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 2012

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 31 December 2012 (the "Year") were as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER

	Notes	**2012** **RMB'000**	2011 RMB'000
Revenue	*3*	**331,487**	633,385
Cost of sales		**(313,587)**	(422,213)
Gross profit		**17,900**	211,172
Other income	*4*	**2,004**	3,952
Other gains and losses, net		**139**	7,698
Impairment loss recognised in respect of trade receivables	*10*	**(85,247)**	–
Selling and distribution expenses		**(24,936)**	(74,085)
Administrative expenses		**(37,614)**	(42,156)
Other operating expenses		**(10,551)**	(18,383)
Finance costs	*5*	**(13,323)**	(13,105)
Gain on disposal of a subsidiary		**–**	10
(Loss) profit before tax		**(151,628)**	75,103
Income tax credit (expense)	*6*	**731**	(18,985)
(Loss) profit and total comprehensive (expense) income for the year	*7*	**(150,897)**	56,118
(Loss) earnings per share Basic and diluted (RMB)	*8*	**(0.127)**	0.047

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December

	Notes	2012 RMB'000	2011 RMB'000
Non-current assets			
Property, plant and equipment		**161,563**	163,927
Prepaid lease payments		**47,065**	48,163
Deferred tax assets		**3,861**	2,246
		212,489	214,336
Current assets			
Inventories		**99,992**	136,122
Trade, bills and other receivables	*10*	**417,537**	689,222
Prepaid lease payments		**1,098**	1,097
Pledged bank deposit		**–**	51,449
Short-term bank deposit		**86,050**	35,000
Bank balances and cash		**175,059**	86,022
		779,736	998,912
Current liabilities			
Trade and other payables	*11*	**41,102**	59,419
Amount due to a related company		**15**	562
Bank borrowings		**171,800**	220,450
Derivative financial instruments		**–**	139
Income tax payable		**–**	4,525
		212,917	285,095
Net current assets		**566,819**	713,817
Total assets less current liabilities		**779,308**	928,153
Capital and reserves			
Share capital		**10,355**	10,355
Reserves		**762,444**	911,289
Total equity		**772,799**	921,644
Non-current liability			
Deferred tax liabilities		**6,509**	6,509
		6,509	6,509
		779,308	928,153

Notes:

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 Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 1 February 2010. The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information to the annual report. 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 and its subsidiaries (collectively referred to as the "Group") are 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").

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

Except as explained below, the adoption of the amendments to 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.

Amendments to HKFRS 7 Disclosures – Transfers of Financial Assets

The Group has applied for the first time the amendments to HKFRS 7 Disclosures – Transfers of Financial Assets in the current year. The amendments increase the disclosure requirements for transactions involving the transfer of financial assets in order to provide greater transparency around risk exposures when financial assets are transferred.

To date, the Group has not entered into transactions involving transfers of financial assets. However, if the Group enters into any types of financial assets in the future, disclosures regarding these transfers may be affected.

New and revised HKFRSs issued but not yet effective

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

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009 – 2011 Cycle[1]
Amendments to HKFRS 1	First-time Adoption of HKFRSs – Government Loans[1]
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[1]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[2]
HKFRS 9	Financial Instruments[3]
HKFRS 10	Consolidated Financial Statements[1]
HKFRS 11	Joint Arrangements[1]
HKFRS 12	Disclosure of Interests in Other Entities[1]
HKFRS 13	Fair Value Measurement[1]
HKAS 19 (as revised in 2011)	Employee Benefits[1]
HKAS 27 (as revised in 2011)	Separate Financial Statements[1]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[1]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[4]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[2]
HK (International Financial Reporting Interpretation Committee) – Interpretation 20	Stripping Costs in the Production Phase of a Surface Mine[1]

1 Effective for annual periods beginning on or after 1 January 2013.
2 Effective for annual periods beginning on or after 1 January 2014.
3 Effective for annual periods beginning on or after 1 January 2015.
4 Effective for annual periods beginning on or after 1 July 2012.

Annual Improvements to HKFRSs 2009 – 2011 Cycle issued in June 2012

The Annual Improvements to HKFRSs 2009 – 2011 Cycle include a number of amendments to various HKFRSs. The amendments are effective for annual periods beginning on or after 1 January 2013. Amendments to HKFRSs include the amendments to HRAS 1 Presentation of Financial Statements, the amendments to HKAS 16 Property, Plant and Equipment and the amendments to HKAS 32 Financial Instruments: Presentation.

