

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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, 2012

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, 2012 as follow:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2012

		Six months ended 30 June	
	<i>Notes</i>	2012 RMB'000 (Unaudited)	2011 RMB'000 (Unaudited)
Revenue	5	154,806	404,154
Cost of sales		(112,657)	(254,149)
Gross profit		42,149	150,005
Other income		483	2,924
Other gains and losses, net		139	6,259
Selling and distribution costs		(14,380)	(19,418)
Administrative expenses		(22,498)	(17,248)
Other operating expenses		(6,648)	(5,746)
Finance costs	7	(6,453)	(6,135)
(Loss) profit before tax		(7,208)	110,641
Income tax expense	8	(121)	(22,618)
(Loss) profit and total comprehensive (expense) income for the period attributable to owners of the Company	9	<u>(7,329)</u>	<u>88,023</u>
(Losses) earnings per share			
Basic and diluted (RMB cents)	11	<u>(0.619)</u>	<u>7.366</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2012

		30 June 2012 <i>RMB'000</i> (Unaudited)	31 December 2011 <i>RMB'000</i> (Audited)
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment		164,711	163,927
Prepaid lease payments		47,622	48,163
Deferred tax asset		2,246	2,246
		<u>214,579</u>	<u>214,336</u>
Current assets			
Inventories		127,198	136,122
Trade, bills and other receivables	12	602,337	689,222
Prepaid lease payments		1,097	1,097
Pledged bank deposit		–	51,449
Short-term bank deposit		35,000	35,000
Bank balances and cash		178,638	86,022
		<u>944,270</u>	<u>998,912</u>
Current liabilities			
Trade and other payables	13	51,503	59,419
Amount due to a related company		153	562
Bank borrowings		183,950	220,450
Derivative financial instruments		–	139
Income tax payable		1,764	4,525
		<u>237,370</u>	<u>285,095</u>
Net current assets		<u>706,900</u>	<u>713,817</u>
Total assets less current liabilities		<u><u>921,479</u></u>	<u><u>928,153</u></u>
Capital and reserves			
Share capital		10,355	10,355
Reserves		905,118	911,289
Total equity		<u>915,473</u>	<u>921,644</u>
Non-current liability			
Deferred tax liabilities		6,006	6,509
		<u><u>921,479</u></u>	<u><u>928,153</u></u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2012

1. GENERAL

Meike International Holdings Limited (the “Company”) was incorporated in the Cayman Islands as an exempted company with limited liability on 25 June 2009. The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since 1 February 2010.

2. BASIS OF PREPARATION

The condensed consolidated 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 of Hong Kong Limited (the “Listing Rules”) and with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

3. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2012 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2011, except as described below.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA.

Amendments to HKFRS 1	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
Amendments to HKFRS 7	Disclosures – Transfers of Financial Assets
Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Assets

The application of the above amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

The Group has not early applied new or revised standards that have been issued but are not yet effective. The following new or revised standards have been issued after the date the consolidated financial statements for the year ended 31 December 2011 were authorised for issuance and are not yet effective:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009-2011 Cycle ²
Amendments to HKFRS 1	First-time adoption of HKFRSs – Government Loans ²
Amendments to HKFRS 7	Disclosures – Offsetting of Financial Assets and Financial Liabilities ²
	Mandatory Effective Date of HKFRS 9 and Transition Disclosures ⁴
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial statements, Joint Arrangements and Disclosure of Interests in other Entities: Transition Guidance ²
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income ¹
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities ³
HKFRS 9	Financial Instruments ⁴
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
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
HK(IFRIC) – Interpretation (“INT”) 20	Stripping Costs in the Production Phase of a Surface Mine ²

¹ Effective for annual periods beginning on or after 1 July 2012.

² Effective for annual periods beginning on or after 1 January 2013.

³ Effective for annual periods beginning on or after 1 January 2014.

⁴ Effective for annual periods beginning on or after 1 January 2015.

The five new or revised standards on consolidation, joint arrangements and disclosures were issued by the HKICPA in June 2011 and are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of the five new or revised standards are applied early at the same time. The directors of the Company anticipate that these new or revised standards will be applied in the Group’s consolidated financial statements for financial year ending 31 December 2013 and the potential impact is described below.

