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MEIKE INTERNATIONAL HOLDINGS LIMITED
美克國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 00953)

ANNOUNCEMENT OF AUDITED RESULTS FOR THE YEAR 2009

The board (the "Board") of directors (the "Directors") of Meike International Holdings Limited (the "Company") announces that the audited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended December 31, 2009 were as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2009

	Notes	**2009** *RMB'000*	2008 *RMB'000*
Revenue	*3*	**499,420**	365,631
Cost of sales		**(328,483)**	(246,480)
Gross profit		**170,937**	119,151
Other income	*4*	**2,265**	3,411
Selling and distribution costs		**(21,089)**	(29,721)
Administrative expenses		**(22,096)**	(18,471)
Other operating expenses		**(9,121)**	(6,624)
Finance costs	*5*	**(10,372)**	(9,460)
Profit before tax		**110,524**	58,286
Income tax expense	*6*	**(15,170)**	(1,829)
Profit for the year	*7*	**95,354**	56,457
Other comprehensive income:			
Exchange differences arising on translation		**(5)**	(29)
Total comprehensive income for the year		**95,349**	56,428
Profit for the year attributable to:			
Owners of the parent		**90,606**	49,118
Minority interests		**4,748**	7,339
		95,354	56,457
Total comprehensive income attributable to:			
Owners of the parent		**90,602**	49,093
Minority interests		**4,747**	7,335
		95,349	56,428
Earnings per share			
Basic and diluted (RMB cents)	*8*	**0.121**	0.065

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT DECEMBER 31, 2009

	Notes	**2009** *RMB'000*	2008 *RMB'000*
Non-current assets			
Property, plant and equipment		**97,821**	100,492
Prepaid lease payments		**50,358**	51,455
Deferred tax assets		**–**	298
		148,179	152,245
Current assets			
Inventories		**53,006**	79,928
Trade and other receivables	*10*	**263,359**	95,004
Amount due from a director		**–**	37
Prepaid lease payments		**1,097**	1,097
Short-term bank deposit		**35,000**	35,000
Cash and bank balances		**43,678**	57,833
		396,140	268,899
Current liabilities			
Trade and other payables	*11*	**52,809**	54,593
Amount due to a director		**204**	–
Interest-bearing bank loans		**157,500**	101,000
Current portion of long term interest-bearing bank loans		**17,000**	17,000
Income tax payable		**3,957**	446
		231,470	173,039
Net current assets		**164,670**	95,860
Total assets less current liabilities		**312,849**	248,105
Capital and reserves			
Share capital		**9**	87,316
Reserves		**291,897**	111,672
Equity attributable to owners of the parent		**291,906**	198,988
Minority interests		**–**	29,821
Total equity		**291,906**	228,809
Non-current liabilities			
Interest-bearing bank loans		**17,000**	17,000
Deferred tax liabilities		**3,943**	2,296
		20,943	19,296
		312,849	248,105

Notes:

1. GENERAL

Meike International Holdings Limited ("the Company") was incorporated in the Cayman Islands as an exempted company with limited liability on June 23, 2009. In the opinion of the directors of the Company, the parent and the ultimate holding company of the Company is Glory Hill Enterprises Limited, a limited company incorporated in the British Virgin Islands. The address of the registered office and principal place of business of the Company are disclosed in the corporate information of the annual report.

Pursuant to a group reorganisation (the "Corporate Reorganisation") of the Company and its subsidiaries (collectively referred to as the "Group") to rationalise the structure of the Group in preparation for the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the Group on September 10, 2009. Details of the Corporate Reorganisation were set out in the prospectus of the Company dated January 19, 2010 (the "Prospectus").

The shares of the Company have been listed on the Stock Exchange since February 1, 2010.

The Group resulting from the Corporate Reorganisation is regarded as a continuing entity. Accordingly, the consolidated financial statements of the Group have been prepared using principles of merger accounting in accordance with the accounting policy, as if the current group structure had been in existence throughout the years ended December 31, 2009 and 2008.

The Company acts as an investment holding company and provides corporate management services.