The amendments to HKAS 1 clarify that an entity is required to present a third statement of financial position only when the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position and that related notes are not required to accompany the third statement of financial position.

The amendments to HKAS 16 clarify that spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment in HKAS 16 and as inventory otherwise. The directors of the Company do not anticipate that the application of the amendments will have a material effect on the Group's consolidated financial statements.

The amendments to HKAS 32 clarify that income tax on distributions to holders of an equity instrument and transaction costs of an equity transaction should be accounted for in accordance with HKAS 12 Income Taxes. The directors of the Company anticipate that the amendments to HKAS 32 will have no effect on the Group's consolidated financial statements as the Group has already adopted this treatment.

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.

Key requirements of HKFRS 9 are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement are 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 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.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that 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 of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. 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 presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.

The directors of the Company anticipate that the adoption of HKFRS 9 in the future may have 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 offset of financial assets and financial liabilities requirement. 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 amendments to HKFRS 7 are effective for annual periods beginning on or after 1 January 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 1 January 2014, with retrospective application required.

The directors of the Company anticipate that application of these amendments to HKAS 32 and HKFRS 7 may result in more disclosure being made with regard to offsetting financial assets and financial liabilities in the future.

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. HK(SIC)-Int 12 Consolidation – Special Purpose Entities will be withdrawn upon the effective date of HKFRS 10. Under HKFRS 10, there is only one basis for consideration, 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) the 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 is not expected to change any of the control conclusions reached by the Group in respect of its investment with other entities as at 1 January 2013.

HKFRS 11 replaces HKAS 31 Interests in Joint Ventures. HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. HK (SIC) – Int 13 Jointly Controlled Entities – Non-Monetary Contributions by Venturers will be withdrawn upon the effective date of HKFRS 11. 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 joint 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 consolidation.

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 HKFRS 12 are more extensive than those in the current standards.

In July 2012, the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 were issued to clarify certain transitional guidance on the application of these five HKFRSs for the first time.

These five standards, together with the amendments relating to the transitional guidance, are effective for annual periods beginning on or after 1 January 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 the application of these five standards will not have significant impact on amounts reported in the consolidated financial statements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 Investment Entities

The amendments to HKFRS 10 introduce an exception to consolidating subsidiaries for an investment entity, except where the subsidiaries provide services that relate to the investment entity's investment activities. Under the amendments to HKFRS 10, an investment entity is required to measure its interests in subsidiaries at fair value through profit or loss.

To qualify as an investment entity, certain criteria have to be met. Specifically, an entity is required to:

- obtain funds from one or more investors for the purpose of providing them with professional investment management services;

- commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and

- measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments to HKFRS 12 and HKAS 27 have been made to introduce new disclosure requirements for investment entities.

The amendments to HKFRS 10, HKFRS 12 and HKAS 27 are effective for annual periods beginning on or after 1 January 2014, with early application permitted. The directors of the Company anticipate that the application of the amendments will have no effect on the Group as the Company is not an investment entity.

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 1 January 2013, with earlier application permitted. The directors of the Company anticipate that the application of the new standard affect certain 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 Presentation of Items of Other Comprehensive Income introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, a 'statement of comprehensive income is renamed as a 'statement of profit or loss and other comprehensive income' and an 'income statement' is renamed as a 'statement of profit or loss'. 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 items of other comprehensive income to be 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 do not change the option to present items of other comprehensive income either before tax or net of tax.

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

Other than disclosed above, 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 and shoe sole, net of sales related taxes. Revenue is analysed as follows:

	2012	2011
	RMB'000	*RMB'000*
Footwear	**224,857**	380,015
Apparel	**104,123**	230,060
Accessories and shoe sole	**2,507**	23,310
	331,487	633,385

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.

Segment revenues, results, assets and liabilities

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.

Geographical information

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.

Information about major customers

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

	2012	2011
	RMB'000	*RMB'000*
Customer A	**49,647**	73,236
Customer B	**48,748**	N/A*
Customer C	**35,394**	77,589
Customer D	**N/A***	69,789

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

4. OTHER INCOME

	2012	2011
	RMB'000	*RMB'000*
Government grants *(Note)*	**45**	2,040
Interest income	**1,852**	1,783
Gain from sale of materials	**–**	100
Others	**107**	29
	2,004	3,952

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

	2012	2011
	RMB'000	*RMB'000*
Interest expenses on bank borrowings wholly repayable within five years	**13,323**	13,105

No borrowing costs were capitalised for the two years ended 31 December 2012 and 2011.

