



# 2014

INTERIM REPORT  
中 期 報 告

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

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- A close-up portrait of Tony Parker, a basketball player, looking directly at the camera. He has short, dark hair and is wearing a dark, textured jersey. The background is a warm, orange-red gradient with a faint world map silhouette.
- *4x NBA champion*  
(2003, 2005, 2007, 2014)
  - *NBA Finals MVP*  
(2007)
  - *6x NBA All-Star*  
(2006–2007, 2009, 2012–2014)
  - *FIBA EuroBasket MVP*  
(2013)
  - *FIBA Europe Player of the Year*  
(2013)
  - *All-Europeans Player of the Year*  
(2013)
  - *2x Euroscar Award*  
(2007, 2013)
  - *FIBA Europe U-18 Championship MVP*  
(2000)

## **TONY PARKER**

Peak's endorsed NBA player

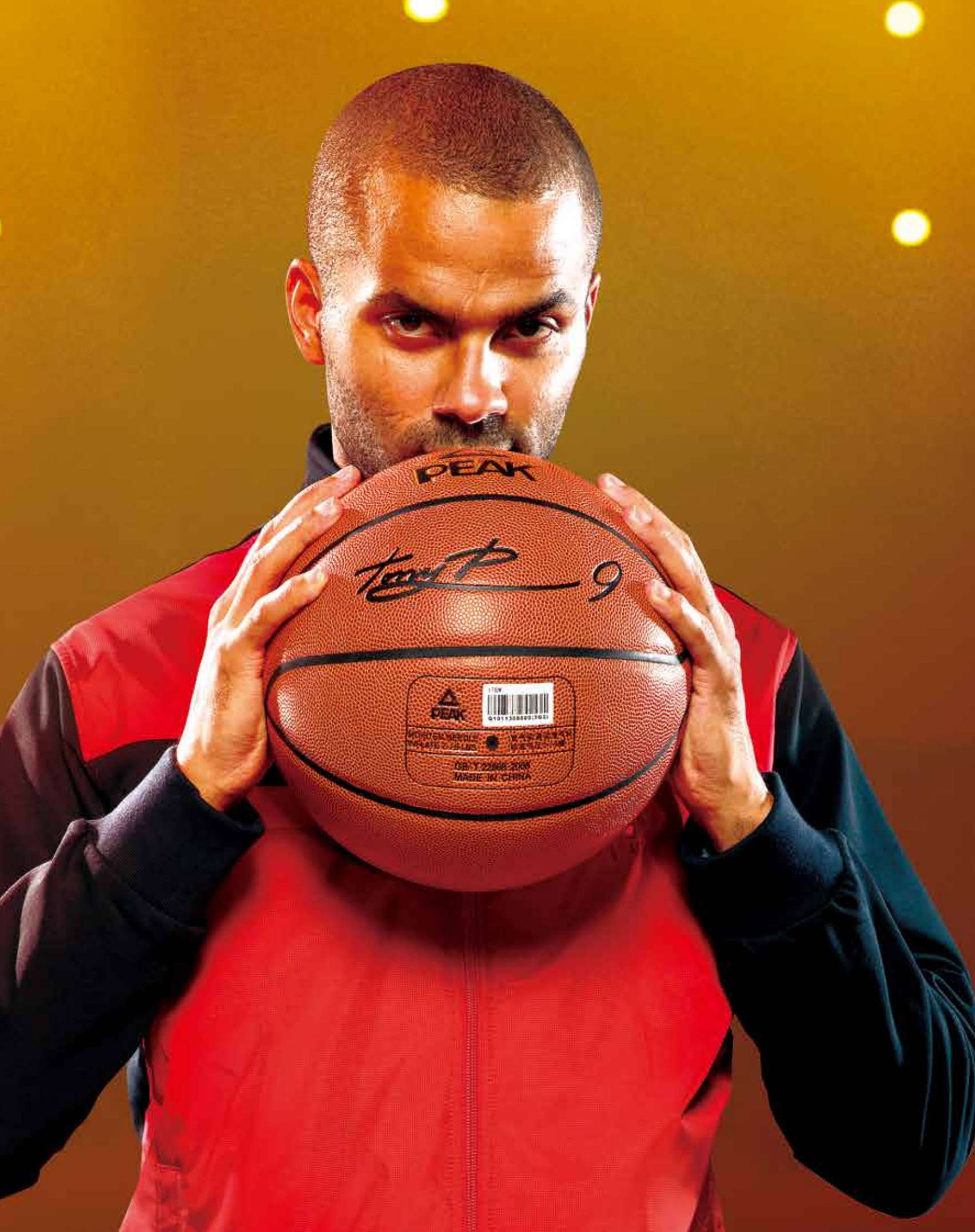
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Team : San Antonio Spurs

Nationality : French

Pos : Point Guard

Age : 32



## 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

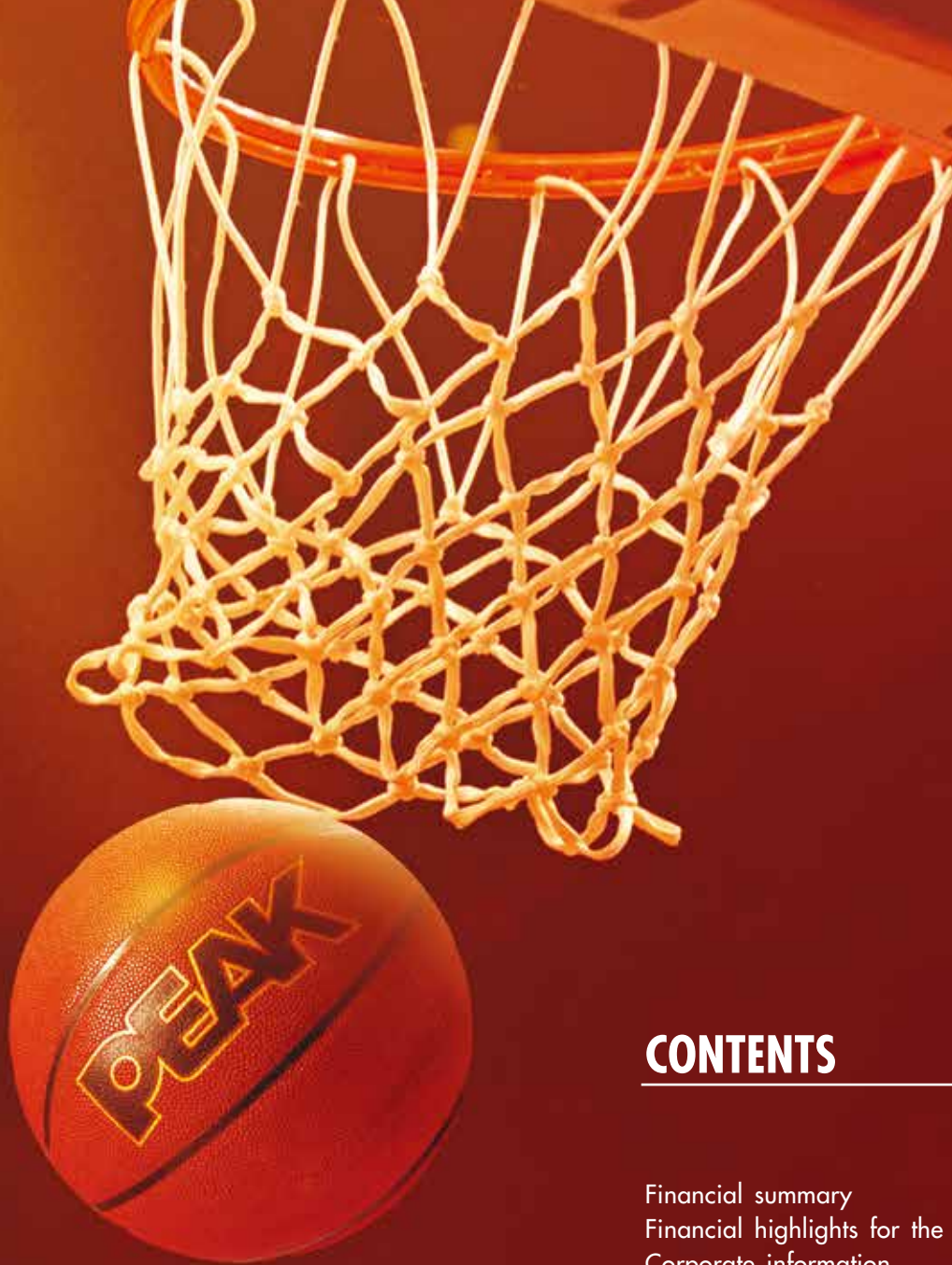
## VISION 願景

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



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# Financial summary

	Six months ended 30 June	
	2014 (RMB million)	2013 (RMB million)
<i>Profitability data</i>		
Turnover	1,291.0	1,172.9
Gross profit	496.2	398.8
Net profit	121.0	89.9
Basic earnings per share (RMB cents)	5.77	4.29
Diluted earnings per share (RMB cents)	5.77	4.29
<i>Profitability ratios</i>		
Gross profit margin	38.4%	34.0%
Net profit margin	9.4%	7.7%
Effective tax rate	36.1%	37.7%
Return on equity (annualised) (Note 1)	5.9%	4.4%
<i>Operating ratios (as a percentage of turnover)</i>		
Advertising and promotion expenses	11.2%	11.2%
Staff costs	16.6%	13.4%
Research and development expenses	2.3%	2.5%

	As at	As at
	30 June 2014 (RMB million)	31 December 2013 (RMB million)
<i>Assets and liabilities data</i>		
Non-current assets	819.7	824.3
Current assets	4,822.0	4,624.0
Current liabilities	1,035.6	1,010.0
Non-current liabilities	495.1	316.5
Shareholders' equity	4,111.0	4,121.8
Current ratio	4.7	4.6
Gearing ratio (Note 2)	23.6%	18.6%
Net asset value per share (RMB yuan)	1.96	1.96

