



# QINGMEI GROUP HOLDINGS LIMITED

清美集團控股有限公司

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

## FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE THREE MONTHS ENDED 30 SEPTEMBER 2011

BOULTON CAPITAL ASIA PTE. LIMITED AND SAC CAPITAL PRIVATE LIMITED WERE THE JOINT ISSUE MANAGERS FOR THE INITIAL PUBLIC OFFERING OF QINGMEI GROUP HOLDINGS LIMITED (THE "COMPANY"). THIS ANNOUNCEMENT HAS BEEN PREPARED AND RELEASED BY THE COMPANY.

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

- 1(a) An income statement and statement of comprehensive income, or a statement of comprehensive income for the group together with a comparative statement for the corresponding period of the immediately preceding financial year

Group's statement of comprehensive income for the first quarter ended 30 September 2011

	Group		
	Three months ended		
	30.09.2011	30.09.2010	
	(Unaudited)	(Unaudited)	Change
	RMB'000	RMB'000	
Revenue	364,917	303,944	20.1%
Cost of sales	(253,641)	(215,842)	17.5%
Gross profit	111,276	88,102	26.3%
Other income and gains	418	7,167	-94.2%
Selling and distribution expenses	(3,091)	(2,928)	5.6%
Administrative expenses	(9,646)	(7,780)	24.0%
Other expenses	(2,047)	(2,205)	-7.2%
Finance costs	(169)	(1,245)	-86.4%
Profit before income tax	96,741	81,111	19.3%
Income tax expense	(16,201)	(9,621)	68.4%
Profit for the period attributable to the owners of the Company	80,540	71,490	12.7%
Other comprehensive income for the period	-	-	N/A
Total comprehensive income for the period attributable to the owners of the Company	80,540	71,490	12.7%
Earnings per share for profit attributable to the owners of the Company during the period			
- Basic (RMB cents)	12.6	11.2	
- Diluted (RMB cents)	N/A	N/A	

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

	Group		
	Three months ended		
	30.09.2011	30.09.2010	Change
	(Unaudited)	(Unaudited)	
	RMB'000	RMB'000	
Interest income	(418)	(258)	62.0%
Interest on bank borrowings	169	1,245	-86.4%
Net foreign exchange loss/(gain)	848	(6,804)	N/A
Amortisation of land use rights	410	410	-
Depreciation of property, plant and equipment	12,332	11,035	11.8%

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

	Group		Company	
	30.09.2011	30.06.2011	30.09.2011	30.06.2011
	(Unaudited)	(Audited)	(Unaudited)	(Audited)
	RMB'000	RMB'000	RMB'000	RMB'000
<b>ASSETS AND LIABILITIES</b>				
<b>Non-current assets</b>				
Property, plant and equipment	426,903	423,803	-	-
Land use rights	95,592	96,002	-	-
Deposits paid for land use rights	-	-	-	-
Investment in subsidiaries	-	-	515,849	515,849
	<u>522,495</u>	<u>519,805</u>	<u>515,849</u>	<u>515,849</u>
<b>Current assets</b>				
Inventories	31,444	39,123	-	-
Trade receivables	308,937	289,400	-	-
Other receivables and prepayments	8,651	9,579	-	-
Due from subsidiaries	-	-	324,580	326,853
Pledged bank deposits	-	995	-	-
Cash and cash equivalents	464,580	398,974	787	337
	<u>813,612</u>	<u>738,071</u>	<u>325,367</u>	<u>327,190</u>
<b>Current liabilities</b>				
Trade and bills payables	128,850	134,810	-	-
Other payables and accruals	72,950	59,416	1,361	1,756
Interest-bearing bank borrowings	10,000	20,000	-	-
Current income tax liabilities	19,701	19,584	-	-
	<u>231,501</u>	<u>233,810</u>	<u>1,361</u>	<u>1,756</u>
<b>Net current assets</b>	<u>582,111</u>	<u>504,261</u>	<u>324,006</u>	<u>325,434</u>
<b>Net assets</b>	<u>1,104,606</u>	<u>1,024,066</u>	<u>839,855</u>	<u>841,283</u>
<b>EQUITY</b>				
<b>Equity attributable to the owners of the Company</b>				
Share capital	312,544	312,544	312,544	312,544
Reserves	792,062	711,522	527,311	528,739
<b>Total equity</b>	<u>1,104,606</u>	<u>1,024,066</u>	<u>839,855</u>	<u>841,283</u>

