



QINGMEI GROUP HOLDINGS LIMITED

清美集團控股有限公司

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

FULL YEAR FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT

PART I – INFORMATION REQUIRED FOR 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			Year ended		
	30.06.2014	30.06.2013	Change	30.06.2014	30.06.2013	Change
	(Unaudited)	(Unaudited)		(Unaudited)	(Audited)	
	RMB'000	RMB'000		RMB'000	RMB'000	
Revenue	81,875	35,864	128.3%	258,282	164,599	56.9%
Cost of sales	(116,412)	(47,468)	145.2%	(336,686)	(226,350)	48.7%
Gross loss	(34,537)	(11,604)	197.6%	(78,404)	(61,751)	27.0%
Other income and gains	730	1,666	-56.2%	2,933	3,367	-12.9%
Selling and distribution expenses	(7,567)	(5,140)	47.2%	(19,319)	(17,138)	12.7%
Administrative expenses	(9,174)	(284)	3130.3%	(28,717)	(28,211)	1.8%
Other expenses	(140,041)	(6,459)	2068.2%	(145,517)	(13,600)	970.0%
Loss before income tax	(190,589)	(21,821)	773.4%	(269,024)	(117,333)	129.3%
Income tax credit/(expense)	3,683	(250)	N.M.	3,683	(250)	N.M.
Loss for the period/year attributable to the owners of the Company	(186,906)	(22,071)	746.8%	(265,341)	(117,583)	125.7%
Other comprehensive income for the period/year						
Items that will not be reclassified to profit or loss:						
Revaluation surplus on date of transfer of owner-occupied leasehold buildings and land use rights to investment properties	-	7,615	N.M.	-	7,615	N.M.
Deferred tax liabilities arising from revaluation of properties upon transfer	-	(1,904)	N.M.	-	(1,904)	N.M.
Other comprehensive income for the period/year, including reclassification adjustments and net of tax	-	5,711	N.M.	-	5,711	N.M.
Total comprehensive income for the period/year attributable to the owners of the Company	(186,906)	(16,360)	1042.5%	(265,341)	(111,872)	137.2%
Loss per share for loss attributable to the owners of the Company during the period/year						
- Basic and diluted (RMB cents)	(27.5)	(3.2)		(39.0)	(17.3)	

N.M. - not meaningful

Note:

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

	Group					
	Three months ended			Year ended		
	30.06.2014 (Unaudited) RMB'000	30.06.2013 (Unaudited) RMB'000	Change	30.06.2014 (Unaudited) RMB'000	30.06.2013 (Audited) RMB'000	Change
Interest income	(374)	(527)	-29.0%	(1,789)	(2,228)	-19.7%
Loss on disposals of property, plant and equipment	2,246	1,166	92.6%	3,379	4,307	-21.5%
Impairment losses on non-current assets	106,870	-	N.M.	106,870	-	N.M.
Provision for impairment losses on trade receivables	10,863	-	N.M.	10,863	-	N.M.
Write-off of inventories	60	198	-69.7%	60	198	-69.7%
Write down of inventories to net realisable value	3,016	2,808	7.4%	5,541	5,318	4.2%
Changes in fair value of investment properties	14,730	(1,000)	N.M.	14,730	(1,000)	N.M.
Net foreign exchange loss	95	138	-31.2%	95	166	-42.8%
Amortisation of land use rights	392	411	-4.6%	1,793	1,965	-8.8%
Depreciation of property, plant and equipment	10,831	6,705	61.5%	39,491	49,046	-19.5%

