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PEAK SPORT PRODUCTS CO., LIMITED
匹克體育用品有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1968)

ANNOUNCEMENT OF INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2015

The Board of Directors (the “Board”) of Peak Sport Products Co., Limited (the “Company”) announces the interim results of the Company and its subsidiaries for the six months ended 30 June 2015. This announcement, containing the full text of the 2015 Interim Report of the Company, complies with the relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited in relation to information to accompany preliminary announcement of interim results. The printed version of the Company’s 2015 Interim Report will be delivered to the shareholders of the Company and available for perusal on the websites of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and of the Company at www.peaksport.com by early September 2015.

INTERIM DIVIDEND

The Board has resolved to distribute an interim dividend of HK8 cents per ordinary share for the six months ended 30 June 2015. The interim dividend is expected to be paid on 25 September 2015 to all shareholders whose names appear on the register of members of the Company on 11 September 2015.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 9 September 2015 to 11 September 2015 (both days inclusive) for the purpose of determining the entitlement to the interim dividend for the six months ended 30 June 2015. 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 8 September 2015.

On behalf of the Board of
Peak Sport Products Co., Limited
Xu Jingnan
Chairman

Hong Kong, 13 August 2015

As at the date of this announcement, the Board comprises three executive directors, namely Mr. Xu Jingnan, Mr. Xu Zhihua and Mr. Xu Zhida; one non-executive director, namely Ms. Wu Tigao; and three independent non-executive directors, namely Dr. Xiang Bing, Mr. Wang Mingquan and Mr. Feng Lisheng.





CONTENTS

Financial summary	2
Financial highlights for the first half of 2015	3
Corporate information	4
Management discussion and analysis	6
Review report on the interim financial report	30
Interim financial report	31
Supplementary information	54
Glossary	60

Financial summary

	Six months ended 30 June	
	2015 (RMB million)	2014 (RMB million)
<i>Profitability data</i>		
Revenue	1,380.4	1,291.0
Gross profit	523.1	496.2
Net profit	176.0	121.0
Basic earnings per share (RMB cents)	8.37	5.77
Diluted earnings per share (RMB cents)	8.36	5.77
<i>Profitability ratios</i>		
Gross profit margin	37.9%	38.4%
Net profit margin	12.7%	9.4%
Effective tax rate	34.4%	36.1%
Return on equity (Note 1)	4.1%	2.9%
<i>Operating ratios (as a percentage of revenue)</i>		
Advertising and promotion expenses	9.3%	11.2%
Staff costs	15.5%	16.6%
Research and development expenses	2.2%	2.3%

	As at	As at
	30 June 2015 (RMB million)	31 December 2014 (RMB million)
<i>Assets and liabilities data</i>		
Non-current assets	753.2	790.3
Current assets	5,492.9	5,084.0
Current liabilities	1,548.1	1,190.3
Non-current liabilities	391.7	437.4
Shareholders' equity	4,306.3	4,246.6
Current ratio	3.5	4.3
Gearing ratio (Note 2)	28.2%	24.8%
Net asset value per share (RMB yuan)	2.04	2.02

	Six months ended	Year ended
	30 June 2015 (days)	31 December 2014 (days)
<i>Working capital data</i>		
Average inventory turnover days (Note 3)	77	74
Average trade receivables and bills receivable turnover days (Note 4)	114	114
Average trade payables and bills payable turnover days (Note 5)	53	41

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 2015

Financial performance

- Revenue for the period increased by 6.9% to RMB1,380.4 million
- Gross profit for the period increased by 5.4% to RMB523.1 million
- Profit for the period attributable to shareholders increased by 45.5% to RMB176.0 million
- Gross profit margin for the period decreased by 0.5 percentage point to 37.9% while net profit margin increased by 3.3 percentage points to 12.7%
- Basic and diluted earnings per share for the period amounted to RMB8.37 cents and RMB8.36 cents respectively.
- Interim dividend of HK8 cents (equivalent approximately to RMB6.31 cents) per ordinary share was declared.
- 85.7% payout of profit attributable to shareholders

Operational performance

- Number of authorized Peak retail outlets totaled 6,011, representing a net increase of 7 outlets from the end of 2014
- Average floor area per retail outlet decreased by 1% to 89.4 square metres
- Number of distributors in China increased to 91 from 88



Corporate information

BOARD OF DIRECTORS

Executive Directors

Mr. Xu Jingnan (許景南) (Chairman)

Mr. Xu Zihua (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)

Mr. Feng Lisheng (馮力生)

BOARD COMMITTEES

Audit Committee

Dr. Xiang Bing (項兵) (Chairman)

Mr. Wang Mingquan (王明權)

Mr. Feng Lisheng (馮力生)

Remuneration Committee

Dr. Xiang Bing (項兵) (Chairman)

Mr. Wang Mingquan (王明權)

Mr. Feng Lisheng (馮力生)

Mr. Xu Jingnan (許景南)

Nomination Committee

Mr. Wang Mingquan (王明權) (Chairman)

Dr. Xiang Bing (項兵)

Mr. Feng Lisheng (馮力生)

COMPANY SECRETARY

Mr. Tsoi Ka Ho (蔡家豪) CPA, ACA, FCCA

AUTHORIZED REPRESENTATIVES

Mr. Xu Zihua (許志華)

Mr. Tsoi Ka Ho (蔡家豪)



Corporate information

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 Limited

COMPANY WEBSITE

www.peaksport.com



Management discussion and analysis

Market overview

Global economic conditions

Global economic growth in the first half of 2015 was significantly slow as the performance of emerging and developed economies diverged. U.S. GDP decreased quarter over quarter in the first quarter of 2015 mainly due to detrimental weather conditions, but has been recovering starting from the second quarter of 2015. The increase in nonfarm payroll and decreasing unemployment rate in the U.S. indicate a moderate recovery in the labor market. In the Eurozone, private investment has been gradually picking up and expansionary fiscal policies have been implemented to replace austerity measures, but Greece's debt woes once again triggered a crisis. Benefiting from increased capital expenditure, Japan's GDP growth rate during the first quarter of 2015 came in ahead of expectations despite private consumption remaining weak. Within emerging markets, the Indian economy continued to grow at a more rapid pace, while Russia, a country predominately relying on export of oil and gas resources, experienced a sharp economic downturn due to the collapse in oil prices since last year end and E.U. sanctions. Global economic growth is expected to be slow during the second half of 2015, as the Eurozone and Japan, which outperformed in the first half of the year, is expected to be eclipsed by the U.S., which is expected to become the new engine for global economic growth. With the U.S. economy growing steadily, the Federal Reserve is likely to raise interest rates by the end of 2015 and the move will affect key global economies and markets. A rise in interest rates may further weaken the Euro and the Japanese Yen, which may help improve the current stagnant inflation in the Eurozone and Japan. Economic growth in the U.S. and the Eurozone could also boost demand in emerging markets. All of these factors, alongside the uncertainty created by the situation in Greece and the Eurozone, will bring challenges to the recovery of the global economy during the second half of 2015. However, the Company remains cautiously optimistic about the global economy.

China's economy remained sluggish in the first half of 2015. The downward pressure was a result of weak external demand, overcapacity and deleveraging, with GDP growing at a rate of only 7% during the first half of 2015. China's three traditional growth drivers (investment, consumption and exports) all showed signs of slowing, indicating China's ongoing transition into a "new normal" economic environment, characterized by low growth, low interest rates and low inflation. While a loose monetary policy in the first half of this year played a supportive role during the economic downturn, its effects on the real economy were still limited. Meanwhile, as commodity prices remained depressed and deflationary pressures remained high, consumption alone was not sufficient to boost rapid economic growth. Looking towards the second half of 2015, the market expects that the existing targeted easing monetary policy will continue and the contribution of "service + consumption" to economic growth will also increase. The "One Belt, One Road" policy will be the main driver for economic growth. All these factors should create favorable conditions for a steady development of the economy going forward.



Management discussion and analysis

Sportswear industry in China

In 2014, the sportswear industry recovered from the downward trend that prevailed over the past two years with major sportswear companies, including Peak, recording increasing sales fair orders and growth in same store sales. Moreover, the excessive inventory that troubled the industry for a prolonged period has also been solved with improved channel inventory days for listed sportswear companies. Although the growth in domestic retail sales of consumer goods slowed down during the first half of 2015, sales of sportswear products experienced a new round of growth. Along with a change in lifestyle, consumption upgrades, social security reforms, and a shift in consumer mindset, function-oriented professional sportswear products have gradually replaced leisure products and become a new generator of growth for the industry. As the industry matures, marketing and product research and development now require massive investment. Such investment has raised entry barriers of the sportswear industry and caused a considerable number of smaller sportswear companies to exit the market, leading to a more rational competition.

