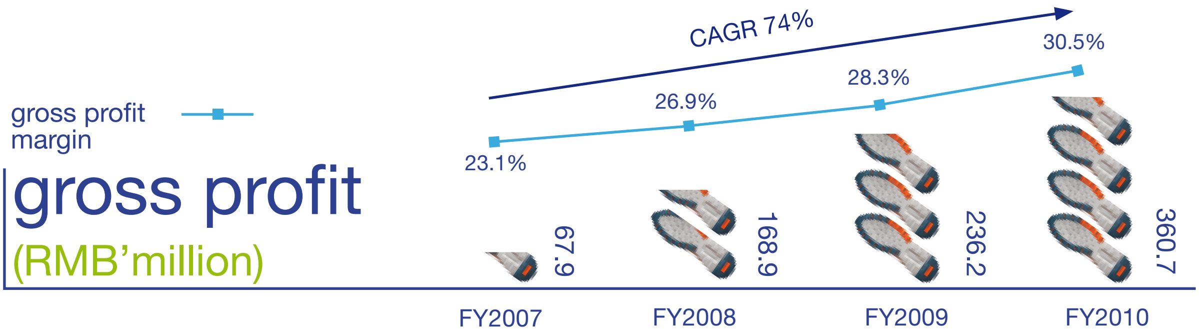
Mr Su Qingyuan
Executive Chairman and CEO

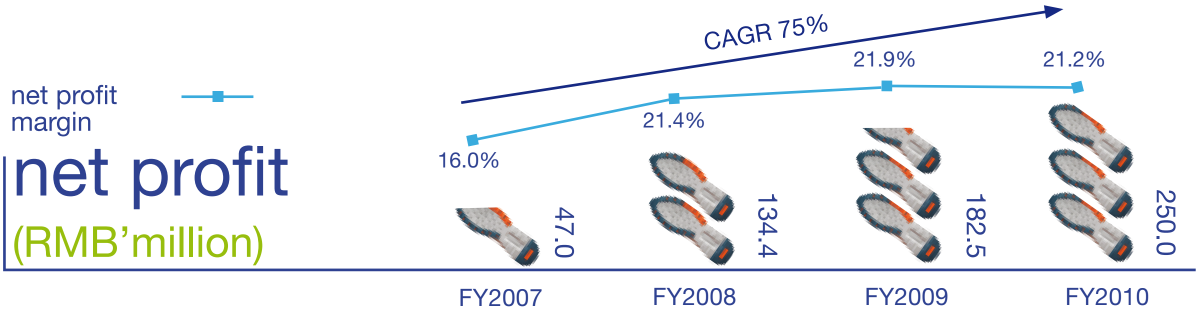
[1] http://www.forbes.com/2010/04/05/china-middle-class-consumers-markets-economy-spending.html; Retrieved 14 September 2010

[2] http://www.bcg.com/documents/file39807.pdf; Retrieved 14 September 2010

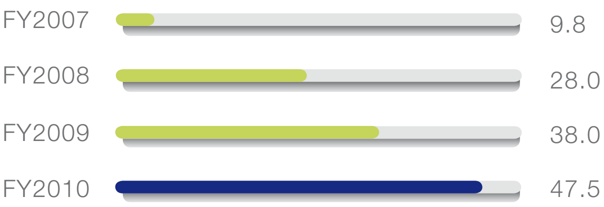
FINANCIAL HIGHLIGHTS





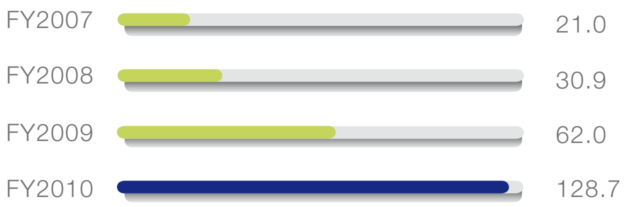


EARNINGS PER SHARE*
(RMB'cents)



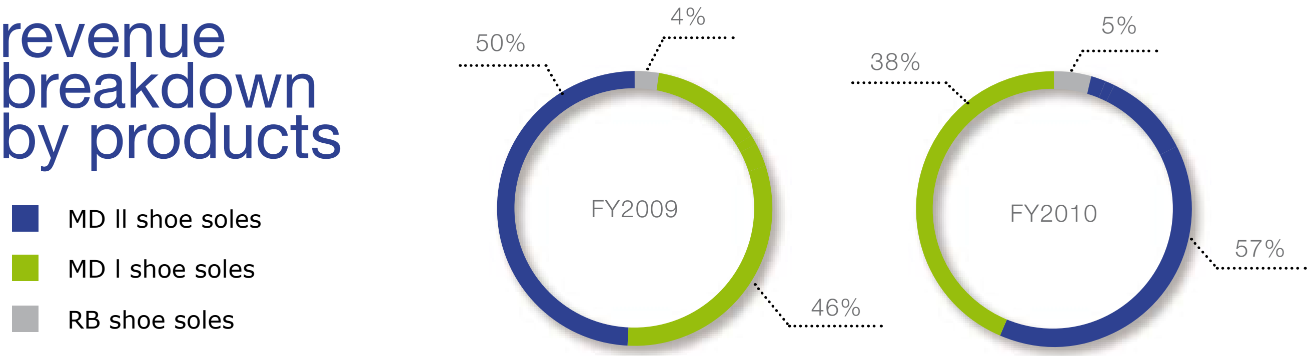
* Based on weighted average number of 526,465,753 ordinary shares in issue for the period in FY2010 and the pre-invitation share capital of 480,000,000 shares in issue for the periods in FY2009, FY2008 and FY2007.

NET ASSET VALUE PER SHARE**
(RMB'cents)



** Based on 640,000,000 ordinary shares in issue as at 30 June 2010 and pre-invitation number of 480,000,000 shares assumed to be in issue as at 30 June 2009, 2008 and 2007.

revenue breakdown by products



OPERATIONS REVIEW

A STRONG FINANCIAL PERFORMANCE

Revenue for FY2010 increased 41.6%, growing from RMB833.8 million in the last financial year to RMB1.2 billion. This was mainly due to a stable average selling price, as well as strong growth of 43.4% in sales volume, from 30.9 million pairs in FY2009 to 44.3 million pairs in FY2010.

During the year, the Group's three main shoe sole products exhibited robust growth.

In particular, there was a shift in product mix from MD I to MD II shoe soles which boast greater versatility in both design and functionality. As a result, revenue for the Group's MD II shoe soles jumped 63.2% to RMB679.4 million, accounting for 57.5% of total revenue compared to 49.9% in FY2009. Revenue for MD I shoe soles grew 14.8% to RMB443.5 million, contributing 37.6% of total revenue versus 46.3% in FY2009.

The remaining 4.9% of the Group's revenue in FY2010 was attributed to RB shoe soles, which saw an 85.5% increase in sales.

The Group's gross profit leapt 52.7% to RMB360.7 million. This was attributable mainly to the cost savings enjoyed due to economies of scale – average cost per unit for depreciation, amortisation, product design and development was greatly reduced as a result of a substantial increase in production volume. Hence, gross profit margin improved 2.2 percentage points from 28.3% in FY2009 to 30.5% in FY2010.

Other income and gains decreased by 64.6% from RMB2.2 million for FY2009 to RMB0.8 million in FY2010. The decrease was due to an additional sundry income of RMB1.8 million, arising from the reversal of payables on an acquisition of a set of machineries in FY2009. This was offset by the increase in interest income due to a substantial increase in bank balance after the receipt of net proceeds raised pursuant to the IPO.

Selling and distribution expenses increased by approximately 3.0%, from RMB11.9 million in FY2009 to RMB12.2 million in FY2010. The increase was largely due to the greater advertising expenses in connection with the promotion of the Qingmei brand and products.

