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 2011

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, 2011 (the "Year") were as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31

	Notes	**2011**	2010
		RMB'000	*RMB'000*
Revenue	*3*	**633,385**	712,864
Cost of sales		**(422,213)**	(464,611)
Gross profit		**211,172**	248,253
Other income	*4*	**3,952**	7,624
Other gains and losses, net		**7,698**	(7,726)
Selling and distribution expenses		**(74,085)**	(42,812)
Administrative expenses		**(42,156)**	(34,964)
Other operating expenses		**(18,383)**	(16,923)
Finance costs	5	**(13,105)**	(12,006)
Gain on disposal of a subsidiary		**10**	–
Profit before tax		**75,103**	141,446
Income tax expense	*6*	**(18,985)**	(24,994)
Profit for the year	*7*	**56,118**	116,452
Other comprehensive income:			
Exchange differences arising on translation		**–**	18
Total comprehensive income for the year		**56,118**	116,470
Earnings per share			
Basic and diluted (RMB)	*8*	**0.047**	0.122

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT DECEMBER 31

	Notes	**2011**	2010
		RMB'000	*RMB'000*
Non-current assets			
Property, plant and equipment		**163,927**	140,492
Prepaid lease payments		**48,163**	49,260
Deferred tax assets		**2,246**	–
		214,336	189,752
Current assets			
Inventories		**136,122**	77,713
Trade, bills and other receivables	*10*	**689,222**	510,678
Prepaid lease payments		**1,097**	1,097
Pledged bank deposit		**51,449**	53,906
Short-term bank deposit		**35,000**	35,000
Bank balances and cash		**86,022**	402,439
		998,912	1,080,833
Current liabilities			
Trade and other payables	*11*	**59,419**	93,121
Amount due to a related company		**562**	535
Bank borrowings		**220,450**	227,900
Derivative financial instruments		**139**	7,837
Income tax payable		**4,525**	12,401
		285,095	341,794
Net current assets		**713,817**	739,039
Total assets less current liabilities		**928,153**	928,791
Capital and reserves			
Share capital		**10,355**	10,446
Reserves		**911,289**	916,152
Total equity		**921,644**	926,598
Non-current liability			
Deferred tax liabilities		**6,509**	2,193
		928,153	928,791

Notes:

1. GENERAL

Meike International Holdings Limited (the "Company") was incorporated in the Cayman Islands as an exempted company with limited liability on June 25, 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 ("Glory Hill"), a limited company incorporated in the British Virgin Islands ("BVI"). The Company's registered office is located at Cricket Square, Hutchins Drive. P.O. Box 2681, Grand Cayman KYI-1111, Cayman Islands and its principal place of business is located at Room 1602, 16/F, Harcourt House, 39 Gloucester Road, Wanchai, Hong Kong. The shares of the Company have been listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since February 1, 2010.

The Group is principally engaged in the manufacturing and trading of sporting goods. The Company acts as an investment holding company and provides corporate management services.

The 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 the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Amendments to HKFRSs	Improvements to HKFRSs issued in 2010
Amendments to HKFRS 1	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters
Hong Kong Accounting Standard ("HKAS") 24 (as revised in 2009)	Related Party Disclosures
Amendments to HKAS 32	Classification of Rights Issues
Amendments to HK(IFRIC) – Interpretation ("INT") 14	Prepayments of a Minimum Funding Requirement
HK(IFRIC) – INT 19	Extinguishing Financial Liabilities with Equity Instruments

The adoption of the new and revised HKFRSs in the current year has had no material impact on the Group's consolidated financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

Amendments to HKFRS 1	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[1]
	First-time Adoption of Hong Kong Financial Reporting Standards – Government Loans[2]
Amendments to HKFRS 7	Disclosures – Transfers of Financial Assets[1]
	Disclosures – Offsetting Financial Assets and Financial Liabilities[2]
	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
HKFRS 9	Financial Instruments[3]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[5]
Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Assets[4]
HKAS 19 (as revised in 2011)	Employee Benefits[2]
HKAS 27 (as revised in 2011)	Separate Financial Statements[2]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[2]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[6]
HK(IFRIC) – INT 20	Stripping Costs in the Production Phase of a Surface Mine[2]

[1] Effective for annual periods beginning on or after July 1, 2011.
[2] Effective for annual periods beginning on or after January 1, 2013.
[3] Effective for annual periods beginning on or after January 1, 2015.
[4] Effective for annual periods beginning on or after January 1, 2012.
[5] Effective for annual periods beginning on or after July 1, 2012.
[6] Effective for annual periods beginning on or after January 1, 2014.

