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

ANNUAL REPORT

CORE MISSION

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

Tony
Parker
of San Antonio Spurs

CONTENTS

VALUE

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

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

VISION

CORPORATE INFORMATION

Board of Directors

Executive Directors

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

Non-executive Director

Ms. Wu Tigao (吳提高)

Independent Non-executive Directors

Dr. Xiang Bing (項兵)
Mr. Feng Lisheng (馮力生)
Mr. Zhu Haibin (朱海濱)

Board Committees

Audit Committee

Dr. Xiang Bing (項兵) *(Chairman)*
Mr. Feng Lisheng (馮力生)
Mr. Zhu Haibin (朱海濱)

Remuneration Committee

Dr. Xiang Bing (項兵) *(Chairman)*
Mr. Feng Lisheng (馮力生)
Mr. Zhu Haibin (朱海濱)
Mr. Xu Jingnan (許景南)

Nomination Committee

Mr. Feng Lisheng (馮力生) *(Chairman)*
Dr. Xiang Bing (項兵)
Mr. Zhu Haibin (朱海濱)

Company Secretary

Mr. Tsoi Ka Ho (蔡家豪)
CPA, ACA, FCCA

Authorized Representatives

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

Tony Parker III
Basketball shoes

Monster 3.2
Basketball shoes

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
Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

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

Company Website
www.peaksport.com

Lightning IV
Basketball shoes

Dwight Howard I
Basketball shoes

CHAIRMAN'S STATEMENT

Dear respectful shareholders,

On behalf of the Board of Directors, I am delighted to share the Group's audited annual results for the year ended 31 December 2015.

In 2015, China's economy entered a structural transformation period. The economy of China experienced a significant slowdown due to weak export demand and de-leveraging during the year. The global economy also recorded weaker-than-expected growth as a result of falling commodity prices and financial market volatility. Despite the slowdown, Chinese sportswear companies proactively adapted to the new economic environment, took advantage of favorable policies and increasing demand driven by lifestyle upgrade, and therefore continued to achieve great results.

Thanks to the continuous efforts from all of my colleagues in Peak, the Group delivered strong results in 2015 driven primarily by enhanced channel and retail sales, product portfolio integration, e-commerce and team coordination. With growing awareness of health and lifestyle shifting, demands for professional sportswear continued to rise, driving growth in the total amount of our sales fair orders.

Revenue of the Group in 2015 totaled RMB3,107.5 million, an increase of 9.4% when compared to RMB2,841.4 million in 2014. Profit attributable to shareholders was RMB392.3 million, an increase of 22.3% compared to RMB320.7 million in 2014. Basic earnings per share was at RMB17.56 cents. The Board has recommended a final dividend of HK7 cents per share. Together with the interim dividend of HK8 cents per share, our dividend payout ratio for the year was approximately 75.8%.

2015 business review

Since its establishment in 1991, the Group has distinguished itself in the sportswear industry by implementing a strategy of brand internationalization and product professionalization. After over 20 years of diligent focus, Peak has enacted a clear vision of building a global brand. The Group has established a framework around the world through the internationalization of its brand name, trademark registration, management standards, brand image and capital funding. In recent years, Peak has been actively preparing for the next stage of its brand development and internationalization through a marketing strategy based on "devotion, professionalism, consistency" and a replication of the Group's success in the basketball sector in other sectors such as running and tennis.

Peak adheres to three major principles that cover its brand, products and distribution channels. At the brand level, we are more concentrated, precise, devoted and efficient than our competitors. At the product level, we are consistently improving the professionalism of our products and innovation in product technology and design. At the distribution channel level, we pursue lean management and a flattened organizational structure as ways to enhance retail efficiency from the origins. At the same time, we also adjusted our strategy from focusing on expansion through increasing the number of stores to emphasising on enhancing efficiency of each individual store in order to better cope with the evolving distribution channels and the new competitive landscape.

During 2015, the Group maintained its close partnerships with a number of world renowned athletes and sports associations. At the end of 2015, Peak had sponsorship agreements with 11 NBA players including NBA All-Star player Tony Parker and Dwight Howard, and three NBA teams including the Houston Rockets, Miami Heat and San Antonio Spurs. We also entered into sponsorship arrangements with the national basketball associations of eight countries including Germany, Australia and Serbia. In addition, Peak sponsored Miloš Teodosić, the captain of the Serbian Men's National Basketball Team, to strengthen its influence in Europe. Peak enjoyed worldwide exposure as the FIBA's international strategic partner for the FIBA Continental Cup competition, where teams compete in qualification matches for the 2016 Olympic Games. The Group had sponsorship agreements with 8 WTA players at the end of 2015. Peak's sponsorship of a series of top tennis events in 2015, including the 2015 Wuhan Open, 2015 WTA Elite Trophy in Zhuhai and WTA Finals in Singapore, enhanced our competitiveness in the female sportswear market.

To replicate our successful basketball promotional campaigns, the Group has entered into sponsorship agreements with a number of track and field and marathon events. The Group sponsored 34 professional running events in 2015, including the 2015 European Athletics Indoor Championships, the 2015 International Association of Athletics Federations ("IAAF") World Challenge Beijing, the Dalian International Marathon 2015, the 2015 Ningbo International Marathon, and the 2015 International Vertical Marathon Series. Peak has made rapid progress in developing new products for the running events and sponsorship activities by rolling out five new running shoes, including "Arrow 1.1", "Skywalker", "S-PAD", "Fly III" and "Rhythm", to meet the needs in professional events and daily life as well as to cater for different preferences of runners.

The Group strengthened its efforts during the year to recruit distributors in new markets and to consolidate its competitive advantage in overseas markets. The Group's overseas sales totaled RMB672.7 million in 2015, representing 21.6% of total revenue. Peak sold its products to over 90 countries and regions, becoming the leading Chinese sportswear brand in terms of the proportion of overseas sales.

Xu Jingnan
Chairman

The Group continued to implement a flattened organization structure when building its distribution channels. Peak also adjusted and increased the number of distributors to enhance retail efficiency. The number of the Group's distributors increased from 88 at the end of 2014 to 100 at the end of 2015. Meanwhile, the Group encouraged distributors to open more authorized Peak retail outlets, enabling faster response to market changes. The Group adopted various measures to proactively manage inventory and improve order visibility. As a result, the efficiency of the retail outlets was enhanced and the operational health of the Group was also improved. Following these channel adjustments, the number of retail outlets in China decreased to 5,999 by the end of 2015, representing a net decrease of five compared to that at the end of 2014. The number of retail outlets directly run by our distributors represents 36.1% of the total outlets.

Looking ahead

The market environment of sportswear industry became rationalized in 2015, signaling the end of the structural adjustment period the industry underwent over the past few years. Market consolidation kept on increasing. Strong brands have increased their strength and squeezed out struggling smaller and regional sportswear brands. The sportswear industry in China is growing at an unprecedented pace as the lifestyle of consumers has been changing and consumers are increasingly conscious of their health. However, a slow recovery in consumer spending in the retail sector coupled with fierce competition at retail channels will make 2016 a challenging year for new store openings. A radical transformation of the business model is bound to take place, and the focus will shift from a wholesale model to a retail model. Efficiency in retail outlets will be the determining factor. With an addressable market of over 500 million people in China, the sportswear industry will remain a growing industry as the national fitness strategy proposed by the State Council continues to stimulate growth for the industry and related evolving sectors. Looking forward, demand for sportswear will rapidly gain momentum as benefits kick in from the thrive of professional and amateur sports organizations and clubs, construction of sporting infrastructures and facilities in less developed areas, and further commercialization of various sports.

Strategy

The Group sees many new and interesting opportunities ahead in 2016. With the supports of policies such as "Internet+", "Made in China 2025" and the National Fitness Campaign, Peak will stay abreast of industry trends and continue to adjust and optimize its organizational structure. With the global economy facing downward pressure and the sportswear industry recording robust growth, we will be more focused, dedicated and efficient in terms of our marketing resources, distribution network and product R&D. 2016 is also the year of the Olympics. Large-scale sporting events are the best stage for international brands, such as Peak, to promote its brand and products through continuous exposure of sponsored delegations, national teams and elite athletes. To consolidate its leading position in the basketball sector, Peak will streamline the operation of its official group-buying website, deepen its strengths in the basketball sector, and plan for expanding into businesses such as sports agency, sports events organization, launching fitness camps and training programs in the future.

Peak will further strengthen its "Star Strategy" by continuously integrating current sports marketing resources. The Group will continue to strengthen its cooperation with NBA players and NBA teams, and to seek endorsement deals with more All-Star players. Apart from signing Louis Williams, the NBA's Sixth Man of the Year in the last season, Dwight Howard, an eight-time NBA All-Star player who plays for Houston Rockets, officially joined Peak in August 2015 and this represented a significant milestone for Peak. To avoid over-reliance on one particular region, Peak will continue to enhance its internationalization efforts on a global scale. The Group will optimize the allocation of its sports resources based on local and niche market conditions in order to help its distributors promote Peak products. In 2015, Peak signed an endorsement agreement with Miloš Teodosić, one of FIBA's Basketball World Cup All-Star Five and the captain of the Serbian Men's National Team. The Peak Trinity in Europe with Tony Parker and Beno Udrih will now be formed with the addition of Miloš Teodosić. Having signed sponsorship agreements with the national basketball teams of Germany, Montenegro and Serbia, Peak has become one of the most influential basketball brands in the European market.