Meanwhile, administrative expenses increased by approximately 38.3% from RMB21.1 million in FY2009 to RMB29.1 million in FY2010. This was attributable to three main factors: a RMB2.4 million increase in exchange losses due to the appreciation of the Renminbi against the Singapore dollar, an increase in professional fees by RMB1.1 million, and the higher salaries and related welfare expenses amounting to RMB4.5 million.

The Group reported other expenses amounting to RMB20.5 million, primarily due to IPO and research expenses for the development of new materials in production amounting to RMB14.3 million and RMB5.7 million respectively.

Finance costs decreased by approximately 20.3% or RMB1.1 million, from RMB5.3 million in FY2009 to RMB4.2 million in FY2010. This was a result of a decrease in the average bank borrowings interest rates during the year.

Depreciation increased by approximately 13.9% or RMB4.1 million, from RMB29.2 million in FY2009 to RMB33.3 million in FY2010, and is attributable to the purchase of moulds for production, in line with the expansion of our production during the year under review.

In view of the above, our net profit attributable to shareholders increased by approximately 37.0% or RMB67.5 million, from RMB182.5 million in FY2009 to RMB250.0 million in FY2010.

HEALTHY FINANCIAL POSITION

Property, plant and equipment increased by 20.1% or RMB37.8 million to RMB226.2 million as at 30 June 2010. The increase in property, plant and equipment was due to the construction of new production facilities costing RMB50.5 million, as well as the RMB19.9 million purchase of plant and machinery related to production moulds. The purchase of a motor vehicle added another RMB1.3 million, which was offset by the charge of depreciation expenses of RMB33.3 million and disposal of plant and equipment of RMB0.6 million during the year.

Inventories increased by 98.8% from RMB25.5 million in FY2009 to RMB50.7 million in FY2010. This increase was in line with the expansion of our production scale.

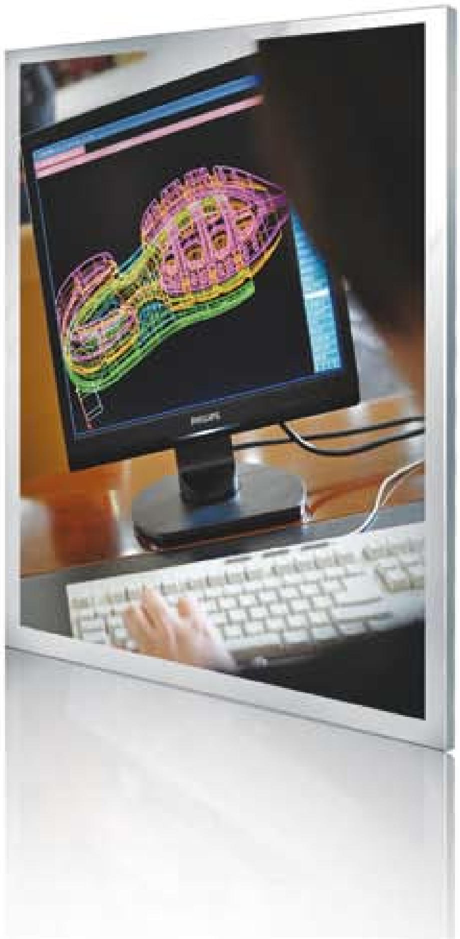
Trade receivables increased by 51.2% or RMB94.8 million, from RMB185.0 million in FY2009 to RMB279.8 million in FY2010. This corresponds to the revenue increase of the Group during the year.

Pledged bank deposits, as security for bills payables to banks, decreased significantly by 75.6% or RMB9.6 million to RMB3.1 million in FY2010, as compared to RMB12.7 million in FY2009. The decrease was primarily due to the decrease in bills issued.

Trade and bills payables increased by 40.5%, from RMB106.7 million in the previous financial year to RMB149.9 million in the year under review, in line with the increase in cost of sales of the Group this financial year.

Short-term borrowings increased by 41.3%, increasing from RMB62.0 million in FY2009 to RMB87.6 million in FY2010. The larger short-term borrowings were raised for better working capital purposes.

Cash and cash equivalents increased from RMB16.1 million in FY2009 to RMB466.9 million in FY2010. The substantial increase was largely due to net proceeds raised pursuant to the IPO of the Company, and from the net cash generated from operating activities in the year under review.



USE OF IPO PROCEEDS

Following our listing on the Singapore Exchange Mainboard, the Group raised net proceeds of RMB211.6 million.

Of the proceeds raised, a total of RMB54.4 million has been used – RMB50.0 million for the in-progress construction of the new production facility, and RMB4.4 million for two research projects meant for the development of new shoe sole materials. Subsequently, the remainder of the proceeds will go to further the development of the Group's production capacity and research and development strength, as well as the purchase of the necessary machinery and equipment for research and testing purposes.

OUTLOOK

Given the growing affluence of the PRC population and growing interest in and passion for sports, the Group believes that this will lead to an increasing growth in the demand for sporting goods, including sports shoes, in the PRC.

In line with its emphasis on product design and development, the Group has commenced two new research projects for the development of new materials for the production of shoe soles in the fourth quarter of FY2010.

As part of the Group's IPO expansion plans, the Group started construction of a new production facility and self-contained R&D centre in April 2010. Due to recent bad weather conditions in the PRC, the construction of the new facilities and first stage installation is expected to take nine months to complete. Second stage installation will commence six months thereafter.

Upon completion of the new production facilities, the Group expects to increase its maximum production capacity per annum from 45.6 million pairs to 65.0 million pairs of sports shoe soles after the first stage installation and to approximately 84.0 million pairs after the second stage of installation.

In view of the implementation of minimum wages by local governments, labour costs have inevitably increased. However, cost savings enjoyed due to economies of scale, especially 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.

Going forward, we believe that our expanded capacities and strong customer base will support our revenue and profit growth and lay a strong foundation for our long term growth.

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.

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, and the Executive Director of Shong Shing Pte Ltd. Prior to his current appointment at Ironman Minerals & Ores, Mr Tan was the Executive Director of Ei-Nets Ltd, an information technologies company listed on the SGX Mainboard, for two years. 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 as 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.

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 Guo Hui (China) Co., Ltd. (福建省晋江市国辉(中国)有限公司) as its chief engineer and production centre director and was placed in charge of the overall production operations. Mr Liu graduated with a Bachelors Degree in Industrial Economic Management from China People's University (中国人民大学) in 1997. He was certified as a senior engineer by the China Light Industry Association (中国轻工总会) in 1999.

Deng Chuangneng (邓创能)
Product Design Officer

Mr Deng Chuangneng is our Product Design Officer. He joined Qingmei (PRC) when it was incorporated in April 2006 and was made the vice president of 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 "2005 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 (the "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. review 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.

CORPORATE GOVERNANCE

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 attendance thereat after the Company's admission to the Official List of the Singapore Exchange Securities Trading Limited (the "SGX-ST") on 17 March 2010 until the financial year ended 30 June 2010 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	1	1	NA	NA	NA	NA	NA	NA
Su Qingjiang	1	1	NA	NA	NA	NA	NA	NA
Su Shubiao	1	1	NA	NA	NA	NA	NA	NA
Tan Siok Sing	1	1	1	1	1	1	1	1
Foo Say Tun	1	1	1	1	1	1	1	1
Ni Xiaorong	1	1	1	1	1	1	1	1
Pek Yew Chai*	NA	NA	NA	NA	NA	NA	NA	NA

* Mr Pek Yew Chai was appointed as an Independent Director on 23 August 2010.

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.

Mr Tan Siok Sing, Mr Foo Say Tun and Mr Pek Yew Chai have prior experiences and are familiar with the roles and responsibilities of a director. The other four Directors of the Company, Mr Su Qingyuan, Mr Su Qingjian, Mr Su Shubiao and Ms Ni Xiaorong do not have prior experiences as directors of listed companies but have received relevant training to familiarise themselves with roles and responsibilities of a director.

