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MEIKE INTERNATIONAL HOLDINGS LIMITED

美克國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 00953)

ANNOUNCEMENT OF THE UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2015

The board (the “Board”) of directors (the “Directors”) of Meike International Holdings Limited (the “Company”) is pleased to announce the unaudited results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2015 (the “Period”) as follow:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2015

		Six months ended 30 June	
		2015	2014
	<i>Notes</i>	RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Revenue	4	74,825	65,055
Cost of sales		(60,257)	(50,902)
Gross profit		14,568	14,153
Other income		5,716	16,743
Impairment loss recognised in respect of trade receivables		(49,196)	(72,075)
Impairment loss recognised in respect of inventory		(5,238)	–
Impairment loss recognised in respect of property, plant and equipment		(5,552)	–
Selling and distribution costs		(4,599)	(5,533)
Administrative expenses		(14,558)	(16,206)
Other operating expenses		(2,444)	(2,657)
Finance costs	6	(7,238)	(5,650)
Loss before tax		(68,541)	(71,225)
Income tax	7	–	–
Loss and total comprehensive expense for the period	8	(68,541)	(71,225)
Loss per share – Basic and diluted (<i>RMB cents</i>)	10	(5.79)	(6.01)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2015

		30 June 2015 <i>RMB'000</i> (Unaudited)	31 December 2014 <i>RMB'000</i> (Audited)
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment		120,939	127,924
Prepaid lease payments		44,329	44,870
		<u>165,268</u>	<u>172,794</u>
Current assets			
Inventories		46,043	43,595
Trade, bills and other receivables	11	92,898	136,168
Prepaid lease payments		1,098	1,098
Pledged bank deposits		–	1,590
Short-term bank deposits		36,165	88,543
Bank balances and cash		171,432	141,791
		<u>347,636</u>	<u>412,785</u>
Current liabilities			
Trade, bills and other payables	12	28,273	27,875
Amount due to a related company		644	496
Bank borrowings		198,300	202,980
		<u>227,217</u>	<u>231,351</u>
Net current assets		<u>120,419</u>	<u>181,434</u>
Total assets less current liabilities		<u><u>285,687</u></u>	<u><u>354,228</u></u>
Capital and reserves			
Share capital		10,355	10,355
Reserves		275,332	343,873
		<u><u>285,687</u></u>	<u><u>354,228</u></u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

1. GENERAL INFORMATION

Meike International Holdings Limited (the “Company”) was incorporated in the Cayman Islands as an exempted company with limited liability on 25 June 2009. The shares of the Company have been listed on the Main Board of the Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since 1 February 2010. The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information to the annual report.

The Company and its subsidiaries (collectively referred to as the “Group”) are principally engaged in the manufacturing and trading of sports goods. The Company acts as an investment holding company and provides corporate management services.

The condensed consolidated financial statements is presented in Renminbi (“RMB”) which is also the functional currency of the Group.

2. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS(s)”) 34 Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange.

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2015 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2014.

In the current interim period, the Group has applied, for the first time, the following new and revised Hong Kong Financial Reporting Standards (“HKFRSs”), which include HKFRSs, HKASs, amendments and Interpretations (“Int(s)”) issued by the HKICPA.

Amendments to HKFRSs
Amendments to HKFRSs

Annual Improvements to HKFRSs 2010-2012 Cycle
Annual Improvements to HKFRSs 2011-2013 Cycle

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

4. REVENUE

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

	Six months ended 30 June	
	2015 <i>RMB'000</i> (Unaudited)	2014 <i>RMB'000</i> (Unaudited)
Footwear	68,738	46,195
Apparel	6,066	17,602
Accessories and shoe sole	21	1,258
	<u>74,825</u>	<u>65,055</u>

5. SEGMENT INFORMATION

Operating segments, and the amounts of each segment item reported in the condensed consolidated financial statements, are identified from the financial information provided regularly to the Group's chief operating decision maker for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

The Group is organised into a single operating segment as selling sports goods products primarily in the PRC and all revenues, expenses, results, assets and liabilities and capital expenditures are predominantly attributable to this single segment. Accordingly, no segment analysis by business and geographical information is presented.