	Six months ended	Year ended
	30 June 2014 (days)	31 December 2013 (days)
<i>Working capital data</i>		
Average inventory turnover days (Note 3)	87	81
Average trade receivables and bills receivable turnover days (Note 4)	123	135
Average trade payables and bills payable turnover days (Note 5)	53	45

Notes:

- Return on equity is equal to the net profit for the period divided by the average of the opening and closing equity.
- The calculation of gearing ratio is based on the total bank loans divided by the equity.
- 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.
- 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.
- 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 2014

## Financial performance

- Turnover for the period increased by 10.1% to RMB1,291.0 million
- Gross profit for the period increased by 24.4% to RMB496.2 million
- Gross profit margin for the period increased by 4.4 percentage points to 38.4%
- Profit for the period attributable to shareholders increased by 34.6% to RMB121.0 million with net profit margin at 9.4%
- Basic and diluted earnings per share for the period amounted to RMB5.77 cents
- Interim dividend of HK4 cents (equivalent approximately to RMB3.2 cents) per ordinary share were declared
- 55.0% payout of profit attributable to shareholders

## Operational performance

- Number of authorized Peak retail outlets totaled 6,000, representing a net decrease of 12 outlets from the end of 2013
- Average floor area per retail outlet increased by 1.7% to 90.1 square metres
- Number of distributors in China increased to 69 from 66



# 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 Director

Ms. Wu Tigao (吳提高)

### 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. 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](http://www.peaksport.com)



# Management discussion and analysis



**GEORGE HILL**  
*Indiana Pacers*

**JaVALE McGEE**  
*Denver Nuggets*

**TONY PARKER**  
*San Antonio Spurs*

## Market overview

### Global economic conditions

The International Monetary Fund projects a growth of 3.6% for the global economy in 2014, up 0.6 percentage point compared to a growth of 3.0% in 2013. The market consensus expects a gradual recovery of the world economy in 2014. Benefited from various policies aiming at economic structure adjustment and employment stimulation, the US economy is gradually passing its trough on the back of rebound in the housing market and private spending. In Europe, the growth momentum of high-income economies is stronger than others. European economies are likely to achieve mild growth in 2014 thanks to strong growth in Germany, which drives a turnaround in the Eurozone. However, economic growth of other areas in Europe is still suppressed by the debt problem, political unrest in Ukraine, sluggish commodities prices, etc. Although the international economic environment is supportive for a steadily improving economy in China, Chinese exports are still under pressure as the emerging economies lack growth momentum. Developing countries in the Asia-Pacific region still face challenges brought by overexpansion of credit and imbalanced economic structure. Latin-America region is experiencing slower growth due to depressed demand on commodities resulted from a slower growing China and a slower growth in the US due to the extremely cold weather earlier this year. Quite a number of countries in the Middle East and North Africa are hindered by political instability or sustained regional wars. In addition, countries mentioned above also face other uncertainties, such as spillovers brought by an abrupt exit of the current monetary policies of advanced economies like the US, unsolved or unleashed aftermaths of the global debt crisis and other variables.

In China, the GDP grew by 7.4% in the first 3 months of 2014, which is 0.3 percentage point lower than that for the same period last year. Despite a slower growth rate in the first quarter of the year, the national economy growth still runs within a reasonable range while employment figures, consumer prices and other key data still lie within the government's estimates of the year. Although China's economy is facing the impact brought by the transfer of manufacturing capacities out of China, the government has made considerable achievement in creating employment. For example, more than 3 million new jobs were added in urban regions in the first quarter of the year, further up when compared to the same period last year. The purchasing power of the households will be released as the employment problem eases, which then translates into continuous growth of consumer goods market. Against the backdrop of a recovering external demand, policies such as the "mini stimulus" packages and targeted cuts on the banks' reserve requirement ratio implemented by the government are gradually taking effect, which to some extent offset the market concern over a declining real estate market. The HSBC flash PMI for June was recorded at 50.8, having risen into the expansion zone for the first time in 2014. This reflects the overall improvement in demand and an acceleration of inventory destocking. As a result of the factors mentioned above, the external environment for China in 2014 remains complicated. However, an improving global outlook will be supportive for China's export growth. In addition, the central government has taken economic stimulus measures aiming at "maintaining a steady growth and adjusting economy structure", China's economy is expected to achieve a steady growth.

## Sportswear industry in China

Despite a slowing investment growth in the first quarter of the year, the total value for the retail sales of consumer goods achieved stable growth. The urban-to-rural income ratio and consumption structure were further optimized, which were supportive for the steady increase of consumers for professional sportswear and therefore advantageous for the Group's focus on expansion of professional sportswear market. The sportswear industry has reversed the downward trend which prevailed in the industry for the past 2 years, as various major sportswear companies, including Peak, have showed signs of recovery. Moreover, the excessive inventory problem which troubled the industry for a prolonged period has been solved as channel inventory days for the listed companies of the sportswear industry are improving. Meanwhile, we see competition becomes more rationalized as a considerable number of smaller sportswear companies have exited the market and major branded companies have enhanced their investment in product research and development in order to increase the level of product differentiation. In terms of distribution network, there is a consensus that the second-tier and third-tier cities have greater growth potential than the first-tier cities due to the acceleration of urbanization. Nevertheless, e-commerce has made a certain impact on the previous business model which relies primarily on a wholesale distribution system. As a result, sportswear companies have been exploring rising opportunities of e-commerce while adjusting the distribution and ordering model according to their business objectives.

## Prospects

Against the background of a supportive central government towards policies that accelerate internal demand and new type of urbanization, the sportswear industry still has great growth potential in the coming years. New growth potential in economy will be unleashed in the next stage as various reforms intensify, investment in railway system increases, shanty towns reconstruction program takes further steps and other policies gradually take effect. In addition, recovery of external environment (especially the US economy) will translate into more demand on China's exports and indirectly into rising domestic consumption and demand on sportswear. More importantly, the current structure adjustment within the industry has led to increasing brand centralization which is of advantage to the existing brands in terms of market share expansion. Due to the factors discussed above, the Group is optimistic towards the future development of the sportswear industry. With a rationalized industry structure and a rising living standard, we see professional sports population and the corresponding market segment coming into shape, which we think is critical for the future development of sportswear companies. Despite rising competition from casual wear brands and fast fashion brands, the Group believes the continuous inputs by the professional sportswear brands in the product technology as well as enhancement of the comfort, durability and functionality of products will build up competitive advantages for the future market.

## Financial review

### Turnover

The Group's turnover for the first half of 2014 amounted to RMB1,291.0 million (First half of 2013: RMB1,172.9 million), representing an increase of 10.1% when compared to that for the same period in 2013. The increase was mainly attributable to a substantial increase in the revenue derived from the overseas markets during the period.

Analysis of turnover by product category:

Six months ended 30 June					
	2014		2013		Change (%)
	RMB (million)	% of turnover	RMB (million)	% of turnover	
Footwear	513.6	39.8	475.8	40.6	7.9
Apparel	751.8	58.2	665.6	56.7	13.0
Accessories	25.6	2.0	31.5	2.7	(18.7)
<b>Total</b>	<b>1,291.0</b>	<b>100.0</b>	1,172.9	100.0	10.1

The ratio of turnover contributed by footwear products decreased to 39.8% in the first half of 2014 from 40.6% in the first half of 2013 while the corresponding ratio for apparel products increased to 58.2% in the first half of 2014 from 56.7% in the first half of 2013. The ratio of turnover contributed by apparel products increased in the first half of 2014 mainly because when compared to that for the same period in 2013, the Group used more new materials of higher costs to manufacture its apparel products and therefore adjusted upward the selling prices of relevant products during the first half of 2014. Such increase in the turnover of apparel products also caused the decrease in the ratio of turnover contributed by footwear products during the period.

Analysis of turnover by geographical location:

Six months ended 30 June					
	2014		2013		Change (%)
	RMB (million)	% of turnover	RMB (million)	% of turnover	
Southern region (Note 1)	362.6	28.1	407.9	34.8	(11.1)
Eastern region (Note 2)	323.6	25.0	328.4	28.0	(1.5)
Northern region (Note 3)	313.4	24.3	262.6	22.4	19.3
<b>China market</b>	<b>999.6</b>	<b>77.4</b>	998.9	85.2	0.1
Europe	182.1	14.1	41.0	3.5	344.1
Asia	59.0	4.6	94.2	8.0	(37.4)
North America	23.5	1.8	17.8	1.5	32.0
South America	13.1	1.0	16.9	1.4	(22.5)
Africa	9.1	0.7	2.3	0.2	295.7
Australasia	4.6	0.4	1.8	0.2	155.6
<b>Overseas markets</b>	<b>291.4</b>	<b>22.6</b>	174.0	14.8	67.5
<b>Total</b>	<b>1,291.0</b>	<b>100.0</b>	1,172.9	100.0	10.1

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.

The China market contributed 77.4% of the total turnover while the overseas markets contributed 22.6% of the total turnover during the first half of 2014. The turnover derived from the China market was flat while the turnover derived from the overseas markets increased by 67.5% when compared to those for the same period in 2013.

The flat turnover derived from the China market was primarily attributable to a sluggish economy prevailing in China during the first half of 2014. The fluctuations in the turnover derived from different regions in the China market in the first half of 2014 were mainly caused by: (i) decreased sales in the Southern region due to more rainy days during the period; and (ii) increased sales in the Northern region due to introduction of more distributors in the region.

The increase in the turnover derived from the overseas markets in the first half of 2014 was mainly caused by: (i) a strong growth in sales in a number of European countries such as the Netherlands, France, Germany and Slovakia due to successful marketing campaigns in those countries; (ii) decreased sales in Asia mainly due to political disturbances in some Middle East countries and decreased re-export demand from Hong Kong and Singapore; (iii) increased demand from North America mainly due to improving economic conditions; (iv) decreased sales in South America mainly due to restriction of imports imposed in some countries such as Brazil and Argentina; (v) a strong growth in sales in Africa mainly due to gradual stabilization of political disturbances in a number of countries in the continent; and (vi) strong growth in Australasia mainly due to an appointment of a new distributor in Australia.