Regarding its distribution network, the Group will continue to focus on China's second-tier and third-tier cities, while optimizing and adjusting our distribution resources. In addition to working closely with our distributors, the Group will increase the pace of upgrading its information management system. This measure will improve the Group's ability to monitor market trends, enabling faster and more precise response to market changes in terms of R&D, manufacturing and sales. In addition, leveraging the government's "One Belt, One Road" strategy, we will continue to develop overseas emerging markets. Peak will use international sports marketing resources and regional sponsorships to rapidly expand its market share and strengthen the overseas influence of the Peak brand.

Peak will continue to increase investment in R&D while strengthening cooperation among its existing R&D workshops. We will continue to lead the industry with our dedication to innovate in technology, technique and design. Peak now has four R&D centers in Beijing, Guangzhou, Quanzhou and Los Angeles with over 200 R&D and design staff from China and abroad. We are committed to incorporating more technology and fashion elements into our products to retain our current customers and attract new ones. In addition to the existing patents such as "GRADIENT dual", "CUSHION-3" and "ZSPRING", the Group obtained three new patents for footwear and apparel products in 2015, and began using carbon-fiber arch support for the first time in some flagship basketball shoes. This further enhanced Peak's competitiveness in sports science and technology, as well as laid a solid foundation for technological innovation in product development over the next three to five years.

Lastly, and on behalf of the Board, I offer my sincere thanks to the loyalty, devotion and contribution of our employees across all our business segments and divisions made during the year. I would also like to thank all our shareholders and business partners for the support and trust given to us so far. As management, we will endeavor to achieve greater results and to create value for our shareholders, our employees and society.

Chairman
Xu Jingnan

10 March 2016

FINANCIAL HIGHLIGHTS

2015 Financial performance (full year)

- Revenue for the year increased by 9.4% to RMB3,107.5 million
- Gross profit for the year increased by 11.4% to RMB1,201.5 million
- Gross profit margin for the year increased by 0.7 percentage point to 38.7%
- Profit for the year attributable to shareholders increased by 22.3% to RMB392.3 million
- Net profit margin for the year increased by 1.3 percentage points to 12.6%
- Basic and diluted earnings per share amounted to RMB17.56 cents and RMB17.54 cents respectively
- Final dividend of HK7 cents (equivalent to RMB5.87 cents) per ordinary share was proposed
- 75.8% payout of profit attributable to shareholders (including interim dividend of HK8 cents per ordinary share)

2015 Financial performance (second half of the year)

- Revenue for the second half of the year increased by 11.4% when compared to the same period in 2014
- Profit for the second half of the year attributable to shareholders grew by 8.4% when compared to the same period in 2014

2015 Operational performance (full year)

- Number of authorized Peak retail outlets totaled 5,999, representing a net decrease of 5 outlets when compared to that in 2014
- Average floor area per retail outlet was 89.1 square metres when compared to 90.0 square metres in 2014
- Number of distributors in China increased from 88 to 100

FIVE-YEAR FINANCIAL SUMMARY

	For the year ended 31 December				
	2015 RMB (million)	2014 RMB (million)	2013 RMB (million)	2012 RMB (million)	2011 RMB (million)
Profitability data					
Revenue	**3,107.5**	2,841.4	2,612.9	2,902.9	4,646.9
Gross profit	**1,201.5**	1,079.0	926.6	1,058.2	1,832.5
Net profit for the year	**392.3**	320.7	244.3	310.6	777.7
Basic earnings per share (RMB cents)	**17.56**	15.28	11.64	14.80	37.07
Diluted earnings per share (RMB cents)	**17.54**	15.27	11.64	14.80	37.06
Profitability ratios					
Gross profit margin	**38.7%**	38.0%	35.5%	36.5%	39.4%
Net profit margin	**12.6%**	11.3%	9.3%	10.7%	16.7%
Effective tax rate	**34.9%**	34.4%	37.4%	23.4%	17.0%
Return on equity (Note 1)	**8.6%**	7.7%	6.0%	7.6%	20.7%
Operating ratios (as a percentage of revenue)					
Advertising and promotion expenses	**8.7%**	10.6%	10.7%	14.0%	14.2%
Staff costs	**14.7%**	15.8%	13.9%	12.1%	8.0%
Research and development expenses	**2.0%**	2.2%	2.3%	1.6%	1.0%

	As at 31 December				
	2015 RMB (million)	2014 RMB (million)	2013 RMB (million)	2012 RMB (million)	2011 RMB (million)
Assets and liabilities data					
Non-current assets	**750.2**	790.3	824.3	806.7	672.3
Current assets	**5,764.8**	5,084.0	4,624.0	4,241.9	4,207.5
Current liabilities	**1,275.5**	1,190.3	1,010.0	898.8	777.3
Non-current liabilities	**353.9**	437.4	316.5	66.7	59.0
Shareholders' equity	**4,885.6**	4,246.6	4,121.8	4,083.1	4,043.5
Current ratio	**4.5**	4.3	4.6	4.7	5.4
Gearing ratio (Note 2)	**20.8%**	24.8%	18.6%	12.2%	4.0%
Net asset value per share (RMB yuan)	**2.04**	2.02	1.96	1.95	1.93

	For the year ended 31 December				
	2015 (day)	2014 (day)	2013 (day)	2012 (day)	2011 (day)
Working capital data					
Average inventory turnover days (Note 3)	**63**	74	81	80	49
Average trade debtors and bills receivable turnover days (Note 4)	**109**	114	135	127	66
Average trade creditors and bills payable turnover days (Note 5)	**33**	41	45	48	48

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

George Hill

of Indiana Pacers

HILL

MANAGEMENT DISCUSSION AND ANALYSIS

Market overview

Global economic conditions

Due to declines in commodity prices, lackluster international trade, weakened capital flows and financial market turbulence, the global economy had a lower than expected growth in 2015. The U.S. economy experienced a slow recovery and an improving labour market. As a result, the Federal Reserve raised the interest rate by 25 basis points at the end of 2015, ending a historic era of 0% interest rate that lasted for almost seven years. Despite easing monetary policies, Europe's recovery was hampered by a number of negative factors including the continuing conflict in Ukraine, the Greek debt crisis, refugee issues and terrorist attacks. Suffering from weak domestic demand, Japan continued to straddle recovery and recession. Emerging market economies lost the momentum to recover. Falling oil prices coupled with western sanctions dragged Russia into a year-long recession. Brazil, suffering from high inflation and negative growth, recorded high rates of unemployment and currency depreciation throughout the year. Only India managed to maintain high economic growth given its diversified economic structure. Looking ahead, the World Bank forecasted that with loosening monetary policy, the global economy will grow by 2.9% in 2016, a moderate increase from the growth in 2015. The U.S. will continue to play a key role in the global economic recovery. The recovery in the U.S., will be driven mainly by consumption, which is similar to those recoveries in past years. However, weak growth among major emerging markets, heightened financial market volatility and rising geopolitical tensions will continue to exert downward pressure on the global economy. Despite these challenges, we remain cautiously optimistic towards the global economy as it is expected that economic growth in the developed markets will get back on track.

China's economy faced considerable downward pressure in 2015, with its GDP growth rate slowing to 6.9% as it shifted from high to medium-to-high growth. Weak external demand, ongoing de-leveraging and economic restructuring have caused declines in all three sectors, especially in the manufacturing sector. With the expected depreciation of Renminbi, exports contracted. In particular, the November 2015 Paris terrorist attacks had a negative impact on Thanksgiving and Christmas sales during the fourth quarter of 2015. However, there were still several highlights of China's economy during the year. Consumption expenditure has been growing steadily throughout the year and its contribution ratio to the whole economy has also increased steadily. China's economic restructuring brought about "Internet+" strategy, the "One Belt, One Road" initiative, as well as "Made in China 2025" plan. Looking ahead in 2016, despite macroeconomic challenges, it is expected that China's economic growth will continue with limited downward risk. With growing exports, better outlook for property sales and increasing domestic demand, China's economy is expected to be stabilized as its economic structure continues to improve.

Sportswear industry in China

China's national policies and changes in lifestyle jointly supported the recovery of the sportswear market in China in 2015. The development of the sports sector has been designated as a national strategy with more specific goals. Complementing those policies issued by the State Council at the end of 2014 regarding the acceleration of sports industry development and promotion of sports consumption, the State Sport General Administration and local governments have introduced detailed implementation procedures to promote participation of sports by all citizens, building of sports facilities, sports education, training, etc. In the meantime, with the increasing awareness of the relationship between sports and health, the number of people participating in sporting activities has surged. The sportswear industry has experienced a new round of growth in 2015. Through measures such as channel restructuring and product strategy adjustment, sportswear companies have been able to continuously refine their extensive operating model. As marketing and R&D have become key factors for growth, a considerable number of small sportswear companies have exited the market. As a result, market competition is becoming more rational and market segmentation is taking form.

