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 2014

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 2014 (the "Year") were as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER

	Notes	**2014** *RMB'000*	2013 *RMB'000*
Revenue	3	**163,029**	230,521
Cost of sales		**(146,669)**	(227,451)
Gross profit		**16,360**	3,070
Other income	4	**14,906**	47,614
Impairment loss recognised in respect of property, plant and equipment		**(10,490)**	(5,519)
Impairment loss recognised in respect of trade receivables	10	**(114,480)**	(180,870)
Selling and distribution expenses		**(9,336)**	(55,530)
Administrative expenses		**(38,489)**	(46,575)
Other operating expenses		**(11,567)**	(11,819)
Finance costs	5	**(12,079)**	(7,643)
Loss before tax		**(165,175)**	(257,272)
Income tax credit	6	**–**	2,648
Loss and total comprehensive expense for the year	7	**(165,175)**	(254,624)
Loss per share			
Basic and diluted (RMB)	8	**(0.139)**	(0.215)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December

	Notes	2014 RMB'000	2013 RMB'000
Non-current assets			
Property, plant and equipment		**127,924**	145,424
Prepaid lease payments		**44,870**	45,967
		172,794	191,391
Current assets			
Inventories		**43,595**	60,798
Trade, bills and other receivables	*10*	**136,168**	213,584
Prepaid lease payments		**1,098**	1,098
Pledged bank deposit		**1,590**	-
Short-term bank deposits		**88,543**	89,099
Bank balances and cash		**141,791**	165,943
		412,785	530,522
Current liabilities			
Trade, bills and other payables	*11*	**27,875**	25,841
Amount due to a related company		**496**	60
Bank borrowings		**202,980**	176,750
		231,351	202,651
Net current assets		**181,434**	327,871
Total assets less current liabilities		**354,228**	519,262
Capital and reserves			
Share capital		**10,355**	10,355
Reserves		**343,873**	508,907
		354,228	519,262

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, which include HKFRSs, Hong Kong Accounting Standards ("HKAS(s)"), amendments and Interpretations ("Int(s)") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
Hong Kong (IFRS Interpretation Committee) ("HK(IFRIC)") – Int 21	Levies

Except as explained below, the application of the other new and revised HKFRSs in the current year has had no material impact on the Group's consolidated financial performance and positions for the current and prior years and on the disclosures set out in these consolidated financial statements.

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

The Group has applied amendments to HKFRS 10, HKFRS 12 and HKAS 27 Investment Entities for the first time in the current year. The amendments to HKFRS 10 define an investment entity and 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.

As the Company is not an investment entity, the directors of the Company consider that the application of the amendments has had no impact on the disclosures in the Group's consolidated financial statements.

Amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities

The Group has applied amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities for the first time in the current year. The amendments to HKAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement".

The Group has assessed whether certain of its financial assets and financial liabilities qualify for offset based on the criteria set out in the amendments and concluded that the application of the amendments has had no impact on the amounts recognised in the Group's consolidated financial statements as they are consistent with the policies already adopted by the Group.

Amendments to HKAS 36 Recoverable Amount Disclosures for Non-Financial Assets

The Group has applied amendments to HKAS 36 Recoverable Amount Disclosures for Non-Financial Assets for the first time in the current year. The amendments to HKAS 36 require disclosures on additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposal. If the recoverable amount is fair value less costs of disposal, an entity shall disclose the level of the fair value hierarchy within which the fair value measurement of the asset or cash generating unit is categorised in its entirety. The Group is required to make additional disclosures for Level 2 and Level 3 of the fair value hierarchy:

- a description of the valuation techniques used to measure the fair value less costs of disposals. If there is any change in valuation techniques, the fact and the reason should also be disclosed;

- each key assumption on which management has based its determination of fair value less costs of disposal;

- the discount rates used in the current and previous measurement if fair value less costs of disposal is measured using a present value technique.

The directors of the Company consider that the application of the amendments to HKAS 36 has had no material impact on the disclosures in the Group's consolidated financial statements.

Amendments to HKAS 39 Novation of Derivatives and Continuation of Hedge Accounting

The Group has applied amendments to HKAS 39 Novation of Derivatives and Continuation of Hedge Accounting for the first time in the current year. The amendments to HKAS 39 introduce an exception to the requirements for the discontinuation of hedge accounting in HKAS 39 if specific conditions are met. The amendments to HKAS 39 state that the novation of a hedging instrument is not be considered an expiration or termination if the novation (a) is required by laws or regulations; (b) results in a central counterparty or an entity acting in a similar capacity becoming the new counterparty to each of the parties to the novated derivative and (c) does not result in changes to the terms of the original over-the-counter derivatives other than the changes directly attributable to the novation. For all other novations outside the scope of the exemption, an entity should assess if they meet the derecognition criteria and the conditions for continuation of hedge accounting.

As the Group does not have any derivatives that are subject to novation, the application of the amendments has had no impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.

HK(IFRIC) – Int 21 Levies

The Group has applied HK(IFRIC) – Int 21 Levies for the first time in the current year. HK(IFRIC) – Int 21 addresses the issue as to when to recognise a liability to pay a levy imposed by government. The Interpretation defines a levy, and specifies that the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by legislation. The Interpretation provides guidance on how different levy arrangements should be accounted for, in particular, it clarifies that neither economic compulsion nor the going concern basis of financial statements preparation implies that an entity has a present obligation to pay a levy that will be triggered by operating in a future period.