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

	Six months ended 30 June	
	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Customer A	17,966	N/A
Customer B	8,337	N/A
Customer C	7,517	13,124
Customer D	7,920	12,490

6. FINANCE COSTS

	Six months ended 30 June	
	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Interest on bank borrowings wholly repayable within five years	7,238	5,650

7. INCOME TAX

No provision for Hong Kong profits tax and PRC enterprise income tax has been made as the Group did not have any estimated assessable profits arising in Hong Kong and PRC for both periods.

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 the six months ended 30 June 2015 and 2014.

No withholding tax was accrued as the Group did not generate distributable profits for both periods.

8. LOSS FOR THE PERIOD

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

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Salaries and allowances	15,687	15,985
Contributions to retirement benefits scheme	2,019	2,575
Share-based payments	–	141
Total staff cost (Including directors' and chief executive's emoluments)	17,706	18,701
Auditors' remuneration	395	182
Cost of inventories recognised as an expense	65,495	50,902
Amortisation of prepaid lease payments	541	541
Depreciation of property, plant and equipment	2,452	4,169
Reversal of impairment loss recognised in respect of trade receivables	(2,336)	(10,438)
Gain from disposal of property, plant and equipment	(65)	–
Net foreign exchange gains	(306)	(24)
Rental income	(28)	(51)
Research and development cost (included in other operating expenses) (<i>Note</i>)	2,444	2,493

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

9. DIVIDEND

No dividends were paid, declared or proposed during the six months ended 30 June 2015 and 2014.

10. LOSS PER SHARE

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

	Six months ended 30 June	
	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Loss		
Loss for the period attributable to the owners of the Company		
for the purpose of basic and diluted loss per share	<u>(68,541)</u>	<u>(71,225)</u>
	<i>'000</i>	<i>'000</i>
Number of shares		
Weighted average number of ordinary shares		
for the purpose of basic and diluted loss per share	<u>1,184,610</u>	<u>1,184,610</u>

The computation of the diluted loss per share does not assume the exercise of the Company's share options because the exercise prices of those options were higher than the average market price of shares for the six months ended 30 June 2015 and 2014.

The diluted loss per share for the six months ended 30 June 2015 and 2014 are the same as the basic loss per share as there were no dilutive potential ordinary shares outstanding during the interim periods.

11. TRADE, BILLS AND OTHER RECEIVABLES

The Group generally allows a 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.

The following is an aged analysis of trade and bills receivables net of accumulated impairment losses of approximately RMB355,773,000 (as at 31 December 2014: RMB308,913,000), presented based on the invoice date which approximately the revenue recognition date.

	30 June	31 December
	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
0 to 90 days	18,990	47,625
91 to 180 days	21,128	39,158
181 to 365 days	30,006	28,064
	70,124	114,847

12. TRADE, BILLS AND OTHER PAYABLES

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

	30 June	31 December
	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
0 to 90 days	9,770	11,284
91 to 180 days	1,307	466
181 to 365 days	95	1,380
	11,172	13,130

13. OPERATING LEASES COMMITMENT

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 which fall due as follows:

	30 June	31 December
	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Within one year	1,414	1,729
In the second to fifth years, inclusive	305	760
	1,719	2,489

14. CAPITAL COMMITMENTS

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

	30 June	31 December
	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Contracted but not provided for in the condensed consolidated financial statements	–	35,513

15. PLEDGE OF ASSETS

The Group had pledged the following assets to secure bank borrowings and bills payables of the Group at the end of the reporting period. The carrying values of the assets pledged are as follows:

	30 June	31 December
	2015	2014
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Buildings held for own use	31,628	32,601
Pledged bank deposits	–	1,590
Prepaid lease payments	34,068	34,609
Trade receivables	–	6,297
	<u>65,696</u>	<u>75,097</u>

16. RELATED PARTY TRANSACTIONS

Save as disclosed in the condensed consolidated financial statements, the Group has the following significant related party transactions:

- (i) During the six months ended 30 June 2014, the Group leased certain interest in leasehold land held for own use under operating leases and buildings from a related company, Hengqiang (China) Co., Ltd. at total rental expenses of approximately RMB395,000. Mr. Ding Siqiang, a director of the Company, is holding 80% of Hengqiang (International) Co.,Ltd., which is the ultimate holding company of Hengqiang (China) Co., Ltd. The abovementioned lease agreement was cancelled on 19 September 2014.