6. INCOME TAX (CREDIT) EXPENSE

	2012 *RMB'000*	2011 *RMB'000*
PRC Enterprise Income Tax ("EIT")		
– Current tax	**–**	16,915
– Under-provision in prior years	**884**	–
Deferred tax		
– Current year	**631**	2,070
– Attributable to a change in tax rate	**(2,246)**	–
	(731)	18,985

Pursuant to the rule and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax in the Cayman Islands and BVI.

No provision for Hong Kong Profits Tax has been made as the Group did not generate any assessable profits in Hong Kong during two the years ended 31 December 2012 and 2011.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years, except for entities that are entitled to different concessionary tax rates as disclosed below.

Pursuant to the relevant laws and regulations in the PRC, certain PRC subsidiaries are exempted from EIT for two years starting from their first profit-making year followed by a 50% reduction for the next three years up to 31 December 2012. As a result of the expiry of the preferential tax reduction, the income tax rate applicable to the PRC subsidiaries changed from 12.5% to 25% with effect from 1 January 2013. The change in the carrying amount of the deferred tax (liabilities) assets as a result of the change in tax rate from 12.5% to 25% had been reflected in the consolidated financial statements for the year ended 31 December 2012.

Pursuant to the new tax law passed on 16 March 2007, a 10% withholding tax was levied on dividends declared to foreign enterprise investors from the PRC effective from 1 January 2008. A lower withholding tax rate may be applied if there is a tax treaty arrangement between the PRC and the jurisdiction of the foreign enterprise investors. On 22 February 2008, Caishui (2008) No.1 was promulgated by the tax authorities to specify that dividends declared and remitted out of the PRC from the retained earnings as at 1 January 2008 are exempted from the withholding tax. No withholding tax were accrued as the Group did not generate distributable profits for the year 31 December 2012 (2011: RMB4,316,000).

7. (LOSS) PROFIT FOR THE YEAR

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

	2012	2011
	RMB'000	*RMB'000*
Salaries and allowances	**61,540**	88,447
Contributions to retirement benefits scheme	**9,621**	9,857
Share-based payments	**2,052**	4,093
Total staff costs (including directors' and chief executive's emoluments)	**73,213**	102,397
Auditors' remuneration	**714**	690
Cost of inventories recognised as an expense	**316,113**	404,243
Allowance for inventories (included in cost of sales)	**–**	17,970
Reversal of allowance for inventories (included in cost of sales)	**(2,526)**	–
Amortisation of prepaid lease payments	**1,097**	1,097
Depreciation for property, plant and equipment	**9,791**	8,380
Research and development costs (included in other operating expenses) *(Note)*	**9,017**	10,317
Loss on disposal of property, plant and equipment	**57**	485
Net foreign exchange (gains) losses	**(68)**	7,233
Operating lease rentals in respect of rented premises	**1,164**	1,310
Rental income	**(39)**	(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. (LOSS) EARNINGS PER SHARE

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

	2012	2011
	RMB'000	*RMB'000*
(Loss) earnings		
(Loss) profit for the year attributable to the owners of the Company for the purpose of basic and diluted (loss) earnings per share	**(150,897)**	56,118

	2012	2011
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted (loss) earnings per share	**1,184,610**	1,190,502

The computation of diluted (loss) 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 two years ended 31 December 2012 and 2011.

The diluted (loss) earnings per share for the years ended 31 December 2012 and 2011 are the same as the basic (loss) earnings per share as there were no dilutive potential ordinary shares outstanding during both years.

9. DIVIDENDS

	2012	2011
	RMB'000	*RMB'000*
Interim dividend paid during the year	**–**	24,264
Final dividend paid during the year	**–**	29,168
	–	53,432

No dividend was paid or proposed for the year ended 31 December 2012, nor has any dividend been proposed since the end of the reporting period.

During the year ended 31 December 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 31 December 2011 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 ended 31 December 2011.

2. In addition, an interim dividend in respect of the six months ended 30 June 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 appear in the register of members on 20 September 2011.

10. TRADE, BILLS AND OTHER RECEIVABLES

	2012 RMB'000	2011 RMB'000
Trade receivables	**388,083**	575,908
Less: provision of impairment loss	**(85,247)**	–
	302,836	575,908
Bills receivables	**23,060**	23,200
Trade and bills receivables	**325,896**	599,108
Other receivables	**29,935**	12,904
Prepayment to suppliers	**55,981**	70,845
Prepayment for advertising	**663**	3,525
Other prepayments	**4,637**	2,840
Income tax recoverable	**425**	–
Other receivables and prepayments	**91,641**	90,114
Trade, bills and other receivables	**417,537**	689,222

The Group does not hold any collateral over these balances.