## Gross profit

Analysis of contribution to gross profit by product category:

	Six months ended 30 June				
	2014		2013		Change in gross profit margin (% points)
	Gross profit RMB (million)	Gross profit margin (%)	Gross profit RMB (million)	Gross profit margin (%)	
Footwear	185.2	36.1	165.0	34.7	1.4
Apparel	301.6	40.1	222.5	33.4	6.7
Accessories	9.4	36.8	11.3	35.7	1.1
<b>Total</b>	<b>496.2</b>	<b>38.4</b>	<b>398.8</b>	<b>34.0</b>	<b>4.4</b>

The gross profit margins of footwear and apparel products in the first half of 2014 increased by 1.4 percentage points and 6.7 percentage points respectively when compared to those for the same period in 2013. Such increases were mainly due to the fact that the Group ceased to offer special discounts on its products to distributors during the period. The Group offered considerable special discounts to its distributors on both footwear and apparel products in the first half of 2013 in order to clear excessive inventories. As most special discounts were offered on apparel products in the first half of 2013, the gross profit margin of apparel products increased more than that of footwear products in the first half of 2014.

## Selling price and volume

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

Six months ended 30 June						
	2014		2013		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)	5.6	91.7	5.3	89.8	5.7	2.1
Apparel (pieces)	12.8	58.7	13.6	48.9	(5.9)	20.0

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 by 2.1% during the first half of 2014 mainly because the Group ceased to offer special discounts on footwear products to its distributors during the period. The average unit selling price for apparel products increased by 20.0% during the first half of 2014 mainly because: (i) the Group used more new materials of higher costs to manufacture its apparel products and therefore adjusted upward the selling prices of relevant products; and (ii) the Group ceased to offer special discounts on apparel products to its distributors during the period. The increase in the quantity sold for footwear products in the first half of 2014 was mainly attributable to an increase in the demand of the products in the China market during the period. The quantity sold for apparel products in the first half of 2014 decreased mainly because the Group ceased to offer special discounts on apparel products during the period. The Group offered special discounts on many apparel products in order to clear excessive inventories during the first half of 2013 and such special discounts also boosted the revenue and quantity sold for the apparel products.

### "LIGHTNING TP9"

Basketball shoes



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## 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)
<b>2014</b>	<b>6,000</b>	<b>540,394</b>	<b>90.1</b>	<b>6,006</b>	<b>541,001</b>	<b>166</b>	<b>1.8</b>
2013	6,194	548,536	88.6	6,339	555,201	158	1.8
Change (%)	(3.1)	(1.5)	1.7	(5.3)	(2.6)	5.1	0.0

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 90.1 square metres as at 30 June 2014 from 88.6 square metres as at 30 June 2013, 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 during the first half of 2014 increased by 5.1% while the average turnover per unit retail floor area in China during the first half of 2014 was flat when compared to those for the same period in 2013.



## Cost of sales

Analysis of cost of sales by production method:

Six months ended 30 June					
	2014		2013		Change (%)
	RMB (million)	% of total	RMB (million)	% of total	
<b>Self-production</b>					
Raw materials	292.1	65.3	214.7	62.5	36.1
Direct labour	99.0	22.1	74.3	21.6	33.2
Overhead	56.4	12.6	54.5	15.9	3.5
<b>Total</b>	<b>447.5</b>	<b>100.0</b>	<b>343.5</b>	<b>100.0</b>	<b>30.3</b>
<b>Cost of sales</b>					
Self-production	447.5	56.3	343.5	44.4	30.3
Subcontracting arrangements	253.8	31.9	190.5	24.6	33.2
OEM	93.5	11.8	240.1	31.0	(61.1)
<b>Total</b>	<b>794.8</b>	<b>100.0</b>	<b>774.1</b>	<b>100.0</b>	<b>2.7</b>

The Group used more new materials of higher costs to manufacture its products during the first half of 2014 when compared to that of the same period in 2013. This caused a higher ratio of raw materials to total cost of self-production in the first half of 2014. An increase in the per unit direct labour cost due to adjustments to wages in response to market conditions during the first half of 2014 caused an increase in the ratio of direct labour to total cost of self-production when compared to that of the same period in 2013.

With the easing of the labour shortage in the first half of 2014, the Group had greater self-production capacity, and accordingly, outsourced less of its production to contract manufacturers. The Group utilized less OEM than subcontracting arrangements to manufacture its products during the period because it could have a better control over the quality of the products and delivery times when using subcontracting arrangements.

### "CHALLENGER 1.3"

Basketball shoes



### Other revenue

Other revenue for the first half of 2014 increased to RMB39.5 million (First half of 2013: RMB28.4 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.

### Selling and distribution expenses

Total selling and distribution expenses for the first half of 2014 amounted to RMB170.4 million (First half of 2013: RMB158.4 million), representing an increase of 7.6% when compared to those for the same period in 2013. The increase was mainly attributable to increased staff costs and subsidies to distributors during the period.

### Administrative expenses

Total administrative expenses for the first half of 2014 amounted to RMB169.1 million (First half of 2013: RMB121.0 million), representing an increase of 39.8% when compared to those for the same period in 2013. The increase was mainly caused by the following items when compared to those for the first half of 2013: (i) increased staff costs; (ii) increased write-down of inventories; and (iii) a provision for doubtful debts for distributors during the period.

### Finance expenses

The increase in finance expenses was caused by an increase in short-term and long-term bank loans during the first half of 2014. These bank loans were primarily used for the settlement of advertising and promotion expenses denominated in foreign currencies and payment of dividends.

### Income tax

Income tax expenses increased by 25.6% to RMB68.3 million for the first half of 2014 from RMB54.4 million for the same period in 2013 mainly due to an increase in the profits from operations as a net result of: (i) an increase in the revenue derived mainly from the overseas markets; (ii) an increase in the profit margin; and (iii) an increase in the provision for doubtful debts.





## Net profit and net profit margin

Net profit increased by 34.6% to RMB121.0 million for the first half of 2014 from RMB89.9 million for the same period in 2013. Such increase in net profit during the first half of 2014 was primarily a net result of: (i) an increase in the gross profit; (ii) an increase in the other revenue; (iii) an increase in the selling and distribution expenses; and (iv) an increase in the administrative expenses.

Net profit margin increased to 9.4% for the first half of 2014 from 7.7% for the same period in 2013. Such increase in net profit margin during the first half of 2014 was primarily a net result of: (i) an increase in the gross profit margin; (ii) an increase in the ratio of other revenue to turnover mainly caused by an increase in the interest income derived from bank deposits; and (iii) an increase in the ratio of administrative expenses to turnover mainly caused by an increase in the provision for doubtful debts.

## Working capital ratios

The average inventory turnover days for the six months ended 30 June 2014 increased to 87 days from 81 days for the year ended 31 December 2013.

As distributors experienced a rationalization of the sportswear industry in 2013, the Group allowed some of them to have more time to settle their debts last year. As market conditions started to improve in 2014, the Group gradually tightened the credit control over these distributors during the first half of 2014. As a result, the average trade receivables and bills receivable turnover days decreased to 123 days for the six months ended 30 June 2014 from 135 days for the year ended 31 December 2013.

The average trade payables and bills payable turnover days for the six months ended 30 June 2014 increased to 53 days from 45 days for the year ended 31 December 2013. This is in line with the Group's strategy to lengthen the turnover days for its trade payables in order to enhance its management of working capital.

## Liquidity and capital resources

The net cash inflow from operating activities of the Group for the six months ended 30 June 2014 amounted to RMB129.9 million (First half of 2013: inflow of RMB224.7 million). Such net cash inflow which was higher than the profit attributable to shareholders of the Company reflected a healthy cash generating capability of the Group during the first half of 2014. As at 30 June 2014, 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 RMB3,491.4 million, representing a net increase of RMB210.7 million when compared to the position as at 31 December 2013.

**"FLY-II"**

Running shoes



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

	Six months ended 30 June 2014 RMB'000
Net cash inflow from operating activities	129,929
Net capital expenditure	(7,227)
Dividends paid	(133,270)
Net proceeds from bank loans	203,523
Other net cash inflow	17,758
<b>Net increase in cash and bank deposits</b>	<b>210,713</b>

The Group had bank borrowings as at 30 June 2014. All these bank borrowings were repayable within two years and primarily used for the settlement of advertising and promotion expenses denominated in foreign currencies and payment of dividends of the Company.

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 shareholders' returns that might be possible with higher levels of borrowings and the advantages and security offered by a low gearing 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 2014, 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 2014 RMB'000	31 December 2013 RMB'000
Buildings	100,422	103,631
Bank deposits	409,983	347,507
Lease prepayments	9,963	10,078



## Business 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 2014. As at 30 June 2014, the total number of authorized Peak retail outlets was 6,000, representing a net decrease of 12 outlets when compared to that at the end of 2013.

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

	Number of retail outlets as at		
	30 June 2014	31 December 2013	Change (%)
Southern region	2,118	2,122	(0.2)
Eastern region	2,030	2,062	(1.6)
Northern region	1,852	1,828	1.3
<b>Total</b>	<b>6,000</b>	6,012	(0.2)

Note: Please refer to page 9 for details of classification of geographical regions.

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

	Number of retail outlets as at		
	30 June 2014	31 December 2013	Change (%)
First-tier city	183	227	(19.4)
Second-tier city	736	760	(3.2)
Third-tier city	5,081	5,025	1.1
<b>Total</b>	<b>6,000</b>	6,012	(0.2)

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.

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

	Number of retail outlets as at		
	30 June 2014	31 December 2013	Change (%)
Flagship Store	19	20	(5.0)
Basic Store	3,639	3,626	0.4
Department Store or Shopping Mall Outlet	2,279	2,303	(1.0)
Basketball Specialty Outlet	63	63	0.0
<b>Total</b>	<b>6,000</b>	<b>6,012</b>	<b>(0.2)</b>

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. 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 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 business.