The application of this Interpretation has had no material impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.

New and revised HKFRSs in issue 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.

HKFRS 9 (2014)	Financial Instruments[4]
HKFRS 15	Revenue from Contracts with Customers[3]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010 – 2012 Cycle[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011 – 2013 Cycle[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 – 2014 Cycle[2]
Amendments to HKAS 1	Disclosure Initiative[2]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[1]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[2]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[2]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[2]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[2]

[1] Effective for annual periods beginning on or after 1 July 2014.
[2] Effective for annual periods beginning on or after 1 January 2016.
[3] Effective for annual periods beginning on or after 1 January 2017.
[4] Effective for annual periods beginning on or after 1 January 2018.

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

HKFRS 9 (2014) Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was amended in 2010 and includes the requirements for the classification and measurement of financial liabilities and for derecognition. In 2013, HKFRS 9 was further amended to bring into effect a substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements. A finalised version of HKFRS 9 was issued in 2014 to incorporate all the requirements of HKFRS 9 that were issued in previous years with limited amendments to the classification and measurement by introducing a "fair value through other comprehensive income" ("FVTOCI") measurement category for certain financial assets. The finalised version of HKFRS 9 also introduces an "expected credit loss" model for impairment assessments.

Key requirements of HKFRS 9 (2014) are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. 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 fair value through profit or loss was presented in profit or loss.

- In the aspect of impairment assessments, the impairment requirements relating to the accounting for an entity's expected credit losses on its financial assets and commitments to extend credit were added. Those requirements eliminate the threshold that was in HKAS 39 for the recognition of credit losses. Under the impairment approach in HKFRS 9 (2014) it is no longer necessary for a credit event to have occurred before credit losses are recognised. Instead, expected credit losses and changes in those expected credit losses should always be accounted for. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition and, consequently, more timely information is provided about expected credit losses.

- HKFRS 9 introduces a new model which is more closely aligns hedge accounting with risk management activities undertaken by companies when hedging their financial and non-financial risk exposures. As a principle-based approach, HKFRS 9 looks at whether a risk component can be identified and measured and does not distinguish between financial items and non-financial items. The new model also enables an entity to use information produced internally for risk management purposes as a basis for hedge accounting. Under HKAS 39, it is necessary to exhibit eligibility and compliance with the requirements in HKAS 39 using metrics that are designed solely for accounting purposes. The new model also includes eligibility criteria but these are based on an economic assessment of the strength of the hedging relationship. This can be determined using risk management data. This should reduce the costs of implementation compared with those for HKAS 39 hedge accounting because it reduces the amount of analysis that is required to be undertaken only for accounting purposes.

HKFRS 9 (2014) will become effective for annual periods beginning on or after 1 January 2018 with early application permitted.

The directors of the Company anticipate that the application of HKFRS 9 in the future may have a material 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 the effect of HKFRS 9 until the Group undertakes a detailed review.

HKFRS 15 Revenue from Contracts with Customers

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Thus, HKFRS 15 introduces a model that applies to contracts with customers, featuring a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. The five steps are as follows:

i) Identify the contract with the customer;

ii) Identify the performance obligations in the contract;

iii) Determine the transaction price;

iv) Allocate the transaction price to the performance obligations; and

v) Recognise revenue when (or as) the entity satisfies a performance obligation.

HKFRS 15 also introduces extensive qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and the related Interpretations when it becomes effective.

HKFRS 15 will become effective for annual periods beginning on or after 1 January 2017 with early application permitted. The directors of the Company anticipate that the application of HKFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

Annual Improvements to HKFRSs 2010 – 2012 Cycle

The Annual Improvements to HKFRSs 2010-2012 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 2 (i) change the definitions of 'vesting condition' and 'market condition'; and (ii) add definitions for 'performance condition' and 'service condition' which were previously included within the definition of 'vesting condition'. The amendments to HKFRS 2 are effective for share-based payment transactions for which the grant date is on or after 1 July 2014.

The amendments to HKFRS 3 clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of HKFRS 9 or HKAS 39 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognised in profit and loss. The amendments to HKFRS 3 are effective for business combinations for which the acquisition date is on or after 1 July 2014.

The amendments to HKFRS 8 (i) require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have 'similar economic characteristics'; and (ii) clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

The amendments to the basis for conclusions of HKFRS 13 clarify that the issue of HKFRS 13 and consequential amendments to HKAS 39 and HKFRS 9 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial.

The amendments to HKAS 16 and HKAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation/amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

The amendments to HKAS 24 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

The directors of the Company do not anticipate that the application of the amendments included in the Annual Improvements to HKFRSs 2010-2012 Cycle will have a material effect on the Group's consolidated financial statements.

Annual Improvements to HKFRSs 2011 – 2013 Cycle

The Annual Improvements to HKFRSs 2011-2013 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 3 clarify that the standard does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.

The amendments to HKFRS 13 clarify that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, HKAS 39 or HKFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within HKAS 32.

The amendments to HKAS 40 clarify that HKAS 40 and HKFRS 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether:

(a) the property meets the definition of investment property in terms of HKAS 40; and

(b) the transaction meets the definition of a business combination under HKFRS 3.

The directors of the Company do not anticipate that the application of the amendments included in the Annual Improvements to HKFRSs 2011-2013 Cycle will have a material effect on the Group's consolidated financial statements.

