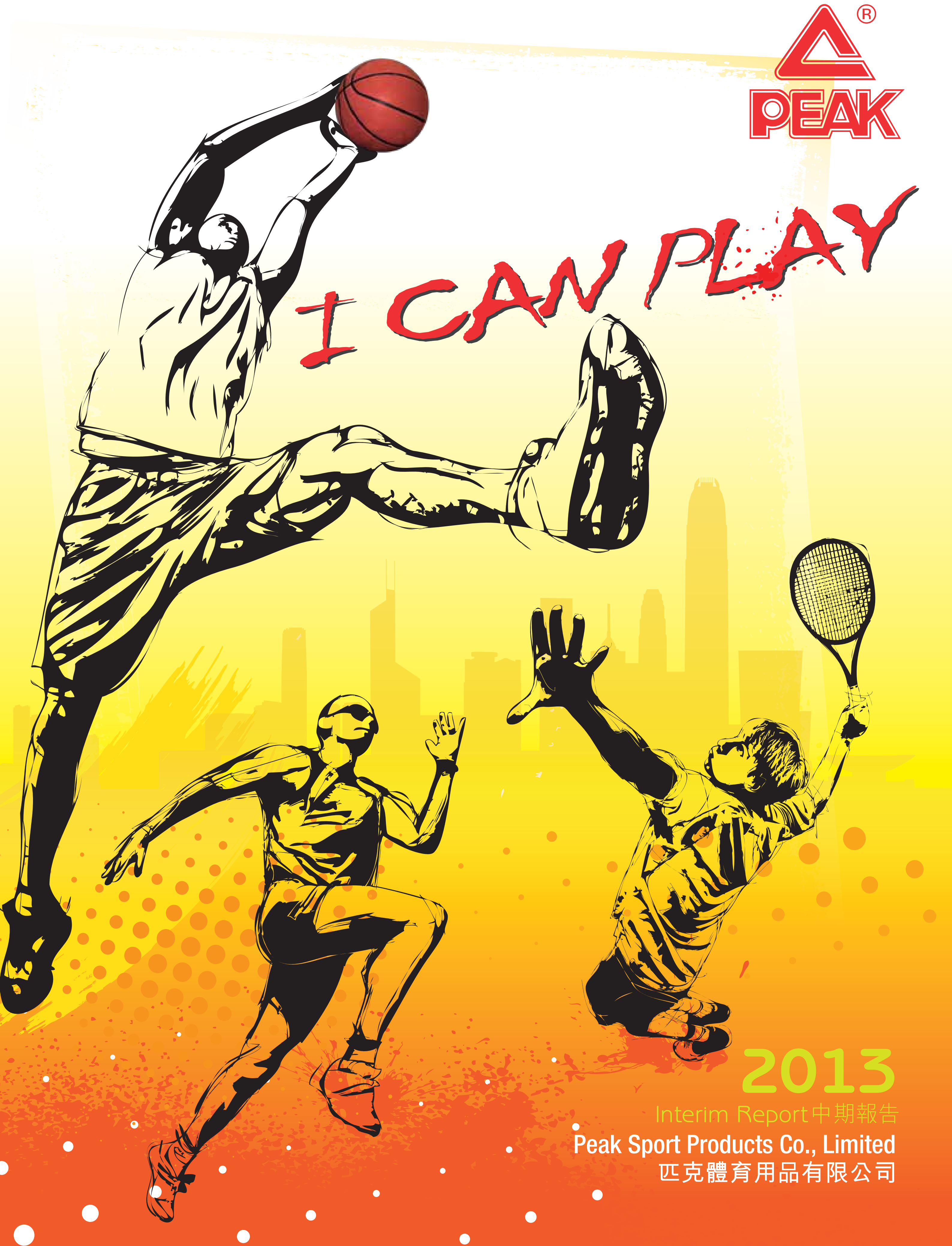


2013

Interim Report 中期報告

Peak Sport Products Co., Limited
匹克體育用品有限公司

MISSION 使命

To facilitate the development of global sports business and to provide quality sports products and services for the betterment of human health

積極促進全球體育事業發展，為人類健康生活提供優質體育用品及服務

VISION 願景

To become an internationally renowned sportswear brand that can be sustainable for centuries

成為國際知名體育用品品牌，打造百年卓越企業

CORE VALUE 核心價值

United, practical and effective
Pragmatic, conscientious and diligent
People-oriented, creating value for customers and society
Making dreams come true through team work

團結、求實、高效
實事求是、盡心盡職、用心做好每件事
以人為本，為顧客及社會創造價值
以團隊精神成就夢想

CONTENTS

FINANCIAL SUMMARY

	Six months ended 30 June	
	2013 (RMB million)	2012 (RMB million)
Profitability data		
Turnover	**1,172.9**	1,612.9
Gross profit	**398.8**	608.6
Net profit for the period	**89.9**	239.7
Basic earnings per share (RMB cents)	**4.29**	11.42
Diluted earnings per share (RMB cents)	**4.29**	11.42
Profitability ratios		
Gross profit margin	**34.0%**	37.7%
Net profit margin	**7.7%**	14.9%
Effective tax rate	**37.7%**	20.9%
Return on equity (annualised) (Note 1)	**4.4%**	11.8%
Operating ratios (as a percentage of turnover)		
Advertising and promotion expenses	**11.2%**	12.2%
Staff costs	**13.4%**	11.3%
Research and development expenses	**2.5%**	0.9%

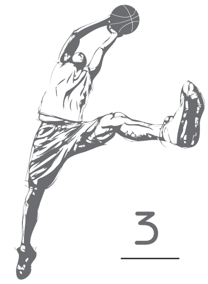
	As at 30 June 2013 (RMB million)	As at 31 December 2012 (RMB million)
Assets and liabilities data		
Non-current assets	**811.3**	806.7
Current assets	**4,364.2**	4,241.9
Current liabilities	**888.0**	898.8
Non-current liabilities	**193.2**	66.7
Shareholders' equity	**4,094.3**	4,083.1
Current ratio	**4.9**	4.7
Gearing ratio (Note 2)	**15.4%**	12.2%
Net asset value per share (RMB yuan)	**1.95**	1.95

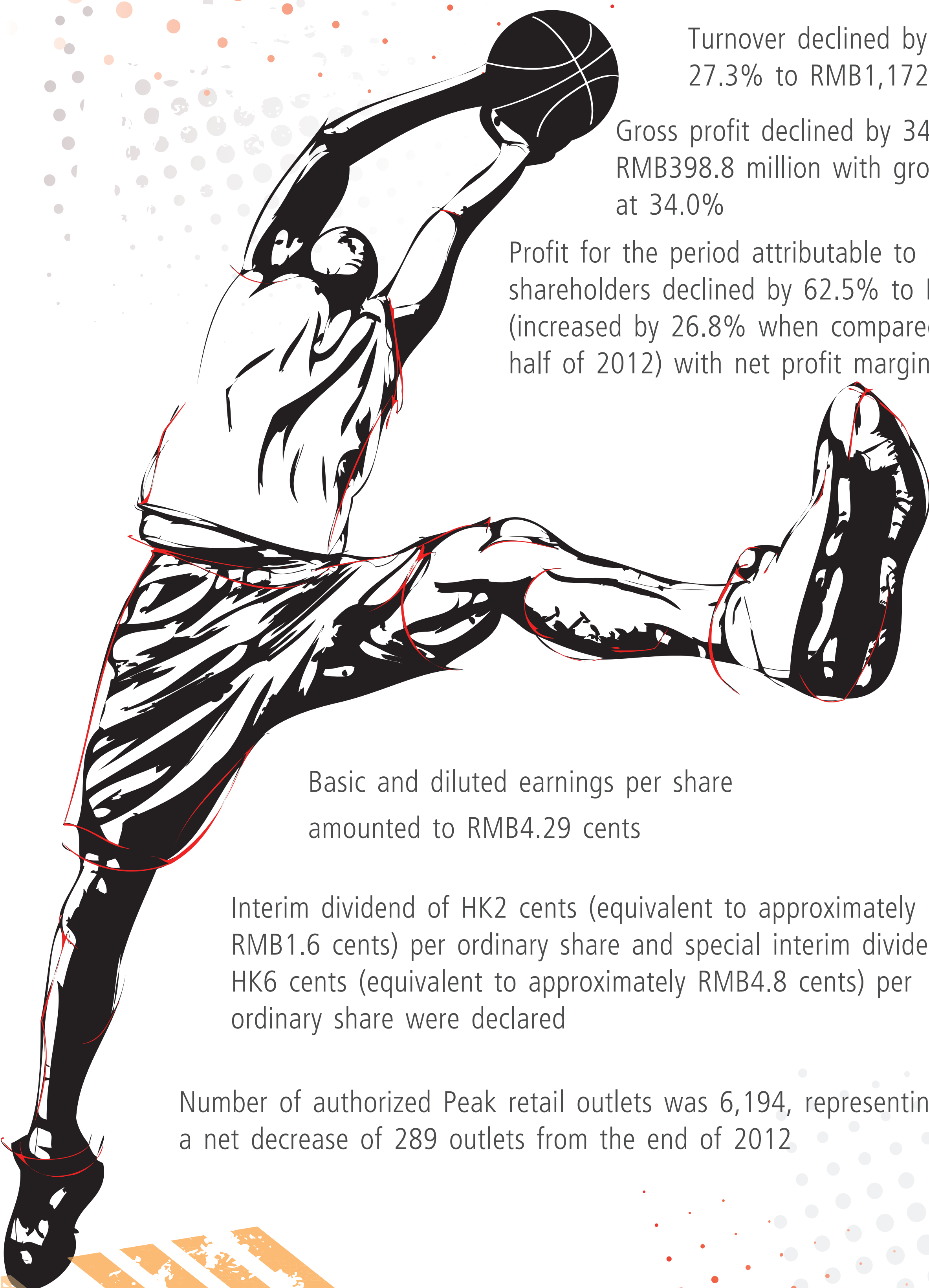
	Six months ended 30 June 2013 (days)	Year ended 31 December 2012 (days)
Working capital data		
Average inventory turnover days (Note 3)	**85**	80
Average trade receivables and bills receivable turnover days (Note 4)	**151**	127
Average trade payables and bills payable turnover days (Note 5)	**45**	48

Notes:

1. Return on equity is equal to the net profit for the period divided by the average of the opening and closing equity.
2. The calculation of gearing ratio is based on the total bank loans divided by the equity.
3. Average inventory turnover days is equal to the average of the opening and closing inventory divided by the cost of sales and multiplied by the number of days for the period/year.
4. Average trade receivables and bills receivable turnover days is equal to the average of the opening and closing trade receivables and bills receivable divided by the turnover and multiplied by the number of days for the period/year.
5. Average trade payables and bills payable turnover days is equal to the average of the opening and closing trade payables and bills payable divided by the cost of sales and multiplied by the number of days for the period/year.

FINANCIAL HIGHLIGHTS FOR THE FIRST HALF OF 2013





Turnover declined by 27.3% to RMB1,172.9 million

Gross profit declined by 34.5% to RMB398.8 million with gross profit margin at 34.0%

Profit for the period attributable to equity shareholders declined by 62.5% to RMB89.9 million (increased by 26.8% when compared to the second half of 2012) with net profit margin at 7.7%

Basic and diluted earnings per share amounted to RMB4.29 cents

Interim dividend of HK2 cents (equivalent to approximately RMB1.6 cents) per ordinary share and special interim dividend of HK6 cents (equivalent to approximately RMB4.8 cents) per ordinary share were declared

Number of authorized Peak retail outlets was 6,194, representing a net decrease of 289 outlets from the end of 2012

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Xu Jingnan (許景南) *(Chairman)*
Mr. Xu Zhihua (許志華)
Mr. Xu Zhida (許志達)

Non-executive Directors

Ms. Wu Tigao (吳提高)
Mr. Shen Nanpeng (沈南鵬)
Mr. Zhu Linan (朱立南)

Independent Non-executive Directors

Dr. Xiang Bing (項兵)
Mr. Wang Mingquan (王明權)
Dr. Ouyang Zhonghui (歐陽鐘輝)

BOARD COMMITTEES

Audit Committee

Dr. Xiang Bing (項兵) *(Chairman)*
Mr. Wang Mingquan (王明權)
Dr. Ouyang Zhonghui (歐陽鐘輝)

Remuneration Committee

Dr. Xiang Bing (項兵) *(Chairman)*
Mr. Wang Mingquan (王明權)
Dr. Ouyang Zhonghui (歐陽鐘輝)
Mr. Shen Nanpeng (沈南鵬)
Mr. Xu Jingnan (許景南)

Nomination Committee

Mr. Wang Mingquan (王明權) *(Chairman)*
Dr. Xiang Bing (項兵)
Dr. Ouyang Zhonghui (歐陽鐘輝)

COMPANY SECRETARY

Mr. Tsoi Ka Ho (蔡家豪) *CPA, ACA, FCCA*

AUTHORIZED REPRESENTATIVES

Mr. Xu Zhihua (許志華)
Mr. Tsoi Ka Ho (蔡家豪)

REGISTERED OFFICE

Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

Peak Building
Dongbao Industrial Area
Donghai, Fengze District, Quanzhou
Fujian Province, the PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Units 1613 & 1615, 16th Floor
Tower Two, Lippo Centre
89 Queensway, Hong Kong

AUDITOR

KPMG

SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17th Floor
Hopewell Centre, 183 Queen's Road East
Wanchai, Hong Kong

PRINCIPAL BANKERS

Bank of China (Quanzhou Branch)
China CITIC Bank (Quanzhou Branch)
China Construction Bank (Quanzhou Bincheng Branch)
The Hongkong and Shanghai Banking Corporation