Amendments to HKFRS 7 Disclosures – Transfers of Financial Assets

The amendments to HKFRS 7 increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period.

The directors of the Company do not anticipate that these amendments to HKFRS 7 will have a significant effect on the Group's disclosures regarding transfers of trade receivables previously effected. However, if the Group enters into other types of transfers of financial assets in the future, disclosures regarding those transfers may be affected.

HKFRS 9 – Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

- HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the presentation of changes in fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was recognised in profit or loss.

The directors of the Company anticipate that the adoption of HKFRS 9 in the future will have a significant impact on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

Amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities and amendments to HKFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities

The amendments to HKAS 32 clarify existing application issues relating to the offsetting requirements. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement".

The amendments to HKFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amended offsetting disclosures are required for annual periods beginning on or after January 1, 2013 and interim periods within those annual periods. The disclosures should also be provided retrospectively for all comparative periods. However, the amendments to HKAS 32 are not effective until annual periods beginning on or after January 1, 2014, with retrospective application required.

New and revised standards on consolidation, joint arrangements, associates and disclosures

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

Key requirements of these fives standards are described below.

HKFRS 10 replaces the parts of HKAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements and HK(SIC)-INT 12 Consolidation – Special Purpose Entities. HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the invests to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 11 replaces HKAS 31 Interests in Joint Ventures and HK (SIC) – Int 13 Jointly Controlled Entities – Non-Monetary Contributions by Ventures. HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. Under HKFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under HKAS 31, there are three types of joints arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations.

In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate accounting.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structure entities. In general, the disclosure requirements in HKRFS 12 are more extensive than those in the current standards.

These five standards are effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time.

The directors of the Company anticipate that these five standards will be adopted in the Group's consolidated financial statements for the annual period beginning January 1, 2013. The application of these five standards may have significant impact on amounts reported in the consolidated financial statements. The application of HKFRS 10 may result in the Group no longer consolidating some of its investees, and consolidating investees that were not previously consolidated (e.g. the Group's investment in associates may become the Group's subsidiaries based on the new definition of control and the related guidance in HKFRS 10). However, the directors have not yet performed a detailed analysis of the impact of the application of these standards and hence have not yet quantified the extent of the impact.

HKFRS 13 – Fair Value Measurement

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 Financial Instruments: Disclosures will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted.

The directors of the Company anticipate that HKFRS 13 will be adopted in the Group's consolidated financial statements for the annual period beginning January 1, 2013 and that the application of the new standard may affect the amounts reported in the consolidated financial statements and result in more extensive disclosures in the consolidated financial statements.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

The amendments to HKAS 1 are effective for annual periods beginning on or after July 1, 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

The directors of the Company anticipate that the application of other new and revised HKFRSs will have no material impact on the results and the financial position of the Group.

3. REVENUE AND SEGMENT INFORMATION

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

	2011	2010
	RMB'000	*RMB'000*
Footwear	**380,015**	455,545
Apparel	**230,060**	204,165
Accessories and shoe sole	**23,310**	53,154
	633,385	712,864

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 sporting 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.

Revenue from customers of the corresponding year contributing over 10% of the total sales of the Group are as follows:

	2011	2010
	RMB'000	*RMB'000*
Customer A	**77,589**	N/A*
Customer B	**73,236**	N/A*
Customer C	**69,789**	N/A*

* The corresponding revenue did not contribute over 10% of the total sales of the Group.

There were no customers contributing over 10% of the total revenue of the Group for the year ended 31 December 2010.

4. OTHER INCOME

	2011	2010
	RMB'000	*RMB'000*
Government grants *(Note)*	**2,040**	6,066
Interest income	**1,783**	1,151
Gain from sale of materials	**100**	407
Others	**29**	–
	3,952	7,624

Note:

Government grants were received from several local government authorities for the Group's contribution to growth of the local economies, of which the entitlement was unconditional and under the discretion of the relevant authorities.

