



QINGMEI GROUP HOLDINGS LIMITED

清美集團控股有限公司

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

FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE THREE MONTHS ENDED 31 MARCH 2012

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

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

| | Group | | | | | |
|---|--------------------|-------------|---------|-------------------|-------------|--------|
| | Three months ended | | | Nine months ended | | |
| | 31.03.2012 | 31.03.2011 | Change | 31.03.2012 | 31.03.2011 | Change |
| | (Unaudited) | (Unaudited) | | (Unaudited) | (Unaudited) | |
| | RMB'000 | RMB'000 | | RMB'000 | RMB'000 | |
| Revenue | 147,481 | 324,965 | -54.6% | 843,595 | 932,846 | -9.6% |
| Cost of sales | (117,625) | (231,828) | -49.3% | (596,545) | (662,957) | -10.0% |
| Gross profit | 29,856 | 93,137 | -67.9% | 247,050 | 269,889 | -8.5% |
| Other income and gains | 920 | 1,816 | -49.3% | 1,461 | 10,496 | -86.1% |
| Selling and distribution expenses | (2,762) | (2,974) | -7.1% | (8,919) | (8,805) | 1.3% |
| Administrative expenses | (9,516) | (6,731) | 41.4% | (30,871) | (24,629) | 25.3% |
| Other expenses | (2,035) | (2,205) | -7.7% | (6,067) | (6,623) | -8.4% |
| Finance costs | - | (175) | -100.0% | (316) | (397) | -20.4% |
| Profit before income tax | 16,463 | 82,868 | -80.1% | 202,338 | 239,931 | -15.7% |
| Income tax expense | (2,773) | (9,674) | -71.3% | (28,357) | (28,888) | -1.8% |
| Profit for the period | 13,690 | 73,194 | -81.3% | 173,981 | 211,043 | -17.6% |
| Other comprehensive income for the period | - | - | N/A | - | - | N/A |
| Total comprehensive income for the period | 13,690 | 73,194 | -81.3% | 173,981 | 211,043 | -17.6% |
| Earnings per share | | | | | | |
| - Basic (RMB cents) | 2.0 | 11.4 | | 26.6 | 33.0 | |
| - 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 | | | Nine months ended | | |
| | 31.03.2012 | 31.03.2011 | Change | 31.03.2012 | 31.03.2011 | Change |
| | (Unaudited) | (Unaudited) | | (Unaudited) | (Unaudited) | |
| | RMB'000 | RMB'000 | | RMB'000 | RMB'000 | |
| Interest income | (816) | (267) | 205.6% | (1,357) | (907) | 49.6% |
| Interest on bank borrowings | - | 175 | -100.0% | 316 | 397 | -20.4% |
| Exchange (gains)/loss * | (1,497) | (1,550) | N/A | 2,301 | (9,484) | N/A |
| Amortisation of land use rights | 409 | 517 | -20.9% | 1,229 | 1,337 | -8.1% |
| Depreciation of property, plant and equipment | 11,482 | 14,138 | -18.8% | 36,221 | 40,046 | -9.6% |

* 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 | |
|--|---------------------------|-------------------------|---------------------------|-------------------------|
| | 31.03.2012 (Unaudited) | 30.06.2011 (Audited) | 31.03.2012 (Unaudited) | 30.06.2011 (Audited) |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| ASSETS AND LIABILITIES | | | | |
| Non-current assets | | | | |
| Property, plant and equipment | 434,741 | 423,803 | - | - |
| Land use rights | 94,773 | 96,002 | - | - |
| Investment in subsidiaries | - | - | 515,849 | 515,849 |
| | <u>529,514</u> | <u>519,805</u> | <u>515,849</u> | <u>515,849</u> |
| Current assets | | | | |
| Inventories | 25,016 | 39,123 | - | - |
| Trade receivables | 241,189 | 289,400 | - | - |
| Other receivables and prepayments | 4,401 | 9,579 | - | - |
| Due from subsidiaries | - | - | 266,365 | 326,853 |
| Pledged bank deposits | - | 995 | - | - |
| Cash and cash equivalents | 470,080 | 398,974 | 61 | 337 |
| | <u>740,686</u> | <u>738,071</u> | <u>266,426</u> | <u>327,190</u> |
| Current liabilities | | | | |
| Trade and bills payables | 67,319 | 134,810 | - | - |
| Other payables and accruals | 47,331 | 59,416 | 1,424 | 1,756 |
| Interest-bearing bank borrowings | - | 20,000 | - | - |
| Current income tax liabilities | 13,003 | 19,584 | - | - |
| | <u>127,653</u> | <u>233,810</u> | <u>1,424</u> | <u>1,756</u> |
| Net current assets | <u>613,033</u> | <u>504,261</u> | <u>265,002</u> | <u>325,434</u> |
| Net assets | <u>1,142,547</u> | <u>1,024,066</u> | <u>780,851</u> | <u>841,283</u> |
| EQUITY | | | | |
| Equity attributable to the Company's owners | | | | |
| Share capital | 331,990 | 312,544 | 331,990 | 312,544 |
| Reserves | 810,557 | 711,522 | 448,861 | 528,739 |
| Total equity | <u>1,142,547</u> | <u>1,024,066</u> | <u>780,851</u> | <u>841,283</u> |