Prospects

After continuous channel restructuring, destocking and market consolidation, the sportswear sector in China has bottomed out and is on the precipice of a new round of growth. Looking forward, China's economy will continue to face considerable risks and downward pressure. With people's lifestyles changing, the entire sector's growth is expected to remain stable as the government is actively encouraging the development of the sports industry, urbanization is progressing, residents' disposable income is increasing, and the participation rate in sports activities is increasing. In addition, consumption of the sports sector is expected to be the driver behind the sector's medium to long-term development. Apart from mainstream sports such as basketball, running and football, other niche sports and sports-related sectors will also flourish. The State Sport General Administration predicts that the total value of the sports sector in China will exceed RMB 3 trillion in 2020, accounting for 1% of GDP. The huge growth potential of professional and functional sportswear products will help the Group's market expansion.

With the help of China's "Internet+" strategy, the sports sector is expanding at an unparalleled pace. The robust development of mobile sports apps will also help push innovation throughout the industry's supply chain and bring in new opportunities. The establishment of a sports ecosystem is an important driver for the Group's future development. The Group will continue to invest in technology and human resources to transform from a sportswear producer into a comprehensive sports solution provider.

Carl
Landry
of Philadelphia 76ers

Financial review

Revenue

The Group's revenue for 2015 amounted to RMB3,107.5 million (2014: RMB2,841.4 million), representing an increase of 9.4% when compared to 2014. The increase was mainly attributable to an increase in the revenue derived from both the China market and overseas markets during the year.

Analysis of revenue by product category:

	For the year ended 31 December				
	2015		2014		
	RMB (million)	**% of revenue**	RMB (million)	% of revenue	Change (%)
Footwear	**1,335.3**	**43.0**	1,150.1	40.5	16.1
Apparel	**1,703.0**	**54.8**	1,633.2	57.5	4.3
Accessories	**69.2**	**2.2**	58.1	2.0	19.1
Total	**3,107.5**	**100.0**	2,841.4	100.0	9.4

The ratio of revenue contributed by footwear products increased by 2.5 percentage points during 2015 when compared to that in 2014 mainly because the Group rolled out new footwear products, notably running footwear, which appealed to customers during the year. In addition, customers' increasing demand for professional athletic footwear boosted the sales of the Group's footwear products during the year. The above change in the ratio for footwear products also decreased the corresponding ratio for apparel products.

Analysis of revenue by geographical location:

	Year ended 31 December				
	2015		2014		
	RMB (million)	**% of revenue**	RMB (million)	% of revenue	Change (%)
Southern region (Note 1)	**906.0**	**29.2**	842.5	29.6	7.5
Eastern region (Note 2)	**789.5**	**25.4**	719.0	25.3	9.8
Northern region (Note 3)	**739.3**	**23.8**	627.3	22.1	17.9
China market	**2,434.8**	**78.4**	2,188.8	77.0	11.2
Asia	**264.9**	**8.5**	219.0	7.7	21.0
Europe	**150.2**	**4.8**	292.7	10.3	(48.7)
Africa	**100.1**	**3.2**	48.0	1.7	108.5
North America	**96.3**	**3.1**	55.8	2.0	72.6
South America	**54.3**	**1.8**	29.9	1.1	81.6
Australasia	**6.9**	**0.2**	7.2	0.2	(4.2)
Overseas markets	**672.7**	**21.6**	652.6	23.0	3.1
Total	**3,107.5**	**100.0**	2,841.4	100.0	9.4

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 78.4% of the revenue while the overseas markets contributed 21.6% of the revenue during 2015. The revenue derived from the China market and the overseas markets increased by 11.2% and 3.1% respectively during 2015 when compared to that in 2014.

Revenue derived from the China market increased during 2015 mainly because: (i) the Group rolled out new products, notably the running footwear products, which appealed to customers; (ii) customers' increasing demand for professional athletic footwear boosted the sales of the Group's footwear products; and (iii) the efficiency of the Group's distribution channel was improved through increasing the number of distributors during the year. The relatively high percentage increase in revenue derived from the Northern region was mainly attributable to an increase in the number of new retail outlets opened by distributors in the region during the year.

The increase in the revenue derived from the overseas markets in 2015 was a net result of: (i) an increase in sales in Asia mainly due to an introduction of more distributors and opening of more retail stores by distributors in countries such as United Arab Emirates, Malaysia, Thailand, Iran and Jordan during the year; (ii) a decline in sales in a number of European countries including the Netherlands, France, Slovakia and Greece mainly due to a depreciation of the Euro against the U.S. dollars (the Group's billing currency) and deteriorating economic conditions in those countries during the year; (iii) an increase in sales in Africa mainly due to an improvement in political and economic conditions in a number of countries which supported consumption expenditure in the region and an increased demand for sports products caused by the two sports events, 2015 African Games and AfroBasket 2015, that took place in Africa during the year; (iv) an increase in sales in North America mainly due to improving economic conditions in the U.S. which boosted demand for sports products; (v) an increase in sales in South America mainly due to increased demand for sports products in the region to prepare for a forecasted sales boom to be derived from the Rio 2016 Olympics; and (vi) a small decline in Australasia mainly due to weakening economic conditions in Australia caused by a depreciation of the Australian dollars against the U.S. dollars.

Fly
Running shoes

Rhythm
Running shoes

Gross profit

Analysis of contribution to gross profit by product category:

	Year ended 31 December 2015		2014		
	Gross profit RMB (million)	**Gross profit margin (%)**	Gross profit RMB (million)	Gross profit margin (%)	Change in gross profit margin (% points)
Footwear	**494.0**	**37.0**	420.3	36.5	0.5
Apparel	**681.3**	**40.0**	637.2	39.0	1.0
Accessories	**26.2**	**37.9**	21.5	37.1	0.8
Total	**1,201.5**	**38.7**	1,079.0	38.0	0.7

The gross profit margins of footwear products increased by 0.5 percentage point during 2015 when compared to that in 2014 mainly because the Group sold more running footwear products during the year. The Group increased the gross profit margin of the running footwear products during the year and these footwear products also had a relatively higher gross profit margin than those of other popular categories of footwear products. The gross profit margins of apparel products increased by 1.0 percentage point during 2015 when compared to that in 2014 because the Group sold more cotton jackets during the year. The Group increased the gross profit margin of the cotton jackets during the year and this category of apparel products also had a relatively higher gross profit margin than other popular categories of apparel products.

Selling price and volume

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

	Year ended 31 December 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)	**14.2**	**94.0**	12.3	93.5	15.4	0.5
Apparel (pieces)	**23.8**	**71.6**	23.5	69.5	1.3	3.0

Notes:

1. We have not included the respective information of our accessory products because we have a wide range of accessory products that vary significantly in terms of unit price. We believe that a unit-based analysis of this product category would not be meaningful.
2. Average unit selling price of each product category represents the revenue of that product category for the year divided by its quantity sold for the year.

The average unit selling price ("ASP") for footwear products remained steady during 2015 when compared to that in 2014. The ASP for apparel products increased by 3.0% during 2015 when compared to that in 2014 mainly because the Group adjusted the selling prices of cotton jackets, pants and shorts upwards due to higher demand for these categories of apparel products during 2015.

The quantity of footwear products sold in 2015 increased by 15.4% when compared to that in 2014 mainly because the Group rolled out new footwear products, notably running footwear, which appealed to consumers during the year. In addition, consumers' increasing demand for professional athletic footwear boosted the sales of running and basketball footwear during 2015. The increase in the quantity of apparel products sold in 2015 by 1.3% was mainly attributable to an increased demand for cotton jackets, sweat shirts, shorts and pants. The demand for these categories of apparel products increased mainly because the designs of the products appealed to customers.

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 31 December			Year ended 31 December			
	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	**5,999**	**534,529**	**89.1**	**6,002**	**537,297**	**405.7**	**4.5**
2014	6,004	540,064	90.0	6,008	540,836	364.0	4.0
Change (%)	(0.1)	(1.0)	(0.1)	(0.1)	(0.7)	11.5	12.5

Notes:

1. Average revenue per retail outlet is equal to the total revenue (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 year.
2. Average revenue per unit retail floor area is equal to the total revenue (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 year.

The average revenue per authorized Peak retail outlet in China during 2015 increased by 11.5% and the average revenue per unit retail floor area in China during 2015 increased by 12.5% when compared to those in 2014. These ratios indicate that the operating efficiency of the Group's retail network has been improved.