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

	Notes	Group	
		As at 30.09.2011 RMB'000 (Unaudited)	As at 30.06.2011 RMB'000 (Audited)
Amount repayable in one year or less, or on demand			
- Secured bank loans	(a)	10,000	10,000
- Secured bills payables		-	4,977
- Unsecured bank loans		-	10,000
		<u>10,000</u>	<u>24,977</u>
Amount repayable after one year:		<u>-</u>	<u>-</u>

Details of any collateral:

- (a) As at 30 September 2011 and 30 June 2011, the Group's secured bank loans were secured by the Group's trade receivables of approximately RMB10.2 million.

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

	Group	
	Three months ended	
	30.09.2011	30.09.2010
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
<b>Cash flows from operating activities</b>		
Profit before income tax	96,741	81,111
Adjustments for:		
Interest income	(418)	(258)
Interest expense	169	1,245
Depreciation of property, plant and equipment	12,332	11,035
Amortisaion of land use rights	410	410
Operating profits before working capital changes	109,234	93,543
(Increase)/Decrease in trade receivables	(19,537)	46,307
Decrease in other receivables and prepayments	928	1,806
Decrease/(Increase) in inventories	7,679	(149)
Decrease in trade and bills payables	(5,960)	(59,508)
Increase in other payables and accruals	13,534	13,544
Cash generated from operations	105,878	95,543
Income tax paid	(16,084)	(9,962)
Net cash generated from operating activities	89,794	85,581
<b>Cash flows from investing activities</b>		
Interest received	418	258
Decrease in pledged bank deposits	995	3,103
Payment for purchases of property, plant and equipment	(15,432)	(48,475)
Net cash used in investing activities	(14,019)	(45,114)
<b>Cash flows from financing activities</b>		
New bank borrowings	10,000	27,380
Repayment of bank borrowings	(20,000)	(26,500)
Interest paid	(169)	(1,245)
Net cash used in financing activities	(10,169)	(365)
<b>Net increase in cash and cash equivalents</b>	65,606	40,102
<b>Cash and cash equivalents at beginning of financial period</b>	398,974	466,949
<b>Cash and cash equivalents at end of financial period</b>	464,580	507,051

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

**GROUP**

	Issued capital (Unaudited) RMB'000	Share premium (Unaudited) RMB'000	Capital reserves (Unaudited) RMB'000	Exchange reserve (Unaudited) RMB'000	Statutory reserve (Unaudited) RMB'000	Retained profits (Unaudited) RMB'000	Proposed final dividends (Unaudited) RMB'000	Total equity (Unaudited) RMB'000
Balance at 1 July 2011	312,544	147,595	(77,023)	2	91,076	467,186	82,686	1,024,066
Total comprehensive income for the period	-	-	-	-	-	80,540	-	80,540
Appropriation to statutory reserve	-	-	-	-	11,027	(11,027)	-	-
<b>At 30 September 2011</b>	<b>312,544</b>	<b>147,595</b>	<b>(77,023)</b>	<b>2</b>	<b>102,103</b>	<b>536,699</b>	<b>82,686</b>	<b>1,104,606</b>
Balance at 1 July 2010	312,544	147,595	(77,023)	2	63,362	301,966	75,000	823,446
Total comprehensive income for the period	-	-	-	-	-	71,490	-	71,490
Appropriation to statutory reserve	-	-	-	-	6,723	(6,723)	-	-
<b>At 30 September 2010</b>	<b>312,544</b>	<b>147,595</b>	<b>(77,023)</b>	<b>2</b>	<b>70,085</b>	<b>366,733</b>	<b>75,000</b>	<b>894,936</b>

