



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



MEIKE
2014



2014 INTERIM REPORT



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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. Lin Jiwu
Ms. Qiu Qiuxing

BOARD COMMITTEES

Audit Committee

Ms. Qiu Qiuxing *(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
Ms. Qiu Qiuxing

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 PEOPLE'S REPUBLIC OF CHINA

Meike Industrial Park
Xibian Village, Chendai Town
Jinjiang City, Fujian Province,
The People's Republic of China

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**

Royal Bank of Canada Trust Company
(Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KY1-1110
Cayman Islands

HONG KONG SHARE REGISTRAR

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 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

Despite the Chinese Government has continued to implement economic reforms aimed to stabilising inflation while maintaining momentum in economic growth and the recovery of some of the major sportswear brands from the over-expansion, lack of product differentiate and poor inventory management from past few years, we believed that 2014 is another challenging year for the sportswear industry, especially for those small to medium brands that are still undergoing the transformation of the business model. In order to remain competitive in the industry, the Group will continue to enhance the capabilities of product research and development, closely monitor the development of our distribution channels and to explore the overseas markets to increase the volume of our export products.

BUSINESS REVIEW

During the six months ended 30 June 2014 (the "Period"), sales of the Group was decreased by approximately 41.8% from approximately RMB111,834,000 to approximately RMB65,055,000 as compared to the same period of 2013, this is mainly due to the decreased in sales of our own brands in the domestic markets by approximately 68.4%. This is because the Group had terminated the distributorship of 3 distributors and worked with the distributors to close down 154 retail outlets. Besides, in order to avoid the pile of inventory in the distribution channels and increase in the balance of trade receivables, the Group has substantially reduced the orders of some of the distributors as sales of such distributors remained low and some of their retail outlets even recorded loss in operation during the Period. On the other hand, more resources have been devoted by the Group to explore the overseas market in order to increase the volume of export sales and as a result, revenue from export sales increased by approximately 62% as compared to the same period of 2013.



The following diagram map sets out the distribution network of Meike International Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") in the People's Republic of China (the "PRC" or "China") as at 30 June 2014:



The following table sets out the total number of the Group's distributors and outlets (including Meike distributor outlets and Meike retailer outlets) in China as at 30 June 2014 and 31 December 2013, respectively by geographical location:

	As at 30 June 2014		As at 31 December 2013	
	Distributors	Outlets	Distributors	Outlets
East China ⁽¹⁾	9	269	9	447
Central South China ⁽²⁾	3	139	4	97
Northeast China ⁽³⁾	–	–	1	14
North China ⁽⁴⁾	–	–	1	4
Total	12	408⁽⁶⁾	15	562 ⁽⁵⁾

Notes:

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

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

(3) Northeast China includes Liaoning and Heilongjiang;

(4) North China includes Inner Mongolia;

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

(6) 347 were Meike distributor outlets and 61 were Meike retailer outlets.

For export products, the Group mainly sells footwear products through export companies. Before 2007, export business was a major source of the Group's revenue. In 2006, as the Group adjusted its strategy to further develop the "Meike" branded products, the Group changed its focus of operation from export business to the "Meike" branded products. However, as the domestic sales was dropped from the second half of 2011, the Group gradually increased the proportion of export sales during the Period.



Through the export companies, the Group's export products were ultimately sold to 28 overseas countries, including Germany, Turkey, Brazil, Russia, Australia, Canada and etc. The Group will continue to enhance its product design capacity, to better control its production costs and to maintain the high quality of its products to meet the requirements of its export company customers and overseas customers.

PRODUCT DEVELOPMENT AND DESIGN

Currently, each of the footwear and apparel segments has its own dedicated in-house design team to design products that meet the tastes and preferences of the Group's target consumers. The core members of the Group's design teams have extensive experience in the design industry and graduated from design or art schools in the PRC. The majority of the Group's design team members graduated from college in the PRC and have design or art related diploma. Most of the Group's design team members have more than 8 years design related experience after joining the Group. To maintain an international perspective to the Group's designs, each product design team visited the leading fashion stores, shopping centers and fashion shows in South Korea, North America and Europe, from time to time which in the Group's belief, have been, and will continue to be, influential in setting the fashion trends in the PRC. The Group believes that this practice enables the design team to cater for the latest fashion trends while echoing thematic elements from the Group's integrated marketing campaigns to establish a consistent image for the Group's brand and products.

