



QINGMEI GROUP HOLDINGS LIMITED

清美集團控股有限公司

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

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

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

PART I – INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2, & Q3), HALF YEAR AND FULL YEAR ANNOUNCEMENTS

1(a) 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					
	Three months ended			Six months ended		
	31.12.2011	31.12.2010	Change	31.12.2011	31.12.2010	Change
	(Unaudited)	(Unaudited)		(Unaudited)	(Unaudited)	
	RMB'000	RMB'000		RMB'000	RMB'000	
Revenue	331,197	303,937	9.0%	696,114	607,881	14.5%
Cost of sales	(225,279)	(215,287)	4.6%	(478,920)	(431,129)	11.1%
Gross profit	105,918	88,650	19.5%	217,194	176,752	22.9%
Other income and gains	123	1,513	-91.9%	541	8,680	-93.8%
Selling and distribution expenses	(3,066)	(2,903)	5.6%	(6,157)	(5,831)	5.6%
Administrative expenses	(13,055)	(8,019)	62.8%	(22,701)	(15,799)	43.7%
Other expenses	(639)	(2,213)	-71.1%	(2,686)	(4,418)	-39.2%
Finance costs	(147)	(1,076)	-86.3%	(316)	(2,321)	-86.4%
Profit before income tax	89,134	75,952	17.4%	185,875	157,063	18.3%
Income tax expense	(9,383)	(9,593)	-2.2%	(25,584)	(19,214)	33.2%
Profit for the period attributable to the owners of the Company	79,751	66,359	20.2%	160,291	137,849	16.3%
Other comprehensive income for the period	-	-	N/A	-	-	N/A
Total comprehensive income for the period attributable to the owners of the Company	79,751	66,359	20.2%	160,291	137,849	16.3%
Earnings per share for profits attributable to the owners of the Company during the period						
- Basic (RMB cents)	12.4	10.4		25.0	21.5	
- Diluted (RMB cents)	N/A	N/A		N/A	N/A	

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

	Group					
	Three months ended			Six months ended		
	31.12.2011	31.12.2010	Change	31.12.2011	31.12.2010	Change
	(Unaudited)	(Unaudited)		(Unaudited)	(Unaudited)	
	RMB'000	RMB'000		RMB'000	RMB'000	
Interest income	(123)	(382)	-67.8%	(541)	(640)	-15.5%
Interest on bank borrowings	147	1,076	-86.3%	316	2,321	-86.4%
Exchange loss/(gains)*	2,950	(1,130)	N.M	3,798	(7,934)	N.M
Amortisation of land use rights	410	410	0.0%	820	820	0.0%
Depreciation of property, plant and equipment	12,407	14,873	-16.6%	24,739	25,908	-4.5%

* It mainly represented the net exchange differences on the Group's outstanding bank deposits in Singapore Dollar during the period under review, while the net exchange gains recognised as other income and gains and net exchange loss reclassified to administrative expenses.

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

	Group		Company	
	31.12.2011	30.06.2011	31.12.2011	30.06.2011
	(Unaudited)	(Audited)	(Unaudited)	(Audited)
	RMB'000	RMB'000	RMB'000	RMB'000
ASSETS AND LIABILITIES				
Non-current assets				
Property, plant and equipment	434,010	423,803	-	-
Land use rights	95,182	96,002	-	-
Investment in subsidiaries	-	-	515,849	515,849
	<u>529,192</u>	<u>519,805</u>	<u>515,849</u>	<u>515,849</u>
Current assets				
Inventories	21,763	39,123	-	-
Trade receivables	303,428	289,400	-	-
Other receivables and prepayments	6,188	9,579	-	-
Due from subsidiaries	-	-	267,843	326,853
Pledged bank deposits	-	995	-	-
Cash and cash equivalents	437,568	398,974	13	337
	<u>768,947</u>	<u>738,071</u>	<u>267,856</u>	<u>327,190</u>
Current liabilities				
Trade and bills payables	106,767	134,810	-	-
Other payables and accruals	48,767	59,416	1,124	1,756
Interest-bearing bank borrowings	-	20,000	-	-
Current income tax liabilities	13,748	19,584	-	-
	<u>169,282</u>	<u>233,810</u>	<u>1,124</u>	<u>1,756</u>
Net current assets	<u>599,665</u>	<u>504,261</u>	<u>266,732</u>	<u>325,434</u>
Net assets	<u>1,128,857</u>	<u>1,024,066</u>	<u>782,581</u>	<u>841,283</u>
EQUITY				
Equity attributable to the Company's owners				
Share capital	331,990	312,544	331,990	312,544
Reserves	796,867	711,522	450,591	528,739
Total equity	<u>1,128,857</u>	<u>1,024,066</u>	<u>782,581</u>	<u>841,283</u>