HKFRS 10 replaces the parts of HKAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements. Under HKFRS 10, there is only one basis for consolidation, that is control. In addition, 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) ability to use its power over the investee to affect the amount of the investor’s returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios. Overall, the application of HKFRS 10 requires a lot of judgement. The application of HKFRS 10 might result in the Group no longer consolidating some of its investees, and consolidating investees that were not previously consolidated.

The amendments to HKAS 1 have been issued to improve the presentation of other comprehensive income. The amendments require entities to group together the items of other comprehensive income that may be reclassified to profit or loss in the future by presenting them separately from those that would never be reclassified to profit or loss.

Other than disclosed above, the directors of the Company anticipate that the application of the new or revised standards and interpretations will have no material impact on the results and the financial position of the Group.

4. SEASONALITY OF OPERATIONS

Due to the seasonal nature of the sports goods products, higher revenues 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 higher unit prices.

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	
	30 June	
	2012	2011
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Footwear	98,987	257,366
Apparel	44,908	127,887
Accessories and shoe sole	10,911	18,901
	<u>154,806</u>	<u>404,154</u>

6. SEGMENT INFORMATION

Operating segments, and the amounts of each segment item reported in the condensed 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 People's Republic of China (the "PRC") and all revenues, 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 30 June	
	2012	2011
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Interest on bank loans wholly repayable within five years	<u>6,453</u>	<u>6,135</u>

8. INCOME TAX EXPENSE

	Six months ended 30 June	
	2012	2011
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Current tax:		
PRC Enterprise Income Tax ("EIT")	624	17,618
Deferred tax	<u>(503)</u>	<u>5,000</u>
	<u>121</u>	<u>22,618</u>

9. (LOSS) PROFIT FOR THE PERIOD

(Loss) profit for the period has been arrived after charging (crediting):

	Six months ended 30 June	
	2012	2011
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Depreciation and amortisation	5,498	4,626
Gain from changes in fair value of derivative financial instruments	(139)	(6,259)
Loss on disposal of property, plant and equipment	42	24
Net foreign exchange (gains) losses	(131)	578
Research and development cost (included in other operating expenses) (<i>Note</i>)	<u>4,174</u>	<u>4,842</u>

Note:

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

10. DIVIDENDS

No dividends were paid, declared or proposed during the reporting period (2011: HK\$0.025 per share in respect of the six months ended 30 June 2011). The directors do not recommend the payment of an interim dividend.

During the interim period in 2011, a final dividend of HK\$0.03 per share in respect of the year ended 31 December 2010 was declared and paid to the owners of the Company. The aggregate amount of the final dividend declared and paid in the interim period of 2011 amounted to approximately HK\$35,850,000 (equivalent to approximately RMB29,814,000).

11. (LOSSES) EARNINGS PER SHARE

The calculation of basic and diluted (losses) earnings per share attributable to the owners of the Company are based on the following data:

	Six months ended	
	30 June	
	2012	2011
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
(Losses) earnings		
(Losses) earnings for the purpose of basic and diluted (losses) earnings per share ((Loss) profit for the period attributable to the owners of the Company)	<u><u>(7,329)</u></u>	<u><u>88,023</u></u>
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	<u><u>1,184,610</u></u>	<u><u>1,195,000</u></u>

The computation of the diluted (losses) 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 six months ended 30 June 2012.

The diluted (losses) earnings per share for the six months ended 30 June 2011 is the same as the basic earnings per share as there were no dilutive potential ordinary shares outstanding during the period.

12. TRADE RECEIVABLES

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.

The following is an aged analysis of trade receivables by age, presented based on the invoice date:

	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
Within 90 days	113,330	129,981
91 – 180 days	65,343	115,938
181 – 365 days	222,655	328,321
Over 365 days	85,381	1,668
	<u>486,709</u>	<u>575,908</u>

13. TRADE PAYABLES

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

	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
Within 90 days	3,361	4,370
91 – 180 days	5,435	7,412
181 – 365 days	3,787	7,195
Over 365 days	6,316	3,152
	<u>18,899</u>	<u>22,129</u>

14. 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:

	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
Within one year	717	994
In the second to fifth years, inclusive	<u>—</u>	<u>128</u>
	<u>717</u>	<u>1,122</u>

15. CAPITAL COMMITMENTS

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

	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
Contracted but not provided for in the condensed consolidated financial statements	<u>34,405</u>	<u>38,103</u>

16. RELATED PARTY TRANSACTIONS

The Group has the following significant related party transactions:

- (i) During the six months ended 30 June 2012, 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 RMB395,000 (six months ended 30 June 2011: RMB395,000). Mr. Ding Siqiang, a director of the Company, is holding 80% of Hengqiang (International) Co., Ltd., which is the ultimate holding company of Hengqiang (China) Co., Ltd.

