美克國際控股有限公司
MEIKE INTERNATIONAL HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)
Stock Code : 00953

2009
ANNUAL REPORT

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CORPORATE INFORMATION

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. Ding Siqiang *(Chairman and President)*
Ms. Ding Xueleng
Mr. Sun Keqian
Ms. Ding Jinzhu
Mr. Lin Yangshan
Mr. Li Dongxing

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Xiang Shimin
Mr. Yang Chengjie
Mr. Xie Weichun

BOARD COMMITTEES

AUDIT COMMITTEE

Mr. Xie Weichun *(Chairman)*
Mr. Xiang Shimin
Mr. Yang Chengjie

NOMINATION COMMITTEE

Mr. Ding Siqiang *(Chairman)*
Mr. Xiang Shimin
Mr. Yang Chengjie

REMUNERATION COMMITTEE

Mr. Ding Siqiang *(Chairman)*
Mr. Xie Weichun
Mr. Xiang Shimin

COMPANY SECRETARY

Mr. Li Yik Sang

AUTHORISED REPRESENTATIVES

Mr. Li Dongxing
Mr. Li Yik Sang

REGISTERED OFFICE

Cricket Square, Hutchins Drive
P.O. Box 2681, Grand Cayman KY1-1111
Cayman Islands

HEAD OFFICE IN THE PRC

Meike Industrial Park
Xibian Village, Chendai Town
Jinjiang City, Fujian Province, The PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suites 2201-2203, 22/F Jardine House
1 Connaught Place, Central
Hong Kong

STOCK CODE

00953

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fulcrum Group (Cayman) Limited
Butterfield House, 68 Fort Street
P.O. Box 609, Grand Cayman KY1-1107
Cayman Islands

HONG KONG SHARE REGISTRAR

Tricor Investor Services Limited
26/F, Tesbury Centre
28 Queen's Road East
Hong Kong

AUDITOR

SHINEWING (HK) CPA Limited

INTERNAL CONTROL REVIEW ADVISER

SHINEWING Risk Services Limited

LEGAL ADVISERS

AS TO HONG KONG LAW

Loong & Yeung

COMPLIANCE ADVISER

China Merchants Securities (HK) Co., Limited

PRINCIPAL BANKERS

Industrial and Commercial Bank of China Limited
Agricultural Bank of China

COMPANY WEBSITE

www.meike.cn

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of Meike International Holdings Limited (the "Company"), I hereby present the audited annual results of the Company and its subsidiaries (collectively, the "Group") for the year ended December 31, 2009 (the "Year").

RESULTS HIGHLIGHTS

During the Year, the turnover of the Group amounted to RMB499,420,000 (2008: RMB365,631,000), representing a year-on-year growth of 36.6% or RMB133,789,000. Profit for the Year grew by 68.9% from RMB56,457,000 in the same period of 2008 to RMB95,354,000. Earnings per share amounted to RMB0.121 (2008: RMB0.065).

During the Year, as a result of the impacts of global financial tsunami and the prudent approach adopted towards overseas customers, the export business of the Group was significantly affected and the export revenue dropped from RMB136,453,000 for the year ended December 31, 2008 to RMB103,356,000 for the Year. At the same time, the domestic sales of the Group rose from RMB229,178,000 for the year ended December 31, 2008 to RMB396,064,000 for the Year, mainly attributable to the increase in the resources allocated to the Group's domestic business, expansion of exclusive distribution business, enhancement of marketing strategies, strengthening of product R&D, and design and diversification of product mix.

The Board recommended the payment of a final dividend of HK$0.034 per share in respect of the Year. Subject to the approval of the shareholders at the forthcoming annual general meeting, it is expected that the final dividend will be paid on or around June 24, 2010.

FUTURE PROSPECTS

Firstly, I would like to thank all the parties for their joint efforts in making the listing of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on February 1, 2010 successful, which recorded a substantial over-subscription under the Hong Kong Public Offer, reflecting the confidence of investors on the business prospects and competitive strengths of the Group.

The Group will continue to expand and extend its distribution network and expects that the total number of Meike outlets will be up by approximately 36% to approximately 1,800 outlets by the end of 2010, as compared to 1,318 outlets in the same period of 2008. In addition, in order to enhance its R&D capabilities, the Group has intended to apply approximately 8% of the proceeds raised from the listing for the establishment of a new R&D center to enhance the quality of products and expand the product mix. Besides, the Group also plans to apply approximately 30% of the proceeds raised from the listing for the construction of apparel manufacturing facilities, warehouse and staff quarters on the land in Shanxia Village, Shanxia Town, Huian County, Quanzhou City, Fujian Province; and approximately RMB17.2

CHAIRMAN'S STATEMENT

million for the purchase of machinery and equipment and the upgrade of current manufacturing facilities, plant and machinery, thereby increasing the production capacity of apparel from approximately 600,000 pieces per annum to approximately 5,800,000 pieces per annum by 2011. Such facilities are expected to commence trial production at the end of 2010 and operate at full scale in 2011.

Finally, on behalf of the Board, I would like to thank the management and all the staff for their hard work and dedication to the Group, as well as the shareholders and customers for their support to the Group over the years.

Ding Siqiang
Chairman

Hong Kong, April 23, 2010

MANAGEMENT DISCUSSION AND ANALYSIS

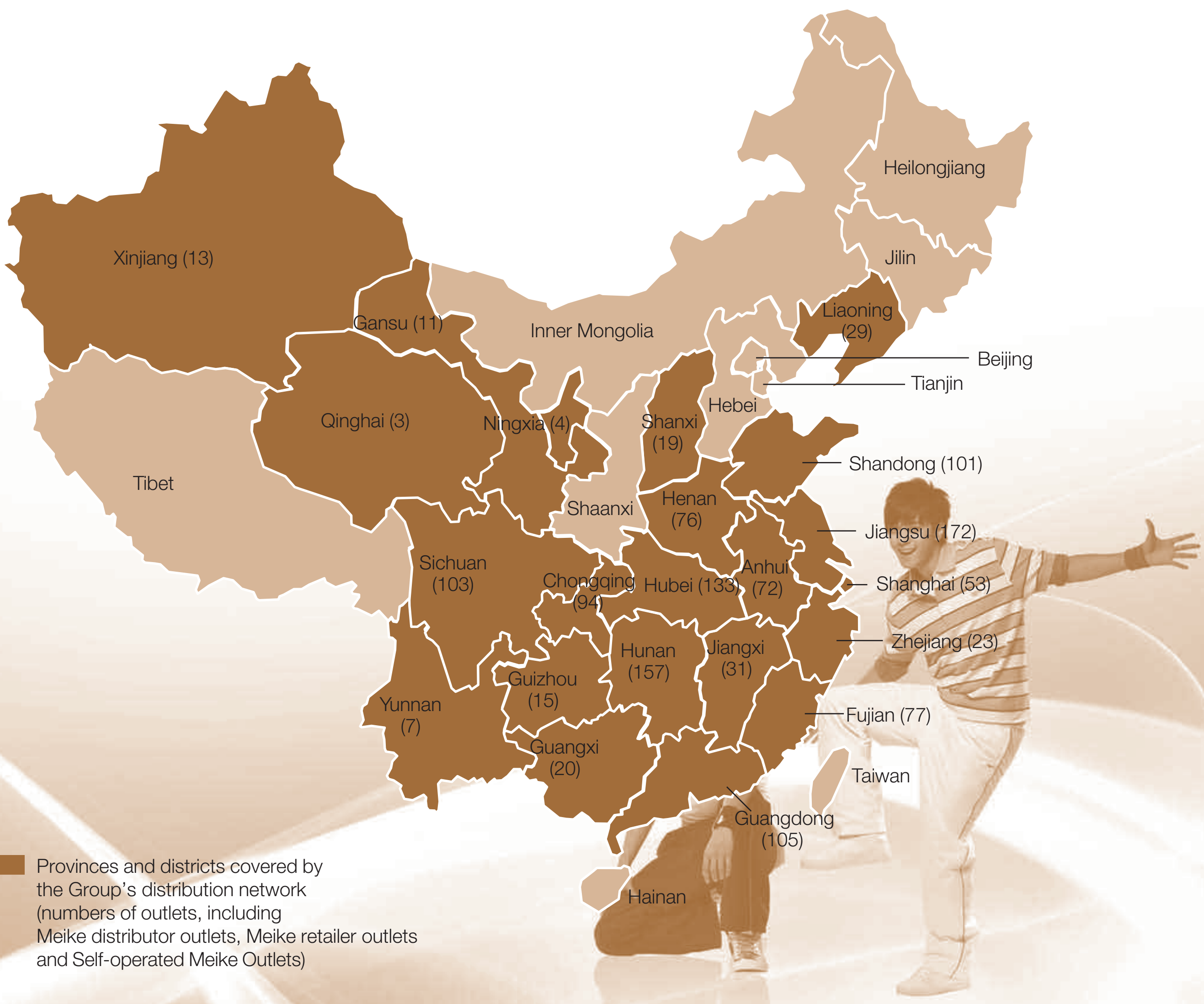
INDUSTRY OVERVIEW

As a result of the financial tsunami that broke out in the second half of 2008, the domestic consumption expenditure in China experienced a slowdown in early 2009. Accordingly, the domestic retail market was fluctuating during the first half of 2009. However, as the PRC government launched a range of economic stimulus measures to drive the domestic demand, the overall retail industry began to rebound and bottom out from the first half of 2009. In particular, the sportswear and sports accessories industry in China had picked up at a speedy pace with more entrants to the industry. On the other hand, the export industry showed signs of recovery with gradual growth in the export volume of sportswear products and accessories.

BUSINESS REVIEW

Since 2006, as the management saw the vast growth opportunities in the domestic market and a number of major PRC sportswear manufacturers began to market its branded products through distributors and outlets, the Group has began to change its business model through selling substantially all “Meike” branded products to its distributors (the “Meike distributors”) where the Meike distributors markets the “Meike” branded products through its distributor outlets (the “Meike distributor outlets”) or retailer outlets (the “Meike retailer outlets”) so as to further penetrate into the PRC market. As at December 31, 2009, the Group had 23 distributors, overseeing 1,318 outlets which comprised 425 Meike distributor outlets and 893 Meike retailer outlets. These outlets, together with the outlets owned and operated by the Group (the “Self-operated Meike Outlets”) cover 22 provinces, autonomous regions and municipalities and more than 514 districts, counties and county-level cities in the PRC. The number of outlets expanded by 441 outlets over 877 outlets as at December 31, 2008. The Group will continue to expand and optimize its retail network through cooperation with distributors and utilization of their local resources and business network. The Group expects that the number of its outlets will grow to over 1,800 by the end of 2010.

The following diagram map sets out the Group’s distribution network in China as at December 31, 2009



MANAGEMENT DISCUSSION AND ANALYSIS

The following table sets out the total number of the Group's distributors and outlets (including Meike distributor outlets and Meike retailer outlets) in China as at December 31, 2008 and December 31, 2009, respectively by geographical location:

	As at December 31			
	2009		2008	
	Distributors	**Outlets**	Distributors	Outlets
Central South China[1]	**6**	**510**	6	335
East China[2]	**10**	**529**	10	331
Southwest China[3]	**4**	**219**	4	167
Northwest China[4]	**2**	**31**	2	26
North China[5]	**1**	**29**	1	18
Total	**23**	**1,318[7]**	23	877[6]

Notes:

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

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

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

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

(5) North China includes Liaoning and Shanxi;

(6) 265 were Meike distributor outlets and 612 were Meike retailer outlets;

(7) 425 were Meike distributor outlets and 893 were Meike retailer outlets.

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

Through the export companies and overseas customers, the Group's export products were ultimately sold to 34 overseas countries, including Germany, Netherland, the United States, Switzerland, Turkey, Argentina, France, South Africa and Poland. As many of the local export company customers and overseas customers have long term relationship with the Group, the Group believes that such customers have been and will continue to be loyal to it. The Group will continue to enhance its product design capacity, better control its product costs and maintain the high quality of its products to meet the requirements of the export company customers and overseas customers.

MANAGEMENT DISCUSSION AND ANALYSIS

PRODUCT DEVELOPMENT AND DESIGN

Currently, each of the footwear and apparel segments has its own dedicated in-house design team to design products that meet the tastes and preferences of the Group's target consumers. The core members of the Group's design teams have extensive experience in the design industry and graduated from design or art schools in the PRC. Substantially all of the Group's design team members graduated from college in the PRC and have design or art related diploma. Substantially all of the Group's design team members have more than 4 years design related experience after joining the Group. To maintain an international perspective to the Group's designs, each product design team from time to time visited the leading fashion stores, shopping centers and fashion shows in South Korea, North America and Europe, which in the Group's belief, have been, and will continue to be, influential in setting the fashion trends in the PRC. The Group believes that this practice enables the design team to cater to the latest fashion trends while echoing thematic elements from the Group's integrated marketing campaigns to establish a consistent image for the Group's brand and products.

As at December 31, 2009, the Group had a total of 48 full-time employees in its design and development department. The Group had applied for 2 appearance design patents and had been granted 14 appearance design patents.

FINANCIAL REVIEW

REVENUE BY PRODUCT CATEGORY

	2009 RMB'000	2008 RMB'000	Change (%)	**2009 % of total revenue**	2008 % of total revenue
Footwear					
Domestic	**267,362**	132,921	101.1%	**53.5**	36.4
Export	**103,356**	136,453	-24.3%	**20.7**	37.3
	370,718	269,374	37.6%	**74.2**	73.7
Apparel	**118,919**	88,774	34.0%	**23.8**	24.3
Accessories and shoe soles	**9,783**	7,483	30.7%	**2.0**	2.0
Total	**499,420**	365,631	36.7%	**100**	100
Gross profit margin (%)	**34.2**	32.6			

For the Year, the revenue of the Group increased by 36% to RMB499,420,000 (for the year ended December 31, 2008: RMB365,631,000) and the gross profit margin rose by 4.9% to 34.2% (for the year ended December 31, 2008: 32.6%).

Revenue from domestic sales of footwear products grew by 101.1% from RMB132,921,000 for the year ended December 31, 2008 to RMB267,362,000 for the Year, mainly as a result of the successful implementation of exclusive distribution business model, speedy expansion of the Group's retail network, successful promotion and marketing strategies, product design upgrade and diversification of product mix. In addition, the increase in sales was also attributable to the growth in market demand for sportswear products in China and the recovery of the economic conditions in China.

Revenue from export sales dropped by 24.3% from RMB136,453,000 for the year ended December 31, 2008 to RMB103,356,000 for the Year, predominantly due to the economic downturn in the overseas markets and the Group's continuous efforts to expand "Meike" branded products in China as a result of the increase in market demand for sportswear products in China and the recovery of economic conditions in China.

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue from the sales of the Group's apparel products increased by 34.0% from RMB88,774,000 for the year ended December 31, 2008 to RMB118,919,000 for the Year, primarily as a result of the increase in sales volume of the Group's apparel products from approximately 1,148,000 pieces for the year ended December 31, 2008 to approximately 1,783,000 pieces for the Year. The increase in the sales volume was mainly attributable to the upgrade of product design, and quality and diversification of product mix, which enhanced the market acceptance of the Group's apparel products.