### 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.

The measures taken by the Group to reform its distribution system since 2013 has yielded encouraging results. We took further steps in our “Channel Flattening” strategy by actively increasing the number of distributors. On one hand, we upgraded some retailers with excellent performance to distributors; on the other hand, we introduced more distributors with strong retail experience in order to better manage the retail business. As a result, the number of distributors of the Group grew from 66 at the end of 2013 to 69 at the end of June 2014. Meanwhile, the Group encouraged the existing distributors to open more authorized retail outlets so that they can respond more promptly to any market changes. In terms of channel management, the Group has taken various measures to actively manage the inventory and order visibility, such as changing the ordering model with increased replenishment order ratio to further optimize the inventory level of the distribution channel. In addition, the Group sent out field assessment teams to monitor and evaluate the performance of our distributors including their management capability, financial strengths, manpower allocation to retail outlets, location of the outlets, and other key factors on a long-term basis. For distributors of consistently poor performance, the Group took measures including reallocating or cutting their distribution areas and introducing new distributors in order to boost performance.

The Group’s computerized management information system (“MIS”) has linked to all distributors and their self-operated retail outlets. Through active utilization of MIS, we have deepened our knowledge on critical information such as channel inventory, retail end discounts and market demand. On the other hand, distributors can also make replenishment orders in time according to the information collected to increase their sales. During the first half of 2014, the Group continued to expand the coverage of its MIS and actively collected and analyzed real-time operational data

and feedbacks from the authorized retail outlets already connected to the MIS. As at 30 June 2014, 2,623 retail outlets were connected to the MIS. In addition to strengthening our efforts in broadening the MIS coverage, we also sent out dedicated teams to provide instructions on how to use the MIS and relevant trainings to distributors and franchisees.

In terms of regional marketing, in addition to further strengthening and developing its traditional strongholds in the markets of Southern China, the Group also made good progress in the markets of Northern China. This reflects that the distribution network reform has contributed to increased initiative of distributors in setting up their own retail outlets in undiscovered markets.

### Overseas markets

We have been exporting our products to overseas markets since early 90's. At present, we sell the Peak branded products to overseas customers in more than 80 countries and regions. These overseas customers include distributors, retailers, sports teams and clubs. We invite our overseas customers to attend our sales fairs held in China together with our domestic distributors. In addition, we participate in international exhibitions, overseas sales and trade fairs to introduce and promote our products to our existing and potential overseas customers every year. In order to strengthen the communication with our overseas customers, we have been enhancing the contents of our corporate website in recent years.

### E-commerce

We believe e-commerce is an effective and efficient way to further promote our brand and products beyond geographical boundaries. In addition to Peak's official online store ([www.epeaksport.com](http://www.epeaksport.com)), our reach has extended to other well-known third party e-commerce platforms including [amazon.cn](http://amazon.cn), [dangdang.com](http://dangdang.com), [JD.com](http://JD.com), [paipai.com](http://paipai.com), [Tmall.com](http://Tmall.com), [vja.com](http://vja.com) and [yhd.com](http://yhd.com). Although E-commerce currently contributes only a low proportion in the total sales of the Group, the speed at which it grows is very fast. At present, the products offered in the Group's online channels consist mainly of new, medium and high end products. Therefore, the average spending per customer and the gross margin in the online channels are relatively higher. With rising fixed-line internet and mobile internet penetration, we believe e-commerce will be one of the major platforms for the Group to establish brand image and brand awareness. In future, e-commerce will become an important part in the Group's development strategy.

### Brand promotion and marketing strategy

We believe that marketing and promotion of our brand are crucial to the 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 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, event organizers 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.



*TP9*

# TP9

## QUICKNESS







## Basketball promotion partners

The utilization of basketball promotion partners such as federations, leagues, teams, event organizers 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 the 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 San Antonio Spurs under which the Group can, among other things, display the Peak signage at the home stadiums of these teams.

As at 30 June 2014, the Group endorsed a total of 10 NBA players. With these players, we had presence in 9 teams out of the 30 NBA teams as follows (listed by alphabetical order):

#### NBA players

Andrew Nicholson  
Anthony Morrow  
Beno Udrih  
C.J. Watson  
Carl Landry  
Chase Budinger  
George Hill  
Jason Richardson  
JaVale McGee  
Tony Parker

#### NBA teams

Orlando Magic  
New Orleans Pelicans  
Memphis Grizzlies  
Indiana Pacers  
Sacramento Kings  
Minnesota Timberwolves  
Indiana Pacers  
Philadelphia 76ers  
Denver Nuggets  
San Antonio Spurs

## FIBA

The Group has had an association with FIBA since 2008 and has become the official and exclusive footwear partner of FIBA worldwide and the exclusive sportswear (apparel and headwear) partner of FIBA in Asia since 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 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 2014, 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; and
- Iran Basketball Federation.

### "LIGHTNING II"

*Basketball shoes*



## 2014 ABA Championship

2014 ABA Championship will be held in September 2014. 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 games in China. The 2014 Peak Team China Tour will be kicked-off in Beijing on 26 August 2014. The Group has invited several of our NBA spokespersons to participate in the tour. These spokespersons will interact with Chinese basketball fans in more than 10 cities, including Beijing, Guangzhou, Chengdu and Xiamen. Both the Peak brand and NBA players will gain 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 third year that the event was held in China and the event took place across more than 10 cities including Beijing, Shanghai and Guangzhou from July to September 2014. Being 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 2014:

- The First Dalian Evening Newspaper — The Peak Cup for the Dalian Amateur Basketball Competition (大連晚報 — 「匹克杯」2014年首屆大連業餘籃球聯賽) held from May to June;
- The 7th 2014 DBA Fanmou Cup for the Shanghai University Student Basketball League (2014年第七屆DBA梵謀杯上海市大學生籃球精英賽) held from May to June;
- The 19th Quanzhou 100 Teams/1000 Matches Basketball Competition (泉州市第十九屆「中國匹克杯」百隊千場籃球賽) held from July to August; and
- The 15th Xiamen-Peak Basketball Summer Camp (廈門市第十五屆匹克籃球夏令營) held from July to August.

### Tennis promotion partners

With a view to attracting more female customers and boosting 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.



**"GALAXY 1.2"**

*Basketball shoes*

### 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 relevant agreement, the Group is the official footwear and apparel partner for the following tournaments, which make up the WTA Tour during 2014:

- ASB Classic (Auckland, New Zealand);
- Brisbane International (Brisbane, Australia);
- Apia International Sydney (Sydney, Australia);
- 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 license 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, Beijing and Wuhan in September 2014.

## 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 2014 (listed in alphabetical order):

Tennis players	Country
Agnes Szatmari	Romania
Aleksandrina Naydenova	Bulgaria
Andreja Klepač	Slovenia
Ao Lehan	China
Catalina Castaño	Colombia
Ekaterina Bychkova	Russia
He Sirui	China
Hulya Esen	Turkey
Julia Cohen	USA
Kamila Kerimbayeva	Kazakhstan
Klaudia Jans-Ignacik	Poland
Liu Xinrui	China
Lutfiye Esen	Turkey
Margalita Chakhnashvili	Georgia
Maria Abramović	Croatia
Maria Kondratieva	Russia
Michaela Honcova	Slovakia
Nina Bratchikova	Russia
Olga Govortsova	Belarus
Teodora Mircic	Serbia
Veronika Kapshay	Ukraine
Vesna Dolonc	Serbia
Yu Lu	China
Zuzana Luknarova	Slovakia

### "MONSTER 1.8"

Basketball shoes



## 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 has also launched an interactive online platform specifically for our running footwear. We attract online users to buy sports products at our retail outlets by offering online games and prizes to them. As a result, we promote our running footwear effectively.

## 2014 International Association of Athletics Federations ("IAAF") World Challenge Beijing

The Group has signed up as the official partner of 2014 IAAF World Challenge Beijing in March 2014 and sponsored a series of activities including the official road running event "Love Running Love Beijing". Leveraging the platform of IAAF World Challenge, Peak launched "Fly II", a new generation of running shoes powered by the self-developed "ZSPRING" (多核彈力系統), and running apparel with "P-ICE" (冰感科技) technology for the summer. The new products are highly praised by the running community. Through the prize-based online contest "Run Without Boundaries: Run Easy, Easy Run", the Group effectively promoted its running series products and further enhanced the brand awareness and competitiveness in the running sector.

## 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 2014, the Group sponsored the following national Olympic committees:

- The National Olympic Committee of New Zealand;
- The National Olympic Committee of Slovenia; and
- The National Olympic Committee of Lebanon.

## 2014 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. The competition is recognized by the International Cycling Association and is held from July to August every year mainly in Qinghai Province with participation of top cyclists from five continents of the world. The Group has become the collaborative partner and the sole supplier of sports products to the officials of the competition for nine consecutive years since 2006.

## 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, greater 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 2014 was approximately 5.9 million pairs, of which approximately 81.4% were produced in-house and approximately 18.6% 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 2014 was approximately 12.9 million pieces, of which approximately 48.8% were produced in-house and approximately 51.2% were produced through outsourcing to contract manufacturers.

Analysis of production capacity by location and product category:

Location	Footwear production facilities			Apparel production facilities		
	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 (pairs/pieces) (Note)	2013 <b>2.5 million</b>	2013 <b>1.7 million</b>	2013 <b>5.0 million</b>	2013 <b>2.5 million</b>	2013 <b>10.0 million</b>	2013 <b>0.3 million</b>
Actual production volume (pairs/pieces)	2013 (Jan-Dec) <b>2014 (Jan-Jun)</b>	2013 (Jan-Dec) <b>2014 (Jan-Jun)</b>	2013 (Jan-Dec) <b>2014 (Jan-Jun)</b>	2013 (Jan-Dec) <b>2014 (Jan-Jun)</b>	2013 (Jan-Dec) <b>2014 (Jan-Jun)</b>	2013 (Jan-Dec) <b>2014 (Jan-Jun)</b>
Expected time of full production	N/A	N/A	2018	N/A	2016	2018
Expected production capacity upon full production (pairs/pieces)	N/A	N/A	10.5 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.