As at 30 June 2014, the Group had a total of 49 full-time employees in its design and development department.



FINANCIAL REVIEW

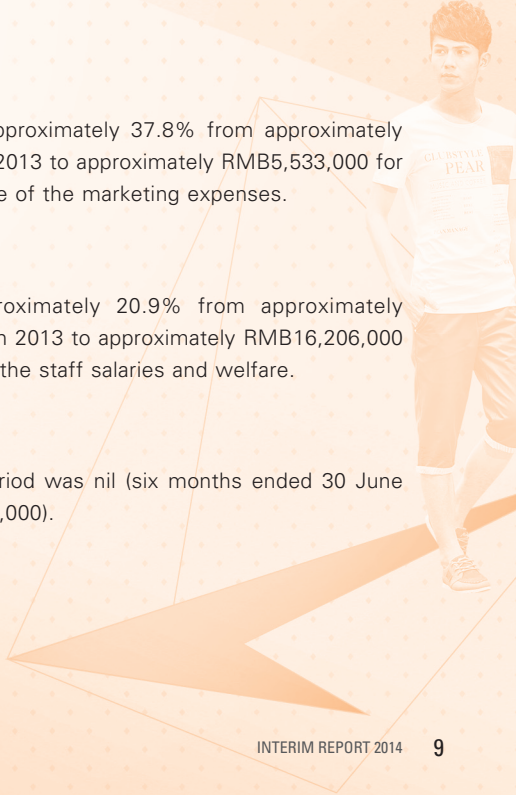
Revenue by product category

	Six months ended			Six months ended	
	30 June			30 June	
	2014	2013	Change (%)	2014	2013
	RMB'000	RMB'000		% of total revenue	
Domestic					
Footwear	9,402	61,505	(84.7)	14.4	55.0
Apparel	17,497	26,185	(33.2)	26.9	23.4
Accessories and shoe soles	1,258	1,361	(7.6)	1.9	1.2
	28,157	89,051	(68.4)	43.2	79.6
Export					
Footwear	36,793	22,783	61.5	56.6	20.4
Apparel (Meike brand)	105	-	-	0.2	-
	36,898	22,783	62.0	56.8	20.4
Total	65,055	111,834	(41.8)	100	100
Gross profit margin (%)	21.8	28.1			

For the Period, the revenue of the Group decreased by approximately 41.8% to approximately RMB65,055,000 (six months ended 30 June 2013: approximately RMB111,834,000) and the gross profit margin decreased by approximately 22.4% to approximately 21.8% (six months ended 30 June 2013: approximately 28.1%).

Revenue from domestic sales of footwear products decreased by approximately 84.7% from approximately RMB61,505,000 for the six months ended 30 June 2013 to approximately RMB9,402,000 for the Period, mainly due to the Group has reduced the distributors' volume sales order for the Period as the market demand of our "Meike" branded products was reduced and also avoided the pile up of inventories in the distribution channel.

Revenue from export sales increased by approximately 62% from approximately RMB22,783,000 for the six months ended 30 June 2013 to approximately RMB36,898,000 for the Period. This is because the Group has increased the proportion of export sales in order to cover the significant drop in the domestic sales.



Revenue from the sales of the Group's apparel products decreased by approximately 32.8% from approximately RMB26,185,000 for the six months ended 30 June 2013 to approximately RMB17,602,000 for the Period, mainly as a result of the intensified competition and decrease in the average selling price.

COST OF SALES

Cost of sales decreased by approximately 36.7% to approximately RMB50,902,000 for the Period (six months ended 30 June 2013: approximately RMB80,403,000), primarily as a result of the decrease in sales of the Group's products.

GROSS PROFIT MARGIN

Gross profit margin decreased from approximately 28.1% for the six months ended 30 June 2013 to approximately 21.8% for the Period, mainly due to the decrease in domestic sales as the gross profit margin of domestic sales was higher than the gross profit margin of export sales.

