INTERIM REPORT 2011

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

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Ding Siqiang
(Chairman and President)
Ms. Ding Xueleng
Mr. Sun Keqian
(resigned on 25 July 2011)
Ms. Ding Jinzhu
Mr. Lin Yangshan
Mr. Li Dongxing
Mr. Ding Minglang
(appointed on 25 July 2011)

Independent Non-executive Directors

Mr. Xiang Shimin
(resigned on 25 July 2011)
Mr. Yang Chengjie
Mr. Xie Weichun
Mr. Lin Jiwu
(appointed on 25 July 2011)

BOARD COMMITTEES

Audit Committee

Mr. Xie Weichun *(Chairman)*
Mr. Xiang Shimin
(resigned on 25 July 2011)
Mr. Yang Chengjie
Mr. Lin Jiwu
(appointed on 25 July 2011)

Nomination Committee

Mr. Ding Siqiang *(Chairman)*
Mr. Xiang Shimin
(resigned on 25 July 2011)
Mr. Yang Chengjie
Mr. Lin Jiwu
(appointed on 25 July 2011)

Remuneration Committee

Mr. Ding Siqiang *(Chairman)*
Mr. Xie Weichun
Mr. Xiang Shimin
(resigned on 25 July 2011)
Mr. Lin Jiwu
(appointed on 25 July 2011)

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

Room 1602, 16/F
Harcourt House,
39 Gloucester Road,
Wanchai, 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

LEGAL ADVISORS AS TO HONG KONG LAWS

Loong & Yeung

COMPLIANCE ADVISOR

China Merchants Securities (HK) Co., Limited

PRINCIPAL BANKERS

Industrial and Commercial Bank of China Limited
Agricultural Bank of China

COMPANY WEBSITE

www.meike.cn

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

The continuous stimulus package with a pro-active fiscal policy carried out by the Chinese Government has continuously improved the country's economy and helped boost the domestic consumption power, especially consumers located in the second- and third-tier cities, even though development of the global economy remains uncertain.

China's sportswear industry is still under intensive competition, new entrants and new brands are entering into the industry due to the continuing increase in demand of sportswear. Meanwhile, some of the major industry participants are undergoing transformation through improvement of product qualities and functionalities, enhancement of brand awareness and marketing strategies, more effective cost control and inventory control, instead of concentrating on the fast expansion of numbers of retail outlets. We believe, eventually the development of the industry will become more healthy.

BUSINESS REVIEW

During the six months ended June 30, 2011 (the "Period"), the Group has terminated the distributorship of two individual distributors and engaged one new corporate distributor. As at June 30, 2011, the Group had 22 distributors, overseeing 2,016 outlets which comprised 866 Meike distributor outlets and 1,150 Meike retailer outlets. These outlets, together with the outlets owned and operated by the Group (the "Self-operated Meike Outlets") cover 25 provinces, autonomous regions and municipalities and more than 521 districts, counties and county-level cities in the PRC. During the Period, the number of outlets expanded by 151 outlets over 1,865 outlets as at December 31, 2010. The Group will continue to expand and optimize its retail network through cooperation with distributors and utilization of their local resources and business network and at the same time, devote more resources to improve the product qualities and functionalities and enhance brand awareness in order to deliver greater value to the customers.

The following diagram map sets out the Group's distribution network in China as at June 30, 2011:

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, 2010 and June 30, 2011, respectively by geographical location:

	As at June 30, 2011		As at December 31, 2010	
	Distributors	**Outlets**	Distributors	Outlets
Central South China[1]	**7**	**802**	6	719
East China[2]	**8**	**844**	10	788
Southwest China[3]	**3**	**238**	4	239
Northwest China[4]	**2**	**38**	2	35
North China[5]	**2**	**94**	2	84
Total	**22**	**2,016**[7]	24	1,865[6]

Notes:

[1] Central South China includes Hunan, Hubei, Henan, Guangdong, Guangxi, Shanxi and Shaanxi;

[2] East China includes Shanghai, Jiangsu, Zhejiang, Anhui, Fujian, Jiangxi and Shandong;

[3] Southwest China includes Chongqing, Sichuan and Guizhou;

[4] Northwest China includes Gansu, Qinghai, Ningxia, Xinjiang and Tibet;

[5] North China includes Liaoning, Beijing, Heilongjiang and Inner Mongolia;

[6] 771 were Meike distributor outlets and 1,094 were Meike retailer outlets;

[7] 866 were Meike distributor outlets and 1,150 were Meike retailer outlets.

For export products, the Group mainly sells footwear products through export companies. 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 business continued to drop.

Through the export companies, the Group's export products were ultimately sold to 37 overseas countries, including Germany, the Netherlands, 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 us. The Group will continue to enhance its product design capacity, better control its product costs and maintain the high quality of its products to meet the requirements of the export company customers and overseas customers.