**COMPANY**

	Issued capital (Unaudited) RMB'000	Share premium (Unaudited) RMB'000	Contributed surplus (Unaudited) RMB'000	Retained profits (Unaudited) RMB'000	Proposed final dividends (Unaudited) RMB'000	Total equity (Unaudited) RMB'000
Balance as at 1 July 2011	312,544	147,595	281,657	16,801	82,686	841,283
Total comprehensive income for the period	-	-	-	(1,428)	-	(1,428)
<b>At 30 September 2011</b>	<b>312,544</b>	<b>147,595</b>	<b>281,657</b>	<b>15,373</b>	<b>82,686</b>	<b>839,855</b>
Balance at 1 July 2010	312,544	147,595	281,657	5,395	75,000	822,191
Total comprehensive income for the period	-	-	-	(1,432)	-	(1,432)
<b>At 30 September 2010</b>	<b>312,544</b>	<b>147,595</b>	<b>281,657</b>	<b>3,963</b>	<b>75,000</b>	<b>820,759</b>

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

There were no changes in the Company's share capital for the three months ended 30 September 2011.

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

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

<b>Company</b>	<b>As at 30.09.2011</b>	<b>As at 30.06.2011</b>
Total number of issued shares	640,000,000	640,000,000
Less: Treasury shares	<u>-</u>	<u>-</u>
Total number of issued share capital excluding treasury shares	<u>640,000,000</u>	<u>640,000,000</u>

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

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

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

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

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

Not applicable

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

The Group has adopted the same accounting policies and methods of computation as stated in the audited financial statements of the Group for the year ended 30 June 2011, except for the adoption of the new and amended International Financial Reporting Standards ("IFRSs") which became effective on 1 July 2011. The adoption of these IFRSs did not give rise to significant changes in the Group's financial statements.

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

Not applicable

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

	<b>Group</b>	
	<b>Three months ended</b>	
	<b>30.09.2011</b>	<b>30.09.2010</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Earnings per share</b>		
Basic (RMB cents)	12.6	11.2
Diluted (RMB cents)	N/A	N/A

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

There were no potential ordinary shares in existence for the three months ended 30 September 2010 and 30 September 2011 and accordingly, no diluted earnings per share has been presented.



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

	<b>Group</b>		<b>Company</b>	
	<b>30.09.2011</b>	<b>30.06.2011</b>	<b>30.09.2011</b>	<b>30.06.2011</b>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Net asset value per share (RMB)	1.726	1.60	1.312	1.315

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

8. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-**
- (i) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and
  - (ii) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on

#### **(A) REVIEW OF OPERATING PERFORMANCE**

	<b>Group</b>		
	Three months ended		
	<b>30.09.2011</b>	<b>30.09.2010</b>	
	(Unaudited)	(Unaudited)	Change
	RMB'000	RMB'000	
<b>Revenue</b>			
MD II shoe soles ("MD II")	214,906	197,466	8.8%
MD I shoe soles ("MD I")	128,275	95,908	33.7%
RB shoe soles ("RB")	21,736	10,570	105.6%
Total	364,917	303,944	20.1%

## (A) REVIEW OF OPERATING PERFORMANCE (CONTINUED)

	Group		
	Three months ended		Change
	30.09.2011	30.09.2010	
	(Unaudited)	(Unaudited)	
	Total units sold '000	Total units sold '000	
<b><u>Sales volume</u></b>			
MD II shoe soles	7,464	6,598	13.1%
MD I shoe soles	4,406	3,552	24.0%
RB shoe soles	1,810	880	105.7%
Total	13,680	11,030	24.0%