In the past, the Group generally allows a credit period ranging from 90 days to 180 days to its trade customers. During the year ended 31 December 2012, the management of the Group, upon negotiation with individual specific customers, extended the credit period ranging from 180 days to 270 days to certain customers depending on their financial strength, past credit history and business performance history. As of the end of the reporting period, the aged analysis of trade receivables, net of provision for impairment loss recognised presented based on the invoice dates which approximated the respective revenue recognition dates, are as follows:

	2012 RMB'000	2011 RMB'000
Within 90 days	**96,467**	129,981
91 to 180 days	**90,929**	115,938
181 to 365 days	**95,981**	328,321
Over 365 days	**19,459**	1,668
Total	**302,836**	575,908

In determining the recoverability of receivables, the Group considers whether there has been adverse change in the credit standing of the debtors from the date on which credit was initially granted. The directors of the Company believe that there was no further credit provision required in excess of the accumulated impairment loss already provided for in the consolidated financial statements.

The movement in provision for impairment loss of trade receivables was as follows:

	2012	2011
	RMB'000	*RMB'000*
At 1 January	**–**	–
Recognised during the year	**85,247**	–
At 31 December	**85,247**	–

Included in the provision for impairment loss of trade receivables are individually impaired trade receivables with an aggregate balance of approximately RMB85,247,000 (2011: Nil). The individually impaired receivables are recognised based on the credit history of its customers, such as financial difficulties or default in payments, and current market conditions. Consequently, provision for impairment loss is recognised.

All bills receivables were aged within 30 days from the invoice date for the years ended 31 December 2012 and 2011.

The aged analysis of the trade receivables that are neither individually nor collectively considered to be impaired is as follows:

	2012	2011
	RMB'000	*RMB'000*
Neither past due nor impaired	**220,918**	245,919
Past due but not impaired:		
Within 90 days	**47,745**	188,988
91-180 days	**14,714**	139,333
Over 180 days	**19,459**	1,668
Total	**302,836**	575,908

The Group's neither past due nor impaired trade and bills receivables relate to a large number of diversified customers for whom there was no recent history of default. Based on past experience, 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.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment provision 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.

As at 31 December 2012, certain trade receivables with aggregate carrying amount of approximately RMB101,846,000 (2011: RMB66,994,000) were pledged to banks to secure certain bank borrowings of the Group.

11. TRADE AND OTHER PAYABLES

	2012 *RMB'000*	2011 *RMB'000*
Trade payables	**16,169**	22,129
Other payables	**13,790**	22,375
Receipts in advance	**3,127**	7,525
Accrued payroll and staff welfare	**8,016**	7,390
	24,933	37,290
Trade and other payables	**41,102**	59,419

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

	2012 *RMB'000*	2011 *RMB'000*
Within 90 days	**9,405**	4,370
91 to 180 days	**107**	7,412
181 to 365 days	**841**	7,195
Over 365 days	**5,816**	3,152
Total	**16,169**	22,129

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:

	2012	2011
	RMB'000	*RMB'000*
Within one year	**918**	994
In the second to fifth years inclusive	**1,221**	128
	2,139	1,122

Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases are negotiated for an average of 2 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:

	2012	2011
	RMB'000	*RMB'000*
Contracted for but not provided in the consolidated financial statements	**35,791**	38,103

14. LOSS ON REPURCHASE OF INVENTORIES

During the year ended 31 December 2012, the Group repurchased inventories of approximately RMB91,109,000 (included in the cost of sales) from the customers and subsequently resold for an aggregated amount of approximately RMB25,706,000 (included in the revenue) to overseas customers through various independent third party export companies, resulting in a gross loss of approximately RMB65,403,000. Further details are set out in the announcements of the Company dated 14 June 2012 and 10 December 2012 respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Overview

Although China's GDP is growing steadily and the inflation is getting more stable resulting from the continuous tightening monetary policies established by the Chinese government. However, uncertainties in the global economy, especially the debt crisis in the Euro-zone, have greatly affected the demands from both the overseas and domestic markets.