PRODUCT DEVELOPMENT AND DESIGN

Currently, each of the footwear and apparel segments has its own dedicated in-house design team to design products that meet the tastes and preferences of the Group's target consumers. The core members of the Group's design teams have extensive experience in the design industry and graduated from design or art schools in the PRC. The majority of the Group's design team members graduated from college in the PRC and have design or art related diploma. Most all of the Group's design team members have more than 5 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 for the latest fashion trends while echoing thematic elements from the Group's integrated marketing campaigns to establish a consistent image for the Group's brand and products.

As at June 30, 2011, the Group had a total of 52 full-time employees in its design and development department.

FINANCIAL REVIEW

Revenue by product category

	Six months ended June 30, 2011 RMB'000	Six months ended June 30, 2010 RMB'000	Change (%)	Six months ended June 30, 2011 % of total revenue	Six months ended June 30, 2010 % of total revenue
Footwear					
Domestic	**181,501**	158,055	14.8%	**44.9**	51.5
Export	**75,865**	50,845	49.2%	**18.8**	16.5
	257,366	208,900	23.2%	**63.7**	68.0
Apparel	**127,887**	78,928	62.0%	**31.6**	25.7
Accessories and shoe soles	**18,901**	19,348	-2.3%	**4.7**	6.3
Total	**404,154**	307,176	31.6%	**100**	100
Gross profit margin (%)	**37.1**	34.1			

For the Period, the revenue of the Group increased by 31.6% to RMB404,154,000 (six months ended June 30, 2010: RMB307,176,000) and the gross profit margin rose by 8.8% to 37.1% (six months ended June 30, 2010: 34.1%).

Revenue from domestic sales of footwear products grew by 14.8% from RMB158,055,000 for the six months ended June 30, 2010 to RMB181,501,000 for the Period, mainly as a result of continuous 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 domestic sales was also attributable to the growth in market demand for sportswear products in China.

Revenue from export sales of footwear products grew by 49.2% from RMB50,845,000 for the six months ended June 30, 2010 to RMB75,865,000 for the Period, as we are able to cater for the needs of the overseas customers by providing high quality and upgraded product design.

Revenue from the sales of the Group's apparel products increased by 62.0% from RMB78,928,000 for the six months ended June 30, 2010 to RMB127,887,000 for the Period, primarily 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 and increased the sales volume of the Group's apparel products.

COST OF SALES

Cost of sales increased by 25.6% to RMB254,149,000 for the Period (six months ended June 30, 2010: RMB202,354,000), primarily as a result of increase in sales of the Group's products.

SELLING AND DISTRIBUTION COSTS

Selling and distribution costs increased by 10.9% from RMB17,506,000 for the corresponding period in 2010 to RMB19,418,000 for the Period, primarily as a result of increase in the market expenses and staff salaries.

ADMINISTRATIVE EXPENSES

Administrative expenses decreased by 5.7% from RMB18,292,000 for the corresponding period in 2010 to RMB17,248,000 for the Period, primarily due to the one-off listing expenses for the listing of the Company incurred in early 2010 and did not re-occur in 2011.

INCOME TAX EXPENSE

The income tax expense of the Group for the Period was RMB22,618,000 (six months ended June 30, 2010: RMB10,625,000) calculated at the effective tax rate of 20.4%.

PROVISION FOR INVENTORIES

As at June 30, 2011, the Group did not make any provision for inventories.

PROVISION FOR DOUBTFUL DEBTS

Although account receivables increased by 35.6% from RMB470.3 million as at December 31, 2010 to RMB637.7 million as at June 30, 2011 and with a balance of RMB241.8 million which were past due, the Group did not make any provision for doubtful debts. The Board has conducted meetings with each distributor and the Board believes that no provision is necessary as there has not been a significant change in credit quality of the distributors. Besides, 64.7% or RMB156.5 million of the past due amount has been received by the Group up to the date of this report.

LIQUIDITY AND FINANCIAL RESOURCES

During the Period, net cash outflow from operating activities of the Group amounted to RMB158,079,000 (2010: net cash outflow of RMB44,884,000). As at June 30, 2011, 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 RMB185,473,000, representing a net decreased of RMB251,966,000 as compared to the position as at December 31, 2010.

PLEDGE OF ASSETS

As at June 30, 2011, the Group secured its bank borrowings by prepaid land lease payments and building held for own uses with a carrying amount of RMB55.8 million (December 31, 2010: RMB62.6 million), trade receivables of RMB26.7 million (December 31, 2010: RMB30.7 million) and bank deposits of RMB52.8 million (December 31, 2010: RMB53.9 million).