These consolidated financial statements are presented in thousands of units of Renminbi ("RMB"), which is the same as the functional currency of the Company.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied, for the first time, all the revised HKFRSs, Hong Kong Accounting Standards ("HKAS") and interpretations ("INT(s)") (hereinafter collectively referred to as "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") which are effective for the Group's financial year beginning on or after January 1, 2009.

The Group has not early applied the following new and revised standards, amendments or INTs that have been issued but are not yet effective.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKAS 24 (Revised)	Related Party Disclosures[6]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
HKAS 32 (Amendment)	Classification of Rights Issues[4]
HKAS 39 (Amendment)	Eligible Hedged Items[1]
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards[1]
HKFRS 1 (Amendment)	Limited Exemption from comparative HKFRS 7 Disclosures for First-time Adopters[5]

HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[3]
HKFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions[3]
HKFRS 3 (Revised)	Business Combinations[1]
HKFRS 9	Financial Instruments[7]
HK(IFRIC) – Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement[6]
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners[1]
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments[5]

[1] Effective for annual periods beginning on or after July 1, 2009
[2] Effective for annual periods beginning on or after July 1, 2009 or January 1, 2010, as appropriate
[3] Effective for annual periods beginning on or after January 1, 2010
[4] Effective for annual periods beginning on or after February 1, 2010
[5] Effective for annual periods beginning on or after July 1, 2010
[6] Effective for annual periods beginning on or after January 1, 2011
[7] Effective for annual periods beginning on or after January 1, 2013

The application of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after July 1, 2009, HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary.

HKFRS 9 Financial Instruments introduces new requirements for the classification and measurement of financial assets and will be effective from January 1, 2013, with earlier application permitted. The standard requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of Group's financial assets.

In addition, as part of Improvements to HKFRSs issued in 2009, HKAS 17 Leases has been amended in relation to the classification of leasehold land. The amendments will be effective from January 1, 2010, with earlier application permitted. Before the amendments to HKAS 17, leasees were required to classify leasehold land as operating leases and presented as prepaid lease payments in the consolidated statement of financial position. The amendments have removed such a requirement. Instead, the amendments require the classification of leasehold land to be based on the general principles set out in HKAS 17, that are based on the extend to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee. The application of the amendments to HKAS 17 might not affect the classification and measurement of the Group's leasehold land.

The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the consolidated financial statements.

3. REVENUE AND SEGMENT INFORMATION

Revenue represents the amount received and receivable for sale of sporting goods, including footwear, apparel and accessories, net of sales related taxes. Revenue is analysed as follows:

	2009	2008
	RMB'000	*RMB'000*
Footwear	**370,718**	269,374
Apparel	**118,919**	88,774
Accessories and shoe sole	**9,783**	7,483
	499,420	365,631

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's chief operating decision maker for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

The Group is organised into a single operating segment as selling sports goods products primarily in the People's Republic of China (the "PRC") and all revenue, expenses, results, assets and liabilities and capital expenditures are predominantly attributable to this single segment. Accordingly, no segment analysis by business and geographical information is presented.

For the year ended December 31, 2008, the Group had two (2009: Nil) customers with whom transactions have exceed 10% of the Group's aggregate revenue during the year. The amounts of sales from these customers during the year amounted to approximately RMB101,975,000 (2009: RMB63,399,000).

4. OTHER INCOME

	2009	2008
	RMB'000	*RMB'000*
Government grants *(Note)*	**855**	2,506
Compensation income	**600**	–
Interest income	**810**	905
	2,265	3,411

Note:
Government grants of approximately RMB855,000 (2008: RMB2,506,000) were received from several local government authorities during the year for the Group's contribution to local economies, of which the entitlement was unconditional and under the discretion of the relevant authorities.