N.M. - not meaningful

1(b)(i) A statement 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	
	30.06.2014	30.06.2013	30.06.2014	30.06.2013
	(Unaudited)	(Audited)	(Unaudited)	(Audited)
	RMB'000	RMB'000	RMB'000	RMB'000
ASSETS AND LIABILITIES				
Non-current assets				
Property, plant and equipment	285,288	334,179	-	-
Land use rights	29,900	82,536	-	-
Investment properties	55,500	70,230	-	-
Deferred tax assets	1,529	-	-	-
Investments in subsidiaries	-	-	515,849	515,849
	<u>372,217</u>	<u>486,945</u>	<u>515,849</u>	<u>515,849</u>
Current assets				
Inventories	19,870	12,986	-	-
Trade receivables	128,692	40,891	-	-
Prepayments and other receivables	10,892	7,737	-	-
Due from subsidiaries	-	-	134,437	382,771
Cash and cash equivalents	284,949	508,300	60	22
	<u>444,403</u>	<u>569,914</u>	<u>134,497</u>	<u>382,793</u>
Current liabilities				
Trade payables	61,642	31,993	-	-
Other payables, accruals and deposits received	21,199	23,592	1,880	2,090
Tax payables	9,540	9,540	-	-
	<u>92,381</u>	<u>65,125</u>	<u>1,880</u>	<u>2,090</u>
Net current assets	<u>352,022</u>	<u>504,789</u>	<u>132,617</u>	<u>380,703</u>
Non-current liabilities				
Deferred tax liabilities	-	2,154	-	-
	<u>-</u>	<u>2,154</u>	<u>-</u>	<u>-</u>
Net assets	<u>724,239</u>	<u>989,580</u>	<u>648,466</u>	<u>896,552</u>
EQUITY				
Equity attributable to the owners of the Company				
Share capital	332,456	332,456	332,456	332,456
Reserves	391,783	657,124	316,010	564,096
Total equity	<u>724,239</u>	<u>989,580</u>	<u>648,466</u>	<u>896,552</u>

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

	Group	
	As at 30.06.2014 RMB'000	As at 30.06.2013 RMB'000
	(Unaudited)	(Audited)
Amount repayable in one year or less, or on demand		
- Secured	-	-
- Unsecured	-	-
	-	-
Amount repayable after one year:		
- Secured	-	-
- Unsecured	-	-
	-	-

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		Year ended	
	30.06.2014	30.06.2013	30.06.2014	30.06.2013
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	RMB'000	RMB'000	RMB'000	RMB'000
Cash flows from operating activities				
Loss before income tax	(190,589)	(21,821)	(269,024)	(117,333)
Adjustments for:				
Interest income	(374)	(527)	(1,789)	(2,228)
Depreciation of property, plant and equipment	10,831	6,705	39,491	49,046
Write-off of inventories	60	198	60	198
Write down of inventories to net realisable value	3,016	2,808	5,541	5,318
Loss on disposals of property, plant and equipment	2,246	1,166	3,379	4,307
Amortisation of land use rights	392	411	1,793	1,965
Changes in fair value of investment properties	14,730	(1,000)	14,730	(1,000)
Provision for impairment loss of trade receivables	10,863	-	10,863	-
Impairment loss on property, plant and equipment	56,027	-	56,027	-
Impairment loss on land use rights	50,843	-	50,843	-
Operating loss before working capital changes	(41,955)	(12,060)	(88,086)	(59,727)
(Increase) /decrease in trade receivables	(35,815)	(6,315)	(98,664)	17,895
Increase in prepayments and other receivables	(3,471)	(3,656)	(3,155)	(7,014)
Increase in inventories	(3,313)	(8,879)	(12,485)	(4,060)
Increase/(decrease) in trade payables	10,038	15,254	29,649	(3,138)
Increase in other payables ,accruals and deposits received	8,038	1,633	5,407	1,056
Net cash used in operating activities	(66,478)	(14,023)	(167,334)	(54,988)
Cash flows from investing activities				
Interest received	374	527	1,789	2,228
Proceeds from disposals of property, plant and equipment	234	239	342	675
Payment for purchases of property, plant and equipment	(38,038)	(12,745)	(58,148)	(21,495)
Net cash used in investing activities	(37,430)	(11,979)	(56,017)	(18,592)
Net decrease in cash and cash equivalents	(103,908)	(26,002)	(223,351)	(73,580)
Cash and cash equivalents at beginning of the period/year	388,857	534,302	508,300	581,880
Cash and cash equivalents at end of the period/year	284,949	508,300	284,949	508,300