Prospects

Looking forward, China's economy will continue to face multiple risks and downward pressure. However, the change in people's lifestyle, increased urbanization and consumption upgrades should revive the industry for its medium-to-long term development. The Chinese Government recently released a series of strategies for the sports sector. The development of the sports sector has been designated as a national strategy, with specific goals including the promotion of national participation of sports activities, enhancement of the sports industry, and boost in related consumption to create a RMB5 trillion market by 2025. As awareness of health and popularity of sports participation rise, consumers will place more emphasis on the functional and professional features of sportswear products. With running competitions gaining popularity across the country, demand for related sportswear products will surge as more competitions take place, which in turns attract more participants. All these will help the Group expand its market position in professional sportswear. The establishment of a sports ecosystem is an important future development strategy for the Group in light of China's "Internet+" strategy. Leveraging the Internet, the sportswear industry is expected to experience rapid development at an unparalleled pace. The robust development of mobile sports apps will also help push innovation throughout the industry value chain and bring new opportunities.



George Hill
of Indiana Pacers

Management discussion and analysis



Financial review

Revenue

The Group's revenue for the first half of 2015 amounted to RMB1,380.4 million (First half of 2014: RMB1,291.0 million), representing an increase of 6.9% when compared to the first half of 2014. The increase was mainly attributable to an increase in the revenue derived from the China market during the period.

Analysis of revenue by product category:

	Six months ended 30 June				
	2015		2014		Change (%)
	RMB (million)	% of revenue	RMB (million)	% of revenue	
Footwear	597.6	43.3	513.6	39.8	16.4
Apparel	755.6	54.7	751.8	58.2	0.5
Accessories	27.2	2.0	25.6	2.0	6.3
Total	1,380.4	100.0	1,291.0	100.0	6.9

The ratio of revenue contributed by footwear products increased by 3.5 percentage points during the first half of 2015 mainly because the Group rolled out new footwear products, notably running footwear, which appealed to its customers during the period. In addition, customers' increasing demand for professional athletic footwear boosted the sales of the Group's footwear products during the period. The above change in the ratio for footwear products also decreased the corresponding ratio for apparel products.

Management discussion and analysis

Analysis of revenue by geographical location:

Six months ended 30 June					
	2015		2014		Change (%)
	RMB (million)	% of revenue	RMB (million)	% of revenue	
Southern region (Note 1)	379.6	27.5	362.6	28.1	4.7
Eastern region (Note 2)	373.8	27.1	323.6	25.0	15.5
Northern region (Note 3)	363.7	26.3	313.4	24.3	16.0
China market	1,117.1	80.9	999.6	77.4	11.8
Asia	83.1	6.0	59.0	4.6	40.8
Europe	69.0	5.0	182.1	14.1	(62.1)
North America	54.0	3.9	23.5	1.8	129.8
South America	26.1	1.9	13.1	1.0	99.2
Africa	25.9	1.9	9.1	0.7	184.6
Australasia	5.2	0.4	4.6	0.4	13.0
Overseas markets	263.3	19.1	291.4	22.6	(9.6)
Total	1,380.4	100.0	1,291.0	100.0	6.9

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, Tianjin, Shanxi, Shaanxi, Gansu, Ningxia, Qinghai and Xinjiang.

The China market contributed 80.9% of the revenue while the overseas markets contributed 19.1% of the revenue during the first half of 2015. The revenue derived from the China market increased by 11.8% while the revenue derived from the overseas markets decreased by 9.6% during the first half of 2015 when compared to the same period in 2014.



Management discussion and analysis

Revenue derived from the China market increased during the first half of 2015 mainly because: (i) the Group rolled out new products, notably the running footwear products, which appealed to customers during the period; (ii) customers' increasing demand for professional athletic footwear boosted the sales of the Group's footwear products during the period; and (iii) the efficiency of the Group's distribution channel was improved through increasing the number of distributors during the period. The introduction of more distributors in a region improved the overall sales performance of the region because new distributors had more incentive to explore or adopt new methods to manage their assigned areas than preceding underperforming distributors.



The decrease in the revenue derived from the overseas markets in the first half of 2015 was mainly a net result of: (i) a decline in sales in a number of European countries including the Netherlands, France, Slovakia and Czech Republic due to depreciation of Euro against U.S. dollars (the Group's invoice currency) during the first half of 2015; (ii) an increase in sales in Asia mainly due to more promotion and marketing activities carried out by foreign distributors in a number of countries including United Arab Emirates, Malaysia, Israel and Turkey to boost revenue; (iii) an increase in sales in North America mainly due to improving economic conditions in the U.S. and introduction of new distributors in the region; (iv) an increase in sales in South America mainly due to introduction of a number of new distributors in the region; (v) an increase in sales in Africa mainly due to introduction of a number of new distributors in the region and improvement in political and economic environment in a number of countries which supported consumption expenditure in the region; and (vi) a small growth in Australasia mainly due to an appointment of a new distributor in New Zealand.

Gross profit

Analysis of contribution to gross profit by product category:

	Six months ended 30 June				
	2015		2014		Change in gross profit margin (% points)
	Gross profit RMB (million)	Gross profit margin (%)	Gross profit RMB (million)	Gross profit margin (%)	
Footwear	218.4	36.5	185.2	36.1	0.4
Apparel	295.4	39.1	301.6	40.1	(1.0)
Accessories	9.3	34.3	9.4	36.8	(2.5)
Total	523.1	37.9	496.2	38.4	(0.5)

The gross profit margins of footwear products increased by 0.4 percentage point during the first half of 2015 when compared to that of the same period in 2014 mainly because the Group sold new running footwear products during the period. The running footwear products had a relatively higher gross profit margin than those of other popular categories of footwear products. The gross profit margins of apparel products decreased by 1.0 percentage point during the first half of 2015 when compared to that of the same period in 2014 because the Group sold more T-shirts, shorts and pants during the period. These apparel products had a relatively lower gross profit margin than other popular categories of apparel products.

Management discussion and analysis

Selling price and volume

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

	Six months ended 30 June					
	2015		2014		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)	6.5	91.9	5.6	91.7	16.1	0.2
Apparel (pieces)	13.3	56.8	12.8	58.7	3.9	(3.2)

Notes:

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

The average unit selling price (“ASP”) for footwear products remained steady during the first half of 2015 when compared to the same period in 2014. The ASP for apparel products decreased by 3.2% during the first half of 2015 mainly because the demand for relatively low-value items such as T-shirts, shorts and pants increased when compared to the same period in 2014.

The quantity of footwear products sold in the first half of 2015 increased by 16.1% when compared to the same period in 2014 mainly because the Group rolled out many new footwear products, notably running footwear, which appealed to consumers during the period. In addition, consumers’ increasing demand for professional athletic footwear boosted the sales of running and basketball footwear products during the period. The increase in the quantity of apparel products sold in the first half of 2015 by 3.9% was mainly attributable to an increased demand for T-shirts, shorts and pants in the China market which was partly offset by a decreased demand for apparel products in European markets. The demand for the apparel products in the China market increased mainly because the designs of the products appealed to customers. The demand for the apparel products in the overseas market decreased mainly because of the depreciation of the Euro against the U.S. dollars (the Group’s invoice currency) during the period.

Average revenue per retail outlet and per unit retail floor area

Analysis of revenue (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 revenue per retail outlet (RMB’000) (Note 1)	Average revenue per unit retail floor area (RMB’000) (Note 2)
2015	6,011	537,442	89.4	6,008	538,753	186	2.1
2014	6,000	540,394	90.1	6,006	541,001	166	1.8
Change (%)	0.2	(0.5)	(0.8)	0.0	(0.4)	12.0	16.7

Management discussion and analysis

Notes:

1. Average revenue per retail outlet is equal to the revenue derived from the 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 revenue per unit retail floor area is equal to the revenue derived from the 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 revenue per authorized Peak retail outlet in China during the first half of 2015 increased by 12.0% and the average revenue per unit retail floor area in China during the first half of 2015 increased by 16.7% when compared to the same period in 2014. These ratios indicate that the operating efficiency of the Group's retail network has been increasing.

Cost of sales

Analysis of cost of sales by production method:

	Six months ended 30 June				
	2015		2014		Change (%)
	RMB (million)	% of total	RMB (million)	% of total	
Self-production					
Raw materials	341.3	64.8	292.1	65.3	16.8
Direct labour	117.7	22.4	99.0	22.1	18.9
Overhead	67.3	12.8	56.4	12.6	19.3
Total	526.3	100.0	447.5	100.0	17.6
Cost of sales					
Self-production	526.3	61.4	447.5	56.3	17.6
Subcontracting arrangements	253.4	29.6	253.8	31.9	(0.2)
OEM	77.6	9.0	93.5	11.8	(17.0)
Total	857.3	100.0	794.8	100.0	7.9



Management discussion and analysis

As costs of raw materials and direct labour remain stable during the first half of 2015, there have not been any material changes in the ratios of various components of cost of self-production during the period.