Upon appointment, each Director will receive a letter of appointment from the Company explaining his duties and obligations as a member of the Board. In addition, newly appointed directors will be briefed by the Chief Executive Officer and/or top Management of the Company on the business activities of the Group and its strategic directions, as well as their duties and responsibilities as directors. Directors also have the opportunity to visit the Group's operational facilities and meet with the Management to gain a better understanding of the Group's business operations. The Directors are also briefed by professionals either during Board meetings or at separate meetings on regulatory changes which have an important bearing on the Company and the directors' obligations to the Company.

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.

CORPORATE GOVERNANCE

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 more than 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.

CORPORATE GOVERNANCE

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.

The NC held one (1) meeting after the Company's admission to the Official List of the SGX-ST until the financial year ended 30 June 2010.

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 10 and 11.

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 either 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.

CORPORATE GOVERNANCE

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 the 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.

The RC held one (1) meeting after the Company's admission to the Official List of the SGX-ST until the financial year ended 30 June 2010.

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.

Non-Executive Directors have no service contracts. The Executive Directors have service agreements, details of which appeared on page 139 of the Company's Prospectus dated 8 March 2010.

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.

CORPORATE GOVERNANCE

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 2010 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 (3)	–	–	–	–

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) Under the service agreements, 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 8 March 2010.

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

(3) Mr Pek Yew Chai was appointed as an Independent Director on 23 August 2010.

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 2010.

CORPORATE GOVERNANCE

(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.

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.

After the Company's admission to the Official List of the SGX-ST until the financial year ended 30 June 2010, the AC held one (1) meeting with the Management and the external auditors of the Company to discuss and review the following matters:

- the audit plan of the external 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 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 cost effectiveness, independence and objectivity of the external auditors;
- the approval of compensation to the external auditors;
- the nature and extent of non-audit services provided by the external auditors;
- the recommendation to the Board for the appointment or re-appointment of the external auditors of the Company;

CORPORATE GOVERNANCE

- 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 auditors (without the presence of the Company's Management) and reviewed the overall scope of the external 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.

The external auditors have unrestricted access to the AC.

The AC has undertaken a review of all the non-audit services provided by the external auditors during the year under review and is satisfied that such services would not, in the AC's opinion, affect the independence of the external auditors. The AC recommends to the Board the re-appointment of Grant Thornton as the external auditors of the Company at the forthcoming Annual General Meeting.

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.

Details of the primary functions of the AC appeared on pages 149 to 151 of the Company's Prospectus dated 8 March 2010.

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.

The Board believes that, in the absence of any evidence to the contrary, the system of internal controls maintained by the Group's Management throughout the financial year ended 30 June 2010 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 59 to 63.

CORPORATE GOVERNANCE

Internal Audit

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

The AC and the Management are currently in discussion with professional accounting firms on the establishment of an internal audit function.

The AC will review the internal auditors' reports and approve annual audit plans and resources to ensure that the internal auditors have 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 Annual General Meeting ("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 Annual General Meetings. 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 auditors 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 2010, the Company has complied with Listing Rule 1207(18).

CORPORATE GOVERNANCE

(F) INTERESTED PERSON TRANSACTIONS

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

Save as disclosed under "Interested Person Transactions" (pages 140 to 147) in the Company's Prospectus dated 8 March 2010, there were no new interested person transactions between the Group and any of its interested persons (namely, Directors, or controlling shareholders of the Company or the associates of such Directors or controlling shareholders) during the financial year ended 30 June 2010.

(G) MATERIAL CONTRACTS

Save as disclosed under "Material Contracts" on pages 167 and 168 of the Company's Prospectus dated 8 March 2010, in the Directors' Report and these financial statements, no other material contracts of the Company or its subsidiaries involving the interests of the CEO, Directors or controlling shareholders, were subsisting at the end of the financial year or entered into since the date of listing of the Company.

(H) RISK MANAGEMENT

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 auditors carry 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. Management will follow up on the auditors' recommendations so as to strengthen the Group's internal control systems.

Risks arising from the Group's financial operations are separately discussed in the notes to the financial statements on pages 59 to 63.

(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 as at 30 June 2010:

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	50.0	94.0
To set up a dedicated self-contained research and development centre	52.0	–	52.0
Research and development purposes	15.0	4.4	10.6
General working capital	0.6	–	0.6
Total	**211.6**	**54.4**	**157.2**

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

FINANCIAL CONTENTS

DIRECTORS' REPORT

For the year ended 30 June 2010

The Directors present their report together with the audited financial statements of the Group for the year ended 30 June 2010 and the statement of financial position of the Company at 30 June 2010.

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 2010 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 (appointed on 23 August 2010)

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 interest in the share capital 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	As at 30.06.2010	At date of incorporation/ date of appointment	As at 30.06.2010	At date of incorporation/ date of appointment
Su Qingyuan	6,000,000	–	409,632,000	1*

* On 28 August 2009, being the date of incorporation of the Company, 1 ordinary share of HK$0.10 fully paid was issued to High Crown Limited, which is wholly owned by Mr Su Qingyuan. Mr Su Qingyuan was deemed to be interested in the share held by High Crown Limited.

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 date of incorporation (or date of appointment if later) 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 2010.

DIRECTORS' REPORT

For the year ended 30 June 2010

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 26 to the financial statements, Related Party Transactions, and the section entitled "Interested Person Transactions" on page 23 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 page 13 to page 23 of this annual report.

Auditors

Grant Thornton, Certified Public Accountants, Hong Kong were appointed as the first auditors of the Company for the period from 28 August 2009 (date of incorporation) to 30 June 2010.

The auditors, Grant Thornton, Certified Public Accountants, Hong Kong have expressed their willingness to accept re-appointment.

On behalf of the Board

Su Qingyuan
Executive Chairman and Chief Executive Officer

Su Shubiao
Executive Director

17 September 2010

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 company and consolidated statements of financial position, consolidated statement of comprehensive income, company and consolidated statements of changes in equity and consolidated statement of cash flows together with notes thereto as set out in pages 29 to 63 are drawn up so as to give a true and fair view of the state of affairs of the Company and of the Group as at 30 June 2010 and of the results of the business of the Group, changes in equity of the Company and of the Group 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 2010 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

17 September 2010

INDEPENDENT AUDITORS' REPORT

Grant Thornton
均富

Member of Grant Thornton International Ltd

To the members 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 (collectively referred to as the "Group") set out on pages 29 to 63, which comprise the company and consolidated statements of financial position as at 30 June 2010, and the consolidated statement of comprehensive income, the company and consolidated 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 notes.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. Their opinion on these financial statements is set out on page 27. This directors' responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, 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 as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the directors, as well as evaluating the overall presentation of the 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 state of affairs of the Company and of the Group as at 30 June 2010 and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Grant Thornton
Certified Public Accountants
6th Floor, Nexxus Building
41 Connaught Road Central
Hong Kong

17 September 2010

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2010

	Notes	Group	
		2010	2009
		RMB'000	RMB'000
Revenue	6	**1,180,898**	833,752
Cost of sales		**(820,219)**	(597,594)
Gross profit		**360,679**	236,158
Other income and gains	6	**782**	2,209
Selling and distribution expenses		**(12,249)**	(11,891)
Administrative expenses		**(29,146)**	(21,072)
Other expenses		**(20,497)**	(102)
Finance costs	7	**(4,245)**	(5,325)
Profit before income tax	9	**295,324**	199,977
Income tax expense	10	**(45,330)**	(17,509)
Profit for the year		**249,994**	182,468
Other comprehensive income for the year			
- Currency translation		**–**	2
Total comprehensive income for the year		**249,994**	182,470
Earnings per share for profit attributable to the owners of the Company	12		
- Basic (RMB cents)		**47.5**	38.0
- Diluted (RMB cents)		**N/A**	N/A