Annual Improvement to HKFRSs 2012 – 2014 Cycle

The Annual Improvements to HKFRSs 2012-2014 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 5 clarify that changing from one of the disposal methods (i.e. disposal through sale or disposal through distribution to owners) to the other should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is therefore no interruption of the application of the requirements in HKFRS 5. Besides, the amendments also clarify that changing the disposal method does not change the date of classification.

The amendments to HKFRS 7 clarify that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance for continuing involvement in HKFRS 7 in order to assess whether the additional disclosures for any continuing involvement in a transferred asset that is derecognised in its entirety are required. Besides, the amendments to HKFRS 7 also clarify that disclosures in relation to offsetting financial assets and financial liabilities are not required in the condensed interim financial report, unless the disclosures provide a significant update to the information reported in the most recent annual report.

The amendments to HKAS 19 clarify that the market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

HKAS 34 requires entities to disclose information in the notes to the interim financial statements 'if not disclosed elsewhere in the interim financial report'. The amendments to HKAS 34 clarify that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report. The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. If users do not have access to the other information in this manner, then the interim financial report is incomplete.

The directors of the Company do not anticipate that the application of the amendments included in the Annual Improvements to HKFRSs 2012-2014 Cycle will have a material effect on the Group's consolidated financial statements.

Amendments to HKAS 1 Disclosure Initiative

The amendments clarify that companies should use professional judgement in determining what information as well as where and in what order information is presented in the financial statements. Specifically, an entity should decide, taking into consideration all relevant facts and circumstances, how it aggregates information in the financial statements, which include the notes. An entity does not require to provide a specific disclosure required by a HKFRS if the information resulting from that disclosure is not material. This is the case even if the HKFRS contain a list of specific requirements or describe them as minimum requirements.

Besides, the amendments provide some additional requirements for presenting additional line items, headings and subtotals when their presentation is relevant to an understanding of the entity's financial position and financial performance respectively. Entities, in which they have investments in associates or joint ventures, are required to present the share of other comprehensive income of associates and joint ventures accounted for using the equity method, separated into the share of items that (i) will not be reclassified subsequently to profit or loss; and (ii) will be reclassified subsequently to profit or loss when specific conditions are met.

Furthermore, the amendments clarify that:

(i) an entity should consider the effect on the understandability and comparability of its financial statements when determining the order of the notes; and

(ii) significant accounting policies are not required to be disclosed in one note, but instead can be included with related information in other notes.

The amendments will become effective for financial statements with annual periods beginning on or after 1 January 2016. Earlier application is permitted.

The directors of the Company anticipate that the application of Amendments to HKAS 1 in the future may have a material impact on the disclosures made in the Group's consolidated financial statements.

Amendments to HKAS 19 Defined Benefit Plans – Employee Contributions

The amendments to HKAS 19 simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. Specifically, contributions that are linked to services are attributed to periods of services as a negative benefit. The amendments to HKAS 19 specifies that such negative benefit are attributed in the same way as the gross benefit, i.e. attribute to periods of services under the plan's contribution formula or on a straight-line basis.

Besides, the amendments also states that if the contributions are independent of the number of years of employee service, such contributions may be recognised as a reduction of the service cost as they fall due.

The amendments to HKAS 19 will become effective for annual periods beginning on or after 1 July 2014 with early application permitted.

The directors of the Company anticipate that the application of the amendments to HKAS 19 will have no material impact to the Group.

Amendments to HKAS 16 and HKAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments to HKAS 16 prohibit the use of revenue-based depreciation methods for property, plant and equipment under HKAS 16. The amendments to HKAS 38 introduce a rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate. This presumption can be rebutted only in the following limited circumstances:

i) when the intangible asset is expressed as a measure of revenue;

ii) when a high correlation between revenue and the consumption of the economic benefits of the intangible assets could be demonstrated.

The amendments to HKAS 16 and HKAS 38 will become effective for financial statements with annual periods beginning on or after 1 January 2016. Earlier application is permitted. The amendments should be applied retrospectively.

As the Group use straight-line method for depreciation of property, plant and equipment, the directors of the Company do not anticipate that the application of the amendments to HKAS 16 and HKAS 38 will have a material impact on the Group's consolidated financial statements.

Amendments to HKAS 16 and HKAS 41 Agriculture: Bearer Plants

The amendments to HKAS 16 and HKAS 41 define bearer plants. Biological assets that meet the definition of bearer plants are no longer accounted for under HKAS 41, but under HKAS 16 instead. The produce growing on bearer plants continues to be accounted for in accordance with HKAS 41.

The amendments to HKAS 16 and HKAS 41 will become effective for financial statements with annual periods beginning on or after 1 January 2016. Earlier application is permitted. The amendments should be applied retrospectively.

As the Group does not have any biological assets, the directors of the Company do not anticipate that the application of the amendments to HKAS 16 and HKAS 41 will have a material impact on the Group's consolidated financial statements.

Amendments to HKAS 27 Equity Method in Separate Financial Statements

The amendments to HKAS 27 allow an entity to apply the equity method to account for its investments in subsidiaries, joint ventures and associates in its separate financial statements. As a result of the amendments, the entity can choose to account for these investments either:

i) at cost;

ii) in accordance with HKFRS 9 (or HKAS 39); or

iii) using the equity method as described in HKAS 28.

The amendments to HKAS 27 will become effective for financial statements with annual periods beginning on or after 1 January 2016. Earlier application is permitted. The amendments should be applied retrospectively.