OTHER INCOME

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

SELLING AND DISTRIBUTION COSTS

Selling and distribution costs decreased by approximately 37.8% from approximately RMB8,895,000 for the corresponding period in 2013 to approximately RMB5,533,000 for the Period, primarily resulting from the decrease of the marketing expenses.

ADMINISTRATIVE EXPENSES

Administrative expenses decreased by approximately 20.9% from approximately RMB20,482,000 for the corresponding period in 2013 to approximately RMB16,206,000 for the Period, primarily due to the decrease in the staff salaries and welfare.

INCOME TAX CREDIT

The income tax credit of the Group for the Period was nil (six months ended 30 June 2013: income tax credit approximately RMB827,000).

INVENTORIES AND PROVISION FOR INVENTORIES

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

	As at 30 June 2014				As at 31 December 2013			
	Raw Materials	Work-in- progress	Finished Goods	Total	Raw Materials	Work-in- progress	Finished Goods	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
0-90 days	8,498	1,927	19,667	30,092	10,463	3,212	39,273	52,948
91-180 days	14,567	-	11,544	26,111	3,139	-	-	3,139
181-365 days	6,326	-	19,546	25,872	1,750	-	-	1,750
Over 365 days	-	-	-	-	2,961	-	-	2,961
	29,391	1,927	50,757	82,075	18,313	3,212	39,273	60,798

The Group generally procures raw materials and commences production after having confirmed purchase orders with our distributors after our sales fairs in order to control the levels of raw materials and keep finished goods inventories at an optimal level to meet our production and sales needs.

Inventories increased by approximately 35.0% from approximately RMB60,798,000 as at 31 December 2013 to approximately RMB82,075,000 as at 30 June 2014 and number of days of inventory turnover increased from approximately 127 days for the year ended 31 December 2013 to approximately 257 days for the Period. Increase in the number of days of inventory turnover was mainly due to the decrease in sales in domestic market during the Period.

The Group made specific provision on inventories. The Group has conducted physical counts from time to time to identify obsolete, damaged or slow-moving inventories. Provision will be made on an item of inventories if the carrying amount is lower than the net realisable value.

No allowance has been made on finished goods as at 30 June 2014 as finished goods that over 181 days have been subsequently sold after the Period.

No provision was made for work-in-progress as those work-in-progress was still in progress and for orders of the second half of 2014.

PROVISION FOR DOUBTFUL DEBTS

The Group generally granted each of our distributors a credit period of no more than 180 days, however, the Group has extended the credit period for certain distributors up to 270 days since 2013 upon negotiation after considering their financial strength, past credit history and business performance history. The Group believed that this would allow these distributors with more flexibility, which in turn might encourage them to sustain their development of our brand or enhance their sales even in market with intensified competition and reduction in demand. This measure was adopted by the Group temporarily and will be revised from time to time according to the market situation.

Trade receivables, net of provision for impairment loss, decreased by approximately 29.3% from approximately RMB178.6 million as at 31 December 2013 to approximately RMB126.3 million as at 30 June 2014. Besides, turnover day of trade receivables increased from approximately 381 days for the year ended 31 December 2013 to approximately 429 days for the Period due to further recognition of impairment loss as at 30 June 2014. The reason for the significant increase in the number of turnover day of trade receivables while the balance of trade receivables was decreased by approximately 29.3% was mainly due to the significant decrease in the sales of the Group. This is because the Group had terminated the distributorship with 3 distributors and closed down 154 retail outlets with the distributors and at the same time, have substantially reduced the sales order of some of the distributors as sales of such distributors were remain low or even recorded loss in operation during the Period.

Other receivables mainly represented the prepayment to the Group's suppliers as the Group had to retain sufficient materials to cope with the Group's production plans.

The Group estimated impairment loss on trade and other receivables based on the inability of customers to make the required payments and there was objective evidence that the Group would not be able to collect all amounts due. The Group made the estimates based on the payment history, customer's credit worthiness, historical write-off experience and default or delinquency in payments. During the six months ended 30 June 2014, impairment loss in respect of trade receivables was recognised in the condensed consolidated statement of profit or loss and other comprehensive income amounting to approximately RMB72,075,000.

