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

INTERIM REPORT
2012

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Independent Non-executive Directors

Mr. Yang Chengjie
Mr. Xie Weichun
Mr. Lin Jiwu

BOARD COMMITTEES

Audit Committee

Mr. Xie Weichun *(Chairman)*
Mr. Yang Chengjie
Mr. Lin Jiwu

Nomination Committee

Mr. Ding Siqiang *(Chairman)*
Mr. Yang Chengjie
Mr. Lin Jiwu

Remuneration Committee

Mr. Lin Jiwu *(Chairman)*
Mr. Ding Siqiang
Mr. Xie Weichun

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 ADVISOR AS TO HONG KONG LAWS

Loong & Yeung

PRINCIPAL BANKERS

Industrial and Commercial Bank of China Limited
Agricultural Bank of China

COMPANY WEBSITE

www.meike.cn

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

Due to the continuous tightening of the monetary policy by the Chinese Government to stabilise the inflation and the slow recovery and uncertainties in the global economy, China's economy was persistently affected by the shrinking of the domestic demand in the first half of 2012. Besides, the uncertainties in the global economy has affected the demand of the sportswear.

Sportswear industry is still under intense competition. Meanwhile, due to the shrinkage of domestic demand, sportswear brands and their distribution channels have been facing difficulties brought by the overexpansion of distribution channels, excessive inventories and excessive discounting. In order to cope with the difficulties, certain industry players have implemented different measures by repurchasing of inventory, significantly reducing future orders, restructuring of distribution channels and excessive discounts to both the distributors and end customers.

BUSINESS REVIEW

Since the second half of 2011, the Group had implemented an integration programme with its distributors to integrate outlets with relatively small floor area, high cost, low efficiency and profitability to large floor area and higher efficiency outlets. The Group has continued to implement the programme in the first half of 2012 and as a result of the programme, the Group had 20 distributors, overseeing 1,506 outlets which comprised 668 Meike distributor outlets and 838 Meike retailer outlets as at 30 June 2012. These outlets are located across 23 provinces, autonomous regions and municipalities in the PRC.

Besides, under the intensive competition and excessive inventories piling-up in the Group's distribution channels, the Group, in response to the such stagnant condition, has conducted an one-off voluntary offer to the distributors to repurchase their slow-moving inventories with the maximum total consideration of RMB92,000,000 from mid of June 2012 to the end of the year and intended to export the repurchased inventories to overseas customers.

The Group believes that both the integration programme and the repurchase of inventories is critical to the Group's long term development by strengthening the cooperation between the Group and the distributors for building up a more efficient retail network, enabling the Group to have better influence over the retail channels and minimising loss by resale of the repurchased inventories through the Group's export network.

The following diagram map sets out the Group's distribution network in China as at June 30, 2012:

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, 2011 and June 30, 2012, respectively by geographical location:

	As at June 30, 2012		As at December 31, 2011	
	Distributors	**Outlets**	Distributors	Outlets
Central South China[1]	**6**	**566**	6	747
East China[2]	**8**	**690**	8	798
Southwest China[3]	**2**	**129**	2	193
Northwest China[4]	**2**	**35**	2	35
North China[5]	**2**	**86**	2	86
Total	**20**	**1,506**[7]	20	1,859[6]

Notes:

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

(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 and Xinjiang;

(5) North China includes Liaoning, Beijing, Heilongjiang and Inner Mongolia;

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

(7) 668 were Meike distributor outlets and 838 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 11 overseas countries, including Germany, Turkey, South Africa, Russia, Australia and Morocco. The Group will continue to enhance its product design capacity, better control its production costs and maintain the high quality of its products to meet the requirements of the export company customers and overseas customers.

PRODUCT DEVELOPMENT AND DESIGN

Currently, each of the footwear and apparel segments has its own dedicated in-house design team to design products that meet the tastes and preferences of the Group's target consumers. The core members of the Group's design teams have extensive experience in the design industry and graduated from design or art schools in the PRC. The majority of the Group's design team members graduated from college in the PRC and have design or art related diploma. Most of the Group's design team members have more than 6 years design related experience after joining the Group. To maintain an international perspective to the Group's designs, each product design team visited the leading fashion stores, shopping centers and fashion shows in South Korea, North America and Europe, from time to time which in the Group's belief, have been, and will continue to be, influential in setting the fashion trends in the PRC. The Group believes that this practice enables the design team to cater for the latest fashion trends while echoing thematic elements from the Group's integrated marketing campaigns to establish a consistent image for the Group's brand and products.