- (ii) The remuneration of directors of the Company and other members of key management during the six months ended 30 June 2015 and 2014 were as follows:

	Six months ended 30 June	
	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Short-term benefits	1,377	1,757
Post-employment benefits	52	54
Share-based payments	–	141
	<u>1,429</u>	<u>1,952</u>

17. EVENTS AFTER THE END OF REPORTING PERIOD

Pursuant to the announcement made by the Company on 29 July 2015 (the “Announcement”), the Company has entered into a subscription agreement with various investors and has conditionally agreed to allot and issue, and the investors have conditionally agreed to subscribe for, a total of 3,553,830,000 ordinary shares and a total of 16,246,170,000 convertible preference shares of the Company. Details of which are set out in the Announcement.

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Review

Despite of the recovery of some major sportswear brands from the downturn in past few years but small to medium sportswear brands are still struggling from the path of recovery. This is mainly due to the pressure of intense competition in prices, R&D, technologies, etc, from both the local and international major brands and the change in the consumption pattern of the domestic customers, like on-line shopping.

Business Review

During the six months ended 30 June 2015 (the “Period”), sales of the Group was increased by approximately 15.0% from approximately RMB65,055,000 to approximately RMB74,825,000 as compared to the same period of 2014, this is mainly due to the increase in our export sales to overseas markets by approximately 70.0%. 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 which, compensated the significant decreased in domestic sales.

During the Period, the Group had worked with the distributors to close down 59 retail outlets with significant loss or significant drop in sales. As at 30 June 2015, the Group has 5 distributors, overseeing 247 outlets which comprised 224 Meike distributor outlets and 23 Meike retailer outlets. These outlets located in 9 provinces, autonomous regions and municipalities and around 100 districts, counties and county-level cities in PRC.

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 30 June 2015 and 31 December 2014, respectively by geographical location:

	As at 30 June 2015		As at 31 December 2014	
	Distributors	Outlets	Distributors	Outlets
East China ⁽¹⁾	2	123	2	186
Central South China ⁽²⁾	3	124	3	120
Total	5	247 ⁽³⁾	5	306 ⁽⁴⁾

Notes:

- (1) East China includes Shanghai, Jiangsu, Zhejiang, Anhui, Fujian and Shandong;
- (2) Central South China includes Hubei, Henan, Guangdong and Guangxi;
- (3) 224 were Meike distributor outlets and 23 were Meike retailer outlets;
- (4) 276 were Meike distributor outlets and 30 were Meike retailer outlets.

For export products, the Group mainly sells footwear products through export companies. Before 2007, export business was a major source of the Group's revenue. In 2006, as the Group adjusted its strategy to further develop the "Meike" branded products, the Group changed its focus of operation from export business to the "Meike" branded products. However, as the domestic sales was dropped continuously, the Group gradually increased the proportion of export sales.

Through the export companies, the Group's export products were ultimately sold to 20 overseas countries, including Germany, Turkey, Holland, Russia, Spain, England and etc. The Group will continue to enhance its product design capacity, to better control its production costs and to maintain the high quality of its products to meet the requirements of its export company customers and overseas customers.