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

Details of the capital commitments as at June 30, 2011 are set out in note 20 to the condensed consolidated interim financial statements of this report. As at June 30, 2011, the Group did not have any material contingent liabilities.

PROFIT ATTRIBUTABLE TO SHAREHOLDERS AND NET PROFIT MARGIN

For the Period, profit attributable to the owner of the Company amounted to RMB88,023,000, representing an increase of 77.7% over that in the same period of 2010 (six months ended June 30, 2010: RMB49,523,000). Net profit margin of the Group also rose by 35.4% to 21.8% (six months ended June 30, 2010: 16.1%).

FOREIGN EXCHANGE RISK

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

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

GEARING RATIO

As at June 30, 2011 the gearing ratio of the Group was approximately 14.5% (December 31, 2010: 17.9%), which was derived by dividing interest-bearing debt incurred in the ordinary course of business by total assets.

INTEREST-BEARING BANK LOANS

As at June 30, 2011, the Group's bank loans balance amounted to RMB186,400,000, bearing interest rates from 4.78% to 6.12%, which are all due within one year.

HUMAN RESOURCES

As at June 30, 2011 the Group had a total of 2,375 employees (December 31, 2010: 2,372 employees).

MATERIAL ACQUISITION AND DISPOSAL

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

EVENTS AFTER THE END OF THE INTERIM PERIOD

Details of the events after the end of the interim period are set out in note 23 to the condensed consolidated interim financial statements of this report.

Repurchase of The Shares of the Company (The "Shares")
On July 8, 13, 14, 15, 18, 19 and 20, 2011, the Company repurchased 10,390,000 Shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). On July 27, 2011, the Company cancelled 10,390,000 repurchased Shares. For further details, please refer to the next day disclosure returns of the Company dated July 8, 13, 14, 15, 18, 19, 20 and 27, 2011 respectively.

Change of Directors of the Company (The "Directors")
On July 25, 2011, Mr. Sun Keqian resigned as an executive Director due to health reason and Mr. Xiang Shimin resigned as an independent non-executive Director due to the need to focus on his other business commitments and personal development.

On July 25, 2011, Mr. Ding Minglang was appointed as an executive Director. Mr. Ding Minglang is the elder brother of Ms. Ding Xueleng, an executive Director, and the father of Ms. Ding Jinzhu, an executive Director. Mr. Ding Minglang holds share options to subscribe for 300,000 shares of the Company under the share option scheme of the Company.

On July 25, 2011, Mr. Lin Jiwu was appointed as an independent non-executive Director. Mr. Lin Jiwu replaced Mr. Xiang Shimin as a member of the audit committee, the nomination committee and the remuneration committee of the Company.

For further details, please refer to the announcement of the Company dated July 25, 2011.

USE OF NET PROCEEDS FROM THE SHARE OFFERING

The shares of the Company were listed on the main board of the Stock Exchange on February 1, 2010 (the "Listing Date") with net proceeds from the share offering and the exercise of the over-allotment option received by the Company of approximately HK$335.4 million (approximately RMB295.2 million) and HK$46.3 million (approximately RMB40.7 million) respectively (after deducting underwriting commission and related expenses). The following table sets out the use of proceeds up to June 30, 2011:

Use of Net Proceeds (RMB million)	Available to utilise	Utilised (as at June 30, 2011)	Unutilised (as at June 30, 2011)
Expansion of production capacity	102.1	62.8	39.3
Expansion of the sales network and market penetration	102.4	20.7	81.7
Develop and increase brand awareness	80.0	29.8	50.2
Enhancement of research and development capabilities	26.9	16.0	10.9
Working capital	24.5	24.5	–
	335.9	153.8	182.1

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 by continuing to enhance the research and development capabilities, expanding the sales network and market penetration and increasing product diversification, for example, continue to develop kid's sports shoe and apparel.

Besides, the Group will continue to enhance the brand recognition and awareness. On July 14, 2011, Quanzhou Meike Sports Goods Co., Ltd. ("Quanzhou Meike"), a wholly-owned subsidiary of the Company, has entered into an agreement with International Weightlifting Federation ("IWF") (Beijing Office) pursuant to which, Quanzhou Meike has agreed to construct a base (the "Base") at the production base of the Group at Shanxia Town, Huian, Fujian, the PRC, which will comprise a stadium, a four-stars hotel and a swimming pool for holding tournaments, training and rehabilitation activities, and meeting of IWF.

The Group will be responsible for the construction fees of the Base in the amount of RMB36 million and the relevant expenses of IWF in respect of the activities to be held at the Base. The funding for the aforesaid fees and expenses will be from the fund generated from operation of the Group. In return, IWF has agreed, among other matters, to grant the Group full on-site promotion and advertisement rights in any tournaments or training activities organized by IWF at the Base for a term of 15 years commencing on January 1, 2013, the date on which the construction of the Base is scheduled to be completed.