5. FINANCE COSTS

	2011	2010
	RMB'000	*RMB'000*
Interest on bank borrowings wholly repayable within five years	**13,105**	12,006

6. INCOME TAX EXPENSE

	2011	2010
	RMB'000	*RMB'000*
Current tax:		
PRC Enterprise Income Tax ("EIT")	**16,915**	26,744
Deferred tax	**2,070**	(1,750)
	18,985	24,994

7. PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging/(crediting):

	2011	2010
	RMB'000	*RMB'000*
Salaries and allowances	**88,447**	77,062
Contributions to retirement benefits scheme	**9,857**	6,121
Share-based payments	**4,093**	1,395
Total staff costs (including directors' emoluments)	**102,397**	84,578
Auditors' remuneration	**690**	726
Cost of inventories recognised as an expense	**404,243**	464,611
Allowance for inventory (included in cost of sales)	**17,970**	–
Amortisation of prepaid lease payments	**1,097**	1,098
Depreciation for property, plant and equipment	**8,380**	7,692
Research and development costs (included in other operating expenses) *(Note)*	**10,317**	10,255
Loss on disposal of property, plant and equipment	**485**	1,413
Net foreign exchange losses	**7,233**	12,675
Operating lease rentals in respect of rented premises	**1,310**	1,758
Rental income	**(6)**	–

Note:

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

8. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	2011	2010
	RMB'000	*RMB'000*
Earnings		
Earnings for the purpose of basic and diluted earnings per share (Profit for the year attributable to the owners of the Company)	**56,118**	116,452

	2011	2010
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	**1,190,502**	958,407

The computation of diluted earnings per share does not assume the exercise of the Company's options and warrants because the exercise prices of those options and warrants were higher than the average market price for shares for the years ended December 31, 2011 and 2010.

The diluted earnings per share for the years ended December 31, 2011 and 2010 is the same as the basic earnings per share as there were no dilutive potential ordinary shares outstanding during both years.

9. DIVIDENDS

	2011	2010
	RMB'000	*RMB'000*
Interim dividend paid during the year	**24,264**	30,915
Final dividend paid during the year	**29,168**	19,969
Special dividend paid during the year	**–**	15,620
	53,432	66,504

During the year ended December 31, 2011, dividends of approximately RMB53,432,000 was declared to the equity holders of the Company. Details of which are as follows:

1. A final dividend in respect of the year ended December 31, 2010 of HK$0.03 per share totaling approximately HK$35,850,000 (equivalent to approximately RMB29,168,000) was approved and paid during the year.

2. In addition, an interim dividend in respect of the six months ended June 30, 2011 of HK$0.025 per share totaling approximately HK$29,615,250 (equivalent to approximately RMB24,264,000) was approved and paid during the year to the owners of the Company whose names appeared in the register of members on September 20, 2011.

No dividend has been proposed since the end of the reporting period.

During the year ended December 31, 2010, dividends of approximately RMB66,504,000 was declared to the equity holders of the Company. Details of which are as follows:

1. 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.

2. A 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 year.

3. In addition, an interim dividend in respect of the six months ended June 30, 2010 of HK$0.022 per share totaling approximately HK$22,825,000 (equivalent to approximately RMB19,969,000) was approved and paid during the year.

10. TRADE, BILLS AND OTHER RECEIVABLES

	2011	2010
	RMB'000	*RMB'000*
Trade receivables	**575,908**	470,304
Bills receivable	**23,200**	–
Trade and bills receivables	**599,108**	470,304
Other receivables	**12,904**	1,779
Prepayment to suppliers	**70,845**	23,130
Prepayment for advertising	**3,525**	12,824
Other prepayments	**2,840**	2,641
Other receivables and prepayments	**90,114**	40,374
Trade, bills and other receivables	**689,222**	510,678

The Group generally allows a credit period ranging from 90 days to 180 days to its trade customers. Payment in advance is normally required for new customers. The following is an aged analysis of trade receivables presented based on the invoice date at the end of the reporting period.

	2011	2010
	RMB'000	*RMB'000*
Within 90 days	**129,981**	251,212
91 to 180 days	**115,938**	165,564
181 to 365 days	**328,321**	53,528
Over 365 days	**1,668**	–
Total	**575,908**	470,304

Bills receivable were aged within 30 days from the invoice date.

The Group does not hold any collateral over these balances.

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

As at December 31, 2011, included in the Group's trade receivables balances are debtors with aggregate carrying amount of approximately RMB329,989,000 (2010: RMB62,143,000) 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 loss 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.