Product Development and Design

Currently, each of the footwear and apparel segments has its own dedicated in-house design team to design products that meet the tastes and preferences of the Group's target consumers. The core members of the Group's design teams have extensive experience in the design industry and graduated from design or art schools in the PRC. The majority of the Group's design team members graduated from college in the PRC and have design or art related diploma. Most of the Group's design team members have more than 9 years design related experience after joining the Group. To maintain an international perspective to the Group's designs, each product design team visited the leading fashion stores, shopping centers and fashion shows in South Korea, North America and Europe, from time to time which in the Group's belief, have been, and will continue to be, influential in setting the fashion trends in the PRC. The Group believes that this practice enables the design team to cater for the latest fashion trends while echoing thematic elements from the Group's integrated marketing campaigns to establish a consistent image for the Group's brand and products.

As at 30 June 2015, the Group had a total of 47 full-time employees in its design and development department.

Financial Review

Revenue by product category

	Six months ended 30 June			Six months ended 30 June	
	2015	2014		2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>	<i>Change (%)</i>	<i>% of total revenue</i>	
Domestic					
Footwear	6,005	9,402	(36.1)	8.0	14.4
Apparel	6,066	17,497	(65.3)	8.1	26.9
Accessories and shoe soles	21	1,258	(98.3)	0.1	1.9
	12,092	28,157	(57.1)	16.2	43.2
Export					
Footwear	62,733	36,793	70.5	83.8	56.6
Apparel (Meike brand)	–	105	(100.0)	–	0.2
	62,733	36,898	70.0	83.8	56.8
Total	74,825	65,055	15.0	100	100
Gross profit margin (%)	19.5	21.8	(10.6)		

For the Period, the revenue of the Group increased by approximately 15.0% to approximately RMB74,825,000 (six months ended 30 June 2014: approximately RMB65,055,000) and the gross profit margin decreased by approximately 10.6% to approximately 19.5% (six months ended 30 June 2014: approximately 21.8%).

Revenue from domestic sales of footwear products decreased by approximately 36.1% from approximately RMB9,402,000 for the six months ended 30 June 2014 to approximately RMB6,005,000 for the Period, mainly as a result of the intensified competition and closure of our retail outlets which lead to reducing demand for our “Meike” products.

Revenue from export sales increased by approximately 70.0% from approximately RMB36,898,000 for the six months ended 30 June 2014 to approximately RMB62,733,000 for the Period. This is because the Group has increased the proportion of export sales in order to cover the significant drop in the domestic sales.

Revenue from the domestic sales of the Group's apparel products decreased by approximately 65.3% from approximately RMB17,497,000 for the six months ended 30 June 2014 to approximately RMB6,066,000 for the Period, mainly as a result of the intensified competition.

Cost of sales

Cost of sales increased by approximately 18.4% to approximately RMB60,257,000 for the Period (six months ended 30 June 2014: approximately RMB50,902,000), primarily as a result of the increased in the cost of export sales to the overseas markets.

Gross Profit Margin

Gross profit margin decreased from approximately 21.8% for the six months ended 30 June 2014 to approximately 19.5% for the Period, mainly due to the significant decrease in domestic sales as the gross profit margin of domestic sales was higher than the gross profit margin of export sales.

Other Income

Other income represented mainly the interest income and the reversal of impairment loss recognised in respect of trade receivables.

Selling and distribution costs

Selling and distribution costs decreased by approximately 16.9% from approximately RMB5,533,000 for the corresponding period in 2014 to approximately RMB4,599,000 for the Period, primarily resulting from the decrease of the marketing expenses.

Administrative Expenses

Administrative expenses decreased by approximately 10.2% from approximately RMB16,206,000 for the corresponding period in 2014 to approximately RMB14,558,000 for the Period, primarily due to the decrease in the staff salaries and welfare.

Income Tax Credit

The income tax credit of the Group for both period ended 30 June 2015 and 2014: Nil.