As at June 30, 2012, the Group had a total of 58 full-time employees in its design and development department.

FINANCIAL REVIEW

Revenue by product category

	Six months ended June 30, 2012 RMB'000	Six months ended June 30, 2011 RMB'000	Change (%)	Six months ended June 30, 2012 % of total revenue	Six months ended June 30, 2011 % of total revenue
Footwear					
Domestic	**56,159**	181,501	(69.0)	**36.3**	44.9
Export	**42,828**	75,865	(43.5)	**27.7**	18.8
	98,987	257,366	(61.5)	**64.0**	63.7
Apparel	**44,908**	127,887	(64.9)	**29.0**	31.6
Accessories and shoe soles	**10,911**	18,901	(42.3)	**7.0**	4.7
Total	**154,806**	404,154	(61.7)	**100**	100
Gross profit margin (%)	**27.2**	37.1			

For the six months ended June 30, 2012 (the "Period"), the revenue of the Group decreased by 61.7% to RMB154,806,000 (six months ended June 30, 2011: RMB404,154,000) and the gross profit margin dropped by 26.7% to 27.2% (six months ended June 30, 2011: 37.1%).

Revenue from domestic sales of footwear products decreased by 69.0% from RMB181,501,000 for the six months ended June 30, 2011 to RMB56,159,000 for the Period, primarily resulting from the intensified competition, like deeper discounting, intensive promotional sales from the major local brands and the reduced demand for the "Meike" brand products. On the other hand, the Group has reduced the volume of sale orders for the first and second quarters and further discounts have been given to the distributors for footwear products.

Revenue from export sales of footwear products decreased by 43.5% from RMB75,865,000 for the six months ended June 30, 2011 to RMB42,828,000 for the Period, mainly as a result of the reduced demand from its overseas customers, especially in the European countries.

Revenue from the sales of the Group's apparel products decreased by 64.9% from RMB127,887,000 for the six months ended June 30, 2011 to RMB44,908,000 for the Period, mainly as a result of the intensified competition, like deeper discounting, intensive promotional sales from the major local brands and the reduced demand for the "Meike" brand products. On the other hand, the Group has reduced the volume of sale orders for the first and second quarters and further discounts have been given to the distributors for apparel products.

COST OF SALES

Cost of sales decreased by 55.7% to RMB112,657,000 for the Period (six months ended June 30, 2011: RMB254,149,000), primarily as a result of decrease in sales of the Group's products.

GROSS PROFIT MARGIN

Gross profit margin decreased from 37.1% for the six months ended 30 June 2011 to 27.2% for the Period, mainly due to the greater wholesale discounts of both the footwear and apparel products given to the distributors.

SELLING AND DISTRIBUTION COSTS

Selling and distribution costs decreased by 25.9% from RMB19,418,000 for the corresponding period in 2011 to RMB14,380,000 for the Period, primarily resulting from the decrease of the market expenses and staff salaries.

ADMINISTRATIVE EXPENSES

Administrative expenses increased by 30.4% from RMB17,248,000 for the corresponding period in 2011 to RMB22,498,000 for the Period, primarily due to the increase in the staff salaries and welfare.

INCOME TAX EXPENSE

The income tax expense of the Group for the Period was RMB121,000 (six months ended June 30, 2011: RMB22,618,000) calculated at the effective tax rate of 1.7%.

INVENTORIES AND PROVISION FOR INVENTORIES

The Group generally procures raw materials and commences production after confirming purchase orders with its distributors after the sales fairs in order to control the levels of raw materials and keep inventory control at an optimal to meet the production and sales demand.

The Group only adopted the accounting policy for specific provision of inventories. The Group has conducted physical counts from time to time to identify obsolete, damaged or unpopular inventory. Specific provision will be made on an item of inventory if the carrying amount is lower than the net realisable value.

As at June 30, 2012, the Group did not make any provision for inventories but the Group will carefully monitor the condition of the inventories and will make provision, if necessary, for inventories that are obsolete, damaged or unpopular.