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

	Group	
	As at	As at
	31.12.2011	30.06.2011
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Amount repayable in one year or less, or on demand		
- Secured bank loans	-	10,000
- Secured bills payables	-	4,977
- Unsecured bank loans	-	10,000
	-	24,977

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		Six months ended	
	31.12.2011	31.12.2010	31.12.2011	31.12.2010
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	RMB'000	RMB'000	RMB'000	RMB'000
Cash flows from operating activities				
Profit before income tax	89,134	75,952	185,875	157,063
Adjustments for:				
Interest income	(123)	(382)	(541)	(640)
Interest expense	147	1,076	316	2,321
Depreciation of property, plant and equipment	12,407	14,873	24,739	25,908
Amortisation of land use rights	410	410	820	820
Operating profits before working capital changes	101,975	91,929	211,209	185,472
Decrease/(Increase) in trade receivables	5,509	(44,227)	(14,028)	2,080
Decrease in other receivables and prepayments	2,463	712	3,391	2,518
Decrease in inventories	9,681	4,185	17,360	4,036
(Decrease)/Increase in trade and bills payables	(22,083)	37,884	(28,043)	(21,624)
Decrease in other payables and accruals	(24,183)	(16,718)	(10,649)	(3,174)
Cash generated from operations	73,362	73,765	179,240	169,308
Income tax paid	(15,336)	(13,029)	(31,420)	(22,991)
Net cash generated from operating activities	58,026	60,736	147,820	146,317
Cash flows from investing activities				
Interest received	123	382	541	640
Decrease in pledged bank deposits	-	-	995	3,103
Payment for purchases of property, plant and equipment	(19,514)	(65,233)	(34,946)	(113,708)
Net cash used in investing activities	(19,391)	(64,851)	(33,410)	(109,965)
Cash flows from financing activities				
New bank borrowings	-	30,000	10,000	57,380
Repayment of bank borrowings	(10,000)	(43,500)	(30,000)	(70,000)
Dividends paid	(55,500)	(75,000)	(55,500)	(75,000)
Interest paid	(147)	(1,076)	(316)	(2,321)
Net cash used in financing activities	(65,647)	(89,576)	(75,816)	(89,941)
Net (decrease)/increase in cash and cash equivalents	(27,012)	(93,691)	38,594	(53,589)
Cash and cash equivalents at beginning of financial period	464,580	507,051	398,974	466,949
Cash and cash equivalents at end of financial period	437,568	413,360	437,568	413,360

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	Share premium	Capital reserves	Exchange reserve	Statutory reserve	Retained profits	Proposed final dividends	Total equity
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 July 2011	312,544	147,595	(77,023)	2	91,076	467,186	82,686	1,024,066
Issue of new shares pursuant to scrip dividend	19,446	7,740	-	-	-	-	(27,186)	-
Dividends paid	-	-	-	-	-	-	(55,500)	(55,500)
Transaction with owners	19,446	7,740	-	-	-	-	(82,686)	(55,500)
Total comprehensive income for the period	-	-	-	-	-	160,291	-	160,291
Appropriation to statutory reserve	-	-	-	-	17,595	(17,595)	-	-
At 31 December 2011	331,990	155,335	(77,023)	2	108,671	609,882	-	1,128,857
Balance at 1 July 2010	312,544	147,595	(77,023)	2	63,362	301,966	75,000	823,446
Dividends paid	-	-	-	-	-	-	(75,000)	(75,000)
Transaction with owners	-	-	-	-	-	-	(75,000)	(75,000)
Total comprehensive income for the period	-	-	-	-	-	137,849	-	137,849
Appropriation to statutory reserve	-	-	-	-	13,448	(13,448)	-	-
At 31 December 2010	312,544	147,595	(77,023)	2	76,810	426,367	-	886,295

