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OVERVIEW

Peak is among the top three most recognized sports footwear and basketball footwear brands in China based on a market survey conducted by Frost & Sullivan in November 2008. We are a rapidly growing sportswear company in China with a distribution network of 5,667 authorized Peak retail outlets in China as of 30 June 2009, which are operated either by our distributors or by their third party retail outlet operators. We employ a vertically integrated business model where we design, develop, manufacture, distribute and market our sportswear products under the Peak brand.

We place a strong emphasis on building and marketing our Peak brand and products, in particular, basketball footwear, both domestically and internationally through media campaigns, league and home stadium sponsorships, in-store branding and other promotional activities. In recent years, we have placed a particular emphasis on developing our NBA-related and CBA-related relationships through (i) marketing arrangements with NBA China, (ii) home stadium sponsorships with the NBA’s Houston Rockets and New Jersey Nets, and (iii) endorsement arrangements with seven NBA players including Shane Battier of the Houston Rockets, Jason Kidd of the Dallas Mavericks and Ron Artest of the Los Angeles Lakers, and CBA player Liu Yudong, who was recognized in 2005 by the CBA as the best player in their ten year history to that point. These players appear in our advertisements and wear our basketball shoes when playing in professional basketball games. In addition, we have entered into an agreement to sponsor certain Australian national basketball teams including the Australian Boomers (Senior Men) and the Australian Opals (Senior Women) for three years starting from 1 January 2009. Since April 2008, we also have entered into arrangements with FIBA to sponsor certain FIBA sports competitions, such as the 2008 FIBA Diamond Ball for Men and Women, the 2009 FIBA Under 19 World Championship for Women and the 2009 and 2011 FIBA Asia Championships for Men and Women.

Our Peak brand is well-recognized among consumers in China. According to a market survey conducted by Frost & Sullivan of over 4,000 respondents in November 2008 in 28 major cities across China including, among others, all first-tier cities and 12 second-tier cities, Peak is among the top three most recognized domestic or international sports footwear and basketball footwear brands in China. Our footwear has also been recognized as a “State-Designated Product Exempted from Quality Inspection” (國家免檢產品) as well as a “China’s Famous Branded Product” (中國名牌產品). In addition, our Peak brand has been recognized as one of “China’s Well-Known Trademarks” (中國馳名商標) and one of the “Famous Brands from Fujian” (福建省著名商標).

Our chairman, Mr. Xu Jingnan, became involved in the OEM business of manufacturing sports footwear products for various international brands in 1988. Under Mr. Xu Jingnan’s direction, the Peak brand was created and used to promote sports footwear products beginning in 1991. As we believe that branded sportswear products offer greater business potential and higher profit margins than OEM services for sportswear products, we revised our business model by focusing on the development of our own international brand in China and abroad in 2005. At the same time, we also began to expand Peak’s sales network by increasing the number of authorized Peak retail outlets with a view towards growing Peak’s market share in the sportswear industry.

We sell substantially all of our products in China on a wholesale basis to distributors who operate, either directly or through third party retail outlet operators, authorized Peak retail outlets. Substantially all of these authorized Peak retail outlets are located in second-tier and third-tier cities throughout China. We do not own or operate any of these authorized Peak retail outlets. As of 30 June 2009, the

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number of authorized Peak retail outlets located in first, second and third-tier cities in China were 273, 1,212 and 4,182, respectively. Such total of 5,667 authorized Peak retail outlets as of 30 June 2009 represents an increase of 329.3% from 1,320 authorized Peak retail outlets as of 1 January 2006.

We also sell our products on a wholesale basis to overseas customers, as well as to overseas distributors who then sell our products to consumers, retailers or sports teams and clubs. During the Track Record Period, we exported our products to over 70 countries in total.