Other revenue

The decrease in other revenue for the first half of 2015 to RMB37.8 million (First half of 2014: RMB39.5 million) was a net result of: (i) 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; and (ii) the amount of government grants decreased because the amount of tax refund by local governments decreased during the period.

Selling and distribution expenses

Total selling and distribution expenses for the first half of 2015 amounted to RMB154.0 million (First half of 2014: RMB170.4 million), representing a decrease of 9.6% when compared to the same period in 2014. The decrease was mainly attributable to decreased advertising and promotion expenses during the period.

Administrative expenses

Total administrative expenses for the first half of 2015 amounted to RMB127.7 million (First half of 2014: RMB169.1 million), representing a decrease of 24.5% when compared to the same period in 2014. The decrease was mainly caused by the following items when compared to the same period in 2014: (i) decreased staff costs due to decreased amortization of share option expenses in the first half of 2015; and (ii) no provision for doubtful debts for distributors in the first half of 2015.

Finance expenses

Finance expenses for the first half of 2015 amounted to RMB13.1 million (First half of 2014: RMB9.6 million), representing an increase of 37.1% when compared to the same period in 2014. The increase was mainly caused by an increase in the amount of short-term bank loans during the first half of 2015. 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 35.1% to RMB92.3 million for the first half of 2015 from RMB68.3 million for the same period in 2014 mainly due to an increase in the profits from operations as a result of the increase in the revenue derived from the China market and the decreases in the administrative expenses and selling and distribution expenses during the period.



Tony Parker
of San Antonio Spurs

Management discussion and analysis

Net profit and net profit margin

Net profit increased by 45.5% to RMB176.0 million for the first half of 2015 from RMB121.0 million for the same period in 2014. Such increase in net profit during the period was primarily a net result of: (i) an increase in the gross profit; (ii) a decrease in the selling and distribution expenses; (iii) a decrease in the administrative expenses; and (iv) an increase in the finance expenses.

Net profit margin increased to 12.7% for the first half of 2015 from 9.4% for the same period in 2014. Such increase in net profit margin during the period was primarily a net result of: (i) a decrease in the gross profit margin; (ii) a decrease in the ratio of selling and distribution expenses to revenue mainly caused by a decrease in the advertising and promotion expenses; and (iii) a decrease in the ratio of administrative expenses to revenue mainly caused by the decreases in the staff costs and provision for doubtful debts of distributors.

Working capital ratios

The average inventory turnover days for the six months ended 30 June 2015 increased slightly to 77 days from 74 days for the year ended 31 December 2014.

The average trade receivables and bills receivable turnover days for the six months ended 30 June 2015 remained the same at 114 days when compared to that for the year ended 31 December 2014.

The average trade payables and bills payable turnover days for the six months ended 30 June 2015 increased to 53 days from 41 days for the year ended 31 December 2014. Such increase was consistent with the Group's intention to lengthen the turnover days gradually to enhance the management of its working capital.

Liquidity and capital resources

The net cash inflow from operating activities of the Group for the six months ended 30 June 2015 amounted to RMB292.1 million (First half of 2014: inflow of RMB129.9 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 2015. As at 30 June 2015, 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 RMB4,111.1 million, representing a net increase of RMB359.3 million when compared to the position as at 31 December 2014.

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

	Six months ended 30 June 2015
	RMB'000
Net cash inflow from operating activities	292,142
Capital expenditure	(25,532)
Dividends paid	(132,895)
Net proceeds from bank loans	160,536
Other net cash inflow	65,096
Net increase in cash and bank deposits	359,347

The Group had bank borrowings as at 30 June 2015. All these bank borrowings were repayable within two years and primarily used for settlement of advertising and promotion expenses denominated in foreign currencies and payment of dividends of the Company.

Management discussion and analysis

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 (including bank deposits) and capital as the total equity. As at 30 June 2015, the Group had cash (including bank deposits) 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 U.S. dollars and bank loans which were denominated in Hong Kong dollars or U.S. 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 2015 RMB'000	31 December 2014 RMB'000
Buildings	94,002	97,212
Bank deposits	509,474	502,072
Lease prepayments	9,733	9,848



Management discussion and analysis

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 2015. As at 30 June 2015, the total number of authorized Peak retail outlets was 6,011, representing a net increase of 7 outlets when compared to that at the end of 2014.

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

	Number of retail outlets as at		
	30 June 2015	31 December 2014	Change (%)
Southern region	2,059	2,099	(1.9)
Eastern region	1,990	1,999	(0.5)
Northern region	1,962	1,906	2.9
Total	6,011	6,004	0.1

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 2015	31 December 2014	Change (%)
First-tier city	162	165	(1.8)
Second-tier city	666	700	(4.9)
Third-tier city	5,183	5,139	0.9
Total	6,011	6,004	0.1

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.

Management discussion and analysis

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

	Number of retail outlet as at		
	30 June 2015	31 December 2014	Change (%)
Flagship Store	19	20	(5.0)
Basic Store	3,657	3,637	0.5
Department Store or Shopping Mall Outlet	2,275	2,284	(0.4)
Basketball Specialty Outlet	60	63	(4.8)
Total	6,011	6,004	0.1

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 their 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 new distributors with strong retail experience in order to better manage the retail business. The Group also encouraged existing distributors to open more authorized Peak retail outlets so that they could respond more promptly to any market changes. As a result, the number of distributors of the Group grew from 88 at the end of 2014 to 91 at the end of June 2015. 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, in order to further enhance the management capability and service quality of our distributors, 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 with persistent poor performance, the Group took measures including reallocating or slashing their distribution areas and introducing new distributors in order to boost performance.



Carl Landry
of Sacramento Kings

Management discussion and analysis

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 2015, the Group continued to expand the coverage of its MIS and actively collected and analyzed real-time operational data and feedbacks from the authorized Peak retail outlets already connected to the MIS. As at 30 June 2015, 2,980 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 retailers.

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 70 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 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), our reach has extended to other well-known third party e-commerce platforms including amazon.cn, dangdang.com, JD.com, paipai.com, Tmall.com, vja.com and yhd.com. Although e-commerce currently contributes only a small proportion to the total sales of the Group, its growth is very fast. At present, the products offered in the Group's online channels consist mainly of new, medium to high-end products. Therefore, the average spending per customer and the gross margin of the online channels are relatively higher when compared to those of the physical stores. 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 in the market and ensure sustained growth in popularity of the Peak brand.

Management discussion and analysis

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 teams and players

The Group 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 2015, the Group endorsed a total of nine NBA players. With these players, we had presence in eight teams out of the 30 NBA teams as follows (listed by alphabetical order):

NBA players

Andrew Nicholson
Anthony Morrow
Beno Udrih
Carl Landry
Chase Budinger
George Hill
Kyle Singler
Miles Plumlee
Tony Parker

NBA teams

Orlando Magic
Oklahoma City Thunder
Memphis Grizzlies
Sacramento Kings
Minnesota Timberwolves
Indiana Pacers
Oklahoma City Thunder
Milwaukee Bucks
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 official and 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.

Stankovic Continental Champions' Cup

The Stankovic Continental Champions' Cup ("Stankovic Cup") is an international basketball tournament for men's national teams of a number of countries. It is also the most well-known and one of the highest ranking international basketball tournaments in China. The Group has been sponsoring the Stankovic 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.



I CAN PLAY



Tony Parker
of San Antonio Spurs

Management discussion and analysis

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 tournaments. As at 30 June 2015, 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.

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 sporting spirit and increase the popularity of basketball games in China. The 2015 Peak Team China Tour kicked-off in Beijing on 23 June 2015. The Group invited several of our endorsed NBA players to participate in the tour. These spokespersons interacted with Chinese basketball fans in more than 10 cities, including Beijing, Guangzhou, Wuhan and Xiamen. Both the Peak brand and endorsed NBA players gained intense media exposure throughout the tour.

Other basketball sponsorships

The Group also sponsored the following basketball events in the first half of 2015:

- 2015 The Second Dalian Evening Newspaper – The Peak Cup for the Dalian Amateur Basketball Competition (大連晚報 — 「匹克杯」2015年第二屆大連業餘籃球聯賽) held from March to June;
- 2015 Guangdong Basketball League (2015年廣東省男子籃球聯賽) held from May to September; and
- 2015 Shenzhen International Male Basketball Classic (2015年深圳四國男籃精英賽) held in June.