STATEMENTS OF FINANCIAL POSITION

As at 30 June 2010

	Notes	Group 2010 RMB'000	Group 2009 RMB'000	Company 2010 RMB'000
ASSETS AND LIABILITIES				
Non-current assets				
Property, plant and equipment	13	**226,200**	188,403	**–**
Land use rights	14	**76,298**	77,937	**–**
Deposits paid for land use rights		**16,641**	16,641	**–**
Investments in subsidiaries	15	**–**	–	**515,849**
		319,139	282,981	**515,849**
Current assets				
Inventories	16	**50,721**	25,537	**–**
Trade receivables	17	**279,761**	185,028	**–**
Other receivables and prepayments		**5,270**	5,955	**–**
Due from subsidiaries	15	**–**	–	**305,939**
Pledged bank deposits	18	**3,103**	12,733	**–**
Cash and cash equivalents	19	**466,949**	16,135	**2,537**
		805,804	245,388	**308,476**
Current liabilities				
Trade and bills payables	20	**149,942**	106,676	**–**
Other payables and accruals	21	**47,973**	48,431	**2,134**
Interest-bearing bank borrowings	22	**87,620**	62,000	**–**
Current income tax liabilities		**15,962**	11,202	**–**
		301,497	228,309	**2,134**
Net current assets		**504,307**	17,079	**306,342**
Total assets less current liabilities		**823,446**	300,060	**822,191**
Non-current liabilities				
Deferred tax liabilities	23	**–**	2,500	**–**
Net assets		**823,446**	297,560	**822,191**
EQUITY				
Equity attributable to the Company's owners				
Share capital	24	**312,544**	234,192	**312,544**
Reserves	25	**510,902**	63,368	**509,647**
Total equity		**823,446**	297,560	**822,191**

Su Qingyuan
Director

Su Shubiao
Director

STATEMENTS OF CHANGES IN EQUITY

For the year ended 30 June 2010

GROUP

	Issued capital RMB'000	Share premium* RMB'000	Capital reserves* RMB'000	Exchange reserve* RMB'000	Statutory reserve* RMB'000	Proposed final dividend* RMB'000	Retained profits* RMB'000	Total equity RMB'000
	(note 24)	(note 25)	(note 25)		(note 25)			
Balance at 1 July 2008	234,192	–	(177,025)	–	17,516	–	73,600	148,283
Arising from Restructuring Exercise (note 25)	–	–	57	–	–	–	–	57
Dividends (note 11)	–	–	–	–	–	–	(33,250)	(33,250)
Transaction with owners	–	–	57	–	–	–	(33,250)	(33,193)
Profit for the year	–	–	–	–	–	–	182,468	182,468
Other comprehensive income								
Currency translation	–	–	–	2	–	–	–	2
Total comprehensive income for the year	–	–	–	2	–	–	182,468	182,470
Appropriation to statutory reserve	–	–	–	–	18,250	–	(18,250)	–
Balance at 30 June 2009 and 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
Total comprehensive income for the year	–	–	–	–	–	–	249,994	249,994
Appropriation to statutory reserve	–	–	–	–	27,596	–	(27,596)	–
2010 final dividends proposed (note 11)	–	–	–	–	–	75,000	(75,000)	–
At 30 June 2010	312,544	147,595	(77,023)	2	63,362	75,000	301,966	823,446

* These reserve accounts comprise the consolidated reserves of approximately RMB510,902,000 in the consolidated statement of financial position as at 30 June 2010 (2009: RMB63,368,000).

STATEMENTS OF CHANGES IN EQUITY

For the year ended 30 June 2010

COMPANY

	Share capital RMB'000	Share premium** RMB'000	Contributed surplus** RMB'000	Proposed final dividend** RMB'000	Retained profits** RMB'000	Total equity RMB'000
	(note 24)		(note 25)			
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
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	312,544	147,595	281,657	75,000	5,395	822,191

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2010

	2010 RMB'000	2009 RMB'000
Cash flows from operating activities		
Profit before income tax	**295,324**	199,977
Adjustments for:		
Interest income	**(607)**	(310)
Interest expense	**4,245**	5,325
Depreciation of property, plant and equipment	**33,296**	29,222
Bad debts written off	**–**	102
Loss on disposals of property, plant and equipment	**513**	–
Amortisation of land use rights	**1,639**	1,639
Operating profits before working capital changes	**334,410**	235,955
Increase in trade receivables	**(94,733)**	(54,833)
Decrease/(increase) in other receivables and prepayments	**685**	(5,870)
(Increase)/decrease in inventories	**(25,184)**	7,805
Increase in trade and bills payables	**43,266**	32,898
Increase in other payables and accruals	**2,898**	17,777
Decrease in amount due to a related company	**–**	(15,586)
Cash generated from operations	**261,342**	218,146
Income tax paid	**(43,070)**	(7,307)
Net cash generated from operating activities	**218,272**	210,839
Cash flows from investing activities		
Interest received	**607**	310
Decrease/(increase) in pledged bank deposits	**9,630**	(7,733)
Proceeds from disposals of property, plant and equipment	**55**	–
Deposits paid for land use rights	**–**	(16,641)
Payment for purchases of land use rights	**(3,356)**	(21,041)
Payment for purchases of property, plant and equipment	**(71,661)**	(53,311)
Net cash used in investing activities	**(64,725)**	(98,416)
Cash flows from financing activities		
Proceeds from issue of new ordinary shares, net of share issue expenses	**225,947**	–
New bank borrowings	**162,620**	74,000
Capital contribution from a shareholder	**99,945**	57
Repayment of bank borrowings	**(137,000)**	(73,000)
Dividends paid	**(50,000)**	(93,250)
Interest paid	**(4,245)**	(5,325)
Net cash generated from/(used in) financing activities	**297,267**	(97,518)
Net increase in cash and cash equivalents	**450,814**	14,905
Effect on foreign exchange rate changes	**–**	2
Cash and cash equivalents at beginning of year	**16,135**	1,228
Cash and cash equivalents at end of year	**466,949**	16,135

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2010

1. CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands on 28 August 2009 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 shares of the Company have been listed on the Singapore Exchange Securities Trading Limited ("SGX-ST") since 17 March 2010.

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

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

The financial statements for the year ended 30 June 2010 were approved for issue by the board of directors (the "Directors") on 17 September 2010.

2. GROUP RESTRUCTURING AND BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS

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 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 24 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 results of the Group therefore included the results of the Company and its subsidiaries with effect from 1 July 2008 or since their respective dates of incorporation/establishment, where it is a shorter period. In the opinion of the Directors, the consolidated financial statements prepared on the above basis present more fairly the results, cash flows and financial position of the Group as a whole.

Since the Company was incorporated on 28 August 2009, there were no comparatives provided on the Company's statement of financial position as at 30 June 2010.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2010

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

The financial statements on pages 29 to 63 have been prepared in accordance with International Financial Reporting Standards ("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 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 4.

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

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 judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 5.

3.2 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.

3.3 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.

3.4 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, if any. 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2010

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.4 Property, plant and equipment (Continued)

Depreciation on property, plant and equipment 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 useful lives are reviewed, and adjusted as 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 profit or loss.

CIP, which represents buildings under construction, and plant and machinery pending installation, is stated at cost less impairment losses, if any. Cost comprises direct costs incurred during the periods of construction, installation and testing. 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.

3.5 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 up-front payments are amortised over the lease period on a straight-line basis and the amortisation is charged to profit or loss.

3.6 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. The 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 recognised for CGUs 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2010

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.6 Impairment of non-financial assets (Continued)

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.

3.7 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.

3.8 Cash and cash equivalents

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

3.9 Financial assets

Financial assets other than investments in subsidiaries, are loans and receivables. The accounting policies for loans and receivables are as below.

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.

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.

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.

At each reporting date, financial assets are reviewed to determine whether there is any objective evidence of impairment.

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;

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2010

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.9 Financial assets (Continued)

(v) a significant or prolonged decline in the fair value of an investment in an equity instrument below its costs.

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

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

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

For financial assets other than trade receivables that are stated at amortised cost, impairment losses are written off against the corresponding assets directly. Where the recovery of trade 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.