Cost of sales

Analysis of cost of sales by production method:

	Year ended 31 December				
	2015		2014		
	RMB (million)	**% of total**	RMB (million)	% of total	Change (%)
Self-production					
Raw materials	**789.9**	**65.8**	720.3	65.5	9.7
Direct labour	**269.0**	**22.4**	248.6	22.6	8.2
Overhead	**142.1**	**11.8**	130.9	11.9	8.6
Total	**1,201.0**	**100.0**	1,099.8	100.0	9.2
Cost of sales					
Self-production	**1,201.0**	**63.0**	1,099.8	62.4	9.2
Subcontracting arrangements	**514.3**	**27.0**	498.5	28.3	3.2
OEM arrangements	**190.7**	**10.0**	164.1	9.3	16.2
Total	**1,906.0**	**100.0**	1,762.4	100.0	8.1

Cost of raw materials increased by 9.7% in 2015 when compared to that in 2014 mainly because the Group produced more functional products which utilized more high-value raw materials for their production. Cost of direct labour increased by 8.2% in 2015 when compared to that in 2014 mainly because the wages of direct labour increased at similar rate during the year. There have not been any material changes in the ratios of various components of cost of self-production during 2015 when compared to those in 2014.

The self-production ratio had little change during 2015 when compared to that in 2014 and so did the ratios for the subcontracting arrangements and OEM arrangements.

Other revenue

Other revenue decreased to RMB60.1 million (2014: RMB72.2 million) in 2015 mainly because: (i) the interest income derived from bank deposits decreased as a result of a decreasing interest rate during the year; and (ii) there was an one-off tax refund by local governments in 2014.

Other net losses

Other net losses amounted to RMB8.1 million (2014: Other net income of RMB8.1 million) in 2015 mainly due to exchange losses arising from the depreciation of Renminbi against the U.S. dollar.

Selling and distribution expenses

Total selling and distribution expenses amounted to RMB330.7 million (2014: RMB359.4 million) in 2015, representing a decrease of 8.0% when compared to that in 2014. The decrease was mainly attributable to decreased sponsoring, advertising and promotional activities in 2015, notably the expiry of the sponsorship agreement with NBA China in 2014.

Administrative expenses

Total administrative expenses for 2015 amounted to RMB294.4 million (2014: RMB291.5 million), representing an increase of 1.0% when compared to that in 2014. The increase was primarily a net result of: (i) decreased staff costs mainly due to decreased amortization of share option expenses in 2015; and (ii) increased provision for doubtful debts for distributors in 2015.

Finance expenses

Finance expenses, which comprised interest expenses only, amounted to RMB25.8 million (2014: RMB19.6 million) during 2015, representing an increase of 31.5% when compared to that in 2014. The increase was mainly caused by an increase in the average balance of bank loans and an increase in relevant interest rates during 2015. These bank loans were primarily used for the settlement of advertising and promotional expenses denominated in foreign currencies and the payment of dividends.

Income tax

Income tax expenses increased by 25.2% to RMB210.4 million for 2015 from RMB168.1 million for 2014 mainly due to an increase in the profits from operations as a net result of: (i) the increase in the sales revenue; (ii) the decrease in the selling and distribution expenses; and (iii) the increase in the administrative expenses during the year.

Net profit and net profit margin

Net profit increased by 22.3% to RMB392.3 million in 2015 from RMB320.7 million in 2014. Such increase in net profit during the year was primarily a net result of: (i) an increase in the gross profit; (ii) a decrease in other revenue; (iii) a decrease in other net income; (iv) a decrease in the selling and distribution expenses; (v) an increase in the administrative expenses; and (vi) an increase in the finance expenses.

Net profit margin increased to 12.6% for 2015 from 11.3% for 2014. Such increase in net profit margin during the year was primarily a net result of: (i) an increase in gross profit margin; (ii) a decrease in the ratio of other revenue to revenue mainly caused by the decrease in the interest income derived from bank deposits during 2015 and the one-off tax refund from local governments in 2014; (iii) a decrease in the ratio of other net income to revenue mainly due to exchange losses arising from the depreciation of Renminbi against the U.S. dollar; (iv) a decrease in the ratio of selling and distribution expenses to revenue mainly caused by a decrease in advertising and promotional activities; and (v) a decrease in the ratio of administrative expenses to revenue mainly caused by decreases in staff costs.

Working capital ratios

The average inventory turnover days for the year ended 31 December 2015 decreased to 63 days from 74 days for the year ended 31 December 2014, indicating that there has been an improvement in the Group's stock management system.

The average trade debtors and bills receivable turnover days for the year ended 31 December 2015 decreased slightly to 109 days from 114 days when compared to that for the year ended 31 December 2014.

The average trade creditors and bills payable turnover days for the year ended 31 December 2015 decreased to 33 days from 41 days for the year ended 31 December 2014.

Liquidity and capital resources

The net cash inflow from operating activities of the Group for the year ended 31 December 2015 amounted to RMB418.3 million (2014: net cash inflow of RMB384.0 million). Such net cash inflow was higher than the profit attributable to shareholders of the Company and reflected a healthy cash generating capability of the Group during 2015. As at 31 December 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 RMB4,394.2 million, representing a net increase of RMB642.5 million when compared to the position as at 31 December 2014.

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

	Year ended 31 December 2015 RMB'000
Net cash inflow from operating activities	**418,331**
Capital expenditure	**(35,794)**
Dividends paid	**(290,100)**
Net proceeds from Top-up Placement	**536,397**
Net repayment of bank loans	**(91,866)**
Proceeds from disposal of lease prepayment	**37,756**
Interest received (net of interest paid)	**30,234**
Other net cash inflow	**37,511**
Net increase in cash and bank deposits	**642,469**

The Group had bank borrowings as at 31 December 2015, which were repayable within two years and primarily used for the settlement of advertising and promotional expenses denominated in foreign currencies and the payment of dividends of the Company.

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

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

The Group monitors its capital structure on the basis of an adjusted net debt-to-capital ratio. For this purpose, the Group defines net debt as interest-bearing loans less cash and bank deposits. Capital is defined as the total equity. As at 31 December 2015, the Group had cash and bank deposits in excess of interest-bearing loans. It is the management's intention to restrict the ratio to be 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.

