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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 THE UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 2010

The board (the “Board”) of directors (the “Directors”) of Meike International Holdings Limited (the “Company”) is pleased to announce the unaudited results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended June 30, 2010 as follow:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended June 30, 2010

		Six months ended June 30,	
		2010	2009
	Notes	RMB'000 unaudited	RMB'000 unaudited
Revenue	5	307,176	211,891
Cost of sales		(202,354)	(143,672)
Gross profit		104,822	68,219
Other income		3,699	812
Selling and distribution costs		(17,506)	(9,174)
Administrative expenses		(18,292)	(8,899)
Other operating expenses		(6,372)	(3,947)
Finance costs	7	(6,203)	(5,056)
Profit before tax	8	60,148	41,955
Income tax expense	9	(10,625)	(5,060)
Profit for the period		49,523	36,895
Other comprehensive income:			
Exchange differences arising on translation		(532)	(7)
Total comprehensive income for the period		48,991	36,888

		Six months ended	
		June 30,	
		2010	2009
<i>Notes</i>		<i>RMB'000</i>	<i>RMB'000</i>
		unaudited	unaudited
Profit for the period attributable to:			
	Owners of the parent	49,523	32,147
	Non-controlling interests	<u>—</u>	<u>4,748</u>
		<u>49,523</u>	<u>36,895</u>
Total comprehensive income attributable to:			
	Owners of the parent	48,991	32,141
	Non-controlling interests	<u>—</u>	<u>4,747</u>
		<u>48,991</u>	<u>36,888</u>
Earnings per share			
	Basic and diluted (RMB)	<u>0.050</u>	<u>0.043</u>

11

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At June 30, 2010

		June 30, 2010 unaudited RMB'000	December 31, 2009 audited RMB'000
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment		110,558	97,821
Prepaid lease payments		49,816	50,358
		160,374	148,179
Current assets			
Inventories		88,652	53,006
Trade and other receivables	12	340,670	263,359
Prepaid lease payments		1,097	1,097
Fixed deposits held at banks with maturity over three months		142,609	–
Short-term bank deposit		–	35,000
Cash and bank balances		185,577	43,678
		758,605	396,140
Current liabilities			
Trade and other payables	13	60,791	52,809
Amount due to a director		–	204
Interest-bearing bank loans		162,200	157,500
Current portion of long term interest-bearing bank loans		–	17,000
Income tax payable		5,456	3,957
		228,447	231,470
Net current assets		530,158	164,670
Total assets less current liabilities		609,532	312,849

	June 30, 2010 unaudited RMB'000	December 31, 2009 audited RMB'000
<i>Notes</i>		
Capital and reserves		
Share capital	9,093	9
Reserves	619,546	291,897
Equity attributable to owners of the parent	628,639	291,906
Non-controlling interests	—	—
Total equity	628,639	291,906
Non-current liabilities		
Interest-bearing bank loans	59,700	17,000
Deferred tax liabilities	2,193	3,943
	61,893	20,943
	690,532	312,849

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended June 30, 2010

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.

Pursuant to a group reorganization (the “Corporate Reorganization”) 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 Reorganization 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 Reorganization is regarded as a continuing entity under common control. Accordingly, for the purpose of this announcement, the consolidated financial statements of the Group have been prepared using principles of merger accounting. The interim information of the Group for the six months ended June 30, 2009 shown as comparatives in this announcement have been prepared as if the current group structure had been in existence throughout both periods presented, or since the respective dates of incorporation or establishment of the group companies, rather than from the date when the Company became the holding company of the Group pursuant to the Corporate Reorganization.

2. BASIS OF PREPARATION

The condensed consolidated interim financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) and with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting”, issued by the HKICPA. The condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended December 31, 2009, which have been prepared in accordance with Hong Kong Financial Reporting Standards (the “HKFRSs”).

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated interim financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as appropriate.

The accounting policies used in the condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended December 31, 2009 except as described below.

In the current period, the Group has applied, for the first time, the following new standards, amendments and interpretations (“new HKFRSs”) issued by the HKICPA which are effective for the Group’s financial year beginning January 1, 2010.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008
HKFRSs (Amendments)	Improvements to HKFRSs 2009
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters
HKAS 39 (Amendment)	Eligible Hedged Items
HKFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised)	Business Combinations
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners

The Group applies HKFRS 3 (Revised) Business Combinations prospectively to business combinations for which the acquisition date is on or after January 1, 2010. The requirements in HKAS 27 (Revised) Consolidated and Separate Financial Statements in relation to accounting for changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group on or after January 1, 2010.