5. FINANCE COSTS

	2009	2008
	RMB'000	*RMB'000*
Interest on bank loans wholly repayable within five years	**10,372**	9,460

6. INCOME TAX EXPENSE

	2009	2008
	RMB'000	*RMB'000*
Current tax:		
Provision for the year		
– PRC Enterprise Income Tax ("EIT")	**13,225**	5,152
– Tax paid refund for export business	**–**	(5,321)
Deferred tax	**1,945**	1,998
	15,170	1,829

7. PROFIT FOR THE YEAR

Profit for the year has been arrived after charging:

	2009	2008
	RMB'000	*RMB'000*
Salaries and allowances	**54,545**	37,675
Contributions to retirement benefits scheme	**3,560**	3,452
Total staff costs (including directors' remuneration)	**58,105**	41,127
Auditor's remuneration	**705**	–
Cost of inventories sold	**328,483**	246,480
Write down of inventories (included in cost of inventories sold)	**–**	62
Depreciation and amortisation	**8,706**	7,334
Research cost (included in other operating expenses)	**8,232**	6,075
Loss on disposal of property, plant and equipment	**849**	59
Net exchange loss	**40**	490
Operating lease rentals in respect of rented premises	**1,344**	1,338

8. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share for each of the years ended December 31, 2009 and 2008 is based on the profit attributable to owners of the parent and on the assumption that 750,000,000 shares of HK$0.01 each issued and issuable comprising 1,000,000 shares in issue and 749,000,000 shares to be issued pursuant to the capitalisation issue on January 6, 2010, as if the shares had been in issue throughout the years ended December 31, 2009 and 2008.

The Company did not have any potential dilutive shares throughout the years ended December 31, 2009 and 2008.

The calculation of basic and diluted earnings per share are based on:

	2009	2008
	RMB'000	*RMB'000*
Earnings		
Profit for the year attributable to the owners of the parent	**90,606**	49,118

	2009	2008
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**750,000**	750,000

9. DIVIDENDS

During the year ended December 31, 2009, dividends of approximately RMB32,252,000 (2008: Nil) was declared and paid to the equity holders of the Company.

Pursuant to a board resolution dated January 4, 2010, the Company declared dividends of approximately RMB15,620,000. Such dividends were fully paid on the same date.

Dividends declared and paid on December 9, 2009, December 11, 2009 and January 4, 2010 represented dividends declared prior to the listing of the Company. The rate of dividend per share is not presented for these dividends as it is not indicative of the rate at which future dividends will be declared.

Subsequent to December 31, 2009, the Company was listed on the Stock Exchange. On April 23, 2010, a final dividend of HK0.034 cents per share has been proposed by the directors based on 1,037,500,000 shares in issue as of February 19, 2010 and as of the date on which the financial statements were approved by the directors. The final dividend is subject to approval by the shareholders at the forthcoming annual general meeting.

10. TRADE AND OTHER RECEIVABLES

	2009 *RMB'000*	2008 *RMB'000*
Trade receivables	**235,672**	81,339
Other receivables	**502**	677
Prepayments	**27,187**	12,990
	27,689	13,667
Less: Allowance for impairment loss	**(2)**	(2)
Other receivables and prepayments, net	**27,687**	13,665
Trade and other receivables	**263,359**	95,004

The Group allows an average credit period of 90 to 180 days to its trade customers. The following is an aged analysis of trade receivables presented based on the invoice date at the reporting date:

	2009 *RMB'000*	2008 *RMB'000*
Within 90 days	**163,017**	46,770
91 – 180 days	**72,655**	28,905
181 – 365 days	**–**	5,664
Total	**235,672**	81,339

The Group generally allows an average credit period of 90 to 180 days to its trade customers, except for new customers, where payment in advance is normally required.

Trade receivables that were neither past due nor impaired related to a wide range of customers for whom there was no recent history of default.

As at December 31, 2008, included in the Group's trade receivables balances are debtors with aggregate carrying amount of RMB5,664,000 (2009: Nil) which were past due as at the reporting date for which the Group has not provided for impairment loss. Trade receivables that were past due but not impaired related to a number of customers that have a good track record with the Group. Based on past experience, the management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

Aging of trade receivables which are past due but not impaired:

	2009	2008
	RMB'000	*RMB'000*
Within 90 days	–	3,923
91-180 days	–	1,741
Total	–	5,664

The gross amounts of the Group's trade and other receivables are denominated in the following currencies:

	2009	2008
	RMB'000	*RMB'000*
RMB	**263,361**	91,642
US$	–	3,364
	263,361	95,006

Included in the impairment loss recognised are individually impaired other receivables with an aggregate balance of approximately RMB2,000 (2008: RMB2,000), mainly related to debtors that are in unexpected financial difficulty or of poor credit history. The Group does not hold any collateral over these balances. It was assessed that a portion of the receivables is expected to be recovered.