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.

Management discussion and analysis

Women's Tennis Association ("WTA") Tour

The Group entered into a product sponsorship and promotion agreement with WTA, a worldwide circuit of women's professional tennis. Pursuant to the relevant agreement, the Group is the official footwear and apparel partner for selective tournaments, which make up the WTA Tour. In addition, 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.

Endorsed tennis athletes

To increase our brand awareness and further enhance the influence of the Peak brand in the women's tennis sector, the Group had endorsement contracts with the following international tennis players as at 30 June 2015 (listed in alphabetical order):

Tennis players	Country
Agnes Szatmari	Romania
Aleksandrina Naydenova	Bulgaria
Ekaterina Bychkova	Russia
He Sirui	China
Hulya Esen	Turkey
Julia Cohen	USA
Katalin Marosi	Hungary
Klaudia Jans-Ignacik	Poland
Lutfiye Esen	Turkey
Lenka Juríková	Slovakia
Margarita Lazareva	Russia
Mihaela Buzărnescu	Romania
Olga Govortsova	Belarus
Veronika Kapshay	Ukraine
Zuzana Luknarova	Slovakia

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. Besides, the Group sponsored the following running events in the first half of 2015:

2015 European Athletics Indoor Championships

The Group made its debut at European Athletics Indoor Championships in Prague on 5 March 2015 as the official sports products supplier. The Group provided professional sportswear for the athletes, officials and volunteers of the event.

Management discussion and analysis

The 28th Dalian International Marathon 2015

The Group sponsored the 28th Dalian International Marathon held on 9 May 2015, which is one of the most prestigious marathon races in China. Leveraging on the race, Peak launched “Arrow 1.1”, the first-of-the-kind professional running footwear for competitive runners among Chinese sportswear brands. The newly released running shoes are designed with good aerodynamics, providing wearers with high speed, better support and more comfort. Fusing technology also makes the shoes extremely lightweight and well-ventilated.

2015 International Association of Athletics Federations (“IAAF”) World Challenge Beijing

The Group signed up as the official partner of 2015 IAAF World Challenge Beijing in April 2015 and sponsored a series of activities including the official road running event “Love Running Love Beijing”.

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 2015, the Group sponsored the following national Olympic committees:

- The National Olympic Committee of Cyprus;
- The National Olympic Committee of Jordan;
- The National Olympic Committee of Lebanon;
- The National Olympic Committee of New Zealand;
- The National Olympic Committee of Palestine;
- The National Olympic Committee of Slovenia; and
- The National Olympic Committee of Ukraine.

2015 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 Union Cycliste Internationale and is held from July to August every year mainly in Qinghai Province with participants 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 ten 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 ability and flexibility to respond promptly to market changes, and better bargaining power over contract manufacturers.

Management discussion and analysis

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 2015 was 6.5 million pairs, of which 73.8% were produced in-house and 26.2% 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 2015 was 13.4 million pieces, of which 45.5% were produced in-house and 54.5% were produced through outsourcing to contract manufacturers.

Analysis of the Group's 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)	2014 2.5 million	2.7 million	5.0 million	2.5 million	10.0 million	0.3 million
Actual production volume (pairs/pieces)	2015 2.8 million	3.0 million	4.9 million	2.3 million	9.0 million	0.3 million
Expected time of full production	N/A	N/A	2018	N/A	2018	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.



Management discussion and analysis

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 2015, the Group operated four R&D workshops located in Beijing, Guangzhou, Quanzhou and Los Angeles. These workshops altogether employed 213 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 2015, the Group introduced 459 new footwear products, 675 new apparel products and 179 new accessory products to consumers, including “Fly III” and “Arrow 1.1” for amateur and professional runners respectively.

In addition to product functionality and style, our 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 (“OEMs”). 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 the past two years, 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. With the adjustments to its logistics 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.

Management discussion and analysis

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

- We source our raw materials from suppliers located in nearby regions such as Fujian Province, Guangdong Province and Jiangxi Province. The proximity of these suppliers to our production facilities helps reduce our procurement costs.
- We do not enter into any long-term agreements with any of our suppliers. This gives us flexibility to switch to other suppliers for lower raw material costs with better quality and delivery schedules that best suit our production needs.
- We organize four sales fairs each year to allow our distributors and retail outlet operators to review our new product collections and place pre-season orders generally six months in advance of the delivery of the ordered products. With this practice, production can be better planned in advance to ensure a 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 2015, the Group's total headcount was approximately 8,800.

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

We provide systematic training to our front-line sales staff, distributors and retail outlet operators regarding Peak's product knowledge and selling and promotion skills. During the first half of 2015, we held 8 training camps for store managers and other training courses on topics such as regional training policy set-up, standard display set-up, project marketing and knowledge of current offerings to support our front-line operations.

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



TONY PARKER II
Basketball Shoes

Management discussion and analysis

Outlook

The Group will maintain its focus on second-tier and third-tier cities in China as well as overseas markets in the second half of 2015. The Group will concentrate its efforts on optimizing marketing resources allocation, product R&D, and the layout of its supply chain system and retail outlets with the goal of building a sportswear ecosystem and further expanding the overseas markets. The Group believes that its investment in technological innovation, precise positioning in the markets and focus on professional sportswear have helped it gain a competitive advantage. To ensure the continuous growth of its business, the Group will focus on accomplishing the following tasks in the coming years.

Enhancement of brand image

In the second half of 2015, the Group will continue the promotion of its “Star Strategy” and investment in world class sports marketing resources to further enhance its brand awareness as well as to promote the professionalism and reliability of its products. With more than two decades of experience and observation of the industry, Peak has concluded that the image and appeal of star players greatly impact consumers’ buying decisions. Endorsements by star players can stimulate and drive consumer demand. In addition, the use of Peak’s high quality products by professional athletes not only demonstrates Peak’s high degree of professionalism, it also effectively promotes Peak’s professional sports gear to all consumers. The Group currently endorses a total of nine players from eight NBA teams including Tony Parker, a six-time NBA All-Star player. The Group will continue to seek endorsement deals with more NBA All-Star players. The Group also places great attention to cooperation with international sports organizations and teams. Apart from partnering with two of the top international sports organizations which include FIBA and the WTA, Peak also sponsors the national basketball teams of eight countries such as Australia and Germany, and the Olympic Committees of seven countries including New Zealand and Slovenia. Looking forward, the Group will continue to sponsor star players from different sports, seek out new and strengthen current partnerships with international sports organizations and teams, and explore new world-class sports marketing resources. Peak will integrate these resources to further enhance the professionalism of Peak’s brand image and increase its influence in the industry.

Expansion of overseas markets

Since its inception 20 years ago, Peak has expanded into overseas markets and currently sells professional sports gears in over 70 countries and regions. Peak’s overseas sales accounted for 19.1% of total sales in the first half of 2015. Peak currently has the highest overseas sales ratio among all Chinese sportswear brands. Peak’s success in overseas markets is a result of the Group’s long-term dedication to brand internationalization. Peak optimized its brand value and promoted brand awareness in overseas countries through an effective utilization of sports marketing resources including sponsorship of star players, national basketball teams and tournament organizations, and helped its overseas

distributors to further expand market share. For Peak, exploration of overseas markets is not only a hedge against risk in the China market, it also drives brand growth in the future. Leveraging on the government’s “One Belt, One Road” strategy, Peak will continue to explore emerging overseas markets with its international sports marketing resources and regional sponsorships in order to increase overseas sales in the second half of 2015. The Group will further increase sales contribution from overseas markets to bring its brand image and internationalization to a next level.



MONSTER 2.1
Basketball Shoes

Management discussion and analysis

Focus on niche markets

Peak is widely recognized in the basketball sector. Basketball gear has been a traditionally strong field for Peak. The Group's products consist of star signature series which serve as high-end brand representative products, medium to high-end professional series which form the backbone of its sales, and a rich selection of functional products in various categories with high price-to-value ratio. As running gains popularity globally, running products have become one of the best selling categories in Peak. During the first half of 2015, the Group replicated its successful promotional strategy for basketball to increase Peak's market share in professional running products through sponsorship of top competitions. Peak has signed sponsorship agreements with the European Indoor Athletics Championships, the IAAF World Challenge Beijing and Dalian International Marathon. The Group also released "Arrow 1.1" running shoes that meet professional runners' needs for efficiency, stability and durability. The Group believes that further segmentation in sportswear market will result in increasing consumer interest in the functionality and professionalism of sportswear. In the second half of 2015, Peak will continue to focus on basketball, running and other professional sectors as this enhances its R&D capabilities and enriches its product mix. The Group will maintain a competitive pricing mechanism to meet consumer demand for high quality professional products and further enhance Peak's professional brand image.