As the Company does not have any investment in associates or joint ventures, the directors of the Company do not anticipate that the application of the amendments to HKAS 27 will have a material impact on the Company's financial statements.

Amendments to HKFRS 10 and HKAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments provide guidance on addressing the acknowledged inconsistency between the requirements in HKFRS 10 and those in HKAS 28, in dealing with the sale or contribution of assets between an investor and its joint venture and associate. An investing entity is required to recognise the gain or loss arising from selling or contributing assets that constitutes or contains a business to a joint venture or associate in full. An investing entity is required to recognise the gain or loss arising from selling or contributing assets that does not constitute or contain a business to a joint venture or associate only to the extent of the unrelated investors' interests in that joint venture or associate.

The amendments to HKFRS 10 and HKAS 28 will become effective for financial statements with annual periods beginning on or after 1 January 2016. Earlier application is permitted. The amendments should be applied prospectively.

As the Company does not have any investment in joint operations, the directors of the Company do not anticipate that the application of the amendments to HKFRS 10 and HKAS 28 will have a material impact on the Group's consolidated financial statements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 Investment Entities: Applying the Consolidation Exception

The amendments clarify the requirements when accounting for investment entities as well as provide relief in particular circumstances, which will reduce the costs of applying the Standards. Specifically, a parent entity that is a subsidiary of an investment entity is exempted from preparing consolidated financial statements. A parent entity which is also a subsidiary of an investment entity and hold interests in associates and joint ventures is exempted from applying equity method if it meets all the conditions stated in paragraph 4(a) of HKFRS 10.

Besides, the amendments clarify if an investment entity has a subsidiary that is not itself an investment entity and whose main purpose and activities are providing investment-related services that relate to the investment entity's investment activities to the entity or other parties, it should consolidate that subsidiary. If the subsidiary that provides the investment-related services or activities is itself an investment entity, the investment entity parent should measure that subsidiary at fair value through profit or loss. If an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when apply the equity method, retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries.

Furthermore, if a parent that is an investment entity and has measured all of its subsidiaries at fair value through profit or loss, that investment entity should present the disclosures relating to investment entities required by HKFRS 12 in its financial statements. If an investment entity has consolidated its subsidiary in which the subsidiary itself is not an investment entity and whose main purpose and activities are providing services that relate to the investment activities of its investment entity parent, the disclosure requirements in HKFRS 12 apply to financial statements in which the investment entity consolidates that subsidiary.

The amendments to HKFRS 10, HKFRS 12 and HKAS 28 will become effective for financial statements with annual periods beginning on or after 1 January 2016. Earlier application is permitted.

As the Company does not have any investments in investment entities, the directors of the Company do not anticipate that the application of the amendments to HKFRS 10, HKFRS 12 and HKAS 28 will have a material impact on the Group's consolidated financial statements.

Amendments to HKFRS 11 Accounting for Acquisition of Interests in Joint Operations

The amendments provide new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business as defined in HKFRS 3 Business Combination. Specifically, the amendments state that the relevant principles on accounting for business combinations in HKFRS 3 and other standards should be applied. The same requirements should be applied to the formation of a joint operation if and only if an existing business is contributed to the joint operation by one of the parties that participate in the joint operation.

A joint operator is also required to disclose the relevant information required by HKFRS 3 and other standards for business combinations.

The amendments to HKFRS 11 will become effective for financial statements with annual periods beginning on or after 1 January 2016. Earlier application is permitted. The amendments should be applied prospectively.

As the Company does not have any investment in joint operations, the directors of the Company do not anticipate that the application of the amendments to HKFRS 11 will have a material impact on the Group's consolidated financial statements.

In addition, the annual report requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation as from the first financial year commencing on or after 3 March 2014 in accordance with section 358 of that Ordinance. The Group is in the process of making an assessment of expected impact of the changes in the Hong Kong Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9 of the new Hong Kong Companies Ordinance (Cap. 622). So far it has concluded that the impact is unlikely to be significant and will primarily only affect the presentation and disclosure of information in the consolidated financial statements.

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. An analysis of the Group's revenue is as follows:

	2014	2013
	RMB'000	*RMB'000*
Footwear	**110,548**	120,800
Apparel	**41,161**	90,170
Accessories and shoe sole	**11,320**	19,551
	163,029	230,521

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:

	2014	2013
	RMB'000	*RMB'000*
Customer A	**28,628**	N/A*
Customer B	**21,554**	N/A*
Customer C	**17,076**	N/A*

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

4. OTHER INCOME

	2014	2013
	RMB'000	*RMB'000*
Government grants *(Note)*	**3,097**	68
Exchange gain, net	**312**	–
Interest income	**3,181**	3,450
Reversal of impairment loss recognised in respect of trade receivables	**8,265**	44,045
Others	**51**	51
	14,906	47,614

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

	2014	2013
	RMB'000	*RMB'000*
Interest expenses on bank borrowings wholly repayable within five years	**12,079**	7,643

No borrowing costs were capitalised for the two years ended 31 December 2014 and 2013.

6. INCOME TAX CREDIT

	2014	2013
	RMB'000	*RMB'000*
PRC Enterprise Income Tax ("EIT")		
– Current tax	**–**	–
Deferred tax		
– Current year	**–**	(2,648)
	–	(2,648)

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 the two years ended 31 December 2014 and 2013.

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 two years ended 31 December 2014 and 2013.

No withholding tax was accrued as the Group did not generate distributable profits for the years ended 31 December 2014 and 2013.