Due to the shrinkage in domestic demand, sportswear industry is under pressure from the over-expansion of distribution channels and excessive inventories brought by the volume-driven growth before 2011. In order to cope with the difficulties, nearly all the industry players have implemented different measures by streamlining and restructuring of distribution channels, cancelling orders from distributors place at trade fairs, repurchase of inventories and resale through factory outlets or discount stores with huge discounts. All such measures implemented by the industry players will take time to take effect, intensifying competition will remain for a period of time.

Business Review

During the Year, the Group had conducted and completed an inventory repurchase arrangement and repurchased inventories from certain distributors and retailers in an amount of approximately RMB91,109,000 and those repurchased inventories were subsequently resold of an aggregated amount of approximately RMB25,706,000 to overseas customers through various independent third party export companies and resulted in a loss of approximately RMB65,403,000. This was mainly due to the sportswear industry in China is under intensive competition and excess inventories are piling-up due to the slowdown in demand since the second half of 2011. The Group, in response to the stagnant market condition, has decided to make an one-off voluntary offer to the distributors to repurchase their slow-moving inventories, as a demonstration of the Group's measures to strengthen the long-term relation with the business partners in tough economic times and such arrangement has greatly released the pressure of our distributors and helped them to overcome their difficulties and sustain in the market.

Besides, the Group had terminated the distributorship with 1 distributor during the Year. As at 31 December 2012, the Group had 19 distributors, overseeing 1,197 outlets which comprised 508 Meike distributor outlets and 689 Meike retailer outlets. These outlets are located across 21 provinces, autonomous regions and municipalities and more than 500 districts, counties and county-level cities in the PRC. During the Year, the number of outlets of the Group decreased by 662 outlets to 1,197 outlets as at 31 December 2012. 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 larger floor area and higher efficiency in order to enhance the competitiveness of the brand and deliver greater value to the customers in response to the intensifying competition pressure in the industry.

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 31 December 2012 and 31 December 2011, respectively by geographical locations:

	As at 31 December			
	2012		2011	
	Distributors	**Outlets**	Distributors	Outlets
East China[1]	**8**	**540**	8	798
Central South China[2]	**6**	**475**	6	747
Southwest China[3]	**2**	**98**	2	193
North China[4]	**1**	**49**	2	86
Northwest China[5]	**2**	**35**	2	35
Total	**19**	**1,197**[7]	20	1,859[6]

Notes:

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

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

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

(4) North China includes Liaoning and Heilongjiang;

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

(6) 902 were Meike distributor outlets and 957 were Meike retailer outlets;

(7) 508 were Meike distributor outlets and 689 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" products, the Group changed its focus of operation from export products to the "Meike" products.

Through the export companies and overseas customers, the Group's export products were ultimately sold to 20 overseas countries, including Germany, Finland, the United States, Turkey, South Africa and Russia. As many of the local export company customers and overseas customers have long term relationships 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, gain a better control of its production 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 institutes in the PRC. Substantially all of the Group's design team members graduated from colleges in the PRC and have design or art related diploma and have more than 7 years design related experience after joining the Group. To maintain an international perspective to the Group's designs, each product design team visits the leading fashion stores, shopping centres and attends 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 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 31 December 2012, the Group had a total of 50 full-time employees in its design and development department.

FINANCIAL REVIEW

Revenue by product category

	2012	2011		**2012**	2011
	RMB'000	*RMB'000*	*Change (%)*	*% of total revenue*	
Domestic					
Footwear	**120,426**	268,492	(55.1)	**36.3**	42.4
Apparel	**100,430**	230,060	(56.3)	**30.3**	36.3
Accessories and shoe soles	**2,507**	22,827	(89.0)	**0.8**	3.6
	223,363	521,379	(57.2)	**67.4**	82.3
Export					
Footwear	**82,418**	111,523	(26.1)	**24.9**	17.6
Shoe uppers	**–**	483	(100)	**–**	0.1
Repurchased product sold to export companies					
Footwear	**22,013**	–	–	**6.6**	–
Apparel	**3,693**	–	–	**1.1**	–
	108,124	112,006	(3.5)	**32.6**	17.7
Total	**331,487**	633,385	(47.7)	**100**	100
Gross profit margin (%)	**5.4**	33.3			

For the Year, the revenue of the Group decreased by approximately 47.7% to approximately RMB331,487,000 (for the year ended 31 December 2011: approximately RMB633,385,000) and the gross profit margin dropped by approximately 83.8% to approximately 5.4% (for the year ended 31 December 2011: approximately 33.3%), this is mainly due to the inventories repurchased of approximately RMB91,109,000 in the second half of the Year, of which, all the repurchased inventories were resold through various independent third party export companies for an aggregate amount of approximately RMB25,706,000, assuming there was no loss from the inventories repurchased programme, gross profit margin for the Year should be approximately 27.2%, and dropped by approximately 18.3% as compared to the same period of 2011.