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

	2009		2008	
	RMB'000	**%**	RMB'000	%
East China	**173,154**	**43.7**	97,567	42.6
Central South China	**159,858**	**40.4**	95,427	41.6
Southwest China	**52,181**	**13.2**	27,331	11.9
Northeast China	**5,553**	**1.4**	4,909	2.2
Northwest China	**5,318**	**1.3**	3,944	1.7
Total	**396,064**	**100**	229,178	100

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

	2009		2008	
	Total units sold '000	**Average selling price RMB**	Total units sold '000	Average selling price RMB
Sales to distributors				
Footwear (pairs)	**3,812**	**70**	1,687	79
Apparel (pieces)	**1,783**	**67**	1,148	77
Accessories and others (pieces/pairs)	**488**	**7**	679	11
Sales to export companies and overseas customers				
Footwear (pairs)	**3,115**	**33**	4,042	34

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue from domestic sales of footwear products of the Group rose by 101.1% to RMB267,362,000 in the Year (2008: RMB132,921,000), mainly attributable to the increase in the sales volume of footwear products by 125.4% to 3.81 million pairs (2008: 1.69 million pairs) and the reduction of the average selling price by 11.4% to RMB70 (2008: RMB79).

Revenue from export sales of footwear products of the Group dropped by 24.3% to RMB103,356,000 in the Year (2008: RMB136,453,000), primarily as a result of the reduction in the sales volume of footwear products by 23.0% to 3.11 million pairs (2008: 4.04 million pairs) and the reduction of the average selling price by 2.9% to RMB33 (2008: RMB34).

Revenue from the sales of apparel products of the Group increased by 34.0% to RMB118,919,000 in the Year (2008: RMB88,774,000), mainly attributable to the growth of sales volume of apparel products by 54.8% to 1.78 million pieces (2008: 1.15 million pieces) and the reduction of the average selling price of 13.0% to RMB67 (2008: RMB77).

COST OF SALES

Cost of sales increased by 33.3% to RMB328,483,000 in 2009 (2008: RMB246,480,000), primarily as a result of increase in sales of the Group's products.

SELLING AND DISTRIBUTION COSTS

Selling and distribution costs decreased by 29.0% from RMB29,721,000 in 2008 to RMB21,089,000 in the Year, primarily as a result of decrease in the advertising and market expenses as more significant advertising expenses relating to television advertisements were made for the 2008 Beijing Olympic Games during 2008.

ADMINISTRATIVE EXPENSES

Administrative expenses increased by 19.5% from RMB18,471,000 in 2008 to RMB22,096,000 in the Year, primarily due to the increase in staff salary and welfare payment, depreciation charges and listing expenses for the listing of the Company in early 2010.

MANAGEMENT DISCUSSION AND ANALYSIS

INCOME TAX EXPENSE

The income tax expense of the Group for the Year was RMB15,170,000 (2008: RMB1,829,000) at the effective tax rate of 13.7%.

TOP FIVE SUPPLIERS

For the Year, the purchases from the Group's top five suppliers accounted for approximately 23.9% of the total purchases from all of the Group's suppliers.

Top five suppliers	**2009** Number of suppliers	**2009** RMB million	**2009** %	2008 Number of suppliers	2008 RMB million	2008 %
Raw materials suppliers	**4**	**51.1**	**20.3**	2	28.7	17.8
Apparel contract manufacturers	**1**	**9.2**	**3.6**	3	30.8	19.1
Total	**5**	**60.3**	**23.9**	5	59.5	36.9

PROVISION FOR INVENTORIES

As at December 31, 2009, the Group did not make any provision for inventories.

PROVISION FOR DOUBTFUL DEBTS

As at December 31, 2009, the Group did not make any provision for doubtful debts.

LIQUIDITY AND FINANCIAL RESOURCES

During the Year, net cash outflow from operating activities of the Group amounted to RMB23.3 million (2008: net cash inflow of RMB28.3 million). As at December 31, 2009, cash and cash equivalents, including bank deposits and cash in hand, and short-term bank deposits with original maturities not exceeding three months, amounted to RMB78.7 million, representing a net decrease of RMB14.1 million as compared to the position as at December 31, 2008.

PLEDGE OF ASSETS

As at December 31, 2009, the Group secured its bank borrowings by prepaid land lease payments and building held for own uses with a carrying amount of RMB92.2 million (2008: RMB41.4 million) and trade receivables of RMB22.0 million (2008: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

Details of the capital commitments as at December 31, 2009 are set out in note 28 to the consolidated financial statements. As at December 31, 2009, the Group did not have any material contingent liabilities.

PROFIT ATTRIBUTABLE TO SHAREHOLDERS AND NET PROFIT MARGIN

For the Year, total comprehensive income attributable to the Company amounted to RMB95,354,000, representing an increase of 68.9% over that in the same period of 2008 (2008: RMB56,457,000). Net profit margin of the Group also rose by 24.0% to 19.1% (2008: 15.4%).

FOREIGN EXCHANGE RISK

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

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

GEARING RATIO

As at December 31, 2009, the gearing ratio of the Group was approximately 35.2% (2008: 32.1%), which was derived by dividing interest-bearing debt incurred in the ordinary course of business by total assets.

HUMAN RESOURCES

As at December 31, 2009, the Group had a total of 2,111 employees (as at December 31, 2008: 2,022 employees).

MANAGEMENT DISCUSSION AND ANALYSIS

FUTURE PROSPECTS

As China is one of the fastest growing economies worldwide, coupled with the ongoing economic stimulus plans implemented by the PRC government to drive domestic demand, the Group believes that the gross domestic product in the PRC will continue to grow and the sportswear market in China will maintain steady growth.

Looking forward, the Group will focus on the development of "Meike" brand. As stated in the prospectus of the Company dated January 19, 2010 (the "Prospectus"), the Group will apply the proceeds from the listing as follows:

- Expansion of production capacity for apparel products, including the construction of manufacturing facilities, warehouse, staff quarters and the purchases of machinery and equipment, on the piece of land at Shanxia Village, Shanxia Town, Huian County, Quanzhou City, Fujian Province and upgrading of current manufacturing facilities, plant and machinery, thereby increasing the production capacity of apparel products from approximately 600,000 pieces per annum as at December 31, 2009 to approximately 5,800,000 pieces per annum by 2011;

- Enhancement of research and development capabilities, including the establishment of a research and development center and the purchases of facilities for material research, product testing, innovation and technology development and the recruitment of experts and designers;

- Expansion of the sales network and market penetration including expansion and improvement of the coverage of the Group's distribution network and provision of renovation subsidies in the form of standardized promotional materials and display equipment to the Group's distributor outlets and retailer outlets. The Group currently anticipates that the number of its outlets will surpass 1,800 by the end of 2010;

- Brand recognition enhancement, including organizing trade fairs, brand promotion, sponsorship of sports league and events, media advertising (including but not limited to television commercials, outdoor media, magazine advertising and web-based advertising), launching marketing campaigns, activities and engaging celebrities as spokespersons of "Meike" brand including approximately HK$51.7 million towards media advertising and approximately HK$20.2 million towards brand promotion and marketing activities; and

- The rest of the proceeds will be used as working capital and for other general corporate purposes.

Since the listing of the Company on February 1, 2010 and up to the date of this annual report, the proceeds from the listing were not applied for any use.

CORPORATE GOVERNANCE

The Directors recognize the importance of incorporating elements of good corporate governance in the management structures and internal control procedures of the Group so as to achieve effective accountability. The Directors continuously observe the principles of good corporate governance in the interests of shareholders and devote considerable effort to identifying and formalizing best practice.

As the Company was listed on February 1, 2010 (the "Listing Date"), the Company was not required to comply with the requirements under the code provisions set out in Appendix 14 – Code on Corporate Governance Practices (the "Code") to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") or the continuing obligations requirements of a listed issuer pursuant to the Listing Rules for the Year. Nevertheless the Directors consider that since the Listing Date, the Company has applied the principles and complied with all the applicable code provisions set out in the Code, except for the deviation from code provision A.2.1 of the Code as described 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 is deviated from the code provision A.2.1.

Mr. Ding Siqiang, who acts as the chairman and the president of the Company, is also responsible for overseeing the general operations of the Group. The Board will meet regularly to consider major matters affecting the operations of the Group. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Group. The roles of the respective executive Directors and senior management who are in charge of different functions complement the role of the chairman and chief executive officer. The Board believes that this structure is conducive to strong and consistent leadership enabling the Group to operate efficiently.

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

APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

Each of the executive Directors has entered into a service contract with the Company for an initial term of three years commencing from the Listing Date and may be terminated by either party by giving not less than three months' prior written notice.

Each of the independent non-executive Directors has entered into a service contract with the Company for a term of two years commencing from the Listing Date and may be terminated by either party by giving at least three months' written notice.

In accordance with Article 84 of the Articles of Association of the Company, at each annual general meeting, at least one third of the Directors are required to retire from office by rotation. Each Director shall retire from office at least once every three years and shall include those who have been longest in office since their last election or re-election.

In accordance with Article 83 of the Articles of Association of the Company, new Directors appointed by the Board during the year shall retire and submit themselves for re-election at the annual general meeting immediately following their appointments. According, all the Directors will retire from office as Directors at the forthcoming annual general meeting, and being eligible, offer themselves for re-election.

CORPORATE GOVERNANCE

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 from the Listing Date and up to the date of this Corporate Governance Report.

BOARD OF DIRECTORS

COMPOSITION OF THE BOARD

The Board members are:
Executive Directors:
Mr. Ding Siqiang *(Chairman and President)*
Ms. Ding Xueleng
Mr. Sun Keqian
Ms. Ding Jinzhu
Mr. Lin Yangshan
Mr. Li Dongxing

Independent non-executive Directors:
Mr. Xiang Shimin
Mr. Yang Chengjie
Mr. Xie Weichun

The biographical details of the Directors and other senior management are disclosed in the section headed "Biographical Details of Directors and Senior Management" on pages 18 to 21 in this Corporate Governance Report. The composition of the Board is well balanced. Each of the Directors has relevant expertise and extensive corporate and strategic planning experiences that may contribute to the business of the Group. The Company has complied with the requirements under Rule 3.10(1) and (2) of the Listing Rules since the Listing Date. All independent non-executive Directors also meet the guidelines for assessment of their independence as set out in Rule 3.13 of the Listing Rules.

FUNCTIONS OF THE BOARD

The Board supervises the management of the business and affairs of the Company. The Board's primary duty is to ensure the viability of the Company and to ensure that it is managed in the best interests of the shareholders as a whole while taking into account the interests of other stakeholders. The Group has adopted internal guidelines in setting forth matters that require the Board's approval. Apart from its statutory responsibilities, the Board approves the Group's strategic plan, key operational initiatives, major investments and funding decisions. It also reviews the Group's financial performance, identifies principal risks of the Group's business and ensures implementation of appropriate systems to manage these risks. Daily business operations and administrative functions of the Group are delegated to the management.

CORPORATE GOVERNANCE

BOARD MEETINGS AND PROCEDURES

No Board meeting was held during the Year as the Company was listed on the Main Board of the Stock Exchange on February 1, 2010. One meeting of the Board was held after the Listing Date and was attended by all the members of the Board.

Board members were provided with complete, adequate and timely information to allow them to fulfill their duties properly. In compliance with code provision A.1.3 of the Code, at least 14 days' notice has been given for a regular Board meeting to give all Directors an opportunity to attend. Notice, agenda and board papers of regular Board meetings are sent to all Directors within reasonable time and at least 3 days prior to the meetings. Directors are free to contribute and share their views at meetings and major decisions will only be taken after deliberation at Board meetings. Directors who are considered having conflict of interests or material interests in the proposed transactions or issues to be discussed will not be counted in the quorum of meeting and will abstain from voting on the relevant resolutions. Full minutes are prepared after the meetings and the draft minutes are sent to all Directors for their comment on the final version of which are endorsed in the subsequent Board meeting.

All independent non-executive Directors have been appointed for a fixed term. Every Director is subject to re-election on retirement by rotation in accordance with the Articles of Association of the Company. The Company has received from each of the independent non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and still considers the independent non-executive Directors to be independent as at the date of this Corporate Government Report.

BOARD COMMITTEES

The Board has established specific committees, namely the Company's audit committee (the "Audit Committee"), remuneration committee (the "Remuneration Committee") and nomination committee (the "Nomination Committee"), with written terms of reference which are available for viewing on the website of the Company to assist them in the efficient implementation of their functions. Specific responsibilities have been delegated to the above committees.

AUDIT COMMITTEE

The Company established the Audit Committee on January 6, 2010 with written terms of reference which are in compliance with the code provisions of the Code. The primary duties of the Audit Committee are mainly to review the material investment, capital operation and material financial system of the Company; to review the accounting policy, financial position and financial reporting procedures of the Company; to communicate with external audit firms; to assess the performance of internal financial and audit personnel; and to assess the internal control of the Company. The Audit Committee currently has three members comprising Mr. Xie Weichun (Chairman), Mr. Yang Chengjie and Mr. Xiang Shimin, all being independent non-executive Directors. The Audit Committee did not hold any meeting during the Year as the Company was listed on the Stock Exchange on the Listing Date.

One meeting of the Audit Committee was held after the Listing Date to review the final results and statements of the Group for the Year, and the 2009 Annual Report of the Company (the "Annual Report"). All members of the Audit Committee attended the meeting and each of them confirmed that the final results and statements of the Group for the Year, and the Annual Report have complied with all relevant laws and regulation, including but not limited to the Listing Rules.

CORPORATE GOVERNANCE

REMUNERATION COMMITTEE

The Company established the Remuneration Committee on January 6, 2010 with written terms of reference which are in compliance with the code provisions of the Code. The primary duties of the Remuneration Committee include mainly: (i) reviewing the terms of the remuneration package of each Director and member of senior management, and making recommendations to the Board regarding any adjustment thereof; and (ii) reviewing and evaluating the performance of individual executive Directors for determining the amount of bonus (if any) payable to them. No Director shall participate in any discussion about his or her own remuneration. The Remuneration Committee consists of three members, namely, Mr. Ding Siqiang (Chairman), Mr. Xiang Shimin and Mr. Xie Weichun, the majority of which are independent non-executive Directors. The remuneration of the Directors was determined with reference to their respective experience, responsibilities with the Group and general market conditions.

The Remuneration Committee did not hold any meeting during the Year as the Company was listed on the Listing Date. One meeting of the Remuneration Committee was held after the Listing Date to review the remuneration package of the Directors and senior management. All members of the Remuneration Committee attended the meeting.

NOMINATION COMMITTEE

The Company established the Nomination Committee on January 6, 2010 with written terms of reference which are in compliance with paragraph A.4.5 of the Code. The primary duties of the Nomination Committee include the review of the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis and to make recommendations to the Board regarding any proposed change, identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships, assess the independence of independent non-executive Directors. The Nomination Committee consists of three members, namely, Mr. Ding Siqiang (Chairman), Mr. Xiang Shimin and Mr. Yang Chengjie, the majority of which are independent non-executive Directors.