The income tax credit for the year can be reconciled to the loss before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2014	2013
	RMB'000	*RMB'000*
Loss before tax	**(165,175)**	(257,272)
Tax at the domestic income tax rate of 25% (2013: 25%)	**(41,294)**	(64,318)
Tax effect of non-deductible expenses	**2,552**	11,549
Tax effect of deductible temporary differences not recognised	**29,169**	29,362
Tax effect of unused tax losses not recognised	**9,573**	20,759
Income tax credit for the year	**–**	(2,648)

The domestic tax rate in the PRC is used as it is where the operation of the Group is substantially based.

7. LOSS FOR THE YEAR

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

	2014	2013
	RMB'000	*RMB'000*
Salaries and allowances	**31,855**	45,412
Contributions to retirement benefits scheme	**3,798**	6,753
Share-based payments	**141**	1,087
Total staff costs (including directors' and chief executive's emoluments)	**35,794**	53,252
Auditors' remuneration	**763**	778
Cost of inventories recognised as an expense	**146,669**	227,451
Amortisation of prepaid lease payments	**1,097**	1,098
Depreciation of property, plant and equipment	**8,338**	9,644
Research and development costs (included in other operating expenses) *(Note)*	**5,387**	8,623
Loss on disposal of property, plant and equipment	**4,336**	316
Written off of property, plant and equipment	**1,845**	–
Net foreign exchange losses	**–**	(222)
Operating lease rentals in respect of rented premises	**1,218**	1,641
Rental income	**(51)**	(51)

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 PER SHARE

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

	2014	2013
	RMB'000	*RMB'000*
Loss		
Loss for the year attributable to the owners of the Company for the purpose of basic and diluted loss per share	**(165,175)**	(254,624)

	2014	2013
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**1,184,610**	1,184,610

Note:

The computation of diluted loss per share does not assume the exercise of the Company's outstanding share options as the exercise price of those options was higher than the average market price of the Company's shares for the years ended 31 December 2014 and 2013. Therefore, diluted loss per share was the same as the basic loss per share for the years ended 31 December 2014 and 2013.

9. DIVIDENDS

No dividend was paid or proposed during the years ended 31 December 2014 and 2013, nor has any dividend been proposed since the end of the reporting period.

10. TRADE, BILLS AND OTHER RECEIVABLES

	2014	2013
	RMB'000	*RMB'000*
Trade receivables	**423,160**	381,301
Less: provision of impairment loss	**(308,913)**	(202,698)
	114,247	178,603
Bills receivables	**600**	6,300
Trade and bills receivables	**114,847**	184,903
Other receivables	**2,390**	4,581
Prepayment to suppliers	**18,320**	21,759
Other prepayments	**611**	2,341
Other receivables and prepayments	**21,321**	28,681
Trade, bills and other receivables	**136,168**	213,584

The Group does not hold any collateral over these balances.

The Group generally allows an average credit period ranging from 180 days to 270 days to its trade 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 of impairment loss recognised presented based on the invoice dates, which approximated the respective revenue recognition dates, are as follows:

	2014	2013
	RMB'000	*RMB'000*
Within 90 days	**47,625**	71,289
91 to 180 days	**38,558**	42,408
181 to 365 days	**28,064**	64,906
Total	**114,247**	178,603

In determining the recoverability of receivables, the Group considers whether there has been an 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 of impairment loss on trade receivables was as follows:

	2014	2013
	RMB'000	*RMB'000*
At 1 January	**202,698**	85,247
Recognised during the year	**114,480**	180,870
Reversal of impairment of provision	**(8,265)**	(44,045)
Written-off	**–**	(19,374)
At 31 December	**308,913**	202,698

Included in the provision for impairment loss of trade receivables are individually impaired trade receivables with an aggregate balance of approximately RMB308,913,000 (2013: 202,698,000). 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 2014 and 2013.

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

	2014	2013
	RMB'000	*RMB'000*
Neither past due nor impaired	**102,938**	166,263
Past due but not impaired:		
Within 90 days	**2,881**	12,340
91-180 days	**1,227**	–
Over 180 days	**7,201**	–
Total	**114,247**	178,603

The Group's neither past due nor impaired trade receivables relate to a large number of diversified customers for whom there was a long term relationship between the Group and those diversified customers.

In addition, to facilitate the evaluation process, the Group would take into account of ageing of receivable balances of each of the customers and their default rates in prior year, certain economic factors specific to each of the customers, the historical payment pattern and credit-worthiness of each customer, as well as the latest communication with each of customer and information received from these customers. In this regard, the directors of the Company consider those balances that are neither past due not impaired are recoverable.

As at 31 December 2014, the carrying amount of the trade receivables which have been pledged as security for the borrowing is approximately RMB6,297,000 (2013: RMB70,257,000). The carrying amount of the associated liability is RMB5,300,000 (2013: RMB 57,650,000).

The following were the Group's financial assets as at 31 December 2014 and 2013 that were transferred to banks by discounting those receivables on a full recourse basis. As the Group has not transferred the significant risks and rewards relating to these receivables, it continues to recognise the full carrying amount of the receivables and has recognised the cash received on the transfer as a secured borrowing. These financial assets are carried at amortised cost in the Group's consolidated statement of financial position.