## Research & development (“R&D”)

Being a professional sportswear manufacturer, the Group endeavors to introduce high quality products with innovative designs and functionality to meet the needs of professional athletes and sports enthusiasts. To this end, the Group will continue to invest in R&D of new products. As at 30 June 2014, the Group operated four R&D workshops located in Beijing, Guangzhou, Quanzhou and Los Angeles. These workshops altogether employed 225 research and design professionals. Through the interactions of the design teams in different workshops, we are capable of rolling out more innovative and stylish products to satisfy the needs of different consumer groups all over the world. Peak is adherent to the professionalism of its brand. Therefore, professional athletes, including Peak’s sponsored sports stars, are consulted and involved in the product developing and testing processes. During the first half of 2014, the Group introduced 270 new footwear products, 688 new apparel products and 244 new accessory products to consumers, including “Fly II” for urban running. Furthermore, we have already started developing racing shoes for advanced runners.

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 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. In 2013 and the first half of 2014, replenishment orders increased proportionally due to an adjustment to our ordering model. The increase of replenishment orders enables us to respond more quickly to retail market changes and reduce channel inventory risk. However, it also imposes higher requirements on our supply chain and logistics system. With the adjustments to its logistics system and supplier system, the Group has gradually improved its turnaround time of the entire supply chain to satisfy market needs.

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.

### “TRIANGLE GH3”

*Basketball shoes*





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 examine 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 2014, the Group's total headcount was approximately 8,400.

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 period, we held 25 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.



**"TP9-I ALL STAR"**

*Basketball shoes*

## Prospects

The sportswear industry in China has started to recover in the first half of 2014. As the urbanization process in China accelerates, we believe the growth in the second-tier and third-tier cities will further speed up. Therefore, the Group will still put its emphasis of business on the second-tier and third-tier cities. In order to satisfy specific needs in the targeted markets, we have made adjustments to and optimization efforts in our product R&D, pricing and distribution mechanism, supply chain system and retail outlets layout accordingly. We believe that the Group's accumulated investment in technology innovation, precise market positioning in the second-tier and third-tier cities, and focus on the professional sportswear have already helped the Group acquire competitive advantage for the future. To ensure sustained growth of our business, the Group will use its best endeavors to accomplish the following tasks in the coming years.

### Further enhancing professionalism of the Peak brand

The Group strives to enhance the professionalism of its products under the Peak brand as we acknowledge consumers' perceptions of brand positioning to be crucial to our development and success in future. As one of the top player sponsors in NBA, the Group currently endorses a total of 10 players from 9 teams, including all-star player Tony Parker. By wearing Peak's products in games, our sponsored elite athletes have successfully demonstrated the professionalism of our brand to millions of basketball fans globally. Going forward, we will continue to allocate a significant portion of our resources to new endorsements and maintenance of existing ones. 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. Looking ahead, we shall keep on boosting the consumers' awareness towards the brand and establish our brand image of professionalism through elite athlete sponsorships. In addition, the Group will continue to utilize renowned tournament organizers such as FIBA, WTA and other promotion partners including teams, events and individual athletes to extend our brand reach throughout the world.

### Extending product lines through R&D

The Group believes the sportswear market is entering a new era of further market segmentation. On one hand, the industry has been impacted by the fast fashion and e-commerce channels; on the other hand, international sportswear giants have been eager to penetrate into the second-tier and third-tier cities and intensify the competition through their online platforms. To meet the challenges and opportunities brought by the new circumstances, the Group plans to enhance R&D capability to maintain its traditional edge in the product professionalism and further forge Peak's brand image. We will keep on increasing our investment into technology innovation in order to improve the durability, functionality and comfort of our products. Currently, the Group's products consist of star signature series which serve as the brand representative products, high to medium end professional series which form the backbone of its sales, and a rich selection of functional products in various categories with high price-value ratio. After 20 years of dedicated work, we have built a highly competitive product mix. Our star signature series products have not only established outstanding image for our brand, but also enjoyed relatively higher prices in the market. More importantly, led by the star signature series, the full series of Peak's products have recorded greater sales. In addition to upgrading products in our traditionally strong fields, the Group will expand into more niche market segments leveraging our excellent marketing resources. We still stay focusing on basketball, running and tennis segments, but we will continue to seek opportunities to expand our business scope in order to better satisfy customer needs. We may consider expanding our product coverage to include outdoor outfit and children's wear.

## Optimizing the distribution channels

The Group will continue to optimize its distribution channels to prepare for the future development of the sportswear industry. After the store rationalization in the past two years, store closures have stabilized at a slower rate as many small and less efficient stores were closed or replaced with larger ones. We expect the total number of authorized retail outlets to remain at approximately 6,000 by the end of 2014 while we strive to bolster store profitability and efficiency. At the same time, the Group will continue to improve its distribution channels by increasing the number of distributors and adjusting their coverage to deepen market penetration and to strengthen overall 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, the 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 responsiveness to market changes. In addition, we will enhance brand awareness through new media such as Weixin, Weibo and emerging online to offline interactive marketing channels. This will also gradually increase the scale of our sales through e-commerce.

## Continuously expanding the overseas markets

Thanks to our endeavor and insistence for more than 20 years, Peak has built up a well-established global framework for brand internationalization. In addition, Peak's pursuit of building an international brand has deeply rooted in consumers' hearts. China remains the Group's primary market. However, sales growth in the overseas market outpaced the growth in the domestic market in the first half of 2014. In the coming years, we shall continue to explore emerging overseas markets and undiscovered markets through international promotion partners and regional sponsorships in order to increase overseas sales. For instance, we boosted the sales in France and its neighboring countries with the help of Tony Parker, a French-American NBA player of the San Antonio Spurs under Peak's sponsorship. Besides, we lifted Peak's brand awareness in the Middle East region through our sponsorship with the Middle East national basketball teams. We are clearly aware that there are geopolitical risks in some regions. However, we believe a proper management of our different markets can effectively diversify the concentration risk of our sales. In this regard, exploring overseas markets is one of the measures to diversify concentration risk in the China market. Peak has been selling its products in over 80 overseas countries and regions with an overseas sales proportion accounted for more than 20% of its total sales since 2013. As a result, Peak currently has the highest overseas sales ratio among the Chinese sportswear brands. Looking into future, we expect the overseas sales of the Group to further increase when Peak steps into the next stage of brand upgrade and market internationalization.





# 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 54 which comprises the consolidated statement of financial position of Peak Sport Products Co., Limited (the “Company”) as of 30 June 2014, and the related consolidated statement of profit or loss and other 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 2014 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

14 August 2014

# Interim financial report



## Consolidated statement of profit or loss and other comprehensive income

For the six months ended 30 June 2014—unaudited  
(Expressed in Renminbi)

	Note	Six months ended 30 June	
		2014 RMB'000	2013 RMB'000
<b>Turnover</b>	4	<b>1,290,994</b>	1,172,900
Cost of sales		<b>(794,807)</b>	(774,109)
<b>Gross profit</b>		<b>496,187</b>	398,791
Other revenue	5	<b>39,522</b>	28,379
Other net income	5	<b>2,694</b>	2,708
Selling and distribution expenses		<b>(170,381)</b>	(158,397)
Administrative expenses		<b>(169,102)</b>	(120,968)
<b>Profit from operations</b>		<b>198,920</b>	150,513
Finance expenses	6(a)	<b>(9,566)</b>	(6,226)
<b>Profit before taxation</b>	6	<b>189,354</b>	144,287
Income tax	7	<b>(68,311)</b>	(54,383)
<b>Profit for the period attributable to shareholders of the Company</b>		<b>121,043</b>	89,904
<b>Other comprehensive income for the period:</b>			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of foreign operations		<b>(4,206)</b>	4,970
<b>Total comprehensive income for the period attributable to shareholders of the Company</b>		<b>116,837</b>	94,874
<b>Earnings per share (RMB cents)</b>			
— Basic	9	<b>5.77</b>	4.29
— Diluted	9	<b>5.77</b>	4.29

The notes on pages 38 to 54 form part of this interim financial report. Details of dividends declared after the period end and paid during the period to shareholders of the Company are set out in note 8.



# Consolidated statement of financial position

As at 30 June 2014—unaudited  
(Expressed in Renminbi)

	Note	30 June 2014 RMB'000	31 December 2013 RMB'000
<b>Non-current assets</b>			
Property, plant and equipment	10	462,493	479,620
Construction in progress	11	54,207	53,541
Lease prepayments	12	202,066	204,185
Deposits and prepayments for purchase of non-current assets	13	37,364	37,048
Intangible assets	14	23,385	23,424
Deferred tax assets	22(b)	40,209	26,527
		<b>819,724</b>	824,345
<b>Current assets</b>			
Inventories	15	400,407	365,693
Trade and other receivables	16	930,240	977,621
Pledged deposits	17	409,983	347,507
Deposits with banks with more than three months to maturity when placed		1,000,000	1,000,000
Cash and cash equivalents	18	2,081,401	1,933,164
		<b>4,822,031</b>	4,623,985
<b>Current liabilities</b>			
Bank loans	19	557,973	529,673
Trade and other payables	20	412,670	415,463
Current tax liabilities	22(a)	64,989	64,925
		<b>1,035,632</b>	1,010,061
<b>Net current assets</b>		<b>3,786,399</b>	3,613,924
<b>Total assets less current liabilities</b>		<b>4,606,123</b>	4,438,269
<b>Non-current liabilities</b>			
Bank loans	19	411,783	236,560
Deferred tax liabilities	22(b)	83,275	79,944
		<b>495,058</b>	316,504
<b>Net assets</b>		<b>4,111,065</b>	4,121,765
<b>Equity</b>			
Share capital	23	18,461	18,460
Reserves	24	4,092,604	4,103,305
<b>Total equity</b>		<b>4,111,065</b>	4,121,765

Approved and authorized for issue by the Board of Directors on 14 August 2014.