COMPANY WEBSITE

www.peaksport.com

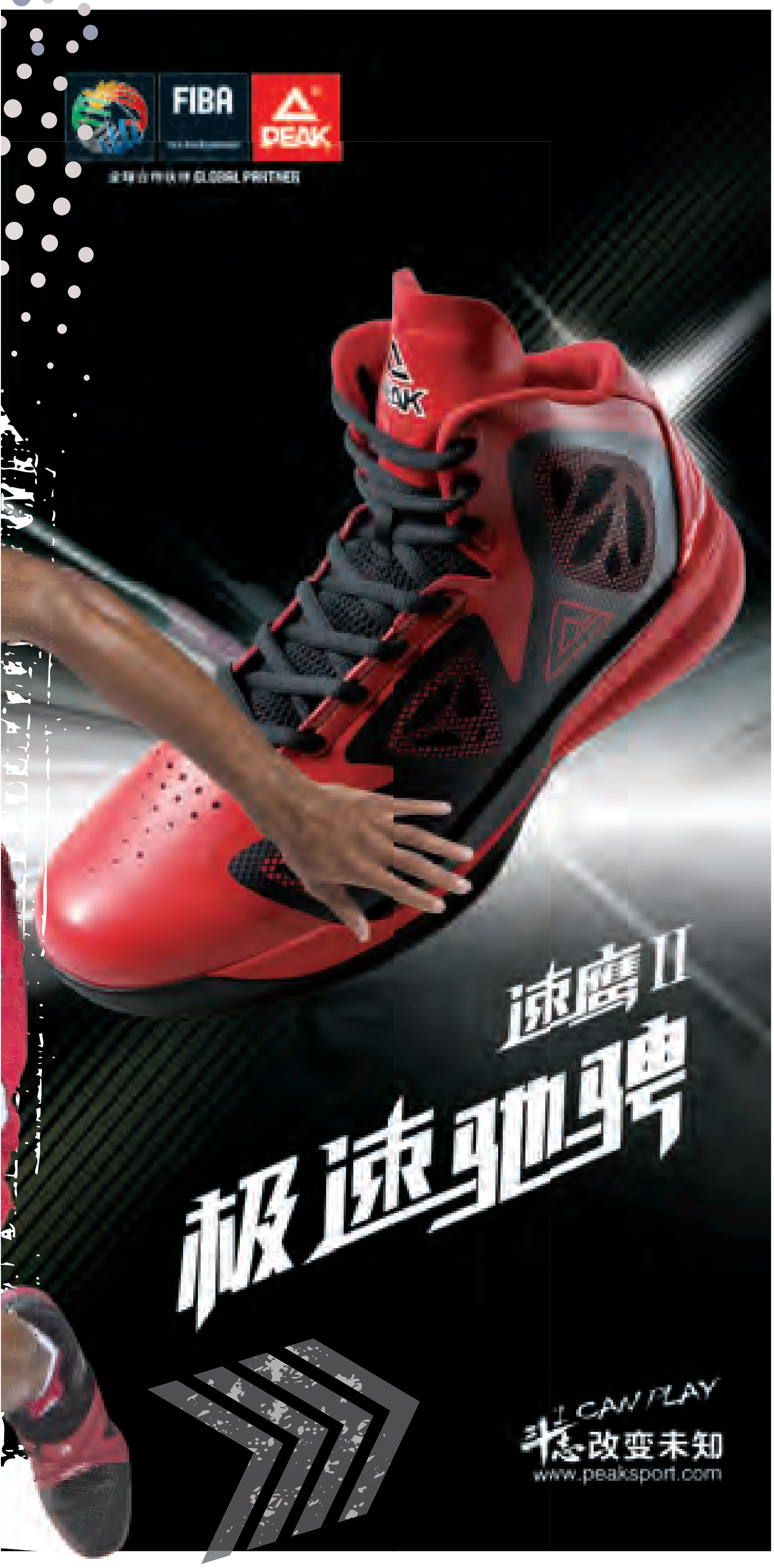
MANAGEMENT DISCUSSION AND ANALYSIS

Market Overview

Global economic conditions

The economy in China still lacked momentum during the first half of 2013. Domestic consumption, which was affected by slack demand in the export sector, remained weak during the period. It seems that the central government of China has become hesitant in using again a monetary expansion policy to stimulate the economy lest it would aggravate the problems of asset bubbles, duplicated investments and excessive capacities in many industries. On the other hand, the US economy has been recovering steadily during the first half of 2013 as evidenced by the recent announcement of the wind down of the quantitative easing monetary policy by the US Federal Reserve. Consumption expenditure, labour market and property market in the US have been picking up gradually during the period. The economy in Europe, however, was still vulnerable during the period with expectations of negative growth for quite a number of European countries in 2013. In addition, certain European countries were still plagued by a debt crisis. Most developing countries also experienced setbacks in their economies due to weakening demands from developed countries during the period. Except for the US economy, the world economy lost directions during the first half of 2013.

Shane Battier



Sportswear industry in China

The sportswear industry in China has been lingering at the trough of the business cycle during the first half of 2013. Rationalization of the industry is near the end as a considerable number of small sportswear companies have exited the industry and operating costs of distribution channels, notably rentals in many locations have returned to a reasonable level. It is expected that destocking will continue for a while and then sales will pick up when distributors and retailers replenish new products after they have cleared all their excessive inventories. As different sportswear companies have different quantities of excessive inventories, the recovery time for each company may vary. There is a high chance that a rebound or recovery will occur in the near future.

Prospects

Against the backdrop of the Chinese government's determination to restructure its economy by encouraging domestic consumption and to continue the process of urbanization, the sportswear industry has good growth potential in the coming years. In addition, improvements in the US economy will stimulate demand for exports from China, indirectly boosting domestic consumption and hence demand for sports products in China. Further, with the increase in the concentration of the sportswear industry resulting from the current rationalization, most of the remaining sportswear companies will benefit because they will face less competition and gain market share when small competitors exit the industry. In this connection, the Group is very optimistic about the future development of the sportswear industry.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Dorell Wright
热火队 肖恩·巴蒂尔
Shane Battier


FIBA
We Are Basketball
PEAK
GLOBAL PARTNER
勇士队 卡尔·兰德里
Carl Landry
安德鲁·古德洛克
Andrew Goudelock

Financial Review

Turnover

The Group's turnover for the first half of 2013 amounted to RMB1,172.9 million (First half of 2012: RMB1,612.9 million), representing a decline of 27.3% when compared to that for the same period in 2012. The decrease was mainly attributable to sustained industry-wide destocking and the sluggish economy which adversely affected the demand for new products during the period.

Analysis of turnover by product category:

	Six months ended 30 June 2013 RMB (million)	% of turnover	2012 RMB (million)	% of turnover	Change (%)
Footwear	**475.8**	**40.6**	753.3	46.7	(36.8)
Apparel	**665.6**	**56.7**	811.8	50.3	(18.0)
Accessories	**31.5**	**2.7**	47.8	3.0	(34.1)
Total	**1,172.9**	**100.0**	1,612.9	100.0	(27.3)

The ratio of turnover contributed by footwear products decreased to 40.6% in the first half of 2013 from 46.7% in the first half of 2012 while the corresponding ratio for apparel products increased to 56.7% in the first half of 2013 from 50.3% in the first half of 2012. As the Group had more inventory of apparel products than that of footwear products, it offered distributors special discounts on more apparel products than footwear products during the first half of 2013. As a result, the turnover of apparel products was boosted to a level higher than that of footwear products and the ratio of turnover contributed by apparel products increased.

Analysis of turnover by geographical location:

	Six months ended 30 June 2013 RMB (million)	% of turnover	2012 RMB (million)	% of turnover	Change (%)
Southern region (Note 1)	**407.9**	**34.8**	547.6	34.0	(25.5)
Eastern region (Note 2)	**328.4**	**28.0**	521.6	32.3	(37.0)
Northern region (Note 3)	**262.6**	**22.4**	347.3	21.5	(24.4)
China market	**998.9**	**85.2**	1,416.5	87.8	(29.5)
Asia	**94.2**	**8.0**	64.1	4.0	47.0
Europe	**41.0**	**3.5**	39.6	2.4	3.5
North America	**17.8**	**1.5**	0.6	0.0	2,866.7
South America	**16.9**	**1.4**	22.0	1.4	(23.2)
Africa	**2.3**	**0.2**	68.6	4.3	(96.6)
Australia	**1.8**	**0.2**	1.5	0.1	20.0
Overseas markets	**174.0**	**14.8**	196.4	12.2	(11.4)
Total	**1,172.9**	**100.0**	1,612.9	100.0	(27.3)

Notes: Geographical locations (i.e. provinces or cities) in China are classified into three regions as follows:

1. Southern region includes Fujian, Guangdong, Hainan, Guangxi, Guizhou, Chongqing, Sichuan, Yunnan and Tibet.
2. Eastern region includes Shandong, Jiangsu, Shanghai, Zhejiang, Henan, Anhui, Hubei, Hunan and Jiangxi.
3. Northern region includes Heilongjiang, Jilin, Liaoning, Inner Mongolia, Hebei, Beijing, Tianjing, Shanxi, Shaanxi, Gansu, Ningxia, Qinghai and Xinjiang.


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Tony Parker

The China market contributed 85.2% of the total turnover while overseas markets contributed 14.8% of the total turnover during the first half of 2013. The turnover derived from the China market and the overseas markets declined by 29.5% and 11.4% respectively when compared to those for the same period in 2012. The decrease in turnover derived from the China market was primarily attributable to the sustained industry-wide destocking and sluggish economy prevailing in the first half of 2013. The decrease in turnover derived from the overseas markets during the first half of 2013 was a net effect caused mainly by: (i) decreased demand due to political disturbances and deteriorating economic conditions in a number of countries in Africa and South America; (ii) steady growth in sales in South East Asia and Middle East due to relatively stable economic conditions in these regions; and (iii) increased demand due to improvement in economic conditions in North America.

Gross profit

Analysis of contribution to gross profit by product category:

	Six months ended 30 June				
	2013		2012		
	Gross profit RMB (million)	**Gross profit margin (%)**	Gross profit RMB (million)	Gross profit margin (%)	Change in gross profit margin (% points)
Footwear	**165.0**	**34.7**	282.2	37.5	(2.8)
Apparel	**222.5**	**33.4**	310.3	38.2	(4.8)
Accessories	**11.3**	**35.7**	16.1	33.7	(2.0)
Total	**398.8**	**34.0**	608.6	37.7	(3.7)

The gross profit margins of footwear and apparel products in the first half of 2013 decreased by 2.8 percentage points and 4.8 percentage points respectively when compared to those for the same period in 2012. Such decreases were mainly due to: (i) an increase in the amount of special discounts offered by the Group to distributors during the period so as to clear excessive inventories; and (ii) an increase in the amount of regular discounts offered by the Group to distributors so as to promote the sales of new products during the period. As the Group offered special discounts on more apparel products than footwear products, the gross profit margin of apparel products decreased more than that of footwear products.

Selling price and volume

Analysis of average unit selling price and sales volume by product category:

	Six months ended 30 June					
	2013		2012		Change	
	Quantity sold (million)	**Average unit selling price (RMB)**	Quantity sold (million)	Average unit selling price (RMB)	Quantity sold (%)	Average unit selling price (%)
Footwear (pairs)	**5.3**	**89.8**	8.6	87.6	(38.4)	2.5
Apparel (pieces)	**13.6**	**48.9**	15.9	51.1	(14.5)	(4.3)

Notes:

1. We have not included the respective information of our accessory products because we have a broad range of accessory products that vary significantly in terms of unit price. We believe that a unit-based analysis of this product category would not be meaningful.

2. Average unit selling price of each product category represents the turnover of that product category for the period divided by its quantity sold for the period.

The average unit selling price for footwear products increased slightly during the first half of 2013 mainly because the Group raised the selling prices of footwear products during the period although the rate of increase in the selling prices was lower than that of the related cost of production. The average unit selling price for apparel products decreased mainly because the Group offered special discounts on more apparel products than footwear products during the period. The decreases in the quantities sold for both apparel and footwear products were mainly attributable to sustained industry-wide destocking and the sluggish economy which adversely affected the demand for new products during the period. The quantities sold for apparel products decreased at a rate lower than that for footwear products mainly because the Group offered special discounts on more apparel products than footwear products, boosting more sales of apparel products during the first half of 2013.

Average turnover per retail outlet and per unit retail floor area

Analysis of turnover (at wholesale level) by number of retail outlets and floor area in China:

	As at 30 June			Six months ended 30 June			
	No. of retail outlets	**Total retail floor area** (sq. m.)	**Average floor area per retail outlet** (sq. m.)	**Average no. of retail outlets** (Note 1)	**Average total retail floor area** (sq. m.) (Note 2)	**Average turnover per retail outlet** (RMB'000) (Note 1)	**Average turnover per unit retail floor area** (RMB'000) (Note 2)
2013	**6,194**	**548,536**	**88.6**	**6,339**	**555,201**	**158**	**1.8**
2012	7,059	589,046	83.4	7,433	603,254	191	2.3
Change (%)	(12.3)	(6.9)	6.2	(14.7)	(8.0)	(17.3)	(21.7)

Notes:

1. Average turnover per retail outlet is equal to the total turnover (China market) divided by the average number of retail outlets, which is equal to the average of the opening and closing numbers of the retail outlets for the period.

2. Average turnover per unit retail floor area is equal to the total turnover (China market) divided by the average total retail floor area, which is equal to the average of the opening and closing total retail floor areas for the period.

The average floor area per authorized Peak retail outlet in China increased to 88.6 square metres as at 30 June 2013 from 83.4 square metres as at 30 June 2012, which was in line with the Group's strategy to increase gradually the size of our new outlets to accommodate our increasing product offerings and to match our enhanced brand image. The average turnover per authorized Peak retail outlet in China and the average turnover per unit retail floor area in China during the first half of 2013 decreased by 17.3% and 21.7% respectively when compared to those for the same period in 2012. Such decreases were in line with the decline in turnover derived from the China market. The decline in turnover was in turn due to the decrease in the demand for sports products caused by sustained industry-wide destocking and the sluggish economy during the first half of 2013.

Cost of sales

Analysis of cost of sales by production method:

	Six months ended 30 June				
	2013		2012		
	RMB (million)	% of total	RMB (million)	% of total	Change (%)
Self-production					
Raw materials	214.7	62.5	256.8	65.7	(16.4)
Direct labour	74.3	21.6	78.0	20.0	(4.7)
Overhead	54.5	15.9	55.8	14.3	(2.3)
Total	343.5	100.0	390.6	100.0	(12.1)
Cost of sales					
Self-production	343.5	44.4	390.6	38.9	(12.1)
OEM	240.1	31.0	329.9	32.8	(27.2)
Subcontracting arrangements	190.5	24.6	283.8	28.3	(32.9)
Total	774.1	100.0	1,004.3	100.0	(22.9)

An increase in the per unit direct labour cost due to labour shortage during the first half of 2013 caused an increase in the ratio of direct labour cost to total cost of self-production and a decrease in the ratio of raw materials to total cost of self-production when compared to those of the same period in 2012.