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

| | Group | |
|--|-------------|------------|
| | As at | As at |
| | 31.03.2012 | 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 | | Nine months ended | |
| | 31.03.2012 | 31.03.2011 | 31.03.2012 | 31.03.2011 |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Cash flows from operating activities | | | | |
| Profit before income tax | 16,463 | 82,868 | 202,338 | 239,931 |
| Adjustments for: | | | | |
| Interest income | (816) | (267) | (1,357) | (907) |
| Interest expense | - | 175 | 316 | 397 |
| Depreciation of property, plant and equipment | 11,482 | 14,138 | 36,221 | 40,046 |
| Amortisation of land use rights | 409 | 517 | 1,229 | 1,337 |
| Operating profits before working capital changes | 27,538 | 97,431 | 238,747 | 280,804 |
| Decrease in trade receivables | 62,239 | 1,208 | 48,211 | 3,288 |
| Decrease in other receivables and prepayments | 1,787 | 1,681 | 5,178 | 4,199 |
| (Increase)/decrease in inventories | (3,253) | (13,138) | 14,107 | (9,102) |
| (Decrease)/increase in trade and bills payables | (39,448) | 3,465 | (67,491) | (18,159) |
| (Decrease)/increase in other payables and accruals | (1,436) | 18,149 | (12,085) | 14,975 |
| Cash generated from operations | 47,427 | 108,796 | 226,667 | 276,005 |
| Income tax paid | (3,518) | (9,141) | (34,938) | (32,132) |
| Net cash generated from operating activities | 43,909 | 99,655 | 191,729 | 243,873 |
| Cash flows from investing activities | | | | |
| Interest received | 816 | 267 | 1,357 | 907 |
| (Increase)/decrease in pledged bank deposits | - | (995) | 995 | 2,108 |
| Payment for purchases of property, plant and equipment | (12,213) | (50,648) | (47,159) | (162,257) |
| Net cash used in investing activities | (11,397) | (51,376) | (44,807) | (159,242) |
| Cash flows from financing activities | | | | |
| New bank borrowings | - | 40,000 | 10,000 | 97,380 |
| Repayment of bank borrowings | - | (45,000) | (30,000) | (115,000) |
| Dividends paid | - | - | (55,500) | (75,000) |
| Interest paid | - | (876) | (316) | (3,197) |
| Net cash used in from financing activities | - | (5,876) | (75,816) | (95,817) |
| Net increase/(decrease) in cash and cash equivalents | 32,512 | 42,403 | 71,106 | (11,186) |
| Cash and cash equivalents at beginning of financial period | 437,568 | 413,360 | 398,974 | 466,949 |
| Cash and cash equivalents at end of financial period | 470,080 | 455,763 | 470,080 | 455,763 |

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 |
| Issue of new shares | 19,446 | 7,740 | - | - | - | - | (27,186) | - |
| Dividends | - | - | - | - | - | - | (55,500) | (55,500) |
| Transaction with owners | 19,446 | 7,740 | - | - | - | - | (82,686) | (55,500) |
| Total comprehensive income for the period | - | - | - | - | - | 173,981 | - | 173,981 |
| Appropriations to statutory reserve | - | - | - | - | 18,292 | (18,292) | - | - |
| At 31 March 2012 | 331,990 | 155,335 | (77,023) | 2 | 109,368 | 622,875 | - | 1,142,547 |
| Balance at 1 July 2010 | 312,544 | 147,595 | (77,023) | 2 | 63,362 | 301,966 | 75,000 | 823,446 |
| Dividends | - | - | - | - | - | - | (75,000) | (75,000) |
| Transaction with owners | - | - | - | - | - | - | (75,000) | (75,000) |
| Total comprehensive income for the period | - | - | - | - | - | 211,043 | - | 211,043 |
| Appropriations to statutory reserve | - | - | - | - | 20,751 | (20,751) | - | - |
| At 31 March 2011 | 312,544 | 147,595 | (77,023) | 2 | 84,113 | 492,258 | - | 959,489 |