During the Year, the Nomination Committee did not hold any meeting as the Company was listed on the Stock Exchange on the Listing Date. One meeting of the Nomination Committee was held after the Listing Date to review the structure, composition of the Board and the succession plan for the Board. All members of the nomination Committee attended the meeting.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors are responsible for the preparation of the financial statements which give a true and fair view of the state of affairs of the Group, in accordance with accounting principles generally accepted in Hong Kong. The statement by the auditors of the Company about their responsibilities for the financial statements is set out in the report of the independent auditor's report contained in the Annual Report. There are no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

EXTERNAL AUDITORS' REMUNERATION

The Company engaged SHINEWING (HK) CPA Limited as its external auditors for the Year. Analysis of the remuneration in respect of audit services provided by the external auditors is included in note 12 to the consolidated financial statements in the Annual Report. Apart from the provisions of annual audit services, the external auditors were also reporting accountants of the Company in relation to the listing. For the Year, the total fee paid in respect of the non-audit services is RMB1,622,000.

CORPORATE GOVERNANCE

INTERNAL CONTROLS

The Board is responsible for ensuring the effectiveness of the Group's internal control systems. The internal control systems are designed to meet the Group's particular needs and the risks to which it is exposed.

Procedures have been set up for safeguarding assets against unauthorized use or disposition, controlling over capital expenditure, maintaining proper accounting records and ensuring the reliability of financial information used for business and publication. Qualified management of the Group maintains and monitors the internal control systems on an ongoing basis.

The Board and the Audit Committee have delegated an external independent professional body to conduct an annual review of the effectiveness of the internal control systems of the Group, covering all material controls, including financial, operation, compliance controls, etc. Based on the assessment made by the external independent professional body, the Board considers that the internal control systems of the Group are effective and the Audit Committee has found no material deficiencies on the internal control systems.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

In order to keep shareholders well informed of the business activities and direction of the Group, information about the Group has been provided to the shareholders through financial reports and announcements. The Company has established its own corporate website www.meike.cn as a channel to facilitate effective communication with its shareholders and the public. The Company will continue to enhance communications and relationships with its shareholders and investors.

Shareholders, investors and interested parties can make enquiries directly to the Company through the following e-mail: ad@meike.cn.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

EXECUTIVE DIRECTORS

Mr. Ding Siqiang (丁思強), aged 47, is the Chairman and President of the Company. He was appointed as a Director on 25 June 2009 and redesignated as an executive Director on 6 January 2010. He is primarily responsible for making key decisions on the Group's overall strategies, plans and business development. Mr. Ding has 16 years of experience in the sportswear industry since he started to operate Fujian Jinjiang Hengqiang Shoes and Plastics Company (福建省晉江市恒強鞋塑有限公司) in 1993. He joined the Group in 1999 as the vice chairman of Fujian Meike Leisure Sports Goods Co., Ltd. (福建美克休閒體育用品有限公司) ("Fujian Meike"), one of the subsidiaries of the Company. He served as the legal representative and general manager of Fujian Meike since February 2003 and became the president of Fujian Meike since August 2007. He is a director of all the subsidiaries of the Company except Fuzhou Meikesen Sports Goods Co., Ltd. (福州美克森體育用品有限公司) ("Fuzhou Meikesen"). He has been a member of the Ninth and Tenth Fujian Provincial Committee of the Chinese People's Political Consultative Conference (中國人民政治協商會議福建省第九屆和第十屆委員) since December 2002. He was appointed as a Standing Director of the First Session of the Jinjiang City Overseas Friendship Association (晉江市海外聯誼會第一屆常務理事) in December 2002. He was appointed as a Honorary Chairman of the First Council of the Jinjiang City Charity Federation (晉江市慈善總會首屆理事會榮譽會長) in December 2002. He was appointed as a director of the Fifth Board of Directors of Huaqiao University (華僑大學第五屆董事會董事) in December 2002. He was appointed as a Honorary Chairman of the Third Council of the Quanzhou City Footwear Chamber of Commerce (泉州市鞋業商會第三屆理事會名譽會長) in January 2006. He was appointed as the Honorary Leader of Chinese Women Hockey Team (中國女子曲棍球隊榮譽領隊) by Chinese Hockey Association (中國曲棍球協會) in October 2007. He also received his diploma in a course for chief executive officer in China (中國企業總裁高級研修班) from Peking University (北京大學) in September 2003. Mr. Ding is Ms. Ding Xueleng's husband. Mr. Ding did not hold any directorship with any public companies whose securities are listed on a stock exchange during the three years prior to the date of this annual report. Mr. Ding is the sole director of Glory Hill Enterprises Limited ("Glory Hill") which is a controlling shareholder (as defined under the Listing Rules) of the Company.

Ms. Ding Xueleng (丁雪冷), aged 45, was appointed as an executive Director on 6 January 2010 and is the Vice President of the Company. She is primarily responsible for the management of footwear and apparel operations, design, research and development, financial management and overall administration management of the Group. Ms. Ding has 16 years of experience in the sportswear industry since she became the director of Fujian Jinjiang Hengqiang Shoes and Plastics Company (福建省晉江市恒強鞋塑有限公司). Ms. Ding joined us in February 1999 and was appointed as a director of Fujian Meike in 1999. She has also been the manager of Fujian Meike starting from February 1999 and was then appointed as the deputy general manager since February 2003. In August 2007, Ms. Ding was appointed the general manager of Fujian Meike. Ms. Ding is a director of each of Fujian Meike and Quanzhou Meike Sports Goods Co., Ltd. (泉州市美克體育用品有限公司) ("Quanzhou Meike") which is a subsidiary of the Company. Ms. Ding did not hold any directorship with any public companies whose securities are listed on a stock exchange during the three years prior to the date of this annual report.

Mr. Sun Keqian (孫可謙), aged 55, was appointed as an executive Director on 6 January 2010 and is the Vice President of the Company. He is primarily responsible for the management of product quality and manufacturing of the Group. Mr. Sun has 13 years of experience in the sportswear industry as he served as a director and the general manager from April 1996 to April 1998 in Qingdao Double Stars Stock Limited Company (青島雙星股份有限公司), a company listed in Shenzhen Stock Exchange formerly known as Qingdao Double Stars Footwear Stock Limited Company (青島雙星鞋業股份有限公司). Mr. Sun joined the Group in February 1999 as the deputy manager of Fujian Meike. He is a director of each of Fujian Meike and Fujian Meisike. He received the title of the Outstanding Young

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Entrepreneur in Qingdao City (青島市優秀青年企業家) by six governmental and commercial institutions in Qingdao City in September 1995. Mr. Sun received his diploma in a course for Chinese Communist Party and Governmental Officials (黨政幹部大專培訓班) from School of Kunming City Committee of Chinese Communist Party (中國共產黨昆明市委員會黨校) in July 1987. Mr. Sun did not hold any directorship with any public companies whose securities are listed on a stock exchange during the three years prior to the date of this annual report.

Ms. Ding Jinzhu (丁錦珠), aged 32, was appointed as an executive Director on 6 January 2010 and is the assistant to Ms. Ding Xueleng, an executive Director. She is primarily responsible for the management of the accessory operation of the Company. Ms. Ding has 10 years of experience in the sportswear industry as she joined the Group in February 1999 as the deputy general manager of Fujian Meike. She served as the assistant to the deputy manager of Fujian Meike since February 2003 and as the assistant to the manager of Fujian Meike since October 2007. She became a director of Fujian Meike since October 2006. Ms. Ding's early responsibilities include communicating with government authorities and coordinating with administrative matters. Ms. Ding received her diploma in financial accounting (財務會計) from Jinjiang City Chendai Town Vocational Middle School (晉江市陳埭職業中學) in July 1995. Ms. Ding is the daughter of the elder brother of Ms. Ding Xueleng, an executive Director. Ms. Ding Jinzhu did not hold any directorship with any public companies whose securities are listed on a stock exchange during the three years prior to the date of this annual report.

Mr. Lin Yangshan (林陽山), aged 30, was appointed as an executive Director on January 6, 2010 and is the head of the sales and marketing department of the Company. He is primarily responsible for the management of the marketing matters of the Company. Mr. Lin has 7 years of experience in sportswear industry as he joined the Group in 2002 as the sales manager of Fujian Meike. He is a director of Fujian Meike. He served as an executive director and manager of Jinhairuo (Fujian) Investment Industrial Co., Ltd. (金海若(福建)投資實業有限公司) since August 2007. Mr. Lin received his bachelor's degree in economics from Xiamen University (廈門大學) in July 2002. Mr. Lin is the son of the younger sister of Mr. Ding. Mr. Lin did not hold any directorship with any public companies whose securities are listed on a stock exchange during the three years prior to the date of this annual report.

Mr. Li Dongxing (李東星), aged 35, was appointed as an executive Director of on January 6, 2010 and is the assistant to the chairman of the Company. He is primarily responsible for assisting the chairman in making decisions on overall strategies, planning and business development and he is responsible for the human resources of the Group. Mr. Li has 6 years of experience in the footwear industry. He served as a tax officer in Jinjiang City State Tax Bureau (晉江市國家稅務局) from November 1997 to August 2007. Starting from 2003, his tax practice has focused on footwear companies. He joined the Group in August 2007 and has served as the secretary of the board of directors of Fujian Meike since then. Mr. Li received his bachelor's degree in taxation from Xiamen University (廈門大學) in May 1997. He obtained a qualification certificate of taxation execution of the PRC issued by the State Administration of Taxation of the PRC in April 2003. Mr. Li did not hold any directorship with any public companies whose securities are listed on a stock exchange during the three years prior to the date of this annual report.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Yang Chengjie (楊承傑), aged 52, was appointed as an independent non-executive Director on January 6, 2010. Mr. Yang was appointed as an independent director of Fujian Meike for the period from August 2007 to May 2009. Mr. Yang has 9 years of experience in the footwear industry. He obtained the title of Professor of Engineering (教授級高級工程師) from the Appraising and Approval Committee for Professional and Technical Competence of Sinolight Corporation (中國輕工集團公司專業技術資格評審委員會) in December 2002. He has been the director of China Leather and Footwear Industry Research Institute (中國皮革和制鞋工業研究所) since September 2000. He was appointed

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

a part-time professor and a tutor to master degree students in Shaanxi University of Science and Technology (陝西科技大學) in May 2002. Mr. Yang received his bachelor's degree in leather from Shaanxi University of Science and Technology (陝西科技大學) (formerly known as Northwest Light Industry College (西北輕工業學院)) in July 1982. He received a certificate in a 4-day course for senior management of listed companies conducted by Shenzhen Stock Exchange in January 2008. Mr. Yang did not hold any directorship with any public companies whose securities are listed on a stock exchange during the three years prior to the date of this annual report.

Mr. Xiang Shimin (項士敏), aged 44, was appointed as an independent non-executive Director on January 6, 2010. Mr. Xiang was appointed as an independent director of Fujian Meike since August 2007. He has 17 years of experience in general enterprise management. He obtained the title of Associate Research Fellow (副研究員) from Fujian Provincial Personnel Department (福建省人事廳) in November 2000. He has worked in Huaqiao University (華僑大學) since 1992 and he is currently the head of Foreign Affairs Office in Huaqiao University (華僑大學外事辦公室). He has been a member of the Tenth Quanzhou City Fujian Provincial Committee of the Chinese People's Political Consultative Conference (中國人民政治協商會議福建省泉州市第十屆委員) since January 2007. Mr. Xiang received his master's degree in power plant thermal energy engineering from Northeast Dianli University (東北電力大學) (formerly known as Northeast Dianli College (東北電力學院)) in March 1992. Mr. Xiang did not hold any directorship with any public companies whose securities are listed on a stock exchange during the three years prior to the date of this annual report.

Mr. Xie Weichun (謝煒春), aged 47, was appointed as an independent non-executive Director on January 6, 2010. He served as an accountant, a manager and a partner of Fujian Lixin Mindu Certified Public Accountants Limited (福建立信閩都會計師事務所有限公司) (formerly known as Fuzhou Accounting Firm (福州會計師事務所)) since 1989. Mr. Xie received his diploma in industrial and enterprise financial accounting from Fuzhou Technical School (福州工業學校) in July 1983. He received his diploma in statistics from Xiamen University (廈門大學) in April 1988. He also received a certificate in a 4-day course for senior management of listed companies conducted by Shenzhen Stock Exchange (深圳股票交易所) in September 2007. Mr. Xie became a Certified Public Accountant in the PRC (中國註冊會計師) in December 1999. He received a qualification certificate for senior accountant (高級會計師職稱) by Fujian Provincial Personnel Department (福建省人事廳) in May 2007. Mr. Xie did not hold any directorship with any public companies whose securities are listed on a stock exchange during the three years prior to the date of this annual report.

SENIOR MANAGEMENT

Mr. Li Yik Sang (李奕生), aged 35, joined the Group in August 2009 and is the chief financial officer, authorized representative and company secretary of the Company. Mr. Li served as an audit assistant and a semi-senior auditor in Grant Thornton from November 2000 to December 2002. He served as a staff accountant, senior accountant and manager in Ernst & Young from January 2003 to January 2007. He had been the chief financial officer of China Packaging Group Company Limited (stock code: 572) from January 2007 to July 2009. Mr. Li has approximately 10 years of experience in auditing, finance and accounting. He received his bachelor's degree in commerce from the University of Queensland, Australia in December 1998. He received his master's degree in commerce (information systems) from the University of Queensland, Australia in August 2000. Mr. Li has been a member of CPA Australia since April 1999 and was granted a certificate of certified practicing accountant of CPA Australia in November 2006 and he has been a member of HKICPA since February 2007.

Mr. Luo Zhenye (羅振業), aged 34, is the head of the marketing department of the Company. He joined the Group as the marketing manager of Fujian Meike since March 2006. Mr. Luo has about 12 years of experience in the marketing industry. From March 1997 to January 2000, he served as an operating officer in Guangzhou New Era Exhibition

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Co., Ltd. (廣州市新紀元展覽有限公司). From March 2000 to December 2002, he served as a customer manager in Guangzhou Jindi Cultural Propagation Advertisement Co., Ltd. (廣州金蒂文化傳播廣告有限公司). From March 2003 to December 2005, he served as a customer manager in Longjuanfeng Film and Television Advertisement Planning Co., Ltd. (龍卷風影視廣告策劃有限公司). Mr. Luo received his diploma in mechanical and electrical engineering (機電工程專科學位) from Nanchang Higher Junior College (南昌高等專科學校) in June 1996.

Mr. Lin Kongfeng (林孔鳳), aged 38, is the head of the accounting department of the Company. He joined the Group in March 2006 as a manager of Fujian Meike's accounting department. From August 1991 to December 2003, he worked in the finance department in Fujian Provincial Datian Taoyuan State-owned Forest Farm (福建省大田桃源國有林場). From April 2005 to February 2006, he served as an accounting manager in K-boxing Men's Wear Stock Limited Company (勁霸男裝股份有限公司). Mr. Lin received his diploma in accounting from Xiamen University (廈門大學) in June 1999. He obtained the qualification certificate of middle level of accountant issued by the Ministry of Finance of the PRC in December 2000.