The ratio of total cost of self-production to total cost of sales increased to 44.4% in the first half of 2013 from 38.9% in the first half of 2012. Such increase was primarily due to increases in the self-production ratios for both footwear and apparel products during the period. The self-production ratios by volume for footwear and apparel products for the first half of 2013 increased to 67.9% and 35.8% from 58.3% and 32.2% for the same period in 2012 respectively.

Other revenue and other net income

Other revenue for the first half of 2013 increased to RMB28.4 million (First half of 2012: RMB15.4 million) mainly because interest income derived from bank deposits increased as a result of placement of more excess working capital in time deposits by the Group during the period. The increase in the amount of government grants also contributed to the increase in other revenue. Other net income decreased to RMB2.7 million (First half of 2012: RMB5.7 million) mainly due to a reduction in the profit derived from the sale of materials during the period.

Selling and distribution expenses

Total selling and distribution expenses for the first half of 2013 amounted to RMB158.4 million (First half of 2012: RMB226.6 million), representing a decrease of 30.1% when compared to those for the same period in 2012. The decrease was mainly attributable to decreased advertising and promotion activities, and decreased subsidies to distributors, the reduction of which were in line with the decrease in the Group's turnover during the period.

Administrative expenses

Total administrative expenses for the first half of 2013 amounted to RMB121.0 million (First half of 2012: RMB97.7 million), representing an increase of 23.8% when compared to those for the same period in 2012. The increase was a net effect caused mainly by the following items when compared to those for the first half of 2012: (i) increased


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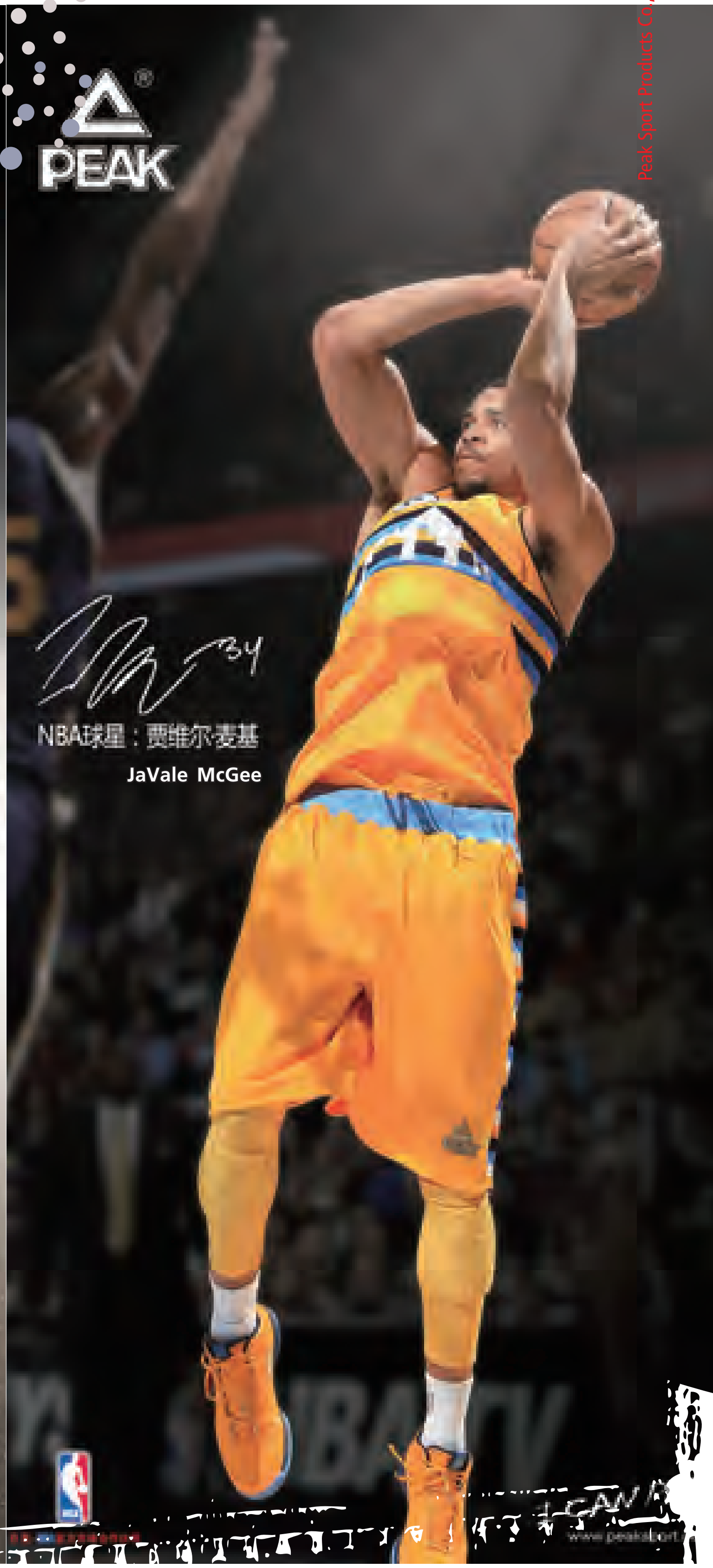
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NBA球星：贾维尔·麦基
JaVale McGee

research and development expenses; (ii) increased depreciation charges for using new office buildings and staff quarters; (iii) write down of inventories; and (iv) decreased education surcharge and city construction tax, the reduction of which were in line with the decrease in the Group's turnover during the period.

Finance expenses

The increase in finance expenses was caused by an increase in short-term bank loans during the first half of 2013. These short-term bank loans were primarily used for settlement of advertising and promotion expenses denominated in foreign currencies and payment of dividends.

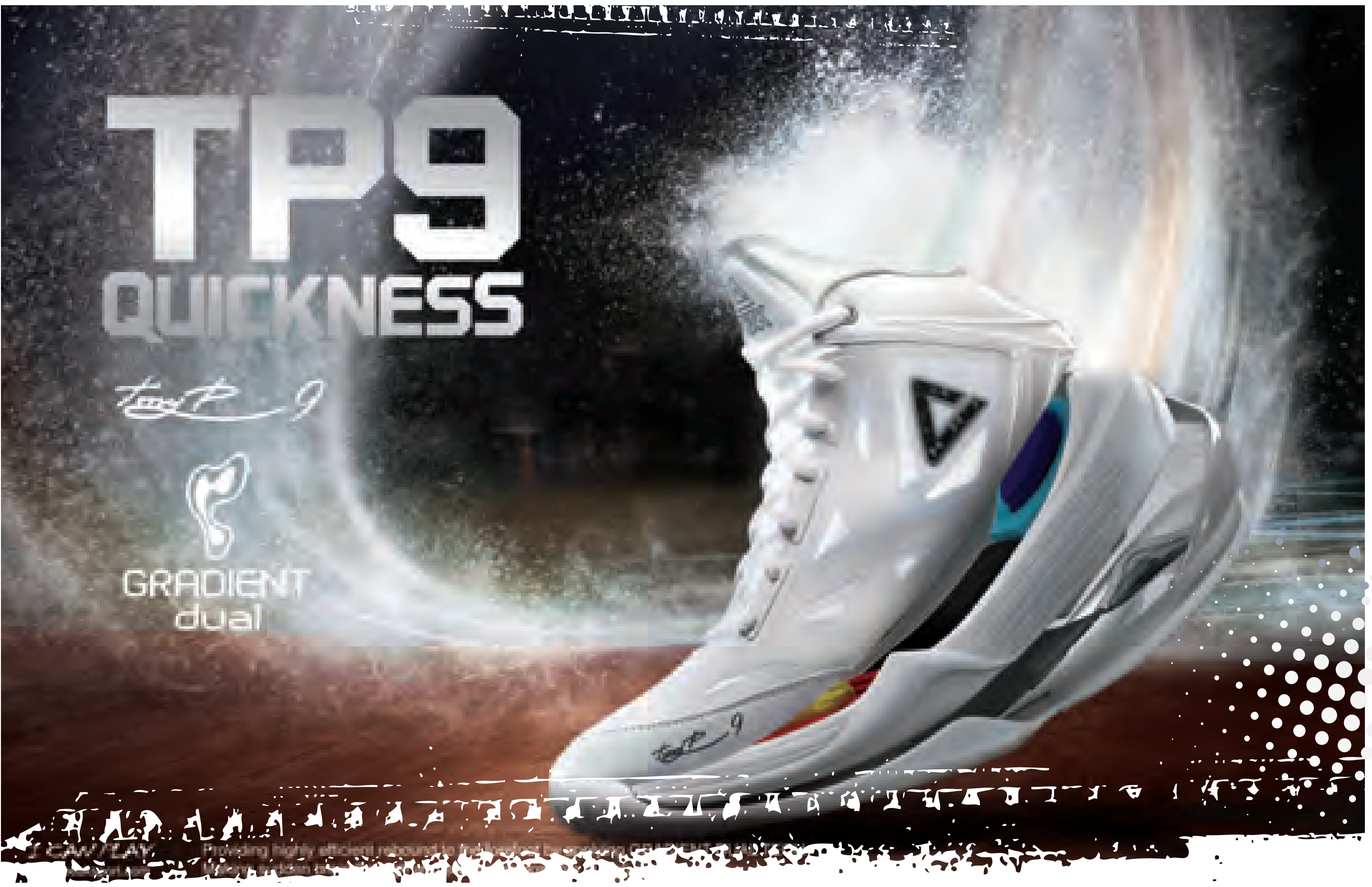
Income tax

Income tax expenses decreased by 14.2% to RMB54.4 million for the first half of 2013 from RMB63.4 million for the same period in 2012. Such decrease was mainly caused by a decrease in turnover and hence the operating profits during the period. The effective tax rate for the first half of 2013 increased to 37.7% from 20.9% for the same period in 2012 mainly because: (i) two subsidiaries of the Group enjoyed a tax concession in 2012 while they no longer enjoy the tax concession starting from 2013; and (ii) the payment of special interim dividend increased the provision for the relevant withholding tax during the period.

Net profit and net profit margin

Net profit decreased by 62.5% to RMB89.9 million for the first half of 2013 from RMB239.7 million for the same period in 2012. Such decrease in net profit during the first half of 2013 was primarily a result of: (i) a decrease in gross profit; (ii) an increase in other revenue; (iii) a decrease in selling and distribution expenses; (iv) an increase in administrative expenses; and (v) a decrease in income tax, which together with items (ii) and (iii) only partially offset the impact of items (i) and (iv).

Net profit margin decreased to 7.7% for the first half of 2013 from 14.9% for the same period in 2012. Such decrease in net profit margin during the first half of 2013 was primarily a result of: (i) a decrease in gross



profit margin; and (ii) an increase in the ratio of administrative expenses to turnover mainly caused by increased research and development expenses to further enhance product designs and performance, increased depreciation charges upon using new office buildings and staff quarters, write down of inventories, and an increase in the ratios of the following items to turnover: (a) salaries and wages of administrative staff; and (b) bank charges for arranging bank loans.

Working capital ratios

The average inventory turnover days for the six months ended 30 June 2013 increased to 85 days from 80 days for the year ended 31 December 2012 mainly because of the weak demand of sports products caused by sluggish economic conditions during the first half of 2013.

As our distributors have been experiencing a rationalization of the sportswear industry and sluggish demand during the first half of 2013, the Group allowed some of them to have more time to settle their debts. As a result, the average trade receivables and bills receivable turnover days increased to 151 days for the six months ended 30 June 2013 from 127 days for the year ended 31 December 2012.

The average trade payables and bills payable turnover days for the six months ended 30 June 2013 decreased slightly to 45 days from 48 days for the year ended 31 December 2012.

Management Discussion and Analysis (continued)

Liquidity and capital resources

The net cash inflow from operating activities of the Group for the six months ended 30 June 2013 amounted to RMB224.7 million (First half of 2012: outflow of RMB113.4 million). The increase in the net cash inflow from operating activities was mainly due to decreases in the balances of inventories, trade receivables and bills receivable as at 30 June 2013 when compared to those as at 31 December 2012. As at 30 June 2013, our Group's cash and bank deposits (including cash at bank and on hand, fixed deposits held at bank and pledged deposits at bank) amounted to RMB3,003.0 million, representing a net increase of RMB240.4 million when compared to the position as at 31 December 2012.

The increase in the Group's cash and bank deposits is analyzed below:

	Six months ended 30 June 2013 RMB'000
Net cash inflow from operating activities	224,697
Net capital expenditure	(50,165)
Dividends paid	(83,926)
Net proceeds from bank loans	135,486
Other net cash inflow	14,296
Net increase in cash and bank deposits	240,388

The Group borrowed bank loans during the six months ended 30 June 2013. All these bank loans were repayable within two years and primarily used for settlement of advertising and promotion expenses denominated in foreign currencies and payment of dividends of the Company.

Peak sponsored the 2013 Tour of Qinghai Lake International Cycling Race

The Group has been adopting a prudent treasury management policy and has strong liquidity position with sufficient standby banking facilities to cope with funding needs arising from daily operations and future developments.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of an adjusted net debt-to-capital ratio. For this purpose the Group defines net debt as interest-bearing loans less cash and capital as the total equity. As at 30 June 2013, the Group had cash in excess of interest-bearing loans. It is the management's intention to restrict the ratio below 50% in the long run. To achieve this end, the Group may adjust the amount of dividends to be paid to shareholders, issue new shares or control the growth of new debts.

Neither the Company nor its subsidiaries are subject to externally imposed capital requirements.