3.10 Financial liabilities

The Group's financial liabilities include trade and bills payables, other payables and accruals, and interest-bearing bank borrowings. They are included in statements of financial position line items under current liabilities.

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 3.15) as an expense in finance costs in profit or loss. 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2010

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.10 Financial liabilities (Continued)

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.

3.11 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 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.

3.12 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.

3.13 Accounting for 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2010

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.13 Accounting for income taxes (Continued)

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

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

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

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

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

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

(b) 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,

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

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

(i) the same taxable entity; or

(ii) 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.

3.14 Foreign currency translation

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 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2010

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.15 Borrowing costs

Borrowing costs incurred for the acquisition, construction or production of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. A qualifying asset is an asset which necessarily takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are expensed when incurred.

Borrowing costs are capitalised as part of the cost of a qualifying asset when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are being undertaken. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

3.16 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:

From the sale of goods

Revenue is recognised 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.

Interest income

Interest income is recognised on a time-proportioned basis using the effective interest method.

3.17 Retirement benefit costs

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.

3.18 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2010

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.18 Research and development costs (Continued)

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.

3.19 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.

3.20 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2010

4. ADOPTION OF NEW OR AMENDED IFRSs

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 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 2009:

IAS 1 (Revised 2007)	Presentation of Financial Statements
IAS 23 (Revised 2007)	Borrowing Costs
IAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or an Associate
IFRS 7 (Amendments)	Improving Disclosures about Financial Instruments
IFRS 8 (Amendments)	Operating Segments
Various	Annual Improvements to IFRSs 2008

Other than as noted below, the adoption of the new IFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

IAS 1 (Revised 2007) Presentation of financial statements

The adoption of IAS 1 (Revised 2007) makes certain changes to the format and titles of the primary financial statements and to the presentation of some items within these statements. A third statement of financial position as at the beginning of the earliest comparative period is required when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements or when it reclassifies items in its financial statements. It also gives rise to additional disclosures.

The measurement and recognition of the Group's assets, liabilities, income and expenses is unchanged. However, some items that were recognised directly in equity are now recognised in other comprehensive income. IAS 1 affects the presentation of owner changes in equity and introduces a 'Statement of comprehensive income'. Comparatives have been restated to conform with the revised standard. The Group has applied changes to its accounting policies on presentation of financial statements and segment reporting retrospectively. However, the changes to the comparatives have not affected the consolidated or company statement of financial position at 1 July 2008 and accordingly the third statement of financial position as at 1 July 2008 is not presented.

IAS 27 (Amendments) Cost of an investment in a subsidiary, jointly controlled entity or an associate

The amendment requires the investor to recognise dividends from a subsidiary, jointly controlled entity or associate in profit or loss irrespective the distributions are out of the investee's pre-acquisition or post-acquisition reserves. In prior years, the Company recognised dividends out of pre-acquisition reserves as a recovery of its investment in the subsidiaries, jointly controlled entity or associates (i.e. a reduction of the cost of investment). Only dividends out of post-acquisition reserves were recognised as income in profit or loss.

Under the new accounting policy, if the dividend distribution is excessive, the investment would be tested for impairment according to the Company's accounting policy on impairment of non-financial assets.

The new accounting policy has been applied prospectively as required by these amendments to IAS 27 and therefore no comparatives have been restated.

There is no impact on the effect of the application of the amendments in respect of the Company's interest in subsidiaries and retained profits at 30 June 2010 in the separate statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2010

4. ADOPTION OF NEW OR AMENDED IFRSs (Continued)

IFRS 7 (Amendments) Improving disclosures about financial instruments

The amendments require additional disclosures for financial instruments which are measured at fair value in the statement of financial position. These fair value measurements are categorised into a three-level fair value hierarchy, which reflects the extent of observable market data used in making the measurements. In addition, the maturity analysis for derivative financial liabilities is disclosed separately and should show remaining contractual maturities for those derivatives where this information is essential for an understanding of the timing of the cash flows. The Group has taken advantage of the transitional provisions in the amendments and has not provided comparative information in respect of the new requirements.

IFRS 8 Operating segments

The adoption of IFRS 8 has not affected the identified and reportable operating segments for the Group. However, reported segment information is now based on internal management reporting information that is regularly reviewed by the chief operating decision maker. In the previous annual financial statements, segments were identified by reference to the dominant source and nature of the Group's risks and returns. Comparatives have been restated on a basis consistent with the new standard.

At the date of authorisation of these financial statements, certain new and amended IFRSs have been published but are not yet effective, and have not been adopted early by the Group.

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.

IFRS 9 Financial instruments

The standard is effective for accounting periods beginning on or after 1 January 2013 and addresses the classification and measurement of financial assets. The new standard reduces the number of measurement categories of financial assets and all financial assets will be measured at either amortised cost or fair value based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. Fair value gains and losses will be recognised in profit or loss except for those on certain equity investments which will be presented in other comprehensive income. The Directors are currently assessing the possible impact of the new standard on the Group's results and financial position in the first year of application.

Annual improvements 2009

The IASB has issued *Improvements to International Financial Reporting Standards 2009*. Most of the amendments become effective for annual periods beginning on or after 1 January 2010. The Group expects the amendment to *IAS 17 Leases* to be relevant to the Group's accounting policies. Prior to the amendment, IAS 17 generally required a lease of land to be classified as an operating lease. The amendment requires a lease of land to be classified as an operating or finance lease in accordance with the general principles in IAS 17. The Group will need to reassess the classification of its unexpired leases of land at 1 January 2010 on the basis of information existing at the inception of those leases in accordance with the transitional provisions for the amendment. The amendment will apply retrospectively except where the necessary information is not available. In that situation, the leases will be assessed on the date when the amendment is adopted. The Directors are currently assessing the possible impact of the amendment on the Group's results and financial position in the first year of application.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2010

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(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.

(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 judgement 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2010

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 during the year is as follows:

	Group	
	2010	2009
	RMB'000	RMB'000
Revenue		
MD I shoe soles	**443,501**	386,322
MD II shoe soles	**679,361**	416,150
RB shoe soles	**58,036**	31,280
Total revenue	**1,180,898**	833,752

(b) Other income and gains

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

	Group	
	2010	2009
	RMB'000	RMB'000
Other income and gains		
Interest income on financial assets that are not at fair value through profit or loss	**607**	310
Gains on disposal of scrap materials	**175**	139
Sundry income	**–**	1,760
	782	2,209

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2010

7. FINANCE COSTS

	Group	
	2010	2009
	RMB'000	RMB'000
Interest charges on financial liabilities carried at amortised cost:		
- Bank borrowings wholly repayable within five years	**4,245**	5,325

8. SEGMENT INFORMATION

On adoption of *IFRS 8 Operating segments*, 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 RMB121,487,000 or 10% of the Group's revenues depended on a single customer in the sale of sole soles (2009: approximately RMB87,219,000 or 10%).

No separate analysis of segment information by geographical segment is presented as the Group's revenue, assets and capital expenditure are principally attributable to a single geographical region, which is the PRC.

9. PROFIT BEFORE INCOME TAX

The Group's profit before income tax is arrived at after charging the following items:

	Group	
	2010	2009
	RMB'000	RMB'000
Amortisation of land use rights (note 14)	**1,639**	1,639
Bad debts written off (note 17(i))	**–**	102
Cost of inventories sold	**558,800**	388,556
Loss on disposals of property, plant and equipment	**513**	–
Depreciation of property, plant and equipment (note 13)	**33,296**	29,222
Research and development costs (note (ii))	**20,554**	13,529
Net foreign exchange loss	**2,417**	–
Staff costs (including directors' remuneration)(note 26(iii))		
- Wages, salaries and other short-term benefits	**168,975**	122,090
- Defined contribution scheme	**9,618**	9,084
	178,593	131,174

Notes:

(i) The independent auditors received non-audit fee of approximately RMB2,726,000 (2009: Nil) 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 during the year.