COMPANY

| | Issued capital (Unaudited) RMB'000 | Share premium (Unaudited) RMB'000 | Contributed surplus (Unaudited) RMB'000 | 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 | 281,657 | 16,801 | 82,686 | 841,283 |
| Issue of new shares | 19,446 | 7,740 | - | - | (27,186) | - |
| Dividends | - | - | - | - | (55,500) | (55,500) |
| Transaction with owners | 19,446 | 7,740 | - | - | (82,686) | (55,500) |
| Total comprehensive income for the period | - | - | - | (4,932) | - | (4,932) |
| At 31 March 2012 | 331,990 | 155,335 | 281,657 | 11,869 | - | 780,851 |
| Balance at 1 July 2010 | 312,544 | 147,595 | 281,657 | 5,395 | 75,000 | 822,191 |
| Dividends | - | - | - | - | (75,000) | (75,000) |
| Transaction with owners | - | - | - | - | (75,000) | (75,000) |
| Total comprehensive income for the period | - | - | - | (4,551) | - | (4,551) |
| At 31 March 2011 | 312,544 | 147,595 | 281,657 | 844 | - | 742,640 |

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

The Company had allotted and issued 39,824,874 ordinary shares of S\$0.1 each in the capital of the Company on 21 December 2011 pursuant to the scrip dividend scheme, in respect of the final dividend 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 31.03.2012 | 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 computations 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 31.03.2012 (Unaudited) | 31.03.2011 (Unaudited) | Nine months ended 31.03.2012 (Unaudited) | 31.03.2011 (Unaudited) |
| Earnings per share | | | | |
| Basic (RMB cents) | 2.0 | 11.4 | 26.6 | 33.0 |
| Diluted (RMB cents) | N/A | N/A | N/A | N/A |

The calculation of basic earnings per share for 3QFY12 is based on the net profit, attributable to owners of the Company of RMB13,690,000 (3QFY11: RMB73,194,000) and divided by 679,824,874 ordinary shares (3QFY11: 640,000,000) in issue during the period.

Basic earnings per share for the nine months ended 31 March 2012 are calculated based on the net profit attributable to owners of the Company for the period of approximately RMB173,981,000 (9MFY11: approximately RMB211,043,000) divided by weighted average number of 654,771,408 ordinary shares of S\$0.1 each (9MFY12: 640,000,000) in issue during the period

There were no potential ordinary shares in existence for the three months ended and nine months ended 31 March 2012 and 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**

| | Group | | Company | |
|--------------------------------|-------------------|-------------------|-------------------|-------------------|
| | 31.03.2012 | 30.06.2011 | 31.03.2012 | 30.06.2011 |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| Net asset value per share(RMB) | 1.68 | 1.60 | 1.15 | 1.31 |

The net assets value for the Group and the Company per ordinary share as at 31 March 2012 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 | | | Nine months ended | | |
| | 31.03.2012 | 31.03.2011 | Change | 31.03.2012 | 31.03.2011 | Change |
| | (Unaudited) | (Unaudited) | | (Unaudited) | (Unaudited) | |
| | RMB'000 | RMB'000 | | RMB'000 | RMB'000 | |
| Revenue | | | | | | |
| MD II shoe soles ("MDII") | 70,662 | 178,465 | -60.4% | 482,890 | 565,034 | -14.5% |
| MD I shoe soles ("MD I") | 49,216 | 130,061 | -62.2% | 294,660 | 323,439 | -8.9% |
| RB shoe soles ("RB") | 27,603 | 16,439 | 67.9% | 66,045 | 44,373 | 48.8% |
| Total | 147,481 | 324,965 | -54.6% | 843,595 | 932,846 | -9.6% |

(A) REVIEW OF OPERATING PERFORMANCE (CONTINUED)

| | Group | | | | | |
|------------------------------|--------------------|-------------|--------|-------------------|-------------|--------|
| | Three months ended | | | Nine months ended | | |
| | 31.03.2012 | 31.03.2011 | Change | 31.03.2012 | 31.03.2011 | Change |
| | (Unaudited) | (Unaudited) | | (Unaudited) | (Unaudited) | |
| | Total | Total | | Total | Total | |
| | units sold | units sold | | units sold | units sold | |
| | '000 | '000 | | '000 | '000 | |
| <u>Sales quantity</u> | | | | | | |
| MD II shoe soles | 2,300 | 6,002 | -61.7% | 16,592 | 19,196 | -13.6% |
| MD I shoe soles | 2,800 | 4,828 | -42.0% | 11,366 | 12,086 | -6.0% |
| RB shoe soles | 2,266 | 1,449 | 56.4% | 5,420 | 3,869 | 40.1% |
| Total | 7,366 | 12,279 | -40.0% | 33,378 | 35,151 | -5.0% |

Revenue, Gross Profit and Gross Profit Margin

Our revenue decreased by approximately 9.6% or RMB89.2 million from RMB932.8 million for the nine months ended 31 March 2011 ("9MFY11") to RMB843.6 million for the nine months ended 31 March 2012 ("9MFY12"). The decrease in revenue for 9MFY12 versus 9MFY11 was mainly due to the decrease in sales quantity of 5.0% to 33.4 million pairs of shoe soles.