Foreign exchange risk

The Group's operating activities were principally carried out in China with most of our transactions denominated and settled in Renminbi, and therefore the overall foreign currency risk was not considered to be significant. The Group's foreign exchange exposure mainly arose from our revenue derived from our export sales that were denominated predominantly in United States dollars and bank loans which were denominated in Hong Kong dollars or United States dollars. If Renminbi appreciates against a foreign currency, the value of the foreign currency denominated assets (e.g. trade receivables) will decline accordingly. The Group has not used any forward contracts, currency borrowings or other means to hedge our foreign exchange exposure. Nevertheless, the management will continue to monitor the foreign exchange exposure and adopt prudent measures as appropriate.

Pledge of assets

The following assets were pledged to banks as security for bills payable and certain banking facilities:

	Carrying amount as at	
	30 June 2013	31 December 2012
	RMB'000	RMB'000
Buildings	**106,841**	110,051
Bank deposits	**261,751**	300,766
Lease prepayments	**10,193**	10,307

Operations Review

Distribution network

The network of authorized Peak retail outlets, which components are owned and operated either by our distributors or by retail outlet operators, has been providing an effective retail channel for our products throughout China. To prepare for our future growth and further enhance our brand image, the Group continued to optimize our distribution network by closing down small and less efficient retail outlets while opening larger retail outlets in the first half of 2013. As at 30 June 2013, the total number of authorized Peak retail outlets was 6,194 (31 December 2012: 6,483), representing a net decrease of 289 outlets.

Analysis of authorized Peak retail outlets in China by geographical region:

	Number of retail outlets as at		
	30 June 2013	31 December 2012	change (%)
Northern region	**1,855**	1,904	(2.6)
Eastern region	**2,147**	2,330	(7.9)
Southern region	**2,192**	2,249	(2.5)
Total	**6,194**	6,483	(4.5)

Note: Please refer to page 10 for details of classification of geographical regions.

Peak sponsored the US Team at the 27th Summer Universiade in Kazan

Analysis of authorized Peak retail outlets in China by type of city:

	Number of retail outlets as at 30 June 2013	31 December 2012	Change (%)
First-tier city	300	342	(12.3)
Second-tier city	807	1,126	(28.3)
Third-tier city	5,087	5,015	1.4
Total	6,194	6,483	(4.5)

The second-tier and third-tier cities in China have been the Group's focused markets in recent years because of their faster economic growth and less intense competition when compared to the first-tier cities. Accordingly, most of authorized Peak retail outlets are located in the second-tier and third-tier cities. During the first half of 2013, the Group has been optimizing our distribution channel by closing down less efficient retail outlets.

Analysis of authorized Peak retail outlets in China by store category:

	Number of retail outlet as at 30 June 2013	31 December 2012	Change (%)
Flagship Store	20	21	(4.8)
Basic Store	3,773	3,938	(4.2)
Department Store or Shopping Mall Outlet	2,338	2,455	(4.8)
Basketball Specialty Outlet	63	69	(8.7)
Total	6,194	6,483	(4.5)

The authorized Peak retail outlets are classified into the above 4 categories. Flagship stores are street-level stores situated in prime locations in major cities and each flagship store has a floor area of at least 200 square metres and a monthly turnover (at retail price) of not less than RMB500,000. Basic stores are also street-level stores but do not satisfy the above criteria for flagship stores. Basketball specialty outlets are either street-level stores or shopping mall outlets and offer mainly premium basketball sports products to basketball enthusiasts.

Management Discussion and Analysis (continued)

Management of distributors and retail outlets

Our strict policies in managing our distributors and the operations of the authorized Peak retail outlets are crucial to the success of our distribution network.

China market

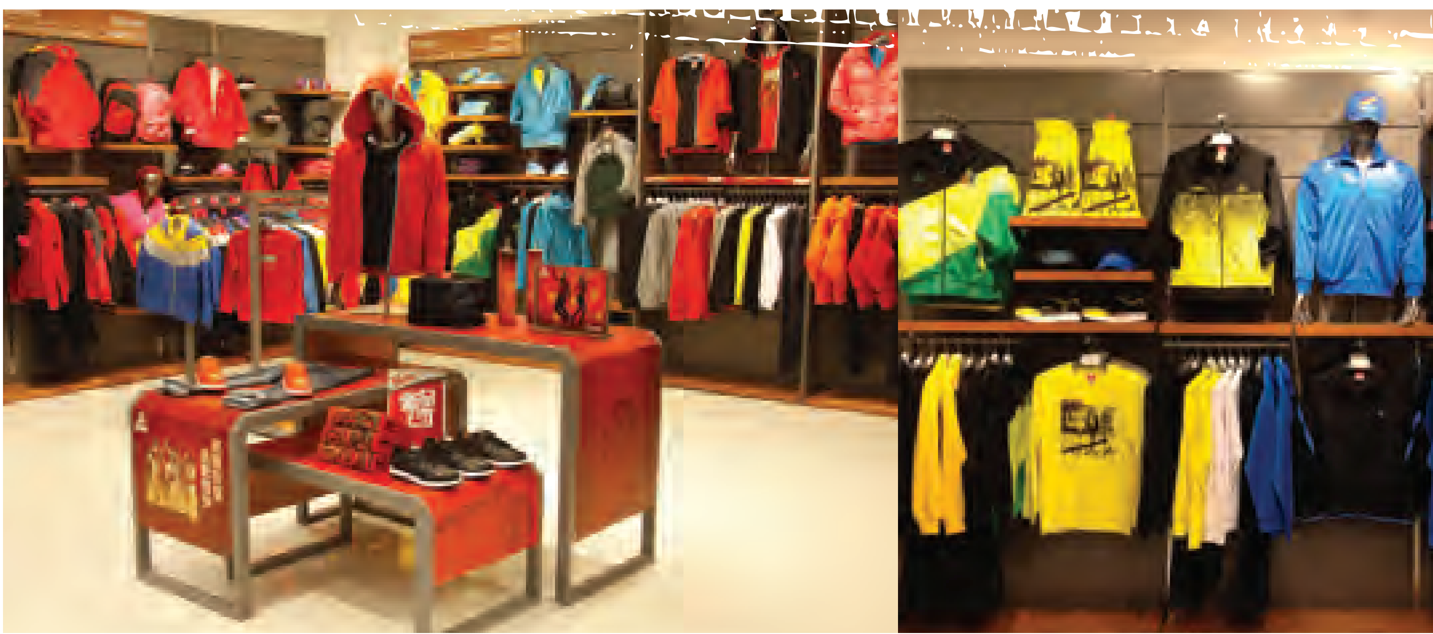
We organize and host four sales fairs a year to introduce our new product collections for each season. Our domestic distributors and retail outlet operators attend the sales fairs and place orders which are generally six months in advance of the delivery of the ordered products.

We select our distributors according to a range of factors such as retail experience in sports products, ability to expand and operate a network of retail outlets, and adequacy of financial resources. We enter into an agreement with each distributor, whereby we grant the distributor an exclusive right to distribute our products in a specified area for a specified period of time, which is generally one year. Our distribution agreement contains principal terms such as geographical exclusivity, sales and expansion targets, credit terms, discounts offered and rewards. Subject to our written approval, our distributors may appoint retail outlet operators. We do not enter into agreements with such retail outlet operators except for licensing our trademarks to them. Our distributors are responsible for supervising and managing the operations of the authorized Peak retail outlets according to our policies and guidelines regarding the layout of outlets, sales and expansion targets, pricing, customer and after-sale services, etc.

We invite representatives of our distributors and retail outlet operators to attend training sessions to familiarize themselves with Peak policies and procedures. The training sessions take the form of in-house training as well as external training conducted by experienced retail management consultants.

On-site inspections of authorized Peak retail outlets are regularly carried out by our marketing teams to identify and inform distributors of any non-performing or non-compliant retail outlets. We coordinate with distributors to monitor the performance of these retail outlets and any recurring non-performance or non-compliance may cause a distributor to lose its distributorship.

The performance of each distributor is reviewed annually prior to the renewal of its distribution agreement. Key elements that form part of such review include whether the distributor has achieved the sales and expansion targets and complied with the credit terms.



During the first half of 2013, the Group continued to expand the coverage of our computerized management information system ("MIS"), which collected real-time operational data and feedback from authorized Peak retail outlets connected to the system. As at 30 June 2013, 2,444 retail outlets were connected to our MIS.

As an incentive for our distributors to expand the network of authorized Peak retail outlets and to maintain consistency of store image and layout, we provide certain renovation work to retail outlets and rental subsidies to retail outlet operators for opening retail outlets with high rentals in prime locations. We also offer performance bonuses (or rewards) to our distributors who meet or exceed annual sales targets.

Overseas markets

We sell our Peak branded products overseas on a wholesale basis to: (i) overseas customers who learn about our products from our website or at international exhibitions or trade fairs; and (ii) overseas distributors who then sell our products to consumers, retailers, sports teams or clubs.

During the first half of 2013, we participated in the following international exhibitions and trade fairs:

— International Trade Fair for Sports Equipments and Fashion in Munich, Germany;

— East China Fair in Shanghai, China;

— MOSSHOES in Moscow, Russia;

— China Import and Export Fair in Guangzhou, China;

— China Commodities Fair in Kazakhstan; and

— China Brands Exhibition in Budapest, Hungary.

Brand promotion and marketing

Strategy

We believe that marketing and promotion of our brand are crucial to success in the sportswear industry. To create a simple and powerful brand message to our consumers, the Group has been employing a focused marketing strategy by focusing on the basketball sports category in marketing and promoting the Peak brand since our inception in 1991 although we offer products in

Tony Parker

almost every sports category. The Group promotes Peak as an international and professional brand through association with internationally renowned tournament organizers and provision of products with premium functionality and performance. Our promotion partners are therefore not restricted to domestic partners and include sports associations, leagues, federations, events, and individual athletes throughout the world. The Group also employs various means of promotion such as national and local television commercials, outdoor media, online advertising, newspapers and magazines.

Leveraging our success in focusing on the basketball sports category, the Group has rolled out our new marketing strategy focusing on two other sports categories (i.e. running and tennis) in addition to basketball in recent years. The Group believes that the new strategy will further enhance our brand image and positioning and ensure sustained growth in popularity of the Peak brand.

Basketball promotion partners

The utilization of basketball promotion partners such as federations, leagues, teams, events and individual athletes is an integral part of the Group's brand promotion and marketing strategy to differentiate us from our peers. Such focused strategy also disseminates a clear profile to consumers. The Group has had an association with most of the top renowned basketball promotion partners around the world and this enables the Group to build up successfully the most international brand image in the basketball sector among our Chinese peers. By requiring our endorsed basketball athletes to wear our basketball footwear during all tournaments, we demonstrate that our products can withstand the severest tests of functionality and performance and this further enhances our professional brand image. Although the Group has started promoting the other sports categories in addition to basketball under the new marketing strategy, we will continue to dedicate the most significant portion of our resources to the basketball sports category so as to maintain our leading position in the basketball sector in coming years.

NBA league, teams and players

The Group has been an official marketing partner of NBA in China since 2007. The association with NBA includes, among other things, the right to use the NBA logo and other licensed marks in connection with the advertising and promotion of the Peak brand and our products in China.

The Group also entered into sponsorship agreements with the NBA's Houston Rockets, Miami Heat and Toronto Raptors under which the Group can, among other things, display the Peak signage at the home stadiums of the three teams.

As at 30 June 2013, the Group endorsed a total of 18 NBA players. With these players, we had presence in 15 teams out of the 30 NBA teams as follows (listed by alphabetical order):

NBA players	NBA teams
Andrew Goudelock	Los Angeles Lakers
Andrew Nicholson	Orlando Magic
Anthony Morrow	Dallas Mavericks
Beno Udrih	Orlando Magic
Carl Landry	Golden State Warriors
Chase Budinger	Minnesota Timberwolves
C.J. Watson	Brooklyn Nets
Dorell Wright	Philadelphia 76ers
George Hill	Indiana Pacers
Gordon Hayward	Utah Jazz
Jason Richardson	Philadelphia 76ers
JaVale McGee	Denver Nuggets
Kyle Lowry	Toronto Raptors
Patrick Patterson	Sacramento Kings
Sam Young	Indiana Pacers
Samuel Dalembert	Milwaukee Bucks
Shane Battier	Miami Heat
Tony Parker	San Antonio Spurs

FIBA

The Group has had an association with FIBA since 2008 and became the official and exclusive footwear partner of FIBA worldwide and the exclusive sportswear (apparel and headwear) partner of FIBA in Asia in August 2011. Under relevant sponsorship and licensing agreements, the Group is required, among other things, to supply footwear to all staff, referees and volunteers at all FIBA and FIBA Zones Championships, and has an exclusive right to use globally specified logos and mascots associated with certain FIBA sports competitions on some of our products.

Stanković Continental Champions' Cup

The Stanković Continental Champions' Cup ("Stanković Cup") is an international basketball tournament for men's national teams of a number of countries. It is also the most well-known international basketball game and one of the highest ranking international basketball tournaments in China. The Group has been sponsoring the Stanković Cup since 2005. Under the relevant sponsorship agreement, the Group is required, among other things, to supply sportswear to all officials and staff of the tournaments.

National Basketball Federations

The Group has association with a number of national basketball federations which are responsible for managing the national teams of their own countries. Under the relevant sponsorship agreements, the Group is required, among other things, to supply relevant national teams with sports products in specified games and matches. During the first half of 2013, these national basketball federations were as follows:

- Basketball Australia;
- Basketball Federation of Montenegro;
- Basketball Federation of Serbia;
- Basketball New Zealand;
- Cameroon Basketball Federation;
- Cote d'Ivoire Basketball Federation;
- German Basketball Federation;
- Icelandic Basketball Federation; and
- Lebanese Basketball Federation.

2013 ABA Championship

2013 ABA Championship was held in August 2013. Being a sponsor and official sports apparel supplier of the tournament, the Group, among other things, supplied sports apparel to all officials and staff of the tournament.

Peak Team China Tour

The "Peak Team China Tour" is one of the most important events among all our marketing activities. The tour is held once a year in China with an aim to promote the NBA spirit and increase the popularity of basketball in China. The 2013 Peak Team China Tour kicked-off in Beijing on 2 July 2013. The Group invited several of our NBA spokespersons to participate in the tour. These spokespersons interacted with Chinese basketball fans in more than 10 cities, including Beijing, Guangzhou, Chengdu and Xiamen. Both the Peak brand and NBA players gained intense media exposure throughout the tour.