Inventories and Provision for Inventories

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

	As at 30 June 2015				As at 31 December 2014			
	Raw	Work-in-	Finished	Total	Raw	Work-in-	Finished	Total
	Materials	progress	Goods		Materials	progress	Goods	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
0-90 days	10,122	146	5,561	15,829	6,832	417	15,017	22,266
91-180 days	7,368	–	6,616	13,984	8,138	–	7,419	15,557
181-365 days	4,287	46	12,367	16,700	2,413	–	1,986	4,399
Over 365 days	4,312	–	456	4,768	1,373	–	–	1,373
Provision	–	–	(5,238)	(5,238)	–	–	–	–
	<u>26,089</u>	<u>192</u>	<u>19,762</u>	<u>46,043</u>	<u>18,756</u>	<u>417</u>	<u>24,422</u>	<u>43,595</u>

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 increased by approximately 5.6% from approximately RMB43,595,000 as at 31 December 2014 to approximately RMB46,043,000 as at 30 June 2015 and number of days of inventory turnover decreased from approximately 116.9 days for the year ended 31 December 2014 to approximately 109.3 days for the Period. Decrease in the number of days of inventory turnover was mainly due to the inventory impairment loss recognised during the Period.

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.

RMB5,238,000 allowance has been made on finished goods as at 30 June 2015 that were obsolete and unable to sale in either domestic or overseas market.

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

Provision for Doubtful Debts

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 since 2013 upon negotiation after considering their financial strength, past credit history and business performance history. The Group believed that this would allow these distributors with 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 and 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 38.9% from approximately RMB114,847,000 as at 31 December 2014 to approximately RMB70,124,000 as at 30 June 2015. Besides, turnover day of trade receivables decreased from approximately 327.8 days for the year ended 31 December 2014 to approximately 225.6 days for the Period due to further recognition of impairment loss as at 30 June 2015. 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 RMB49,196,000, was further recognised as at the end of the Period. On the other hand, export sales was increased by approximately 70.0% as compared to the same period of 2014 whereas, credit period of export sales are shorter than domestic sales. Thus, reduced the overall turnover day of trade receivables.

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 based on 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 six months ended 30 June 2015, impairment loss in respect of trade receivables was recognised in the condensed consolidated statement of profit or loss and other comprehensive income amounting to approximately RMB49,196,000.

No impairment loss was recognised in respect of other receivables.

Details of trade and other receivables as at 30 June 2015 are set out in note 11 to the condensed consolidated interim financial statements in this announcement.

Liquidity and Financial Resources

During the Period, net cash outflow from operating activities of the Group amounted to approximately RMB16,962,000 (six months ended 30 June 2014: net cash inflow of approximately RMB17,221,000). As at 30 June 2015, cash and cash equivalents, including bank deposits and cash in hand, and short-term bank deposits amounted to approximately RMB207,597,000, representing a net decrease of approximately RMB22,737,000 as compared to the position as at 31 December 2014. As at 30 June 2015, the Group's cash balance were denominated in Renminbi and Hong Kong Dollars only.

Pledge of Assets

As at 30 June 2015, the Group secured its bank borrowings by prepaid land lease payments and building held for own uses with a carrying amount of approximately RMB65,696,000 (31 December 2014: approximately RMB67,210,000), trade receivables: Nil (31 December 2014: approximately RMB6,297,000) and bank deposit: Nil (31 December 2014: RMB1,590,000).

Capital Commitments and Contingent Liabilities

Details of the capital commitments as at 30 June 2015 are set out in note 14 to the condensed consolidated interim financial statements of this announcement. As at 30 June 2015, the Group did not have any material contingent liabilities.

Loss Attributable to the Owner of the Company and Net Loss Margin

For the Period, loss attributable to the owner of the Company amounted to approximately RMB68,541,000, representing an decrease of approximately 3.8% over that in the same period of 2014 (six months ended 30 June 2014: loss attributable to the owner of the Company amounted to approximately RMB71,225,000). Net loss margin of the Group is approximately 91.6% (six months ended 30 June 2014: net loss margin approximately 109.5%).

Foreign Exchange Risk

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

During the Period, the Group did not hedge any exposure in foreign currency risk. Any substantial exchange rate fluctuation of foreign currencies against Renminbi may cause financial impacts on the Group.

Gearing Ratio

As at 30 June 2015, the gearing ratio of the Group was approximately 38.7% (31 December 2014: approximately 34.7%), which was derived by dividing interest-bearing debt incurred in the ordinary course of business by total assets.