Our revenue decreased by approximately 54.6% or RMB177.5 million from RMB325.0 million for the three months ended 31 March 2011 ("3QFY11") to RMB147.5 million for the three months ended 31 March 2012 ("3QFY12"). For the period under review, our sales volume from MDII and MDI dropped by 61.7%, 42% while RB grew by 56.4%, respectively.

The decrease in revenue for 3QFY12 versus 3QFY11 was mainly due to (i) the slow down in domestic market demand for our products due to the intensified competition and consolidation downstream business, and (ii) our customers became more prudent when placing their orders for our products under current market conditions.

Gross profit decreased slightly by approximately 8.5% or RMB22.8 million to RMB247.1 million for 9MFY12, as compared to RMB269.9 million for 9MFY11. However, gross profit margin improved from 28.9% to 29.3% mainly due to 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 first half of this financial year.

Gross profit decreased by approximately 67.9% or RMB 63.2 million to RMB29.9 million for 3QFY12, as compared to RMB 93.1 million for 3QFY11. Gross profit margin narrowed to 20.2% from 28.7%. The fixed overhead unit cost of production was higher in the period under review due to lower production volume and the decrease in average selling price due to the increase demand for RB which generated charged at a lower selling price as compared with our other products.

Other income and gains

Other income and gains decreased by approximately 86.1% or RMB9.0 million from RMB10.5 million for 9MFY11 to RMB1.5 million for 9MFY12 and 49.3% or RMB1.7 million from RMB1.8 million for 3QFY11 to RMB0.1 million for 3QFY12. The decrease was mainly attributable to unrealised exchange gains amounted to RMB9.5 million for 9MFY11 on the Group's outstanding bank deposits in Singapore Dollar as the Singapore Dollar continued to appreciate against the Renminbi during that time.

Selling and distribution expenses

Selling and distribution expenses slightly increased approximately 1.3% to RMB8.9 million for 9MFY2012 but decreased by approximately 7.1% or RMB0.2 million from RMB3.0 million for 3QFY11 to RMB2.8 million for 3QFY12. The decrease for 3QFY12 was attributable to the Group tightened its advertising and promotional expenses during the period under review.

Administrative expenses

Administrative expenses increased by approximately 25.3% or RMB6.3 million from RMB24.6 million for 9MFY11 to RMB30.9 million for 9MFY12 and approximately 41.4% or RMB 2.8 million from RMB6.7 million to RMB9.5 million for 3QFY12. It was mainly attributable to (i) increase in staff costs and the related expenses of approximately RMB 2.6 million to support the expansion of the Group's operations,(ii) the levies charged by local authority during the period under review and (iii) the Group recognized unrealized foreign exchange loss amounting to RMB2.3 million for 9MFY2012 arose from that the translation of bank deposits denominated in Singapore Dollar at closing rate as at 31 March 2012, while the unrealised exchange gain amounted to RMB 9.5 million for 9MFY11 recognised in other income and gains.

Other expenses

Other expenses decreased by approximately 8.4% or RMB0.5 million from RMB6.6 million for 9MFY11 to RMB6.1 million for 9MFY12 and increased by approximately 7.7% or RMB0.2 million from RMB2.2 million for 3QFY11 to RMB2.0 million for 3QFY12. The other expenses are mainly represented by the research expenses for the development of new materials for the production of shoe soles.

Finance costs

Finance costs decreased by approximately 20.4% or RMB 0.1 million from RMB0.4 million for 9MFY11 to RMB0.3 million for 9MFY12. It was mainly due to a decrease in the average bank borrowings during the period under review.

Depreciation

Depreciation decreased by approximately 9.6% or RMB3.8 million from RMB40.0 million for 9MFY11 to RMB36.2 million for 9MFY12 and approximately 18.8% or RMB2.6 million from RMB14.1 million for 3QFY11 to RMB11.5 million for 3QFY12. 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. Commenced from 1 January 2012, the Group is subject to income tax of 25% following the expiry of the tax holidays.