Saved as disclosed above, no other non-audit fees were paid to the independent auditors by the Group and the Company.

(ii) Research and development costs of approximately RMB14,909,000 (2009: RMB13,529,000) and RMB5,645,000 (2009: Nil) have been charged to cost of sale and other expenses during the year respectively.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2010

10. INCOME TAX EXPENSE

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

	Group	
	2010	2009
	RMB'000	RMB'000
Current tax		
The PRC		
- Income tax (note (ii))	**39,198**	16,734
- Withholding tax (note (iii))	**8,632**	1,775
	47,830	18,509
Deferred tax (note 23)	**(2,500)**	(1,000)
	45,330	17,509

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, totally comprising (i) 5% imposed on interim dividends (note 11) of approximately RMB50,000,000 (2009: RMB35,500,000) received by HK Qingmei Trading Group Develop Limited ("HK Qingmei") from Qingmei China before the Restructuring Exercise; and (ii) 5% imposed on the interim dividends of approximately RMB122,632,000 (2009: Nil) 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 period.

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

	Group	
	2010	2009
	RMB'000	RMB'000
Profit before income tax	**295,324**	199,977
Tax calculated at domestic tax rates applicable to profits in the respective jurisdictions	**73,831**	50,036
Non-deductible expenses	**8,630**	2,980
Effect of Tax Holiday of a subsidiary	**(43,263)**	(36,282)
Withholding tax on dividend received by a subsidiary	**8,632**	1,775
Withholding tax on undistributed earnings	**–**	775
Reversal of withholding tax on undistributed earnings	**(2,500)**	(1,775)
Income tax expense	**45,330**	17,509

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2010

11. DIVIDENDS

	Group	
	2010	2009
	RMB'000	RMB'000
Interim dividends (note (i))	**50,000**	33,250
Proposed final dividends (note (ii)) - RMB0.1172 per share	**75,000**	–

Notes:

(i) Interim dividends of approximately RMB50,000,000 (2009: RMB33,250,000), represented dividends paid by Qing Mei International to its then equity owner before the Restructuring Exercise during the year. 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 RMB0.1172 per ordinary share (2009: Nil), amounting to approximately RMB75,000,000 (2009: Nil), has been proposed and will be submitted for formal approval at the forthcoming Annual General Meeting. As such, the final dividend proposed after the reporting date has not been recognised as a liability at the reporting date, but reflected as an appropriation of retained earnings during the year.

12. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit for the year of approximately RMB249,994,000 (2009: RMB182,468,000) and on the weighted average of 526,465,753 (2009: 480,000,000) shares in issue, assuming that 480,000,000 shares issued pursuant to the Restructuring Exercise had been in issue throughout both years.

Diluted earnings per share for the years ended 30 June 2010 and 2009 are not presented as there is no potential ordinary shares in issue for both years.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2010

13. PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold buildings	Plant and machinery	Motor vehicles	Furniture, fixtures and office equipment	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 July 2008						
Cost	139,793	94,728	4,685	2,832	–	242,038
Accumulated depreciation	(11,009)	(32,458)	(1,334)	(990)	–	(45,791)
Net book amount	128,784	62,270	3,351	1,842	–	196,247
Year ended 30 June 2009						
Opening net book amount	128,784	62,270	3,351	1,842	–	196,247
Additions	–	17,453	–	1,421	2,504	21,378
Depreciation (note 9)	(6,291)	(21,496)	(887)	(548)	–	(29,222)
Closing net book amount	122,493	58,227	2,464	2,715	2,504	188,403
At 30 June 2009 and 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						
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

	Group	
	2010	2009
	RMB'000	RMB'000
Depreciation charged to:		
Cost of sales	**29,516**	25,420
Administrative expenses	**3,779**	3,708
Selling and distribution expenses	**1**	94
	33,296	29,222

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2010

14. LAND USE RIGHTS

	Group 2010 RMB'000	Group 2009 RMB'000
At beginning of year		
Gross carrying amount	**82,991**	82,991
Accumulated amortisation	**(5,054)**	(3,415)
Net carrying amount	**77,937**	79,576
For the year		
Opening net carrying amount	**77,937**	79,576
Amortisation charge (note 9)	**(1,639)**	(1,639)
Closing net carrying amount	**76,298**	77,937
At end of year		
Gross carrying amount	**82,991**	82,991
Accumulated amortisation	**(6,693)**	(5,054)
Net carrying amount	**76,298**	77,937

	Group 2010 RMB'000	Group 2009 RMB'000
Amortisation charged to:		
Cost of sales	**983**	983
Administrative expenses	**656**	656
	1,639	1,639

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

15. INVESTMENTS IN SUBSIDIARIES

	Company 2010 RMB'000
Unlisted shares, at cost	**515,849**

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2010

15. INVESTMENTS IN SUBSIDIARIES (Continued)

Particulars of the subsidiaries at 30 June 2010 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		Principal activities
			Direct	Indirect	
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$283,442,000*	–	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. Up to the reporting date, approximately HK$283,442,000 of the registered capital of Qingmei China has been paid up and the Group therefore had an outstanding investment commitment of approximately HK$76,558,000 in the subsidiary.

The financial statements of the above subsidiaries are audited by Grant Thornton, Hong Kong for statutory purpose/for the purpose of the Group consolidation of Qingmei Group Holdings Limited.

16. INVENTORIES

	Group	
	2010 **RMB'000**	2009 RMB'000
Raw materials	**11,630**	5,765
Work in progress	**34,262**	18,211
Finished goods	**4,829**	1,561
	50,721	25,537

There has been no inventory written off or allowance made for inventory obsolescence during the year (2009: Nil).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2010

17. TRADE RECEIVABLES

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

	Group	
	2010	2009
	RMB'000	RMB'000
Neither past due nor impaired	**269,454**	185,028
1 - 30 days past due	**10,307**	–
Total trade receivables, net	**279,761**	185,028

Notes :

(i) The trade receivables generally have credit terms ranging from 60 days to 90 days (2009: 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 2010 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. As at 30 June 2010, the Group has not determined any trade receivables (2009: RMB102,000) (note 9) as irrecoverable and written off.

(ii) As at 30 June 2010, trade receivables of approximately RMB43,778,000 (2009: RMB16,675,000) are pledged for certain bank borrowings of the Group (note 22).

(iii) 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 2010, the Group's bills payables amounting to approximately RMB6,207,000 (2009: RMB36,733,000) are secured by pledging of the Group's bank deposits of approximately RMB3,103,000 (2009: RMB12,733,000). The interest rate per annum on the Group's pledged bank deposit ranged from 0.36% to 1.98% during the year (2009: 0.36% to 3.78%).

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

19. CASH AND CASH EQUIVALENTS

As at 30 June 2010, the cash and bank balance denominated in RMB amounted to approximately RMB304,221,000 (2009: RMB16,122,000). The RMB is not freely convertible into other currencies, however, under PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2010

20. TRADE AND BILLS PAYABLES

	Group	
	2010	2009
	RMB'000	RMB'000
Trade payables (note (i))	**143,735**	69,943
Bills payables (note (ii))	**6,207**	36,733
	149,942	106,676

Notes :

(i) Trade payables are non-interest bearing and are normally settled within a 60 to 90 days term (2009: 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. The Group's bills payables of approximately RMB6,207,000 and approximately RMB30,000,000 are guaranteed by an independent major customer and a third party as at 30 June 2010 and 2009, respectively.