The Group expected that the long term co-operation with IWF will enhance the Group's brand image by the on-site promotion and advertisements through the international weightlifting tournaments held at the Base or any tournament held by IWF in the PRC, on which is expected to capture enormous worldwide attention and thus increase the Group's media exposure and hence, enhance the brand recognition and awareness.

OTHER INFORMATION

INTERIM DIVIDEND

The Board has resolved the payment of an interim dividend of HK$0.025 per share (2010: HK$0.022 per share). The interim dividend will be distributed on or around October 17, 2011 to shareholders whose name appear on the register of members of the Company as at the close of business on September 20, 2011.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from September 21, 2011 to September 26, 2011, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfers of shares of the Company accompanied by the relevant share certificates and transfer form must be lodged with the Company's branch share register 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 September 20, 2011.

INTERESTS OF DIRECTORS IN CONTRACTS

During the Period, 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 is likely to compete, either directly or indirectly, with the business of the Group.

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

(a) As at June 30, 2011, 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:

(1) Long position in the Shares and in the Underlying Shares

Name of Director	Capacity/Nature	No. of shares/underlying shares interested	Approximate percentage of shareholding
Mr. Ding Siqiang ("Mr. Ding")	Interest in controlled corporation/ Beneficial owner/ Interest of spouse *(Note 1)*	569,934,000	47.69%
Ms. Ding Xueleng ("Ms. Ding")	Beneficial owner/ Interest of spouse *(Note 2)*	569,934,000	47.69%
Ms. Ding Jinzhu	Beneficial owner *(Note 3)*	300,000	0.03%
Mr. Li Dongxing	Beneficial owner *(Note 3)*	300,000	0.03%
Mr. Lin Yangshan	Beneficial owner *(Note 3)*	300,000	0.03%

(2) 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 Enterprises Limited ("Glory Hill"), which owns 47.07% 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. Mr. Ding beneficially owns 4,034,000 Shares and 1,700,000 share options (each option shall entitle the holder thereof to subscribe for one Share). Ms. Ding owns 1,700,000 share options (each option shall entitle the holder thereof to subscribe for one Share). Mr. Ding is the spouse of Ms. Ding, and therefore, he is deemed or taken to be interest in all the Shares which are deemed or taken to be interested by Ms. Ding. On July 8, 13, 14, 15, 18, 19 and 20, 2011, the Company repurchased 10,390,000 Shares and on July 27, 2011, the Company cancelled 10,390,000 repurchased Shares. Therefore, as at the date of this report, the approximate percentage of shareholding of Mr. Ding was 48.11%.

Note 2: Ms. Ding owns 1,700,000 share options (each option shall entitle the holder thereof to subscribe for one Share). 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. On July 8, 13, 14, 15, 18, 19 and 20, 2011, the Company repurchased 10,390,000 Shares and on July 27, 2011, the Company cancelled 10,390,000 repurchased Shares. Therefore, as at the date of this report, the approximate percentage of shareholding of Ms. Ding was 48.11%.

Note 3: Each of Ms. Ding Jinzhu, Mr. Li Dongxing and Mr. Lin Yangshan was granted 300,000 share options (each option shall entitle the holder thereof to subscribe for one Share) under the share option scheme of the Company on August 27, 2010.

(b) So far as is known to the Directors, as at June 30, 2011, 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 4)*	562,500,000	47.07%

Note 4: On July 8, 13, 14, 15, 18, 19 and 20, 2011, the Company repurchased 10,390,000 Shares and on July 27, 2011, the Company cancelled 10,390,000 repurchased Shares. Therefore, as at the date of this report, the approximate percentage of shareholding of Glory Hill was 47.48%.

Save as disclosed above, as at June 30, 2011 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.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended June 30, 2011.

On July 8, 13, 14, 15, 18, 19 and 20, 2011, the Company repurchased 10,390,000 Shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). On July 27, 2011, the Company cancelled 10,390,000 repurchased Shares. For further details, please refer to the next day disclosure returns of the Company dated July 8, 13, 14, 15, 18, 19, 20 and 27, 2011, respectively.

CODE ON CORPORATE GOVERNANCE

Save as disclosed below, during the Period, the Company complied with the Code of Corporate Governance Practices (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

Under code provision A.2.1 of the CG 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 of the CG Code.

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as the code of conduct regarding directors' securities transactions. Having made specific enquiry of all Directors, all Directors confirmed that they have complied with the code of conduct and the required standard set out in the Model Code throughout the Period.

AUDIT COMMITTEE

The Company has an audit committee with terms of reference aligned with the provision of the CG Code as set out in Appendix 14 to the Listing Rules for the purpose of reviewing and providing supervision on the financial reporting process and internal controls of the Group. The audit committee comprise three members, all being independent non-executive Directors.