As there was no transaction during the current interim period in which HKFRS 3 (Revised) and HKAS 27 (Revised) are applicable, the application of HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to other HKFRSs had no effect on the condensed consolidated interim financial statements of the Group for the current or prior accounting periods. Results of the Group in future periods may be affected by future transactions for which HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to the other HKFRSs are applicable.

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 extent 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 did not affect the classification and measurement of the Group’s leasehold land during the current interim period.

The application of the other new and revised HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented.

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

HKFRSs (Amendments)	Improvements to HKFRSs 2010 ¹
HKAS 24 (Revised)	Related Party Disclosures ⁴
HKAS 32 (Amendment)	Classification of Rights Issues ²
HKFRS 1 (Amendment)	Limited Exemption from comparative HKFRS 7 Disclosures for First-time Adopters ³
HKFRS 9	Financial Instruments ⁵
HK(IFRIC) – Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement ⁴
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments ³

¹ Effective for annual periods beginning on or after July 1, 2010 or January 1, 2011, as appropriate

² Effective for annual periods beginning on or after February 1, 2010

³ Effective for annual periods beginning on or after July 1, 2010

⁴ Effective for annual periods beginning on or after January 1, 2011

⁵ Effective for annual periods beginning on or after January 1, 2013

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.

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 condensed consolidated interim financial statements.

4. SEASONALITY OF OPERATIONS

Due to the seasonal nature of the sports goods products, higher revenues and operating profits are usually expected in the second half of the year than in the first six months. Higher sales during the second half of the year are mainly attributed to the sale of winter clothing which generally has a higher unit price.

5. REVENUE

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:

	Six months ended June 30,	
	2010	2009
	unaudited	unaudited
	RMB'000	RMB'000
Footwear	208,900	135,386
Apparel	78,928	69,871
Accessories and shoe sole	19,348	6,634
	<u>307,176</u>	<u>211,891</u>

6. SEGMENT INFORMATION

Operating segments, and the amounts of each segment item reported in the condensed consolidated interim 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 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.

7. FINANCE COSTS

	Six months ended June 30,	
	2010	2009
	unaudited	unaudited
	RMB'000	RMB'000
Interest on bank loans wholly repayable within five years	<u>6,203</u>	<u>5,056</u>

8. PROFIT FOR THE PERIOD

Profit for the period has been arrived after charging:

	Six months ended June 30,	
	2010	2009
	unaudited	unaudited
	RMB'000	RMB'000
Depreciation and amortisation	4,454	3,747
Research cost (included in other operating expenses) (<i>Note</i>)	<u>4,952</u>	<u>3,198</u>

Note:

Research costs included staff costs of employees and depreciation of property, plant and equipment for the purpose of research and development activities.

9. INCOME TAX EXPENSE

	Six months ended June 30,	
	2010	2009
	unaudited	unaudited
	RMB'000	RMB'000
Current tax:		
Provision for the period		
– PRC Enterprise Income Tax (“EIT”)	12,375	3,771
Deferred tax	<u>(1,750)</u>	<u>1,289</u>
	<u>10,625</u>	<u>5,060</u>

10. DIVIDENDS

On January 4, 2010, the Company declared and paid dividends of approximately RMB15,620,000. The dividend was declared prior to the listing of the company and the rate of dividend per share is not presented as it is not indicative of the rate at which future dividends will be declared.

In addition, final dividend in respect of the year ended December 31, 2009 of HK\$0.034 per share totaling approximately HK\$35,275,000 (equivalent to approximately RMB30,915,000) was approved and paid during the interim period.

The board has resolved the payment of an interim dividend of HK\$0.022 per share (2009: nil). The interim dividend will be distributed on or around October 15, 2010 to shareholders whose name appear on the register of member of the Company as at the close of business on September 24, 2010.

11. EARNINGS PER SHARE

The weighted average number of shares for the purpose of calculating basic earnings per share for the period ended June 30, 2009 is based on the assumption that the 1,000,000 shares issued and outstanding upon the Corporate Reorganization had been in issue as at beginning of the period.

The weighted average number of ordinary shares used in the calculation of basic earnings per share for each of the two periods ended June 30, 2010 and 2009 has been adjusted for the capitalization issue which took effect on February 1, 2010.

The Company did not have any potential dilutive shares throughout the six months ended June 30, 2010 and 2009.