No impairment loss was recognised in respect of other receivables.

Details of trade and other receivables as at 30 June 2014 are set out in note 13 to the condensed consolidated interim financial statements in this report.

LIQUIDITY AND FINANCIAL RESOURCES

During the Period, net cash outflow from operating activities of the Group amounted to approximately RMB17,221,000 (six months ended 30 June 2013: net cash inflow of approximately RMB11,392,000). As at 30 June 2014, cash and cash equivalents, including bank deposits and cash in hand, and short-term bank deposits amounted to approximately RMB235,619,000, representing a net decrease of approximately RMB19,423,000 as compared to the position as at 31 December 2013.

PLEDGE OF ASSETS

As at 30 June 2014, the Group secured its bank borrowings by prepaid land lease payments and building held for own uses with a carrying amount of approximately RMB73,000,000 (31 December 2013: approximately RMB74,432,000), trade receivables of approximately RMB65,650,000 (31 December 2013: approximately RMB70,257,000) and bank deposit of RMB4,755,000 (31 December 2013: Nil).

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

Details of the capital commitments as at 30 June 2014 are set out in note 19 to the condensed consolidated interim financial statements of this report. As at 30 June 2014, the Group did not have any material contingent liabilities.

LOSS ATTRIBUTABLE TO THE OWNER OF THE COMPANY AND NET LOSS MARGIN

For the Period, loss attributable to the owner of the Company amounted to approximately RMB71,225,000, representing an increase of approximately 17.2% over that in the same period of 2013 (six months ended 30 June 2013: loss attributable to the owner of the Company amounted to approximately RMB60,775,000). Net loss margin of the Group is approximately 109.5% (six months ended 30 June 2013: net loss margin approximately 54.3%).

FOREIGN EXCHANGE RISK

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

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

GEARING RATIO

As at 30 June 2014 the gearing ratio of the Group was approximately 27.7% (31 December 2013: approximately 24.5%), which was derived by dividing interest-bearing debt incurred in the ordinary course of business by total assets.

INTEREST-BEARING BANK LOANS

As at 30 June 2014, the Group's bank loans balance amounted to approximately RMB186,580,000, bearing interest rates from 5.88% to 6.60%, which are all due within one year.

HUMAN RESOURCES

As at 30 June 2014, the Group had a total of 1,168 employees (31 December 2013: 1,434 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 of Hong Kong Limited ("the Stock Exchange") on 1 February 2010 (the "Listing Date") with net proceeds from the share offering and the exercise of the over-allotment option received by the Company of approximately HK\$335.4 million (approximately RMB295.2 million) and approximately HK\$46.3 million (approximately RMB40.7 million) respectively (after deducting underwriting commission and related expenses). The following table sets out the use of proceeds up to 30 June 2014:

Use of Net Proceeds (RMB million)	Available to utilise (as at 1 January 2014)	Utilised (as at 30 June 2014)	Unutilised (as at 30 June 2014)
Expansion of production capacity	12.6	–	12.6
Expansion of the sales network and market penetration	1.4	–	1.4
Develop and increase brand awareness	31.3	–	31.3
	45.3	–	45.3

FUTURE PROSPECTS

Despite the recovery of some of the major sportswear brands during the Period, the board of Directors (the “Board”) believes that the growth of the sportswear of the sportswear industry would still be low in the short-term due to the intense competition, mismanagement of between the product outputs and orders from the distribution channels as well as the lack of product differentiation.

In order to cope with the current unfavourable market condition, the Group will continue to enhance the capabilities of product research and development in order to differentiate from other industry players. Besides, the Group will closely monitor the sales orders from our distributors in order to avoid further loss on the value of the inventories and to save cost for storage, rent and operation cost of the outlets of the distributors. On the other hand, the Group will continue to devote more resources to explore the overseas markets in order to increase the export volume.