Revenue from domestic sales of footwear products decreased by approximately 55.1% from approximately RMB268,492,000 for the year ended 31 December 2011 to approximately RMB120,426,000 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" products.

Revenue from the sales of the Group's apparel products decreased by approximately 56.3% from approximately RMB230,060,000 for the year ended 31 December 2011 to approximately RMB100,430,000 for the Year, despite a result of the increase in the average selling price from approximately RMB68 for the year of 2011 to approximately RMB78 for the Year, the demand of the Group's apparel products decreased due to the intensified competition from local brands.

Revenue from sales of accessories and shoe soles decreased by approximately 89.0% from approximately RMB22,827,000 for the year ended 31 December 2011 to approximately RMB2,507,000 for the Year, predominantly due to the decrease in demand in the market.

Revenue from export sales decreased by approximately 3.5% from approximately RMB112,006,000 for the year ended 31 December 2011 to approximately RMB108,124,000 for the Year. Despite the repurchased inventories resold through various independent third party export companies, sales volume of export sales was decreased by approximately 26.1%, 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:

	2012		2011	
	RMB'000	***%***	*RMB'000*	*%*
Central South China	**95,134**	**42.6**	220,358	42.3
East China	**92,444**	**41.3**	222,040	42.6
Southwest China	**34,820**	**15.6**	65,931	12.6
Northeast China	**106**	**0.1**	11,950	2.3
Northwest China	**859**	**0.4**	1,100	0.2
Total	**223,363**	**100**	521,379	100

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

	2012		2011	
	Total units sold	**Average selling price**	Total units sold	Average selling price
	'000	***RMB***	*'000*	*RMB*
Sales to distributors				
Footwear (pairs)	**1,630**	**75**	3,407	79
Apparel (pieces)	**1,302**	**78**	3,391	68
Accessories (pieces)	**289**	**8**	329	9
Shoe soles (pairs)	**15**	**17**	1,094	18
Sales to export companies and overseas customers				
Footwear (pairs)	**1,781**	**46**	2,357	47

Revenue from domestic sales of footwear products of the Group decreased by approximately 55.1% to approximately RMB120,426,000 in the Year (2011: approximately RMB268,492,000), mainly attributable to the decrease in the sales volume of footwear products by approximately 53.1% to approximately 1.60 million pairs (2011: approximately 3.41 million pairs).

Revenue from the sales of apparel products of the Group decreased by approximately 56.3% to approximately RMB100,430,000 in the Year (2011: approximately RMB230,060,000), mainly attributable to the decrease in the sales volume of apparel products by approximately 61.8% to approximately 1.30 million pieces (2011: approximately 3.40 million pieces) which was partially offset by the increase in the average selling price of approximately 14.7% to approximately RMB78 (2011: approximately RMB68).

Cost of sales

Cost of sales decreased by approximately 25.7% to approximately RMB313,587,000 in 2012 (2011: approximately RMB422,213,000), primarily as a result of the decrease in sales of the Group's products.

Selling and distribution expenses

Selling and distribution expenses decreased by approximately 66.3% from approximately RMB74,085,000 in 2011 to approximately RMB24,936,000 in the Year, primarily as a result of decreased in sales in both domestic and overseas markets during the Year.

Administrative expenses

Administrative expenses decreased by approximately 10.8% from approximately RMB42,156,000 in 2011 to approximately RMB37,614,000 in the Year, primarily due to the combined effect of the decrease in staff salary and welfare payment brought by the decrease in the number of staffs.

Income tax (credit) expense

The income tax credit of the Group for the Year was approximately RMB731,000 (2011: income tax expense of approximately RMB18,985,000).

