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## **PEAK SPORT PRODUCTS CO., LIMITED**

**匹克體育用品有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 1968)**

### **RECENT OPERATIONAL UPDATE ON BUSINESS IN CHINA**

This announcement is made on a voluntary basis by the board of directors (the “**Board**”) of Peak Sport Products Co., Limited (the “**Company**”, together with its subsidiaries, the “**Group**”).

The Board would like to announce the following operational update on the Group’s business in China:

#### **Orders for the first three quarters of 2012**

In view of the increasing strength of the monetary austerity measures taken by the PRC government to curb inflation starting from the second half of 2011 and unfavourable weather in 2011, the sportswear industry has been experiencing a slowdown in demand and intensified competition since then. The Board was aware that excessive inventory has been building up in the distribution channels in recent months. As one of its strategies to meet such challenges, the Group took the initiative to review the orders already placed by its distributors in the sales fairs for the first two quarters of 2012 and slashed certain orders yet to be produced before delivery to the distributors. After the above adjustments, the total orders for the first and second quarters of 2012 declined, in terms of revenue at wholesale prices, by a mid-twenties percentage when compared to those for the same quarters in 2011. The Board believes that the Group and its distributors would be much better prepared for the challenges ahead after the adjustments of the orders.

Set out below is an analysis of the order growth by value and growth in average selling prices at the wholesale level (“ASP”) by major product categories of the Group for the sales fairs of the first two quarters in 2012 when compared to that of the same quarters in 2011:

Product category	Footwear	Apparel
Order growth by value (%)	Mid-twenties (negative)	High-twenties (negative)
ASP growth (%)	High-single (positive)	Mid-single (positive)

In early this month, the Group held its sales fair for the third quarter of 2012. The sales fair orders for the third quarter of 2012 declined, in terms of revenue at wholesale prices, by a mid-twenties percentage when compared to the same quarter in 2011.

Set out below is an analysis of the order growth by value and growth in ASP by major product categories of the Group for the sales fair of the third quarter in 2012 when compared to that of the same quarter in 2011:

Product category	Footwear	Apparel
Order growth by value (%)	Low-twenties (negative)	Mid-twenties (negative)
ASP growth (%)	Low-single (positive)	Low-single (negative)

### **Same store sales for the fourth quarter of 2011**

The same store sales, in terms of revenue at retail level, for certain retail outlets of the Group for the quarter ended 31 December 2011 grew by 1.7% when compared to that for the same quarter in 2010.

### **Retail outlets at the end of 2011 and 2012**

As at 31 December 2011, the total number of authorised retail outlets of the Group in China amounted to 7,806, representing an increase of 582 outlets for the whole year of 2011. All these retail outlets are owned and managed by independent distributors or retail outlets operators.

To further enhance its brand image and the efficiency of its retail outlets, the Group is going to optimize its retail network in 2012. The optimization plan will involve opening larger retail outlets and closing down more small and less efficient retail outlets through the Group’s distributors throughout China. It is expected that the total number of authorized retail outlets of the Group will be around 7,000 by the end of 2012.

**The Company's shareholders and potential investors should note that the above announcement is made based on unaudited operational data of the Group and this data has not been audited or reviewed by the Company's auditors.**

**The Company's shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.**

By Order of the Board  
**Peak Sport Products Co., Limited**  
**Xu Jingnan**  
*Chairman*

Hong Kong, 20 January 2012

*As at the date of this announcement, the Board comprises three executive directors, namely Mr Xu Jingnan, Mr Xu Zihua and Mr Xu Zhida; three non-executive directors, namely Ms Wu Tigao, Mr Shen Nanpeng and Mr Zhu Linan; and three independent non-executive directors, namely Dr Xiang Bing, Mr Wang Mingquan and Dr Ouyang Zhonghui.*