Our products are manufactured at our own production facilities as well as selectively outsourced to Contract Manufacturers. For the years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2008 and 2009, we outsourced to Contract Manufacturers by volume approximately 68.5%, 69.3%, 60.1%, 71.3% and 61.6% of our footwear production, 69.9%, 83.3%, 89.4%, 92.8% and 82.9% of our apparel production and all of our accessories production. Our new footwear production facility in Shang’gao, Jiangxi province launched production in June 2008. Our new apparel production facility in Hui’an, Fujian province launched trial production and production in March 2008 and September 2008, respectively. We expect that our footwear production capacity and our apparel production capacity will increase upon commencement of full production at these two new facilities.

We aim to consistently produce high-quality products with innovative designs and regularly conduct research and development activities to further enhance the technological features of our products. To supplement our in-house design function and give us an additional source of expertise and market insight, we maintain close working relationships with two external design studios: Beijing Jiuru Tianbao Design Studio (北京九如天保藝術設計工作室) which helps design our footwear products, and Beijing Bingdian Design Studio (北京冰點設計中心) which helps design our apparel products. We and these external design studios combine sports functionality, fashion and comfort in our product designs. Our ODMs also help design a portion of our accessory products. In 2008, we introduced approximately 340 new footwear products, 540 new apparel products and 600 new accessory products into the market.

Our turnover increased from RMB623.9 million for the year ended 31 December 2006 to RMB1,014.6 million for the year ended 31 December 2007, and to RMB2,042.0 million for the year ended 31 December 2008, and from RMB846.7 million for the six months ended 30 June 2008 to RMB1,357.3 million for the six months ended 30 June 2009. Our net profit grew from RMB85.9 million for the year ended 31 December 2006 to RMB166.0 million for the year ended 31 December 2007, and to RMB376.0 million for the year ended 31 December 2008 and from RMB164.5 million for the six months ended 30 June 2008 to RMB267.4 million for the six months ended 30 June 2009. We attribute such growth to our successful brand promotion, Peak’s extensive sales network, a broadening range of high quality products, our strong and growing production capabilities, our focused marketing strategy, and our experienced management.

OUR COMPETITIVE STRENGTHS

We believe that our success to date may be attributed to a combination of our competitive strengths. We further believe that these competitive strengths provide us with a strong position within the market to capitalize on increasing consumer spending in China. These competitive strengths include:

- A well-recognized sportswear brand in China
- Effective and focused marketing and promotional capabilities

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- Extensive nationwide sales network
- Vertically integrated business model with strong production capabilities
- Strong market research and product design and development capabilities
- Experienced management team with a proven track record

OUR BUSINESS STRATEGY

Our principal goal is to maintain and strengthen our Peak brand’s recognition and position in the sportswear industry in China and to become one of the leading players in the sporting goods and sportswear industry domestically and internationally. Specifically, we aim to increase our share in the basketball footwear market to eventually become the number one player in the basketball footwear market in China. We aim to achieve this goal through the following strategies:

- Further enhance brand image and recognition
- Continue to increase our market share in the Chinese sportswear industry
- Expand and optimize Peak’s sales network in China and internationally
- Continue to improve product research, design and development capabilities
- Increase our production capacity to benefit from greater economies of scale
- Expand strategically through mergers and acquisitions

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SUMMARY FINANCIAL INFORMATION

The tables below present the summary consolidated financial information of our Group. The summary consolidated income statement data for each of the years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2008 and 2009, the summary consolidated balance sheet data as of 31 December 2006, 2007 and 2008 and the six months ended 30 June 2009 and the summary consolidated cash flow data for each of the years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2008 and 2009 are derived from, and should be read in conjunction with our consolidated financial information, including the notes thereto, set forth in the accountants’ report in Appendix I to this document. Financial information related to the six months ended 30 June 2008 is derived from unaudited financial statements:

Summary consolidated income statement information	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB (million)	RMB (million)	RMB (million)	RMB (million)	RMB (million)
Turnover					
Footwear	366.5	570.5	1,028.9	439.4	624.6
Apparel	255.4	386.4	961.5	381.2	701.4
Accessories	2.0	57.7	51.6	26.1	31.3
	623.9	1,014.6	2,042.0	846.7	1,357.3
Cost of sales.	(446.7)	(708.6)	(1,374.2)	(571.3)	(840.6)
Gross profit.	177.2	306.0	667.8	275.4	516.7
Other revenue	1.5	1.7	3.6	1.5	4.3
Other net (loss)/income	(1.0)	0.7	11.9	8.4	4.6
Selling and distribution expenses.	(60.3)	(116.3)	(181.0)	(85.9)	(192.8)
Administrative expenses.	(7.1)	(14.7)	(84.7)	(21.1)	(27.6)
Profit from operations	110.3	177.4	417.6	178.3	305.2
Finance expenses.	(1.1)	(1.6)	(6.9)	(0.6)	(7.6)
Share of profits of associates	0.4	0.1	—	—	—
Profit before taxation.	109.6	175.9	410.7	177.7	297.6
Income tax	(23.7)	(9.9)	(34.7)	(13.2)	(30.2)
Profit for the year/period attributable to equity shareholders.	85.9	166.0	376.0	164.5	267.4
Dividends declared during the year/period.	—	—	—	—	—
Earnings per Share					
Basic and diluted (RMB)	0.06	0.11	0.25	0.11	0.17

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<u>Summary consolidated balance sheet information</u>	<u>As of 31 December</u>			<u>As of</u>
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>30 June 2009</u>
	<u>RMB</u> <u>(million)</u>	<u>RMB</u> <u>(million)</u>	<u>RMB</u> <u>(million)</u>	<u>RMB</u> <u>(million)</u>
Assets				
Non-current assets	22.9	101.4	269.2	302.7
Current assets	<u>302.9</u>	<u>774.8</u>	<u>1,165.3</u>	<u>1,803.9</u>
Total assets	<u>325.8</u>	<u>876.2</u>	<u>1,434.5</u>	<u>2,106.6</u>
Equity and liabilities				
Total equity	137.5	398.1	774.0	1,313.5
Non-current liabilities	—	0.1	92.7	106.4
Current liabilities	<u>188.3</u>	<u>478.0</u>	<u>567.8</u>	<u>686.7</u>
Total equity and liabilities	<u>325.8</u>	<u>876.2</u>	<u>1,434.5</u>	<u>2,106.6</u>
<u>Summary consolidated cash flow information</u>	<u>Year ended 31 December</u>			<u>Six months ended 30 June</u>
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2008</u>
	<u>RMB</u>	<u>RMB</u>	<u>RMB</u>	<u>RMB</u>
	<u>(million)</u>	<u>(million)</u>	<u>(million)</u>	<u>(million)</u>
Net cash generated from operating activities	99.1	13.3	284.3	156.6
Net cash (used in) investing activities	(29.5)	(137.3)	(134.7)	(21.8)
Net cash (used in)/generated from financing activities	(21.6)	175.1	169.5	(49.4)
				335.1

PROFIT FORECAST FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2009

Forecast consolidated profit attributable to the equity shareholders
of our Company^{(1) & (2)}not less than RMB[●] million (HK\$[●] million)

Notes:

- (1) The bases and assumptions on which the above profit forecast for the year ending 31 December 2009 has been prepared are summarized in Appendix III to this document.
- (2) The forecast of the consolidated profit attributable to equity shareholders of our Company for the year ending 31 December 2009 prepared by our Directors is based on the audited consolidated income statements of our Group for the year ended 31 December 2008 and the six months ended 30 June 2009 and the forecast of the consolidated results of our Group for the six months ending 31 December 2009. The forecast has been prepared on the basis of the accounting policies being consistent in all material respects with those currently adopted by our Group as set out in note 1 “Significant accounting policies” in the accountants’ report attached as Appendix I to this document.