**Xu Jingnan**  
Director

**Xu Zihua**  
Director

The notes on pages 38 to 54 form part of this interim financial report.



# Consolidated statement of changes in equity

For the six months ended 30 June 2014—unaudited  
(Expressed in Renminbi)

		Share capital RMB'000	Share premium RMB'000	Statutory reserve RMB'000	Other reserve RMB'000	Exchange reserve RMB'000	Share- based payment reserve RMB'000	Retained profits RMB'000	Total equity RMB'000
	Note	(Note 23)	(Note 24(a))	(Note 24(b))	(Note 24(c))	(Note 24(d))	(Note 24(e))		
At 1 January 2013		18,460	748,271	320,189	81,354	1,482	14,372	2,898,956	4,083,084
Profit for the period		—	—	—	—	—	—	89,904	89,904
Other comprehensive income		—	—	—	—	4,970	—	—	4,970
Total comprehensive income for the period		—	—	—	—	4,970	—	89,904	94,874
Equity-settled share-based payment	21	—	—	—	—	—	276	—	276
Transfer between reserves in respect of share options forfeited and cancelled	21	—	—	—	—	—	(1,079)	1,079	—
Dividends	8(b)	—	(83,926)	—	—	—	—	—	(83,926)
At 30 June 2013		18,460	664,345	320,189	81,354	6,452	13,569	2,989,939	4,094,308
At 1 January 2014		18,460	530,796	352,207	81,354	11,863	14,576	3,112,509	4,121,765
Profit for the period		—	—	—	—	—	—	121,043	121,043
Other comprehensive income		—	—	—	—	(4,206)	—	—	(4,206)
Total comprehensive income for the period		—	—	—	—	(4,206)	—	121,043	116,837
Share issued pursuant to share option scheme	21	1	152	—	—	—	(30)	—	123
Equity-settled share-based payment	21	—	—	—	—	—	5,614	—	5,614
Transfer between reserves in respect of share options forfeited and cancelled	21	—	—	—	—	—	(10,552)	10,552	—
Dividends	8(b)	—	(133,274)	—	—	—	—	—	(133,274)
At 30 June 2014		18,461	397,674	352,207	81,354	7,657	9,608	3,244,104	4,111,065

The notes on pages 38 to 54 form part of this interim financial report.



# Condensed consolidated cash flow statement

For the six months ended 30 June 2014—unaudited  
(Expressed in Renminbi)

	Note	Six months ended 30 June	
		2014 RMB'000	2013 RMB'000
<b>Operating activities</b>			
Cash generated from operations		208,527	248,469
Income tax paid		(78,598)	(23,772)
<b>Net cash generated from operating activities</b>		<b>129,929</b>	224,697
<b>Investing activities</b>			
Placement of pledged deposits		(238,861)	(212,714)
Withdrawal of pledged deposits		176,385	251,729
Receipt of interest income		25,841	20,552
Cash flows derived from other investing activities		(7,092)	(355,134)
<b>Net cash used in investing activities</b>		<b>(43,727)</b>	(295,567)
<b>Financing activities</b>			
Proceeds from new bank loans		439,794	479,286
Repayment of bank loans		(236,271)	(343,800)
Dividends paid to shareholders of the Company		(133,270)	(83,925)
Payment of interest expenses		(9,079)	(6,226)
Cash flows derived from other financing activities		123	(1,257)
<b>Net cash generated from financing activities</b>		<b>61,297</b>	44,078
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>147,499</b>	(26,792)
<b>Cash and cash equivalents at 1 January</b>	18	<b>1,933,164</b>	2,236,890
<b>Effect of foreign exchange rate changes</b>		<b>738</b>	1,195
<b>Cash and cash equivalents at 30 June</b>	18	<b>2,081,401</b>	2,211,293

The notes on pages 38 to 54 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 14 August 2014.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2013 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2014 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 2013 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 the audit committee of the Company. It has also 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 2013 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 2013 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 12 March 2014.

## 2 Changes in accounting policies

The IASB has issued the following amendments to International Financial Reporting Standards (“IFRSs”) and one new interpretation that are first effective for the current accounting period of the Group and are relevant to the Group’s financial statements:

- Amendments to IAS 32, *Offsetting financial assets and financial liabilities*
- Amendments to IAS 36, *Recoverable amount disclosures for non-financial assets*
- IFRIC 21, *Levies*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

## 2 Changes in accounting policies (continued)

### Amendments to IAS 32, Offsetting financial assets and financial liabilities

The amendments to IAS 32 clarify the offsetting criteria in IAS 32. The amendments do not have an impact on the Group's interim financial report as they are consistent with the policies already adopted by the Group.

### Amendments to IAS 36, Recoverable amount disclosures for non-financial assets

The amendments to IAS 36 modify the disclosure requirements for impaired non-financial assets. These amendments, among other things, expand the disclosures required for an impaired asset or cash generating units whose recoverable amount is based on fair value less costs of disposal. The amendments do not have an impact on the Group's interim financial report as they are consistent with the policies already adopted by the Group.

### IFRIC 21, Levies

The Interpretation provides guidance on when a liability to pay a levy imposed by a government should be recognised. The interpretation does not have an impact on the Group's interim financial report as the guidance is consistent with the Group's existing accounting policies.

## 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.

No segment information is presented for the Group's business segment as the Group is principally engaged in the manufacture and sale of sports products in the People's Republic of China ("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	
	2014 RMB'000	2013 RMB'000
Footwear	513,542	475,783
Apparel	751,840	665,569
Accessories	25,612	31,548
	<b>1,290,994</b>	1,172,900

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 RMB140,111,000 for the six months ended 30 June 2014 (six months ended 30 June 2013: RMB175,835,000).

## 4 Turnover (continued)

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

	Six months ended 30 June	
	2014 RMB'000	2013 RMB'000
PRC (excluding Hong Kong, Macau and Taiwan)	999,604	998,896
Overseas	291,390	174,004
	<b>1,290,994</b>	<b>1,172,900</b>

## 5 Other revenue and other net income

	Six months ended 30 June	
	2014 RMB'000	2013 RMB'000
<b>Other revenue</b>		
Interest income	27,475	19,697
Government grants	11,839	8,616
Others	208	66
	<b>39,522</b>	<b>28,379</b>

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.

	Six months ended 30 June	
	2014 RMB'000	2013 RMB'000
<b>Other net income</b>		
Exchange gain	2,591	2,164
Gain on sales of materials	103	544
	<b>2,694</b>	<b>2,708</b>

(Expressed in Renminbi unless otherwise indicated)

## 6 Profit before taxation

Profit before taxation is arrived at after charging:

	Six months ended 30 June	
	2014 RMB'000	2013 RMB'000
<b>(a) Finance expenses:</b>		
Interest on bank borrowings	9,566	6,226
<b>(b) Staff costs:</b>		
Salaries, wages and other benefits	203,309	153,102
Contributions to defined contribution retirement plans	4,917	3,979
Equity-settled share-based payments (note 21)	5,614	276
	<b>213,840</b>	<b>157,357</b>
<b>(c) Other items:</b>		
Amortization of lease prepayments	2,119	1,184
Depreciation	22,379	21,518
Impairment losses for trade receivables	29,320	—
Research and development expenses*	29,301	29,383
Cost of inventories <sup>#</sup>	794,807	774,109

\* Research and development expenses for the six months ended 30 June 2014 includes RMB16,463,000 (six months ended 30 June 2013: RMB14,217,000) relating to staff costs and depreciation, which amount is included in the respective total amounts disclosed separately in notes 6(b) and (c) above for each of these types of expenses.

<sup>#</sup> Cost of inventories for the six months ended 30 June 2014 includes RMB151,125,000 (six months ended 30 June 2013: RMB107,627,000) relating to staff costs, depreciation and amortization expenses, 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

	Six months ended 30 June	
	2014 RMB'000	2013 RMB'000
<b>Current tax – PRC income tax</b>		
Provision for the period	78,662	28,215
<b>Deferred taxation</b>		
Origination and reversal of temporary differences	(10,351)	26,168
	<b>68,311</b>	<b>54,383</b>

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 and US Income Tax as the Group did not earn any income that was subject to Hong Kong Profits Tax and US Income Tax respectively for the six months ended 30 June 2014 (six months ended 30 June 2013: nil).

Pursuant to the income tax rules and regulations of the PRC, provision for PRC corporate income tax is calculated based on the statutory tax rate of 25% of the assessable profits of the subsidiaries incorporated in the PRC comprising the Group.

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 shareholders of the Company in respect of the interim period

	Six months ended 30 June	
	2014 RMB'000	2013 RMB'000
Interim dividend declared after the interim period of HK4 cents per ordinary share (2013: HK2 cents)	66,615	33,424
Special interim dividend declared after the interim period per ordinary share (2013: HK6 cents)	—	100,271
	<b>66,615</b>	<b>133,695</b>

The interim dividend has not been recognized as a liability as at 30 June 2014.

## 8 Dividends (continued)

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

	Six months ended 30 June	
	2014 RMB'000	2013 RMB'000
Final dividend in respect of the previous financial year, approved and paid during the period, of HK6 cents per ordinary share (2013: HK3 cents)	99,955	50,356
Special final dividend in respect of the previous financial year, approved and paid during the period, of HK2 cents per ordinary share (2013: HK2 cents)	33,319	33,570
	<b>133,274</b>	<b>83,926</b>

## 9 Earnings per share

### (a) Basic earnings per share

The calculations of the basic earnings per share is based on the profit attributable to shareholders of the Company of RMB121,043,000 (six months ended 30 June 2013: RMB89,904,000) and the weighted average number of issued ordinary shares of 2,098,043,000 (six months ended 30 June 2013: 2,098,029,000 shares) during the interim period.

### (b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to shareholders of the Company of RMB121,043,000 (six months ended 30 June 2013: RMB89,904,000) and the weighted average number of shares in issue adjusted for the potential dilutive effect caused by the share options granted under the Company's share option scheme (see note 21) assuming they were exercised during the interim period.