Optimization of distribution channels

The Group will continue optimizing its distribution channels with an emphasis on its competitiveness in second-tier and third-tier cities. Following the consolidation of its store network over the past two years, store closures have stabilized as many small and less efficient stores were closed or replaced by larger ones. As at 30 June 2015, Peak had 6,011 authorized retail outlets. Peak expects the number of stores to remain at a similar level throughout the rest of the year and improvements in store profitability and efficiency will drive growth in domestic sales. At the same time, the Group is working on increasing the number of distributors and optimizing their coverage to enhance operational efficiency, deepen market penetration and strengthen overall competitiveness. Peak also encourages its distributors to open more retail stores of their own to further enhance their responsiveness to market changes. With an increasing number of distributor-owned retail stores, the Group expects the coverage of its management information system to expand and this will also lead to faster and more accurate responses to changes in R&D, manufacturing, sales and market governance.

Expansion of business scope

Mobile devices have become a new channel for growth as an increasing number of people began using them. With the rise of various mobile applications, the sportswear industry is gradually shifting from a product-led model into a service-oriented one. In recent years, the Group has gradually expanded the application of mobile devices. In addition to cooperation with major domestic third-party e-commerce platforms, Weixin, Weibo, video portals and other new marketing channels have become important promotional tools for the Group. In the next three to five years, the Group will focus on building a sports ecosystem that centers on a Peak sports community platform and invests in sports events hosting, sports training and sports apps development to gradually expand Peak's business from provision of professional sportswear to provision of professional sports services. This will increase the brand loyalty of consumers and extend the life cycles of products. Apart from enhancing the user experience and improving brand loyalty, the Group will also take advantage of market opportunities created by China's national strategy of "Internet+" to gradually transform itself into a comprehensive sports solution provider.

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 31 to 53 which comprises the consolidated statement of financial position of Peak Sport Products Co., Limited (the "Company") as of 30 June 2015 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 2015 is not prepared, in all material respects, in accordance with International Accounting Standard 34, *Interim Financial Reporting*.

KPMG

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

13 August 2015

Interim financial report

Consolidated statement of profit or loss and other comprehensive income

for the six months ended 30 June 2015 – unaudited

(Expressed in Renminbi)

		Six months ended 30 June	
	Note	2015 RMB'000	2014 RMB'000
Revenue	4	1,380,388	1,290,994
Cost of sales		(857,336)	(794,807)
Gross profit		523,052	496,187
Other revenue	5	37,791	39,522
Other net income	5	2,233	2,694
Selling and distribution expenses		(153,970)	(170,381)
Administrative expenses		(127,726)	(169,102)
Profit from operations		281,380	198,920
Finance expenses	6(a)	(13,112)	(9,566)
Profit before taxation	6	268,268	189,354
Income tax	7	(92,279)	(68,311)
Profit for the period attributable to shareholders of the Company		175,989	121,043
Other comprehensive income for the period:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of operations outside mainland China		289	(4,206)
Total comprehensive income for the period attributable to shareholders of the Company		176,278	116,837
Earnings per share (RMB cents)			
– Basic	9	8.37	5.77
– Diluted	9	8.36	5.77

The notes on pages 35 to 53 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 2015 – unaudited
(Expressed in Renminbi)

	Note	30 June 2015 RMB'000	31 December 2014 RMB'000
Non-current assets			
Property, plant and equipment	10	443,947	461,622
Construction in progress	11	44,217	44,783
Lease prepayments	12	174,460	176,330
Deposits and prepayments for purchase of non-current assets	13	37,364	37,364
Intangible assets	14	20,949	24,970
Deferred tax assets	22(b)	32,272	45,217
		753,209	790,286
Current assets			
Inventories	15	382,466	345,672
Trade and other receivables	16	999,324	986,582
Pledged deposits	17	509,474	502,072
Deposits at banks with original maturity over three months		1,400,000	1,400,000
Cash and cash equivalents	18	2,201,638	1,849,693
		5,492,902	5,084,019
Current liabilities			
Trade and other payables	19	561,355	419,457
Bank loans	20	916,576	702,462
Current tax liabilities	22(a)	70,137	68,361
		1,548,068	1,190,280
Net current assets		3,944,834	3,893,739
Total assets less current liabilities		4,698,043	4,684,025
Non-current liabilities			
Bank loans	20	296,510	350,088
Deferred tax liabilities	22(b)	95,172	87,360
		391,682	437,448
Net assets		4,306,361	4,246,577
Equity			
Share capital	23	18,545	18,462
Reserves	24	4,287,816	4,228,115
Total equity		4,306,361	4,246,577

Approved and authorized for issue by the Board of Directors on 13 August 2015.

Xu Jingnan
Director

Xu Zhihua
Director

The notes on pages 35 to 53 form part of this interim financial report.

Consolidated statement of changes in equity

for the six months ended 30 June 2015 – unaudited
(Expressed in Renminbi)

		Share capital	Share premium	Statutory reserve	Other reserve	Exchange reserve	Share-based payment reserve	Retained profits	Total equity
	Note	RMB'000 (Note 23)	RMB'000 (Note 24(a))	RMB'000 (Note 24(b))	RMB'000 (Note 24(c))	RMB'000 (Note 24(d))	RMB'000 (Note 24(e))	RMB'000	RMB'000
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 under share option scheme	21	1	152	-	-	-	(30)	-	123
Dividends	8(b)	-	(133,274)	-	-	-	-	-	(133,274)
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	-
At 30 June 2014		18,461	397,674	352,207	81,354	7,657	9,608	3,244,104	4,111,065
At 1 January 2015		18,462	331,355	387,911	81,354	8,940	10,518	3,408,037	4,246,577
Profit for the period		-	-	-	-	-	-	175,989	175,989
Other comprehensive income		-	-	-	-	289	-	-	289
Total comprehensive income for the period		-	-	-	-	289	-	175,989	176,278
Share issued under share option scheme	21	83	18,696	-	-	-	(2,772)	-	16,007
Dividends	8(b)	-	(132,898)	-	-	-	-	-	(132,898)
Equity-settled share-based payment	21	-	-	-	-	-	397	-	397
Transfer between reserves in respect of share options forfeited and cancelled	21	-	-	-	-	-	(2,215)	2,215	-
At 30 June 2015		18,545	217,153	387,911	81,354	9,229	5,928	3,586,241	4,306,361

The notes on pages 35 to 53 form part of this interim financial report.

Condensed consolidated cash flow statement

for the six months ended 30 June 2015 – unaudited
(Expressed in Renminbi)

		Six months ended 30 June	
	Note	2015 RMB'000	2014 RMB'000
Operating activities			
Cash generated from operations		361,888	208,527
Income tax paid		(69,746)	(78,598)
Net cash generated from operating activities		292,142	129,929
Investing activities			
Placement of pledged deposits		(107,828)	(238,861)
Withdrawal of pledged deposits		100,426	176,385
Receipt of interest income		24,389	25,841
Cash flows derived from other investing activities		12,233	(7,092)
Net cash generated from/(used in) investing activities		29,220	(43,727)
Financing activities			
Proceeds from new bank loans		450,994	439,794
Repayment of bank loans		(290,458)	(236,271)
Dividends paid to shareholders of the Company		(132,895)	(133,270)
Payment of interest expenses		(13,058)	(9,079)
Cash flows derived from other financing activities		16,007	123
Net cash generated from financing activities		30,590	61,297
Net increase in cash and cash equivalents		351,952	147,499
Cash and cash equivalents at 1 January	18	1,849,693	1,933,164
Effect of foreign exchange rate changes		(7)	738
Cash and cash equivalents at 30 June	18	2,201,638	2,081,401

The notes on pages 35 to 53 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 (“Listing Rules”), including compliance with International Accounting Standard (“IAS”) 34, *Interim Financial Reporting*, issued by the International Accounting Standard Board (“IASB”). This interim financial report was authorized for issue on 13 August 2015.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2014 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2015 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 2014 annual financial statements. The condensed consolidated interim financial statements and notes thereon 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 30.

The financial information relating to the year ended 31 December 2014 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 2014 are available from the Company’s registered office. The Company’s auditor has expressed an unqualified opinion on those financial statements in its report dated 11 March 2015.

Notes to the unaudited interim financial report

(Expressed in Renminbi unless otherwise indicated)

2 Changes in accounting policies

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

- Annual improvements to IFRSs 2010-2012 cycle
- Annual improvements to IFRSs 2011-2013 cycle

None of these development have had a material effect on how the Group’s results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3 Segment reporting

Operating segments and the amounts of each segment item reported in the financial statements are identified from the financial information provided regularly to the Group’s most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group’s various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

No segment information is presented for the Group’s business segment as the Group is principally engaged in a single line of business of manufacture and sale of sports products. All non-current assets of the Group are located in the People’s Republic of China (“PRC”). The geographic analysis on the Group’s revenue is set out in note 4.