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DIVIDEND POLICY

Our Company declared a special cash dividend of HK\$127,950,000 in July 2009. Such special dividend was paid to our Shareholders in July and August 2009. Save as disclosed above, no other dividends were paid by us or any of our subsidiaries during or in relation to the Track Record Period. The payment and the amount of any dividends will depend on the results of our operations, cash flow, financial condition, statutory and regulatory restrictions on the payment of dividends, future prospects and other factors that we may consider relevant. Holders of the Shares will be entitled to receive such dividends on a pro rata basis according to the amounts paid up or credited as paid up on the Shares. The declaration, payment and amount of dividends will be subject to our discretion.

Dividends may be paid out of our distributable profits as permitted under relevant laws. To the extent profits are distributed as dividends, such profits will not be available to be reinvested in our operations. There can be no assurance that we will be able to declare or distribute any dividend in the amount set out in any of our plans or at all. Our dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by us in the future.

Subject to the factors described above, we currently intend to recommend at the next annual shareholders meeting of our Company an annual dividend of not less than 30% of our net profit available for distribution to our shareholders after the [●].

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme, the purpose of which is to motivate eligible participants to optimize their future contributions to our Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with such participants who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of our Group, and additionally in the case of the executive Directors and senior management of our Group, to enable our Group to attract and retain individuals with experience and ability. The principal terms of this scheme are summarized in the paragraph headed “Share Option Scheme” in Appendix VI to this document.

LITIGATION AGAINST OUR NON-EXECUTIVE DIRECTOR

Mr. Shen Nanpeng, our non-executive Director, is currently involved, in his personal capacity, as a defendant in a legal proceeding in the High Court of Hong Kong. Pursuant to a writ of summons dated 2 December 2008 filed with the High Court of Hong Kong, the plaintiffs in the legal proceeding alleged that Mr. Shen procured a breach of contract, interfered with the plaintiffs’ agreements with third parties and conspired with others to do unlawful acts or used unlawful means to cause damages to the plaintiffs. Mr. Shen was sued for payment of damages in the sum of approximately US\$200 million. Mr. Shen has informed the Company that he has obtained a legal opinion from his legal counsel who has formed a view that the plaintiffs do not have meritorious claims against Mr. Shen and that he will contest the case vigorously. As of the Latest Practicable Date, the date for trial has not yet been fixed.

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RISK FACTORS

Our Group’s operations are subject to a number of risks, a detailed discussion of which is set out in the section headed “Risk Factors” in this document. These risks can be broadly classified into:

- Risks relating to our business;
- Risks relating to our industry; and
- Risks relating to conducting business in China.

Set out below is a list of the risks referred to above.

Risks relating to our business

- We rely on our “Peak” brand.
- We may have difficulty managing and financing future growth and our growth in percentage terms may slow in the future.
- We cannot assure you that we will continue to be successful in developing our Peak branded products and expanding our product lines and offerings.
- We may not be able to accurately anticipate or respond in a timely manner to changes in continually evolving consumer tastes and preferences for sportswear products.
- Our sales may be affected by seasonality and a number of other factors.
- We rely on our distributors who operate, either directly or through third party retail outlet operators, authorized Peak retail outlets for the sales of our products in China.
- We have limited control over the ultimate retail sales by our distributors. Our brand image and business may be adversely affected if our distributors fail to adhere to, or fail to cause the third party retail outlet operators to adhere to, our retail policies and standards.
- We may not be able to accurately monitor the inventory level at our distributors and third party authorized Peak retail outlet operators, and we cannot determine the proportion of products sold to end-users.
- We cannot assure the accuracy of the sales and inventory data collected from the Lijing system.
- We face possible infringement of our trademarks and other intellectual property rights and counterfeiting of our products.
- We may be involved in intellectual property infringement litigation initiated by others.