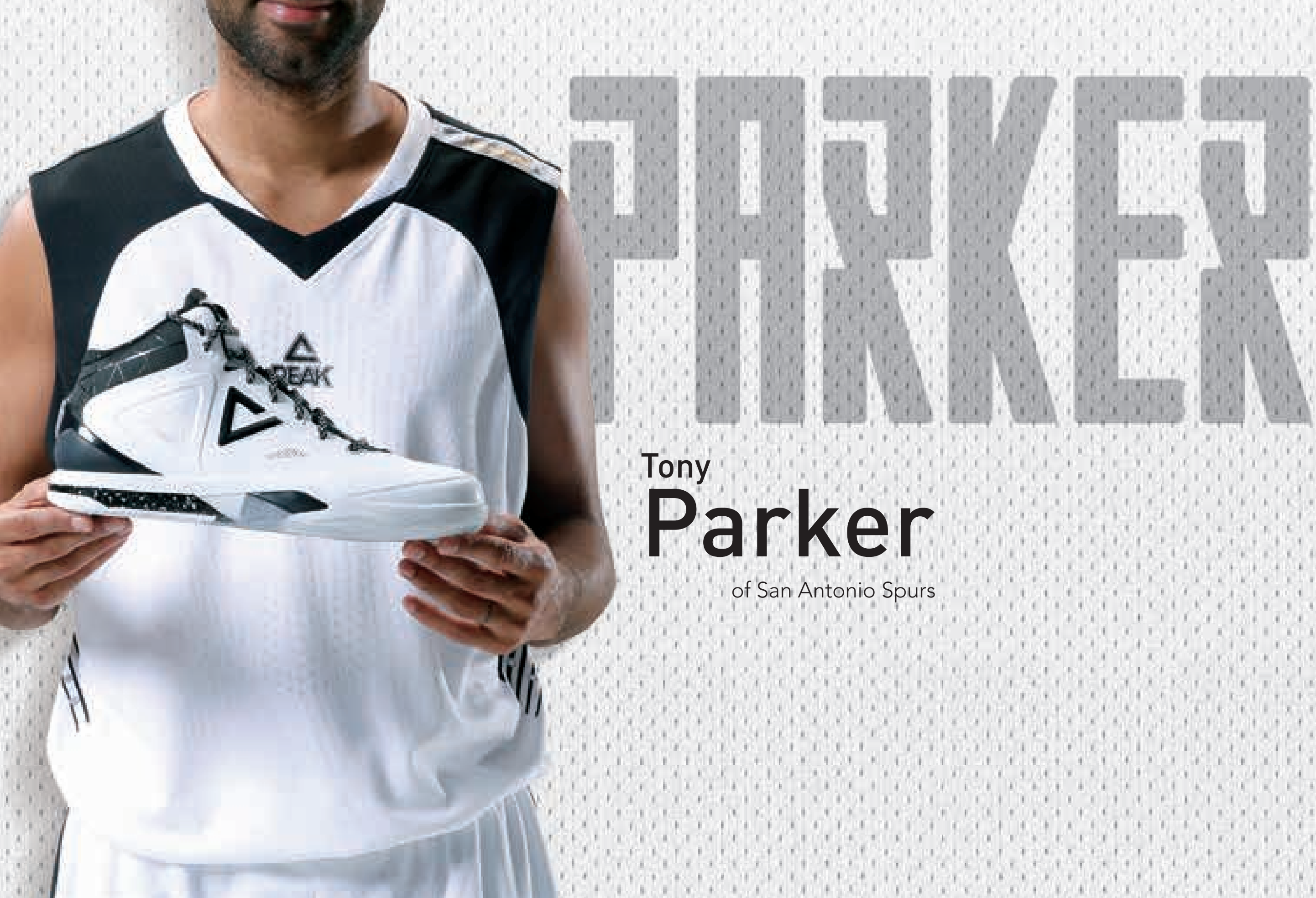
Foreign exchange risk

The Group's operating activities were principally carried out in China with most of our transactions denominated and settled in Renminbi. The Group's foreign exchange exposure mainly arose from our revenue derived from our export sales that were denominated predominantly in United States dollars and bank loans that were denominated in Hong Kong dollars or United States dollars. If Renminbi depreciates against a foreign currency, the value of the foreign currency denominated liabilities (e.g. bank loans) will increase accordingly. The Group used forward contracts to hedge our foreign exchange exposure during 2015. 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 31 December	
	2015	2014
	RMB'000	RMB'000
Buildings	**90,793**	97,212
Bank deposits	**396,137**	502,072
Lease prepayments	**9,619**	9,848



Business review

Distribution network

The network of authorized Peak retail outlets, the components of which 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 2015. As at 31 December 2015, the total number of authorized Peak retail outlets was 5,999, representing a net decrease of 5 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 31 December		
	2015	2014	Change (%)
Southern region	**2,018**	2,099	(3.9)
Eastern region	**1,986**	1,999	(0.7)
Northern region	**1,995**	1,906	4.7
Total	**5,999**	6,004	(0.1)

Note: Please refer to page 14 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 31 December		
	2015	2014	Change (%)
First-tier cities	**144**	165	(12.7)
Second-tier cities	**631**	700	(9.9)
Third-tier cities	**5,224**	5,139	1.7
Total	**5,999**	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.

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

	Number of retail outlets as at 31 December		
	2015	2014	Change (%)
Flagship Store	**21**	20	5.0
Basic Store	**3,671**	3,637	0.9
Department Store or Shopping Mall Outlet	**2,257**	2,284	(1.2)
Basketball Specialty Outlet	**50**	63	(20.6)
Total	**5,999**	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 that offer mainly premium basketball sports products targeted towards basketball enthusiasts.

Management of distributors and retail outlets

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

China market

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

The measures taken by the Group to reform its distribution system since 2013 has yielded encouraging results. We took further steps in our "Channel Flattening" strategy by actively increasing the number of distributors. On the one hand, we upgraded selected retailers with excellent performance to distributors; on the other hand, we introduced to the Group 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 100 at the end of 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 an 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 persistently poor performances, the Group took measures including reallocating or reducing their distribution areas as well as introducing new distributors in their distribution areas in order to boost performance.

The Group's computerized management information system ("MIS") has linked to all distributors and their self-operated retail outlets. Through active utilization of the 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 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 connected to the MIS. As at 31 December 2015, 3,099 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 90 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, vjia.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 and medium to high-end products. Therefore, the average spending per customer and the gross margin of the online channels are relatively higher than 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 new marketing strategy focusing on the running and tennis sports categories in addition to the basketball category 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.

Basketball promotion partners

The utilization of different 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 competitors. Such focused strategy also disseminates a clear profile to consumers. The Group has established an association with many top renowned basketball promotion partners around the world which has enabled the Group to successfully establish a leading international brand image in the basketball sector among our Chinese peers. By requiring our endorsed basketball athletes to wear our basketball footwear during their tournaments, we demonstrate that our products can withstand the severest tests of functionality and performance which further enhances our professional brand image. Although the Group has started promoting other sports categories in addition to basketball under our new marketing strategy, we will continue to dedicate the most significant portion of our resources to the basketball 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 top basketball teams.

As at 31 December 2015, the Group endorsed a total of 11 NBA players. With these players, we had presence in nine out of the 30 NBA teams as follows (listed in alphabetical order):

NBA players	NBA teams
Andrew Nicholson	Orlando Magic
Anthony Morrow	Oklahoma City Thunder
Beno Udrih	Miami Heat
Carl Landry	Philadelphia 76ers
Chase Budinger	Indiana Pacers
Dwight Howard	Houston Rockets
George Hill	Indiana Pacers
Kyle Singler	Oklahoma City Thunder
Louis Williams	Los Angeles Lakers
Miles Plumlee	Milwaukee Bucks
Tony Parker	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 the relevant sponsorship and licensing agreements, the Group is required, among other things, to supply footwear to all staff, referees and volunteers at all FIBA and FIBA Zones Championships, and has an exclusive right to use globally specified logos and mascots associated with certain FIBA sports competitions on some of our products.

Stanković Continental Champions' Cup

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

National Basketball Federations

The Group is associated with a number of national basketball federations which are responsible for managing national basketball teams of their own countries. Under the relevant sponsorship agreements, the Group is required, among other things, to supply the relevant national teams with sports products in specified games and matches. As at 31 December 2015, these national basketball federations were as follows (listed in alphabetical order):

— 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 of our marketing activities. The tour is held once a year in China with an aim to promote the sportsmanship 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 great media exposure throughout the tour.

Other basketball sponsorships

The Group also sponsored the following basketball events in 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);
— 2015 Guangdong Basketball League (2015年廣東省男子籃球聯賽);
— 2015 Shenzhen International Male Basketball Classic (2015年深圳四國男籃精英賽);
— The 20th Quanzhou 100 Teams/1000 Matches Basketball Competition (泉州市第二十屆「中國匹克杯」百隊千場籃球賽);
— The 16th Xiamen-Peak Basketball Summer Camp (廈門市第十六屆匹克籃球夏令營); and
— The 6th Mid-west China Youth Basketball Championship (第六屆中國中西部青少年籃球錦標賽).

Tennis promotion partners

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

Women's Tennis Association ("WTA") Tour

The Group entered into a product sponsorship and promotion agreement 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, has obtained 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 31 December 2015 (listed in alphabetical order):

Tennis players	Country
Alona Fomina	Ukraine
Ekaterina Bychkova	Russia
Galina Voskoboeva	Kazakhstan
He Sirui	China
Kamila Kerimbayeva	Kazakhstan
Katalin Marosi	Hungary
Mihaela Buzărnescu	Romania
Vesna Dolonc	Serbia

Running promotion partners

In line with our new marketing strategy, the Group consistently strengthens the promotion of our running footwear. The Group has 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 2015:

— 2015 European Athletics Indoor Championships;
— The 28th Dalian International Marathon 2015;
— 2015 International Association of Athletics Federations World Challenge Beijing;
— The First Ningbo International Marathon 2015; and
— Shake Run in Zhengzhou, Chongqing, Ningbo, Beijing, Xi'an, Chengdu, Wuhan, Nanjing and Guangzhou.

Other promotion partners of our running footwear include CCTV, Guangdong Sports TV and a number of sports magazines.

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 31 December 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 at 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 the Qinghai Province with the participation of top cyclists from five continents around the world. The Group has become the collaborative partner and sole supplier of sports products to the officials of the competition for 10 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.

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 2015 was approximately 14.3 million pairs, of which approximately 77.6% were produced in-house and approximately 22.4% 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 2015 was approximately 23.9 million pieces, of which approximately 46.4% were produced in-house and approximately 53.6% were produced through outsourcing to contract manufacturers.

Analysis of the Group's production capacity by location and product category:

		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(Note)	2014	2.5 million	2.7 million	5.0 million	2.5 million	10.0 million	0.3 million
(pairs/pieces)	**2015**	**3.0 million**	**3.0 million**	**6.1 million**	**2.5 million**	**10.0 million**	**0.5 million**
Actual production volume	2014	2.8 million	3.0 million	4.9 million	2.3 million	9.0 million	0.3 million
(pairs/pieces)	**2015**	**2.6 million**	**2.8 million**	**5.7 million**	**2.1 million**	**8.6 million**	**0.4 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.

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 31 December 2015, the Group operated four R&D workshops located in Beijing, Guangzhou, Quanzhou and Los Angeles. These workshops altogether employed 218 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 2015, the Group introduced 763 new footwear products, 1,054 new apparel products and 330 new accessory products to consumers.

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 OEMs arrangements, we provide OEMs with designs and specifications of our products and recommend suppliers to them to procure raw materials for their production. In the past three years, replenishment orders increased proportionally due to an adjustment to our ordering model. The increase in 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.