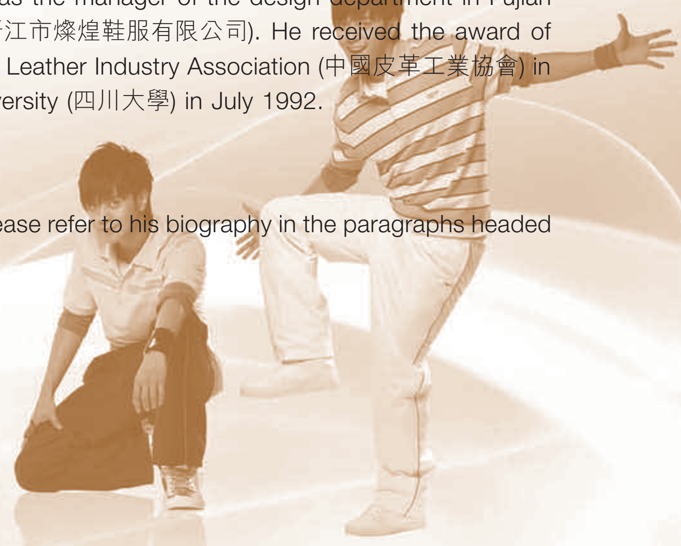
Mr. Chen Shuzhun (陳曙準), aged 33, is the head of the export department of the Company. Mr. Chen has 11 years of experience in the sportswear industry in the PRC as he joined the Group in September 1999 as a manager for the export department of Fujian Meike. Mr. Chen received his diploma in business management from Liming Vocational University (黎明職業大學) in June 1999. He received the title of outstanding employer by the Chentai Town Commission of the Chinese Communist Party and Chentai Town People's Government in December 2004 and the title of outstanding talented manager by the Chentai Town Commission of the Chinese Communist Party and Chentai Town People's Government in May 2006.

Mr. Wang Dongrong (王東榮), aged 32, is the head of the apparel research and development department of the Company. Mr. Wang joined the Group in November 2003 as the manager for the apparel department of Fujian Meike. Mr. Wang has 12 years of experience in the sportswear design industry. From October 1997 to November 2000, he served as a designer of apparel in Quanzhou City Kipone Apparel Co., Ltd. (泉州市棋牌王服飾有限公司). From December 2000 to November 2003, he served as the manager of the production department in Quanzhou City Huangxing Apparel Co., Ltd. (泉州市煌興製衣有限公司). Mr. Wang received his diploma in apparel design from Fujian Textile Light Industry College (福建紡織輕工業學校) in September 1996.

Mr. Liu Xiaohong (劉曉紅), aged 40, is the head of research and development department for footwear of the Company. He joined the Group in March 2005 as the manager for design and research department for Fujian Meike. Mr. Liu has 17 years of experience in the sportswear design industry. From October 1992 to December 1996, he served as a designer of footwear in Fujian Qinglu Footwear Co., Ltd. (福建清祿鞋業有限公司). From March 1997 to January 2000, he served as a manager of the design department in Daoqi (Fujian) Footwear Co., Ltd. (道崎(福建)制鞋有限公司). From February 2000 to February 2005, he served as the manager of the design department in Fujian Jinjiang City Canhuang Footwear and Apparel Co., Ltd. (福建晉江市燦煌鞋服有限公司). He received the award of national sports footwear design (全國運動鞋設計獎) by the China Leather Industry Association (中國皮革工業協會) in April 2003. Mr. Liu received his diploma in art from Sichuan University (四川大學) in July 1992.

COMPANY SECRETARY

Mr. Li Yik Sang is the Company Secretary of the Company and please refer to his biography in the paragraphs headed "Senior Management" above for details.



DIRECTORS' REPORT

The Directors are pleased to present to the shareholders this annual report and the audited consolidated financial statements for the Year.

REORGANIZATION AND USE OF PROCEEDS

Pursuant to a reorganization scheme to rationalize the structure of the Group in preparation for the listing of the Company's shares on the Stock Exchange, the Company became the holding company of the companies now comprising the Group on September 10, 2009.

As part of the preparation for listing of the shares of the Company, the Company implemented a capitalization issue of 749,000,000 shares and an issue of 250,000,000 new shares during the share offer for listing (the "Share Offer") in 2010. All such shares issued were ordinary shares and the 250,000,000 new shares were issued at HK$1.43 per share. On February 17, 2010, the lead manager of the Share Offer fully exercised the over-allotment option and the Company issued an additional 37,500,000 new shares at HK$1.43 per share. The net proceeds of the Share Offer and from the exercise of the over-allotment option received by the Company were approximately HK$335.4 million and HK$46.3 million respectively. These proceeds are intended to be applied is accordance with the proposed application set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus.

PRINCIPAL ACTIVITIES

The principal business activity of the Company is investment holding. The principal activities and other particulars of the Company's subsidiaries are set out in note 33 to the consolidated financial statements in this annual report.

RESULTS

The results of the Group for the Year are set out in the consolidated statement of comprehensive income on page 32 of this annual report.

FINAL DIVIDENDS

The Board recommended the payment of a final dividend of HK$0.034 per share (2008: Nil) to the shareholders. The final dividend will be payable on or around June 24, 2010 and is subject to the approval of shareholders of the Company at the forthcoming annual general meeting.

CLOSURE OF THE REGISTER OF MEMBERS

The Register of Members of the Company will be closed from May 31, 2010 to June 3, 2010, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the final dividend and attending the forthcoming annual general meeting, all transfers of shares of the Company accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong before 4:30 p.m. on May 28, 2010.

DIRECTORS' REPORT

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the Year are set out in note 17 to the consolidated financial statements in this annual report.

INTEREST-BEARING BANK LOANS

Details of interest-bearing bank loans of the Group as at December 31, 2009 are set out in note 25 to the consolidated financial statements in this annual report.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and minority interests of the Group for the last four financial years, as extracted from the audited financial statements and the Prospectus, is set out on pages 75 to 76. This summary does not form part of the consolidated financial statements in this annual report.

SHARE CAPITAL

Details of the Company's paid up capital for the year ended December 31, 2009 are set out in note 26 to the consolidated financial statements in this annual report.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws or the laws of Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

The shares of the Company were first listed on the Main Board of the Stock Exchange on February 1, 2010. Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities after listing.

RESERVES

Details of movements in the reserves of the Company and the Group during the Year are set out in the consolidated statement of changes in equity in this annual report.

DISTRIBUTABLE RESERVES

As at December 31, 2009, the Company's reserves available for distribution, calculated in accordance with the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, amounted to RMB32,005,000 of which approximately RMB31,042,000 has been proposed as a final dividend for the year.

DIRECTORS' REPORT

RELATED PARTIES TRANSACTIONS

Related parties transactions of the Group during the Year are disclosed in note 31 to the consolidated financial statements in this annual report. As the Company was listed on February 1, 2010, none of the aforesaid related parties transactions will constitute any connected or continuing connected transaction under the Listing Rules.

MAJOR CUSTOMERS AND SUPPLIERS

Sales to the Group's five largest customers accounted for approximately 34.6% of the total sales for the year and sales to the largest customer included therein amounted to 9.8% of the total sales for the year. Purchases from the Group's five largest suppliers accounted for approximately 23.9% of the total purchases for the year and purchase from the Group's largest supplier included therein amounted to 8.6% of the total purchases for the year.

None of the Directors or any of their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any interest in the Group's five largest customers and suppliers.

DIRECTORS

The Directors are:

EXECUTIVE DIRECTORS:

Mr. Ding Siqiang (Chairman)	(appointed as a Director on June 25, 2009 and re-designated as an executive Director on January 6, 2010)
Ms. Ding Xueleng	(appointed on January 6, 2010)
Mr. Sun Keqian	(appointed on January 6, 2010)
Ms. Ding Jinzhu	(appointed on January 6, 2010)
Mr. Lin Yangshan	(appointed on January 6, 2010)
Mr. Li Dongxing	(appointed on January 6, 2010)

INDEPENDENT NON-EXECUTIVE DIRECTORS:

Mr. Xiang Shimin	(appointed on January 6, 2010)
Mr. Yang Chengjie	(appointed on January 6, 2010)
Mr. Xie Weichun	(appointed on January 6, 2010)

In accordance with Article 83 of the Company's Article of Association, any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting after his/her appointment and any Director appointed by the Board as an additional Director shall hold office only until the next following annual general meeting of the Company.

DIRECTORS' REPORT

Pursuant to Article 84 of the Articles of the Association of the Company, at each annual general meeting, one-third of the Directors for the time being shall retire from office by rotation.

By virtue of Article 83 of the Articles of the Association of the Company, all the Directors will retire at the forthcoming annual general meeting, being eligible, will offer themselves for re-election at the annual general meeting.

Each of the executive Directors has entered into a service contract with the Company for an initial term of three years with effect from the Listing Date and thereafter be continuous unless and until terminated by not less than three months' prior notice in writing served by either party on the other or by payment of three months' fixed salary in lieu of such notice.

Each of the independent non-executive Directors has entered into a service contract with the Company for a term of two years commencing from the Listing Date and may be terminated by either party by giving at least three months' written notice.

Apart from the foregoing, no Director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

BIOGRAPHIES OF DIRECTORS AND OTHER SENIOR MANAGEMENT

The biographical details of Directors and other senior management are disclosed in the section headed "Biographical Details of Directors and Senior Management" on pages 18 to 21 in this annual report.

INTERESTS OF DIRECTORS IN CONTRACTS

During the Year, none of 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 associates had any interest in a business which competes or likely to compete, either directly or indirectly, with the business of the Group.

The Board has established a committee (the "Committee") comprising all the independent non-executive Directors which was delegated with the authority to review the non-competition undertakings (the "Non-competition Undertakings") given by Glory Hill and Mr. Ding Siqiang in two deeds of non-competition respectively entered into by Glory Hill and Mr. Ding Siqiang, all dated January 6, 2010. The Committee was not aware of any non-compliance of the Non-competition Undertakings given by Glory Hill and Mr. Ding Siqiang since the date of the aforesaid deeds of non-competition and up to the date of this annual report.

DIRECTORS' REPORT

DIRECTORS' INTERESTS OR SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

(a) As at the Listing Date (i.e. February 1, 2010), the interests and short positions of the Directors or chief executive of the Company in the shares, underlying shares and debentures of the Company or any of the associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests which they are taken or deemed to have under such provisions of the SFO) or were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

LONG POSITION IN THE SHARES OF THE COMPANY (THE "SHARES")

Name of Director	Capacity/Nature	No. of shares held	Approximate percentage of shareholding
Mr. Ding Siqiang ("Mr. Ding")	Interest in controlled corporation (Note 1)	562,500,000	56.25%
Ms. Ding Xueleng ("Ms. Ding")	Interest of spouse (Note 2)	562,500,000	56.25%

LONG POSITION IN THE ORDINARY SHARES OF ASSOCIATED CORPORATION

Name of Director	Name of associated corporation	Capacity/ Nature	No. of shares held	Approximate percentage of shareholding
Mr. Ding	Glory Hill	Beneficial owner (Note 1)	1	100%
Ms. Ding	Glory Hill	Interest of spouse (Note 2)	1	100%

Note 1: Mr. Ding owns the entire issued share capital of Glory Hill, which owns 56.25% equity interest in the Company. Therefore, Mr. Ding is deemed or taken to be interested in all the Shares which are beneficially owned by Glory Hill for the purpose of the SFO. Mr. Ding is the sole director of Glory Hill.

Note 2: Ms. Ding is the spouse of Mr. Ding, and therefore, she is deemed or taken to be interested in all the Shares and the share of Glory Hill which are deemed or taken to be interested by Mr. Ding.

Note 3: On February 19, 2010, 37,500,000 new Shares were issued pursuant to the exercise of the over-allotment option resulting in the then issued share capital of the Company being 1,037,500,000 Shares. Therefore, as at February 19, 2010, the interests held by Mr. Ding and Ms. Ding were diluted to 54.22%.

DIRECTORS' REPORT

(b) So far as is known to the Directors, as at the Listing Date, the following persons (not being a Director or chief executive of the Company as disclosed in paragraph (a) above) had interests or short positions in Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

LONG POSITION IN THE SHARES

Name	Nature of Interest	No. of Shares held	Approximate percentage of shareholding
Glory Hill	Beneficial owner (Note 1)	562,500,000	56.25%
Mr. Ding Jinbo (丁金波先生) (Note 2 & 3)	Interest in controlled corporation	75,000,000	7.5%
Deep Wealth Resources Limited	Beneficial owner	75,000,000	7.5%
Mr. Ding Haibo (丁海波先生) (Note 2 & 4)	Interest in controlled corporation	75,000,000	7.5%
Bromyard Investments Limited	Beneficial owner	75,000,000	7.5%

Note 1: Mr. Ding owns the entire issued share capital of Glory Hill, which owns 56.25% equity interest in the Company. Therefore, Mr. Ding is deemed or taken to be interested in all the Shares which are beneficially owned by Glory Hill for the purpose of the SFO. Mr. Ding is the sole director of Glory Hill. On February 19, 2010, 37,500,000 new Shares were issued pursuant to the exercise of the over-allotment option resulting in the then issued share capital of the Company being 1,037,500,000 Shares. Therefore, as at February 19, 2010, the interest held by Glory Hill was diluted to 54.22%.

Note 2: Mr. Ding Jinbo (丁金波先生) and Mr. Ding Haibo (丁海波先生) are the sons of Mr. Ding and Ms. Ding.

Note 3: Mr. Ding Jinbo (丁金波先生) owns the entire issued share capital of Deep Wealth Resources Limited, which owns 7.5% equity interest in the Company. Therefore, Mr. Ding Jinbo (丁金波先生) is deemed or taken to be interested in all the Shares which are beneficially owned by Deep Wealth Resources Limited for the purpose of the SFO. Mr. Ding Jinbo (丁金波先生) is the sole director of Deep Wealth Resources Limited.

Note 4: Mr. Ding Haibo (丁海波先生) owns the entire issued share capital of Bromyard Investments Limited, which owns 7.5% equity interest in the Company. Therefore, Mr. Ding Haibo (丁海波先生) is deemed or taken to be interested in all the Shares which are beneficially owned by Bromyard Investments Limited for the purpose of the SFO. Mr. Ding Haibo (丁海波先生) is the sole director of Bromyard Investments Limited.

Save as disclosed above, the Company had not been notified by any persons (other than Directors or chief executive of the Company) who had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provision of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

DIRECTORS' REPORT

SHARE OPTION SCHEME

As to attract and retain the eligible persons, to provide additional incentive to them and to promote the success of the business of the Group, the Company conditionally adopted a share option scheme (hereinafter in this paragraph, the "Scheme") on January 6, 2010 whereby the Board are authorised, at their absolute discretion and subject to the terms of the Scheme, to grant options to subscribe the shares of the Company (the "Shares") to, inter alia, any employees (full-time or part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners or service providers of the Group. The Scheme became unconditional on the Listing Date and shall be valid and effective for a period of ten years commencing on January 6, 2010, subject to the early termination provisions contained in the Scheme.

An offer for the grant of options must be accepted within seven days inclusive of the day on which such offer was made. The amount payable by the grantee of an option to the Company on acceptance of the offer for the grant of an option is HK$1. The subscription price of a Share in respect of any particular option granted under the Scheme shall be a price solely determined by the Board and notified to a participant and shall be at least the highest of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option; (ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date of grant of the option; and (iii) the nominal value of a Share on the date of grant of the option.