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

	2011	2010
	RMB'000	*RMB'000*
Within 90 days	**188,988**	8,615
91 to 180 days	**139,333**	53,528
Over 180 days	**1,668**	–
Total	**329,989**	62,143

As at December 31, 2011, certain trade receivables with aggregate carrying amount of approximately RMB66,994,000 (2010: RMB30,695,000) were pledged to banks to secure certain bank borrowings of the Group.

11. TRADE AND OTHER PAYABLES

	2011	2010
	RMB'000	*RMB'000*
Trade payables	**22,129**	50,105
Other payables	**22,375**	27,083
Receipts in advance	**7,525**	1,896
Accrued payroll and staff welfare	**7,390**	14,037
	37,290	43,016
Trade and other payables	**59,419**	93,121

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period.

	2011	2010
	RMB'000	*RMB'000*
Within 90 days	**4,370**	26,804
91 to 180 days	**7,412**	19,512
181 to 365 days	**7,195**	949
Over 365 days	**3,152**	2,840
Total	**22,129**	50,105

The average credit period on purchases of goods is ranged from 60 days 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

The Group as lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of office premises, warehouses and staff quarters which fall due as follows:

	2011	2010
	RMB'000	*RMB'000*
Within one year	**994**	1,468
In the second to fifth years inclusive	**128**	1,600
	1,122	3,068

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

13. CAPITAL COMMITMENTS

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

	2011	2010
	RMB'000	*RMB'000*
Contracted for but not provided in the consolidated financial statements	**38,103**	4,347

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Overview

Due to the tightening of the monetary policy by the Chinese Government to restrain the inflation from the second half of 2011 and the slow recovery and uncertainty in the global economy, the country's economic growth has been experiencing a slowdown since the second half of 2011. Besides, the unstable and uncertainty in the global economy has hindered the export business of the local enterprises, including the sportswear industry.

Starting from the second half of 2011, the competition of the sportswear brands has intensified and at the same time, the demand for sportswear has slowed down. Also, the sportswear brands and their distribution channels are facing significant uncertainties brought about by the increase in cost of materials, rents, human resources cost and the excessive build-up of inventory in the distribution channels. In order to reduce the excessive inventory, each brand has implemented different measures, such as inventory buyback from distributors, deep discounts or restructuring the distribution channels.

Although the industry is undergoing transformation and consolidation, we believe that the sportswear industry will grow steadily, driven by the expanding domestic demand and the monitoring of inflation by the Chinese Government.

Business Review

During the Year, the Group had terminated the distributorship with 5 individual distributors and engaged 1 new corporate distributor. As at December 31, 2011, the Group had 20 distributors, overseeing 1,859 outlets which comprised 902 Meike distributor outlets and 957 Meike retailer outlets. These outlets are located across 25 provinces, autonomous regions and municipalities and more than 521 districts, counties and county-level cities in the People's Republic of China (the "PRC"). During the Year, the number of outlets of the Group decreased by 6 outlets to 1,859 outlets as at December 31, 2011. This was mainly because the Group had implemented an integration programme with our distributors to integrate outlets with relatively small floor area, high costs and low efficiency to outlets with relatively larger floor area and higher efficiency in order to enhance the competitiveness of the Group's brand and to deliver greater value to the customers.

The following table sets out the total number of the Group's distributors and outlets (including Meike distributor outlets and Meike retailer outlets) in China as at December 31, 2010 and December 31, 2011, respectively, by geographical location:

	As at December 31			
	2011		2010	
	Distributors	**Outlets**	Distributors	Outlets
Central South China[1]	**6**	**747**	6	719
East China[2]	**8**	**798**	10	788
Southwest China[3]	**2**	**193**	4	239
Northwest China[4]	**2**	**35**	2	35
North China[5]	**2**	**86**	2	84
Total	**20**	**1,859**[7]	24	1,865[6]

Notes:

(1) Central South China includes Hunan, Hubei, Henan, Guangdong, Guangxi and Shanxi;

(2) East China includes Shanghai, Jiangsu, Zhejiang, Anhui, Fujian, Jiangxi and Shandong;

(3) Southwest China includes Chongqing, Sichuan, Guizhou and Yunnan;

(4) Northwest China includes Gansu, Qinghai, Ningxia and Xinjiang;

(5) North China includes Liaoning, Beijing, Heilongjiang and Inner Mongolia;

(6) 771 were Meike distributor outlets and 1,094 were Meike retailer outlets;

(7) 902 were Meike distributor outlets and 957 were Meike retailer outlets.