As at December 31, 2009, certain trade receivables with a carrying amount of approximately RMB22,016,000 were pledged to banks to secure the short term loans of the Group.

11. TRADE AND OTHER PAYABLES

	2009	2008
	RMB'000	*RMB'000*
Trade payables	**29,296**	32,640
Other payables and accruals		
Other payables	**9,696**	15,191
Receipts in advance	**3,050**	1,100
Accrued payroll and welfare	**10,767**	5,662
	23,513	21,953
Trade and other payables	**52,809**	54,593

The following is an analysis of trade payables by age based on the invoice date:

	2009	2008
	RMB'000	*RMB'000*
Within 90 days	**12,762**	20,281
91 – 180 days	**9,463**	8,852
181 – 365 days	**6,059**	2,872
Over 365 days	**1,012**	635
Total	**29,296**	32,640

The average credit period on purchases of goods is between 60 to 180 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

12. OPERATING LEASES COMMITMENT

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2009	2008
	RMB'000	*RMB'000*
Within one year	**1,642**	743
In the second to fifth years, inclusive	**215**	417
	1,857	1,160

Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases are negotiated and rentals are fixed for an average of 2.75 years.

13. CAPITAL COMMITMENTS

Capital commitments in respect of construction in progress at the end of the reporting period were as follows:

	2009	2008
	RMB'000	*RMB'000*
Contracted but not provided for in the consolidated financial statements	**–**	6,855

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Overview

As a result of the financial tsunami that broke out in the second half of 2008, the domestic consumption expenditure in China experienced a slowdown in early 2009. Accordingly, the domestic retail market was fluctuating during the first half of 2009. However, as the PRC government launched a number of economic stimulus measures to drive the domestic demand, the overall retail industry began to rebound and bottom out from the first half of 2009. In particular, the sportswear and sports accessories industry in China had picked up at a speedy pace with more entrants to the industry. On the other hand, the export industry showed signs of recovery with gradual growth in the export volume of sportswear products and accessories.

Business Review

As at December 31, 2009, the Group had 23 distributors, overseeing 1,318 outlets which comprised 425 distributor outlets and 893 retailer outlets. These outlets cover 22 provinces, autonomous regions and municipalities and more than 514 districts, counties and county-level cities in the PRC. The number of outlets expanded by 441 outlets over 877 outlets as at December 31, 2008.

Through the export companies and overseas customers, the Group's export products were sold to 34 overseas countries, including Germany, the Netherlands, the United States, Switzerland, Turkey, Argentina, France, South Africa and Poland.

Product Development and Design

Currently, each of the Group's footwear and apparel segments has its own dedicated in-house design team to design products that meet the tastes and preferences of the Group's target consumers. The core members of the design teams have extensive experience in the design industry and graduated from design or art schools in the PRC. Most of the design team members graduated from college in the PRC and have design or art related diploma, and have more than 4 years design related experience after joining the Group.

As at December 31, 2009, the Group had a total of 48 full-time employees in its design and development department. The Group had applied for 2 appearance design patents and had been granted 14 appearance design patents.

Financial Review

Revenue by product category

	2009	2008		**2009**	2008
	RMB'000	*RMB'000*	Change (%)	% of total revenue	
Footwear					
Domestic	**267,362**	132,921	101.1%	**53.5**	36.4
Export	**103,356**	136,453	-24.3%	**20.7**	37.3
	370,718	269,374	37.6%	**74.2**	73.7
Apparel	**118,919**	88,774	34.0%	**23.8**	24.3
Accessories and shoe soles	**9,783**	7,483	30.3%	**2.0**	2.0
Total	**499,420**	365,631	36.7%	**100**	100
Gross profit margin (%)	**34.2**	32.6			

For the year ended December 31, 2009, the revenue of the Group increased by 36% to RMB499,420,000 (for the year ended December 31, 2008: RMB365,631,000) and the gross profit margin rose by 4.9% to 34.2% (for the year ended December 31, 2008: 32.6%).