COMPANY	Issued capital	Share premium	Contributed surplus	Retained profits	Proposed final dividends	Total equity
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance as at 1 July 2011	312,544	147,595	281,657	16,801	82,686	841,283
Issue of new shares pursuant to scrip dividend	19,446	7,740	-	-	(27,186)	-
Dividends paid	-	-	-	-	(55,500)	(55,500)
Transaction with owners	19,446	7,740	-	-	(82,686)	(55,500)
Total comprehensive income for the period	-	-	-	(3,202)	-	(3,202)
At 31 December 2011	331,990	155,335	281,657	13,599	-	782,581
Balance at 1 July 2010	312,544	147,595	281,657	5,395	75,000	822,191
Dividends paid	-	-	-	-	(75,000)	(75,000)
Transaction with owners	-	-	-	-	(75,000)	(75,000)
Total comprehensive income for the period	-	-	-	(3,374)	-	(3,374)
At 31 December 2010	312,544	147,595	281,657	2,021	-	743,817

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

The Company had allotted and issued 39,824,874 ordinary shares of S\$0.1 each on 21 December 2011 pursuant to the scrip dividend scheme, in respect of the final dividends of RMB0.1292 per ordinary share declared for the financial year ended 30 June 2011.

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

Company	As at 31.12.2011	As at 30.06.2011
Total number of issued shares	679,824,874	640,000,000
Less: Treasury shares	<u>-</u>	<u>-</u>
Total number of issued share capital excluding treasury shares	<u>679,824,874</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

	Group		Group	
	Three months ended		Six months ended	
	31.12.2011	31.12.2010	31.12.2011	31.12.2010
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Earnings per share				
Basic (RMB cents)	12.4	10.4	25.0	21.5
Diluted (RMB cents)	N/A	N/A	N/A	N/A

The calculation of basic earnings per share for 2QFY12 is based on the net profit attributable to owners of the Company of RMB79,751,000 (2QFY11: RMB66,359,000) and divided by the weighted average number of 644,761,670 ordinary shares (2QFY11: 640,000,000) in issue during the period.

Basic earnings per share for the six months ended 31 December 2011 are calculated based on the net profit attributable to owners of the Company for the period of approximately RMB160,291,000 (6MFY11: approximately RMB137,849,000) divided by the weighted average number of 642,380,835 ordinary shares (6MFY12: 640,000,000) in issue during the period

There were no potential ordinary shares in existence for the three months ended and six months ended 31 December 2011 and 31 December 2010 and accordingly, no diluted earnings per share has been presented.

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

	Group		Company	
	31.12.2011	30.06.2011	31.12.2011	30.06.2011
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Net asset value per share(RMB)	1.66	1.60	1.15	1.31

The net asset value for the Group and the Company per ordinary share as at 31 December 2011 was calculated based on 679,824,874 ordinary shares (as at 30 June 2011: 640,000,000 ordinary shares).

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

(A) REVIEW OF OPERATING PERFORMANCE

	Group					
	Three months ended			Six months ended		
	31.12.2011	31.12.2010	Change	31.12.2011	31.12.2010	Change
	(Unaudited)	(Unaudited)		(Unaudited)	(Unaudited)	
	RMB'000	RMB'000		RMB'000	RMB'000	
Revenue						
MD II shoe soles ("MDII")	197,322	189,103	4.3%	412,228	386,569	6.6%
MD I shoe soles ("MD I")	117,169	97,470	20.2%	245,444	193,378	26.9%
RB shoe soles ("RB")	16,706	17,364	-3.8%	38,442	27,934	37.6%
Total	331,197	303,937	9.0%	696,114	607,881	14.5%

(A) REVIEW OF OPERATING PERFORMANCE (CONTINUED)

	Group					
	Three months ended			Six months ended		
	31.12.2011	31.12.2010	Change	31.12.2011	31.12.2010	Change
	(Unaudited)	(Unaudited)		(Unaudited)	(Unaudited)	
	Total	Total		Total	Total	
	units sold	units sold		units sold	units sold	
	'000	'000		'000	'000	
Sales volume						
MD II shoe soles	6,828	6,596	3.5%	14,292	13,194	8.3%
MD I shoe soles	4,160	3,706	12.3%	8,566	7,258	18.0%
RB shoe soles	1,344	1,540	-12.7%	3,154	2,420	30.3%
Total	12,332	11,842	4.1%	26,012	22,872	13.7%

Revenue, Gross Profit and Gross Profit Margin

Our revenue increased by approximately 14.5% or RMB88.2 million from RMB607.9 million for the six months ended 31 December 2010 ("6MFY11") to RMB696.1 million for the six months ended 31 December 2011 ("6MFY12") and increased by approximately 9.0% or RMB27.3 million from RMB303.9 million for the three months ended 31 December 2010 ("2QFY11") to RMB331.2 million for the three months ended 31 December 2011 ("2QFY12").