For export products, the Group mainly sells footwear products through export companies or directly to overseas customers. Before 2007, export products were a major source of the Group's revenue. In 2006, as the Group adjusted its strategy to further develop the "Meike" branded products, the Group changed its focus of operation from export products to the "Meike" branded products.

Through the export companies and overseas customers, the Group's export products were ultimately sold to 38 overseas countries, including Germany, Netherlands, the United States, Switzerland, Turkey, Argentina, France, South Africa and Poland. As many of the local export company customers and overseas customers have long term relationship with the Group, the Group believes that such customers have been and will continue to be loyal to it. The Group will continue to enhance its product design capacity, better control its product costs and maintain the high quality of its products to meet the requirements of the export company customers and overseas customers.

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 and have more than 6 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 visits the leading fashion stores, shopping centers and attends 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 teams to cater to 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 December 31, 2011, the Group had a total of 47 full-time employees in its design and development department.

Financial Review

Revenue by product category

	2011	2010		**2011**	2010
	RMB'000	*RMB'000*	*Change (%)*	*% of total revenue*	
Domestic					
Footwear	**268,492**	345,308	-22.2	**42.4**	48.4
Apparel	**230,060**	204,165	12.7	**36.3**	28.6
Accessories and shoe soles	**22,827**	51,664	-55.8	**3.6**	7.3
	521,379	601,137	-13.3	**82.3**	84.3
Export					
Footwear	**111,523**	110,237	1.2	**17.6**	15.5
Shoe uppers	**483**	1,490	-67.6	**0.1**	0.2
	112,006	111,727	0.25	**17.7**	15.7
Total	**633,385**	712,864	-10.9	**100**	100
Gross profit margin (%)	**33.3**	34.8			

For the Year, the revenue of the Group decreased by 11.1% to RMB633,385,000 (for the year ended December 31, 2010: RMB712,864,000) and the gross profit margin dropped by 1.5% to 33.3% (for the year ended December 31, 2010: 34.8%).

Revenue from domestic sales of footwear products dropped by 22.2% from RMB345,308,000 for the year ended December 31, 2010 to RMB268,492,000 for the Year, mainly as a result of the intensified competition, like deeper discounting, intensive promotional sales from the major local brands and the reduced demand for our "Meike" brand products.

Revenue from the sales of the Group's apparel products increased by 12.7% from RMB204,165,000 for the year ended December 31, 2010 to RMB230,060,000 for the Year, primarily as a result of the increase in the average selling price from RMB60 for the year of 2010 to RMB68 for the Year.

Revenue from sales of accessories and shoe soles decreased by 55.8% from RMB51,664,000 for the year ended December 31, 2010 to RMB22,827,000 for the Year, predominantly due to the decrease in demand in the market.

Revenue from export sales increased by 0.25% from RMB111,727,000 for the year ended December 31, 2010 to RMB112,006,000 for the Year, predominantly due to the increase in the average selling price from RMB38 for the year of 2010 to RMB47 for the Year. Except the increase in the average selling price, the sales volume was decreased by 17.9% which was mainly due to the slow recovery and uncertainty in the global economy.

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

	2011		2010	
	RMB'000	***%***	*RMB'000*	*%*
Central South China	**220,358**	**42.3**	259,002	43.1
East China	**222,040**	**42.6**	240,684	40.0
Southwest China	**65,931**	**12.6**	79,866	13.3
Northeast China	**11,950**	**2.3**	8,772	1.5
Northwest China	**1,100**	**0.2**	12,813	2.1
Total	**521,379**	**100**	601,137	100

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

	2011		2010	
	Total units sold	**Average selling price**	Total units sold	Average selling price
	'000	***RMB***	*'000*	*RMB*
Sales to distributors				
Footwear (pairs)	**3,407**	**79**	4,722	73
Apparel (pieces)	**3,391**	**68**	3,433	60
Accessories (pieces)	**329**	**9**	355	9
Shoe soles (pairs)	**1,094**	**18**	2,695	18
Sales to export companies and overseas customers				
Footwear (pairs)	**2,357**	**47**	2,870	38

Revenue from domestic sales of footwear products of the Group dropped by 22.2% to RMB268,492,000 in the Year (2010: RMB345,308,000), mainly attributable to the decrease in the sales volume of footwear products by 27.8% to 3.41 million pairs (2010: 4.72 million pairs).