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

	Six months ended June 30,	
	2010	2009
	unaudited	unaudited
	<i>RMB'000</i>	<i>RMB'000</i>
Earnings		
Profit for the period attributable to the owners of the parent	<u>49,523</u>	<u>32,147</u>
	2010	2009
	'000	'000
Number of shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	<u>984,530</u>	<u>750,000</u>

12. TRADE AND OTHER RECEIVABLES

	June 30, 2010 unaudited RMB'000	December 31, 2009 audited RMB'000
Trade receivables	<u>314,092</u>	<u>235,672</u>
Other receivables	468	502
Prepayments	<u>26,110</u>	<u>27,187</u>
	26,578	27,689
Less: Allowance for impairment loss	<u>—</u>	<u>(2)</u>
Other receivables and prepayments, net	<u>26,578</u>	<u>27,687</u>
Trade and other receivables	<u><u>340,670</u></u>	<u><u>263,359</u></u>

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:

	June 30, 2010 unaudited RMB'000	December 31, 2009 audited RMB'000
Within 90 days	168,884	163,017
91 – 180 days	119,699	72,655
181 – 365 days	<u>25,509</u>	<u>—</u>
Total	<u><u>314,092</u></u>	<u><u>235,672</u></u>

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 June 30, 2010, included in the Group's trade receivables balances are debtors with aggregate carrying amount of RMB25,509,000 (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. Subsequently, such balances had been fully recovered before the date of this announcement.

13. TRADE AND OTHER PAYABLES

	June 30, 2010 unaudited RMB'000	December 31, 2009 audited RMB'000
Trade payables	<u>40,435</u>	<u>29,296</u>
Other payables	6,941	9,696
Receipts in advance	3,066	3,050
Accrued payroll and welfare	<u>10,349</u>	<u>10,767</u>
	<u>20,356</u>	<u>23,513</u>
Trade and other payables	<u><u>60,791</u></u>	<u><u>52,809</u></u>

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

	June 30, 2010 unaudited RMB'000	December 31, 2009 audited RMB'000
Within 90 days	28,596	12,762
91 – 180 days	7,135	9,463
181 – 365 days	4,671	6,059
Over 365 days	<u>33</u>	<u>1,012</u>
Total	<u><u>40,435</u></u>	<u><u>29,296</u></u>

14. OPERATING LEASES COMMITMENT

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

	June 30, 2010 unaudited RMB'000	December 31, 2009 audited RMB'000
Within one year	1,625	1,642
In the second to fifth years, inclusive	<u>2,185</u>	<u>215</u>
	<u><u>3,810</u></u>	<u><u>1,857</u></u>

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 two to three years.

15. CAPITAL COMMITMENTS

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

	June 30, 2010 unaudited RMB'000	December 31, 2009 audited RMB'000
Contracted but not provided for in the condensed consolidated financial statements	<u>8,272</u>	<u>—</u>

16. RELATED PARTY TRANSACTIONS

During the six months ended June 30, 2010, the Group leased certain interest in leasehold land held for own use under operating leases and buildings from a related company, Hengqiang (China) Co., Ltd. at total rental expenses of approximately RMB305,000 (six months ended June 30, 2009: RMB425,000). Mr. Ding Siqiang, a director of the Company, is holding 80% of Hengqiang (China) Co., Ltd., which is the ultimate holding company of Hengqiang (China) Co., Ltd.

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Review

The continuous stimulus measures launched by the Chinese Government to drive the domestic demand after the global financial crisis have effectively restored the market confidence and driven up the domestic consumption. The overall retail industry had achieved a robust growth in the first half of 2010.

Although China's sportswear industry is under intensive competition with more entrants and new brands entering into the industry, growth potential is still huge as China has the most sizable population in the world. Besides, the urbanization in China also increased the number of consumers and enhanced the potential consumption power.

Business Review

As at June 30, 2010, the Group had 24 distributors, overseeing 1,621 outlets which comprised 586 Meike distributor outlets and 1,035 Meike retailer outlets. These outlets, together with the outlets owned and operated by the Group (the "Self-operated Meike Outlets") cover 23 provinces, autonomous regions and municipalities and more than 521 districts, counties and county-level cities in the PRC. The number of outlets expanded by 303 outlets over 1,318 outlets as at December 31, 2009. The Group will continue to expand and optimize its retail network through cooperation with distributors and utilization of their local resources and business network. The Group expects that the number of its outlets will grow to over 1,800 by the end of 2010.

Through the export companies and overseas customers, the Group's export products were ultimately sold to 27 overseas countries, including Germany, Netherlands, the United States, Switzerland, Turkey, Argentina, France, South Africa and Poland.