Notes to the unaudited interim financial report

(Expressed in Renminbi unless otherwise indicated)

4 Revenue

The principal activities of the Group are manufacturing and distributing sports products, including footwear, apparel and accessories. Revenue 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		
	2015 RMB'000	2014 RMB'000
Footwear	597,626	513,542
Apparel	755,574	751,840
Accessories	27,188	25,612
	1,380,388	1,290,994

The Group's customer base was diversified and no customer (six months ended 30 June 2014: one) had transactions with the Group exceeding 10% of the Group's aggregate revenue during the six months ended 30 June 2015. Sales to the customer during the six months ended 30 June 2014 amounted to approximately RMB140,111,000.

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

Six months ended 30 June		
	2015 RMB'000	2014 RMB'000
PRC (excluding Hong Kong, Macau and Taiwan)	1,117,074	999,604
Overseas	263,314	291,390
	1,380,388	1,290,994

5 Other revenue and other net income

Six months ended 30 June		
	2015 RMB'000	2014 RMB'000
Other revenue		
Interest income	31,678	27,475
Government grants	5,911	11,839
Others	202	208
	37,791	39,522

Notes to the unaudited interim financial report

(Expressed in Renminbi unless otherwise indicated)

5 Other revenue and other net income (continued)

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	
	2015 RMB'000	2014 RMB'000
Other net income		
Exchange gain	1,384	2,591
Others	849	103
	2,233	2,694

6 Profit before taxation

Profit before taxation is arrived at after charging/(crediting):

	Six months ended 30 June	
	2015 RMB'000	2014 RMB'000
(a) Finance expenses:		
Interest on bank borrowings	13,112	9,566
(b) Staff costs:		
Salaries, wages and other benefits	207,801	203,309
Contributions to defined contribution retirement plans	5,548	4,917
Equity-settled share-based payments (note 21)	398	5,614
	213,747	213,840
(c) Other items:		
Amortization:		
– lease prepayments	1,870	2,119
– intangible assets	4,217	451
Depreciation	21,649	22,379
Net impairment losses (reversed)/recognized for trade receivables (note 16(b))	(94)	29,320
Research and development expenses*	30,725	29,301

* Research and development expenses for the six months ended 30 June 2015 includes RMB17,275,000 (six months ended 30 June 2014: RMB16,463,000) 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.

Notes to the unaudited interim financial report

(Expressed in Renminbi unless otherwise indicated)

7 Income tax in the consolidated statement of profit or loss and other comprehensive income

	Six months ended 30 June	
	2015 RMB'000	2014 RMB'000
Current tax – PRC income tax		
Provision for the period	71,522	78,662
Deferred taxation		
Origination and reversal of temporary differences	20,757	(10,351)
	92,279	68,311

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 United States Corporate Income Tax as the Group did not earn any profit that was subject to Hong Kong Profits Tax and United States Corporate Income Tax respectively for the six months ended 30 June 2015 (six months ended 30 June 2014: 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 all the Company’s subsidiaries incorporated in the PRC.

In addition, from 1 January 2008, a non-resident enterprise without an establishment or a place of business in the PRC or which has an establishment or a 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. Pursuant to the Sino-Hong Kong Double Tax Arrangement and the related regulations, a qualified Hong Kong tax resident may be liable for a reduced withholding tax rate of 5% on dividends from a PRC enterprise if the Hong Kong tax resident is the “beneficial owner” and holds 25% or more of the equity interest of the PRC enterprise.

All of the Group’s subsidiaries incorporated in the PRC are foreign-invested enterprises directly and wholly owned by a Hong Kong incorporated subsidiary. The Directors have determined that in determining the amounts of dividends to be distributed from the undistributed profits of the Group’s PRC subsidiaries to the Hong Kong incorporated subsidiary in future, the amounts of dividends declared or to be declared by the Company would be considered. Accordingly, the deferred tax liabilities have been provided for the undistributed profits of the Group’s PRC subsidiaries based on the expected dividends to be distributed from these subsidiaries in the foreseeable future and the expected withholding tax rate of 5%.

Notes to the unaudited interim financial report

(Expressed in Renminbi unless otherwise indicated)

8 Dividends

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

	Six months ended 30 June	
	2015 RMB'000	2014 RMB'000
Interim dividend declared after the interim period of HK8 cents per ordinary share (2014: HK4 cents)	150,789	66,615

The interim dividend declared after the end of reporting period has not been recognized as a liability at the end of the reporting period.

(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	
	2015 RMB'000	2014 RMB'000
Final dividend in respect of the previous financial year, approved and paid during the period, of HK8 cents per ordinary share (2014: HK6 cents)	132,898	99,955
Special final dividend in respect of the previous financial year, approved and paid during the period (2014: HK2 cents)	–	33,319
	132,898	133,274

Notes to the unaudited interim financial report

(Expressed in Renminbi unless otherwise indicated)

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 RMB175,989,000 (six months ended 30 June 2014: RMB121,043,000) and the weighted average number of issued ordinary shares of 2,102,483,000 (six months ended 30 June 2014: 2,098,043,000 shares) during the interim period.

Weighted average number of ordinary shares

	2015 '000 shares	2014 '000 shares
Issued ordinary shares at 1 January	2,098,359	2,098,029
Effect of share options exercised	4,124	14
Weighted average number of ordinary shares at 30 June	2,102,483	2,098,043

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to shareholders of the Company of RMB175,989,000 (six months ended 30 June 2014: RMB121,043,000) and the weighted average number of ordinary shares of 2,105,977,000 (six months ended 30 June 2014: 2,099,399,000) after adjustment for the potential dilutive effect caused by the share options granted under the Company's share option scheme (see note 21).

Weighted average number of ordinary shares (diluted)

	Six months ended 30 June	
	2015 '000 shares	2014 '000 shares
Weighted average number of ordinary shares	2,102,483	2,098,043
Effect of deemed issue of shares under the Company's share option scheme	3,494	1,356
Weighted average number of ordinary shares (diluted)	2,105,977	2,099,399

Notes to the unaudited interim financial report

(Expressed in Renminbi unless otherwise indicated)

10 Property, plant and equipment

	<i>Note</i>	30 June 2015 RMB'000	31 December 2014 RMB'000
Net book value as at 1 January		461,622	479,620
Additions		4,142	9,899
Transfer from construction in progress	11	–	17,271
Disposals (net carrying amount)		(168)	(520)
Depreciation charge for the period/year		(21,649)	(44,648)
Net book value as at 30 June/31 December		443,947	461,622

As at 30 June 2015, buildings with net book values of RMB94,002,000 (31 December 2014: RMB97,212,000) were pledged to secure the bills payable and certain bank loans as set out in notes 19 and 20, respectively.

11 Construction in progress

	<i>Note</i>	30 June 2015 RMB'000	31 December 2014 RMB'000
As at 1 January		44,783	53,541
Additions		1,615	8,513
Transfer to property, plant and equipment	10	–	(17,271)
Disposal		(2,181)	–
As at 30 June/31 December		44,217	44,783

Notes to the unaudited interim financial report

(Expressed in Renminbi unless otherwise indicated)

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.

As at 30 June 2015, lease prepayments with net book values of RMB9,733,000 (31 December 2014: RMB9,848,000) were pledged to secure bills payable and certain bank loans as set out in notes 19 and 20, respectively.

13 Deposits and prepayments for purchase of non-current assets

	30 June 2015 RMB'000	31 December 2014 RMB'000
Prepayments for acquisition of land use rights	29,648	29,648
Prepayments for acquisition of software	7,716	7,716
	37,364	37,364

14 Intangible assets

	30 June 2015 RMB'000	31 December 2014 RMB'000
Net book value as at 1 January	24,970	23,424
Additions	196	2,452
Amortization for the period/year	(4,217)	(906)
Net book value as at 30 June/31 December	20,949	24,970

Notes to the unaudited interim financial report

(Expressed in Renminbi unless otherwise indicated)

15 Inventories

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

	30 June 2015 RMB'000	31 December 2014 RMB'000
Raw materials	55,026	29,071
Work in progress	107,324	73,125
Finished goods	220,116	243,476
	382,466	345,672

(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	
	2015 RMB'000	2014 RMB'000
Carrying amount of inventories sold	854,747	794,807
Write down of inventories	2,589	13,161
	857,336	807,968

Notes to the unaudited interim financial report

(Expressed in Renminbi unless otherwise indicated)

16 Trade and other receivables

	30 June 2015 RMB'000	31 December 2014 RMB'000
Bills receivable	8,195	9,850
Trade debtors	902,825	903,678
Less: allowance for doubtful debts	(45,062)	(45,156)
Other receivables	865,958	868,372
	64,488	101,310
Total receivables	930,446	969,682
Deposits and prepayments	68,878	16,900
	999,324	986,582

As at 30 June 2015, the Group had endorsed bank acceptance bills totalling RMB484,750,000 (31 December 2014: RMB757,602,000), 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 debtors 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):

	30 June 2015 RMB'000	31 December 2014 RMB'000
Within 3 months	733,065	750,422
After 3 months but within 6 months	119,917	112,809
After 6 months but within 1 year	12,976	5,141
	865,958	868,372

The Group generally 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 evaluates the revolving credit of a domestic distributor annually upon renewal of relevant distribution agreement.