Revenue from export sales of footwear products of the Group increased by 0.25% to RMB112,006,000 in the Year (2010: RMB111,727,000), primarily as a result of the reduction in the sales volume of footwear products by 17.8% to 2.36 million pairs (2010: 2.87 million pairs) being netted off by the increase in the average selling price by 23.7% to RMB47 (2010: RMB38).

Revenue from the sales of apparel products of the Group increased by 12.7% to RMB230,060,000 in the Year (2010: RMB204,165,000), mainly attributable to the decrease in the sales volume of apparel products by 0.87% to 3.40 million pieces (2010: 3.43 million pieces) which was partially offset by the increase in the average selling price of 13.3% to RMB68 (2010: RMB60).

Cost of Sales

Cost of sales decreased by 9.1% to RMB422,213,000 in the Year (2010: RMB464,611,000), primarily as a result of the decrease in the sales of the Group's products which was partially offset by an allowance for inventory of RMB17,970,000 for slow moving inventory provided at the end of the Year.

Selling and Distribution Costs

Selling and distribution costs increased by 73.1% from RMB42,812,000 in 2010 to RMB74,085,000 in the Year, primarily as a result of a subsidy of RMB35,151,000 being granted to the distributors of the Group at the end of the Year.

Administrative Expenses

Administrative expenses increased by 20.6% from RMB34,964,000 in 2010 to RMB42,156,000 in the Year, primarily due to the combined effect of the increase in staff salary and welfare payment and depreciation charges of the Year.

Income Tax Expense

The income tax expense of the Group for the Year was RMB18,985,000 (2010: RMB24,994,000) at the effective tax rate of 25.3%.

Provision for Inventories

As at December 31, 2011, the Group had made an allowance on inventory of RMB17,970,000 for inventory that was slow moving or obselete.

Provision for Doubtful Debts

Although trade receivables increased by 22.5% from RMB470.3 million as at December 31, 2010 to RMB575.9 million as at December 31, 2011 and with a balance of RMB330.0 million which was past due, the Group did not make any provision for doubtful debts as at December 31, 2011. The Board had conducted meetings with each distributor of the Group and the Board believed that no provision was necessary as there had not been a significant change in the credit quality of the distributors and repayment schedules had been agreed with each of the distributors. Besides, 60.2% or RMB198.6 million of the past due amount had been received by the Group up to the date of this announcement.

Liquidity and Financial Resources

During the Year, net cash outflow from operating activities of the Group amounted to RMB204.1 million (2010: net cash outflow of RMB78.4 million). As at December 31, 2011, 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 RMB121.0 million, representing a net decrease of RMB316.4 million as compared to the position as at December 31, 2010. As at December 31, 2011, the Group's cash balances were denominated in Renminbi and Hong Kong Dollars only.

Pledge of Assets

As at December 31, 2011, the Group secured its bank borrowings by prepaid land lease payments and building held for own uses with a carrying amount of RMB53.8 million (2010: RMB62.6 million), bank deposit of RMB51.4 million (2010: RMB54.0 million) and trade receivables of RMB67.0 million (2010: RMB30.7 million).

Capital Commitments and Contingent Liabilities

Details of the capital commitments of the Group as at December 31, 2011 are set out in note 13 to the consolidated financial statements in this announcement. As at December 31, 2011, the Group did not have any material contingent liabilities.

Final Dividend

No final dividend was recommended by the Board for the year ended December 31, 2011.

Profit Attributable to Shareholders and Net Profit Margin

For the Year, profit attributable to the owners of the Company amounted to RMB56,118,000, representing a decrease of 51.8% over that in the same period of 2010 (2010: RMB116,452,000). Net profit margin of the Group dropped to 8.9% (2010: 16.3%).

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 the Year, 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 December 31, 2011, the gearing ratio of the Group was approximately 18.2% (2010: 17.9%), which was derived by dividing interest-bearing debt incurred in the ordinary course of business by total assets.

Interest-bearing Bank Loans

As at December 31, 2011, the Group's bank loans balance amounted to RMB220,450,000, bearing interest rates from 6.56% to 7.87%, which were all due within one year.

Closure of the Register of Members

The Register of Members of the Company will be closed from May 17, 2012 to May 21, 2012, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for 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 16, 2012.

Human Resources

As at December 31, 2011, the Group had a total of 2,018 employees (as at December 31, 2010: 2,372 employees).