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- Registration by other parties of trademarks similar to ours or the same as ours but in different categories under China’s trademark classification system may have a negative impact on the market perception of our Peak brand and may adversely affect our sales.
- Expansion of our production capacity may not be successful.
- We rely on a limited number of suppliers for our primary raw materials and failure to obtain sufficient quantities of quality raw materials in a timely manner or at acceptable prices may delay our production schedules.
- We rely on certain major customers for a significant portion of our business. The loss of any of such customers may materially and adversely affect our business, results of operations and financial position.
- If our distributors do not pay us for their purchases in a timely manner or at all, our results of operations and financial condition may be materially and adversely affected.
- We rely on our Contract Manufacturers for the production of a significant portion of our products and any material disruption to the supply of products from our Contract Manufacturers would materially and adversely affect our results of operations.
- Our results of operations may be adversely affected by increases in the market prices of raw materials if we are unable to pass on the increased cost of raw materials to our customers through higher prices for our products.
- We may experience a shortage of labor and our labor costs may increase.
- Our sales and operations may be affected by any prolonged business interruption at our production facilities.
- Our business may be affected by any malfunction of our management information systems for extended period.
- Our brand image and business may be damaged if we or our Contract Manufacturers, suppliers or distributors violate any relevant laws, rules or regulations, particularly in respect of labor and environmental protection.
- Our brand image and business may be adversely affected by any negative news on our spokespersons or on the teams for which we sponsor their home stadiums.
- We may fail to integrate future acquired businesses successfully into our existing operations.
- We rely on our key executives and personnel.
- Our insurance coverage may not be sufficient to cover the risks related to our operations.
- The operations of our distributors and third party authorized Peak retail outlet operators may be disrupted by earthquakes and other reasons beyond our control, which could materially and adversely affect our business, results of operations and financial condition.

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- We may be exposed to product liability claims which may adversely affect our reputation and business.
- We are a holding company that relies heavily on dividend payments from our subsidiaries for funding.
- Prior dividend distributions are not an indication of our future dividend policy.
- Any change in our tax treatment in China, including preferential enterprise income tax rates, may have a negative impact on our results of operations.
- We may be deemed a PRC tax resident under the New Tax Law and be subject to the PRC taxation on our worldwide income.
- Recent changes in the laws and regulations applicable to the retail industry in China may intensify competition in China’s retail industry, which may adversely affect our expansion into the sportswear retail business and our results of operations.
- Our labor costs may increase due to the implementation of the new PRC Labor Contract Law.
- We may be subject to penalties for our past loan advancing activities to related parties.
- PRC Exchange Regulations on loans and direct investment by offshore holding companies to PRC entities may delay or prevent us from using the proceeds we receive from the [●] to make loans or additional capital contributions to our PRC subsidiaries.

Risks relating to our industry

- We face increasing competition from international and domestic brands.
- Changes in consumer spending patterns could materially affect our growth and profitability.

Risks relating to conducting business in China

- Changes in the economic, political and social conditions in China and policies adopted by the Chinese Government may adversely affect our business, results of operations and financial condition.
- Our future performance is dependent on China’s economy and in particular, the level of growth of the consumer market in China.
- Our business may be materially and adversely impacted by recent financial difficulties and economic conditions in the United States, Europe and elsewhere.
- The legal system in China is not fully developed and has inherent uncertainties which could limit the legal protection available to us and adversely affect our operations.
- It may be difficult to effect service of process upon us or our Directors who reside in China or to enforce against them or us in China any judgments obtained from non-Chinese courts.

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- Government control in currency conversion and future movements in foreign exchange rates may materially and adversely affect our results of operations, financial condition and ability to remit dividends.
- Gain on the sale of our Shares and dividends on our Shares may be subject to withholding tax.
- An outbreak of the Avian Influenza or SARS or any other similar epidemic or an increase in the severity of H1N1 flu (swine flu) may, directly or indirectly, adversely affect our results of operations and the price of the Shares.