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

21. OTHER PAYABLES AND ACCRUALS

	Group		Company
	2010	2009	**2010**
	RMB'000	RMB'000	**RMB'000**
Other payables:			
- Land use rights cost payables	**3,154**	6,510	**–**
- Value-added tax payables	**7,589**	10,895	**–**
- Various other tax payables	**2,219**	2,025	**–**
- Others (note (i))	**16,998**	13,742	**–**
	29,960	33,172	**–**
Accruals	**18,013**	15,259	**2,134**
	47,973	48,431	**2,134**

Notes:

(i) Included in the Group's other payables and accruals are amounts due to director of approximately RMB5,994,000 (2009: Nil) which are unsecured, interest-free and repayment on demand.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2010

22. INTEREST-BEARING BANK BORROWINGS

	Group	
	2010	2009
	RMB'000	RMB'000
Current and repayable within one year		
Bank loans (note (i))	**45,000**	48,000
Factoring loan financing (note (ii))	**42,620**	14,000
	87,620	62,000

Notes :

(i) The Group's interest-bearing bank loans as at 30 June 2010 are guaranteed by an independent third party. The Group's bank interest-bearing bank loans as at 30 June 2009 were jointly guaranteed by certain related parties (note 26) and independent third parties.

The bank loans were bearing interest rates of 5.31% to 9.71% (2009: 7.02% to 9.71%) per annum during the year.

(ii) Factoring loan financing with recourse bears fixed interest rate of 3.22% to 4.86% (2009: 4.86%) per annum. As at 30 June 2010, the factoring loan financing is secured by the Group's trade receivables of approximately RMB43,778,000 (2009: RMB16,675,000) (note 17(ii)) and certain factoring loan financing of approximately RMB10,000,000 (2009: RMB14,000,000) is supported by corporate guarantees executed by an independent third party.

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

(iv) As at 30 June 2010, the Group's banking facilities including it's bank borrowings, bills, import/export loans, letters of credit, documentary credits and trust receipts are guaranteed by independent third parties. The Group's banking facilities amounting to approximately RMB125,723,000 (2009: RMB113,733,000), of which approximately RMB93,827,000 (2009: RMB98,733,000) had been utilised as at 30 June 2010.

23. DEFERRED TAX LIABILITIES

The following is the deferred tax recognised and movements thereon during the year:

	Group
	Withholding tax on undistributed earnings
	RMB'000
At 1 July 2008	3,500
Charged to profit or loss during the year	775
Credited to profit or loss during the year	(1,775)
Total deferred tax credit during the year (note 10)	(1,000)
At 30 June 2009 and 1 July 2009	2,500
Credited to profit or loss during the year (note 10)	(2,500)
At 30 June 2010	–

As at 30 June 2010, the Group has unrecognised deferred tax liabilities of approximately RMB13,691,000 (2009: RMB7,481,000) 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.

A reversal of deferred tax in respect of the withholding tax on undistributed earnings of RMB2,500,000 (2009: RMB1,775,000) was made during the year, following the interim dividends of approximately RMB50,000,000 (2009: RMB35,500,000) were being paid by Qingmei China to its immediate holding company, HK Qingmei before the Restructuring Exercise.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2010

24. 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 during the period	(d)			999,500,000	484,620
As at 30 June 2010				1,000,000,000	484,865

	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
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		–	–	640,000,000	312,544

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2010

24. 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 2009 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.

25. 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.

The movement of capital reserve during the year ended 30 June 2009 represented the difference between the nominal value of the shares of Qing Mei International issued over the nominal value of the shares of HK Qingmei issued in 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2010

25. 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.

26. 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	
	Notes	**2010 RMB'000**	2009 RMB'000
Guarantees given by a related company in connection with bank borrowings granted to the Group	(a)	**90,000**	84,500
Guarantees given by a shareholder, director of the Company, in connection with bank borrowings granted to the Group	(b)	**90,000**	97,500

(a) During the year, the Group's bank borrowings of approximately RMB90,000,000 (2009: RMB84,500,000) were guaranteed by 福建省清美鞋材發展有限公司 ("清美鞋材"), a company which was held by Mr. Su and a close member of his family. On 24 June 2010, 清美鞋材 has terminated all guarantees provided to the Group. Accordingly, no guarantee was provided by 清美鞋材 for the Group's bank borrowings as at 30 June 2010. As at 30 June 2009, the Group's bank borrowings of approximately RMB48,000,000 were guaranteed by 清美鞋材.

(b) During the year, the Group's bank borrowings of approximately RMB90,000,000 (2009: RMB97,500,000) were guaranteed by Mr. Su. On 24 June 2010, Mr. Su has terminated all guarantees provided to the Group. Accordingly, no guarantee was provided by Mr. Su for the Group's bank borrowings as at 30 June 2010. As at 30 June 2009, the Group's bank borrowings of approximately RMB48,000,000 were guaranteed by Mr. Su.

(ii) Outstanding balances with related parties

Details of the Group's balances with the director as at the reporting date are disclosed in note 21 to the financial statements.

(iii) Compensation of key management personnel

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

	Group	
	2010 RMB'000	2009 RMB'000
Total remuneration of directors and other members of key management during the year		
-short-term employee benefits	**2,864**	1,532

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2010

27. CAPITAL COMMITMENTS

As at 30 June 2010, the Group had the following capital commitments:

		Group	
		2010	2009
		RMB'000	RMB'000
(i)	Contracted, but not provided for, in respect of:		
	- construction of leasehold buildings	**56,000**	504

(ii) During the year, the Group had contracted advertising agreements with various independent broadcasting providers, advertising agents and 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 2010, the Group had the following commitments:

	Group	
	2010	2009
	RMB'000	RMB'000
Contracted, but not provided for, in respect of:		
- advertisement fees negotiated	**2,460**	2,460
- research and development fees negotiated	**4,410**	–
	6,870	2,460

The Company did not have any commitments as at 30 June 2010.

28. FINANCIAL RISK MANAGEMENT OBJECTIVES 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2010

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND FAIR VALUE MEASUREMENTS (Continued)

(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. The Group reviews its foreign currency exposures regularly and does not consider its foreign exchange risk to be significant.

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
	2010	2009	**2010**
	RMB'000	RMB'000	**RMB'000**
Bank balances denominated in			
- HK$	**356**	13	**–**
- S$	**162,372**	–	**2,537**

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

By assessing foreign currency risk on bank balances, the effect arising from the reasonable possible change of exchange rate until the next reporting date as determined by the Group is not material to the Group's and Company's results for the year and retained profit at each of the reporting dates, on the basis that all other variables remain constant.

(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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2010

28. FINANCIAL RISK MANAGEMENT OBJECTIVES 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 2010 and 30 June 2009, the remaining contractual maturities of the Group's and Company's financial liabilities which are based on undiscounted cash flows are summarised below:

	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**

	Group 2009				
	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	106,676	106,676	–	106,676	–
Other payables and accruals	48,431	48,431	–	48,431	–
Interest-bearing bank borrowings	62,000	63,846	–	63,846	–
	217,107	218,953	–	218,953	–

	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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2010

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND FAIR VALUE MEASUREMENTS (Continued)

(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 2010 and 2009 are categorised as follows. See notes 3.9 and 3.10 for explanations about how the categorisation of financial instruments affects their subsequent measurement.

	Group		Company
	2010	2009	**2010**
	RMB'000	RMB'000	**RMB'000**
Financial assets			
Current assets			
Cash and cash equivalents	**466,949**	16,135	**2,537**
Pledged bank deposits	**3,103**	12,733	**–**
Loans and receivables			
- Due from subsidiaries	**–**	–	**305,939**
- Trade receivables	**279,761**	185,028	**–**
- Other receivables	**–**	5,820	**–**
	749,813	219,716	**308,476**

	Group		Company
	2010	2009	**2010**
	RMB'000	RMB'000	**RMB'000**
Financial liabilities			
Current liabilities			
Financial liabilities measured at amortised cost			
- Trade and bills payables	**149,942**	106,676	**–**
- Other payables and accruals	**47,973**	48,431	**2,134**
- Interest-bearing bank borrowings	**87,620**	62,000	**–**
	285,535	217,107	**2,134**

(vii) Fair value measurements recognised in the statement of financial position - Group

The Group adopted the amendments to *IFRS 7 Improving Disclosures about Financial Instruments* effective from 1 July 2009. These amendments introduce a three-level hierarchy for fair value measurement disclosures and additional disclosures about the relative reliability of fair value measurements. The Group has taken advantage of the transitional provisions in the amendments to IFRS 7 and accordingly, no comparatives for the hierarchy for fair value measurement disclosures have been presented.