Inventories and Provision for Inventories

The following table sets out the aging analysis of inventory:

	As at 31 December 2012				As at 31 December 2011			
	Raw Materials	**Work-in-progress**	**Finished Goods**	**Total**	Raw Materials	Work-in-progress	Finished Goods	Total
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
0-90 days	**27,514**	**4,602**	**40,795**	**72,911**	3,023	5,003	43,096	51,122
91-180 days	**3,455**	**–**	**17,939**	**21,394**	29,184	–	38,578	67,762
181-365 days	**6,931**	**–**	**8,868**	**15,799**	6,088	–	29,120	35,208
Over 365 days	**–**	**–**	**5,332**	**5,332**	–	–	–	–
Provision	**–**	**–**	**(15,444)**	**(15,444)**	–	–	(17,970)	(17,970)
	37,900	**4,602**	**57,490**	**99,992**	38,295	5,003	92,824	136,122

The Group generally procures raw materials and commences production after having confirmed purchase orders with our distributors after our sales fairs in order to control the levels of raw materials and keep finished goods inventories at an optimal level to meet our production and sales needs.

Inventories decreased by approximately 26.5% from approximately RMB136.1 million as at 31 December 2011 to approximately RMB100.0 million as at 31 December 2012 and number of days of inventory turnover increased from 92.4 days for the year ended 31 December 2011 to 137.4 days for the year ended 31 December 2012. This was mainly due to the reduction in sales of the Group's distributors as a result the slowdown in the demand of sportswear and the intensifying competition from the major local brands through substantial discount to clear their excessive inventory level since the second half of 2011.

The Group made specific provision on inventories. The Group has conducted physical counts from time to time to identify obsolete, damaged or slow-moving inventories. Provision will be made on an item of inventories if the carrying amount is lower than the net realisable value.

The Group had made an allowance of approximately RMB15,444,000 on finished goods as at 31 December 2012 which were slow-moving and off-season. The Board considered that the allowance on inventories was adequate for the year ended 31 December 2012.

No provision was made for work-in-progress as those work-in-progress was still in progress and for orders of early 2013.

Trade and Other Receivables and Provision for Impairment Loss

The Group generally granted each of our distributors a credit period of no more than 180 days, however, the Group has extended the credit period for certain distributors up to 270 days during the Year upon negotiation after considering their financial strength, past credit history and business performance history. The Group believed that this would allow these distributors more flexibility, which in turn might encourage them to sustain their development of our brand or enhance their sales even in market with intensified competition but reduction in demand. This measure was adopted by the Group temporarily and will be revised from time to time according to the market situation.

Trade receivables, net of provision for impairment loss, decreased by approximately 47.4% from approximately RMB575.9 million as at 31 December 2011 to approximately RMB302.8 million as 31 December 2012. Besides, turnover day of trade receivables increased from approximately 301.4 days for the year ended 31 December 2011 to approximately 483.8 days for the year ended 31 December 2012. The reason for the significant decrease in trade receivables while the turnover day of trade receivables were significantly increased when there was a decline in revenue was because starting from the second half of 2011, the demand in the sportswear was obviously reduced but at the same time the sportswear industry experienced intensive competition as certain major players have repurchased inventories from their distributors and re-sold with deeper discounting in their factory outlets or discount stores in order to reduce their excessive inventory level, sales of the Group's distributors have been greatly affected and deteriorated significantly, who then, delayed their payment to settle their outstanding balances due to the Group.

Other receivables mainly represented the prepayment to the Group's suppliers as the Group had to retain sufficient materials to cope with the Group's production plans.

The Group estimated impairment loss on trade and other receivables resulting from the inability of customers to make the required payments and then there was objective evidence that the Group would not be able to collect all amounts due. The Group made the estimates based on the payment history, customer's credit worthiness, historical write-off experience and default or delinquency in payments. During the year ended 31 December 2012, impairment loss in respect of trade receivables was recognised in the consolidated statement of comprehensive income amounting to approximately RMB85.2 million.

No impairment loss was recognised in respect of other receivables.

Details of trade and other receivables as at 31 December 2012 are set out in note 10 to the consolidated financial statement in this announcement.

Liquidity and Financial Resources

During the Year, net cash inflow from operating activities of the Group amounted to approximately RMB156.8 million (2011: net cash outflow of approximately RMB204.1 million). As at 31 December 2012, bank balance and cash in hand, and short-term bank deposits, amounted to approximately RMB261.1 million, representing a net increase of approximately RMB140.1 million as compared to the position as at 31 December 2011. As at 31 December 2012, the Group's cash balances were denominated in Renminbi and Hong Kong Dollars only.

Pledge of Assets

As at 31 December 2012, the Group secured its bank borrowings by prepaid land lease payments and buildings held for own uses with a carrying amount of approximately RMB73.5 million (2011: approximately RMB53.8 million), bank deposit: nil (2011: approximately RMB51.4 million) and trade receivables of approximately RMB101.8 million (2011: approximately RMB67.0 million).