### Revenue, Gross Profit and Gross Profit Margin

Our revenue increased by approximately 20.1% or RMB61.0 million from RMB303.9 million for the three months ended 30 September 2010 ("1QFY11") to RMB364.9 million for the three months ended 30 September 2011 ("1QFY12"). This increase was mainly due to (i) the increase in quantity of shoe soles delivered from 11.0 million pairs to 13.7 million pairs following its completion of phase 1 expansion to increase production capacity in FY2011, and (ii) the stable average selling price ("ASP"). For the period under review, our sale volume from MD II, MD I and RB grew by 13.1%, 24.0% and 105.7% respectively.

Gross profit increased by approximately 26.3% or RMB23.2 million from RMB88.1 million for 1QFY11 to RMB111.3 million for 1QFY12. Hence, gross profit margin improved 1.5 points from 29.0% for 1QFY11 to 30.5% for 1QFY12. This was due mainly to cost savings enjoyed due to economies of scale, especially the reduction in average cost per unit as a result of an increase in production volume during the period under review.

### Other income and gains

Other income and gains decreased by approximately 94.2% or RMB6.8 million from RMB7.2 million for 1QFY11 to RMB0.4 million for 1QFY12. The decrease was mainly attributable to exchange gain amounted to RMB6.8 million for 1QFY11 on the Group's outstanding bank deposits in Singapore Dollar following the appreciation of Singapore Dollar against the Renminbi during that time. However, no such exchange gain was recognized for 1QFY12.

## **Selling and distribution expenses**

The increase of selling and distribution expenses for 1QFY12 was not significant as compared with 1QFY11.

## **Administrative expenses**

Administrative expenses increased by approximately 24.0% or RMB1.8 million from RMB7.8 million for 1QFY11 to RMB9.6 million for 1QFY12. This was a result of increases in salaries as a result of the expansion of the Group's operation and net foreign exchange loss recognized during the period under review.

## **Other expenses**

Other expenses decreased by approximately 7.2% or RMB0.2 million from RMB2.2 million for 1QFY11 to RMB2.0 million for 1QFY12. Other expenses mainly represented research expenses for the development of new materials for the production of shoe soles during the period under review.

## **Finance costs**

Finance costs decreased by approximately 86.4% or RMB1.0 million from RMB1.2 million for 1QFY11 to RMB0.2 million for 1QFY12, mainly due to the decrease in the average bank borrowings during the period under review.

## **Depreciation**

Depreciation increased by approximately 11.8% or RMB1.3 million from RMB11.0 million for 1QFY11 to RMB12.3 million for 1QFY12. The increase was mainly due to the purchase of moulds for production in line with the expansion of our production scale during the period under review.

## **Taxation**

### Income tax

The income tax expenses mainly comprised of the Enterprise Income Tax ("EIT") of the PRC on profits for the Group's major operating subsidiary in the PRC, namely Qingmei (PRC). Being a wholly-foreign owned enterprise, it enjoyed a preferential tax treatment of a two-year tax exemption, followed by a three-year 50% reduced tax rate to the prevailing current EIT of 25.0% for the three calendar years commencing from calendar year 2007. The applicable tax rate for 1QFY11 and 1QFY12 is 12.5%.

### **Net profit attributable to the owners of the Company**

As a result of the above, our net profit attributable to the owners of the Company increased approximately 12.7% or RMB9.0 million from RMB71.5 million for 1QFY11 to RMB80.5 million for 1QFY12.

### **(B) REVIEW OF FINANCIAL POSITION AND CASH FLOWS**

Non-current assets increased by approximately 0.5% or RMB2.7 million to RMB522.5 million as at 30 September 2011, compared with RMB519.8 million as at 30 June 2011. This was due to the net addition of RMB15.4 million in property, plant and equipment which was partially offset by depreciation charges and amortization of land use rights of RMB12.7 million.