- (ii) The remuneration of directors of the Company and other members of key management during the period was as follows:

	Six months ended	
	30 June	
	2012	2011
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Short-term benefits	1,432	1,156
Post-employment benefits	39	22
Share-based payments	333	511
	<u>1,804</u>	<u>1,689</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Review

Due to the continuous tightening of the monetary policy by the Chinese Government to stabilise the inflation and the slow recovery and uncertainties in the global economy, China's economy was persistently affected by the shrinking of the domestic demand in the first half of 2012. Besides, the uncertainties in the global economy has affected the demand of the sportswear.

Sportswear industry is still under intense competition. Meanwhile, due to the shrinkage of domestic demand, sportswear brands and their distribution channels have been facing difficulties brought by the overexpansion of distribution channels, excessive inventories and excessive discounting. In order to cope with the difficulties, certain industry players have implemented different measures by repurchasing of inventory, significantly reducing future orders, restructuring of distribution channels and excessive discounts to both the distributors and end customers.

Business Review

Since the second half of 2011, the Group had implemented an integration programme with its distributors to integrate outlets with relatively small floor area, high cost, low efficiency and profitability to large floor area and higher efficiency outlets. The Group has continued to implement the programme in the first half of 2012 and as a result of the programme, the Group had 20 distributors, overseeing 1,506 outlets which comprised 668 Meike distributor outlets and 838 Meike retailer outlets as at 30 June 2012. These outlets are located across 23 provinces, autonomous regions and municipalities in the PRC.

Besides, under the intensive competition and excessive inventories piling-up in the Group's distribution channels, the Group, in response to the such stagnant condition, has conducted an one-off voluntary offer to the distributors to repurchase their slow-moving inventories with the maximum total consideration of RMB92,000,000 from mid of June 2012 to the end of the year and intended to export the repurchased inventories to overseas customers.

The Group believes that both the integration programme and the repurchase of inventories is critical to the Group's long term development by strengthening the cooperation between the Group and the distributors for building up a more efficient retail network, enabling the Group to have better influence over the retail channels and minimising loss by resale of the repurchased inventories through the Group's export network.

Through the export companies, the Group's export products were ultimately sold to 11 overseas countries, including Germany, Turkey, South Africa, Russia, Australia and Morocco. 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. The majority of the Group's design team members graduated from college in the PRC and have design or art related diploma. Most of the Group's design team members 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 visited the leading fashion stores, shopping centers and fashion shows in South Korea, North America and Europe, from time to time 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, 2012, the Group had a total of 58 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,	
	2012	2011	Change (%)	2012	2011
	<i>RMB'000</i>	<i>RMB'000</i>		<i>% of total revenue</i>	
Footwear					
Domestic	56,159	181,501	(69.0)	36.3	44.9
Export	42,828	75,865	(43.5)	27.7	18.8
	98,987	257,366	(61.5)	64.0	63.7
Apparel	44,908	127,887	(64.9)	29.0	31.6
Accessories and shoe soles	10,911	18,901	(42.3)	7.0	4.7
Total	154,806	404,154	(61.7)	100	100
Gross profit margin (%)	27.2	37.1			

For the six months ended June 30, 2012 (the "Period"), the revenue of the Group decreased by 61.7% to RMB154,806,000 (six months ended June 30, 2011: RMB404,154,000) and the gross profit margin dropped by 26.7% to 27.2% (six months ended June 30, 2011: 37.1%).

Revenue from domestic sales of footwear products decreased by 69.0% from RMB181,501,000 for the six months ended June 30, 2011 to RMB56,159,000 for the Period, primarily resulting from the intensified competition, like deeper discounting, intensive promotional sales from the major local brands and the reduced demand for the “Meike” brand products. On the other hand, the Group has reduced the volume of sale orders for the first and second quarters and further discounts have been given to the distributors for footwear products.