PROVISION FOR DOUBTFUL DEBTS

The Group generally granted each of the distributors a credit period of no more than 180 days. However, when the Group believes that extending the credit period to the distributors will allow them with more flexibility and working capital, which in turn may encourage the distributors to sustain their development of the "Meike" brand or enhance their sales under the competitive market, a credit period of more than 180 days may be granted to the distributors.

Trade receivables decreased by 15.5% from RMB575.9 million as at December 31, 2011 to RMB486.7 million as at June 30, 2012 with a balance of RMB308.0 million which was past due. The reasons for balance of trade receivables remains in high level when there was a significant decrease in revenue was due to the fact that the domestic demand is still shrinking but at the same time the competition of the sportswear industry was getting more and more intensified. In order to motivate the distributors and to retain its market share, the Group had extended their credit period since the second half of 2011.

The Group only adopted the accounting policy for specific provision of doubtful trade receivables. Specific provision will be made on trade receivables from customers that are unable to make the required payments based on various parameters including the aging of trade receivables balance, customers' credit-worthiness and historical write-offs record to determine provision.

As at June 30, 2012, no provision was made for the trade receivables as the Board is continue to conduct meeting and assessment with each distributor and found that there had not been a significant change in the credit quality of the distributors and each distributor has closely followed the repayment schedules that agreed with the Group on December 31, 2011.

Details of trade receivables as at June 30, 2012 are set out in note 13 to the condensed consolidated interim financial statements of this report.

LIQUIDITY AND FINANCIAL RESOURCES

During the Period, net cash inflow from operating activities of the Group amounted to RMB89,719,000 (2011: net cash outflow of RMB158,079,000). As at June 30, 2012, 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 RMB213,638,000, representing a net increase of RMB41,167,000 as compared to the position as at December 31, 2011.

PLEDGE OF ASSETS

As at June 30, 2012, the Group secured its bank borrowings by prepaid land lease payments and building held for own uses with a carrying amount of RMB53.0 million (December 31, 2011: RMB53.8 million), trade receivables of RMB91.4 million (December 31, 2011: RMB67.0 million) and bank deposits of Nil (December 31, 2011: RMB51.4 million).

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

Details of the capital commitments as at June 30, 2012 are set out in note 20 to the condensed consolidated interim financial statements of this report. As at June 30, 2012, the Group did not have any material contingent liabilities.

PROFIT ATTRIBUTABLE TO SHAREHOLDERS AND NET PROFIT MARGIN

For the Period, loss attributable to the owner of the Company amounted to RMB7,329,000, representing a decrease of 108.3% over that in the same period of 2011 (six months ended June 30, 2011: profit attributable to the owner of the company amounted to RMB88,023,000). Net loss margin of the Group is 4.7% (six months ended June 30, 2011: net profit margin 21.8%).

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, 2012 the gearing ratio of the Group was approximately 15.9% (December 31, 2011: 18.2%), which was derived by dividing interest-bearing debt incurred in the ordinary course of business by total assets.

INTEREST-BEARING BANK LOANS

As at June 30, 2012, the Group's bank loans balance amounted to RMB183,950,000, bearing interest rates from 6.89% to 8.20%, which are all due within one year.

HUMAN RESOURCES

As at June 30, 2012, the Group had a total of 1,485 employees (December 31, 2011: 2,018 employees).

MATERIAL ACQUISITION AND DISPOSAL

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

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, 2012:

Use of Net Proceeds (RMB million)	**Available to utilise**	**Utilised (as at June 30, 2012)**	**Unutilised (as at June 30, 2012)**
Expansion of production capacity	28.9	11.5	17.4
Expansion of the sales network and market penetration	9.2	3.8	5.4
Develop and increase brand awareness	38.4	3.5	34.9
Enhancement of research and development capabilities	1.7	1.7	–
Working capital	–	–	–
	78.2	20.5	57.7

FUTURE PROSPECTS

Looking ahead, the pace of development of the sportswear industry would still be low due to the on-going slowdown in China's economic and the volatility of global economy. At the same time, the competition with the sportswear is still intensifying, industry players have implemented various measures, like restructuring on distribution channels, inventory repurchase, reducing of future orders, deeper discounting etc., have increased the uncertainty of sportswear industry.