NBA Nation

NBA Nation is an interactive basketball event officially launched by NBA. The event, which involves basketball as well as elements of entertainment, provides an excellent platform to deliver the best of the NBA experience to basketball fans. This was the second year that the event was held in China and the event took place across more than 10 cities including Beijing, Shanghai and Guangzhou during June–August 2013. As the official marketing partner of the NBA Nation, the Group supplied all sports products for the event and the event provided a great opportunity to further promote both NBA and the Peak brand.

Other basketball sponsorships

The Group also sponsored the following basketball events in the first half of 2013:

— The 18th Quanzhou 100 Teams/1000 Matches Basketball Competition (泉州百隊千場籃球賽「匹克杯」) held from April to August; and

— The 14th Xiamen-Peak Basketball Camp (匹克廈門籃球夏令營) held from July to August.

Tennis promotion partners

With a view to attracting more female customers and boosting the female sportswear sales, the Group has gradually been strengthening our promotion in the tennis sector. Leveraging the success in the basketball sector, the Group has adopted the same marketing strategy of building up an international and professional brand image for our tennis sports products. Accordingly, the Group utilizes promotion partners which can manifest the internationalism and professionalism of the Peak brand to promote our tennis sports products.

Women's Tennis Association ("WTA") Tour

The Group entered into a product sponsorship and promotion agreement in 2010 with WTA, which is the worldwide circuit of women's professional tennis. Pursuant to the agreement, the Group is the official footwear and apparel partner for the following tournaments, which make up the WTA Tour during 2013:

— ASB Classic (Auckland, New Zealand);

— Brisbane International (Brisbane, Australia);

— Apia International Sydney (Sydney, Australia);

— Moorilla Hobart International (Hobart, Australia);

— PTT Pattaya Women's Open (Pattaya, Thailand);

— Guangzhou International Women's Open (Guangzhou, China); and

— BMW Malaysian Open (Kuala Lumpur, Malaysia).

The Group, among other things, obtains a licence to develop, manufacture, market and sell the WTA-PEAK co-branded products in the Asia Pacific region. In addition, the Group is the official partner of the WTA Tour Festival and will organize interactive games and tennis-related activities for tennis fans in Guangzhou and Beijing in September 2013.

Endorsed tennis athletes

To increase our brand awareness and further enhance the influence of Peak in the women's tennis sector, the Group had endorsement contracts with the following international tennis players as at 30 June 2013 (listed by alphabetical order):

Tennis players	Country
Alla Kudryavtseva	Russia
Ana Savić	Croatia
Andreja Klepač	Slovenia
Catalina Castaño	Colombia
Chen Yao	China
Ekaterina Dzehalevich	Belarus
Galina Voskoboeva	Kazakhstan
He Sirui	China
Irina Buryachok	Ukraine
Julia Cohen	USA
Katalin Marosi	Hungary
Katarina Srebotnik	Slovenia
Klaudia Jans-Ignacik	Poland
Liu Xinrui	China
Margalita Chakhnashvili	Georgia
Maria Abramović	Croatia
Maria Kondratieva	Russia
Mervana Jugić-Salkić	Bosnia and Herzegovina
Nina Bratchikova	Russia
Olga Govortsova	Belarus
Vesna Dolonc	Serbia
Wang Boyan	China
Yu Xia	China

Running promotion partners

In line with our new marketing strategy, the Group consistently strengthens the promotion of our running footwear. The promotion partners of our running footwear include CCTV, Guangdong Sports TV and a number of sports magazines. The Group also launches an interactive online platform specifically for our running footwear. We attract the online users to buy sports products at our retail outlets by offering online games and prizes to them. As a result, we effectively promote our running footwear.

Other promotion partners and events

National Olympic Committees

The Group entered into sponsorship agreements with a number of national Olympic committees. Under the agreements, the Group is committed to provide sports products in certain sports games to the national teams. As at 30 June 2013, the Group sponsored the following national Olympic committees:

— The National Olympic Committee of New Zealand
— The National Olympic Committee of Slovenia
— The National Olympic Committee of Lebanon
— The National Olympic Committee of Jordan

2013 Tour of Qinghai Lake International Cycling Race ("QLCR")

QLCR is a top-tier international highway cycling competition held at a racing track with the highest altitude above sea level, which is recognized by the International Cycling Association. The competition is held from July to August every year in Qinghai Lake with top cyclists from five continents of the world participating. The Group has become the collaborative partner and the sole supplier of sports products to the officials of the competition for eight consecutive years since 2006.

The United States International University Sports Federation ("USIUSF")

The Group partnered with USIUSF. Under the relevant sponsorship agreement, the Group was responsible for supplying USIUSF with sports apparels in the 27th Summer Universiade which was held in Kazan, Russia in July 2013.

Production capacity

Our products are manufactured either by the Group's own production facilities or through outsourcing arrangements with contract manufacturers. We believe that maintaining our own production capabilities has several advantages including better control over the production process, having the flexibility and ability to respond promptly to market changes, and better bargaining power over contract manufacturers.

Footwear production facilities

The Group currently has three footwear production facilities at Fengze in Fujian Province, Hui'an in Fujian Province and Shang'gao in Jiangxi Province. We also outsource a portion of our footwear production to contract manufacturers. The total footwear production volume for the first half of 2013 was approximately 5.6 million pairs, of which approximately 67.9% were produced in-house and approximately 32.1% were produced through outsourcing to contract manufacturers.

Apparel production facilities

The Group currently has three apparel production facilities at Fengze in Fujian Province, Hui'an in Fujian Province and Shang'gao in Jiangxi Province. We also outsource a major portion of our apparel production to contract manufacturers. The total apparel production volume for the first half of 2013 was approximately 12.0 million pieces, of which approximately 35.8% were produced in-house and approximately 64.2% were produced through outsourcing to contract manufacturers.

Analysis of production capacity by location and product category:

		Footwear production facilities			Apparel production facilities		
Location		Fengze Quanzhou Fujian province (full production)	Hui'an Quanzhou Fujian province (full production)	Shang'gao Yichun Jiangxi province	Fengze Quanzhou Fujian province (full production)	Hui'an Quanzhou Fujian province	Shang'gao Yichun Jiangxi province
Commencement date of production		Aug 1994	Jul 2011	Jun 2008	Feb 2004	Sep 2008	Jan 2012
Estimated annual production capacity	2012	3.0 million	2.0 million	6.0 million	3.0 million	10.5 million	0.4 million
(pairs/pieces) (Note)	**2013**	**2.3 million**	**1.7 million**	**5.0 million**	**2.3 million**	**7.5 million**	**0.3 million**
Actual production volume (pairs/pieces)	2012 (Jan-Dec)	2.3 million	1.5 million	5.0 million	2.3 million	7.5 million	0.4 million
	2013 (Jan-Jun)	**1 million**	**0.8 million**	**2.0 million**	**1.0 million**	**3.2 million**	**0.1 million**
Expected time of full production		N/A	N/A	2015	N/A	2015	2014
Expected production capacity upon full production (pairs/pieces)		N/A	N/A	12.0 million	N/A	16.4 million	0.8 million

Note: Estimated annual production capacity is an estimate we make each year taking into account a number of factors and assumptions, including, among others, number of production lines, amount of equipment and personnel, rate of production per worker per hour, number of hours and days our workers work per month, and seasonal impact on production. As these factors and assumptions may vary over time, there can be no assurance that total amounts we would have been able to produce in any year would have been higher or lower than the actual amount we produce for that year.

Management Discussion and Analysis (continued)

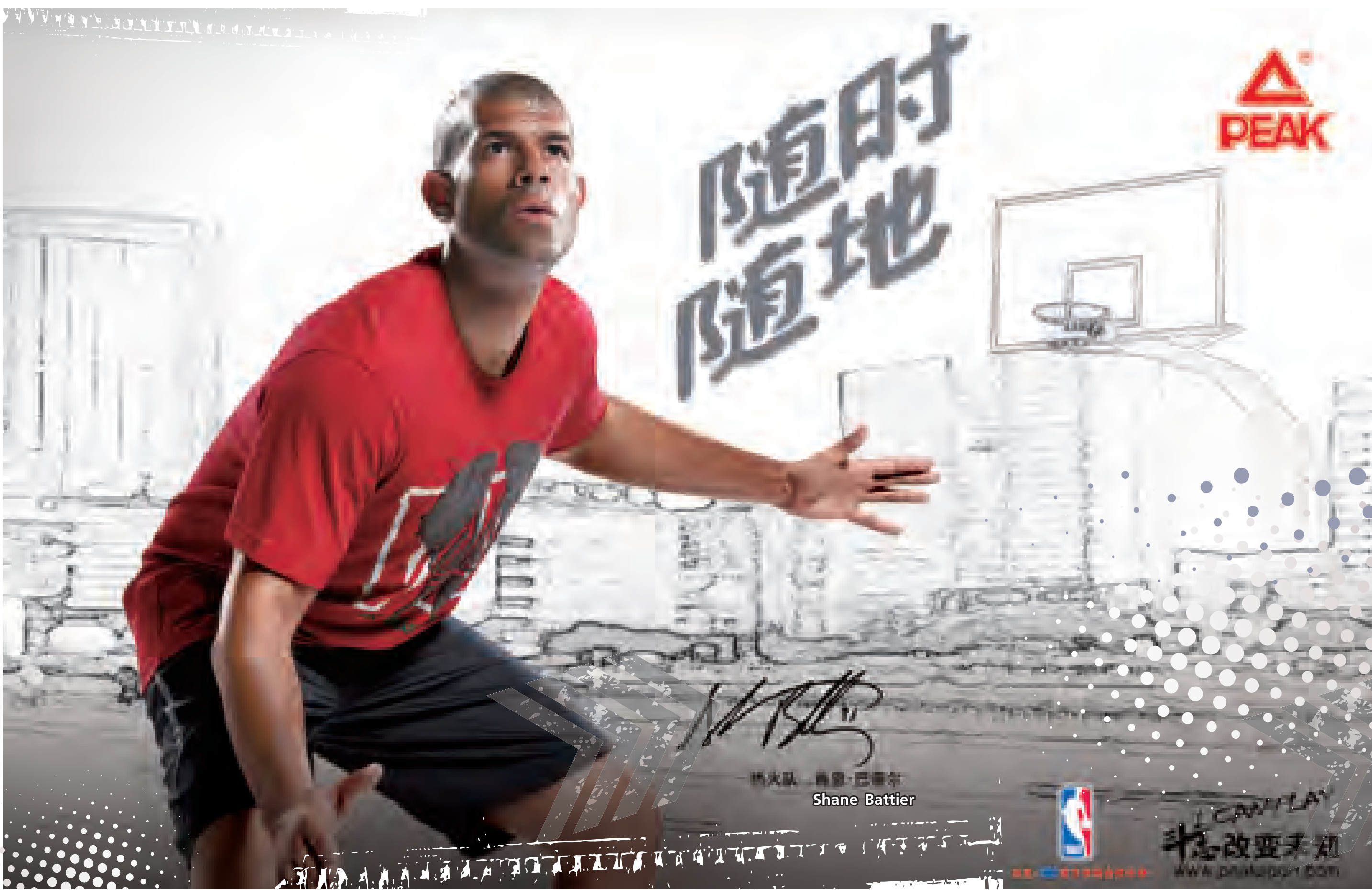
Research & development ("R&D")

Being a professional sportswear manufacturer, we endeavour to introduce high quality products with innovative designs and functionality to our customers. To this end, the Group continues to invest in R&D of new products. As at 30 June 2013, the Group operated four R&D workshops located in Beijing, Guangzhou, Quanzhou and Los Angeles. These workshops altogether employed approximately 220 research and design professionals. Through the interactions of the design teams in different workshops, we are capable of designing more innovative and stylish products to satisfy the needs of different consumer segments all over the world. During the first half of 2013, the Group introduced 215 new footwear products, 515 new apparel products and 101 new accessory products to consumers.

In addition to product functionality and style, the R&D workshops take account of environmental protection issues when selecting raw materials and designing new products. The Group will continue to introduce more environmentally friendly or recycled materials and to adopt energy-saving processes to manufacture its products.

Supply chain management

A significant portion of the Group's footwear and apparel was outsourced to contract manufacturers. We have two types of outsource arrangements with our contract manufacturers: (i) subcontract arrangements; and (ii) arrangements with original equipment manufacturers ("OEM"). Under the subcontract arrangements, we provide subcontractors with raw materials and pay them processing fees for completing certain production processes for us. Under the OEM arrangements, we provide OEMs with the designs and specifications of our products and recommend suppliers to them to procure raw materials for their production. OEMs are responsible for all the production processes and produce finished goods for us. The OEM arrangements allow us to devote less of our management time on monitoring the



whole production processes so as to divert our resources to other areas such as monitoring Peak's distribution network and enhancing our brand image while the subcontract arrangements enable us to obtain more control over the production processes.

The Group carefully selects and evaluates our contract manufacturers. Each of our contract manufacturers is subject to an annual evaluation and assessment of product quality and timeliness of product delivery. We monitor the operation and performance of our contract manufacturers by checking each batch of products delivered to us so as to report in a timely manner to relevant contract manufacturers any failure to meet our product quality requirements or incidents of late delivery.

In addition to the above procedures, the Group also adopts the following measures to ensure an efficient and effective supply of raw materials and finished goods:

- We source our raw materials from suppliers located in nearby regions such as Fujian Province, Guangdong Province and Jiangxi Province. The proximity of these suppliers to our production facilities helps reduce our procurement costs.

- We do not enter into any long-term agreements with any of our suppliers. This gives us flexibility to switch to other suppliers for lower raw material costs with better quality and delivery schedules that best suit our production needs.

- We organize four sales fairs each year to allow our distributors and retail outlet operators to review our new product collections and place pre-season orders generally six months in advance of the delivery of the ordered products. With this practice, production can be better planned in advance to ensure smooth supply of products to the market.

Human resources

We consider our people to be the most valuable asset to the Group and will continue to allocate sufficient resources to recruiting, training and rewarding our staff. As at 30 June 2013, the Group's total headcount was approximately 8,200.