The Company shall be entitled to issue options, provided that the total number of Shares which may be issued upon exercise of all options to be granted under the Scheme does not exceed 10% of the shares in issue on the Listing Date. The Company may at any time refresh such limit, subject to the shareholders' approval and issue of a circular in compliance with the Listing Rules, provided that the total number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under all the share option schemes of the Company does not exceed 30% of the Shares in issue at the time.

The total number of securities available for issue under the Scheme as at the date of this annual report was 100,000,000 Shares which represented approximately 9.6% of the issued share capital of the Company as at the date of this annual report. The total number of Shares issued and to be issued upon exercise of options granted to any grantee (including both exercised and outstanding options) under the Scheme, in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue.

An option may be exercised in accordance with the terms of the Scheme at any time during a period as the Board may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof.

Up to the date of this annual report, no option under the Scheme has been granted by the Company.

POST BALANCE SHEET EVENTS

The material post balance sheet events are disclosed in note 32 to the consolidated financial statements in this annual report.

CORPORATE GOVERNANCE

The Company is committed to maintaining the highest standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 13 to 17 of this annual report.

DIRECTORS' REPORT

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this annual report, the Company has maintained sufficient public float since the Listing Date as required under the Listing Rules.

AUDITORS

SHINEWING (HK) CPA Limited will retire and being eligible, offer themselves for reappointment at the forthcoming annual general meeting. A resolution for the reappointment of SHINEWING (HK) CPA Limited as auditors of the Company is to be proposed at the forthcoming annual general meeting.

By Order of the Board of

Ding Siqiang
Chairman
Hong Kong, April 23, 2010

INDEPENDENT AUDITOR'S REPORT

信永中和
ShineWing

SHINEWING (HK) CPA Limited
16/F., United Centre
95 Queensway, Hong Kong

TO THE SHAREHOLDERS OF MEIKE INTERNATIONAL HOLDINGS LIMITED
(incorporated in Cayman Islands with limited liability)

We have audited the consolidated financial statements of Meike International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 32 to 74, which comprise the consolidated statement of financial position as at December 31, 2009, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at December 31, 2009 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Lo Wa Kei
Practising Certificate Number: P03427

Hong Kong
April 23, 2010

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

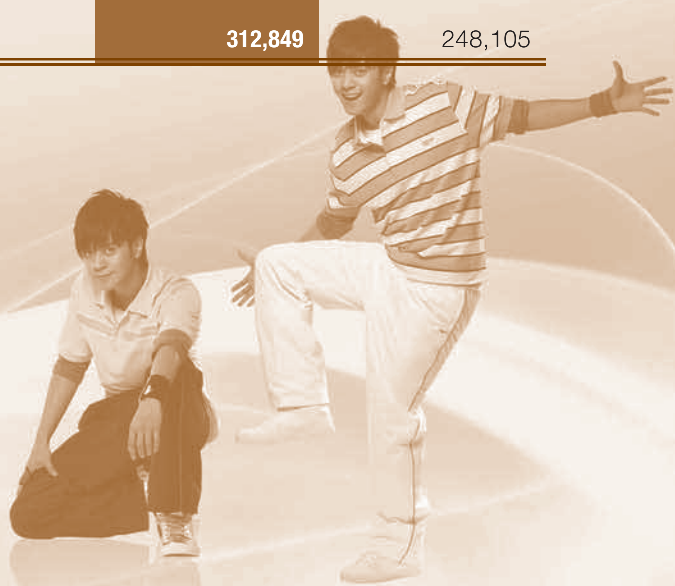
For the year ended December 31, 2009

	Notes	2009 RMB'000	2008 RMB'000
Revenue	7	499,420	365,631
Cost of sales		(328,483)	(246,480)
Gross profit		170,937	119,151
Other income	9	2,265	3,411
Selling and distribution costs		(21,089)	(29,721)
Administrative expenses		(22,096)	(18,471)
Other operating expenses		(9,121)	(6,624)
Finance costs	10	(10,372)	(9,460)
Profit before tax		110,524	58,286
Income tax expense	11	(15,170)	(1,829)
Profit for the year	12	95,354	56,457
Other comprehensive income:			
Exchange differences arising on translation		(5)	(29)
Total comprehensive income for the year		95,349	56,428
Profit for the year attributable to:			
Owners of the parent		90,606	49,118
Minority interests		4,748	7,339
		95,354	56,457
Total comprehensive income attributable to:			
Owners of the parent		90,602	49,093
Minority interests		4,747	7,335
		95,349	56,428
Earnings per share	16		
Basic and diluted (RMB)		0.121	0.065

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At December 31, 2009

	Notes	2009 RMB'000	2008 RMB'000
Non-current assets			
Property, plant and equipment	17	**97,821**	100,492
Prepaid lease payments	18	**50,358**	51,455
Deferred tax assets	19	**–**	298
		148,179	152,245
Current assets			
Inventories	20	**53,006**	79,928
Trade and other receivables	21	**263,359**	95,004
Amount due from a director	24	**–**	37
Prepaid lease payments	18	**1,097**	1,097
Short-term bank deposit	22	**35,000**	35,000
Cash and bank balances	22	**43,678**	57,833
		396,140	268,899
Current liabilities			
Trade and other payables	23	**52,809**	54,593
Amount due to a director	24	**204**	–
Interest-bearing bank loans	25	**157,500**	101,000
Current portion of long term interest-bearing bank loans	25	**17,000**	17,000
Income tax payable		**3,957**	446
		231,470	173,039
Net current assets		**164,670**	95,860
Total assets less current liabilities		**312,849**	248,105



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At December 31, 2009

	Notes	2009 RMB'000	2008 RMB'000
Capital and reserves			
Share capital	26	**9**	87,316
Reserves		**291,897**	111,672
Equity attributable to owners of the parent		**291,906**	198,988
Minority interests		**–**	29,821
Total equity		**291,906**	228,809
Non-current liabilities			
Interest-bearing bank loans	25	**17,000**	17,000
Deferred tax liabilities	19	**3,943**	2,296
		20,943	19,296
		312,849	248,105

The consolidated financial statements on pages 32 to 74 were approved and authorised for issue by the board of directors on April 23, 2010 and are signed on its behalf by:

Ding Siqiang
Director

Ding Xueleng
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2009

		Attributable to owners of the parent								
	Notes	Share capital RMB'000	Share premium RMB'000	Statutory reserve RMB'000 (Note a)	Other reserves RMB'000 (Note b)	Exchange reserve RMB'000	Retained earnings RMB'000	Total RMB'000	Minority interests RMB'000	Total equity RMB'000
At January 1, 2008		87,316	14,926	5,861	–	11	41,781	149,895	22,486	172,381
Profit for the year		–	–	–	–	–	49,118	49,118	7,339	56,457
Other comprehensive income		–	–	–	–	(25)	–	(25)	(4)	(29)
Total comprehensive income		–	–	–	–	(25)	49,118	49,093	7,335	56,428
Appropriations to statutory reserve funds		–	–	1,928	–	–	(1,928)	–	–	–
At December 31, 2008 and January 1, 2009		**87,316**	**14,926**	**7,789**	**-**	**(14)**	**88,971**	**198,988**	**29,821**	**228,809**
Profit for the year		**-**	**-**	**-**	**-**	**-**	**90,606**	**90,606**	**4,748**	**95,354**
Other comprehensive income		**-**	**-**	**-**	**-**	**(4)**	**-**	**(4)**	**(1)**	**(5)**
Total comprehensive income		**-**	**-**	**-**	**-**	**(4)**	**90,606**	**90,602**	**4,747**	**95,349**
Acquisition of minority interests	26(ii)	**12,684**	**2,230**	**-**	**19,654**	**-**	**-**	**34,568**	**(34,568)**	**-**
Issue of shares arising from corporate reorganization	26(iv)	**9**	**-**	**-**	**(9)**	**-**	**-**	**-**	**-**	**-**
Reserve arising from corporate reorganization	26(iv)	**(100,000)**	**(17,156)**	**-**	**117,156**	**-**	**-**	**-**	**-**	**-**
Appropriations to statutory reserve funds		**-**	**-**	**14,490**	**-**	**-**	**(14,490)**	**-**	**-**	**-**
Dividends recognised as distribution	15	**-**	**-**	**-**	**-**	**-**	**(32,252)**	**(32,252)**	**-**	**(32,252)**
At December 31, 2009		**9**	**-**	**22,279**	**136,801**	**(18)**	**132,835**	**291,906**	**-**	**291,906**

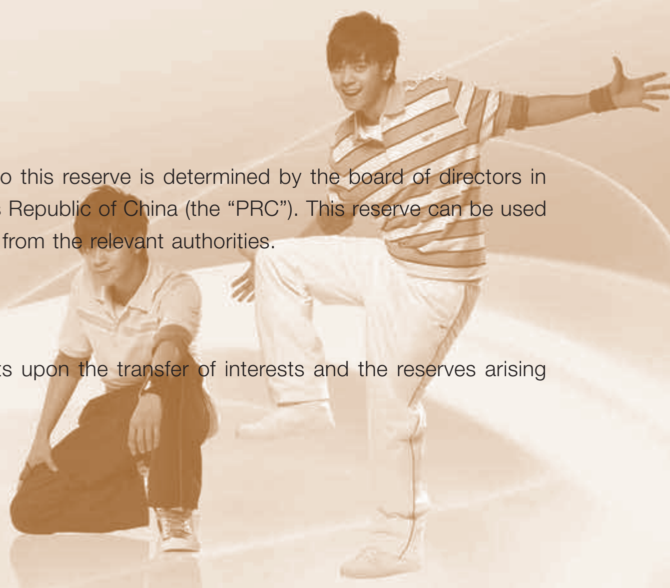
Notes:

(a) Statutory reserve

The statutory reserve fund is non-distributable and the transfer to this reserve is determined by the board of directors in accordance with the relevant laws and regulations of the People's Republic of China (the "PRC"). This reserve can be used to offset accumulated losses and increase capital upon approval from the relevant authorities.

(b) Other reserves

The other reserves comprise the cumulative net minority interests upon the transfer of interests and the reserves arising from corporate reorganization.



CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2009

	2009 RMB'000	2008 RMB'000
Operating activities		
Profit before tax	110,524	58,286
Adjustments for:		
Amortisation of prepaid lease payments	1,097	796
Depreciation	7,609	6,538
Finance costs	10,372	9,460
Interest income	(810)	(905)
Write off of inventories	–	62
Loss on disposal of property, plant and equipment	849	59
Cash generated from operations before changes in working capital	129,641	74,296
Decrease (increase) in inventories	26,922	(20,163)
Increase in trade and other receivables	(168,355)	(33,837)
(Decrease) increase in trade and other payables	(1,784)	9,146
Cash (used in) from operations	(13,576)	29,442
PRC Enterprise Income Tax paid	(9,714)	(1,129)
Net cash (used in) from operating activities	(23,290)	28,313
Investing activities		
Interest received	810	905
Proceeds from disposal of property, plant and equipment	510	27
Repayment from a director	37	(1,441)
Payment for purchase of property, plant and equipment	(6,297)	(19,889)
Payment for purchase of prepaid lease payments	–	(25,030)
Net cash used in investing activities	(4,940)	(45,428)
Financing activities		
New bank loans raised	193,000	135,000
Repayment of bank loans	(136,500)	(95,000)
Advances from a director	204	-
Dividend paid	(32,252)	-
Interest paid	(10,372)	(9,460)
Net cash generated from financing activities	14,080	30,540
Net (decrease) increase in cash and cash equivalents	(14,150)	13,425
Cash and cash equivalents at January 1	92,833	79,437
Effect of foreign exchange rate changes	(5)	(29)
Cash and cash equivalents at December 31	78,678	92,833
Represented by:		
Short-term bank deposit	35,000	35,000
Cash and bank balances	43,678	57,833
	78,678	92,833

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2009

1. GENERAL

Meike International Holdings Limited (the "Company") was incorporated in the Cayman Islands as an exempted company with limited liability on June 23, 2009. In the opinion of the directors of the Company, the parent and the ultimate holding company of the Company is Glory Hill Enterprises Limited ("Glory Hill"), a limited company incorporated in the British Virgin Islands ("BVI"). The address of the registered office and principal place of business of the Company are disclosed in the corporate information of the annual report.

Pursuant to a group reorganization (the "Corporate Reorganization") of the Company and its subsidiaries (collectively referred to as the "Group") to rationalise the structure of the Group in preparation for the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the Group on September 10, 2009. Details of the Corporate Reorganization were set out in the prospectus of the Company dated January 19, 2010 (the "Prospectus").

The shares of the Company have been listed on the Stock Exchange since February 1, 2010.

The Group resulting from the Corporate Reorganization is regarded as a continuing entity. Accordingly, the consolidated financial statements of the Group have been prepared using principles of merger accounting in accordance with the accounting policy set out in Note 3, as if the current group structure had been in existence throughout the years ended December 31, 2009 and 2008.

The Company acts as an investment holding company and provides corporate management services. The principal activities of its subsidiaries are set out in Note 33.

These consolidated financial statements are presented in thousands of units of Renminbi ("RMB"), which is the same as the functional currency of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2009

2 APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied, for the first time, all the revised HKFRSs, Hong Kong Accounting Standards ("HKAS") and interpretations ("INT(s)") (hereinafter collectively referred to as "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") which are effective for the Group's financial year beginning on or after January 1, 2009.

The Group has not early applied the following new and revised standards, amendments or INTs that have been issued but are not yet effective.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKAS 24 (Revised)	Related Party Disclosures[6]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
HKAS 32 (Amendment)	Classification of Rights Issues[4]
HKAS 39 (Amendment)	Eligible Hedged Items[1]
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards[1]
HKFRS 1 (Amendment)	Limited Exemption from comparative HKFRS 7 Disclosures for First-time Adopters[5]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[3]
HKFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions[3]
HKFRS 3 (Revised)	Business Combinations[1]
HKFRS 9	Financial Instruments[7]
HK(IFRIC) – Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement[6]
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners[1]
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments[5]

1 Effective for annual periods beginning on or after July 1, 2009
2 Effective for annual periods beginning on or after July 1, 2009 or January 1, 2010, as appropriate
3 Effective for annual periods beginning on or after January 1, 2010
4 Effective for annual periods beginning on or after February 1, 2010
5 Effective for annual periods beginning on or after July 1, 2010
6 Effective for annual periods beginning on or after January 1, 2011
7 Effective for annual periods beginning on or after January 1, 2013

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2009

2 APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(continued)*

The application of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after July 1, 2009, HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary.

HKFRS 9 Financial Instruments introduces new requirements for the classification and measurement of financial assets and will be effective from January 1, 2013, with earlier application permitted. The standard requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of Group's financial assets.

In addition, as part of Improvements to HKFRSs issued in 2009, HKAS 17 Leases has been amended in relation to the classification of leasehold land. The amendments will be effective from January 1, 2010, with earlier application permitted. Before the amendments to HKAS 17, leasees were required to classify leasehold land as operating leases and presented as prepaid lease payments in the consolidated statement of financial position. The amendments have removed such a requirement. Instead, the amendments require the classification of leasehold land to be based on the general principles set out in HKAS 17, that are based on the extend to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee. The application of the amendments to HKAS 17 might not affect the classification and measurement of the Group's leasehold land.