The increase in revenue for 6MFY12 was mainly due to the increase in sales quantity of 13.7% to 26 million pairs of shoe soles following the expansion of production capacities while average selling price ("ASP") saw a marginal improvement of 0.75% to RMB26.8 per pair. For the period under review, our sales volume from MDII, MDI and RB grew by 8.3%, 18% and 30.3% respectively.

The increase in revenue for 2QFY12 was mainly due to the rise in ASP of 4.7% to RMB26.9 per pair together with the increase in sales quantity of 4.1% to 12.3 million pairs of the shoe soles. For the period under review, our sales volume of MDII and MDI grew by 3.5% and 12.3% respectively, whereas our sale volume from RB decreased by 12.7%.

Gross profit increased by approximately 22.9% or RMB40.4 million to RMB217.2 million for 6MFY11, as compared to RMB176.8 million for 6MFY11. Gross profit margin improved to 31.2% from 29.1% due to higher ASP together with the cost savings enjoyed due to economies of scale, especially in the reduction of average cost per unit as a result of the increase in production volume during the period under review.

Gross profit increased by 19.5% or RMB17.2 million to RMB105.9 million for 2QFY12, as compared to RMB88.7 million for 2QFY11. The continued improvement in gross profit was mainly due to the gross profit margin improving to 32.0% from 29.2% brought about mainly by the change in product mix as demand for MDII and MDI exceeded that of RB shoe soles.

Other income and gains

Other income and gains decreased by approximately 93.8% or RMB8.2 million from RMB8.7 million for 6MFY11 to RMB0.5 million for 6MFY12 and 91.9% or RMB1.4 million from RMB1.5 million for 2QFY11 to RMB 0.1 million for 2QFY12. The decrease was mainly attributable to unrealised exchange gains amounted to RMB7.9 million for 6MFY11 on the Group's outstanding bank deposits in Singapore Dollar as the Singapore Dollar continued to appreciate against the Renminbi during that time.

Selling and distribution expenses

The selling and distribution expenses increased by approximately 5.6% or RMB0.4 million from RMB5.8 million for 6MFY11 to RMB6.2 million for 6MFY12 and 5.6% or RMB0.2 million from RMB2.9 million for 2QFY11 to RMB3.1 million for 2QFY12. The increase for 6MFY12 was in line with the increase in revenue.

Administrative expenses

Administrative expenses increased by approximately 43.7% or RMB6.9 million from RMB15.8 million for 6MFY11 to RMB22.7 million for 6MFY12. It was mainly attributable to the increase in salaries as a result of the expansion of the Group's operation. In addition, the Group has recognised unrealised foreign exchange loss during the period under review, while the unrealised exchange gain amounted to RMB7.9 million for 6MFY11 recognised in other income and gains.

Other expenses

Other expenses decreased by approximately 39.2% or RMB1.7 million from RMB4.4 million for 6MFY11 to RMB2.7 million for 6MFY12 and approximately 71.1% or RMB1.6 million from RMB2.2 million for 2QFY11 to RMB0.6 million for 2QFY12. The other expenses for 6MFY12 and 2QFY12 are represented by the research expenses for the development of new materials for the production of shoe soles.

Finance costs

Finance costs decreased by approximately 86.4% or RMB2.0 million from RMB2.3 million for 6MFY11 to RMB0.3 million for 6MFY12 and approximately 86.3% or RMB1.0 million from RMB1.1 million for 2QFY11 to RMB0.1 million for 2QFY12. It was mainly due to a decrease in the average bank borrowings during the period under review.

Depreciation

Depreciation decreased by approximately 4.5% or RMB1.2 million from RMB25.9 million for 6MFY11 to RMB24.7 million for 6MFY12 and approximately 16.6% or RMB2.5 million from RMB14.9 million for 2QFY11 to RMB12.4 million for 2QFY12. The decrease was mainly due to certain plant and equipments being fully depreciated 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 2QFY2011 and 2QFY2012 is 12.5%.