	2014	2013
	RMB'000	*RMB'000*
Bills receivable discounted to banks with full recourse		
Carrying amount of transferred assets	**6,297**	70,257
Carrying amount of associated liabilities	**(5,300)**	(57,650)
Net position	**997**	12,607

11. TRADE, BILLS AND OTHER PAYABLES

	2014	2013
	RMB'000	*RMB'000*
Trade and bills payables	**13,130**	6,162
Other payables	**6,608**	5,797
Other tax payables	**4,226**	4,117
Receipts in advance	**93**	1,495
Accrued payroll and staff welfare	**3,818**	8,270
	14,745	19,679
Trade, bills and other payables	**27,875**	25,841

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

	2014	2013
	RMB'000	*RMB'000*
Within 90 days	**11,284**	5,168
91 to 180 days	**466**	259
181 to 365 days	**1,380**	182
Over 365 days	**–**	553
Total	**13,130**	6,162

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.

The Group's bills payable amounting to RMB5,300,000 as at 31 December 2014 (2013: Nil) were secured by the Group's time deposit amounting to RMB1,590,000 (2013: Nil).

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:

	2014	2013
	RMB'000	*RMB'000*
Within one year	**1,729**	1,334
In the second to fifth years inclusive	**760**	1,636
	2,489	2,970

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:

	2014	2013
	RMB'000	*RMB'000*
Contracted for but not provided in the consolidated financial statements	**35,513**	35,733

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Overview

Despite the steady local economic growth through the continuous economic reforms conducted by the PRC Government, competition in the sportswear industry remained intense. Certain major sportswear brands have recovered from the downturn in the past few years but small to medium brands are still struggling from the path of recovery due to the pressure from the major brands, lack of products differentiation and the change in domestic customers' consumption pattern, etc..

Business Review

During the Year, sales of the Group decreased by approximately 29.3% from approximately RMB230,521,000 to approximately RMB163,029,000 as compared to the same period of 2013. This is mainly due to the decrease in sales of our own brand in the domestic market by approximately 55.5%. This is because the Group had terminated the distributorship of 10 distributors and closed down 158 Meike distributor outlets and 98 Meike retailer outlets with the distributors in order to avoid piling up of inventories and account receivables in the distribution channels as sales of such distributors remained low and some of their retail outlets recorded loss in operation during the Year. Besides, the change in the domestic customers' consumption pattern like online shopping via Taobao, Tmall, etc., had greatly affected the sales of some of our distributors. On the other hand, revenue from export sales of non Meike brand products increased by approximately 74.3% as compared to the same period of 2013. This is because more resources have been devoted by the Group to explore the overseas market in order to increase the volume of export sales.

During the Year, the Group had terminated the distributorship with 10 distributors and worked with the distributors to close down 256 retail stores with significant loss or significant drop in sales during the Year. As at 31 December 2014, the Group has 5 distributors, overseeing 306 outlets which comprised 30 Meike distributor outlets and 276 Meike retailer outlets. These outlets are located in 9 provinces, autonomous regions and municipalities and more than 150 districts, counties and county-level cities in the the People's Republic of China (the "PRC" or "China").

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 2014 and 31 December 2013, respectively by geographical locations:

	As at 31 December			
	2014		2013	
	Distributors	**Outlets**	Distributors	Outlets
East China[(1)]	**2**	**186**	9	447
Central South China[(2)]	**3**	**120**	4	97
Northeast China[(3)]	**–**	**–**	1	14
North China[(4)]	**–**	**–**	1	4
Total	**5**	**306[(6)]**	15	562[(5)]

Notes:

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

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

(3) Northeast China includes Liaoning and Heilongjiang;

(4) North China includes Inner Mongolia;

(5) 434 were Meike distributor outlets and 128 were Meike retailer outlets;

(6) 276 were Meike distributor outlets and 30 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 have been a major source of revenue of the Group. In 2006, as the Group adjusted its strategy to further develop the "Meike" brand, the Group changed its operation focus from export products to the development of "Meike" brand products.

Through the export companies and overseas customers, the Group's export products were ultimately sold to 13 overseas countries, including Germany, Canada, the United States, Turkey, Holland, Russia, Australia and Italy. As many of the local export company customers and overseas customers have long term relationships with the Group, the Group believes that they have been and will continue to be our loyal customers. 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 demand 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. Almost all of the Group's design team members were graduated from colleges in the PRC and possess design or art related diplomas and have more than 9 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 can enable the design team to catch up with 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 2014, the Group had a total of 43 full-time employees in its design and development department.

Financial Review

Revenue by product category

	2014	2013		**2014**	2013
	RMB'000	*RMB'000*	Change (%)	% of total revenue	
Domestic					
Footwear	**16,185**	53,288	(69.6)	**9.9**	23.1
Apparel	**36,012**	69,924	(48.5)	**22.1**	30.3
Accessories, shoe soles and others	**11,320**	19,551	(42.1)	**6.9**	8.5
	63,517	142,763	(55.5)	**38.9**	61.9
Export					
Footwear	**81,522**	46,353	75.9	**50.0**	20.1
Footwear (Meike brand)	**12,841**	21,159	(39.3)	**7.9**	9.2
Apparel (Meike brand)	**5,149**	20,246	(74.6)	**3.2**	8.8
	99,512	87,758	13.4	**61.1**	38.1
Total	**163,029**	230,521	(29.3)	**100**	100
Gross profit margin (%)	**10.0**	1.3			

For the Year, the revenue of the Group decreased by approximately 29.3% to approximately RMB163,029,000 (for the year ended 31 December 2013: approximately RMB230,521,000) and the gross profit margin increased by approximately 669.2% to approximately 10.0% (for the year ended 31 December 2013: approximately 1.3%). The gross profit margin of 2013 was low mainly due to inventories of approximately RMB105,920,000 which were off-season and slow-moving were written-down by the Group in the second half of 2013 and were sold through various independent third party export companies and resulting in loss of approximately RMB64,515,000 in 2013, thus, reducing the gross profit margin of 2013.