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

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.

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.

The following table disclosed movements in the Company's share options during the Period:

Grantee	Date of grant	Exercise period	Exercise price## HK$	Outstanding at 1.1.2011	Granted during the Period	Cancelled/ lapsed during the Period	Exercise during the Period	Outstanding at 30.6.2011
Directors								
Mr. Ding Siqiang	27.8.2010	27.8.2010 to 26.8.2020	1.56	1,700,000	–	–	–	1,700,000
Ms. Ding Xueleng	27.8.2010	27.8.2010 to 26.8.2020	1.56	1,700,000	–	–	–	1,700,000
Ms. Ding Jinzhu	27.8.2010	27.8.2010 to 26.8.2020	1.56	300,000	–	–	–	300,000
Mr. Lin Yangshan	27.8.2010	27.8.2010 to 26.8.2020	1.56	300,000	–	–	–	300,000
Mr. Li Dongxing	27.8.2010	27.8.2010 to 26.8.2020	1.56	300,000	–	–	–	300,000
Senior Management	27.8.2010	27.8.2010 to 26.8.2020	1.56	1,800,000	–	–	–	1,800,000
Employees#	27.8.2010	27.8.2010 to 26.8.2020	1.56	18,450,000	–	–	–	18,450,000
				24,550,000	–	–	–	24,550,000

#	Among those grantees, one individual, Mr. Ding Minglang, has been granted 300,000 share option, is the brother of Ms. Ding Xueleng and the father of Ms. Ding Jinzhu, who was appointed as an executive director of the Company on July 25, 2011. One individual, who has been granted 200,000 share options, is a nephew of Ms. Ding Xueleng and a cousin of Ms. Ding Jinzhu. Both Ms. Ding Xueleng and Mr. Ding Minglang are executive Directors.

##	All the share options granted were granted on August 27, 2010. The closing price of the Shares immediately before the date of granting the share options i.e. August 26, 2010 was HK$1.52.

###	30% of all the share options granted will be vested on the date which is 18 months after the date on which the respective grantees accepted the grant of the share options (the "Acceptance Date"); another 30% of the share options granted will be vested on the date which is 30 months after the Acceptance Date; and the remaining 40% will be vested on the date which is 42 months after the Acceptance Date.

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 report, the Company has maintained sufficient public float since the Listing Date as required under the Listing Rules.

On behalf of the Board
Ding Siqiang
Chairman

The PRC
August 25, 2011

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2011

	Notes	**Six months ended 30 June 2011** RMB'000 (Unaudited)	2010 RMB'000 (Unaudited)
Revenue	5	**404,154**	307,176
Cost of sales		**(254,149)**	(202,354)
Gross profit		**150,005**	104,822
Other income		**9,183**	3,699
Selling and distribution costs		**(19,418)**	(17,506)
Administrative expenses		**(17,248)**	(18,292)
Other operating expenses		**(5,746)**	(6,372)
Finance costs	7	**(6,135)**	(6,203)
Profit before tax		**110,641**	60,148
Income tax expense	8	**(22,618)**	(10,625)
Profit for the period attributable to owners of the Company	9	**88,023**	49,523
Other comprehensive income:			
Exchange differences arising on translation		**–**	(532)
Total comprehensive income for the period attributable to owners of the Company		**88,023**	48,991
Earnings per share			
Basic and diluted (RMB)	11	**0.074**	0.050

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2011

	Notes	**30 June 2011 RMB'000 (Unaudited)**	31 December 2010 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	12	**155,096**	140,492
Prepaid lease payments		**48,719**	49,260
		203,815	189,752
Current assets			
Inventories		**169,747**	77,713
Trade and other receivables	13	**676,857**	510,678
Prepaid lease payments		**1,097**	1,097
Pledged bank deposit		**52,777**	53,906
Short-term bank deposit		**–**	35,000
Cash and bank balances		**185,473**	402,439
		1,085,951	1,080,833
Current liabilities			
Trade and other payables	14	**93,332**	93,121
Amount due to a related company	15	**320**	535
Bank borrowings		**186,400**	227,900
Derivative financial instruments	16	**1,578**	7,837
Income tax payable		**14,208**	12,401
		295,838	341,794
Net current assets		**790,113**	739,039
Total assets less current liabilities		**993,928**	928,791
Capital and reserves			
Share capital	17	**10,446**	10,446
Reserves		**976,289**	916,152
Total equity		**986,735**	926,598
Non-current liability			
Deferred tax liabilities		**7,193**	2,193
		993,928	928,791