The hierarchy groups financial assets and liabilities into three levels based on the relative reliability of significant inputs used in measuring the fair value of these financial assets and liabilities. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND FAIR VALUE MEASUREMENTS (Continued)

(vii) Fair value measurements recognised in the statement of financial position - Group (Continued)

The level in the fair value hierarchy within which the financial asset or liability is categorised in its entirety is based on the lowest level of input that is significant to the fair value measurement.

As at 30 June 2010, there are no financial assets and liabilities measured at fair value in the statements of financial position in accordance with the fair value hierarchy.

29. DIRECTORS' REMUNERATION

For the period ended 30 June 2010, 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:

	Executive director	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 2010 and 2009 amounted to approximately RMB823,446,000 and RMB297,560,000 respectively, which the management considers as optimal having consider the projected capital expenditures and the projected strategic investment opportunities.

STATISTICS OF SHAREHOLDINGS

As at 17 September 2010

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	–	–	–	–
1,000 - 10,000	305	36.09	1,865,000	0.29
10,001 - 1,000,000	521	61.66	53,256,000	8.32
1,000,001 and above	19	2.25	584,879,000	91.39
Total	845	100.00	640,000,000	100.00

Substantial Shareholders

	No. of Shares			
Name of Substantial Shareholders	Direct Interest	Deemed Interest	Total No. of Shares	% of Shares
Su Qingyuan (1)	6,000,000	409,632,000	415,632,000	64.94
High Crown Limited	409,632,000	–	409,632,000	64.01

Notes :

(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.

Twenty Largest Shareholders

	Name	No. of Shares	%
1	HIGH CROWN LIMITED	409,632,000	64.01
2	UOB KAY HIAN PTE LTD	86,313,000	13.49
3	CIM XX LIMITED	24,000,000	3.75
4	NEW TIMES GROUP LIMITED	11,184,000	1.75
5	RAINBOW MAGIC INTERNATIONAL LIMITED	11,184,000	1.75
6	LIM & TAN SECURITIES PTE LTD	6,195,000	0.97
7	LIM CHYE HAI (LIN CAIHAI)	5,250,000	0.82
8	CITIBANK NOMINEES SINGAPORE PTE LTD	5,246,000	0.82
9	KIM ENG SECURITIES PTE. LTD.	4,114,000	0.64
10	PHILLIP SECURITIES PTE LTD	3,774,000	0.59
11	OCBC SECURITIES PRIVATE LTD	3,768,000	0.59
12	TANG KOK ONN SIMON	3,390,000	0.53
13	BOON SUAN LEE	2,388,000	0.37
14	PORNTIPA ATIPAS	2,044,000	0.32
15	GONG NGIE KING @ KONG NGIE KING	1,540,000	0.24
16	CHEN YI	1,330,000	0.21
17	FONES JEFFREY	1,300,000	0.20
18	CIMB SECURITIES (SINGAPORE) PTE LTD	1,127,000	0.18
19	KOH BOON CHYE (GAO WENCAI)	1,100,000	0.17
20	CHAN KWOK WENG	1,000,000	0.16
	TOTAL	**585,879,000**	**91.56**

STATISTICS OF SHAREHOLDINGS

As at 17 September 2010

Percentage of Shareholding held in Public Hands

Based on the information available to the Company as at 17 September 2010, 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 Raffles City Convention Centre, Level 4, Enterprise Room, 80 Bras Basah Road, Singapore 189560 on Wednesday, 20 October 2010 at 2.30 p.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 2010 together with the Auditors' Report thereon. **(Resolution 1)**

2. To declare a First and Final Dividend (tax not applicable) of RMB0.1172 per ordinary share for the financial year ended 30 June 2010. **(Resolution 2)**

3. To re-elect Mr Su Qingyuan, a Director retiring pursuant to Article 85(6) of the Articles of Association of the Company. **(Resolution 3)**

4. To re-elect Mr Su Qingjiang, a Director retiring pursuant to Article 85(6) of the Articles of Association of the Company. **(Resolution 4)**

5. To re-elect Mr Su Shubiao, a Director retiring pursuant to Article 85(6) of the Articles of Association of the Company. **(Resolution 5)**

6. To re-elect Mr Tan Siok Sing, a Director retiring pursuant to Article 85(6) of the Articles of Association of the Company. [See Explanatory Note (i)] **(Resolution 6)**

7. To re-elect Mr Foo Say Tun, a Director retiring pursuant to Article 85(6) of the Articles of Association of the Company. [See Explanatory Note (ii)] **(Resolution 7)**

8. To re-elect Ms Ni Xiaorong, a Director retiring pursuant to Article 85(6) of the Articles of Association of the Company. [See Explanatory Note (iii)] **(Resolution 8)**

9. To re-elect Mr Pek Yew Chai, a Director retiring pursuant to Article 85(6) of the Articles of Association of the Company. [See Explanatory Note (iv)] **(Resolution 9)**

10. To approve the payment of S$80,000 as Directors' Fees for the financial year ended 30 June 2010. **(Resolution 10)**

11. To approve the payment of S$210,000 as Directors' Fees for the financial year ending 30 June 2011, to be paid quarterly in arrears. **(Resolution 11)**

12. To re-appoint Messrs Grant Thornton, Certified Public Accountants, Hong Kong as Auditors and to authorise the Directors to fix their remuneration. **(Resolution 12)**

13. 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:

14. **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

NOTICE OF ANNUAL GENERAL MEETING

(ii) make or grant offers, agreements or options (collectively, the "Instruments") 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,

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 (v)] **(Resolution 13)**

NOTICE OF ANNUAL GENERAL MEETING

15. **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 (vi)] **(Resolution 14)**

By Order of the Board

Au-Yeung Yu Ching
Joint Company Secretary

Singapore, 1 October 2010

Explanatory Notes:

(i) 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.

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

(iii) Ms Ni Xiaorong will, upon re-election as a Director of the Company, remain as a member of the Nominating Committee, the Audit Committee and the Remuneration Committee. Ms Ni is an Independent Director.

(iv) Mr Pek Yew Chai will, upon re-election as a Director of the Company, remain as a member of the Nominating Committee, the Audit Committee and the Remuneration Committee. Mr Pek is an Independent Director.

(v) **Ordinary Resolution 13** proposed in item 14. 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 13 (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 13, 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 13, 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.

(vi) **Ordinary Resolution 14** proposed in item 15. 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.

NOTICE OF ANNUAL GENERAL MEETING

Notes:

1. Save as provided in the Articles of Association, a member 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 being a Depositor (who is not a natural person) whose name appears in the Depository Register (as defined in Section 130A of the Companies Act, Cap. 50 of Singapore) wishes to attend and vote at the Annual General Meeting, then it should complete the Proxy Form and deposit the duly completed 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 408623, at least 48 hours before the time of the Annual General Meeting. A Depositor who is a natural person need not complete the Proxy Form if he/she intends to attend in person.

3. If a Depositor/shareholder wishes to appoint a proxy/proxies, then the Proxy Form must be 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 408623, at least 48 hours before the time of the Annual General Meeting.

Boulton Capital Asia Pte. Limited and SAC Capital Private Limited ('Joint Issue Managers') were the joint issue managers for the initial public offering of Qingmei Group Holdings Limited. The Joint Issue Managers assume no responsibility for the contents of this annual report

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

AUDITORS

Grant Thornton
Certified Public Accountants
6th Floor, Nexxus Building
41 Connaught Road Central
Hong Kong

Partner-in-charge: Andrew Lam
(Appointed with effect from financial year
ended 30 June 2010)

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

QingMei

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