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 every 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 31 December 2015, the Group's total headcount was approximately 8,024.

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 year, we held 35 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.

Outlook

The Group will maintain its focus on second-tier and third-tier cities in China as well as overseas markets in 2016. The Group will concentrate its efforts on optimizing marketing resources allocation, product R&D, overseas deployment, supply chain and retail outlets while at the same time building out a sports ecosystem in domestic market and strengthening its presence in overseas markets. The Group believes that its market position, focus on professional sportswear and investment in technological innovation have helped it gain a competitive advantage. To ensure the continuous growth of its business, the Group will strive to accomplish the following tasks in the coming years.

Enhancement of brand image

In 2016, the Group will further emphasize its "Star Strategy", focus its world class sports marketing resources to enhance its brand recognition, and promote the professionalism and reliability of its products by actively cooperating with athletes, sports teams and international sports organizations. Star player endorsements and large scale sports events sponsorship will remain the focal point of Peak's marketing activities. When star players use Peak's high quality products on the field, the products get a very powerful endorsement. The star signature series endorsed by star players including the "Tony Parker III", "Dwight Howard I" have helped the Group turn fans' passion for star players into sales. The Group signed endorsement contracts with Dwight Howard, an eight-time NBA All-Star who currently plays for Houston Rockets, in August 2015, and Louis Williams, the 2014-15 NBA Sixth Man of the Year winner who plays for Los Angeles Lakers, in December 2015. Peak increased its NBA spokesperson lineup to 11 players, making it the world's third largest sportswear brand and China's largest sportswear brand in terms of the number of NBA players endorsed. The Group places significant importance on cooperation with international sports organizations and sports teams. In addition to partnering with top international sports organizations such as FIBA and WTA, the Group sponsors the national basketball teams of eight countries including Australia and Germany, and the Olympic Committees of seven countries such as New Zealand and Slovenia. In 2016, the Group will continue to make sponsorship agreements with more NBA star players and Olympic teams to enhance the brand image of Peak and its influence on the coming Olympic Games and other large international sports events.

Focus on niche markets

Peak is widely associated with basketball, making it one of the Group's strongest segments. The Group's basketball product portfolio consists of star signature series which represent the top products of the brand, medium to high-end professional series which form the backbone of its sales, and functional series which cover various categories and segments with high price-to-value ratio. As running gains popularity globally, the Group has actively expanded its running product portfolio and replicated its successful promotional strategy for basketball to increase Peak's market share in professional running products through sponsoring top marathon competitions as well as other regional running races. In 2015, Peak hosted and sponsored 34 professional running competitions ranging from 100km ultra running race, marathons, and vertical marathons, to professional track and field events. These events include the European Indoor Athletics Championships, the IAAF World Challenge Beijing and Dalian International Marathon. Peak has also worked alongside LeTV Sports and sponsored "ShakeRun", a crossover marketing campaign held in nine cities in China. Leveraging the event, Peak introduced "Rhythm", a new running shoe series inspired by music, to target young Chinese runners. The Group also released 220g-weighted "Arrow 1.1" running shoes that meet professional runners' needs for efficiency, stability and durability. Revenue contribution from running shoes in 2015 was on par with that of basketball shoes. The Group believes that further segmentation in the sportswear market will result in increasing consumer interest in the functionality and professionalism of its sportswear. In 2016, Peak will continue to focus on basketball, running and other professional sectors as it enhances its R&D capabilities and enriches its product portfolio. 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.

Expansion of overseas markets

Since its inception more than 20 years ago, Peak has expanded into various overseas markets and currently sells professional sportswear in over 90 countries and regions. Peak's overseas sales accounted for 21.6% of total sales in 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 effective utilization of sports marketing resources including sponsorship of star players, national basketball teams, Olympic delegations and tournament organizations to help its overseas distributors to further expand their market share. For Peak, exploration of overseas markets not only serves to hedge against risks in the China market, but also drives the brand's growth in the future. Leveraging on the government's "One Belt, One Road" strategy, Peak will continue to accelerate its deployment of international sales channels in 2016 while exploring emerging overseas markets with its international sports marketing resources and regional sponsorships to enhance its brand influence globally. The Group will further increase sales contribution from overseas markets and take its brand image and market internationalization to a next level.

Optimization of distribution channels

Going forward, the Group will continue to optimize its distribution channels with an emphasis on its competitiveness in second-tier and third-tier cities. The Group has made significant progress in the restructuring of its authorized retail outlets over the past two years. Closure of retail outlets has been stabilized as a result. As of 31 December 2015, the Group had 5,999 authorized retail outlets. Peak expects the number of stores will remain stable in 2016. Store profitability and efficiency will also improve and provide impetus for sales growth in the future. 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 self-owned retail stores 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 will expand and it will lead to faster and more accurate responses to changes in R&D, manufacturing, sales and market monitoring.

Expansion of business scope

Mobile devices have become a new driver of growth on top of traditional sales channels as the number of users increases and with the advancement of technology. With the rise of various new mobile applications, the sportswear industry is gradually shifting from a product-focused model into a service-oriented one. In recent years, the Group has gradually expanded its application of mobile devices. In addition to cooperation with major domestic third-party e-commerce platforms, other new marketing channels such as Weixin, Weibo, and major video portals have become important promotional channels for the Group. In the next three to five years, the Group will focus on building a sports ecosystem centered on the Peak sports community platform and invest in sports events hosting, broadcasting, training and app development. This will gradually accelerate Peak's business transformation from a professional sportswear manufacturer to a professional sports services provider. These measures will increase brand loyalty and extend the life cycles of the Group's products. In addition to enhancing the user experience and improving brand loyalty, the Group will also take advantage of market opportunities created by China's national "Internet+" strategy to gradually complete its transformation and upgrade to a comprehensive sports solution provider.

Dwight

Howard

of Houston Rockets

HOWARD

Corporate Governance Report

The Board is pleased to present this Corporate Governance Report in the Company's annual report for the year ended 31 December 2015.

The Company believes that good corporate governance practices are very important for maintaining and promoting investor confidence and for a sustainable growth of the Group. The Company has made continued 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 Company has applied the principles as contained in the CG Code during the year ended 31 December 2015.

To the best knowledge of the Board, the Company has complied with all the code provisions set out in the CG Code during the year ended 31 December 2015. The Company will continue to enhance its corporate governance practices appropriate to the conduct and growth of its business and to review its corporate governance practices from time to time to ensure they comply with relevant regulatory requirements and to meet the rising expectations of shareholders and other stakeholders. The following summarizes the Company's corporate governance practices.

(A) The Board

(A.1) Responsibilities and Delegation

The Board, led by the Chairman, is responsible for the leadership, management and control of the Company, oversees the Group's business strategic direction and performance and is collectively responsible for promoting the success of the Group by directing and supervising the Group's affairs. In addition, the Board is responsible for performing corporate governance functions set out in code provision D.3.1 of the CG Code. During 2015, the Board has performed such corporate governance functions as follows: (i) reviewed and developed the Group's policies and practices on corporate governance in response to the implementation of the CG Code; (ii) reviewed and monitored the training and continuous professional development of Directors and senior management; (iii) reviewed and monitored the Group's policies and practices on compliance with legal and regulatory requirements; (iv) developed, reviewed and monitored the compliance with the Model Code and the employees' written guidelines for securities transactions; and (v) reviewed the Group's compliance with the CG Code and disclosure in the Corporate Governance Report.

The Board has also delegated various responsibilities to the board committees. All the Directors carry out their duties in good faith and in compliance with applicable laws and regulations, making decisions objectively and acting in the interests of the Company and its shareholders. The Chairman is responsible for the leadership and effective functioning of the Board, while the EDs and the senior management are delegated with the authority to manage the day-to-day business of the Group in all aspects. The Chairman approves board meeting agendas and ensures that the Directors receive adequate, reliable and timely information on all board matters.

The EDs are responsible for different business and functional divisions of the Group in accordance with their respective areas of expertise. Daily operations and administration are delegated to the management, which are given clear directions as to their powers — particularly with respect to circumstances under which they should report back to and obtain prior approvals from the Board before making decisions or entering into any commitments on behalf of the Company.

(A.2) Board Composition

The Board members during the year ended 31 December 2015 and up to the date of this report are as follows:

EDs:

Mr. Xu Jingnan	*(Chairman of the Board, Chairman of the Executive Committee and Member of the Remuneration Committee)*
Mr. Xu Zhihua	*(Chief Executive Officer and Member of the Executive Committee)*
Mr. Xu Zhida	*(Member of the Executive Committee)*

NED:

Ms. Wu Tigao

INEDs:

Dr. Xiang Bing	*(Chairman of both the Audit Committee and Remuneration Committee and Member of the Nomination Committee)*
Mr. Feng Lisheng	*(appointed on 12 January 2015; Chairman of the Nomination Committee and Member of both the Audit Committee and Remuneration Committee)*
Mr. Zhu Haibin	*(appointed on 1 January 2016; Member of each of the Audit Committee, Remuneration Committee and Nomination Committee)*
Mr. Wang Mingquan	*(resigned on 1 January 2016; Former Chairman of the Nomination Committee and former Member of both the Audit Committee and Remuneration Committee)*
Dr. Ouyang Zhonghui	*(resigned on 12 January 2015; Former member of each of the Audit Committee, Remuneration Committee and Nomination Committee)*

Mr. Xu Jingnan, Mr. Xu Zhihua, Mr. Xu Zhida and Ms. Wu Tigao are members of the same family with Mr. Xu Jingnan being the spouse of Ms. Wu Tigao and father of both Mr. Xu Zhihua and Mr. Xu Zhida. Biographical details of the current Directors and the relationship among them are also set out in the section headed "Directors and Senior Management" on pages 50 to 52 of this annual report.