Notes to the unaudited interim financial report

(Expressed in Renminbi unless otherwise indicated)

16 Trade and other receivables (continued)

(a) Ageing analysis (continued)

The Group generally offers a credit period to each overseas customer. This credit period, the maximum of which generally does not exceed six months, varies for different overseas customers depending on the factors similar to those for determining the revolving credits for the domestic distributors mentioned above.

(b) Impairment of trade receivables

Impairment losses in respect of trade debtors and bills receivable 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 debtors and bills receivable directly.

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

	2015 RMB'000	2014 RMB'000
At 1 January	45,156	14,911
Impairment loss recognized	–	32,345
Reversal of provision for impairment	(94)	(2,100)
At 30 June/31 December	45,062	45,156

As at 30 June 2015, the Group's trade debtors of RMB45,062,000 (31 December 2014: RMB45,156,000) were individually determined to be impaired. The individually impaired receivables related to distributors that were in financial difficulties and management considered that the recovery of such receivables was doubtful but not remote. Consequently, specific allowances for doubtful debts of RMB45,062,000 (31 December 2014: RMB45,156,000) were recognized.

17 Pledged deposits

Bank deposits were pledged to secure bills payable and certain bank loans as set out in notes 19 and 20 respectively.

Notes to the unaudited interim financial report

(Expressed in Renminbi unless otherwise indicated)

18 Cash and cash equivalents

	30 June 2015 RMB'000	31 December 2014 RMB'000
Cash at bank and on hand	2,201,638	1,849,693

19 Trade and other payables

	30 June 2015 RMB'000	31 December 2014 RMB'000
Bills payable	83,520	50,660
Trade creditors	268,395	103,424
	351,915	154,084
Other payables and accruals	205,420	242,344
Financial liabilities measured at amortized cost	557,335	396,428
Advance received	4,020	23,029
	561,355	419,457

As at 30 June 2015, bills payable were secured by pledged deposits of RMB6,941,000 (31 December 2014: RMB10,560,000), certain buildings and lease prepayments set out in notes 10 and 12 respectively.

Set out below is an ageing analysis of the trade creditors and bills payable (which are included in trade and other payables) at the end of the reporting period based on relevant invoice dates:

	30 June 2015 RMB'000	31 December 2014 RMB'000
Within 3 months	261,498	89,313
After 3 months but within 6 months	84,311	60,309
After 6 months but within 1 year	5,930	4,462
Over 1 year	176	-
	351,915	154,084

Notes to the unaudited interim financial report

(Expressed in Renminbi unless otherwise indicated)

20 Bank loans

As at 30 June 2015, bank loans were borrowed at variable interest rates, secured by pledged deposits (see note 17) and certain non-current assets (see notes 10 and 12), and repayable as follows:

	30 June 2015 RMB'000	31 December 2014 RMB'000
Within 1 year	916,576	702,462
After 1 year but within 2 years	296,510	350,088
	1,213,086	1,052,550

21 Equity settled share-based transactions

Pursuant to the shareholders' resolutions passed on 8 September 2009 and 18 May 2011, the Company adopted a share option scheme ("the Share Option Scheme") whereby the Directors 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.

Notes to the unaudited interim financial report

(Expressed in Renminbi unless otherwise indicated)

21 Equity settled share-based transactions (continued)

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

	Six months ended 30 June 2015		Year ended 31 December 2014	
	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\$2.0997	30,237	HK\$3.8390	18,299
Granted during the period/year	-	-	HK\$1.9380	21,725
Exercised during the period/year	HK\$1.9241	(10,509)	HK\$1.9380	(330)
Forfeited during the period/year	HK\$1.9380	(641)	HK\$3.3799	(962)
Cancelled during the period/year	HK\$3.1511	(4,152)	HK\$5.2940	(8,495)
Outstanding at the end of the period/year	HK\$1.9380	14,935	HK\$2.0997	30,237
Exercisable at the end of the period/year	HK\$1.9380	9,195	HK\$2.1671	21,347

The weighted average closing price of the Company's shares immediately before the dates on which share options were exercised during the period was HK\$2.45 (six months ended 30 June 2014: HK\$2.09).

The share options outstanding as at 30 June 2015 had an exercise price of HK\$1.9380 (31 December 2014: HK\$5.1960, HK\$5.6040, HK\$1.9100 or HK\$1.9380) and a weighted average remaining contractual life of 3.1 years (31 December 2014: 2.6 years).

Notes to the unaudited interim financial report

(Expressed in Renminbi unless otherwise indicated)

22 Income tax in the consolidated statement of financial position

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

	30 June 2015 RMB'000	31 December 2014 RMB'000
Provision for PRC income tax	70,137	68,361

(b) Recognized deferred tax assets and liabilities

	30 June 2015 RMB'000	31 December 2014 RMB'000
Deferred tax assets/(liabilities) arising from:		
Provision of incentive rewards and subsidies	11,012	11,701
Impairment losses for trade debtors	11,161	11,184
Pre-operating expenses, accruals and others	10,099	22,332
Withholding tax on dividends	(95,172)	(87,360)
	(62,900)	(42,143)
Represented by:		
Deferred tax assets	32,272	45,217
Deferred tax liabilities	(95,172)	(87,360)
	(62,900)	(42,143)

Notes to the unaudited interim financial report

(Expressed in Renminbi unless otherwise indicated)

23 Share capital

(a) Authorized

	30 June 2015 and 31 December 2014	
	No. of shares '000	Amount HK\$'000
Ordinary shares of HK\$0.01 each	5,000,000	50,000

(b) Issued and fully paid

	30 June 2015			31 December 2014		
	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	2,098,359	20,983	18,462	2,098,029	20,980	18,460
Share issued under share option scheme	10,509	105	83	330	3	2
At 30 June/31 December	2,108,868	21,088	18,545	2,098,359	20,983	18,462

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 shareholders. 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.

Notes to the unaudited interim financial report

(Expressed in Renminbi unless otherwise indicated)

24 Reserves (continued)

(d) Exchange reserve

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

(e) Share-based payment reserve

The share-based payment reserve represents the fair value at the grant date of share options granted to eligible person that has been recognized in accordance with the accounting policy adopted for 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:

	30 June 2015 RMB'000	31 December 2014 RMB'000
Contracted for	11,074	12,501
Authorized but not contracted for	509	541
	11,583	13,042

26 Material related party transactions

(a) Key management personnel compensation

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

	Six months ended 30 June	
	2015 RMB'000	2014 RMB'000
Short-term employee benefits	4,477	4,471
Equity-settled share-based payments	–	869
Contributions to defined contribution retirement plans	37	57
	4,514	5,397

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

Notes to the unaudited interim financial report

(Expressed in Renminbi unless otherwise indicated)

26 Material related party transactions (continued)

(b) Lease of land and properties

During the six months ended 30 June 2015, the Group leased certain land and properties from Fujian Peak Group Co., Ltd, which was controlled by Mr. Xu Jingnan, Mr. Xu Zhihua, Mr. Xu Zhida and Ms. Wu Tigao (the “Xu’s family”). The rental expenses for the six months ended 30 June 2015 were RMB1,129,000 (six months ended 30 June 2014: RMB1,129,000).

(c) Top-up Placement

On 23 June 2015, the Company, Ever Sound Development Limited (a controlling shareholder of the Company as defined under the Listing Rules), and placing agents entered into transactions (collectively “Top-up Placement”) whereby the controlling shareholder sold 280,000,000 shares of the Company to placees procured by the placing agents on 23 June 2015 at the price of HK\$2.48 per share and the Company issued 280,000,000 new shares to the controlling shareholder at the same price per share upon completion of the transactions on 7 July 2015. The financial impact of the Top-up Placement is set out in note 27.