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2011

	Notes	Share capital RMB'000	Share premium RMB'000	Statutory reserve RMB'000 (Note a)	Other reserves RMB'000 (Note b)	Translation reserve RMB'000	Share options reserve RMB'000	Retained earnings RMB'000	Total RMB'000
At 1 January 2011 (audited)		10,446	572,894	36,599	136,801	–	1,395	168,463	926,598
Total comprehensive income for the period		–	–	–	–	–	–	88,023	88,023
Equity-settled share-based transactions		–	–	–	–	–	1,928	–	1,928
Dividends recognised as distribution	10	–	–	–	–	–	–	(29,814)	(29,814)
At 30 June 2011 (unaudited)		10,446	572,894	36,599	136,801	–	3,323	226,672	986,735
At 1 January 2010 (audited)		9	–	22,279	136,801	(18)	–	132,835	291,906
Total comprehensive income for the period		–	–	–	–	(532)	–	49,523	48,991
Issuance of new shares by placing and public offer		2,520	357,786	–	–	–	–	–	360,306
Transaction costs attributable to placing and public offer		–	(26,029)	–	–	–	–	–	(26,029)
Capitalisation of share premium	17	6,564	(6,564)	–	–	–	–	–	–
Dividends recognised as distribution	10	–	–	–	–	–	–	(46,535)	(46,535)
At 30 June 2010 (unaudited)		9,093	325,193	22,279	136,801	(550)	–	135,823	628,639

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 reorganisation.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2011

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cash used in operations	**(142,268)**	(34,008)
PRC Enterprise Income Tax paid	**(15,811)**	(10,876)
Net cash used in operating activities	**(158,079)**	(44,884)
Net cash used in investing activities	**(16,223)**	(159,420)
Net cash (used in) from financing activities	**(77,664)**	311,735
Net (decrease) increase in cash and cash equivalents	**(251,966)**	107,431
Cash and cash equivalents at 1 January	**437,439**	78,678
Effect of foreign exchange rate changes	**–**	(532)
Cash and cash equivalents at 30 June, represented by bank balances and cash	**185,473**	185,577

During the six months ended 30 June 2010, net cash used in investing activities included the placement of fixed deposits held at banks with maturity over three months of approximately RMB142,609,000 which included a portion of the proceeds arising from the issue of new shares in the initial public offering and placing and full exercise of the over-allotment option as described in note 17 (iii) and (iv) to the interim condensed consolidated financial statements.

1. GENERAL

Meike International Holdings Limited (the "Company") was incorporated in the Cayman Islands as an exempted company with limited liability on 23 June 2009. The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 1 February 2010.

2. BASIS OF PREPARATION

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

3. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2011 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2010, except as described below.

In the current interim period, the Group has applied, for the first time, the following new or revised standards and interpretations ("new or revised HKFRSs") issued by the HKICPA.

HKFRSs (Amendments)	Improvements to HKFRSs 2010
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters
HKAS 24 (Revised)	Related Party Disclosures
HKAS 32 (Amendment)	Classification of Rights Issues
HK(IFRIC) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments

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

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

The Group has not early applied new or revised standards that have been issued but are not yet effective. The following new or revised standards have been issued after the date the consolidated financial statements for the year ended 31 December 2010 were authorised for issuance and are not yet effective:

HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 19 (as revised in 2011)	Employee Benefits[2]
HKAS 27 (as revised in 2011)	Separate Financial Statements[2]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[2]

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

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

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

HKFRS 10 replaces the parts of HKAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements. Under HKFRS 10, there is only one basis for consolidation, that is control. In addition, HKFRS 10 includes a new definition of control that contains three elements; (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios. Overall, the application of HKFRS 10 requires a lot of judgement. The application of HKFRS 10 might result in the Group no longer consolidating some of its investees, and consolidating investees that were not previously consolidated.

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

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

4. SEASONALITY OF OPERATIONS

Due to the seasonal nature of the sports goods products, higher revenues and operating profits are usually expected in the second half of the year than in the first six months. Higher sales during the second half of the year are mainly attributed to the sale of winter clothing which generally has higher unit prices.

5. REVENUE

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

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Footwear	**257,366**	208,900
Apparel	**127,887**	78,928
Accessories and shoe sole	**18,901**	19,348
	404,154	307,176

6. SEGMENT INFORMATION

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

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

The Group is organised into a single operating segment as selling sporting goods products primarily in the 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.