In order to cope with the current unfavourable market condition, the Group will continue to focus on the development of the "Meike" brand by continuing to enhance the product research and development capabilities and the product diversification. On the other hand, the Group will continue the integration programme and inventory repurchase programme with the distributors, in order to enhance the influence to the distributors to build a more efficient distribution and retail channels.

OTHER INFORMATION

INTERIM DIVIDEND

The Board did not recommend the payment of interim dividend for the period ended June 30, 2012 (2011: HK$0.025 per share).

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, 2012, the interests and short positions of the Directors or chief executive of the Company in the Shares (the "Shares"), underlying shares and debentures of the Company or any of the associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("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 Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("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	48.11%
Ms. Ding Xueleng ("Ms. Ding")	Beneficial owner/ Interest of spouse *(Note 2)*	569,934,000	48.11%
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%
Mr. Ding Minglang	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 47.48% 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. Therefore, as at 30 June 2012, 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. Therefore, as at 30 June 2012, the approximate percentage of shareholding of Ms. Ding was 48.11%.

Note 3: Each of Ms. Ding Jinzhu, Mr. Li Dongxing, Mr. Lin Yangshan and Mr. Ding Minglang 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, 2012, 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	562,500,000	47.48%

Save as disclosed above, as at June 30, 2012 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, 2012.

CODE ON CORPORATE GOVERNANCE

Save as disclosed below, the Company had complied with all the code provisions as set out in the Code on Corporate Governance (the "Code") contained in Appendix 14 to the Listing Rules during the period from 1 January 2012 to 31 March 2012. The Code had been amended which took effect from 1 April 2012 (the "Revised Code"). Save as disclosed below, the Company had complied with all the code provisions as set out in the Revised Code during the period from 1 April 2012 to 30 June 2012.

Under code provision A.2.1 of the Code or the Revised Code, the roles of chairman and chief executive officer (as required under the Code) or the chief executive (as required under the Revised Code) 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" or "chief executive". This deviates from the code provision A.2.1 of the Code or the Revised Code.

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

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

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 Code as set out in Appendix 14 to the Listing Rules for the purpose of reviewing and providing supervision on the financial reporting process and internal controls of the Group. The audit committee comprises three members, 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##	Outstanding at 1.1.2012	Granted during the Period	Cancelled/ lapsed during the Period	Exercise during the Period	Outstanding at 30.6.2012
			HK$					
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
Mr. Ding Minglang	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	16,200,000	–	–	–	16,200,000
				22,600,000	–	–	–	22,600,000

Among those grantees, One individual, who has been granted 200,000 share options, is a nephew of Ms. Ding Xueleng and a cousin of Ms. Ding Jinzhu.

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 24, 2012

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2012

	Notes	Six months ended 30 June 2012 RMB'000 (Unaudited)	2011 RMB'000 (Unaudited)
Revenue	5	**154,806**	404,154
Cost of sales		**(112,657)**	(254,149)
Gross profit		**42,149**	150,005
Other income		**483**	2,924
Other gains and losses, net		**139**	6,259
Selling and distribution costs		**(14,380)**	(19,418)
Administrative expenses		**(22,498)**	(17,248)
Other operating expenses		**(6,648)**	(5,746)
Finance costs	7	**(6,453)**	(6,135)
(Loss) profit before tax		**(7,208)**	110,641
Income tax expense	8	**(121)**	(22,618)
(Loss) profit and total comprehensive (expense) income for the period attributable to owners of the Company	9	**(7,329)**	88,023
(Losses) earnings per share Basic and diluted (RMB cents)	11	**(0.619)**	7.366

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2012

	Notes	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	12	**164,711**	163,927
Prepaid lease payments		**47,622**	48,163
Deferred tax asset		**2,246**	2,246
		214,579	214,336
Current assets			
Inventories		**127,198**	136,122
Trade, bills and other receivables	13	**602,337**	689,222
Prepaid lease payments		**1,097**	1,097
Pledged bank deposit		**–**	51,449
Short-term bank deposit		**35,000**	35,000
Bank balances and cash		**178,638**	86,022
		944,270	998,912
Current liabilities			
Trade and other payables	14	**51,503**	59,419
Amount due to a related company	15	**153**	562
Bank borrowings		**183,950**	220,450
Derivative financial instruments	16	**–**	139
Income tax payable		**1,764**	4,525
		237,370	285,095
Net current assets		**706,900**	713,817
Total assets less current liabilities		**921,479**	928,153
Capital and reserves			
Share capital	17	**10,355**	10,355
Reserves		**905,118**	911,289
Total equity		**915,473**	921,644
Non-current liability			
Deferred tax liabilities		**6,006**	6,509
		921,479	928,153