OTHER INFORMATION

INTERIM DIVIDEND

The Board did not recommend the payment of interim dividend for the Period (2013: Nil).

INTERESTS OF DIRECTORS IN CONTRACTS

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

DIRECTORS’ INTEREST IN COMPETING BUSINESS

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

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

- (a) As at 30 June 2014, 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 Securities and Futures Ordinance ("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 Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing Securities on the Stock Exchange (the "Listing Rules") to be noticed 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 562,500,000 ordinary Shares of HK\$0.01 each of the Company (the “Shares”). 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 2014, 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 2014, 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 27 August 2010.

- (b) So far as is known to the Directors, as at 30 June 2014, 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 30 June 2014, 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 Period.

CODE ON CORPORATE GOVERNANCE

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

Under the code provision A.2.1 of the Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The Company does not have any officer with the title of "chief executive officer". This deviates from the code provision A.2.1 of the Code.

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

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

AUDIT COMMITTEE

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

During the Period, the Audit Committee reviewed the accounting principles and practices adopted by the Group and the unaudited condensed consolidated interim financial statements of the Group for the Period and discussed internal control and financial reporting matters. The Audit Committee has reviewed this 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 6 January 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 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 6 January 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 1.1.2014	Granted during the Period	Cancelled during the Period	Lapsed during the Period	Exercise during the Period	Outstanding at 30.6.2014
Directors									
Mr. Ding Sijiang	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	12,800,000	-	-	-	-	12,800,000
				19,200,000	-	-	-	-	19,200,000

- # 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 27 August 2010. The closing price of the Shares immediately before the date of granting the share options i.e. 26 August 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

28 August 2014

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2014

		Six months ended 30 June	
		2014	2013
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
	<i>Notes</i>		
Revenue	5	65,055	111,834
Cost of sales		(50,902)	(80,403)
Gross profit		14,153	31,431
Other income		16,743	53,368
Impairment loss recognised in respect of trade receivables		(72,075)	(108,303)
Selling and distribution costs		(5,533)	(8,895)
Administrative expenses		(16,206)	(20,482)
Other operating expenses		(2,657)	(3,777)
Finance costs	7	(5,650)	(4,944)
Loss before tax		(71,225)	(61,602)
Income tax credit	8	–	827
Loss and total comprehensive expense for the period attributable to owners of the Company	9	(71,225)	(60,775)
Loss per share			
Basic and diluted (RMB cents)	11	(6.01)	(5.13)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2014

	Notes	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	12	146,441	145,424
Prepaid lease payments		45,450	45,967
		191,891	191,391
Current assets			
Inventories		82,075	60,798
Trade, bills and other receivables	13	157,904	213,584
Prepaid lease payments		1,098	1,098
Pledged bank deposit		4,755	–
Short-term bank deposit		88,967	89,099
Bank balances and cash		146,652	165,943
		481,451	530,522
Current liabilities			
Trade, bills and other payables	14	38,484	25,841
Amount due to a related company	15	100	60
Bank borrowings		186,580	176,750
		225,164	202,651
Net current assets		256,287	327,871
Net assets		448,178	519,262
Capital and reserves			
Share capital	16	10,355	10,355
Reserves		437,823	508,907
Total equity		448,178	519,262

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2014

	Share capital RMB'000	Share premium RMB'000	Statutory reserve RMB'000 <i>(Note a)</i>	Other reserves RMB'000 <i>(Note b)</i>	Share options reserve RMB'000	(Accumulated losses)/ retained earnings RMB'000	Total RMB'000
At 1 January 2014 (audited)	10,355	561,252	47,382	136,801	6,735	(243,263)	519,262
Loss and total comprehensive expense for the period	-	-	-	-	-	(71,225)	(71,225)
Recognition of equity-settled share-based payments	-	-	-	-	141	-	141
At 30 June 2014 (unaudited)	10,355	561,252	47,382	136,801	6,876	(314,488)	448,178
At 1 January 2013 (audited)	10,355	561,252	47,382	136,801	6,845	10,164	772,799
Loss and total comprehensive expense for the period	-	-	-	-	-	(60,775)	(60,775)
At 30 June 2013 (unaudited)	10,355	561,252	47,382	136,801	6,845	(50,611)	712,024