Product Development and Design

Currently, each of the 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 Group's design teams have extensive experience in the design industry and graduated from design or art schools in the PRC. Substantially all of the Group's design team members graduated from college in the PRC and have design or art related diploma. Substantially all of the Group's design team members have more than 4 years design related experience after joining the Group. To maintain an international perspective to the Group's designs, each product design team from time to time visited the leading fashion stores, shopping centers and fashion shows in South Korea, North America and Europe, which in the Group's belief, have been, and will continue to be, influential in setting the fashion trends in the PRC. The Group believes that this practice enables the design team to cater for the latest fashion trends while echoing thematic elements from the Group's integrated marketing campaigns to establish a consistent image for the Group's brand and products.

As at June 30, 2010, the Group had a total of 53 full-time employees in its design and development department.

Financial Review

Revenue by product category

	Six months ended June 30,			Six months ended June 30,	
	2010	2009		2010	2009
	<i>RMB'000</i>	<i>RMB'000</i>	<i>Change (%)</i>	<i>% of total revenue</i>	
Footwear					
Domestic	158,055	89,513	76.6%	51.5	42.2
Export	50,845	45,873	10.8%	16.5	21.7
	208,900	135,386	54.3%	68.0	63.9
Apparel	78,928	69,871	13.0%	25.7	33.0
Accessories and shoe soles	19,348	6,634	191.6%	6.3	3.1
Total	307,176	211,891	45.0%	100	100
Gross profit margin (%)	34.1	32.2			

For the six months ended June 30, 2010 (the “Period”), the revenue of the Group increased by 45.0% to RMB307,176,000 (six months ended June 30, 2009: RMB211,891,000) and the gross profit margin rose by 5.9% to 34.1% (six months ended June 30, 2009: 32.2%).

Revenue from domestic sales of footwear products grew by 76.6% from RMB89,513,000 for the six months ended June 30, 2009 to RMB158,055,000 for the Period, mainly as a result of the successful implementation of exclusive distribution business model, speedy expansion of the Group’s retail network, successful promotion and marketing strategies, product design upgrade and diversification of product mix. In addition, the increase in domestic 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 grew by 10.8% from RMB45,873,000 for the six months ended June 30, 2009 to RMB50,845,000 for the Period, predominantly due to the economic recovery in the overseas markets.

Revenue from the sales of the Group’s apparel products increased by 13.0% from RMB69,871,000 for the six months ended June 30, 2009 to RMB78,928,000 for the Period, primarily 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 and increased the sales volume of the Group’s apparel products.

Cost of sales

Cost of sales increased by 40.8% to RMB202,354,000 for the Period (six months ended June 30, 2009: RMB143,672,000), primarily as a result of increase in sales of the Group’s products.

Selling and distribution costs

Selling and distribution costs increased by 90.8% from RMB9,174,000 for the corresponding period in 2009 to RMB17,506,000 for the Period, primarily as a result of increase in the advertising and market expenses.

Administrative expenses

Administrative expenses increased by 105.6% from RMB8,899,000 for the corresponding period in 2009 to RMB18,292,000 for the Period, 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 Period was RMB10,625,000 (six months ended June 30, 2009: RMB5,060,000) calculated at the effective tax rate of 17.7%.

Provision for inventories

As at June 30, 2010, the Group did not make any provision for inventories.

Provision for doubtful debts

As at June 30, 2010, the Group did not make any provision for doubtful debts.

Liquidity and Financial Resources

During the Period, net cash outflow from operating activities of the Group amounted to RMB44,884,000 (2009: net cash inflow of RMB3,764,000). As at June 30, 2010, 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 RMB185,577,000, representing a net increase of RMB106,899,000 as compared to the position as at December 31, 2009.

Pledge of Assets

As at June 30, 2010, the Group secured its bank borrowings by prepaid land lease payments and building held for own uses with a carrying amount of RMB58.8 million (December 31, 2009: RMB92.2 million) and trade receivables of RMB29.7 million (December 31, 2009: RMB22.0 million).

Capital Commitments and Contingent Liabilities

Details of the capital commitments as at June 30, 2010 are set out in note 15 to the condensed consolidated interim financial statements of this announcement. As at June 30, 2010, the Group did not have any material contingent liabilities.

Profit Attributable to Shareholders and Net Profit Margin

For the Period, total comprehensive income attributable to the Company amounted to RMB49,523,000, representing an increase of 34.2% over that in the same period of 2009 (six months ended June 30, 2009: RMB36,895,000). Net profit margin of the Group also dropped by 7.5% to 16.1% (2009: 17.4%).

Foreign Exchange Risk

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

During the Period, 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.