The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2009

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

BUSINESS COMBINATIONS UNDER COMMON CONTROL

Business combinations under common control are accounted for using merger accounting. In applying merger accounting, the consolidated financial statements incorporates the consolidated financial statements of the combining entities or businesses in which the common control combination occurs as if they had been consolidated from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling parties' perspective. No amount is recognised in respect of goodwill or excess of acquirers' interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statement of comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2009

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment including buildings held for use in the production or supply of goods, or for administrative purpose other than construction in progress are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of item of property, plant and equipment (other than construction in progress) over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

Construction in progress includes property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the assets. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period in which the item is derecognised.

LEASING

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of relevant lease.

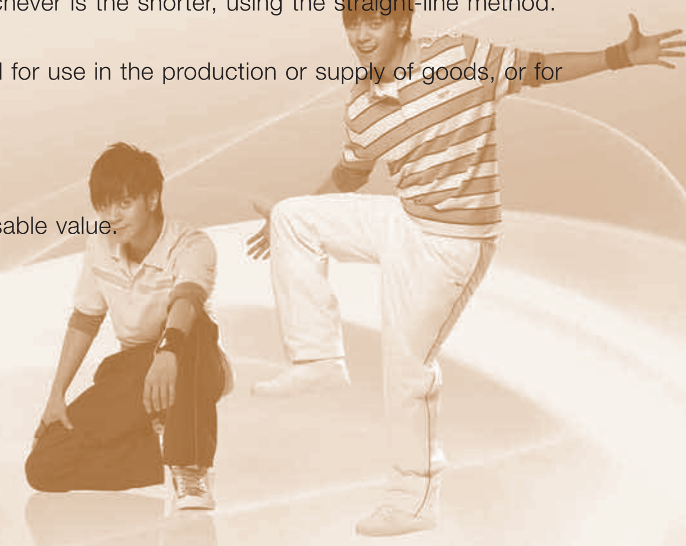
PREPAID LEASE PAYMENTS ON LAND USE RIGHT

Payment for obtaining land use right is considered as prepaid operating lease payment. Land use rights are stated at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is charged to consolidated statement of comprehensive income over the period of the rights or the term of the respective enterprise to which the land use rights are granted, whichever is the shorter, using the straight-line method.

Prepaid lease payments represented land use rights held for use in the production or supply of goods, or for administrative purposes.

INVENTORIES

Inventories are carried at the lower of cost and net realisable value.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2009

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised in the statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction cost that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit and loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified as loans and receivables. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instrument.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, cash and bank balances and amount due from a director) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2009

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

FINANCIAL INSTRUMENTS *(continued)*

Impairment of financial assets *(continued)*

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy of financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the credit period of 180 days, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the assets is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. When a trade and other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. The Group's financial liabilities are generally classified as other financial liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2009

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

FINANCIAL INSTRUMENTS *(continued)*

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Other financial liabilities

Other financial liabilities including trade and other payables, interest-bearing bank loans, and amount due to a director are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

REVENUE RECOGNITION

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods provided in the normal course of business, net of discounts and sales related taxes.

Revenue from the sales of goods is recognised when the goods are delivered and title has passed.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Government grants are recognised as revenue over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2009

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

RETIREMENT BENEFITS COSTS

Payments to state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme are charged as expenses when employees have rendered service entitling them to the contributions.

BORROWING COSTS

All borrowing costs are recognised as and included in finance costs in the consolidated statement of comprehensive income in the year which they are incurred.

RESEARCH COST

Expenditure on research activities is recognised as expense in the period in which it is incurred.

TAXATION

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interest in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2009

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

TAXATION *(continued)*

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in to profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

FOREIGN CURRENCIES

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing at that dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) at the rate of exchange prevailing at the end of the reporting period and their income and expenses items are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2009

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

IMPAIRMENT LOSSES ON TANGIBLE AND INTANGIBLE ASSETS

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. In addition, intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that they may be impaired.

If the recoverable amount of an assets is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on the historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

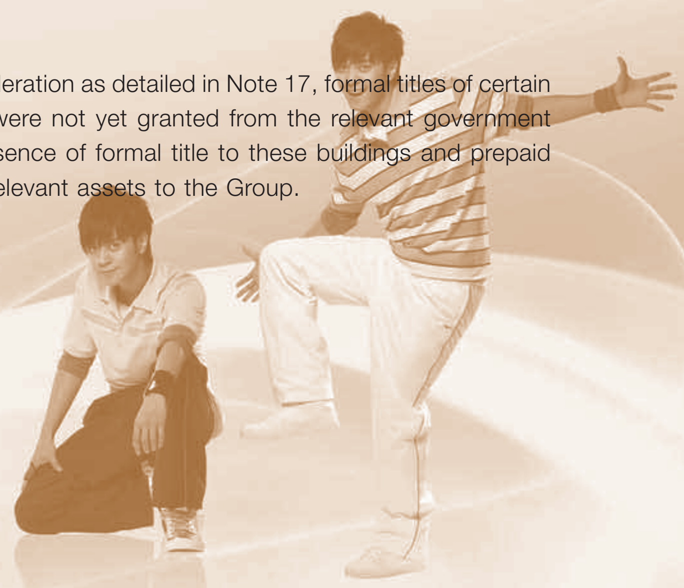
The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period, in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

CRITICAL JUDGMENTS IN APPLYING THE ENTITY'S ACCOUNTING POLICIES

The following are the critical judgments, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements:

(a) ***Ownership of the buildings***

Despite the Group has paid the full purchase consideration as detailed in Note 17, formal titles of certain of the Group's rights to the use of the buildings were not yet granted from the relevant government authorities. In the opinion of the directors, the absence of formal title to these buildings and prepaid lease payments does not impair the value of the relevant assets to the Group.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2009

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

KEY SOURCES OF ESTIMATION UNCERTAINTY

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(a) Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives, after taking into account their estimated residual values. The determination of the useful lives and residual values involve management's estimation. The Group assesses annually the residual value and the useful life of the property, plant and equipment and if the expectation differs from the original estimates, such a difference may impact the depreciation in the year and the estimate will be changed in the future period.

(b) Write down of inventories

As explained in Note 3, the Group's inventories are stated at the lower of cost and net realisable value. If there is an increase in costs of sales or a decrease in net sales value, the net realisable value will decrease and this may result in provision for inventories. Such provision requires the use of judgment and estimates. Where the expectation is different from the original estimate, the carrying value and provision for inventories in the periods in which such estimate is changed will be adjusted accordingly.

In addition, given the seasonally fashion trend for the sporting goods market, the actual outcomes in terms of costs and revenue may be higher or lower than these amounts estimated at the end of the reporting period. Any increase or decrease on the provision would affect profit or loss in future years.

(c) Impairment for trade receivables

The Group estimates impairment losses for trade and other receivables resulting from the inability of customers to make the required payments. The Group bases the estimates on the aging of the trade receivables balance, customers credit-worthiness, and historical write-off experience. If the financial condition of the customers were to deteriorate, actual write-offs would be higher than estimated.

(d) Impairment for property, plant and equipment

The impairment loss for property, plant and equipment are recognised for the amounts by which the carrying amounts exceed their recoverable amounts, in accordance with the Group's accounting policy. The recoverable amounts of property, plant and equipment have been determined based on value-in-use calculations. These calculations require the use of estimates such as the future revenue and discount rates. No impairment was provided during the period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2009

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of cash and bank balances, borrowings and equity of the Group, comprising share capital and reserves.

The directors of the Company regularly review and manage the Group's capital structure. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, raise of new capital and new loans or repayment of existing loans.

There is no change in the capital risk management policy adopted by the Company during the two years ended December 31, 2009 and 2008.

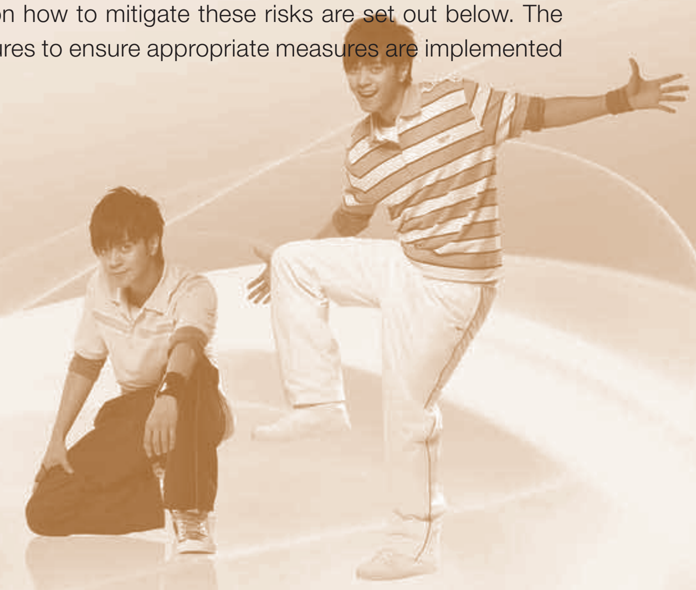
6. FINANCIAL INSTRUMENTS

(A) CATEGORIES OF FINANCIAL INSTRUMENTS

	2009 **RMB'000**	2008 RMB'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**314,850**	174,884
Financial liabilities		
Amortised cost	**241,463**	188,493

(B) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include trade and other receivables, cash and bank balances, short-term bank deposit, trade and other payables, amount due from (to) a director and interest-bearing bank loans. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2009

6. FINANCIAL INSTRUMENTS *(continued)*

(B) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Credit risk

The Group's principal financial assets are trade and other receivables, cash and bank balances, short-term bank deposit, amounts due from a director which represent the Group's maximum exposure to credit risk in relation to financial assets. Credit evaluations are performed on all customers requiring credit over a certain amount. These receivables are due within 90 to 180 days from the date of billing. Debtors with balances that are more than one year from the date of billing are requested to settle all outstanding balances before any further credit is granted.

The Group's trade receivables consist of small customers and mainly arise from distributors of the Group in the People's Republic of China (the "PRC"). As at December 31, 2009 and 2008, the Group had a certain concentration of credit risk as of 13% and 1% of the total trade receivables that were due from the Group's largest customer respectively, and 40% and 39% of the total trade receivables were due from the Group's five largest customers respectively.

In order to minimise the credit risk, the management reviews the recoverable amount of each individual debt at each reporting date to ensure adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the credit risk of the Group is significantly reduced.

The credit risk for bank balances is considered minimal as such amounts are placed with banks with good credit standing.

The Group's concentration of credit risk by geographical locations is mainly in the PRC, which accounted for 100% (2008: 100%) of the total receivables as at December 31, 2009.

Foreign currency risk

The Group mainly operates in Mainland China with most of the transactions settled in RMB. Most of the Group's financial instruments such as trade and other receivables, cash and bank balances are denominated in the same currency or a currency that is pegged to the functional currency of the operations to which transactions relate. The Group has not used any forward contract or currency borrowing to hedge its exposure as foreign currency risk is considered minimal.

Interest rate risk

The Group's exposure to changes in interest rates is mainly attributable to its short-term bank deposit, bank balances and bank loans. Short-term bank deposit, bank balances and bank loans at variable rates expose the Group to cash flow interest-rate risk, and those at fixed rates expose the Group to fair value interest-rate risk.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk section of this note. The Group historically has not used any financial instruments to hedge potential fluctuations in interest rates. To mitigate the impact of interest rate fluctuations, the Group continually assesses and monitors the exposure to interest rate risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2009

6. FINANCIAL INSTRUMENTS *(continued)*

(B) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Interest rate risk *(continued)*

Sensitivity analysis

As at the end of the reporting period, it is estimated that a general 100 basis point increase or decrease in interest rates, with all other variables held constant, would decrease or increase the Group's profit before tax and retained earnings by approximately RMB630,000 (2008: approximately RMB559,000).

The above sensitivity analysis has been determined assuming that a change in interest rates had occurred at the December 31, 2009 and December 31, 2008 and had been applied to the exposure to interest rate risk for financial instruments in existence at that date. The 100 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual reporting date.

Liquidity risk

The Group's management reviews the liquidity position of the Group on an ongoing basis, including review of the expected cash inflows and outflows, sale, maturity of loans in order to monitor the Group's liquidity requirements in the short and longer terms.

The following table details the contractual maturities at December 31, 2009 and December 31, 2008 of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates) and the earliest date the Group can be required to pay:

At December 31, 2009	On demand or within one year RMB'000	More than one year but less than two years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
Financial liabilities				
Trade and other payables	49,759	–	49,759	49,759
Amount due to a director	204	–	204	204
Interest-bearing bank loans	179,050	18,652	197,702	191,500
	229,013	18,652	247,665	241,463

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2009

6. FINANCIAL INSTRUMENTS *(continued)*

(B) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Liquidity risk *(continued)*

At December 31, 2008	On demand or within one year RMB'000	More than one year but less than two years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
Financial liabilities				
Trade and other payables	53,493	–	53,493	53,493
Interest-bearing bank loans	123,335	18,349	141,684	135,000
	176,828	18,349	195,177	188,493

(C) FAIR VALUE

The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using the relevant prevailing market rates.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values due to their immediate or short-term maturities.

The directors consider the fair values of the other non-current liabilities approximate their carrying amounts as the impact of discounting is not significant.

7. REVENUE

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

	2009 RMB'000	2008 RMB'000
Footwear	**370,718**	269,374
Apparel	**118,919**	88,774
Accessories and shoe sole	**9,783**	7,483
	499,420	365,631

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2009

8. SEGMENT INFORMATION

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

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

The Group is organised into a single operating segment as selling sports 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.

For the year ended December 31, 2008, the Group had two (2009: Nil) customers with whom transactions have exceed 10% of the Group's aggregate revenue during the year. The amounts of sales from these customers during the year amounted to approximately RMB101,975,000 (2009: RMB63,399,000).

9. OTHER INCOME

	2009 RMB'000	2008 RMB'000
Government grants (Note)	**855**	2,506
Compensation income	**600**	–
Interest income	**810**	905
	2,265	3,411

Note:

Government grants of approximately RMB855,000 (2008: RMB2,506,000) were received from several local government authorities during the year for the Group's contribution to local economies, of which the entitlement was unconditional and under the discretion of the relevant authorities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2009

10. FINANCE COSTS

	2009 **RMB'000**	2008 RMB'000
Interest on bank loans wholly repayable within five years	**10,372**	9,460

11. INCOME TAX EXPENSE

	2009 **RMB'000**	2008 RMB'000
Current tax:		
Provision for the year		
– PRC Enterprise Income Tax ("EIT")	**13,225**	5,152
– Tax paid refund for export business	**–**	(5,321)
Deferred tax (Note 19)	**1,945**	1,998
	15,170	1,829

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 year ended December 31, 2009 and 2008.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulations of the EIT Law, the tax rate of the PRC subsidiaries is 25% from January 1, 2008 onwards except for entities that are entitled to different concessionary tax rates as disclosed below.

Pursuant to the relevant laws and regulations in the PRC, certain PRC subsidiaries are exempted from EIT for the two years from their first profit-making year followed by 50% reduction for the next three years.