Revenue from export sales of footwear products decreased by 43.5% from RMB75,865,000 for the six months ended June 30, 2011 to RMB42,828,000 for the Period, mainly as a result of the reduced demand from its overseas customers, especially in the European countries.

Revenue from the sales of the Group’s apparel products decreased by 64.9% from RMB127,887,000 for the six months ended June 30, 2011 to RMB44,908,000 for the Period, mainly as a result of the intensified competition, like deeper discounting, intensive promotional sales from the major local brands and the reduced demand for the “Meike” brand products. On the other hand, the Group has reduced the volume of sale orders for the first and second quarters and further discounts have been given to the distributors for apparel products.

Cost of Sales

Cost of sales decreased by 55.7% to RMB112,657,000 for the Period (six months ended June 30, 2011: RMB254,149,000), primarily as a result of decrease in sales of the Group’s products.

Gross Profit Margin

Gross profit margin decreased from 37.1% for the six months ended 30 June 2011 to 27.2% for the Period, mainly due to the greater wholesale discounts of both the footwear and apparel products given to the distributors.

Selling and Distribution Costs

Selling and distribution costs decreased by 25.9% from RMB19,418,000 for the corresponding period in 2011 to RMB14,380,000 for the Period, primarily resulting from the decrease of the market expenses and staff salaries.

Administrative Expenses

Administrative expenses increased by 30.4% from RMB17,248,000 for the corresponding period in 2011 to RMB22,498,000 for the Period, primarily due to the increase in the staff salaries and welfare.

Income Tax Expense

The income tax expense of the Group for the Period was RMB121,000 (six months ended June 30, 2011: RMB22,618,000) calculated at the effective tax rate of 1.7%.

Inventories and Provision for Inventories

The Group generally procures raw materials and commences production after confirming purchase orders with its distributors after the sales fairs in order to control the levels of raw materials and keep inventory control at an optimal to meet the production and sales demand.

The Group only adopted the accounting policy for specific provision of inventories. The Group has conducted physical counts from time to time to identify obsolete, damaged or unpopular inventory. Specific provision will be made on an item of inventory if the carrying amount is lower than the net realisable value.

As at June 30, 2012, the Group did not make any provision for inventories but the Group will carefully monitor the condition of the inventories and will make provision, if necessary, for inventories that are obsolete, damaged or unpopular.

Provision for Doubtful Debts

The Group generally granted each of the distributors a credit period of no more than 190 days. However, when the Group believes that extending the credit period to the distributors will allow them with more flexibility and working capital, which in turn may encourage the distributors to sustain their development of the “Meike” brand or enhance their sales under the competitive market, a credit period of more than 180 days may be granted to the distributors.

Trade receivables decreased by 15.5% from RMB575.9 million as at December 31, 2011 to RMB486.7 million as at June 30, 2012 with a balance of RMB308.0 million which was past due. The reasons for balance of trade receivables remains in high level when there was a significant decrease in revenue was due to the fact that the domestic demand is still shrinking but at the same time the competition of the sportswear industry was getting more and more intensified. In order to motivate the distributors and to retain its market share, the Group had extended their credit period since the second half of 2011.

The Group only adopted the accounting policy for specific provision of doubtful trade receivables. Specific provision will be made on trade receivables from customers that are unable to make the required payments based on various parameters including the aging of trade receivables balance, customers' credit-worthiness and historical write-offs record to determine provision.

As at June 30, 2012, no provision was made for the trade receivables as the Board is continue to conduct meeting and assessment with each distributor and found that there had not been a significant change in the credit quality of the distributors and each distributor has closely followed the repayment schedules that agreed with the Group on December 31, 2011.

Details of trade receivables as at June 30, 2012 are set out in note 12 to the condensed consolidated interim financial statements of this announcement.

Liquidity and Financial Resources

During the Period, net cash inflow from operating activities of the Group amounted to RMB89,719,000 (2011: net cash outflow of RMB158,079,000). As at June 30, 2012, 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 RMB213,638,000, representing a net increase of RMB41,167,000 as compared to the position as at December 31, 2011.