Revenue from the domestic sales of footwear products decreased by approximately 69.6% from approximately RMB53,288,000 for the year ended 31 December 2013 to approximately RMB16,185,000 for the Year, mainly as a result of the intensified competition, like deeper discounting, intensive promotional sales from major local brands and the closure of our 256 retail outlets, thus reducing the demand for our "Meike" products.

Revenue from the domestic sales of apparel products decreased by approximately 48.5% from approximately RMB69,924,000 for the year ended 31 December 2013 to approximately RMB36,012,000 for the Year, mainly due to the decrease in the average selling price from approximately RMB69 for the year of 2013 to approximately RMB66 for the Year and the decrease in the demand for the Group's apparel products due to the intensified competition from major local brands and the closure of our retail outlets.

Revenue from the domestic sales of accessories and shoe soles decrease by approximately 42.1% from approximately RMB19,551,000 for the year ended 31 December 2013 to approximately RMB11,320,000 for the Year, primarily due to the decrease in the sales of shoe soles during the Year.

Revenue from export sales increased by approximately 13.4% from approximately RMB87,758,000 for the year ended 31 December 2013 to approximately RMB99,512,000 for the Year. This is because more resources have been devoted by the Group to explore the overseas market in order to increase the volume of export sales.

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

	2014		2013	
	RMB'000	***%***	*RMB'000*	*%*
Central South China	**21,581**	**34.0**	76,972	53.9
East China	**41,936**	**66.0**	55,593	38.9
Southwest China	**–**	**–**	5,332	3.7
Northeast China	**–**	**–**	3,508	2.5
Northwest China	**–**	**–**	1,208	0.9
North China	**–**	**–**	150	0.1
Total	**63,517**	**100**	142,763	100

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

	2014		2013	
	Total units sold	**Average selling price**	Total units sold	Average selling price
	'000	***RMB***	*'000*	*RMB*
Sales to distributors				
Footwear (pairs)	**261**	**62**	730	73
Apparel (pieces)	**544**	**66**	1,013	69
Accessories (pieces)	**111**	**6**	600	6
Shoe soles (pairs)	**3**	**10**	3	13
Sales to export companies and overseas customers				
Footwear (pairs)	**2,104**	**45**	1,716	39
Apparel (pieces)	**163**	**32**	1,100	18

Revenue from the domestic sales of footwear products of the Group decreased by approximately 69.6% to approximately RMB16,185,000 in the Year (2013: approximately RMB53,288,000), mainly attributable to the decrease in the sales volume of footwear products by approximately 59.6% to approximately 0.26 million pairs in the Year (2013: approximately 0.73 million pairs).

Revenue from the domestic sales of apparel products of the Group decreased by approximately 48.5% to approximately RMB36,012,000 in the Year (2013: approximately RMB69,924,000), mainly attributable to the decrease in the sales volume of apparel products by approximately 46.3% to approximately 0.54 million pieces in the Year (2013: approximately 1.01 million pieces) and the decrease in the average selling price of approximately 4.3% to approximately RMB66 in the Year (2013: approximately RMB69).

Cost of sales

Cost of sales decreased by approximately 35.5% to approximately RMB146,669,000 in 2014 (2013: approximately RMB227,451,000), primarily as a result of the decrease in the sales of the Group's products.

Selling and distribution expenses

Selling and distribution expenses decreased by approximately 83.2% from approximately RMB55,530,000 in 2013 to approximately RMB9,336,000 in the Year, primarily as a result of a one-off subsidy was granted to our distributors in the second half of 2013.

Administrative expenses

Administrative expenses decreased by approximately 17.4% from approximately RMB46,575,000 in 2013 to approximately RMB38,489,000 in the Year, primarily due to the decrease in staff salary, welfare payment and research and development expenses.

Income tax credit

The income tax credit of the Group for the Year was nil (2013: income tax credit of approximately RMB2,648,000).

Inventories and Provision for Inventories

The following table sets out the ageing analysis of inventories net of allowance for inventories:

	As at 31 December 2014				As at 31 December 2013			
	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	**6,832**	**417**	**15,017**	**22,266**	10,463	3,212	39,273	52,948
91-180 days	**8,138**	**–**	**7,419**	**15,557**	3,139	–	–	3,139
181-365 days	**2,413**	**–**	**1,986**	**4,399**	1,750	–	–	1,750
Over 365 days	**1,373**	**–**	**–**	**1,373**	2,961	–	–	2,961
	18,756	**417**	**24,422**	**43,595**	18,313	3,212	39,273	60,798

The Group generally procures raw materials and commences production after having confirmed purchase orders with our distributors subsequent to our sales fairs. This practice can help us 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 28.3% from approximately RMB60.8 million as at 31 December 2013 to approximately RMB43.6 million as at 31 December 2014, and the number of days of inventory turnover decreased from 127.3 days for the year ended 31 December 2013 to 116.9 days for the Year.

The Group may make specific provision on inventories. The Group conducts physical counts from time to time to identify obsolete, damaged or slow-moving inventories. Provision will be made on an inventory item if its carrying amount is lower than its net realisable value.