We care for the career development of our staff and provide various kinds of training courses to enhance their technical and product knowledge as well as knowledge of industry quality standards and workplace safety standards. We launched pre-job training programmes for new staff and other training programmes related to management skills, professional roles, etc.

We provide systematic training to our front-line sales staff, distributors and retail outlet operators regarding Peak's product knowledge and selling and promotion skills. During the first half of 2013, we held 8 training camps for store managers and other training courses on topics such as regional training policy set-up, standard display set-up, project marketing and knowledge of current offerings to support our front-line operations.

We determine the remuneration of our employees based on factors such as qualifications, performance and years of experience. We generally distribute bonuses to our employees at each year end to reward their contribution to the Group. As an additional incentive to our employees, the Company grants share options to those employees that have demonstrated exceptional performance.

Prospects

We are optimistic about the future development of the sportswear industry. To ensure sustained growth of our business, the Group will use our best endeavours to accomplish the following tasks in the coming years.

Enhancement of the Peak brand

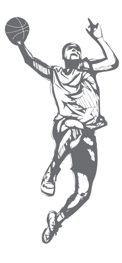
The Group strives to enhance our international and professional image as we acknowledge our brand image to be crucial to our development and success in future. Accordingly, we will continue to allocate a significant portion of our resources to brand building and maintenance. While we still focus on the basketball sports category to maintain our leading position in the basketball sector in China, we will also increase the marketing and promotion activities for other sports categories such as running and tennis. In coming years, the Group will continue to utilize renowned tournament organizers such as NBA and FIBA and other promotion partners including teams, events and individual athletes to extend our brand reach throughout the world.

Optimization of distribution channels

To prepare for the future development of the sportswear industry, the Group will continue to optimize our distribution channels. Regarding our retail network, the Group will continue to open, through our distributors and retail outlet operators, more larger retail outlets and to close down small and less efficient retail outlets in 2013. At the same time, the Group will encourage each retail outlet operator to open more retail outlets so as to increase its capability to withstand changes in market conditions. Regarding our distributors, the Group will continue to increase their number to enhance their competitiveness. The Group may introduce a new distributor by allocating part of a region previously managed by an underperforming distributor to the new distributor. When the area managed by the underperforming distributor has been reduced, such distributor can concentrate its resources to better manage the smaller region. The Group will also encourage our distributors to open more of their own retail outlets to further enhance their efficiency and responsiveness to market changes.

Expansion of production capacity

As mentioned above, maintaining our own production capabilities will enable us to have better control of our production process, better bargaining power over contract manufacturers, and the flexibility and ability to respond promptly to market changes. Accordingly, the Group will invest approximately RMB60 million to construct and purchase new machinery and equipment for our production facilities in the second half of 2013. To alleviate the impact of rising labour cost around the coastal regions of China, the Group is going to build another apparel plant at Heze in Shandong Province ("Shandong Project"). The estimated annual production capacity of the new plant is about 30 million pieces of apparel with total capital expenditure amounting to about RMB1 billion. Because of the recent unfavourable economic conditions, the Group has delayed the construction of the new plant. We estimate that the Shangdong Project will take at least five more years for its completion.



Review Report on the Interim Financial Report

Review report to the Board of Directors of
Peak Sport Products Co., Limited
(Incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the interim financial report set out on pages 34 to 52 which comprises the consolidated statement of financial position of Peak Sport Products Co., Limited (the "Company") as of 30 June 2013, and the related consolidated statement of comprehensive income, the consolidated statement of changes in equity, and the condensed consolidated cash flow statement for the six-month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard 34, "*Interim Financial Reporting*", issued by the International Accounting Standards Board. The Directors are responsible for the preparation and presentation of the interim financial report in accordance with International Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "*Review of interim financial information performed by the independent auditor of the entity*", issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2013 is not prepared, in all material respects, in accordance with International Accounting Standard 34, "*Interim Financial Reporting*".

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

13 August 2013

Interim Financial Report

Consolidated statement of comprehensive income

For the six months ended 30 June 2013 — unaudited
(Expressed in Renminbi)

	Note	Six months ended 30 June 2013 RMB'000	 2012 RMB'000
Turnover	4	**1,172,900**	1,612,904
Cost of sales		**(774,109)**	(1,004,323)
Gross profit		**398,791**	608,581
Other revenue	5	**28,379**	15,448
Other net income	5	**2,708**	5,702
Selling and distribution expenses		**(158,397)**	(226,590)
Administrative expenses		**(120,968)**	(97,692)
Profit from operations		**150,513**	305,449
Finance expenses	6(a)	**(6,226)**	(2,369)
Profit before income tax	6	**144,287**	303,080
Income tax	7	**(54,383)**	(63,429)
Profit for the period attributable to equity shareholders of the Company		**89,904**	239,651
Other comprehensive income for the period:			
Exchange differences on translation of financial statements of foreign operations		**4,970**	(2,926)
Total comprehensive income for the period attributable to equity shareholders of the Company		**94,874**	236,725
Earnings per share (RMB cents)			
— Basic	9	**4.29**	11.42
— Diluted	9	**4.29**	11.42

The notes on pages 38 to 52 form part of this interim financial report. Details of dividends declared after the period end and paid during the period to equity shareholders of the Company are set out in note 8.

Consolidated statement of financial position

At 30 June 2013 — unaudited
(Expressed in Renminbi)

	Note	30 June 2013 RMB'000	31 December 2012 RMB'000
Non-current assets			
Property, plant and equipment	10	476,842	494,623
Construction in progress	11	56,129	48,051
Lease prepayments	12	125,303	93,991
Deposits and prepayments for purchase of non-current assets	13	113,307	111,961
Intangible assets	14	21,542	20,316
Deferred tax assets	22(b)	18,230	37,714
		811,353	806,656
Current assets			
Inventories	15	340,205	386,357
Trade and other receivables	16	1,020,911	1,092,894
Pledged deposits	17	261,751	300,766
Deposits with banks with more than three months to maturity when placed		530,000	225,000
Cash and cash equivalents	18	2,211,293	2,236,890
		4,364,160	4,241,907
Current liabilities			
Bank loans	19	511,843	496,224
Trade and other payables	20	343,043	372,673
Amount due to a related party	26(c)	—	1,257
Current tax liabilities	22(a)	33,106	28,663
		887,992	898,817
Net current assets		3,476,168	3,343,090
Total assets less current liabilities		4,287,521	4,149,746
Non-current liabilities			
Bank loan	19	119,867	—
Deferred tax liabilities	22(b)	73,346	66,662
		193,213	66,662
Net assets		4,094,308	4,083,084
Equity			
Share capital	23	18,460	18,460
Reserves	24	4,075,848	4,064,624
Total equity		4,094,308	4,083,084

Approved and authorized for issue by the Board of Directors on 13 August 2013.

Xu Jingnan
Director

Xu Zhihua
Director

The notes on pages 38 to 52 form part of this interim financial report.

Consolidated statement of changes in equity

For the six months ended 30 June 2013 — unaudited
(Expressed in Renminbi)

	Share capital RMB'000 (Note 23)	Share premium RMB'000 (Note 24(a))	Statutory reserve RMB'000 (Note 24(b))	Other reserve RMB'000 (Note 24(c))	Exchange reserve RMB'000 (Note 24(d))	Share-based payment reserve RMB'000 (Note 24(e))	Retained profits RMB'000	Total equity RMB'000
At 1 January 2012	18,460	1,020,472	279,957	81,354	2,239	13,005	2,628,059	4,043,546
Equity-settled share-based payment	—	—	—	—	—	1,024	—	1,024
Transfer between reserves in respect of share options forfeited after vesting date	—	—	—	—	—	(420)	420	—
Dividends	—	(186,436)	—	—	—	—	—	(186,436)
Total comprehensive income for the period	—	—	—	—	(2,926)	—	239,651	236,725
At 30 June 2012	18,460	834,036	279,957	81,354	(687)	13,609	2,868,130	4,094,859
At 1 January 2013	18,460	748,271	320,189	81,354	1,482	14,372	2,898,956	4,083,084
Equity-settled share-based payment	—	—	—	—	—	276	—	276
Transfer between reserves in respect of share options forfeited after vesting date	—	—	—	—	—	(1,079)	1,079	—
Dividends	—	(83,926)	—	—	—	—	—	(83,926)
Total comprehensive income for the period	—	—	—	—	4,970	—	89,904	94,874
At 30 June 2013	18,460	664,345	320,189	81,354	6,452	13,569	2,989,939	4,094,308

The notes on pages 38 to 52 form part of this interim financial report.

Condensed consolidated cash flow statement

For the six months ended 30 June 2013 — unaudited
(Expressed in Renminbi)

	Note	Six months ended 30 June 2013 RMB'000	Six months ended 30 June 2012 RMB'000
Cash generated from/(used in) operations		**248,469**	(36,202)
Income tax paid		**(23,772)**	(77,174)
Net cash generated from/(used in) operating activities		**224,697**	(113,376)
Net cash used in investing activities		**(295,567)**	(162,859)
Net cash generated from financing activities		**44,078**	127,335
Net decrease in cash and cash equivalents		**(26,792)**	(148,900)
Cash and cash equivalents at 1 January	18	**2,236,890**	2,503,009
Effect of foreign exchange rate changes		**1,195**	(4,646)
Cash and cash equivalents at 30 June	18	**2,211,293**	2,349,463

The notes on pages 38 to 52 form part of this interim financial report.

Notes to the unaudited interim financial report

(Expressed in Renminbi unless otherwise indicated)

1 Basis of preparation

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard ("IAS") 34, "*Interim Financial Reporting*", issued by the International Accounting Standard Board ("IASB"). This interim financial report was authorized for issue on 13 August 2013.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2012 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2013 annual financial statements. Details of these changes in accounting policies are set out in note 2.

The preparation of an interim financial report in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year-to-date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of Peak Sport Products Co., Limited (the "Company") and its subsidiaries (collectively refer to as the "Group") since the 2012 annual financial statements. The condensed consolidated interim financial statements and notes do not include all of the information required for a full set of financial statements prepared in accordance with International Financial Reporting Standards.

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, "*Review of interim financial information performed by the independent auditor of the entity*", issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). KPMG's independent review report to the Board of Directors is included on page 33.

The financial information relating to the year ended 31 December 2012 that is included in the interim financial report as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2012 are available from the Company's registered office. The Company's auditor has expressed an unqualified opinion on those financial statements in its report dated 11 March 2013.

2 Changes in accounting policies

The IASB has issued a number of new IFRSs and amendments to IFRSs that are first effective for the current accounting period of the Group. Of these, the following new standards and amendments to IFRSs are relevant to the Group's current financial statements.

- IFRS 10, *Consolidated financial statements*
- IFRS 13, *Fair value measurement*
- Revised IAS 19, *Employee benefits*
- Amendments to IFRS 7, *Financial instruments: Disclosures - offsetting financial assets and financial liabilities*

These new standards and amendments to IFRSs have no material impact on the Group's consolidated financial statements as they were consistent with policies already adopted by the Group. The Group has not adopted any new standard or amendment to IFRSs that is not yet effective for current accounting period.

3 Segment reporting

Operating segments and the amounts of each segment item reported in the consolidated financial statements are identified from the financial information provided regularly to the Group's most senior management 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.

No segment information is presented for the Group's business segment as the Group is principally engaged in manufacture and sale of sports products in the PRC.

4 Turnover

The principal activities of the Group are manufacturing and trading of sports products, including footwear, apparel and accessories. Turnover represents the sales value of goods sold less returns, discounts, rebates, value added taxes and other sales taxes, and is analyzed as follows:

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
Footwear	**475,783**	753,359
Apparel	**665,569**	811,790
Accessories	**31,548**	47,755
	1,172,900	1,612,904

The Group has one customer with whom transactions have exceeded 10% of the Group's aggregate turnover. The revenue derived from this customer amounted to approximately RMB175,835,000 for the six months ended 30 June 2013 (six months ended 30 June 2012: RMB243,237,000).

The Group's revenue by geographical location is determined by the destination to which the goods are delivered.

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
PRC	**998,896**	1,416,484
Overseas	**174,004**	196,420
	1,172,900	1,612,904

(Expressed in Renminbi unless otherwise indicated)

5 Other revenue and net income

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
Other revenue		
Interest income	**19,697**	10,453
Government grants	**8,616**	4,946
Others	**66**	49
	28,379	15,448
Other net income		
Exchange gain	**2,164**	2,002
Gain on sales of materials	**544**	3,678
Others	**—**	22
	2,708	5,702

Government grants were received from local authorities for the Group's contributions to local communities and its achievement in export sales. The grants, which were unconditional, also included refunds of value added tax from local governments.

6 Profit before income tax

Profit before income tax is arrived at after charging:

		Six months ended 30 June	
		2013	2012
		RMB'000	RMB'000
(a)	**Finance expenses:**		
	Interest on bank borrowings	**6,226**	2,369
(b)	**Staff costs:**		
	Contributions to defined contribution retirement plans	**3,979**	4,236
	Equity-settled share-based payments (note 21)	**276**	1,024
	Salaries, wages and other benefits	**153,102**	177,375
		157,357	182,635
(c)	**Other items:**		
	Amortization of lease prepayments	**1,184**	171
	Auditor's remuneration	**900**	1,961
	Depreciation	**21,518**	18,770
	Operating lease charges in respect of properties	**7,400**	5,229
	Cost of inventories#	**774,109**	1,004,323
	Loss on disposal of property, plant and equipment	**37**	104

Cost of inventories for the six months ended 30 June 2013 includes RMB109,223,000 (six months ended 30 June 2012: RMB135,203,000) relating to staff costs, depreciation and amortization expenses and operating lease charges, which amount is included in the respective total amounts disclosed separately above in notes 6(b) and (c) for each of these types of expenses.

7 Income tax in the consolidated statement of comprehensive income

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
Current tax		
Provision for the period — PRC income tax	**28,215**	59,618
Deferred tax		
Origination and reversal of temporary differences	**26,168**	3,811
	54,383	63,429

Pursuant to the rules and regulations of the Cayman Islands and British Virgin Islands ("BVI"), the Group is not subject to any income tax in the Cayman Islands or BVI.

No provision has been made for Hong Kong Profits Tax as the Group did not earn any income that was subject to Hong Kong Profits Tax for the six months ended 30 June 2013.