### Weighted average number of ordinary shares (diluted)

	Six months ended 30 June	
	2014 '000 shares	2013 '000 shares
Weighted average number of ordinary shares	2,098,043	2,098,029
Effect of deemed issue of shares under the Company's share option scheme	1,356	—
Weighted average number of ordinary shares (diluted)	<b>2,099,399</b>	<b>2,098,029</b>

## 10 Property, plant and equipment

	<i>Note</i>	<b>30 June 2014 RMB'000</b>	31 December 2013 RMB'000
Net book value as at 1 January		479,620	494,623
Additions		4,445	11,218
Transfer from construction in progress	11	1,169	17,257
Disposals (net carrying amount)		(362)	(161)
Depreciation charge for the period/year		(22,379)	(43,317)
Net book value as at 30 June/31 December		<b>462,493</b>	479,620

Buildings with net book values of RMB100,422,000 (31 December 2013: RMB103,631,000) were pledged to secure certain bank loans as set out in note 19.

## 11 Construction in progress

	<i>Note</i>	<b>30 June 2014 RMB'000</b>	31 December 2013 RMB'000
As at 1 January		53,541	48,051
Additions		1,835	22,747
Transfer to property, plant and equipment	10	(1,169)	(17,257)
As at 30 June/31 December		<b>54,207</b>	53,541

## 12 Lease prepayments

Lease prepayments represent prepayments of premiums for land use rights to the PRC authorities. The Group is granted land use rights for periods ranging from 50 to 70 years and the relevant leasehold lands are located in the PRC. Lease prepayments with net book values of RMB9,963,000 (31 December 2013: RMB10,078,000) were pledged to secure certain bank loans as set out in note 19.

## 13 Deposits and prepayments for purchase of non-current assets

	<b>30 June 2014 RMB'000</b>	31 December 2013 RMB'000
Prepayments for acquisition of land use rights	29,648	29,648
Prepayments for acquisition of software	7,716	7,400
	<b>37,364</b>	37,048

(Expressed in Renminbi unless otherwise indicated)

## 14 Intangible assets

	30 June 2014 RMB'000	31 December 2013 RMB'000
Net book value as at 1 January	23,424	20,316
Additions	412	3,874
Amortization for the period/year	(451)	(766)
Net book value as at 30 June/31 December	23,385	23,424

## 15 Inventories

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

	30 June 2014 RMB'000	31 December 2013 RMB'000
Raw materials	45,807	44,762
Work in progress	98,323	68,338
Finished goods	256,277	252,593
	400,407	365,693

(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	
	2014 RMB'000	2013 RMB'000
Carrying amount of inventories sold	799,741	781,012
Write down of inventories	13,161	11,182
Reversal of write down of inventories	(4,934)	(6,903)
	807,968	785,291



## 16 Trade and other receivables

	<b>30 June 2014 RMB'000</b>	31 December 2013 RMB'000
Bills receivable	1,450	50,630
Trade receivables	873,979	871,220
Less: allowance for doubtful debts	44,231	14,911
Trade and bills receivable	831,198	906,939
Other receivables	52,690	40,291
Total receivables	883,888	947,230
Deposits and prepayments	46,352	30,391
	<b>930,240</b>	977,621

As at 30 June 2014, the Group had endorsed bank acceptance bills totalling RMB411,600,000 (31 December 2013: RMB556,970,000), which were derecognised as financial assets. These bank acceptance bills matured within six months from the date of issue.

### (a) Ageing analysis

Set out below is an ageing analysis of the total balance of the trade receivables and bills receivable (net of allowance for doubtful debts) at the end of the reporting period based on relevant invoice dates (or date of revenue recognition, if earlier):

	<b>30 June 2014 RMB'000</b>	31 December 2013 RMB'000
Within 3 months	713,728	714,518
After 3 months but within 6 months	105,877	167,252
After 6 months but within 1 year	11,593	25,169
	<b>831,198</b>	906,939

The Group offers a revolving credit to each domestic distributor. This revolving credit sets a maximum amount that a distributor can owe 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, funding need to expand the retail network of a distributor, and market conditions. The Group generally reviews the revolving credit of a domestic distributor annually upon renewal of relevant distribution agreement.

(Expressed in Renminbi unless otherwise indicated)

## 16 Trade and other receivables (continued)

### (b) Impairment of trade receivables

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that the prospect of recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly.

The movement in the allowance for doubtful debts during the period is as follows:

	30 June 2014 RMB'000	31 December 2013 RMB'000
At 1 January	14,911	—
Impairment loss recognized	31,421	14,911
Reversal of provision for impairment	(2,101)	—
At 30 June/31 December	44,231	14,911

As at 30 June 2014, the Group's trade receivables of RMB44,231,000 (31 December 2013: RMB14,911,000) were individually determined to be impaired. The individually impaired receivables related to distributors that were in default or in financial difficulty and management considered that the recovery of such receivables was doubtful but not remote. Consequently, specific allowances for doubtful debts were recognized.

## 17 Pledged deposits

Bank deposits of RMB1,600,000 (31 December 2013: RMB5,643,000) and RMB408,383,000 (31 December 2013: RMB341,864,000) were pledged to banks as security for bills payable (note 20) and certain bank loans (note 19) respectively.

## 18 Cash and cash equivalents

	30 June 2014 RMB'000	31 December 2013 RMB'000
Cash at bank and on hand	2,081,401	1,933,164

## 19 Bank loans

As at 30 June 2014, bank loans were repayable as follows:

	30 June 2014 RMB'000	31 December 2013 RMB'000
Within 1 year	557,973	529,673
After 1 year but within 2 years	411,783	236,560
	969,756	766,233

## 19 Bank loans (continued)

As at 30 June 2014, the bank loans were secured as follows:

	<b>30 June 2014 RMB'000</b>	31 December 2013 RMB'000
Secured floating rate loans	<b>877,464</b>	766,233
Secured fixed rate loan	<b>92,292</b>	—
	<b>969,756</b>	766,233

During the six months ended 30 June 2014, the bank loans carried a weighted average interest rate of 2.26% per annum (year ended 31 December 2013: 2.06%).

As at 30 June 2014, the bank loans were secured by certain pledged deposits, land and buildings with carrying values of RMB408,383,000 (31 December 2013: RMB341,864,000), RMB9,963,000 (31 December 2013: RMB10,078,000) and RMB100,422,000 (31 December 2013: RMB103,631,000) respectively.

## 20 Trade and other payables

	<b>30 June 2014 RMB'000</b>	31 December 2013 RMB'000
Bills payable*	<b>8,000</b>	23,990
Trade payables	<b>217,254</b>	217,835
Other payables and accruals	<b>181,555</b>	166,975
Financial liabilities measured at amortized cost	<b>406,809</b>	408,800
Advance received	<b>5,861</b>	6,663
	<b>412,670</b>	415,463

\* These bills payable were secured by time deposits of RMB1,600,000 (31 December 2013: RMB5,643,000) (note 17).

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

	<b>30 June 2014 RMB'000</b>	31 December 2013 RMB'000
Within 3 months	<b>209,782</b>	183,261
After 3 months but within 6 months	<b>13,379</b>	57,676
After 6 months but within 1 year	<b>2,093</b>	884
Over 1 year	<b>—</b>	4
	<b>225,254</b>	241,825

## 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.

### (a) Share options granted under the Scheme during the six months ended 30 June 2014

On 1 January 2014, the Company granted a total of 21,725,000 share options to all the Company's independent non-executive directors and certain employees (including an associate of an executive director who is also a substantial shareholder of the Company) of the Group with an exercise price of HK\$1.9380 per share and varying vesting periods ranging from 4 months to 3 years. The consideration for the share options granted is RMB1 for each participant, irrespective of the number of share options granted.

### (b) The terms and conditions of the share options granted during the six months ended 30 June 2014 are as follows:

Date of grant	Batch number	Number of options granted	Vesting conditions	Contractual life of options
Options granted to directors:				
1 January 2014	Batch 8	400,000	4 months after the date of grant	4.3 years
1 January 2014	Batch 9	60,000	1 year after the date of grant	5 years
1 January 2014	Batch 10	60,000	2 years after the date of grant	5 years
1 January 2014	Batch 11	80,000	3 years after the date of grant	5 years
Options granted to employees:				
1 January 2014	Batch 8	12,005,000	4 months after the date of grant	4.3 years
1 January 2014	Batch 9	2,736,000	1 year after the date of grant	5 years
1 January 2014	Batch 10	2,736,000	2 years after the date of grant	5 years
1 January 2014	Batch 11	3,648,000	3 years after the date of grant	5 years
		21,725,000		

The closing prices of the Company's shares immediately before the date of grant and on the date of grant were HK\$1.89 and HK\$1.90 respectively.

## 21 Share-based payments (continued)

(c) Details of the movements of the share options granted under the Scheme are as follows:

	Six months ended 30 June 2014		Year ended 31 December 2013	
	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\$3.8390	18,299	HK\$5.2752	11,695
Granted during the period/year	HK\$1.9380	21,725	HK\$1.9100	14,880
Exercised during the period/year	HK\$1.9380	(80)	—	—
Forfeited during the period/year	HK\$5.1960	(377)	HK\$5.1960	(1,156)
	HK\$5.6040	(30)	HK\$5.6040	(70)
	HK\$1.9380	(310)	—	—
Cancelled during the period/year	HK\$5.1960	(6,455)	HK\$1.9100	(7,050)
	HK\$5.6040	(2,040)	—	—
Outstanding at the end of the period/year	HK\$2.0987	30,732	HK\$3.8390	18,299
Exercisable at the end of the period/year	HK\$2.1662	21,642	HK\$5.2817	10,469

The weighted average closing price of the Company's shares immediately before the date on which the share options were exercised during the period was HK\$2.09 (six months ended 30 June 2013: No share options were exercised).