The Board includes a balanced composition of EDs, NED and INEDs such that there is a sufficient independent element in the Board to exercise independent judgement on issues of strategy, policy, performance, accountability, resources, key appointment and standards of conduct.

The NED and INEDs possess different business and professional backgrounds. Throughout the year ended 31 December 2015, the Board has met the requirements of Listing Rules 3.10 and 3.10A of having three independent non-executive directors (representing not less than one-third of the Board) with one of them possessing appropriate accounting and related financial management expertise.

The Board has received from each of the existing INEDs an annual written confirmation of independence pursuant to Listing Rule 3.13 and the Board considers each of them independent up to the date of this report.

Corporate Governance Report

(A.3) *Board Meetings and Board Practices*

The Board meets regularly and holds at least four regular meetings every year for considering, reviewing and approving, if appropriate, financial and operating performance, matters on corporate governance and overall strategies and policies of the Company. Additional meetings are held when significant events or important issues are to be discussed and decided. During the year ended 31 December 2015, the Board held four meetings. Details of individual attendance of each Director at these meetings are set out below:

Directors	Meetings attended/held	Attendance (%)
EDs		
Mr. Xu Jingnan *(Chairman)*	4/4	100
Mr. Xu Zhihua	4/4	100
Mr. Xu Zhida	4/4	100
NED		
Ms. Wu Tigao	4/4	100
INEDs		
Dr. Xiang Bing	3/4	75
Mr. Wang Mingquan	4/4	100
Dr. Ouyang Zhonghui (Note)	N/A	N/A
Mr. Feng Lisheng	4/4	100

Note:
Dr. Ouyang Zhonghui resigned as an INED on 12 January 2015. Prior to his resignation, no Board meeting was held during the year ended 31 December 2015.

A formal notice of at least 14 days would be given to all Directors before each regular Board meeting. For all other Board meetings, reasonable notice would be given. All Directors are consulted on any matters proposed for inclusion in an agenda. Board papers and related materials are made available to the Directors not less than three days before the intended date of a Board meeting to enable the Directors to make informed decisions on Board matters. In addition, draft and final versions of minutes of Board meetings are sent to all Directors for comments and records respectively within a reasonable time after the Board meetings. The Company Secretary is responsible to keep minutes of all Board meetings.

The Chief Financial Officer, Company Secretary and members of the senior management normally attend regular Board meetings and, when and where necessary, other Board meetings to advise on business developments, financial and accounting matters, statutory compliance, corporate governance and other major aspects of the Group.

Directors are required to declare their interests in the matters to be passed in a resolution, if any. If a substantial shareholder or a Director has a material conflict of interest in a matter to be considered by the Board, such matter will be dealt with pursuant to applicable rules and regulations in a Board meeting and, if appropriate, an independent Board committee will be set up to deal with such matter.

Directors are timely informed of any major changes that may affect the Group's business, as well as changes in relevant rules and regulations. In addition, they have an access to advice and services of the Company Secretary to ensure that Board procedures and all applicable rules and regulations are followed. Where appropriate, they can also obtain independent professional advice at the expense of the Company.

(A.4) Chairman and Chief Executive

Code provision A.2.1 of the CG Code provides that the roles of Chairman and Chief Executive should be separate and should not be performed by the same individual. The positions of the Chairman and Chief Executive Officer of the Company are held separately by Mr. Xu Jingnan and Mr. Xu Zhihua respectively in order to maintain an effective segregation of duties in respect of the leadership of the Board and the day-to-day management of the Group's business and a balance of power and authority.

The respective responsibilities of the Chairman of the Board and the Chief Executive Officer have been established and set out in writing. The Chairman provides leadership to the Board so that the Board works effectively and discharges its responsibilities and that all key issues are discussed by the Board in a timely manner.

The Chief Executive Officer is responsible for the formulation of business directions and operational decisions of the management and performance of the Group. The Chief Executive Officer, together with other EDs and the senior management, are responsible for the implementation of strategies adopted by the Board and assume full accountability to the Board for the operation of the Group.

(A.5) Appointment and Re-election of Directors

All Directors, including the NED and the INEDs, are appointed for a term of three years and are subject to retirement by rotation and re-election in accordance with the Company's Articles of Association.

According to the Company's Articles of Association, one-third of the Directors for the time being (if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation at each AGM provided that every Director shall be subject to retirement at an AGM at least once every three years. In addition, any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting after his appointment and any Director appointed by the Board as an addition to the existing Board shall hold office until the next following AGM. The retiring Directors are eligible for re-election by the shareholders at the respective general meetings.

Corporate Governance Report

At the forthcoming 2016 AGM, Mr. Xu Jingnan and Ms. Wu Tigao, being one-third of the Directors, shall retire by rotation. In addition, Mr. Zhu Haibin, who has been appointed as a director of the Company with effect from 1 January 2016, will hold office until the 2016 AGM according to the provisions in the Company's Articles of Association stated in the above paragraph. The above retiring Directors, being eligible, will offer themselves for re-election at the 2016 AGM. The Nomination Committee of the Company has also considered and recommended the re-election of these three retiring Directors. The Company's circular, sent together with this annual report, contains detailed information of these Directors pursuant to the requirements set out in the Listing Rules.

(A.6) Induction and Continuing Development for Directors

Each newly appointed Director shall receive induction on the first occasion of his/her appointment, so as to ensure that he/she has appropriate understanding of the business and operation of the Group and that he/she is aware of his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

The existing Directors are updated with legal and regulatory developments, and the business and market changes to refresh their knowledge and to facilitate the discharge of their duties. Continuing briefings to Directors are arranged whenever necessary. In addition, reading materials on legal and regulatory updates are provided to Directors from time to time for their studying and reference.

For the year ended 31 December 2015, all Directors complied with the code provision A.6.5 of the CG Code on continuous professional training through participating in the following activities:

Directors	Activities
Mr. Xu Jingnan	A, B, C
Mr. Xu Zhihua	A, B, C
Mr. Xu Zhida	A, C
Ms. Wu Tigao	C
Dr. Xiang Bing	B, C
Mr. Wang Mingquan	A, C
Dr. Ouyang Zhonghui	N/A (Note)
Mr. Feng Lishing	A, C

Key: A: As an attendee to seminars/conferences organized by independent third parties
B: As a presenter in seminars/conferences organized by independent third parties
C: Reading technical bulletins, periodicals and other publications on subjects relevant to the roles, functions and duties of a director of a listed company

Note: Dr. Ouyang Zhonghui resigned as an INED and a member of each of the Audit Committee, Remuneration Committee and Nomination Committee on 12 January 2015.

(A.7) Securities Transactions by Directors and Relevant Employees

The Company has adopted the Model Code as its own code of conduct regarding Directors' securities transactions in the Company. All the Directors have confirmed, following specific enquiry made by the Company, that they have complied with the required standards set out in the Model Code throughout the year ended 31 December 2015 and up to the date of this report.

The Company has also established written guidelines on no less exacting terms than the Model Code for securities transactions by employees who are likely to possess inside information of the Company and/or its securities. No incident of non-compliance of the written guidelines by the Group's employees has been noted by the Company throughout the year ended 31 December 2015 and up to the date of this report.

When the Company is aware of any restricted period for dealings in the Company's securities, the Company will notify its Directors and relevant employees in advance. The Company has implemented compliance procedures which, among other things, include requiring Directors to copy all notifications of intended dealing in the Company's securities to the Company Secretary in addition to the Chairman (or a specifically designated Director).

(B) Board Committees

The Board has established four Board committees, namely the Executive Committee, the Audit Committee, the Remuneration Committee and the Nomination Committee, for overseeing particular aspects of the Group's affairs. All Board committees have been established with defined written terms of reference which are now available on the Hong Kong Stock Exchange's website www.hkexnews.hk and the Company's website (except for the written terms of reference of the Executive Committee which is available to shareholders upon request). All the Board committees should report to the Board on their decisions or recommendations made.

The practices, procedures and arrangements in conducting meetings of Board committees follow in line with, so far as practicable, those of the Board meetings set out in section (A.3) above.

All Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances at the Company's expense.