Material Acquisition and Disposal

The Group did not have any material acquisition and disposal during the Year.

Use of Net Proceeds from the Share Offer

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 Offer and 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). The following table sets out the status of the use of net proceeds as at December 31, 2011:

Use of Net Proceeds *(RMB million)*	**Available to utilise**	**Utilised (as at December 31, 2011)**	**Unutilised (as at December 31, 2011)**
Expansion of production capacity	102.1	73.2	28.9
Expansion of the sales network and market penetration	102.4	93.2	9.2
Develop and increase brand awareness	80.0	41.6	38.4
Enhancement of research and development capabilities	26.9	25.2	1.7
Working capital	24.5	24.5	–
	335.9	257.7	78.2

Future Prospects

The pace of growth of China's economy has slowed down due to the increasing rate of inflation and the high volatility of the global economy. At the same time, the competition within the sportswear industry is intensifying and some of the other major brands are conducting restructure on their distribution channels and brand revitalization.

As a domestic brand targeting on the third-tier and fourth-tier cities in China, facing the intensive competition pressure from the major brands, the Group will focus on the development of the "Meike" brand by continuing to enhance the research and development capabilities and the product diversification. On the other hand, the Group will devote more resources to its distributors to implement an integration programme to integrate outlets with relatively small floor area (i.e. less than $80m^2$), high costs but low-efficiency with outlets with relatively large floor area and higher efficiency.

Besides, the Group will continue to enhance the brand recognition and awareness. On July 14, 2011, Quanzhou Meike Sports Goods Co., Ltd. (泉州市美克體育用品有限公司)("Quanzhou Meike"), a wholly-owned subsidiary of the Company, entered into an agreement (the "Agreement") with International Weightlifting Federation (Beijing Office) ("IWF") pursuant to which, Quanzhou Meike agreed to construct a base (the "Base") at the production base of the Group at Shanxia Town, Huian, Fujian, the PRC, which would comprise a stadium, a four-star hotel and a swimming pool for holding tournaments, training and rehabilitation activities, and meetings of IWF.

According to the Argeement, the Group would be responsible for the construction fees of the Base in the amount of RMB36 million and the relevant expenses of IWF in respect of the activities to be held at the Base. The funding for the aforesaid fees and expenses would be from the fund generated from operation of the Group. In return, IWF had agreed, among other matters, to grant the Group full on-site promotion and advertisement rights in any tournaments or training activities organized by IWF at the Base.

It is expected that the long term co-operation with IWF will enhance the Group's brand image by the on-site promotion and advertisements through the international weightlifting tournaments to be held at the Base or any tournament to be held by IWF in the PRC, which is expected to capture enormous worldwide attention and thus increase the Group's media exposure and hence enhance the brand recognition and awareness.

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

On July 8, 13, 14, 15, 18, 19 and 20, 2011, the Company repurchased totally 10,390,000 Shares on the Stock Exchange. On July 27, 2011, the Company cancelled 10,390,000 repurchased Shares. For further details, please refer to the next day disclosure returns of the Company dated 8, 13, 14, 15, 18, 19, 20 and 27 July 2011, respectively.

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.

The Group's corporate governance practices are based on the principles and the code provisions as set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

The Board considered that the Company had complied with the code provisions of the Code from the date of listing of the Company on February 1, 2010 (the "Listing Date") up to the date of this announcement, except for the deviation from code provision A.2.1 of the Code as stated 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 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 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. Lin Jiwu, all being independent non-executive Directors.

The Audit Committee had reviewed the Group's internal controls for the Year. The Group's final results for the Year had been reviewed by the Audit Committee before submission to the Board for approval. The Audit Committee had also reviewed this announcement, and confirmed that this announcement complies with the Listing Rules. There is no disagreement between the Directors and the Audit Committee regarding the selection and appointment of the external auditors.

PUBLICATION OF THE ANNUAL REPORT

The 2011 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 in April, 2012.

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

Hong Kong, March 29, 2012

As at the date of this announcement, the Board comprises Mr. Ding Siqiang (Chairman), Ms. Ding Xueleng, Ms. Ding Jinzhu, Mr. Lin Yangshan, Mr. Li Dongxing and Mr. Ding Minglang as executive Directors; and Mr. Yang Chengjie, Mr. Xie Weichun and Mr. Lin Jiwu, as independent non-executive Directors.