Pursuant to the income tax rules and regulations of the PRC, provision for PRC corporate income tax is calculated based on the statutory rate of 25% of the assessable profits of the subsidiaries in the PRC comprising the Group. During the period, none (six months ended 30 June 2012: two) of the PRC subsidiaries of the Group is entitled to tax concessions.

In addition, from 1 January 2008, a non-resident enterprise without an establishment or place of business in the PRC or which has an establishment or place of business in the PRC but whose relevant income is not effectively connected with the establishment or place of business in the PRC, will be subject to a withholding tax at the rate of 10% (unless reduced by treaty) on various types of passive income such as dividends derived from sources within the PRC. As all the Group's subsidiaries in the PRC are foreign-invested enterprises directly and wholly owned by a Hong Kong incorporated subsidiary, a rate of 5% is applicable to the calculation of this withholding tax under the double tax arrangement between Hong Kong and the mainland of the PRC.

8 Dividends

(a) Dividends attributable to equity shareholders of the Company in respect of the current period

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
Interim dividend declared after the interim period of HK2 cents per ordinary share (2012: HK5 cents)	**33,424**	85,643
Special interim dividend declared after the interim period of HK6 cents per ordinary share (2012: nil)	**100,271**	—
	133,695	85,643

The interim dividend and special interim dividend have not been recognized as a liability as at 30 June 2013.

(b) Dividends attributable to equity shareholders of the Company in respect of the previous financial year, approved and paid during the period

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
Final dividend in respect of the previous financial year, approved and paid during the period, of HK3 cents per ordinary share (2012: HK11 cents)	**50,356**	186,436
Special final dividend in respect of the previous financial year, approved and paid during the period, of HK2 cents per ordinary share (2012: nil)	**33,570**	—
	83,926	186,436

9 Earnings per share

The calculations of the basic earnings per share and diluted earnings per share are based on the profit for the period attributable to equity shareholders of the Company of RMB89,904,000 (six months ended 30 June 2012: RMB239,651,000) and the weighted average number of issued ordinary shares of 2,098,029,000 (six months ended 30 June 2012: 2,098,029,000 shares) during the interim period.

The diluted earnings per share for the six months ended 30 June 2013 is the same as the basic earnings per share for the same period as taking into account the deemed issue of ordinary shares under the share option scheme (see note 21) would have an anti-dilutive effect in calculating the diluted earnings per share.

10 Property, plant and equipment

	Note	30 June 2013 RMB'000	31 December 2012 RMB'000
Net book value as at 1 January		**494,623**	439,141
Additions		**3,804**	25,813
Transfer from construction in progress	11	**—**	68,642
Disposals (net carrying amount)		**(67)**	(375)
Depreciation charge for the period/year		**(21,518)**	(38,598)
Net book value as at 30 June/31 December		**476,842**	494,623

11 Construction in progress

	Note	30 June 2013 RMB'000	31 December 2012 RMB'000
As at 1 January		**48,051**	42,852
Additions		**8,078**	73,841
Transfer to property, plant and equipment	10	**—**	(68,642)
As at 30 June/31 December		**56,129**	48,051

12 Lease prepayments

Lease prepayments represent the prepayments of premiums for land use rights to the PRC authorities. The Group is granted land use rights for a period of 50 to 70 years and the relevant leasehold lands are located in the PRC.

13 Deposits and prepayments for purchase of non-current assets

	30 June 2013 RMB'000	31 December 2012 RMB'000
Prepayments for acquisition of land use rights	**105,732**	105,737
Prepayments for acquisition of software	**7,575**	6,118
Deposits and prepayments for acquisition of equipment	**—**	106
	113,307	111,961

(Expressed in Renminbi unless otherwise indicated)

14 Intangible assets

	30 June 2013 RMB'000	31 December 2012 RMB'000
Net book value as at 1 January	20,316	16,265
Additions	1,585	4,666
Amortization for the period/year	(359)	(615)
Net book value as at 30 June/31 December	21,542	20,316

15 Inventories

(a) Inventories in the consolidated statement of financial position comprise:

	30 June 2013 RMB'000	31 December 2012 RMB'000
Raw materials	49,629	45,633
Work in progress	107,901	88,244
Finished goods	182,675	252,480
	340,205	386,357

(b) The analysis of the amount of inventories recognized as an expense and included in profit or loss is as follows:

	Six months ended 30 June	
	2013 RMB'000	2012 RMB'000
Carrying amount of inventories sold recognized in cost of sales	781,012	1,004,323
Write down of inventories in administrative expenses	11,182	—
Reversal of write down of inventories recognized in cost of sales	(6,903)	—
	785,291	1,004,323

16 Trade and other receivables

	30 June 2013 RMB'000	31 December 2012 RMB'000
Bills receivable	**1,600**	53,140
Trade receivables	**937,015**	968,371
Deposits and prepayments	**54,219**	41,663
Others	**28,077**	29,720
	1,020,911	1,092,894

All of the trade and other receivables are expected to be recovered within one year.

As at 30 June 2013, the Group had endorsed bank acceptance bills totalling RMB139,230,000 (31 December 2012: RMB305,880,000), which were derecognised as financial assets. These bank acceptance bills matured within six months from the date of issue.

Set out below is an aging analysis of the total balance of the trade receivables and bills receivable at the end of the reporting period based on relevant invoice dates:

	30 June 2013 RMB'000	31 December 2012 RMB'000
Within 3 months	**679,894**	622,819
3 to 6 months	**175,719**	362,159
6 months to 1 year	**80,213**	36,533
Over 1 year	**2,789**	—
	938,615	1,021,511

The Group offers a revolving credit to each domestic distributor. This revolving credit sets a maximum amount that a distributor can owes the Group at any one time. In determining the amount of a revolving credit for a distributor, the Group takes into account factors including the credit history, prior year's purchases, estimated purchases for the current year, and funding need to expand the retail network of a distributor, and market conditions. The Group generally evaluates the revolving credit of a domestic distributor annually upon renewal of relevant distribution agreement.

There were no trade debts that were considered past due.

Notes to the unaudited interim financial report (continued)

(Expressed in Renminbi unless otherwise indicated)

17 Pledged deposits

Bank deposits have been pledged to banks as security for bank loans and bills payable (see notes 19 and 20).

18 Cash and cash equivalents

	30 June 2013 RMB'000	31 December 2012 RMB'000
Cash at bank and in hand	2,211,293	2,236,890

19 Bank loans

As at 30 June 2013, the bank loans were repayable as follows:

	30 June 2013 RMB'000	31 December 2012 RMB'000
Within 1 year	511,843	496,224
After 1 year but within 2 years	119,867	—
	631,710	496,224

As at 30 June 2013, the bank loans were secured as follows:

	30 June 2013 RMB'000	31 December 2012 RMB'000
Unsecured floating rate loan	—	40,542
Secured floating rate loans*	631,710	366,488
Secured fixed rate loan*	—	89,194
	631,710	496,224

* These bank loans were secured by time deposits of RMB257,901,000 (31 December 2012: RMB281,850,000) (see Note 17)

During the six months ended 30 June 2013, the bank loans carried a weighted average interest rate of 2.32% per annum (year ended 31 December 2012: 2.72%).

20 Trade and other payables

	30 June 2013 RMB'000	31 December 2012 RMB'000
Bills payable	**19,250**	94,580
Trade payables	**195,903**	77,564
Other payables and accruals	**127,890**	200,529
	343,043	372,673

All of the trade and other payables are expected to be settled within one year.

Set out below is an aging analysis of the total balance of the trade payables and bills payable at the end of the reporting period based on relevant invoice dates:

	30 June 2013 RMB'000	31 December 2012 RMB'000
Within 3 months	**204,333**	124,942
3 to 6 months	**9,627**	47,100
6 months to 1 year	**1,122**	102
Over 1 year	**71**	—
	215,153	172,144

21 Share-based payments

Pursuant to the shareholders' resolutions passed on 8 September 2009 and 18 May 2011, the Company adopted a share option scheme ("the Scheme") whereby the Directors of the Company are authorized, at their discretion, to invite any persons (including Directors, employees, suppliers, customers and other business partners) who have made valuable contribution to the Group to take up options to subscribe for the shares of the Company.

Each option gives the holder the right to subscribe for one ordinary share in the Company and is settled gross in shares.

Details of the movements of the options granted under the Scheme are as follows:

	Six months ended 30 June 2013		Year ended 31 December 2012	
	Weighted average exercise price	**Number of options '000**	Weighted average exercise price	Number of options '000
Outstanding at the beginning of the period/year	**HK$5.2752**	**11,695**	HK$5.2729	12,740
Forfeited during the period/year	**HK$5.1960**	**(991)**	HK$5.1960	(915)
	HK$5.6040	**(40)**	HK$5.6040	(130)
Outstanding at the end of the period/year	**HK$5.2813**	**10,664**	HK$5.2752	11,695
Exercisable at the end of the period/year	**HK$5.2813**	**10,664**	HK$5.2752	7,021

The share options outstanding as at 30 June 2013 had an exercise price of HK$5.1960 or HK$5.6040 (31 December 2012: HK$5.1960 or HK$5.6040) and a weighted average remaining contractual life of 1.7 years (31 December 2012: 2.2 years).

22 Income tax in the consolidated statement of financial position

(a) Current tax liabilities in the consolidated statement of financial position represent:

	30 June 2013 RMB'000	31 December 2012 RMB'000
Provision for PRC income tax	**33,106**	28,663

22 Income tax in the consolidated statement of financial position (continued)

(b) Recognized deferred tax assets and liabilities

	30 June 2013 RMB'000	31 December 2012 RMB'000
Deferred tax assets/(liabilities) arising from:		
Provision of incentive rewards and subsidies	**7,602**	14,148
Pre-operating expenses, accruals and others	**10,628**	23,566
Total deferred tax assets	**18,230**	37,714
Withholding tax on dividends	**(73,346)**	(66,662)

(c) Deferred tax liabilities not recognized

At 30 June 2013, temporary differences relating to the undistributed profits of subsidiaries amounted to RMB1,744,496,000 (31 December 2012: RMB1,763,330,000). Deferred tax liabilities of RMB87,225,000 (31 December 2012: RMB88,167,000) have not been recognized in respect of the tax that would be payable upon distribution of these retained profits as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that these profits will not be distributed in the foreseeable future.

23 Share capital

Authorized and issued share capital

	30 June 2013		31 December 2012	
	No. of shares '000	Amount HK$'000	No. of shares '000	Amount HK$'000
Authorized:				
Ordinary shares of HK$0.01 each	**5,000,000**	**50,000**	5,000,000	50,000

	30 June 2013			31 December 2012		
	No. of shares	Amount		No. of shares	Amount	
	'000	HK$'000	RMB'000	'000	HK$'000	RMB'000
Issued and fully paid:						
Ordinary shares of HK$0.01 each	**2,098,029**	**20,980**	**18,460**	2,098,029	20,980	18,460

24 Reserves

(a) Share premium

The application of the share premium of the Company is governed by the Companies Law (Revised) of the Cayman Islands. The share premium is distributable to the shareholders of the Company provided that immediately following the date on which a distribution or dividend is proposed to be paid, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

(b) Statutory reserve

Pursuant to applicable PRC regulations, the PRC subsidiaries of the Group are required to appropriate 10% of their after-tax-profit (after offsetting prior year losses) to the statutory reserve until the reserve reaches 50% of the registered capital. The transfer to the reserve must be made before distribution of dividends to equity holders. The statutory reserve can be used upon approval by the relevant authorities to offset the accumulated losses or to increase the registered capital of the subsidiary, provided that the balance of the reserve after such increase is not less than 25% of its registered capital.

(c) Other reserve

The other reserve of the Group represents the difference between the nominal value of the shares issued by the Company as a consideration to acquire Peak (Hong Kong) International Company Limited ("Peak Hong Kong") and the historical carrying value of Peak Hong Kong's share capital and share premium.

(d) Exchange reserve

The exchange reserve of the Group comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

(e) Share-based payment reserve

The share-based payment reserve represents the fair value of services provided by persons who have made valuable contribution to the Group and the Company has granted share options to those persons. The relevant services are recognized in accordance with IFRS 2, "*Share-based payment*".

25 Commitments

(a) Capital commitments

Capital commitments outstanding as at the end of the reporting period that were not provided for in the consolidated financial statements are as follows:

	30 June 2013 RMB'000	31 December 2012 RMB'000
Contracted for	**177,976**	227,431
Authorized but not contracted for	**27,057**	23,575
	205,033	251,006

25 Commitments (continued)

(b) Operating leases commitments

The total future minimum lease payments under non-cancellable operating leases at the end of the reporting period are payable as follows:

	30 June 2013 RMB'000	31 December 2012 RMB'000
Within 1 year	8,751	6,798
After 1 year but within 5 years	18,117	17,746
After 5 years	1,754	3,436
	28,622	27,980

The Group leases a number of properties under operating leases. The lease periods range from one to more than ten years. Some of the leases have options to renew upon expiry. None of the leases includes contingent rentals.

26 Material related party transactions

(a) Key management personnel compensation

Remuneration for key management personnel of the Group, including amounts paid to the Company's Directors, is as follows:

	Six months ended 30 June	
	2013 RMB'000	2012 RMB'000
Short-term employee benefits	3,197	2,760
Contributions to defined contribution retirement plans	32	29
Equity-settled share-based payments	122	367
	3,351	3,156

The above remuneration is included in "staff costs" (note 6(b)).

(b) Lease of land and properties

During the six months ended 30 June 2013, the Group leased certain land and properties from Fujian Peak Group Co., Ltd, which is controlled by controlling shareholders of the Company. The rental expenses for the six months ended 30 June 2013 were RMB1,129,000 (six months ended 30 June 2012: RMB1,129,000).

The Directors of the Company are of the opinion that the above related party transaction was conducted on normal commercial terms and in the ordinary course of business.

26 Material related party transactions (continued)

(c) Transactions and balances with related parties

During the six months ended 30 June 2013, the Group had amounts due to entities controlled by the Company's controlling shareholders, Mr. Xu Jingnan and Mr. Xu Zhihua, with a maximum balance of RMB51,771,000.