1(d)(i) A statement (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

	Share capital (Audited)	Share premium (Audited)	Capital reserves (Audited)	Exchange reserve (Audited)	Statutory reserve (Audited)	Revaluation reserve (Audited)	Retained profits (Audited)	Total equity (Audited)
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 July 2012	332,456	154,596	(77,023)	2	106,120	-	585,301	1,101,452
Loss for the year	-	-	-	-	-	-	(117,583)	(117,583)
Other comprehensive income for the year								
Revaluation surplus on date of transfer of owner-occupied leasehold buildings and land use rights to investment properties	-	-	-	-	-	7,615	-	7,615
Deferred tax liabilities arising from revaluation on properties upon transfer	-	-	-	-	-	(1,904)	-	(1,904)
Other comprehensive income for the year	-	-	-	-	-	5,711	-	5,711
Total comprehensive income for the year	-	-	-	-	-	5,711	(117,583)	(111,872)
Balance at 30 June 2013	332,456	154,596	(77,023)	2	106,120	5,711	467,718	989,580

	Share capital (Unaudited)	Share premium (Unaudited)	Capital reserves (Unaudited)	Exchange reserve (Unaudited)	Statutory reserve (Unaudited)	Revaluation reserve (Unaudited)	Retained profits (Unaudited)	Total equity (Unaudited)
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 July 2013	332,456	154,596	(77,023)	2	106,120	5,711	467,718	989,580
Loss for the year and total comprehensive income for the year	-	-	-	-	-	-	(265,341)	(265,341)
Balance at 30 June 2014	332,456	154,596	(77,023)	2	106,120	5,711	202,377	724,239

COMPANY

	Share capital (Audited)	Share premium (Audited)	Contributed surplus (Audited)	Retained profits (Audited)	Total equity (Audited)
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 July 2012	332,456	154,596	281,657	133,120	901,829
Loss for the year and total comprehensive income for the year	-	-	-	(5,277)	(5,277)
Balance at 30 June 2013	332,456	154,596	281,657	127,843	896,552

	Share capital (Unaudited)	Share premium (Unaudited)	Contributed surplus (Unaudited)	Retained profits /(Accumulated losses) (Unaudited)	Total equity (Unaudited)
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 July 2013	332,456	154,596	281,657	127,843	896,552
Loss for the year and total comprehensive income for the year	-	-	-	(248,086)	(248,086)
Balance at 30 June 2014	332,456	154,596	281,657	(120,243)	648,466

- 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 year ended 30 June 2014.

There were no share options or convertibles outstanding that may be converted into the Company's shares as at 30 June 2014.

- 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 30.06.2014	As at 30.06.2013
Total number of issued shares	679,824,874	679,824,874
Less: Treasury shares	<u>-</u>	<u>-</u>
Total number of issued share capital excluding treasury shares	<u>679,824,874</u>	<u>679,824,874</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 the end of the current financial year reported on, the Company did not have any treasury shares.

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

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

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

Not applicable.

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

The Group has adopted the same accounting policies and methods of computation as stated in the audited financial statements of the Group for the year ended 30 June 2013, except for the adoption of the new and amended International Financial Reporting Standards ("IFRSs") which became effective on 1 July 2013. The adoption of these IFRSs did not give rise to significant changes in the 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			
	Three months ended		Year ended	
	30.06.2014 (Unaudited)	30.06.2013 (Audited)	30.06.2014 (Unaudited)	30.06.2013 (Audited)
Loss per share				
Basic and diluted (RMB cents)	<u>(27.5)</u>	<u>(3.2)</u>	<u>(39.0)</u>	<u>(17.3)</u>

The calculation of basic and diluted loss per share for 4QFY14 is based on the loss attributable to the owners of the Company for the period of approximately RMB186,906,000 (4QFY13: loss of approximately RMB22,071,000) and divided by 679,824,874 ordinary shares (4QFY13: 679,824,874 ordinary shares) in issue during the period.

Basic and diluted loss per share for the year ended 30 June 2014 are calculated based on the loss attributable to the owners of the Company for the year of approximately RMB265,341,000 (FY2013: loss of approximately RMB117,583,000) divided by 679,824,874 ordinary shares (FY2013: 679,824,874 ordinary shares) in issue during the year.

There were no dilutive potential ordinary shares in existence for the years ended 30 June 2014 and 30 June 2013.

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	
	30.06.2014	30.06.2013	30.06.2014	30.06.2013
Net asset value per share (RMB)	1.07	1.46	0.95	1.32

The net assets value for the Group and the Company per ordinary share as at 30 June 2014 was calculated based on 679,824,874 ordinary shares as at 30 June 2014 and 2013.