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2012

	Note	Share capital RMB'000	Share premium RMB'000	Statutory reserve RMB'000 (Note a)	Other reserves RMB'000 (Note b)	Share options reserve RMB'000	Retained earnings RMB'000	Total RMB'000
At 1 January 2012 (audited)		**10,355**	**561,252**	**47,382**	**136,801**	**4,793**	**161,061**	**921,644**
Total comprehensive expense for the period		**–**	**–**	**–**	**–**	**–**	**(7,329)**	**(7,329)**
Recognition of equity-settled share-based transactions		**–**	**–**	**–**	**–**	**1,158**	**–**	**1,158**
At 30 June 2012 (unaudited)		**10,355**	**561,252**	**47,382**	**136,801**	**5,951**	**153,732**	**915,473**
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
Recognition of 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

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 non-controlling 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 2012

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cash from (used in) operations	**93,104**	(142,268)
PRC Enterprise Income Tax paid	**(3,385)**	(15,811)
Net cash from (used in) operating activities	**89,719**	(158,079)
Net cash used in investing activities	**(5,190)**	(16,223)
Net cash used in financing activities	**(43,362)**	(77,664)
Net increase (decrease) in cash and cash equivalents	**41,167**	(251,966)
Cash and cash equivalents at 1 January	**172,471**	121,022
Cash and cash equivalents at 30 June, represented by bank balances and cash	**213,638**	185,473

1. GENERAL

Meike International Holdings Limited (the "Company") was incorporated in the Cayman Islands as an exempted company with limited liability on 25 June 2009. The shares of the Company have been listed on the 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 (the "Listing Rules") 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 2012 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2011, except as described below.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA.

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

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

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 2011 were authorised for issuance and are not yet effective:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009-2011 Cycle[2]
Amendments to HKFRS 1	First-time adoption of HKFRSs – Government Loans[2]
Amendments to HKFRS 7	Disclosures – Offsetting of Financial Assets and Financial Liabilities[2]
	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[4]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial statements, Joint Arrangements and Disclosure of Interests in other Entities: Transition Guidance[2]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[1]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[3]
HKFRS 9	Financial Instruments[4]
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 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]
HK(IFRIC) – Interpretation ("INT") 20	Stripping Costs in the Production Phase of a Surface Mine[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.

3 Effective for annual periods beginning on or after 1 January 2014.

4 Effective for annual periods beginning on or after 1 January 2015.

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.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

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 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	
	2012	2011
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Footwear	**98,987**	257,366
Apparel	**44,908**	127,887
Accessories and shoe sole	**10,911**	18,901
	154,806	404,154

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.

6. SEGMENT INFORMATION *(Continued)*

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

7. FINANCE COSTS

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest on bank loans wholly repayable within five years	**6,453**	6,135

8. INCOME TAX EXPENSE

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax:		
PRC Enterprise Income Tax ("EIT")	**624**	17,618
Deferred tax	**(503)**	5,000
	121	22,618

9. (LOSS) PROFIT FOR THE PERIOD

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

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Depreciation and amortisation	**5,498**	4,626
Gain from changes in fair value of derivative financial instruments	**(139)**	(6,259)
Loss on disposal of property, plant and equipment	**42**	24
Net foreign exchange (gains) losses	**(131)**	578
Research and development cost (included in other operating expenses) *(Note)*	**4,174**	4,842

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

No dividends were paid, declared or proposed during the reporting period (2011: HK$0.025 per share in respect of the six months ended 30 June 2011). The directors do not recommend the payment of an interim dividend.

During the interim period in 2011, a final dividend of HK$0.03 per share in respect of the year ended 31 December 2010 was declared and paid to the owners of the Company. The aggregate amount of the final dividend declared and paid in the interim period of 2011 amounted to approximately HK$35,850,000 (equivalent to approximately RMB29,814,000).