As at the end of reporting period, the Group had the following balance with the entity controlled by Mr. Xu Jingnan:

	30 June 2013 RMB'000	31 December 2012 RMB'000
Amount due to a related party	—	1,257

The amount due to the related party was unsecured, non-interest bearing and had no fixed term of repayment.

27 Pledge of assets

At 30 June 2013, the bills payable and bank loans of the Group were secured by certain bank deposits, lease prepayments and buildings. The aggregate net book value of assets pledged amounted to approximately RMB378,785,000 (31 December 2012: RMB421,124,000).

Supplementary Information

Interim Dividends

The Board has resolved to distribute an interim dividend of HK2 cents (equivalent to approximately RMB1.6 cents) per ordinary share and a special interim dividend of HK6 cents (equivalent to approximately RMB4.8 cents) per ordinary share for the six months ended 30 June 2013. The interim dividend together with the special interim dividend, which amount approximately to RMB133.7 million and represent 148.7% of the net profit for the period attributable to equity shareholders, are expected to be paid to the Company's shareholders on 26 September 2013.

Closure of Register of Members

The register of members of the Company will be closed from 16 September 2013 to 18 September 2013 (both days inclusive) for the purpose of determining the entitlement to the interim dividend and the special interim dividend. In order to be qualified for the interim dividend and the special interim dividend, unregistered holders of shares of the Company should ensure that all share transfer documents accompanied by the corresponding share certificates are lodged with the Company's share registrar and transfer office (i.e. Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong) for registration not later than 4:30 p.m. on 13 September 2013.

Review of Interim Results

The Audit Committee of the Company, consisting of the Company's three independent non-executive Directors, has reviewed the accounting principles and practices adopted by the Group and the Group's results for the six months ended 30 June 2013. The Audit Committee has also met and discussed with the Group's external auditor, KPMG, regarding the Group's internal control system and financial reporting matters. The interim financial report has been approved for issue by the Board on 13 August 2013.

Compliance with the Model Code for Securities Transactions by Directors

The Company has adopted the Model Code as its own code of conduct regarding directors' securities transactions in the Company. All Directors have confirmed, following specific enquiry by the Company, that they have complied with the required standards set out in the Model Code throughout the six months ended 30 June 2013.

Compliance with the Written Guidelines for Securities Transactions by the Relevant Employees

The Company has established written guidelines for the relevant employees of the Group (the "Relevant Employees") in respect of their dealings in the securities of the Company (the "Written Guidelines") on terms no less exacting than the required standards set out in the Model Code. For this purpose, "Relevant Employee" includes any employee of the Company or a director or employee of a subsidiary or holding company of the Company who, because of such office or employment, is likely to possess inside information in relation to the Company or its securities. No incident of non-compliance of the Written Guidelines was noted by the Company during the six months ended 30 June 2013.

Corporate Governance

The Company believes that good corporate governance practices are very important for maintaining and promoting investor confidence and for the sustainable growth of the Group. The Company has made continuous efforts to maintain and uplift the quality of corporate governance so as to ensure an effective Board, a sound internal control system, and transparency and accountability to its shareholders. The Board is of the view that the Company has complied with all the code provisions set out in the Corporate Governance Code as contained in Appendix 14 of the Listing Rules during the six months ended 30 June 2013, except for the deviation from the code provision A.6.7. The deviation arose as three non-executive Directors and one independent non-executive Director of the Company were unable to attend the annual general meeting of the Company held on 7 May 2013 due to their unavoidable business engagements.

Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 30 June 2013, the interests of the Directors in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code, or as known by the Company, were as follows:

(A) Long position in ordinary shares of the Company

Name of director	Capacity	Note	Number of ordinary shares interested	Percentage+ of the Company's issued share capital
Mr. Xu Jingnan	Interest held by controlled corporation	1	841,539,020	40.11%
Ms. Wu Tigao	Interest held by controlled corporation	1	841,539,020	40.11%
Mr. Xu Zhida	Interest held by controlled corporation	2	276,460,000	13.18%
Mr. Xu Zhihua	Interest held by controlled corporation	3	273,060,000	13.02%
Mr. Shen Nanpeng	Interest held by controlled corporations	4	76,516,451	3.65%

Notes:

1. These shares were held by Ever Sound Development Limited, the entire issued share capital of which was owned as to 70% by Mr. Xu Jingnan and 30% by Ms. Wu Tigao.

2. These shares were held by Brilliant Lead Group Limited, a corporation wholly owned and controlled by Mr. Xu Zhida.

3. These shares were held by Alpha Top Group Limited, a corporation wholly owned and controlled by Mr. Xu Zhihua.

4. These shares were held by the following three investment funds managed by Sequoia Capital China Advisors Limited, a wholly owned subsidiary of SNP China Enterprises Limited: Sequoia Capital China Growth Fund I, L.P. (for 66,737,649 shares); Sequoia Capital China Growth Partners Fund I, L.P. (for 1,591,542 shares); and Sequoia Capital China GF Principals Fund I, L.P. (for 8,187,260 shares). The general partner of these investment funds was Sequoia Capital China Growth Fund Management I, L.P. SC China Holding Limited, a wholly owned subsidiary of SNP China Enterprises Limited, was the general partner of Sequoia Capital China Growth Fund Management I, L.P. As SNP China Enterprises Limited was wholly owned by Mr. Shen Nanpeng, he was deemed to be interested in these shares in which SNP China Enterprises Limited had deemed interest as mentioned above pursuant to the SFO.

Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures (continued)

(B) Long position in underlying shares of the Company — physically settled unlisted equity derivatives

Name of director	Capacity	Note	Number of underlying shares in respect of the share options granted	Percentage+ of underlying shares over the Company's issued share capital
Mr. Xu Zhida	Interest held by spouse	1&2	300,000	0.01%
Dr. Xiang Bing	Beneficial owner	2	200,000	0.01%
Mr. Wang Mingquan	Beneficial owner	2	200,000	0.01%

Notes:

1. Mr. Xu Zhida was deemed to be interested in these 300,000 share options of the Company owned by his spouse, Ms. Wu Bingrui, pursuant to the SFO.

2. Details of the above share options granted by the Company as required to be disclosed pursuant to the Listing Rules are set out in the section headed "Share Option Scheme" below.

+ The percentage represents the number of ordinary shares/underlying shares interested divided by the number of the Company's issued shares as at 30 June 2013.

Save as disclosed above and in the below section headed "Share Option Scheme", as at 30 June 2013, none of the Directors or the chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was deemed or taken to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Hong Kong Stock Exchange.

Supplementary Information (continued)

Substantial Shareholders' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 30 June 2013, the following parties had interests of 5% or more in the issued share capital of the Company according to the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

(A) Long position in ordinary shares of the Company

Name of substantial shareholder	Capacity	Note	Number of ordinary shares interested	Percentage+ of the Company's issued share capital
Ever Sound Development Limited	Beneficial owner	1	841,539,020	40.11%
Brilliant Lead Group Limited	Beneficial owner	2	276,460,000	13.18%
Ms. Wu Bingrui	Interest held by spouse	3	276,460,000	13.18%
Alpha Top Group Limited	Beneficial owner	4	273,060,000	13.02%

Notes:

1. The above interest of Ever Sound Development Limited was also disclosed as the interest of each of Mr. Xu Jingnan and Ms. Wu Tigao in the above section headed "Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures".

2. The above interest of Brilliant Lead Group Limited was also disclosed as the interest of Mr. Xu Zhida in the above section headed "Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures".

3. Ms. Wu Bingrui was deemed to be interested in these shares of the Company through the interest of her spouse, Mr. Xu Zhida. Such interest of Mr. Xu Zhida was disclosed in the above section headed "Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures".

4. The above interest of Alpha Top Group Limited was also disclosed as the interest of Mr. Xu Zhihua in the above section headed "Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures".

(B) Long position in underlying shares of the Company — physically settled unlisted equity derivatives

Name of substantial shareholder	Capacity	Number of underlying shares in respect of the share options granted	Percentage+ of underlying shares over the Company's issued share capital
Ms. Wu Bingrui	Beneficial owner	300,000 (Note)	0.01%

Note: This interest was also disclosed as the interest of Mr. Xu Zhida in the above section headed "Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures".

+ The percentage represents the number of ordinary shares/underlying shares interested divided by the number of the Company's issued shares as at 30 June 2013.

Save as disclosed above, as at 30 June 2013, no person, other than the Directors whose interests are set out in the section headed "Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures" above, had registered an interest or a short position in the shares or underlying shares of the Company as recorded in the register of the Company required to be kept pursuant to Section 336 of the SFO.

Share Option Scheme

Pursuant to the Company's share option scheme which was adopted and amended by the resolutions of the shareholders of the Company passed on 8 September 2009 and 18 May 2011 respectively (the "Scheme"), the Company may grant share options to "Eligible Persons" (including directors, employees, suppliers, customers or other business partners of any member of our Group) to subscribe for the Company's shares. The purpose of the Scheme is to provide incentive or reward to the Eligible Persons for their contribution to, and continuing efforts to promote the interests of, our Group and to enable our Group to attract and retain high-calibre employees and business partners. Details of the movements of the options granted under the Scheme for the six months ended 30 June 2013 are as follows:

			Number of options						
Name or category of option holder	**Date of grant**	**Exercise price per share**	**Outstanding as at 1/1/2013**	**Granted during the period**	**Exercised during the period**	**Cancelled during the period**	**Forfeited during the period**	**Outstanding as at 30/06/2013**	**Exercise period** (Note 1)
Independent Non-executive Directors									
Dr. Xiang Bing	1 June 2010	HK$5.604	60,000	—	—	—	—	60,000	A
			60,000	—	—	—	—	60,000	B
			80,000	—	—	—	—	80,000	C
			200,000	—	—	—	—	200,000	
Mr. Wang Mingquan	1 June 2010	HK$5.604	60,000	—	—	—	—	60,000	A
			60,000	—	—	—	—	60,000	B
			80,000	—	—	—	—	80,000	C
			200,000	—	—	—	—	200,000	
Substantial Shareholder									
Ms. Wu Bingrui	1 June 2010	HK$5.604	90,000	—	—	—	—	90,000	A
(Sales Officer			90,000	—	—	—	—	90,000	B
(International Sales))			120,000	—	—	—	—	120,000	C
			300,000	—	—	—	—	300,000	
Employees of the Group									
In aggregate	9 February 2010	HK$5.196	2,818,800	—	—	—	(299,100)	2,519,700	D
			2,839,800	—	—	—	(305,100)	2,534,700	E
			3,766,400	—	—	—	(386,800)	3,379,600	F
			9,425,000	—	—	—	(991,000)	8,434,000	
In aggregate	1 June 2010	HK$5.604	471,000	—	—	—	(12,000)	459,000	A
			471,000	—	—	—	(12,000)	459,000	B
			628,000	—	—	—	(16,000)	612,000	C
			1,570,000	—	—	—	(40,000)	1,530,000	
			11,695,000	—	—	—	(1,031,000)	10,664,000	

Share Option Scheme (continued)

Notes:

1. The respective exercise periods of the share options granted are as follows:

   A: From 1 June 2011 to 31 May 2015

   B: From 1 June 2012 to 31 May 2015

   C: From 1 June 2013 to 31 May 2015

   D: From 9 February 2011 to 8 February 2015

   E: From 9 February 2012 to 8 February 2015

   F: From 9 February 2013 to 8 February 2015

   The vesting period of the share options is from the date of grant until the commencement of the exercise period.

2. The number and/or exercise price of the options may be subject to adjustment in the case of rights or bonus issues, or other changes in the Company's share capital.

Purchase, Sale or Redemption of the Company's Listed Shares

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed shares during the six months ended 30 June 2013.

Investor Relations and Communications with Shareholders

The Company highly values its relationship with its shareholders and other stakeholders. It has put in place an effective corporate communication system which provides transparent, regular and timely public disclosures to its shareholders and other stakeholders. The shareholders' communication policy is available on the Company's website www.peaksport.com under the "Investor Relations" section.

In addition, the Company has established the investor relations department with designated senior management for maintaining regular dialogue with institutional investors and analysts to keep them abreast of the Company's developments. Enquiries from shareholders and other stakeholders are dealt with in an informative and timely manner. Shareholders and other stakeholders may write directly to the Company at its principal place of business in Hong Kong or via email to ir@peaksport.com.hk for any enquiries.

In accordance with the Listing Rules, the Company has ascertained shareholders' wishes regarding their preferences on the language (i.e. English and/or Chinese) and means of receipt (i.e. in printed form or via the Company's website) of the Company's corporate communications[#]. Shareholders who have chosen/are deemed to have chosen to receive the corporate communications via the Company's website, and who for any reason have difficulty in receiving or gaining access to the Company's corporate communications will promptly upon request be sent the corporate communications in printed form free of charge. Shareholders have the right at any time to change their choice of language and means of receipt of the Company's corporate communications.

Investor Relations and Communications with Shareholders (continued)

Shareholders may request for printed copy of the Company's corporate communications or change their choice of language and means of receipt of the Company's corporate communications by sending reasonable prior notice in writing to the Company's share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong. Shareholders may also send such a notice by email to peak.ecom@computershare.com.hk.

Shareholders who have chosen to receive the corporate communications in either English or Chinese version will receive both English and Chinese versions of this report since both languages are bound together into one booklet.

The Company's corporate communications refer to any document issued or to be issued by the Company for the information or action of holders of any of its securities, including but not limited to: (a) annual report; (b) interim report; (c) notice of meeting; (d) listing document; (e) circular; and (f) form of proxy.

Glossary

In this interim report, unless the context states otherwise, the following terms shall have the following meanings:

"Board"	The board of directors of the Company
"Company"	Peak Sport Products Co., Limited
"Director(s)"	Director(s) of the Company
"FIBA"	Fédération Internationale de Basketball
"Group" or "Peak"	The Company and its subsidiaries altogether
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Listing Rules"	Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
"Model Code"	Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules
"NBA"	National Basketball Association
"PRC" or "China"	The People's Republic of China
"SFO"	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

www.peaksport.com

Peak Sport Products Co., Limited
匹 克 體 育 用 品 有 限 公 司
(Incorporated in the Cayman Islands with limited liability)
（於開曼群島註冊成立的有限公司）
Stock Code 股份代號：**1968**