The share options outstanding as at 30 June 2014 had an exercise price of HK\$5.1960, HK\$5.6040, HK\$1.9100 or HK\$1.9380 (31 December 2013: HK\$5.1960, HK\$5.6040 or HK\$1.9100) and a weighted average remaining contractual life of 3.1 years (31 December 2013: 1.2 years).

## 21 Share-based payments (continued)

### (d) Fair value of share options and assumptions

The fair value of services rendered by the directors and employees in return for the share options granted during the six months ended 30 June 2014 is measured by reference to the fair value of the share options granted. Set out below are the estimate of such fair value and the related assumptions based on the Black-Scholes-Merton Option Pricing Model:

	Batch 8	Batch 9	Batch 10	Batch 11
Fair value at measurement date (HK\$)	0.4657	0.4888	0.5155	0.5400
Share price (HK\$)	1.8890	1.8890	1.8890	1.8890
Exercise price (HK\$)	1.9380	1.9380	1.9380	1.9380
Expected volatility	48.87%	45.97%	45.46%	45.08%
Expected option life	2.3 years	3 years	3.5 years	4 years
Expected dividends	2.647%	2.647%	2.647%	2.647%
Risk-free rate	0.425%	0.655%	0.824%	0.992%

The contractual life of the share option is used as an input into the Black-Scholes-Merton Option Pricing Model. Expectations of early exercise are also incorporated into the model. The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility based on publicly available information. Expected dividends are based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

Share options were granted under service condition and non-market performance condition. These conditions were not taken account in the fair value measurements at the grant dates. There were no market conditions associated with the grants of the share options.

## 22 Income tax in the consolidated statement of financial position

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

	30 June 2014 RMB'000	31 December 2013 RMB'000
Provision for PRC income tax	64,989	64,925

(b) Recognized deferred tax assets and liabilities

	30 June 2014 RMB'000	31 December 2013 RMB'000
Deferred tax assets/(liabilities) arising from:		
Provision of incentive rewards and subsidies	10,256	5,723
Pre-operating expenses, accruals and others	29,953	20,804
Total deferred tax assets	40,209	26,527
Withholding tax on dividends	(83,275)	(79,944)

## 23 Share capital

(a) Authorized

	30 June 2014 and 31 December 2013	
	No. of shares '000	Amount HK\$'000
Ordinary shares of HK\$0.01 each	5,000,000	50,000

## 23 Share capital (continued)

### (b) Issued and fully paid

	30 June 2014			31 December 2013		
	No. of shares '000	Amount HK\$'000 RMB'000		No. of shares '000	Amount HK\$'000 RMB'000	
Ordinary shares of HK\$0.01 each						
At 1 January	2,098,029	20,980	18,460	2,098,029	20,980	18,460
Share issued pursuant to share option scheme	80	1	1	—	—	—
At 30 June/31 December	2,098,109	20,981	18,461	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.

### (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 rendered and performance achieved by eligible persons to whom the Company has granted share options. The relevant services rendered and performances achieved are recognized in accordance with IFRS 2, "Share-based payment".



## 25 Capital commitments

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

	<b>30 June 2014 RMB'000</b>	31 December 2013 RMB'000
Contracted for	<b>18,058</b>	169,256
Authorized but not contracted for	<b>13,827</b>	13,568
	<b>31,885</b>	182,824

## 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:

	<b>Six months ended 30 June</b>	
	<b>2014 RMB'000</b>	2013 RMB'000
Short-term employee benefits	<b>4,471</b>	3,197
Contributions to defined contribution retirement plans	<b>57</b>	32
Equity-settled share-based payments	<b>869</b>	122
	<b>5,397</b>	3,351

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

### (b) Lease of land and properties

During the six months ended 30 June 2014, the Group leased certain land and properties from Fujian Peak Group Co., Ltd, which was controlled by controlling shareholders of the Company. The rental expenses for the six months ended 30 June 2014 were RMB1,129,000 (six months ended 30 June 2013: RMB1,129,000).



## Supplementary information

### Interim dividend

The Board has resolved to declare an interim dividend of HK4 cents (equivalent to approximately RMB3.2 cents) per ordinary share for the six months ended 30 June 2014. The interim dividend, which totals RMB66.6 million and represents 55.0% of the net profit for the period attributable to shareholders, is expected to be paid to the Company's shareholders on 26 September 2014.

### Closure of register of members

The register of members of the Company will be closed from 4 September 2014 to 8 September 2014 (both days inclusive) for the purpose of determining the entitlement to the interim dividend. In order to be qualified for the 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 3 September 2014.

### 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 2014. 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 14 August 2014.

### 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 2014.

### Compliance with the Written Guidelines for securities transactions by 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 2014.

### 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 to the Listing Rules during the six months ended 30 June 2014.

## Directors' interests and short positions in shares, underlying shares and debentures

As at 30 June 2014, 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	893,804,246	42.60%
Ms. Wu Tigao	Interest held by controlled corporation	1	893,804,246	42.60%
Mr. Xu Zhida	Interest held by controlled corporation	2	276,960,000	13.20%
Mr. Xu Zhihua	Interest held by controlled corporation	3	273,060,000	13.01%

Notes:

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

### (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%
Dr. Ouyang Zhonghui	Beneficial owner	2	200,000	0.01%
Mr. Wang Mingquan	Beneficial owner	2	200,000	0.01%

Notes:

- 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.
- 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 2014.

Save as disclosed above and in the section headed "Share option scheme" below, as at 30 June 2014, 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.

## Substantial shareholders' interests and short positions in shares, underlying shares and debentures

As at 30 June 2014, 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 <sup>+</sup> of the Company's issued share capital
Ever Sound Development Limited	Beneficial owner	1	893,804,246	42.60%
Brilliant Lead Group Limited	Beneficial owner	2	276,960,000	13.20%
Ms. Wu Bingrui	Interest held by spouse	3	276,960,000	13.20%
Alpha Top Group Limited	Beneficial owner	4	273,060,000	13.01%

Notes:

- 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".
- 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".
- 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".
- 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 <sup>+</sup> 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".

<sup>+</sup> 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 2014.

Save as disclosed above, as at 30 June 2014, 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 2014 are as follows:

Name or category of option holder	Date of grant (Note 2)	Exercise price per share	Outstanding as at 1/1/2014	Number of options			Outstanding as at 30/06/2014	Exercise period (Note 1)	
				Granted during the period	Exercised during the period (Note 3)	Cancelled during the period			
<b>Independent Non-executive Directors</b>									
Dr. Xiang Bing	1 June 2010	HK\$5.604	60,000	—	—	(60,000)	—	A	
			60,000	—	—	(60,000)	—	B	
			80,000	—	—	(80,000)	—	C	
1 January 2014	HK\$1.938	—	200,000	—	—	—	200,000	H	
		200,000	200,000	—	(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	
1 January 2014	HK\$1.938	—	200,000	—	—	—	200,000	H	
		200,000	200,000	—	(200,000)	—	200,000		
		—	—	—	—	—	—		
Dr. Ouyang Zhonghui	1 January 2014	HK\$1.938	—	60,000	—	—	60,000	I	
			—	60,000	—	—	60,000	J	
			—	80,000	—	—	80,000	K	
—	200,000	—	—	—	200,000				
<b>Substantial Shareholder</b>									
Ms. Wu Bingrui (Sales Officer (International Sales))	1 June 2010	HK\$5.604	90,000	—	—	(90,000)	—	A	
			90,000	—	—	(90,000)	—	B	
			120,000	—	—	(120,000)	—	C	
1 January 2014	HK\$1.938	—	300,000	—	—	—	300,000	H	
		300,000	300,000	—	(300,000)	—	300,000		
		—	—	—	—	—	—		
<b>Employees of the Group</b>									
In aggregate	9 February 2010	HK\$5.196	2,470,200	—	—	(1,926,000)	(113,100)	431,100	D
			2,485,200	—	—	(1,941,000)	(113,100)	431,100	E
			3,313,600	—	—	(2,588,000)	(150,800)	574,800	F
8,269,000	—	—	(6,455,000)	(377,000)	1,437,000				
In aggregate	1 June 2010	HK\$5.604	450,000	—	—	(402,000)	(9,000)	39,000	A
			450,000	—	—	(402,000)	(9,000)	39,000	B
			600,000	—	—	(536,000)	(12,000)	52,000	C
1,500,000	—	—	(1,340,000)	(30,000)	130,000				
In aggregate	1 January 2014	HK\$1.938	—	11,705,000	(80,000)	—	(80,000)	11,545,000	H
			—	2,736,000	—	—	(69,000)	2,667,000	I
			—	2,736,000	—	—	(69,000)	2,667,000	J
—	3,648,000	—	—	(92,000)	3,556,000	K			
—	20,825,000	(80,000)	—	(310,000)	20,435,000				
<b>Distributors of the Group</b>									
In aggregate	1 November 2013	HK\$1.910	7,830,000	—	—	—	—	7,830,000	G
			18,299,000	21,725,000	(80,000)	(8,495,000)	(717,000)	30,732,000	

## Notes:

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

A: From 1 June 2011 to 31 May 2015	G: From 1 April 2014 to 31 March 2015
B: From 1 June 2012 to 31 May 2015	H: From 1 May 2014 to 30 April 2018
C: From 1 June 2013 to 31 May 2015	I: From 1 January 2015 to 31 December 2018
D: From 9 February 2011 to 8 February 2015	J: From 1 January 2016 to 31 December 2018
E: From 9 February 2012 to 8 February 2015	K: From 1 January 2017 to 31 December 2018
F: From 9 February 2013 to 8 February 2015	

The vesting periods of the share options start from the respective dates of grant and end on the dates immediately before the commencement of the respective exercise periods.

2. The closing price of the Company's shares immediately before the date of grant of the share options on 1 January 2014 was HK\$1.89.
3. The weighted average closing price of the Company's shares immediately before the date on which the share options were exercised was HK\$2.09.
4. The number and/or exercise price of the share 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 2014.

## 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](http://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](mailto: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<sup>#</sup>. 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.

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](mailto: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.

<sup>#</sup> 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 Stock Exchange of Hong Kong Limited
“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



**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



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