Interest-Bearing Bank Loans

As at 30 June 2015, the Group's bank loans balance amounted to approximately RMB198,300,000, bearing interest rates from 5.15% to 7.8%, which are all due within one year.

Human Resources

As at 30 June 2015, the Group had a total of 953 employees (31 December 2014: 1,102 employees).

Material Acquisition and Disposal

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

Events after the End of Reporting Period

Pursuant to the announcement made by the Company on 29 July 2015 (the “Announcement”), the Company has entered into a subscription agreement with various investors and has conditionally agreed to allot and issue, and the Investors have conditionally agreed to subscribe for, a total of 3,553,830,000 ordinary shares and a total of 16,246,170,000 convertible preference shares of the Company. Details of which are set out in the Announcement.

Use of Net Proceeds from the Share Offering

The shares of the Company were listed on the Main Board of the Stock Exchange of Hong Kong Limited (“the Stock Exchange”) on 1 February 2010 (the “Listing Date”) with net proceeds from the share offering and the exercise of the over-allotment option received by the Company of approximately HK\$335.4 million (approximately RMB295.2 million) and approximately HK\$46.3 million (approximately RMB40.7 million) respectively (after deducting underwriting commission and related expenses). The following table sets out the use of proceeds up to 30 June 2015:

Use of Net Proceeds (<i>RMB million</i>)	Available to		
	utilise (as at 1 January 2015)	Utilised (as at 30 June 2015)	Unutilised (as at 30 June 2015)
Expansion of production capacity	12.6	–	12.6
Expansion of the sales network and market penetration	1.4	–	1.4
Develop and increase brand awareness	31.3	–	31.3
	<u>45.3</u>	<u>–</u>	<u>45.3</u>

FUTURE PROSPECTS

As the domestic demand of our Meike brand is still low and the competition in the industry is still intense, the Group is intended to maintain certain domestic sales with the current unfavourable condition in the domestic market. On the other hand, the Group will continue to enhance the capabilities of products research and development and devote more resources to explore the overseas market in order to increase the export volume and minimize loss of the Group.

OTHER INFORMATION

Interim Dividend

The Board did not recommend the payment of interim dividend for the Period (2014: Nil).

Interests of Directors in Contracts

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

Directors’ Interest in Competing Business

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

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 Period.

Code on Corporate Governance

Save as disclosed below, the Company had complied with all the code provisions as set out in the Corporate Governance Code (the “Code”) contained in Appendix 14 to the Listing Rules during the Period.

Under the 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 deviates from the 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. The Board believes that this structure is conducive to strong and consistent leadership enabling the Group to operate efficiently.

The Company understands the importance to comply with the code provision A.2.1 of the Code and will continue to consider the feasibility to comply with it. If compliance is determined, appropriate persons will be nominated to assume the different roles of chairman and chief executive officer.

Model Code for Securities Transactions by Directors of Listed Issuers

The Company has adopted the Model Code as the code of conduct regarding directors’ securities transactions. Having made specific enquiry with all Directors, all Directors confirmed that they have complied with the required standard set out in the Model Code throughout the Period.

Audit Committee

The Company has an audit committee (the “Audit Committee”) with terms of reference aligned with the provision of the Code as set out in Appendix 14 to the Listing Rules for the purpose of reviewing and providing supervision on the financial reporting process and internal controls of the Group. The Audit Committee comprises three members, Ms. Qiu Qiuxing (Chairman), Mr. Pang Hong, Mr. Poon Kwok Hing, Albert, all being independent non-executive Directors.

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

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

PRC, 17 August 2015

As at the date of this announcement, the Board comprises Mr. Ding Siqiang (Chairman), Ms. Ding Xueleng, Dr. Allan Yap, Mr. Lau Yu Hang and Mr. Li Dongxing as executive directors of the Company; Mr. Wong Ka Ching as non-executive director; and Mr. Pang Hong, Mr. Poon Kwok Hing, Albert and Ms. Qiu Qiuxing as independent non-executive directors of the Company.