Net profit attributable to the owners of the Company

As a result of the above, our net profit increased by approximately 16.3% or RMB22.5 million from RMB137.8 million for 6MFY11 to RMB160.3 million for 6MFY12 and increased by approximately 20.2% or RMB13.4 million from RMB66.4 million for 2QFY11 to RMB79.8 million for 2QFY12.

(B) REVIEW OF FINANCIAL POSITION AND CASH FLOWS

Non-current assets increased by approximately 1.8% or RMB9.4 million to RMB529.2 million as at 31 December 2011, compared with RMB519.8 million as at 30 June 2011. This was due to the net addition of RMB34.9 million in property, plant and equipment which was partially offset by depreciation charges and amortisation of land use rights of RMB25.6 million.

Inventories decreased by approximately 44.4% or RMB17.3 million to RMB21.8 million as at 31 December 2011, compared with RMB39.1 million as at 30 June 2011 as result of the improvement in inventory management.

Trade receivables increased by approximately 4.8% or RMB14.0 million to RMB303.4 million as at 31 December 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 35.4% or RMB3.4 million to RMB6.2 million as at 31 December 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 RMB2.2 million.

Pledged bank deposits were mainly used as security for bills payables to banks. The Group did not pledge any bank deposit as at 31 December 2011, compared with RMB1.0 million as at 30 June 2011 since all outstanding bills payables were settled during 6MFY12.

Trade and bills payables decreased by approximately 20.8% or RMB28.0 million to RMB106.8 million as at 31 December 2011, compared with RMB 134.8 million as at 30 June 2011 as a result of settlement of all bills payables amounted to RMB5.0 million outstanding at 30 June 2011.

Other payables and accruals decreased by approximately 17.9% or RMB10.6 million to RMB48.8 million as at 31 December 2011, compared with RMB59.4 million as at 30 June 2011. It mainly represented (i) the outstanding balance owing to the mould equipment suppliers and (ii) the land use rights costs associated with manufacturing plant.

Short-term bank borrowings decreased to nil balance as at 31 December 2011, since the Company has sufficient fund to support the operation.

Cash and cash equivalents increased by approximately 9.7% or RMB38.6 million to RMB437.6 million as at 31 December 2011, compared with RMB399 million as at 30 June 2011. The increase was due mainly to the net increase in cash inflows from 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 recent European debts crisis had significant impact on the global economies, including the PRC.

The Company believes that the PRC's recent macro-economic landscape, including the increase in raw material prices, direct labour cost and manufacturing overhead were mainly due to the high inflationary pressure, and have affected, to a certain extent, the general consumption sentiment in the PRC. In addition, the PRC's credit crunch has also affected many businesses, have further intensified the consolidation in the sports market in China and made the sports industry in general more challenging.

Due to the above factors, the Group maintains a cautious view on the possible global economic slowdown which may affect the performance of the Group for the remaining financial year 2012.

Whilst the longer-term fundamentals for the industry remain unchanged in that increasing urbanization, a change of life-styles and the London 2012 Olympic Games will be the drivers, the short term concerns focus on streamlining its operations with a view to reduce overheads and other operating costs to improve its profitability.

Barring unforeseen circumstances, the Group is expected to remain profitable for the current financial year.

11. Dividend

(a) Current Financial Period Reported On

The Company had on 21 December 2011 paid a cash dividend of RMB 55,500,000 and allotted and issued 39,824,874 ordinary shares of S\$0.1 each in the capital of the Company pursuant to the scrip dividend scheme, in respect of the final dividends of RMB 0.1292 per ordinary share declared for the financial year ended 30 June 2011.

(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 31 December 2011.

13. Interested Person Transactions

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

14. Use of IPO Proceeds

The following table details the utilisation of IPO proceeds up to 31 December 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	128.9	15.1
To set up a dedicated self-contained research and development centre	52.0	44.5	7.5
Research and development purposes	15.0	13.5	1.5
General working capital	0.6	0.3	0.3
Total	211.6	187.2	24.4

BY ORDER OF THE BOARD

Qingmei Group Holdings Limited

Su Qingyuan

Executive Chairman and Chief Executive Officer

Date: 14 February 2012

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 second quarter ended 31 December 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: 14 February 2012