Gearing Ratio

As at June 30, 2010 the gearing ratio of the Group was approximately 24.1% (December 31, 2009: 35.2%), which was derived by dividing interest-bearing debt incurred in the ordinary course of business by total assets.

Interest-bearing Bank Loans

As at June 30, 2010, the Group's bank loans balance amounted to RMB221,900,000, bearing interest rates from 4.779% to 5.841%.

Human Resources

As at June 30, 2010 the Group had a total of 2,173 employees (December 31, 2009: 2,111 employees).

Material Acquisition and Disposal

The Group did not have any material acquisition and disposal in the first half of 2010.

Use of Net Proceeds from the Share Offering

The shares of the Company were listed on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on February 1, 2010 with net proceeds from the share offering and the exercise of the over-allotment option received by the Company of approximately HK\$335.4 million (approximately RMB295.2 million) and HK\$46.3 million (approximately RMB40.7 million) respectively (after deducting underwriting commission and related expenses)

Use of Net Proceeds (RMB million)	Available to utilise	Utilised (as at June 30, 2010)	Unutilised (as at June 30, 2010)
Expansion of production capacity	102.1	17.5	84.6
Expansion of the sales network and market penetration	102.4	1.5	100.9
Develop and increase brand awareness	80.0	9.5	70.5
Enhancement of research and development capabilities	26.9	5.6	21.3
Working capital	24.5	—	24.5
	<u>335.9</u>	<u>34.1</u>	<u>301.8</u>

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 and apply the net proceeds in accordance with the proposed application set out in the prospectus of the Company dated January 19, 2010 (the "Prospectus").

OTHER INFORMATION

Interim Dividend

The Board has resolved the payment of an interim dividend of HK\$0.022 per share (2009: nil). The interim dividend will be distributed on or around October 15, 2010 to shareholders whose name appear on the register of members of the Company as at the close of business on September 24, 2010.

Closure of Register of Members

The register of members of the Company will be closed from September 21, 2010 to September 24, 2010, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfers of shares of the Company accompanied by the relevant share certificates and transfer form must be lodged with the Company's branch share register 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 September 20, 2010.

Interests of Directors in Contracts

During the Period, none of the Directors had a material interest, whether directly or indirectly, in any contract of significance to which the Company or any of its subsidiaries or affiliates was a party.

Directors' Interest in Competing Business

None of the Directors or any of their respective associates had any interest in a business which competes or likely to compete, either directly or indirectly, with the business of the Group.

Purchase, Sales or Redemption of the Company's Listed Securities

On February 17, 2010, the Over-allotment Option referred to in the Prospectus has been fully exercised by China Merchants Securities (HK) Co., Limited (as the Lead Manager), on behalf of the Placing Underwriters, in respect of an aggregate of 37,500,000 Shares (the "Over-allotment Shares") which represented 15% of the Offer Shares initially available under the Share Offer (assuming no exercise of the Over-allotment Option), for the sole purpose of covering over-allocations in the Placing.

The 37,500,000 Over-allotment Shares were issued and allotted by the Company at HK\$1.43 per Share (excluding brokerage fee of 1%, SFC transaction levy of 0.004% and Stock Exchange trading fee of 0.005%), being the Offer Price per Offer Share in connection with the Share Offer. For details of the exercise of over-allotment option, please refer to the announcement of the Company dated February 17, 2010.

Save as disclosed above, during the Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

Code on Corporate Governance

Save as disclosed below, during the Period, the Company complied with the Code of Corporate Governance Practices (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

Under code provision A.2.1 of the CG 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 Group. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Group. 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 Securities Transactions by Directors of Listed Issuers

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as the code of conduct regarding directors' securities transactions. Having made specific enquiry of all Directors, all Directors have complied with the code of conduct and the required standard set out in the Model Code throughout the Period.

Audit Committee

The Company has an audit committee with terms of reference aligned with the provision of the CG Code as set out in Appendix 14 to the Listing Rules for the purpose of reviewing and providing supervision on the financial reporting process and internal controls of the Group. The audit committee comprise three members, all being independent non-executive Directors.

During the Period, the audit committee reviewed the accounting principals and practices adopted by the Group and the unaudited condensed consolidated interim financial statements of the Group for the Period and discussed auditing, internal control and financial reporting matters, such as the review of the interim report with the management. The audit committee has reviewed this announcement and has provided advice and comments thereon to the Board. The audit committee is of the opinion that this announcement complied with applicable accounting standards, the Listing Rules, and that adequate disclosures have been made.

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

Hong Kong, August 20, 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.