Notes:

(a) Statutory reserve

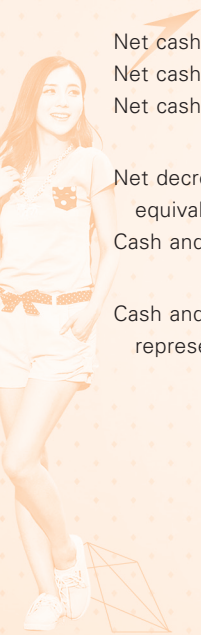
The statutory reserve fund is non-distributable and the transfer to this reserve is determined by the board of directors in accordance with the relevant laws and regulations of the PRC. This reserve can be used to offset accumulated losses and increase capital upon approval from the relevant authorities.

(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 2014



Net cash (used in) from operating activities
Net cash used in investing activities
Net cash from (used in) financing activities
Net decrease in cash and cash equivalents
Cash and cash equivalents at 1 January
Cash and cash equivalents at 30 June, represented by bank balances and cash

Six months ended 30 June

2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
(17,221)	11,392
(6,358)	(32,641)
4,288	(4,495)
(19,291)	(25,744)
165,943	261,109
146,652	235,365

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2014

1. GENERAL

Meike International Holdings Limited was incorporated in the Cayman Islands as an exempted company with limited liability on 25 June 2009. The Shares have been listed on the Main Board of the Stock Exchange since 1 February 2010.

2. BASIS OF PREPARATION

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

The condensed consolidated financial statements is unaudited and not reviewed by the auditor, but has been reviewed by the Audit Committee.

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at revalued amounts or fair values, as appropriate.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2014 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2013.

In the current interim period, the Group has applied, for the first time, the following new Interpretation and amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant for the preparation of the Group's condensed consolidated financial statements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities ¹
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities ¹
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets ¹
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting ¹
Hong Kong (International Financial Reporting Interpretation Committee) – Interpretation ("Int") 21	Levies ¹

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

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

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

New and revised HKFRSs in issue but not yet effective

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

Amendments to HKFRSs Annual Improvements to HKFRSs 2010-2012 Cycle ¹	Financial Instruments ²
Amendments to HKFRSs Annual Improvements to HKFRSs 2011-2013 Cycle ¹	
HKFRS 9	
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures ²
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations ³
HKFRS 14	Regulatory Deferral Accounts ³
HKFRS 15	Revenue from Contracts with Customers ⁴
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptance Methods of Depreciation and Amortisation ³
Amendments to HKAS 19	Defined Benefit Plans – Employee Contributions ¹
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants ³

¹ Effective for annual periods beginning on or after 1 July 2014, except as disclosed below. Early application is permitted.

² HKFRS 9, as amended in December 2013, amended the mandatory effective date of HKFRS 9. The mandatory effective date is not specified in HKFRS 9 but will be determined when the outstanding phases are finalised. However, application of HKFRS 9 is permitted.

³ Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

⁴ Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.

4. RESULTS FOR THE PERIOD

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	
	2014	2013
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Footwear	46,195	84,288
Apparel	17,602	26,185
Accessories and shoe sole	1,258	1,361
	65,055	111,834

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 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

Interest on bank loans wholly repayable within five years

Six months ended 30 June

2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
5,650	4,944

8. INCOME TAX CREDIT

Current tax:
PRC Enterprise Income Tax
Deferred tax

Six months ended 30 June

2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
—	—
—	(827)
—	(827)

9. LOSS FOR THE PERIOD

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

Six months ended 30 June	
2014	2013
RMB'000	RMB'000
(Unaudited)	(Unaudited)
Salaries and allowances	17,251
Contributions to retirement benefits scheme	5,574
Share-based payments	-
Total staff costs	22,825
Depreciation and amortisation	4,944
Allowance for inventories (included in cost of sales)	3,309
Loss on disposal of property, plant and equipment	317
Net foreign exchange (gains) losses	117
Research and development cost (included in other operating expenses) (Note)	3,344
2,493	4,710

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 Period and corresponding period in 2013.