11. (LOSSES) EARNINGS PER SHARE

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

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
(Losses) earnings		
(Losses) earnings for the purpose of basic and diluted (losses) earnings per share ((Loss) profit for the period attributable to the owners of the Company)	**(7,329)**	88,023
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	**1,184,610**	1,195,000

The computation of the diluted (losses) 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 2012.

The diluted (losses) earnings per share for the six months ended 30 June 2011 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 2012, the Group disposed of certain property, plant and equipment with an aggregate carrying amount of approximately RMB67,000 (six months ended 30 June 2011: approximately RMB71,000) for cash proceeds of approximately RMB25,000 (six months ended 30 June 2011: approximately RMB47,000), resulting in a net loss on disposal of approximately RMB42,000 (six months ended 30 June 2011: approximately RMB24,000).

During the six months ended 30 June 2012, the Group spent approximately RMB1,769,000 (six months ended 30 June 2011: approximately RMB6,011,000) on plant and equipment, not including additions to construction in progress and addition of buildings transferred from construction in progress.

12. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Construction costs of approximately RMB4,133,000 had been capitalised in construction in progress by the Group during the six months ended 30 June 2012 (six months ended 30 June 2011: approximately RMB12,749,000) and construction in progress of approximately RMB333,000 had been transferred out of construction in progress to buildings during the six months ended 30 June 2012 (six months ended 30 June 2011: approximately RMB47,000).

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 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
Within 90 days	**113,330**	129,981
91 – 180 days	**65,343**	115,938
181 – 365 days	**222,655**	328,321
Over 365 days	**85,381**	1,668
	486,709	575,908

14. TRADE PAYABLES

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

	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
Within 90 days	**3,361**	4,370
91 – 180 days	**5,435**	7,412
181 – 365 days	**3,787**	7,195
Over 365 days	**6,316**	3,152
	18,899	22,129

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 2012 was nil (31 December 2011: approximately HK$172,000 (equivalent to approximately RMB139,000)) which 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 2011, 30 June 2011, 1 January 2012 and 30 June 2012		10,000,000,000	100,000	
Issued and fully paid:				
At 1 January 2011 and 30 June 2011		1,195,000,000	11,950	10,446
Repurchase of ordinary shares	*Note*	(10,390,000)	(104)	(91)
At 1 January 2012 and 30 June 2012		1,184,610,000	11,846	10,355

17. SHARE CAPITAL *(Continued)*

Note:

During the year ended 31 December 2011, the Company repurchased its own ordinary shares through the Stock Exchange as follows:

Month of repurchases	Number of ordinary	Price per shares repurchased		share Aggregate consideration and transaction cost paid equivalent to	
		Highest	Lowest		
		HK$	HK$	HK$000	RMB'000
July 2011	10,390,000	1.42	1.28	14,156	11,733

The above shares were cancelled on 27 July 2011.

None of the Company's subsidiaries purchase, sold or redeemed any of the Company's listed securities during the period.

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 2012	31 December 2011
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Within one year	**717**	994
In the second to fifth years, inclusive	**–**	128
	717	1,122

20. CAPITAL COMMITMENTS

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

	30 June 2012	31 December 2011
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Contracted but not provided for in the condensed consolidated financial statements	**34,405**	38,103

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 2012	31 December 2011
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Buildings held for own use	**18,576**	18,998
Prepaid lease payments	**34,420**	34,810
Trade receivables	**91,439**	66,994
Pledged bank deposit	**–**	51,449
	144,435	172,251

22. RELATED PARTY TRANSACTIONS

Other than disclosed in note 15 in the condensed consolidated financial statements, the Group has the following significant related party transactions:

(i) During the six months ended 30 June 2012, 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 2011: RMB395,000). Mr. Ding Siqiang, a director of the Company, is holding 80% of Hengqiang (International) Co., Ltd., which is the ultimate holding company of Hengqiang (China) Co., Ltd.

22. RELATED PARTY TRANSACTIONS *(Continued)*

(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	
	2012	2011
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Short-term benefits	**1,432**	1,156
Post-employment benefits	**39**	22
Share-based payments	**333**	511
	1,804	1,689