Revenue from domestic sales of footwear products grew by 101.1% from RMB132,921,000 for the year ended December 31, 2008 to RMB267,362,000 for the year ended December 31, 2009, mainly as a result of the successful implementation of exclusive distribution business model, speedy expansion of Meike's retail network, successful promotion and marketing strategies, product design upgrade and diversification of product mix. In addition, the increase in sales was also attributable to the growth in market demand for sportswear products in China and the recovery of the economic conditions in China.

Revenue from export sales dropped by 24.3% from RMB136,453,000 for the year ended December 31, 2008 to RMB103,356,000 for the year ended December 31, 2009, predominantly due to the economic downturn in the overseas markets and the Group's continuous efforts to expand "Meike" branded products in China as a result of the increase in market demand for sportswear products in China and the recovery of economic conditions in China.

Revenue from the sales of the Group's apparel products increased by 34.0% from RMB88,774,000 for the year ended December 31, 2008 to RMB118,919,000 for the year ended December 31, 2009, primarily as a result of the increase in sales volume of the Group's apparel products from approximately 1,148,000 pieces for the year ended December 31, 2008 to approximately 1,783,000 pieces for the year ended December 31, 2009. The increase in the sales volume was mainly attributable to the upgrade of product design and quality and diversification of product mix, which enhanced the market acceptance of the Group's apparel products.

The following table sets out the revenue from the sales of the Group's products in China by geographical location:

	2009		2008	
	RMB'000	***%***	*RMB'000*	*%*
East China	**173,154**	**43.7**	97,567	42.6
Central South China	**159,858**	**40.4**	95,427	41.6
Southwest China	**52,181**	**13.2**	27,331	11.9
Northeast China	**5,553**	**1.4**	4,909	2.2
Northwest China	**5,318**	**1.3**	3,944	1.7
Total	**396,064**	**100**	229,178	100

The following table sets out the number of units and average selling price of products sold to the customers:

	2009		2008	
	Total units sold ***'000***	**Average selling price** ***RMB***	Total units sold *'000*	Average selling price *RMB*
Sales to distributors				
Footwear (pairs)	**3,812**	**70**	1,687	79
Apparel (pieces)	**1,783**	**67**	1,148	77
Accessories and others (pieces/pairs)	**488**	**7**	679	11
Sales to export companies and overseas customers				
Footwear (pairs)	**3,115**	**33**	4,042	34

Revenue from domestic sales of footwear products of the Group rose by 101.1% to RMB267,362,000 in 2009 (2008: RMB132,921,000), mainly attributable to the increase in the sales volume of footwear products by 125.4% to 3.81 million pairs (2008: 1.69 million pairs) and the reduction of the average selling price by 11.4% to RMB70 (2008: RMB79).

Revenue from export sales of footwear products of the Group dropped by 24.3% to RMB103,356,000 in 2009 (2008: RMB136,453,000), primarily as a result of the reduction in the sales volume of footwear products by 23.0% to 3.11 million pairs (2008: 4.04 million pairs) and the reduction of the average selling price by 2.9% to RMB33 (2008: RMB34).

Revenue from the sales of apparel products of the Group increased by 34.0% to RMB118,919,000 in 2009 (2008: RMB88,774,000), mainly attributable to the growth of sales volume of apparel products by 54.8% to 1.78 million pieces (2008: 1.15 million pieces) and the reduction of the average selling price of 13.0% to RMB67 (2008: RMB77).

Selling and distribution costs

Selling and distribution costs decreased by 29.0% from RMB29.7 million in 2008 to RMB21,089,000 during 2009, primarily as a result of decrease in the advertising and market expenses as more significant advertising expenses relating to television advertisements were made for the 2008 Beijing Olympic Games during 2008.

Administrative expenses

Administrative expenses increased by 19.5% from RMB18.5 million in 2008 to RMB22,096,000 during 2009, primarily due to the increase in staff salary and welfare payment, depreciation charges and listing expenses for the listing of the Company in early 2010.

Income tax expense

The income tax expense of the Group for the year ended December 31, 2009 was RMB15,170,000 (2008: RMB1,829,000) at the effective tax rate of 13.7%.