Pursuant to the new tax law passed on March 16, 2007, a 10% withholding tax was levied on dividends declared to foreign enterprise investors from the PRC effective from January 1, 2008. A lower withholding tax rate may be applied if there is a tax treaty arrangement between the PRC and the jurisdiction of the foreign enterprise investors. On February 22, 2008, Caishui (2008) No.1 was promulgated by the tax authorities to specify that dividends declared and remitted out of the PRC from the retained earnings as at January 1, 2008 are exempted from the withholding tax.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2009

11. INCOME TAX EXPENSE *(continued)*

The tax charge for the year can be reconciled to the profit before tax per the consolidated statement of comprehensive income as follows:

	2009 RMB'000	2008 RMB'000
Profit before tax	**110,524**	58,286
Tax at domestic income tax rate of 25% (2008: 25%)	**27,631**	14,572
Tax effect of non-deductible expenses	**3,984**	2,777
Tax refund	**–**	(5,321)
Tax effect of profits entitled to tax exemption in the PRC	**(16,445)**	(10,199)
Tax charge for the year	**15,170**	1,829

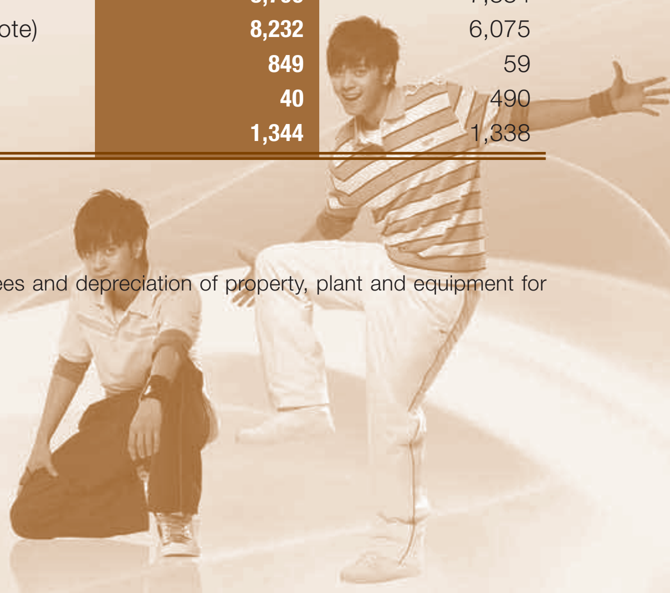
12. PROFIT FOR THE YEAR

Profit for the year has been arrived after charging:

	2009 RMB'000	2008 RMB'000
Salaries and allowances	**54,545**	37,675
Contributions to retirement benefits scheme	**3,560**	3,452
Total staff costs (including directors' remuneration)	**58,105**	41,127
Auditor's remuneration	**705**	–
Cost of inventories sold	**328,483**	246,480
Write down of inventories (included in cost of inventories sold)	**–**	62
Depreciation and amortisation	**8,706**	7,334
Research cost (included in other operating expenses) (Note)	**8,232**	6,075
Loss on disposal of property, plant and equipment	**849**	59
Net exchange loss	**40**	490
Operating lease rentals in respect of rented premises	**1,344**	1,338

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.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2009

13. DIRECTORS' EMOLUMENTS

The details of directors' remuneration of each of the directors during the two years ended December 31, 2009 and 2008 are set out below:

	Fee RMB'000	Salaries and other benefits RMB'000	Retirement benefits scheme contributions RMB'000	Total RMB'000
For the year ended December 31, 2009:				
Executive directors:				
Mr. Ding Siqiang	–	403	2	405
Ms. Ding Xueleng	–	216	2	218
Mr. Sun Keqian	–	144	2	146
Mr. Li Dongxing	–	144	2	146
Ms. Ding Jinzhu	–	74	2	76
Mr. Lin Yangshan	–	84	2	86
	–	1,065	12	1,077
Independent non-executive directors:				
Mr. Xiang Shimin	–	32	–	32
Mr. Yang Chengjie (resigned on May 27, 2009 and reappointed on January 6, 2010)	–	24	–	24
Mr. Xie Weichun (appointed on January 6, 2010)	–	–	–	–
	–	56	–	56
	–	1,121	12	1,133

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2009

13. DIRECTORS' EMOLUMENTS *(continued)*

	Fee RMB'000	Salaries and other benefits RMB'000	Retirement benefits scheme contributions RMB'000	Total RMB'000
For the year ended December 31, 2008:				
Executive directors:				
Mr. Ding Siqiang	–	215	2	217
Ms. Ding Xueleng	–	184	2	186
Mr. Sun Keqian	–	139	2	141
Mr. Li Dongxing	–	134	2	136
Ms. Ding Jinzhu	–	77	2	79
Mr. Lin Yangshan	–	93	2	95
	–	842	12	854
Independent non-executive directors:				
Mr. Xiang Shimin	–	35	–	35
Mr. Yang Chengjie (resigned on May 27, 2009 and reappointed on January 6, 2010)	–	35	–	35
Mr. Xie Weichun (appointed on January 6, 2010)	–	–	–	–
	–	70	–	70
	–	912	12	924

No directors waived or agreed any emoluments for the two years ended December 31, 2009 and 2008. No emoluments have been paid to the directors of the Company or as an inducement to join or upon joining the Group or as compensation for loss of office during the two years ended December 31, 2009 and 2008.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2009

14. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, four (2008: four) were directors of the Company whose emoluments are set out in Note 13 above. The emoluments of the remaining one (2008: one) individual was as follows:

	2009 RMB'000	2008 RMB'000
Salaries and other benefits	**120**	192
Contributions to retirement benefits scheme	**2**	–
	122	192

The above individual's emoluments is within the following band:

	2009 Number of employees	2008 Number of employees
Nil to HK$1,000,000 (equivalent to RMB880,000)	**1**	1

No emoluments have been paid to the directors of the Company or as an inducement to join or upon joining the Group as compensation for loss of office during the two years ended December 31, 2009 and 2008.

15. DIVIDENDS

During the year ended December 31, 2009, dividends of approximately RMB32,252,000 (2008: Nil) was declared and paid to the equity holders of the Company.

Pursuant to a board resolution dated January 4, 2010, the Company declared dividends of approximately RMB15,620,000. Such dividends were fully paid on the same date.

Dividends declared and paid on December 9, 2009, December 11, 2009 and January 4, 2010 represented dividends declared prior to the listing of the Company. The rate of dividend per share is not presented for these dividends as it is not indicative of the rate at which future dividends will be declared.

Subsequent to December 31, 2009, the Company was listed on the Stock Exchange. On April 23, 2010, a final dividend of HK$0.034 per share has been proposed by the directors based on 1,037,500,000 shares in issue as of February 19, 2010 and as of the date on which the financial statements were approved by the directors. The final dividend is subject to approval by the shareholders at the forthcoming annual general meeting.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2009

16. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share for each of the years ended December 31, 2009 and 2008 is based on the profit attributable to owners of the parent and on the assumption that 750,000,000 shares of HK$0.01 each issued and issuable comprising 1,000,000 shares in issue and 749,000,000 shares to be issued pursuant to the capitalisation issue on January 6, 2010, as if the shares had been in issue throughout the years ended December 31, 2009 and 2008.

The Company did not have any potential dilutive shares throughout the years ended December 31, 2009 and 2008.

The calculation of basic and diluted earnings per share are based on:

	2009	2008
	RMB'000	RMB'000
Earnings		
Profit for the year attributable to the owners of the parent	**90,606**	49,118

	2009	2008
	'000	'000
Number of shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**750,000**	750,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2009

17. PROPERTY, PLANT AND EQUIPMENT

	Buildings held for own uses RMB'000	Leasehold improvement RMB'000	Machineries RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
COST							
At January 1, 2008	44,540	388	45,405	2,472	809	4,957	98,571
Additions	–	199	2,405	948	344	33,203	37,099
Disposals	–	(172)	–	–	–	–	(172)
Transfer from construction in progress	33,355	–	–	–	–	(33,355)	–
At December 31, 2008 and January 1, 2009	77,895	415	47,810	3,420	1,153	4,805	135,498
Additions	–	–	2,231	610	–	3,456	6,297
Disposals	–	–	(4,109)	–	–	–	(4,109)
Transfer from construction in progress	139	–	151	–	–	(290)	–
At December 31, 2009	78,034	415	46,083	4,030	1,153	7,971	137,686
ACCUMULATED DEPRECIATION							
At January 1, 2008	9,248	65	18,240	957	44	–	28,554
Charge for the year	1,714	179	4,227	322	96	–	6,538
Eliminated on disposals	–	(86)	–	–	–	–	(86)
At December 31, 2008 and January 1, 2009	10,962	158	22,467	1,279	140	–	35,006
Charge for the year	2,729	133	4,191	452	104	–	7,609
Eliminated on disposals	–	–	(2,750)	–	–	–	(2,750)
At December 31, 2009	13,691	291	23,908	1,731	244	–	39,865
CARRYING VALUES							
At December 31, 2009	64,343	124	22,175	2,299	909	7,971	97,821
At December 31, 2008	66,933	257	25,343	2,141	1,013	4,805	100,492

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2009

17. PROPERTY, PLANT AND EQUIPMENT *(continued)*

All the buildings of the Group are situated on the land with medium-term land use rights in the PRC.

The above property, plant and equipment are depreciated over their estimated useful lives on a straight-line basis, taking into account their estimated residual values, as follows:

Buildings held for own uses	25 years
Leasehold improvement	2.75 years
Machineries	10 years
Office equipment	5 years
Motor vehicles	10 years

At December 31, 2009, the Group was applying for certificates of ownership for buildings, with net carrying values of approximately RMB633,000 (2008: RMB664,000) from the relevant PRC government authorities. In the opinion of the directors of the Company, the absence of formal title to these properties does not impair their values to the Group as the Group has paid in full purchase consideration of these buildings and the probability of being evicted on the ground of an absence of formal title is remote.

18. PREPAID LEASE PAYMENTS

	2009 **RMB'000**	2008 RMB'000
Analysed for reporting purposes as:		
Current portion	**1,097**	1,097
Non-current portion	**50,358**	51,455
	51,455	52,552

The Group's prepaid lease payments are in relation to land use rights in the PRC with lease terms of 50 years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2009

19. DEFERRED TAX ASSETS (LIABILITIES)

The movement in deferred income tax assets and liabilities are as follows:

Deferred tax assets:	Unrealised profit on inter-company transaction RMB'000
At January 1, 2008	–
Credited to consolidated statement of comprehensive income	298
At December 31, 2008 and at January 1, 2009	298
Credited to consolidated statement of comprehensive income	(298)
At December 31, 2009	–

Deferred tax liabilities:	Withholding tax on dividends RMB'000
At January 1, 2008	–
Charged to consolidated statement of comprehensive income	2,296
At December 31, 2008 and at January 1, 2009	2,296
Charged to consolidated statement of comprehensive income	1,647
At December 31, 2009	3,943

20. INVENTORIES

	2009 RMB'000	2008 RMB'000
Raw materials	**19,315**	27,180
Work-in-progress	**3,414**	4,700
Finished goods	**30,277**	48,048
	53,006	79,928

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2009

21. TRADE AND OTHER RECEIVABLES

	2009 RMB'000	2008 RMB'000
Trade receivables	**235,672**	81,339
Other receivables	**502**	677
Prepayments	**27,187**	12,990
	27,689	13,667
Less: Allowance for impairment loss	**(2)**	(2)
Other receivables and prepayments, net	**27,687**	13,665
Trade and other receivables	**263,359**	95,004

The Group allows an average credit period of 90 to 180 days to its trade customers. The following is an aged analysis of trade receivables presented based on the invoice date at the reporting date:

	2009 RMB'000	2008 RMB'000
Within 90 days	**163,017**	46,770
91 – 180 days	**72,655**	28,905
181 – 365 days	**–**	5,664
Total	**235,672**	81,339

The Group generally allows an average credit period of 90 to 180 days to its trade customers, except for new customers, where payment in advance is normally required.

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

As at December 31, 2008, included in the Group's trade receivables balances are debtors with aggregate carrying amount of RMB5,664,000 (2009: Nil) which were past due as at the reporting date for which the Group has not provided for impairment loss. Trade receivables that were past due but not impaired related to a number of customers that have a good track record with the Group. Based on past experience, the management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2009

21. TRADE AND OTHER RECEIVABLES *(continued)*

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

	2009 RMB'000	2008 RMB'000
Within 90 days	**–**	3,923
91-180 days	**–**	1,741
Total	**–**	5,664

The gross amounts of the Group's trade and other receivables are denominated in the following currencies:

	2009 RMB'000	2008 RMB'000
RMB	**263,361**	91,642
US$	**–**	3,364
	263,361	95,006

Included in the impairment loss recognised are individually impaired other receivables with an aggregate balance of approximately RMB2,000 (2008: RMB2,000), mainly related to debtors that are in unexpected financial difficulty or of poor credit history. The Group does not hold any collateral over these balances. The factors considered by management in determining the impairment are described in Note 4. It was assessed that a portion of the receivables is expected to be recovered.

As at December 31, 2009, certain trade receivables with a carrying amount of approximately RMB22,016,000 were pledged to banks to secure the short term loans of the Group, which is described in Note 29.

22. CASH AND BANK BALANCES AND SHORT-TERM BANK DEPOSIT

Bank balances carried interest at average market rates which range from 0.001% to 0.36% (2008: 0.36% to 0.72%) per annum. Short-term bank deposit represented term deposit within three months and carried interest at market rates of 2.25% (2008: 4.14% to 2.25%) per annum.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2009

23. TRADE AND OTHER PAYABLES

	2009 RMB'000	2008 RMB'000
Trade payables	**29,296**	32,640
Other payables	**9,696**	15,191
Receipts in advance	**3,050**	1,100
Accrued payroll and welfare	**10,767**	5,662
	23,513	21,953
Trade and other payables	**52,809**	54,593

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

	2009 RMB'000	2008 RMB'000
Within 90 days	**12,762**	20,281
91 – 180 days	**9,463**	8,852
181 – 365 days	**6,059**	2,872
Over 365 days	**1,012**	635
Total	**29,296**	32,640

The average credit period on purchases of goods is between 60 to 180 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2009

24. AMOUNT DUE FROM (TO) A DIRECTOR

The amount due from (to) a director is unsecured, interest-free and repayable on demand.

	Balance at December 31, 2009 RMB'000	Balance at January 1, 2009 RMB'000	Maximum amount outstanding during the year RMB'000
Amount due from			
– Mr. Ding Siqiang	–	37	871
Amount due to			
– Mr. Ding Siqiang	(204)	–	

Mr. Ding Siqiang is the director and shareholder of the Company. The balance due to Mr. Ding Siqiang was fully repaid after December 31, 2009.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2009

25. INTEREST-BEARING BANK LOANS

	2009 RMB'000	2008 RMB'000
Within 1 year	**174,500**	118,000
After 1 year but within 2 years	**17,000**	17,000
	191,500	135,000
Current portion analysed for reporting purposes as:		
Short-term loans	**157,500**	101,000
Current portion of long term-loan	**17,000**	17,000
	174,500	118,000
Fixed rate borrowings:		
Within 1 year	**33,000**	84,000
After 1 year but within 2 years	**17,000**	17,000
	50,000	101,000
Variable rate borrowings:		
Within 1 year	**141,500**	34,000
	191,500	135,000
Unsecured	**63,000**	32,000
Secured	**128,500**	54,000
Guaranteed	**–**	49,000
	191,500	135,000

All bank loans in the consolidated statements of financial position are denominated in RMB.