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

Our revenue increased by approximately 56.9% or RMB93.7 million from RMB164.6 million for the year ended 30 June 2013 ("FY2013") to RMB258.3 million for the year ended 30 June 2014 ("FY2014"). The increase in revenue for FY2014 versus FY2013 was mainly due to the increase in sales quantity of 81.4% to 17.9 million pairs of shoe soles. For the year under review, our sale volume from MD II, MD I and RB increased by 75.5%, 84.9% and 116.8% respectively.

Our revenue increased significantly by approximately 128.3% or RMB46.0 million from RMB35.9 million for the three months ended 30 June 2013 ("4QFY13") to RMB81.9 million for the three months ended 30 June 2014 ("4QFY14").

The increase in sale orders was mainly due to (i) general recovery of overall downstream business market, the demand slowly picked up, (ii) improvement on overall utilization rate of our production facilities following the completion of certain production lines for repairing in 1QFY2014 and (iii) the pressure on the cyclical issue of excessive channel inventory for the downstream business has been gradually reduced.

The Group recorded a gross loss of RMB34.5 million for 4QFY14 (4QFY13: gross loss of RMB11.6 million). However, the Group recorded a gross loss ratio of 30.4% for FY2014 which showed an improvement from gross loss ratio of 37.5% for FY2013. This was mainly due to (i) the direct material cost, labour costs and overheads dropped at a much slower pace than the selling price of products due to inflationary pressure in PRC, and (ii) improved assets utilization of the production facilities resulted from increased sales during the year.

Under the current market conditions even while the Group suffers a gross loss with the sale of its products, the management believes that the Group needs to maintain its manufacturing operation, to meet market demand and to maintain long term customer relationships. The Group suffered a gross loss because the drop in average prices of our products during the period under review. The Group adjusts its selling price from time to time, if necessary, to maintain its market share in an intensely price competitive market.

Other income and gains

Other income and gains decreased by approximately 12.9% or RMB0.5 million from RMB3.4 million for FY2013 to RMB2.9 million for FY2014. The decrease was mainly attributable to (i) there was a gain on change in fair value in investment properties of RMB1 million in FY2013, (ii) the increase in the rental income earned of RMB1.0 million during the year, and (iii) the decrease in interest income (FY2014: RMB1.8 million, FY 2013: RMB2.2 million) due to lower average of the bank balance during the year under review.

Selling and distribution expenses

Selling and distribution expenses increased by approximately 12.7% or RMB2.2 million from RMB17.1 million for FY2013 to RMB19.3 million for FY2014. For 4QFY14 versus 4QFY13, the increase was approximately 47.2% or RMB2.5 million from RMB 5.1 million for 4QFY13 to RMB7.6 million for 4QFY14. The increase for FY2014 was mainly attributable to:

Internally

Business development cost amounting to RMB5.7 million incurred in FY2014 (FY2013: RMB4.3 million) for the appointment of a marketing agency to assist in rebuilding the Group's company/brand image, the provision of staff training, the conduct of market research and enhancements to corporate culture. All this was intended to prepare as well as strengthen the Group to face the ongoing challenging conditions in its operating environment.

Externally

Advertising and promotional expenses amounting to RMB10.2 million incurred in FY2014 (FY2013: RMB9.1 million) for building the Qingmei brand name and products through TV commercials and billboards during the year/period under review.

Administrative expenses

Administrative expenses slightly increased by approximately 1.8% or RMB0.5 million from RMB28.2 million for FY2013 to RMB28.7 million for FY2014. It was mainly due to (i) the commencement of the Group's cost-cutting measures, include laying off of employees and decrease in salaries level from FY2013. The consistency in applying the cost saving policy resulted in the administrative expenses maintained at a low level for both FY2013 and FY2014.

Other expenses

Other expenses amounted to RMB145.5 million for FY2014 (FY2013: RMB13.6 million) mainly comprised of:

Impairment losses on non-current assets of RMB106.9 million

In view of the continued operating loss of FY2013 and FY2014, and low asset utilization under current market conditions, there is an indication that the Company's assets may be impaired. Accordingly, the company has engaged an independent professional qualified valuer to perform a comprehensive review of the carrying value of the Group's assets and the value-in-use calculation as at year ended and records an impairment loss of RMB106.9 million on the carrying value of its non-current assets as at 30 June 2014.