Trade receivables increased by approximately 6.8% or RMB19.5 million to RMB308.9 million as at 30 September 2011, compared with RMB289.4 million as at 30 June 2011 in line with the increase of revenue of the Group during the period under review.

Other receivables and prepayments decreased by approximately 9.7% or RMB0.9 million to RMB8.7 million as at 30 September 2011, compared with RMB9.6 million as at 30 June 2011 as a result of the amortisation of the prepayment for research expenses amounted to RMB2.0 million.

Pledged bank deposits were mainly used as security for bills payables to banks. The Group released all pledged bank deposits as at 30 September 2011, compared with RMB1.0 million as at 30 June 2011 since all outstanding bills payables were settled before the end of 1QFY12.

Trade and bills payables decreased by approximately 4.4% or RMB5.9 million to RMB128.9 million as at 30 September 2011, compared with RMB134.8 million as at 30 June 2011 as a result of the settlement of all bills payables amounted to RMB5.0 million outstanding at 30 June 2011.

Other payables and accruals increased by approximately 22.8% or RMB13.5 million to RMB73.0 million as at 30 September 2011, compared with RMB59.4 million as at 30 June 2011. The increase was mainly attributable to the increase in other payables on the purchase of additional moulds for new models of our products which will be released for the coming spring-summer season.

Short-term bank borrowings decreased by approximately 50% or RMB10.0 million due to sufficient funding to support its operation during the period under review.

Cash and cash equivalents increased by approximately 16.4% or RMB65.6 million to RMB464.6 million as at 30 September 2011, compared with RMB399.0 million as at 30 June 2011. The increase was due mainly to the net increase in cash generated from the operating activities during the period under review.

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

Not applicable

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

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

Two new research projects for the development of new materials for the production of shoe soles commenced in 4QFY11. The total estimated costs for the research projects are approximately RMB12 million.

Due to current market conditions, the management has decided to keep the production capacity in line with market demand.

With the implementation of minimum wages by the local governments, labour costs have inevitably increased. To this end, although direct labour costs have increased, the negative effect has less impact on our cost of sales. 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 offset any increase in direct labour costs.

**11. Dividend**

**(a) Current Financial Period Reported On**

None

**(b) Corresponding Period of the Immediately Preceding Financial Year**

None

**(c) Date payable**

Not applicable

**(d) Books closure date**

Not applicable

**(e) Other comments relating to Dividend**

None

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

No dividend has been declared or recommended for the period ended 30 September 2011.

**13. Interested Person Transactions**

No general mandate has been obtained from shareholders for interested person transactions.

**14. Use of IPO Proceeds**

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

Intended use	Amount Allocated (RMB million)	Amount Utilised (RMB million)	Balance Amount (RMB million)
Expansion of production capacity, including the purchase of new equipment and machineries, the construction of new building facilities to house them, the construction of new building facilities for our administrative functions and a staff hostel	144.0	109.4	34.6
To set up a dedicated self-contained research and development centre	52.0	44.5	7.5
Research and development purposes	15.0	11.5	3.5
General working capital	0.6	-	0.6
Total	211.6	165.4	46.2

**BY ORDER OF THE BOARD**

*Qingmei Group Holdings Limited*

**Su Qingyuan**

Executive Chairman and Chief Executive Officer

Date: 10 November 2011

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

We, Su Qingyuan and Su Shubiao being two directors of Qingmei Group Holdings Limited (the “Company”), do hereby confirm on behalf of the directors of the Company that, to the best of their knowledge, nothing has come to the attention of the board of directors of the Company which may render the unaudited financial statements for the first quarter ended 30 September 2011 to be false or misleading in any material aspect.

**BY ORDER OF THE BOARD**

*Qingmei Group Holdings Limited*

Name: Su Qingyuan  
Executive Chairman

Name: Su Shubiao  
Executive Director

Date: 10 November 2011