No provision has been made on finished goods as at 31 December 2014.

No provision was made for work-in-progress as those work-in-progress was still in progress and for orders of early 2015.

Trade and Other Receivables and Provision for Impairment Loss

The Group generally grants to 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 and after considering their financial strength, past credit history and business performance history. The Group believed that this would enhance the flexibility of these distributors, which in turn might encourage them to sustain their development of our brand and/or enhance their sales even in market with intensified competition but reduction in demand. This measure was adopted by the Group temporarily in the Year and will be adjusted from time to time according to the market situation.

Trade receivables, net of provision for impairment loss, decreased by approximately 36.1% from approximately RMB178.6 million as at 31 December 2013 to approximately RMB114.2 million as at 31 December 2014. Besides, turnover day of trade receivables decreased from approximately 381.1 days for the year ended 31 December 2013 to approximately 327.8 days for the Year. The reason for the decrease in the number of turnover day of trade receivables was mainly due to a significant amount of impairment loss in respect of trade receivables, amounting to approximately RMB114.5 million, was further recognised as at the end of the Year. This was because starting from the second half of 2011, the demand in the sportswear was significantly reduced but at the same time the sportswear industry experienced an intensive competition as certain major players have repurchased inventories from their distributors and re-sold with deeper discount 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 of 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 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 2014, impairment loss in respect of trade receivables was recognised in the consolidated statement of comprehensive income amounting to approximately RMB114.5 million.

No impairment loss was recognised in respect of other receivables.

Details of trade and other receivables as at 31 December 2014 are set out in Note 10 to the consolidated financial statements in this announcement.

Liquidity and Financial Resources

During the Year, net cash outflow from operating activities of the Group amounted to approximately RMB36.5 million (2013: net cash outflow of approximately RMB7.6 million). This is mainly attributable to the substantial decrease in the trade, bills and other receivables and inventories which was in turn due to the substantial decrease in the Group's sales and the Group's fasten pace to clear the excessive level of inventories during the Year. As at 31 December 2014, bank balances and cash in hand and short-term bank deposits amounted to approximately RMB230.3 million, representing a net decrease of approximately RMB24.7 million as compared to the position as at 31 December 2013. As at 31 December 2014, the Group's cash balances were denominated in Renminbi and Hong Kong Dollars only.

Pledge of Assets

As at 31 December 2014, the Group secured its bank borrowings by prepaid land lease payments and buildings held for own uses with a carrying amount of approximately RMB67.2 million (2013: approximately RMB74.4 million), trade receivables of approximately RMB6.3 million (2013: approximately RMB70.3 million) and bank deposits of approximately RMB1.6 million (2013: Nil).

Capital Commitments and Contingent Liabilities

Details of the capital commitments of the Group as at 31 December 2014 are set out in Note 13 to the consolidated financial statements in this announcement. As at 31 December 2014, 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 2014.

Loss Attributable to Shareholders and Net Loss Margin

For the Year, loss attributable to the owners of the Company amounted to approximately RMB165,175,000, representing a decrease of approximately 35.1% as compared to that in the same period of 2013 (2013: loss attributable to the owners of the Company amounted to approximately RMB254,624,000). Net loss margin of the Group dropped to approximately 101.3% (2013: net loss margin approximately 110.5%).

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 2014, the gearing ratio of the Group was approximately 34.7% (2013: approximately 24.5%), 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 2014, the Group's bank loans balance amounted to approximately RMB202,980,000, bearing interest rates from 5.66% to 7.8%, which were all due within one year.

Closure of the Register of Members

The register of members of the Company will be closed from 27 May 2015 to 29 May 2015, 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 transfer of shares of the Company accompanied by the relevant share certificated and transfer forms must be lodged with the Company's branch share register in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong before 4:30 p.m. on 26 May 2015.

Human Resources

As at 31 December 2014, the Group had a total of 1,102 employees (as at 31 December 2013: 1,434 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 on 1 February 2010 (the "Listing Date") 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 2014:

Use of Net Proceeds ***(RMB million)***	**Available to utilise (as at 1 January 2014)**	**Utilised (as at 31 December 2014)**	**Unutilised (as at 31 December 2014)**
Expansion of production capacity	14.9	2.3	12.6
Expansion of the sales network and market penetration	2.6	1.2	1.4
Develop and increase brand awareness	33.3	2.0	31.3
	50.8	5.5	45.3

Future Prospects

2014 is a challenging year for the Group as the domestic demand for our Meike brand is still low and the competition in the industry is still intense. In order to cope with the current unfavourable market condition, the Group will continue to enhance the capabilities of products research and development in order to differentiate from other industry players. Besides, the Group will closely monitor the operation of the existing distributors in order to avoid piling up of inventories and work with them to enhance profits from their operation of our Meike brands outlets. Moreover, the Group will continue to devote more resources to explore the overseas market in order to increase the export volume.

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.

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 during the Year and 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 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 Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") as the required standard for securities transactions by Directors. The Company has made specific enquiries of all Directors and all Directors confirmed that they have complied with the required standards set out in the Model Code and its code of conduct regarding Directors' securities transactions during the Year 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. Lin Jiwu and Mr. Liu Qiuming, all being independent non-executive Directors.

During the Year, the Audit Committee had reviewed the interim results and 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 2014 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 2015.

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

Hong Kong, 27 March 2015

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. Lin Jiwu, Ms. Qiu Qiuxing and Mr. Liu Qiuming as independent non-executive Directors.