Impairment loss on trade receivables of RMB10.9 million

Impairment loss on trade receivables amounting to RMB10.9 million was made in FY2014. The provision for impairment loss with those outstanding receivables have been made after taking into consideration both the slow subsequent collection and the management's assessment of the recoverability of its trade receivables.

Change in the fair value of investment properties of RMB14.7 million (FY2013: Gain of RMB 1 million)

Changes in fair value of investment properties recorded in a loss of RMB14.7 million in FY2014 (FY2013: gain of RMB1 million recorded under other income and gains). The valuation was prepared by an independent professionally qualified valuer, under fair value approach.

Other operating expenses of RMB13.0 million (FY2013:RMB13.6 million)

Other than the above, the other operating expenses decreased by approximately 4.4% or RMB0.6 million from RMB13.6 million for FY2013 to RMB13.0 million for FY2014 was mainly due to the increase in development cost by RMB2.6 million in connection with the development of new materials for the production of shoe soles. The above increase was offset by decrease in other expenses by RMB3.2 million as follows:

- Repair and maintenance cost of RMB5.0 million in FY2014 (FY2013: RMB6.5 million) in connection with the repairing works on our production facilities.
- RMB3.4 million losses on disposal of non-current assets recorded in FY2014 (FY2013: RMB4.3 million) in connection with the Group's production facilities which were found to be worn-out; or operated in a low efficiency.
- Unallocated fixed overheads pertaining to the depreciation of plant and equipment amounted to RMB2.0 million in FY2014 (FY2013: RMB2.8 million) as the Group carried out maintenance works during the period from July 2013 to September 2013 and from March 2014 to June 2014.

Depreciation

Depreciation decreased by approximately 19.5% or RMB9.5 million from RMB49.0 million in FY2013 to RMB39.5 million in FY2014. The decrease was due mainly to (1) certain plant and equipment being fully depreciated during the period under review; and (2) the disposal of certain property, plant and equipment in FY2014.

Taxation

Income tax

The income tax expense mainly comprised the Enterprise Income Tax ("EIT") of the PRC on profits for the Group's major operating subsidiary in the PRC, namely Qingmei (China) Co., Ltd ("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. Qingmei (PRC) did not derive any assessable profit during FY2014 and FY2013.

Deferred tax

Deferred tax of RMB3.7 million on revaluation of investment properties have credited to profit or loss on changes in fair value of investment properties. The amount have been set off with the deferred tax liabilities of RMB2.2 million recognized in FY2013 which resulted in deferred tax assets of RMB1.5 million as at 30 June 2014. The deferred tax assets were recognized as a result of the deductible temporary difference in respect of the revaluation of investment properties for the current year.

Net loss attributable to the owners of the Company

As a result of the above, the Group recorded a loss attributable to the owners of RMB265.3 million for FY2014 and a loss attributable to the owners of RMB117.6 million for FY2013.

(B) REVIEW OF FINANCIAL POSITION AND CASH FLOWS

Property, plant and equipment comprised of office equipment, leasehold land and buildings and motor vehicles. It decreased by approximately 14.6% or RMB48.9 million to RMB285.3 million as at 30 June 2014, compared with RMB334.2 million as at 30 June 2013. The decrease was mainly due to the depreciation charge approximately RMB39.5 million, an impairment loss of RMB56.0 million and the disposal of the non-current assets of RMB3.7 million which was partially offset by the net addition of property, plant and equipment of approximately RMB50.3 million during the year.

Land use rights decreased by approximately 63.8% or RMB52.6 million from RMB82.5 million as at 30 June 2013 to RMB29.9 million as at 30 June 2014. It represented the charge of amortisation expenses of RMB1.8 million and an impairment loss of RMB50.8 million during the year.

Investment properties decreased by 21.0% or RMB14.7 million from RMB70.2 million as at 30 June 2013 to RMB55.5 million as at 30 June 2014. It represented the change in the fair value of the investment properties during the year. The valuation was prepared by an independent professionally qualified valuer, under fair value approach.

Inventories increased by approximately 53.0% or RMB6.9 million to RMB19.9 million as at 30 June 2014, compared with RMB13.0 million as at 30 June 2013. The Group has written down inventories amounted to RMB5.5 million to net realisable value. The Group is required to record the cost of their ending inventory at the lower of cost and/or net realisable value, to ensure that their inventory value as at the end of financial year is not overstated.