11. LOSS PER SHARE

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

Six months ended 30 June	
2014	2013
RMB'000	RMB'000
(Unaudited)	(Unaudited)
Loss	
Loss for the period attributable to the owners of the Company for the purpose of basic and diluted loss per share	(60,775)
(71,225)	(71,225)
'000	'000
Number of shares	
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	1,184,610
1,184,610	1,184,610

11. LOSS PER SHARE (Continued)

The computation of the diluted loss per share does not assume the exercise of the Company's options because the exercise prices of those options were higher than the average market price for shares for the six months ended 30 June 2014 and 2013.

The diluted loss per share for the six months ended 30 June 2014 and 2013 are the same as the basic loss per share as there were no dilutive potential ordinary shares outstanding during the Period and corresponding period in 2013.

12. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2013, the Group disposed of certain property, plant and equipment with an aggregate carrying amount of approximately RMB832,000 (six months ended 30 June 2014: Nil) for cash proceeds of approximately RMB515,000 (six months ended 30 June 2014: Nil), resulting in a net loss on disposal of approximately RMB317,000 (six months ended 30 June 2014: Nil).

During the six months ended 30 June 2014, the Group spent approximately RMB3,280,000 (six months ended 30 June 2013: approximately RMB325,000) on plant and equipment, not including additions to construction in progress and addition of buildings transferred from construction in progress.

The Group had capitalised approximately RMB1,930,000 in construction in progress during the six months ended 30 June 2014 (six months ended 30 June 2013: Nil) and construction in progress of approximately RMB1,802,000 had been transferred out of construction in progress to buildings during the six months ended 30 June 2014 (six months ended 30 June 2013: Nil).

13. TRADE, BILLS AND OTHER RECEIVABLES

The Group generally allows a credit period ranging from 180 days to 270 days to its trade customers, depending on their financial strength, past credit history and business performance history.

The following is an aged analysis of trade receivables by age, presented based on the invoice dates which approximated the revenue recognition date.

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Within 90 days	23,364	71,289
91 – 180 days	27,270	42,408
181 – 365 days	58,870	64,906
Over 365 days	16,832	–
	126,336	178,603

14. TRADE, BILLS AND OTHER PAYABLES

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

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Within 90 days	2,874	5,168
91 – 180 days	2,226	259
181 – 365 days	200	182
Over 365 days	315	553
	5,615	6,162

15. AMOUNT DUE TO A RELATED COMPANY

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

16. SHARE CAPITAL

Authorised:

	Number of shares	Nominal value of ordinary shares	
		HK\$'000	RMB'000
Ordinary of HK\$0.01 each			
At 1 January 2013, 30 June 2013 and 1 January 2014 and 30 June 2014	10,000,000,000	100,000	

Issued and fully paid:

At 1 January 2013, 30 June 2013 and 1 January 2014 and 30 June 2014	1,184,610,000	11,846	10,355
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17. 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 may grant options to eligible employees, including directors of the Group, to subscribe for shares in the Company.

18. 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 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Within one year	1,212	1,334
In the second to fifth years, inclusive	1,385	1,636
	2,597	2,970

19. CAPITAL COMMITMENTS

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

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Contracted but not provided for in the condensed consolidated financial statements	35,358	35,733

20. 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 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Buildings held for own use	33,551	34,547
Prepaid lease payments	39,449	39,885
Trade receivables	65,650	70,257
Bank deposit	4,755	—
	143,405	144,689

21. 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 Period, 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 2013: 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.

As at 30 June 2014 and 31 December 2013, a guarantee of RMB46,000,000 was jointly provided by Mr. Ding Siqiang and Ms. Ding Xueleng to secure certain banking facilities of the Group. Mr. Ding Siqiang and Ms. Ding Xueleng are the directors of the Group.

- (ii) The remuneration of Directors and other members of key management during the Period and the six months ended 30 June 2013 were as follows:

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Short-term benefits	1,757	1,150
Post-employment benefits	54	33
Share-based payments	141	–
	1,952	1,183