7. FINANCE COSTS

	Six months ended 30 June 2011 RMB'000 (Unaudited)	2010 RMB'000 (Unaudited)
Interest on bank loans wholly repayable within five years	**6,135**	6,203

8. INCOME TAX EXPENSE

	Six months ended 30 June 2011 RMB'000 (Unaudited)	2010 RMB'000 (Unaudited)
Current tax:		
PRC Enterprise Income Tax	**17,618**	12,375
Deferred tax	**5,000**	(1,750)
	22,618	10,625

9. PROFIT FOR THE PERIOD

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

	Six months ended 30 June 2011 RMB'000 (Unaudited)	2010 RMB'000 (Unaudited)
Depreciation and amortisation	**4,626**	4,454
Gain from changes in fair value of derivative financial instruments	**(6,259)**	–
Loss on disposal of property, plant and equipment	**24**	1,149
Net foreign exchange losses	**578**	152
Research and development cost (included in other operating expenses) *(Note)*	**4,842**	4,952

Note:

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

10. DIVIDENDS

During the current interim period, a final dividend of HK$0.03 per share in respect of the year ended 31 December 2010 (2010: HK$0.034 per share in respect of the year ended 31 December 2009) was declared and paid to the owners of the Company. The aggregate amount of the final dividend declared and paid in the current interim period amounted to approximately HK$35,850,000 (equivalent to approximately RMB29,814,000) (2010: HK$35,275,000 (equivalent to approximately RMB30,915,000)).

In addition, on 4 January 2010, the Company declared and paid dividends of approximately RMB15,620,000. The dividend was declared prior to the listing of the Company and the rate of dividend per share is not presented as it is not indicative of the rate at which future dividends will be declared.

Subsequent to the end of the interim period, the directors of the Company have determined that an interim dividend of HK$0.025 per share (2010: HK$0.022 per share in respect of the six months ended 30 June 2010) will be paid to the owners of the Company whose names appear in the register of members on 20 September 2011.

11. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Earnings		
Earnings for the purpose of basic and diluted earnings per share (Profit for the period attributable to the owners of the Company)	**88,023**	49,523
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	**1,195,000**	984,530

For the six months ended 30 June 2010, the weighted average number of ordinary shares for the purpose of basic and diluted earnings per share has been adjusted for share capitalisation and share issue that took place in February 2010.

11. EARNINGS PER SHARE *(continued)*

The computation of the diluted earnings per share does not assume the exercise of the Company's options and warrants because the exercise prices of those options and warrants were higher than the average market price for shares for the six months ended 30 June 2011.

The diluted earnings per share for the six months ended 30 June 2010 is the same as the basic earnings per share as there were no dilutive potential ordinary shares outstanding during the period.

12. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2011, the Group disposed of certain property, plant and equipment with an aggregate carrying amount of approximately RMB71,000 (six months ended 30 June 2010: approximately RMB1,852,000) for cash proceeds of approximately RMB47,000 (six months ended 30 June 2010: approximately RMB703,000), resulting in a net loss on disposal of approximately RMB24,000 (six months ended 30 June 2010: approximately RMB1,149,000).

During the six months ended 30 June 2011, the Group spent approximately RMB6,011,000 (six months ended 30 June 2010: approximately RMB3,754,000) on plant and equipment, not including additions to construction in progress and addition of buildings transferred from construction in progress.

Construction costs of approximately RMB12,749,000 had been capitalised in construction in progress by the Group during the six months ended 30 June 2011 (six months ended 30 June 2010: approximately RMB14,638,000) and construction in progress of approximately RMB47,000 had been transferred out of construction in progress to buildings during the six months ended 30 June 2011 (six months ended 30 June 2010: approximately RMB2,489,000).

13. TRADE RECEIVABLES

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

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

	30 June 2011	31 December 2010
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Within 90 days	**225,039**	251,212
91 – 180 days	**175,099**	165,564
181 – 365 days	**237,532**	53,528
	637,670	470,304

14. TRADE PAYABLES

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

	30 June 2011	31 December 2010
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Within 90 days	**52,510**	26,804
91 – 180 days	**12,339**	19,512
181 – 365 days	**3,818**	949
Over 365 days	**3,596**	2,840
	72,263	50,105

15. AMOUNT DUE TO A RELATED COMPANY

The amount due to a related company is unsecured, interest-free and repayable on demand.

16. DERIVATIVE FINANCIAL INSTRUMENTS

On 26 August 2010, the Company and the placing agent entered into a placing agreement in respect of the placement of 30,000,000 warrants of the Company to not less than six independent investors at a price of HK$0.01 per warrants. Each warrant confers the right to subscribe for one ordinary share of the Company of HK$0.01 each at a subscription price of HK$1.60, subject to adjustment upon occurrence of certain events. The placement was completed on 13 September 2010. Details of the above are set out in the Company's announcement dated 13 September 2010.

The fair value of the warrants as at 30 June 2011 of approximately HK$1,898,000 (equivalent to approximately RMB1,578,000) (31 December 2010: approximately HK$9,210,000 (equivalent to approximately RMB7,837,000)) had been arrived at on the basis of a valuation carried out by Ample Appraisal Limited, an independent qualified professional valuer not connected to the Group.