Capital commitments

As at December 31, 2009, the Group did not have any material capital commitments.

Profit attributable to shareholders and net profit margin

For the year ended December 31, 2009, profit attributable to shareholders of the Company amounted to RMB96,354,000, an increase of 70.7% over that in the same period of 2008 (2008: RMB56,457,000). Net profit margin of the Group also rose by 24.0% to 19.1% (2008: 15.4%).

Final dividend

The Board recommends a final dividend of HK0.034 cents per share for the year ended December 31, 2009. The final dividend will be payable on or around June 24, 2010 and is subject to the approval of the shareholders of the Company at the forthcoming annual general meeting.

Closure of the register of members

The Register of Members of the Company will be closed from May 31, 2010 to June 3, 2010, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the final dividend and attending the forthcoming annual general meeting, all transfers of shares of the Company accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong before 4:30 p.m. on May 28, 2010.

Human resources

As at December 31, 2009, the Group had a total of 2,111 employees (as at December 31, 2008: 2,022 employees).

Liquidity and financial resources

During 2009, net cash outflow from operating activities of the Group amounted to RMB23.3 million (2008: net cash inflow of RMB28.3 million). As at December 31, 2009, cash and cash equivalents, including bank deposits and cash in hand, and short-term bank deposits with original maturities not exceeding three months, amounted to RMB78.7 million, representing a net decrease of RMB14.1 million as compared to the position as at December 31, 2008.

Foreign exchange risk

The Group mainly operates in the PRC with most of the transactions settled in Renminbi. Part of the Group's cash and bank deposits are denominated in Hong Kong Dollars.

During 2009, the Group did not hedge any exposure in foreign currency risk. Any substantial exchange rate fluctuation of foreign currencies against Renminbi may cause financial impacts on the Group.

Pledge of assets

As at December 31, 2009, the Group secured its bank borrowings by prepaid land lease payments and building held for own uses with a carrying amount of RMB92.2 million (2008: RMB41.4 million) and trade receivables of RMB22.0 million (2008: Nil).

Future Prospects

As China is one of the fastest growing economies worldwide, coupled with the ongoing economic stimulus plans implemented by the PRC government to drive domestic demand, the Group believes that the gross domestic product in the PRC will continue to grow and the sportswear market in China will maintain steady growth.

Looking forward, the Group will focus on the development of "Meike" brand. As stated in the prospectus of the Company dated January 19, 2010, the Group will apply the proceeds from listing as follows:

- Expansion of production capacity for apparel products, including the construction of manufacturing facilities, warehouse, staff quarters and the purchases of machinery and equipment, at our land at Shanxia Village, Shanxia Town, Huian County, Quanzhou City, Fujian Province and upgrading of current manufacturing facilities, plant and machinery, thereby increasing the production capacity of apparel products from approximately 600,000 pieces per annum as at December 31, 2009 to approximately 5,800,000 pieces per annum by 2011;

- Enhancement of research and development capabilities, including the establishment of a research and development center and the purchases of facilities for material research, product testing, innovation and technology development and the recruitment of experts and designers;

- Expansion of the sales network and market penetration including expansion and improvement of the coverage of the Group's distribution network and provision of renovation subsidies in the form of standardized promotional materials and display equipment to the Group's distributor outlets and retailer outlets. The Group currently anticipate that the number of its outlets will surpass 1,800 by the end of 2010;

- Brand recognition enhancement, including organizing trade fairs, brand promotion, sponsorship of sports league and events, media advertising (including but not limited to television commercials, outdoor media, magazine advertising and web-based advertising), launching marketing campaigns, activities and engaging celebrities as spokespersons of "Meike" brand including approximately HK$51.7 million towards media advertising and approximately HK$20.2 million towards brand promotion and marketing activities; and

- As working capital and for other general corporate purposes.

Since the listing of the Company on February 1, 2010 and up to the date of this announcement, the proceeds from the listing were not applied for any use.

GEARING RATIO

As at December 31, 2009, the gearing ratio of the Group was approximately 35.2% (2008: 32.1%), which was derived by dividing interest-bearing debt incurred in the ordinary course of business by total assets.