27 Non-adjusting event after the reporting period

On 23 June 2015, the Company, Ever Sound Development Limited (a controlling shareholder of the Company as defined under the Listing Rules), and placing agents entered into the Top-up Placement whereby the controlling shareholder sold 280,000,000 shares of the Company to placees procured by the placing agents on 23 June 2015 at the price of HK\$2.48 per share and the Company issued 280,000,000 new shares to the controlling shareholder at the same price per share upon completion of the transactions on 7 July 2015. The net proceeds from the Top-up Placement was approximately HK\$680 million and accordingly the issued share capital and share premium of the Company were increased by HK\$2.8 million and approximately HK\$677.2 million respectively upon completion of the Top-up Placement.

Supplementary information

Interim dividend

The Board has resolved to declare an interim dividend of HK8 cents (equivalent to approximately RMB6.31 cents) per ordinary share for the six months ended 30 June 2015. The interim dividend, which totals RMB150.8 million and represents 85.7% of the net profit for the period attributable to shareholders, is expected to be paid to the Company's shareholders on 25 September 2015.

Closure of register of members

The register of members of the Company will be closed from 9 September 2015 to 11 September 2015 (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 8 September 2015.

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 2015. The Audit Committee has also met and discussed with the Group's external auditor, KPMG, regarding the Group's internal control system and financial reporting matters. The interim financial report has been approved for issue by the Board on 13 August 2015.

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 2015.

Compliance with the Written Guidelines for securities transactions by the Relevant Employees

The Company has established written guidelines for the relevant employees of the Group (the "Relevant Employees") in respect of their dealings in the securities of the Company (the "Written Guidelines") on terms no less exacting than the required standards set out in the Model Code. For this purpose, "Relevant Employee" includes any employee of the Company or a director or employee of a subsidiary or holding company of the Company who, because of such office or employment, is likely to possess inside information in relation to the Company or its securities. No incident of non-compliance of the Written Guidelines was noted by the Company during the six months ended 30 June 2015.

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 2015.

Supplementary information

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

As at 30 June 2015, 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	37.42%
Ms. Wu Tigao	Interest held by controlled corporation	1	893,804,246	37.42%
Mr. Xu Zhida	Interest held by controlled corporation	2	276,960,000	11.59%
Mr. Xu Zhihua	Interest held by controlled corporation	3	273,060,000	11.43%

Notes:

1. These shares were held by Ever Sound Development Limited, the entire issued share capital of which was owned as to 70% by Mr. Xu Jingnan and 30% by Ms. Wu Tigao.
2. These shares were held by Brilliant Lead Group Limited, a corporation wholly owned and controlled by Mr. Xu Zhida.
3. These shares were held by Alpha Top Group Limited, a corporation wholly owned and controlled by Mr. Xu Zhihua.

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

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

Notes:

1. Mr. Xu Zhida was deemed to be interested in these 300,000 share options of the Company owned by his spouse, Ms. Wu Bingrui, pursuant to the SFO.
2. Details of the above share options granted by the Company as required to be disclosed pursuant to the Listing Rules are set out in the section headed "Share Option Scheme" below.

⁺ The percentage represents the number of ordinary shares/underlying shares interested divided by the number of the Company's issued shares as at 30 June 2015 and has already taken account of the Top-up Placement of 280,000,000 shares (comprising a placement of 280,000,000 shares on 23 June 2015 and an issue of 280,000,000 new shares upon completion of the transaction on 7 July 2015) announced on 23 June 2015 (see note 27 to this interim financial report for details) although the Company accounted for the issue of the 280,000,000 new shares in its financial statements only after the completion of the transaction on 7 July 2015.

Supplementary information

Save as disclosed above and in the below section headed “Share option scheme”, as at 30 June 2015, 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 2015, 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

<u>Name of substantial shareholder</u>	<u>Capacity</u>	<u>Note</u>	<u>Number of ordinary shares interested</u>	<u>Percentage* of the Company’s issued share capital</u>
Ever Sound Development Limited	Beneficial owner	1	893,804,246	37.42%
Brilliant Lead Group Limited	Beneficial owner	2	276,960,000	11.59%
Ms. Wu Bingrui	Interest held by spouse	3	276,960,000	11.59%
Alpha Top Group Limited	Beneficial owner	4	273,060,000	11.43%

Notes:

1. The above interest of Ever Sound Development Limited was also disclosed as the interest of each of Mr. Xu Jingnan and Ms. Wu Tigao in the above section headed “Directors’ interests and short positions in shares, underlying shares and debentures”.
2. The above interest of Brilliant Lead Group Limited was also disclosed as the interest of Mr. Xu Zhida in the above section headed “Directors’ interests and short positions in shares, underlying shares and debentures”.
3. Ms. Wu Bingrui was deemed to be interested in these shares of the Company through the interest of her spouse, Mr. Xu Zhida. Such interest of Mr. Xu Zhida was disclosed in the above section headed “Directors’ interests and short positions in shares, underlying shares and debentures”.
4. The above interest of Alpha Top Group Limited was also disclosed as the interest of Mr. Xu Zhihua in the above section headed “Directors’ interests and short positions in shares, underlying shares and debentures”.

Supplementary information

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

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

Note: This interest was also disclosed as the interest of Mr. Xu Zhida in the above section headed "Directors' interests and short positions in shares, underlying shares and debentures".

+ The percentage represents the number of ordinary shares/underlying shares interested divided by the number of the Company's issued shares as at 30 June 2015 and has already taken account of the Top-up Placement of 280,000,000 shares (comprising a placement of 280,000,000 shares on 23 June 2015 and an issue of 280,000,000 new shares upon completion of the transaction on 7 July 2015) announced on 23 June 2015 (see note 27 to this interim financial report for details) although the Company accounted for the issue of the 280,000,000 new shares in its financial statements only after the completion of the transaction on 7 July 2015.

Save as disclosed above, as at 30 June 2015, 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.

Supplementary information

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 2015 are as follows:

Name or category of option holder	Date of grant	Exercise price per share	Number of options					Exercise period (Note 1)	
			Outstanding as at 1/1/2015	Granted during the period	Exercised during the period (Note 2)	Cancelled during the period	Forfeited during the period		Outstanding as at 30/6/2015
Independent Non-executive Directors									
Dr. Xiang Bing	1 January 2014	HK\$1.938	200,000	-	-	-	-	200,000	H
Mr. Wang Mingquan	1 January 2014	HK\$1.938	200,000	-	-	-	-	200,000	H
Dr. Ouyang Zhonghui (resigned on 12 January 2015)	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)	-	
Substantial Shareholder									
Ms. Wu Bingrui (Sales Officer (International Sales))	1 January 2014	HK\$1.938	300,000	-	-	-	-	300,000	H
Employees of the Group									
In aggregate	9 February 2010	HK\$5.196	426,600	-	-	(426,600)	-	-	D
			426,600	-	-	(426,600)	-	-	E
			568,800	-	-	(568,800)	-	-	F
			1,422,000	-	-	(1,422,000)	-	-	
In aggregate	1 June 2010	HK\$5.604	39,000	-	-	(39,000)	-	-	A
			39,000	-	-	(39,000)	-	-	B
			52,000	-	-	(52,000)	-	-	C
			130,000	-	-	(130,000)	-	-	
In aggregate	1 January 2014	HK\$1.938	11,265,000	-	(4,432,000)	-	(53,000)	6,780,000	H
			2,607,000	-	(847,000)	-	(45,000)	1,715,000	I
			2,607,000	-	-	-	(147,000)	2,460,000	J
			3,476,000	-	-	-	(196,000)	3,280,000	K
			19,955,000	-	(5,279,000)	-	(441,000)	14,235,000	
Distributors of the Group									
In aggregate	1 November 2013	HK\$1.910	7,830,000	-	(5,230,000)	(2,600,000)	-	-	G
			30,237,000	-	(10,509,000)	(4,152,000)	(641,000)	14,935,000	

Supplementary information

Notes:

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

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

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 weighted average closing price of the Company's shares immediately before the dates on which the share options were exercised was HK\$2.45.
3. 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 2015.

Investor relations and communications with shareholders

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

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

In accordance with the Listing Rules, the Company has ascertained shareholders' wishes regarding their preferences on the language (i.e. English and/or Chinese) and means of receipt (i.e. in printed form or via the Company's website) of the Company's corporate communications*. Shareholders who have chosen/are deemed to have chosen to receive the Company's 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 Company's 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.

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

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

Glossary

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

“Board”	The Board of Directors of the Company
“Company”	Peak Sport Products Co., Limited
“Director(s)”	Director(s) of the Company
“FIBA”	Fédération Internationale de Basketball
“Group” or “Peak”	The Company and its subsidiaries altogether
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Listing Rules”	Rules Governing the Listing of Securities on The 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