Pledge of Assets

As at June 30, 2012, the Group secured its bank borrowings by prepaid land lease payments and building held for own uses with a carrying amount of RMB53.0 million (December 31, 2011: RMB53.8 million), trade receivables of RMB91.4 million (December 31, 2011: RMB67.0 million) and bank deposits of Nil (December 31, 2011: RMB51.4 million).

Capital Commitments and Contingent Liabilities

Details of the capital commitments as at June 30, 2012 are set out in note 15 to the condensed consolidated interim financial statements of this announcement. As at June 30, 2012, the Group did not have any material contingent liabilities.

Profit Attributable to Shareholders and Net Profit Margin

For the Period, loss attributable to the owner of the Company amounted to RMB7,329,000, representing a decrease of 108.3% over that in the same period of 2011 (six months ended June 30, 2011: profit attributable to the owner of the company amounted to RMB88,023,000). Net loss margin of the Group is 4.7% (six months ended June 30, 2011: net profit margin 21.8%).

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, 2012 the gearing ratio of the Group was approximately 15.9% (December 31, 2011: 18.2%), 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, 2012, the Group's bank loans balance amounted to RMB183,950,000, bearing interest rates from 6.89% to 8.20%, which are all due within one year.

Human Resources

As at June 30, 2012, the Group had a total of 1,485 employees (December 31, 2011: 2,018 employees).

Material Acquisition and Disposal

The Group did not have any material acquisition and disposal of subsidiaries and associated companies during the Period.

Use of Net Proceeds from the Share Offering

The shares of the Company were listed on the main board of the Stock Exchange on February 1, 2010 (the "Listing Date") 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). The following table sets out the use of proceeds up to June 30, 2012:

Use of Net Proceeds (RMB million)	Available to utilise	Utilised (as at June 30, 2012)	Unutilised (as at June 30, 2012)
Expansion of production capacity	28.9	11.5	17.4
Expansion of the sales network and market penetration	9.2	3.8	5.4
Develop and increase brand awareness	38.4	3.5	34.9
Enhancement of research and development capabilities	1.7	1.7	–
Working capital	–	–	–
	<u>78.2</u>	<u>20.5</u>	<u>57.7</u>

Future Prospects

Looking ahead, the pace of development of the sportswear industry would still be low due to the on-going slowdown in China's economic and the volatility of global economy. At the same time, the competition with the sportswear is still intensifying, industry players have implemented various measures, like restructuring on distribution channels, inventory repurchase, reducing of future orders, deeper discounting etc., have increased the uncertainty of sportswear industry.

In order to cope with the current unfavourable market condition, the Group will continue to focus on the development of the “Meike” brand by continuing to enhance the product research and development capabilities and the product diversification. On the other hand, the Group will continue the integration programme and inventory repurchase programme with the distributors, in order to enhance the influence to the distributors to build a more efficient distribution and retail channels.

OTHER INFORMATION

Interim Dividend

The Board did not recommend the payment of interim dividend for the period ended June 30, 2012 (2011: HK\$0.025 per share)

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities during the six months ended June 30, 2012.

Code on Corporate Governance

Save as disclosed below, the Company had complied with all the code provisions as set out in the Code on Corporate Governance (the “Code”) contained in Appendix 14 to the Listing Rules during the period from 1 January 2012 to 31 March 2012. The Code had been amended which took effect from 1 April 2012 (the “Revised Code”). Save as disclosed below, the Company had complied with all the code provisions as set out in the Revised Code during the period from 1 April 2012 to 30 June 2012.

Under code provision A.2.1 of the Code or the Revised Code, the roles of chairman and chief executive officer (as required under the Code) or the chief executive (as required under the Revised Code) 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” or “chief executive”. This deviates from the code provision A.2.1 of the Code or the Revised Code.

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. 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 of the Revised Code and will continue to consider the feasibility to comply with. If compliance is determined, appropriate persons will be nominated to assume the different roles of chairman and chief executive.

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 confirmed that they 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 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 comprises three members, all being independent non-executive Directors.

During the Period, the audit committee reviewed the accounting principles 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. The audit committee has reviewed the interim results of the Group for the Period and 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

PRC, August 24, 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.