Net profit attributed to shareholders

As a result of the above, our net profit decreased by approximately 17.6% or RMB37.0 million from RMB211.0 million for 9MFY11 to RMB174.0 million for 9MFY12 and by approximately 81.3% or RMB59.5 million from RMB73.2 million for 3QFY11 to RMB13.7 million for 3QFY12.

(B) REVIEW OF FINANCIAL POSITION AND CASH FLOWS

Non-current assets increased by approximately 1.9% or RMB9.7 million to RMB529.5 million as at 31 March 2012, compared with RMB519.8 million as at 30 June 2011. This was due to the net addition of RMB47.2 million in property, plant and equipment which was partially offset by depreciation charges and amortisation of land use rights of RMB37.5 million.

Inventories decreased by approximately 36.1% or RMB14.1 million to RMB25.0 million as at 31 March 2012, compared with RMB39.1 million as at 30 June 2011. The decrease was in line with the decrease in purchase during the period under review..

Trade receivables decreased by approximately 16.7% or RMB48.2 million to RMB241.2 million as at 31 March 2012, compared with RMB289.4 million as at 30 June 2011. The decrease in trade receivables was in line with our decrease in turnover. Longer credit term was granted to some of our customers with good payment history under current market conditions.

Other receivables and prepayments decreased by approximately 54.2% or RMB5.2 million to RMB4.4 million as at 31 March 2012, compared with RMB9.6 million as at 30 June 2011 as a result of the amortisation of the prepayment for research expenses.

Pledged bank deposits were mainly used as security for bills payables to banks. The Group did not pledge any bank deposit as at 31 March 2012, as compared with RMB1.0 million as at 30 June 2011 since all outstanding bills payables as at 30 June 2011 were settled during 9MFY12.

Trade and bills payables decreased by approximately 50.1% or RMB 67.5 million to RMB 67.3 million as at 31 March 2012, compared with RMB134.8 million as at 30 June 2011 as a result of (i) the settlement of all bills payables amounted to RMB5.0 million outstanding at 30 June 2011, and (ii) the decrease was in line with the decrease in purchase in 3QFY2012.

Other payables and accruals decreased by approximately 20.4% or RMB12.1 million to RMB47.3 million as at 31 March 2012, 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 March 2012, since the Group has sufficient fund to support the operation.

Cash and cash equivalents increased by approximately 17.8% or RMB71.1million to RMB470million as at 31 March 2012, compared with RMB399.0 million as at 30 June 2011. The increase was due mainly to the net increase in cash inflows used in 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

As disclosed in the 2Q quarter Financial Results Announcement dated 14 February 2012 and the profit guidance dated 18 April 2012 , the Group was expected to remain profitable for the current financial year.

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 current economic climate is likely to be affected consumer demand negatively. The Group expects the market conditions to remain challenging. The competition within sport shoes market continue to intensify and a period of consolidation will be expected.

The management has been analysing and reviewing the situation on an ongoing basis in order to adjust and improve on its expansion plan, which will lead the Group into a healthier development track. The Group believed that companies with strong ability could survive and come through this consolidation process.

Due to current market conditions, The Group will continue to exercise stringent control on its expenditure items. The management has to continuously keep its production capacity in line with market demand. The Group's continued the emphasis on quality through its R&D efforts. We remain confident of our position in the industry as one of the largest and most cost efficient shoe soles manufactures in the People's Republic of China.

11. Dividend

(a) Current Financial Period Reported On

None

(b) Corresponding Period of the Immediately Preceding Financial Year

None

(c) Date payable

Not applicable

(d) Books closure date

Not applicable

(e) Other comments relating to Dividend

None

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

No dividend has been declared or recommended for the quarter ended 31 March 2012.

13. Interested Person Transactions

No general mandate has been obtained from shareholders for interested persons transactions during 3QFY2012.

14. Use of IPO Proceeds

The following table details the utilisation of IPO proceeds up as at 31 March 2012:

| 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 | 15.0 | - |
| General working capital | 0.6 | 0.6 | - |
| Total | 211.6 | 189.0 | 22.6 |

BY ORDER OF THE BOARD

Qingmei Group Holdings Limited

Su Qingyuan

Executive Chairman and Chief Executive Officer

Date: 9 May 2012

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

We, Su Qingyuan and Su Shubiao, being two of the directors of Qingmei Group Holdings Limited (the “Company”), do hereby confirm on behalf of the directors of the Company that, to the best of our knowledge, nothing has come to the attention of the board of directors of the Company which may render the unaudited financial statements for the third quarter ended 31 March 2012 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: 9 May 2012