As at December 31, 2009 and 2008, secured bank loans with carrying value of RMB110,000,000 and RMB54,000,000 respectively were secured by prepaid lease payments and buildings held for owned uses of the Group. As at December 31, 2009, secured bank loan with carrying value of RMB18,500,000 was secured by trade receivables of Quanzhou Meike Sports Goods Co., Limited, a subsidiary within the Group.

In addition, certain bank loans as at December 31, 2008 were jointly guaranteed by directors of the Company and/or a related company福建省名樂體育用品有限公司, which is a company owned by Mr. Ding Siliang, who is the brother of Mr. Ding Siqiang, a director of the Company. Details of guarantee are disclosed in Note 31(a).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2009

25. INTEREST-BEARING BANK LOANS *(continued)*

The effective interest rate per annum at the end of each reporting period ranges from:

	2009		2008	
	Effective interest rate	**RMB'000**	Effective interest rate	RMB'000
Fixed rate borrowings bank loans	**4.86% – 7.47%**	**50,000**	6.80%– 7.47%	101,000
Variable rate borrowings bank loans	**4.78% – 5.84%**	**141,500**	7.33%– 8.96%	34,000
		191,500		135,000

26. SHARE CAPITAL

		Number of shares	Nominal value of ordinary shares	
			HK$'000	RMB'000
Ordinary of HK$0.01 each				
Authorised:				
On incorporation and at December 31, 2009	(iii)	38,000,000	380	335
Issue and fully paid:				
On incorporation	(iii)	1	–	–
Issue of shares for the Corporate Reorganization	(iv)	999,999	10	9
As at December 31, 2009		1,000,000	10	9

(i) The share capital of the Group as at December 31, 2008 represented the issued combined share capital of the subsidiaries prior to the Corporate Reorganization.

(ii) On June 23, 2009, the controlling shareholder of the listing group acquired by cash 13% equity interest in Meike (Fujian) Sports Leisure Co., Limited for a consideration of approximately RMB30,910,000 by cash which represented the contributed additional interest to the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2009

26. SHARE CAPITAL *(continued)*

(iii) On June 25, 2009, the Company was incorporated in Cayman Islands with an authorised share capital of 38,000,000 shares of HK$0.01 each. Upon incorporation, one share was allotted and issued at nil paid to the subscriber and the one nil paid share was subsequently transferred to Glory Hill, the then sole shareholder on the same date.

(iv) Amber Jungle Limited ("Amber Jungle") was incorporated in the BVI on March 12, 2009 with an authorised share capital of 50,000 shares of US$1.00 each. On May 15, 2009, Amber Jungle issued 1 share of US$1.00 each to the then sole shareholder. Pursuant to the sale and purchase agreement dated August 25, 2009 entered into between the controlling shareholder and Amber Jungle, Amber Jungle issued 1 share of US$1.00 each to the then sole shareholder for acquiring the entire issued capital of Mega Pacific Enterprises Limited, the then holding company of the Group.

On September 10, 2009, the Company acquired the entire issued capital of Amber Jungle from the then sole shareholder, which was satisfied by the nil paid share of the Company, and the issue of 999,999 ordinary shares of HK$0.01 each of the Company, all credited as fully paid, to the then sole shareholder. The combined share capital and share premium of approximately RMB100,000,000 and RMB17,156,000 were transferred to the other reserves account.

27. OPERATING LEASES COMMITMENT

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2009 **RMB'000**	2008 RMB'000
Within one year	**1,642**	743
In the second to fifth years, inclusive	**215**	417
	1,857	1,160

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2009

28. CAPITAL COMMITMENTS

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

	2009 RMB'000	2008 RMB'000
Contracted but not provided for in the consolidated financial statements	–	6,855

29. PLEDGE OF ASSETS

Assets with the following carrying amounts have been pledged to secure bank loans of the Group.

	2009 RMB'000	2008 RMB'000
Prepaid lease payments	49,310	10,838
Buildings held for own use	42,906	30,548
Trade receivables	22,016	–
	114,232	41,386

30. EMPLOYEE RETIREMENT BENEFIT SCHEMES

As stipulated by the rules and regulations in the PRC, the Group contributes to the retirement funds scheme managed by local social security bureau in the PRC. The Group contributes a certain percentage of the basic salaries of its employees to the retirement plan to fund the benefits.

The Group has arranged for its Hong Kong employees to join the Mandatory Provident Fund Scheme (the "MPF Scheme"), a defined contribution scheme managed by an independent trustee. Under the MPF Scheme, each of the Group and its Hong Kong employees makes monthly contributions to the scheme at 5% of the employees' earnings as defined under the Mandatory Provident Fund legislation. Both the Group's and the employees' contributions are subject to a cap of HK$1,000 per month.

The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions. During the two years ended December 31, 2009 and 2008, the total retirement benefit scheme contributions charged to the consolidated statements of comprehensive income amounted to approximately RMB3,560,000 and RMB3,452,000 respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2009

31. RELATED PARTY TRANSACTIONS

(a) In addition to balances disclosed in Note 24 to the consolidated financial statements, the Group entered into the following related party transactions:

(i) During the year ended December 31, 2009, the Group leased certain interest in leasehold land held for own use under operating leases and buildings from a related company, 恒強(中國)有限公司 at total rental expenses of RMB653,000 (2008: RMB753,000). Mr. Ding Siqiang, a director of the Company, is holding 80% of 恒強(國際)有限公司, which is the ultimate holding company of 恒強(中國)有限公司.

During the year ended December 31, 2008, the annual purchase of raw materials from 恒強(中國)有限公司 amounted to approximately RMB668,000 (2009: Nil).

(ii) As at December 31, 2008, certain bank loans of the Group of RMB15,000,000 (2009: Nil) were guaranteed by 福建省名樂體育用品有限公司, a company owned by Mr. Ding Siliang, who is the brother of Mr. Ding Siqiang. As at December 31, 2008 certain bank loans of the Group of RMB23,000,000 (2009: Nil) were jointly guaranteed by 福建省名樂體育用品有限公司 and Mr. Ding Siqiang and Ms. Ding Xueleng, directors of the Company.

At December 31, 2008, certain bank loans of the Group amounted to approximately RMB11,000,000 (2009: Nil) were guaranteed by the directors of the Company, Mr. Ding Siqiang and Ms. Ding Xueleng.

During the year ended December 31, 2008, certain bank loans of the Group of RMB18,000,000 (2009: Nil) was jointly guaranteed by a third party and the directors of the Company, Mr. Ding Siqiang and Ms. Ding Xueleng.

(b) COMPENSATION OF KEY MANAGEMENT PERSONNEL

The remunerations of directors and other members of key management were disclosed in Note 13 and 14 respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2009

32. POST BALANCE SHEET EVENTS

(a) On January 6, 2010, the Group entered into an agreement to lease certain leasehold land and buildings from a related party, 恒強(中國)有限公司 from January 6, 2010 to December 31, 2012 at an annual rental of no more than RMB790,425.

(b) Pursuant to a board resolution dated January 6, 2010, the authorised share capital of the Company was increased from HK$380,000 to HK$100,000,000 by the creation of an additional of 9,962,000,000 shares of HK$0.01 each, each ranking pari passu with the shares then in issue in all aspects.

(c) On February 1, 2010, the Company issued 250,000,000 new ordinary shares of HK$0.01 each for cash pursuant to the Company's initial public offering and placing at a price of HK$1.43 per share to the public for listing of those shares on the Stock Exchange. Net proceeds from such issue amounted to HK$335,400,000 (approximately RMB295,200,000).

(d) On February 19, 2010, the Company issued 37,500,000 new ordinary shares of HK$0.01 each for cash pursuant to the full exercise of the over-allotment option in connection with the global initial public offering at a price of HK$1.43 per share. Net proceeds from such issue amounted to HK$46,300,000 (approximately RMB40,700,000).

33. PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries as at December 31, 2009 and December 31, 2008 are as follows:

Name of subsidiary	Place/ Country of incorporation or registration /operations	Class of shares held	Paid up issued/ registered ordinary share capital	Proportion ownership interest held by the Company		Proportion of voting power held by the Company	Principal activities
				Direct %	Indirect %		
Amber Jungle Limited 珀森有限公司	BVI March 12, 2009	Ordinary	US$2/ US$50,000	100	–	100	Investment holding
Mega Pacific Enterprises Limited 太平洋企業有限公司	Hong Kong March 30, 2009	Ordinary	HK$1/ HK$10,000	–	100	100	Investment holding
Meike (H.K.) Trade Company Limited 美克（香港）貿易投資有限公司	Hong Kong August 31, 2007	Ordinary	HK$42,488,800/ HK$42,488,800 (2008: HK$14,520,000/ HK$14,520,000)	–	100 (2008: 100%)	100 (2008: 100%)	Investment holding

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2009

33. PRINCIPAL SUBSIDIARIES *(continued)*

Name of subsidiary	Place/ Country of incorporation or registration /operations	Class of shares held	Paid up issued/ registered ordinary share capital	Proportion ownership interest held by the Company Direct %	Proportion ownership interest held by the Company Indirect %	Proportion of voting power held by the Company	Principal activities
Meike (Fujian) Sports Leisure Co., Limited 福建美克休閑体育用品有限公司 (Note (i) and (iv))	The PRC February 12, 1999	Ordinary	RMB100,000,000/ RMB100,000,000 (2008: RMB100,000,000/ RMB100,000,000)	–	100 (2008: 87%)	100 (2008: 87%)	Manufacturing and trading of sporting goods
Fujian Meisike Sports Goods Co., Limited 福建省美斯克体育用品有限公司 (Note (ii) and (iv))	The PRC March 15, 2007	Ordinary	HK$20,000,000/ HK$20,000,000 (2008: HK$20,000,000/ HK$20,000,000)	–	100 (2008: 87%)	100 (2008: 87%)	Manufacturing and trading of sporting goods
Quanzhou Meike Sports Goods Co., Limited 泉州市美克体育用品有限公司 (Note (ii) and (iv))	The PRC January 30, 2007	Ordinary	RMB85,000,000/ RMB85,000,000 (2008: RMB73,203,483/ RMB85,000,000)	–	100 (2008: 87%)	100 (2008: 87%)	Manufacturing and trading of sporting goods
Fuzhou Meikesen Sports Goods Co., Ltd. 福州美克森体育用品有限公司 (Note (iii) and (iv))	The PRC May 23, 2007	Ordinary	RMB500,000/ RMB500,000 (2008: RMB500,000/ RMB500,000)	–	100 (2008: 87%)	100 (2008: 87%)	Trading of sporting goods

None of the subsidiaries had issued any debt securities during the year and at the end of the year.

All of the above subsidiaries operate principally in their respective place of incorporation/establishment.

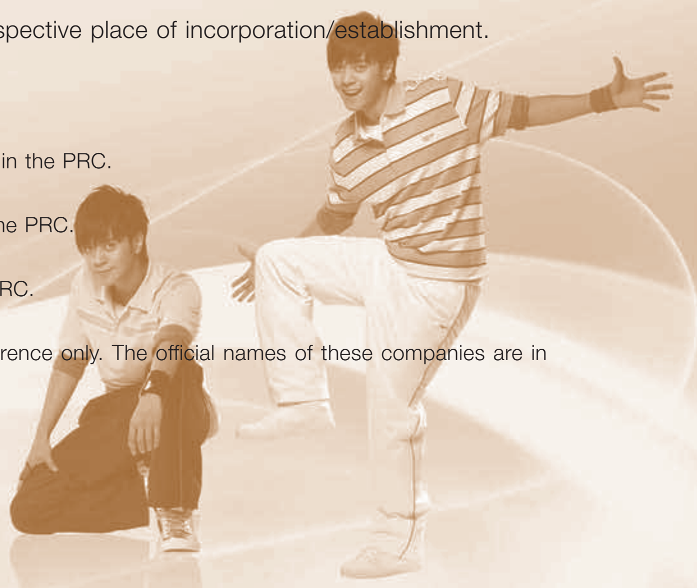
Notes:

(i) The entity is wholly foreign owned enterprise established in the PRC.

(ii) The entities are sino-foreign joint venture established in the PRC.

(iii) The entity is limited liability company established in the PRC.

(iv) The English translation of the company names is for reference only. The official names of these companies are in Chinese.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2009

34. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2009 RMB'000
Non-current asset	
Investment in subsidiaries	**9**
Current asset	
Prepayment	**4,144**
Amount due from a subsidiary (Note)	**28,764**
	32,908
Current liabilities	
Other payables	**903**
Net current assets	**32,005**
Net assets	**32,014**
Capital and reserve	
Share capital	**9**
Retained earnings	**32,005**
Total equity	**32,014**

Note: The amount due was from Amber Jungle, a subsidiary of the Company, which is unsecured, interest-free and repayable on demand. The maximum amount outstanding during the year was RMB28,764,000.

FINANCIAL SUMMARY

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended December 31,			
	2006	2007	2008	**2009**
	RMB'000	RMB'000	RMB'000	**RMB'000**
Revenue	180,925	328,728	365,631	**499,420**
Cost of sales	(132,342)	(226,951)	(246,480)	**(328,483)**
Gross profit	48,583	101,777	119,151	**170,937**
Other income	1,985	1,255	3,411	**2,265**
Selling and distribution costs	(8,095)	(17,602)	(29,721)	**(21,089)**
Administrative expenses	(6,905)	(11,312)	(18,471)	**(22,096)**
Other operating expenses	(2,025)	(5,961)	(6,624)	**(9,121)**
Finance costs	(4,166)	(5,029)	(9,460)	**(10,372)**
Profit before tax	29,377	63,128	58,286	**110,524**
Income tax expense	(6,228)	(5,709)	(1,829)	**(15,170)**
Profit for the year	23,149	57,419	56,457	**95,354**
Other comprehensive income:				
Exchange differences on translating foreign operations	—	13	(29)	**(5)**
Total comprehensive income for the year	23,149	57,432	56,428	**95,349**
Profit for the year attributable to:				
Owners of the parent	22,647	47,305	49,118	**90,606**
Minority interests	502	10,114	7,339	**4,748**
	23,149	57,419	56,457	**95,354**
Total comprehensive income attributable to:				
Owners of the parent	22,647	47,316	49,093	**90,602**
Minority interests	502	10,116	7,335	**4,747**
	23,149	57,432	56,428	**95,349**
Earnings per share — Basic (RMB)	0.030	0.063	0.065	**0.121**

FINANCIAL SUMMARY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	As of December 31,			
	2006 RMB'000	2007 RMB'000	2008 RMB'000	**2009 RMB'000**
Assets				
Current assets	127,891	200,850	268,899	**396,140**
Non-current assets	81,065	115,126	152,245	**148,179**
Total Assets	208,956	315,976	421,144	**544,319**
Equity and Liabilities				
Current liabilities	90,961	143,595	173,039	**231,470**
Non-current liabilities	—	—	19,296	**20,943**
Total Equity	117,995	172,381	228,809	**291,906**
Total Equity and Liabilities	208,956	315,976	421,144	**544,319**