MATERIAL CONTINGENT LIABILITIES

The Group is not aware of any material contingent liabilities as at December 31, 2009.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company was listed on the Main Board of the Stock Exchange on February 1, 2010, hence neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's shares during the year ended December 31, 2009.

CORPORATE GOVERNANCE

The Directors recognize the importance of incorporating elements of good corporate governance in the management structures and internal control procedures of the Group so as to achieve effective accountability. The Directors continuously observe the principles of good corporate governance in the interests of shareholders and devote considerable effort to identifying and formalizing best practice.

As the Company was listed on February 1, 2010 (the "Listing Date"), the Company was not required to comply with the requirements under the code provisions set out in Appendix 14 – Code on Corporate Governance Practices (the "Code") to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") or the continuing obligations requirements of a listed issuer pursuant to the Listing Rules for 2009. Nevertheless the Directors consider that since the Listing Date, the Company has applied the principles and complied with all the applicable code provisions set out in the Code, except for the deviation from paragraph A.2.1 of the Code as described below.

Code provision A.2.1

Under code provision A.2.1 of the Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The Company does not have any officer with the title of ''chief executive officer''. This is deviated from the code provision A.2.1.

Mr. Ding Siqiang, who acts as the chairman and the president of the Company, is also responsible for overseeing the general operations of the Group. The Board will meet regularly to consider major matters affecting the operations of the Company. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Company. The roles of the respective executive Directors and senior management who are in charge of different functions complement the role of the chairman and chief executive officer. The Board believes that this structure is conducive to strong and consistent leadership enabling the Group to operate efficiently.

The Company understands the importance to comply with the code provision A.2.1 and will continue to consider the feasibility to comply. If compliance is determined, appropriate persons will be nominated to assume the different roles of chairman and chief executive officer.

Model code for directors' securities transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") as the required standard for securities transactions by Directors. The Company has made specific enquiries of all Directors and all Directors confirmed that they have complied with the required standards set out in the Model Code and its code of conduct regarding Directors' securities transactions from the Listing Date and up to the date of this announcement.

Audit committee

The Company established an audit committee of the Company (the "Audit Committee") on January 6, 2010 with written terms of reference which are in compliance with the code provisions of the Code. The primary duties of the Audit Committee are mainly to review the material investment, capital operation and material financial system of the Company; to review the accounting policy, financial position and financial reporting procedures of the Company; to communicate with external audit firms; to assess the performance of internal financial and audit personnel; and to assess the internal control of the Company. The Audit Committee currently has three members comprising Mr. Xie Weichun (Chairman), Mr. Yang Chengjie and Mr. Xiang Shimin, all being independent non-executive Directors.

All members of the Audit Committee have reviewed and confirmed that the final results and financial statements of the Group for 2009 have complied with all relevant laws and regulations, including but not limited to the Listing Rules.

EVENT AFTER REPORTING PERIOD

On February 1, 2010, the Company was successfully listed on the Main Board of the Stock Exchange, under which a total of 250,000,000 shares were issued at the offer price of HK$1.43 per share. Net proceeds from such issue amounted to HKD335,400,000 (approximately RMB295,200,000).

On February 19, 2010, pursuant to exercise of the over-allotment option in connection with the listing, a total number of 37,500,000 shares were issued at HK$1.43 per share. Net proceeds from such issue amounted to HKD46,300,000 (approximately RMB40,700,000).

PUBLICATION OF THE ANNUAL REPORT

The 2009 annual report of the Company will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.meike.cn), and will be despatched to the shareholders on or before April 30, 2010.

By Order of the Board
Meike International Holdings Limited
Ding Siqiang
Chairman

Hong Kong, April 23, 2010

As at the date of this announcement, the Board comprises Mr. Ding Siqiang (Chairman), Ms. Ding Xueleng, Mr. Sun Keqian, Ms. Ding Jinzhu, Mr. Lin Yangshan and Mr. Li Dongxing as Executive Directors; and Mr. Yang Chengjie, Mr. Xiang Shimin and Mr. Xie Weichun, as Independent Non-Executive Directors.