17. SHARE CAPITAL

		Number of shares	Nominal value of ordinary shares	
			HK$'000	RMB'000
Ordinary of HK$0.01 each				
Authorised:				
At 1 January 2010		38,000,000	380	
Increase in authorised capital	(i)	9,962,000,000	99,620	
At 30 June 2010 and 1 January 2011 and 30 June 2011		10,000,000,000	100,000	
Issued and fully paid:				
At 1 January 2010		1,000,000	10	9
Allotment upon capitalisation	(ii)	749,000,000	7,490	6,564
Issue by placing and public offer	(iii)	250,000,000	2,500	2,191
Issue upon over-allotment option	(iv)	37,500,000	375	329
At 30 June 2010		1,037,500,000	10,375	9,093
Issue by placing	(v)	157,500,000	1,575	1,353
At 1 January 2011 and 30 June 2011		1,195,000,000	11,950	10,446

17. SHARE CAPITAL *(continued)*

(i) Pursuant to a board resolution dated 6 January 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.

(ii) On 1 February 2010, the Company allotted and issued 749,000,000 ordinary shares of HK$0.01 each as fully paid to the then existing shareholders by the capitalisation of an amount of HK$7,490,000 (equivalent to approximately RMB6,564,000) in the share premium of the Company.

(iii) On 1 February 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.

(iv) On 19 February 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.

(v) On 24 November 2010, arrangements were made for a private placement to independent private investors of 157,500,000 shares of HK$0.01 each in the Company at a price of HK$1.89 per share representing a discount of approximately 9.13% to the closing market price of the Company's shares on 24 November 2010.

Pursuant to a subscription agreement of the same date, 157,500,000 new shares of HK$0.01 each in the Company at a price of HK$1.89 per share were subscribed. The proceeds were used to provide additional working capital for the Company. These new shares were issued under the general mandate granted to the directors at the annual general meeting of the Company held on 3 June 2010 and rank pari passu with other shares in issue in all respects.

18. SHARE OPTION

The Company's share option scheme (the "Scheme"), was adopted pursuant to a resolution passed on 6 January 2010 for the primary purpose of providing incentives to directors and eligible employees, and will expire ten years after grant date on 27 August 2010. Under the Scheme, the board of directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company.

19. OPERATING LEASES COMMITMENT

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

	30 June 2011 RMB'000 (Unaudited)	31 December 2010 RMB'000 (Audited)
Within one year	**1,397**	1,468
In the second to fifth years, inclusive	**904**	1,600
	2,301	3,068

20. CAPITAL COMMITMENTS

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

	30 June 2011 RMB'000 (Unaudited)	31 December 2010 RMB'000 (Audited)
Contracted but not provided for in the condensed consolidated financial statements	**1,104**	4,347

21. PLEDGE OF ASSETS

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

	30 June 2011 RMB'000 (Unaudited)	31 December 2010 RMB'000 (Audited)
Buildings held for own use	**26,325**	27,039
Prepaid lease payments	**29,515**	35,572
Trade receivables	**26,700**	30,695
Pledged bank deposit	**52,777**	53,906
	135,317	147,212

22. RELATED PARTY TRANSACTIONS

The Group has the following significant related party transactions:

(i) During the six months ended 30 June 2011, the Group leased certain interest in leasehold land held for own use under operating leases and buildings from a related company, Hengqiang (China) Co., Ltd. at total rental expenses of approximately RMB395,000 (six months ended 30 June 2010: RMB305,000). Mr. Ding Siqiang, a director of the Company, is holding 80% of Hengqiang (International) Co., Ltd., which is the ultimate holding company of Hengqiang (China) Co., Ltd.

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

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Short-term benefits	**1,156**	1,133
Post-employment benefits	**22**	19
Share-based payments	**511**	–
	1,689	1,152

23. EVENTS AFTER THE END OF THE INTERIM PERIOD

(i) In July 2011, the Company repurchased its own 10,390,000 ordinary shares on the Stock Exchange in total consideration of approximately HK$14,153,000. The repurchased shares were subsequently cancelled and accordingly, the issued share capital of the Company was reduced by the nominal value of these shares. For further details, please refer to the next day disclosure returns of the Company dated 8, 13, 14, 15, 18, 19, 20 and 27 July 2011.

(ii) On 14 July 2011, Quanzhou Meike Sports Goods Co., Ltd. (泉州市美克體育用品有限公司) ("Quanzhou Meike"), a wholly-owned subsidiary of the Company, entered into a co-operation agreement with International Weightlifting Federation ("IWF") (Beijing Office) pursuant to which, Quanzhou Meike has agreed to construct a base (the "Base") for holding tournaments, training and rehabilitation activities, and meetings of IWF and IWF has agreed to grant the Group full on-site promotion and advertisement rights in any tournament or training activities organised by IWF at the Base. Details of which are set out in the Company's announcement issued on 14 July 2011.