Capital Commitments and Contingent Liabilities

Details of the capital commitments of the Group as at 31 December 2012 are set out in note 13 to the consolidated financial statements in this announcement. As at 31 December 2012, the Group did not have any material contingent liabilities.

Final Dividend

No final dividend was recommended by the Board for the year ended 31 December 2012.

(Loss)/Profit Attributable to Shareholders and Net (Loss)/Profit Margin

For the Year, loss attributable to the owners of the Company amounted to approximately RMB150,897,000, representing a decrease of approximately 368.9% over that in the same period of 2011 (2011: profit attributable to the owner of the Company amounted to approximately RMB56,118,000). Net loss margin of the Group dropped to approximately 45.5% (2011: net profit margin approximately 8.9%).

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 31 December 2012, the gearing ratio of the Group was approximately 17.3% (2011: approximately 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 31 December 2012, the Group's bank loans balance amounted to approximately RMB171.8 million, bearing interest rates from 5.40% 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 14 May 2013 to 16 May 2013, 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 13 May, 2013.

Human Resources

As at 31 December 2012, the Group had a total of 1,518 employees (as at 31 December 2011: 2,018 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 1 February 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 approximately 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 31 December 2012:

Use of Net Proceeds *(RMB million)*	**Available to utilise (as at 1 January 2012)**	**Utilised (as at 31 December 2012)**	**Unutilised (as at 31 December 2012)**
Expansion of production capacity	28.9	14.0	14.9
Expansion of the sales network and market penetration	9.2	6.6	2.6
Develop and increase brand awareness	38.4	5.1	33.3
Enhancement of research and development capabilities	1.7	1.7	–
	78.2	27.4	50.8

Change of Directors, chairman of the remuneration committee and the audit committee and member of the remuneration committee

Mr. Ding Siqiang ceased to be the chairman of the remuneration committee of the Company and Mr. Lin Jiwu has been appointed as chairman of the remuneration committee of the Company with effect from 30 March 2012.

Mr. Xie Wei Chun ("**Mr. Xie**") resigned as an independent non-executive Director due to the need to focus on his other business development with effect from 21 September 2012. Ms. Qiu Qiuxing ("**Ms. Qiu**") has been appointed as an independent non-executive Director with effect from 21 September 2012. Ms. Qiu has replaced Mr. Xie as the chairman of the audit committee and a member of the remuneration committee of the Company with effect from 21 September 2012.

Future Prospects

2012 is a challenge year for the sportswear industry, not only the small to medium sportswear brands but also the major brands who are also facing the difficulties from the decrease in demand from both the domestic and overseas markets, over-expansion of distribution channels and excessive inventories that brought by the volume-driven growth in last few years. Different measures have been adopted by the industry players, such as streamlining of distribution channels, repurchase inventories and product resale through factory outlets or discount stores with deeper discounting and reduced selling prices to distributors, etc., which drove down the gross profit margins as well as the net profits.

In order to cope with the current challenges, the Group will devote more resources to consistently optimise our research and development capabilities to enhance the quality of our products in order to increase the recognition and awareness of the "Meike" brand in the market. Besides, the Group will closely monitor the integration programme and remain cautious in processing future orders with the distributors to avoid piling up of inventories in the distribution channels and also, to enhance the influence to the distributors. Also, supportive measures may be adopted to help the distributors. Lastly, the Group will take measures to ensure the inventories and trade receivables to reach a reasonable levels in the year of 2013.

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 year ended 31 December 2012.

CORPORATE GOVERNANCE

The Directors recognise 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 formalising best practice.

The Group's corporate governance practices are based on the principles and the code provisions as set out in the Corporate Governance Code (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 1 February 2010 (the "Listing Date") up to the date of this announcement report, 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 code provision A.2.1 of the 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 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 code provision A.2.1 of the Code and will continue to consider the feasibility to comply. If compliance is determined, appropriate persons will be nominated to assume the different roles of the 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 the audit committee (the "Audit Committee") on 6 January 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 Ms. Qiu Qiuxing (Chairman), Mr. Yang Chengjie and Mr. Lin Jiwu, all being independent non-executive Directors.

During the Year, the Audit Committee had reviewed the interim results and the final results of the Group 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 applicable standard, the Listing Rules and other applicable legal requirements and that adequate disclosures have been made. 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 2012 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, 2013.

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

Hong Kong, 27 March 2013

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. Lin Jiwu and Ms. Qiu Qiuxing as independent non-executive Directors.