Trade receivables increased by approximately 214.7% or RMB87.8 million to RMB128.7 million as at 30 June 2014, compared with RMB40.9 million as at 30 June 2013. Excluding the allowance for impairment on trade receivables of RMB10.9 million, it actually increased by RMB98.7 million due to the extension of settlement period offered to some of our existing customers in consideration of the prevailing business environment in the PRC during the year.

Prepayments and other receivables increased by RMB3.2 million to RMB10.9 million as at 30 June 2014, compared with RMB7.7 million as at 30 June 2013. The balance mainly comprised of (1) prepayment of the new research projects for development of new raw materials for production of RMB4.6 million (2) value-added tax ("VAT") recoverable of approximately RMB2.0 million, and (2) the advance payment of approximately RMB4.1 million to marketing agency for advertisements of Qingmei's brand name and its products. The Group believes that such marketing efforts strengthen the Group's competitive advantage amid industry consolidation.

Trade payables increased by approximately 92.7% or RMB29.6 million to RMB61.6 million as at 30 June 2014, compared with RMB32.0 million as at 30 June 2013. The increase was in line with the increase in purchase for the financial year.

Other payables, accruals and deposits received decreased slightly by approximately 10.1% or RMB2.4 million to RMB21.2 million as at 30 June 2014, compared with RMB23.6 million as at 30 June 2013. The decrease was due to full settlement of the certain outstanding balance amounted to RMB7.8 million owing to the fixed assets vendors following completion of construction works for its multi-complex buildings in FY2013. It is partially offset by the increase in (1) the accruals for utilities expenses included water and electricity fees, accrued salary used in production as there is increase in the production volume in 4QFY14 as compared to that of 4QFY13 and (ii) the rental deposits received from various tenants under agreements to use the multi-complex building during 4QFY14.

Cash and cash equivalents decreased by approximately 43.9% or RMB223.4 million to RMB284.9 million as at 30 June 2014, compared with RMB508.3 million as at 30 June 2013. The decrease was mainly due to the net decrease in cash inflows generated from operating activities during the year.

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

As disclosed in the announcement on profit guidance dated 11 August 2014, no variance between the mentioned announcement and the actual results was noted.

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 management expects the Group's existing core businesses to remain challenging as further softening of customers' demand for the entire sport shoes industry continue to make recovery to profitability difficult and increase pressure in pricing our products in the market.

Given that the negative operating cash flow and the deteriorated current year performance, the Group is of the view to be selective in the acceptance of new customers' orders and strict cost control are the keys to have a turnaround in profitability. At the same time, the Group will continue to examine all options to enhance shareholders' value.

11. Dividend

(a) Current Financial Period Reported On

None.

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?

None.

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

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

No dividend has been declared or recommend for the year ended 30 June 2014.

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 30 June 2014:

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	136.7	7.3
To set up a dedicated self-contained research and development centre	52.0	52.0	-
Research and development purposes	15.0	15.0	-
General working capital	0.6	0.6	-
Total	211.6	204.3	7.3

PART II – ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT

(This part is not applicable to Q1, Q2, Q3 or Half Year Results)

15. Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative formation for the immediately preceding year

Not applicable as our Group's revenue is attributable to a single geographic region, being the PRC.

16. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments

Not applicable

17. A breakdown of sales

	Group		Change
	30.06.2014	30.06.2013	
	(Unaudited)	(Unaudited)	
	RMB'000	RMB'000	
Revenue for the first half year	100,299	98,250	2.1%
Loss attributable to the owners of the Company for the first half year	(47,343)	(62,084)	-23.7%
Revenue for the second half year	157,983	66,349	138.1%
Loss attributable to the owners of the Company for the second half year	(217,998)	(55,499)	292.8%

18. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year.

	FY2014	FY2013
	RMB'000	RMB'000
Proposed final dividends	-	-

19. Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704(13) in the format below. If there are no such persons, the issuer must make an appropriate negative statement.

Pursuant to Rule 704(13) of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST"), we confirm that none of the persons occupying managerial position in the Company or its principal subsidiaries is related to a Director or Chief Executive Officer or Substantial Shareholder of the Company.

BY ORDER OF THE BOARD

Qingmei Group Holdings Limited

Su Shubiao

Executive Chairman and Chief Executive Officer

Date: **29 August 2014**