(B.1) Executive Committee

The Executive Committee comprises all the EDs with the Chairman of the Board, Mr. Xu Jingnan, acting as the chairman of such Committee. The Executive Committee operates as a general management committee under the direct authority of the Board to increase the efficiency for business decisions. It monitors the execution of the Group's strategic plans and operations of all business units of the Group and discusses and makes decisions on matters relating to the management and day-to-day operation of the Group.

Corporate Governance Report

(B.2) Audit Committee

The Audit Committee comprises three members who are all INEDs. On 1 January 2015, these three members were Dr. Xiang Bing, Mr. Wang Mingquan and Dr. Ouyang Zhonghui. On 12 January 2015, Dr. Ouyang Zhonghui resigned as an INED and a member of the Audit Committee and Mr. Feng Lisheng was appointed as an INED and a member of the Audit Committee on the same date. The chairman of the Audit Committee is Dr. Xiang Bing, who possesses the appropriate accounting and financial management expertise as required under Rule 3.10(2) of the Listing Rules. None of the members of the Audit Committee is a former partner of the Company's existing external auditor. On 1 January 2016, Mr. Wang Mingquan resigned as an INED and a member of the Audit Committee while Mr. Zhu Haibin was appointed as an INED and a member of the Audit Committee on the same date.

The primary duties of the Audit Committee include: (i) to review the financial statements and reports and consider any significant or unusual items raised by the Company's staff responsible for the accounting and financial reporting function, compliance officer or auditor before submission to the Board; (ii) to review the work of the external auditor, its fees and terms of engagement, and make recommendation to the Board on the appointment, re-appointment and removal of the external auditor; and (iii) to review the adequacy and effectiveness of the Company's financial reporting system, internal control system, risk management system and associated procedures.

During the year ended 31 December 2015, the Audit Committee held four meetings. Details of individual attendance of each member at these meetings are set out below:

Audit Committee Members	Meetings attended/held	Attendance (%)
Dr. Xiang Bing *(Chairman)*	4/4	100
Mr. Wang Mingquan	4/4	100
Dr. Ouyang Zhonghui (Note)	N/A	N/A
Mr. Feng Lisheng	4/4	100

Note: Dr. Ouyang Zhonghui resigned as a member of the Audit Committee on 12 January 2015. Prior to his resignation, no Audit Committee meeting was held during the year ended 31 December 2015.

The external auditor attended three of the above four meetings to discuss with the Audit Committee members on audit and financial reporting matters.

To the best knowledge of the Directors, there is no disagreement between the Board and the Audit Committee regarding the appointment of the external auditor.

The Audit Committee has performed the following major works during the year ended 31 December 2015:

- review and discussion of the annual report and accounts for the year ended 31 December 2014, and the related accounting principles and practices adopted by the Group;

- review of the independence of the external auditor and recommendation of its re-appointment at the Company's 2015 AGM;

- discussion of the nature, plan and scope of the review of the Group's interim financial report for the six months ended 30 June 2015;

- review and discussion of the interim report and accounts for the six months ended 30 June 2015, and the related accounting principles and practices adopted by the Group; and

- review and discussion of the Group's internal control system.

In addition, the Audit Committee considered the compliance of the non-competition undertaking provided by the Company's controlling shareholders and their affiliates (each a "Covenantor" and collectively, "Covenantors") during the year ended 31 December 2015.

Pursuant to a deed of non-competition (the "Non-competition Deed") made between the Company (for itself and on behalf of its subsidiaries) and the Covenantors dated 8 September 2009, the Covenantors are, among other things, not permitted to carry on, participate, acquire or hold any right or interest, directly or indirectly, in any business which is in any respect in competition directly or indirectly with or similar to the Group's business (the "Restricted Business") within Hong Kong and the PRC and such other parts of the world where any member of the Group carries on business from time to time (the "Restricted Territories"). In addition, when any of the Covenantors is offered or becomes aware of any business investment or commercial opportunity directly or indirectly relating to the Restricted Business in any of the Restricted Territories, the Covenantor should notify the Company and refer such business opportunity to the Company for consideration. The Covenantor should not invest or participate in any business opportunity unless such opportunity has been rejected by the Company in writing and the principal terms of which the Covenantor invests or participates are no more favourable than those made available to the Company.

All the Covenantors have declared, following specific enquiry made by the Audit Committee, that they have complied with the non-competition undertaking as set out in the Non-competition Deed during the year ended 31 December 2015.

The Audit Committee reviewed the compliance of the non-competition undertaking and considered that all the Covenantors complied with such undertaking during the year ended 31 December 2015.

(B.3) Remuneration Committee

On 1 January 2015, the Remuneration Committee comprised four members, being one ED, Mr. Xu Jingnan, and three INEDs, Dr. Xiang Bing, Mr. Wang Mingquan and Dr. Ouyang Zhonghui. On 12 January 2015, Dr. Ouyang Zhonghui resigned as an INED and a member of the Remuneration Committee while Mr. Feng Lisheng was appointed as an INED and a member of the Remuneration Committee on the same date. The chairman of the Remuneration Committee is Dr. Xiang Bing. On 1 January 2016, Mr. Wang Mingquan resigned as an INED and a member of the Remuneration Committee while Mr. Zhu Haibin was appointed as an INED and a member of the Remuneration Committee on the same date.

The primary functions of the Remuneration Committee include the followings:

- to make recommendations to the Board on the Company's policy and structure of the remuneration of the Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration;
- to review and make recommendations to the Board on performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time;
- to ensure that no Director or any of his/her associate is involved in deciding his/her own remuneration; and
- to make recommendations to the Board on the remuneration packages of individual Director (both executive and non-executive) and senior management (i.e. the model described in the code provision B.1.2(c)(ii) was adopted).

The Directors receive their remuneration in the form of salaries, benefits in kind and discretionary bonuses relating to the performance of the Group. They are also reimbursed for expenses which are necessarily and reasonably incurred for providing services to the Company or the Group or executing their functions in relation to the operations of the Company and the Group. The Directors' remuneration packages may also include options granted under the Company's share option scheme. The Remuneration Committee reviews the remuneration or compensation packages of the Directors and senior management with reference to the remuneration packages adopted by comparable companies, time commitment and responsibilities of relevant personnel and performance of the Group.

During the year ended 31 December 2015, the Remuneration Committee held one meeting. Details of individual attendance of each member at the meeting are set out below:

Remuneration Committee Members	Meeting attended/held	Attendance (%)
Dr. Xiang Bing *(Chairman)*	1/1	100
Mr. Wang Mingquan	1/1	100
Dr. Ouyang Zhonghui (Note)	N/A	N/A
Mr. Xu Jingnan	1/1	100
Mr. Feng Lisheng	1/1	100

Note: Dr. Ouyang Zhonghui resigned as a member of the Remuneration Committee on 12 January 2015. Prior to his resignation, no Remuneration Committee meeting was held during the year ended 31 December 2015.

At the aforesaid Remuneration Committee meeting, the Remuneration Committee reviewed and recommended the 2015 year-end bonuses for the EDs and senior management, and the remuneration of all Directors and senior management in 2016. The Remuneration Committee also considered and recommended the terms and conditions of the service agreement with Mr. Zhu Haibin regarding his appointment as an INED. Details of the remuneration of Directors for the year ended 31 December 2015 are set out in note 7 to the consolidated financial statements on page 89 of this annual report. Details of remuneration of members of senior management for the year ended 31 December 2015 fall within the following bands:

Remuneration	Number of individuals
HK$1,000,000 or below	4
HK$2,000,001 to HK$2,500,000	1

(B.4) Nomination Committee

The Nomination Committee comprises three members who are all INEDs. On 1 January 2015, these three members were Dr. Xiang Bing, Mr. Wang Mingquan and Dr. Ouyang Zhonghui. On 12 January 2015, Dr. Ouyang Zhonghui resigned as an INED and a member of the Nomination Committee while Mr. Feng Lisheng was appointed as an INED and a member of the Nomination Committee on the same date. The chairman of the Nomination Committee was Mr. Wang Mingquan. On 1 January 2016, Mr. Wang Mingquan resigned as an INED and the chairman of the Nomination Committee while Mr. Zhu Haibin was appointed as an INED and a member of the Nomination Committee on the same date. Mr. Feng Lisheng was also appointed as the chairman of the Nomination Committee on 1 January 2016.

Corporate Governance Report

The primary duties of the Nomination Committee include the followings:

- to review the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis and to recommend any changes to the Board;
- to identify qualified and suitable individuals to become Board members and to select or make recommendations to the Board on the selection of individuals nominated for directorships;
- to assess the independence of INEDs, having regard to the requirements under the Listing Rules; and
- to make recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors and succession planning for Directors, in particular the Chairman and the Chief Executive Officer of the Company.

In considering the appointment of a new Director, the Nomination Committee may make reference to certain criteria such as integrity, independent mindedness, experience, skill, board diversity and the amount of time and effort that a candidate will devote to carry out his/her duties and responsibilities as a Director.

During the year ended 31 December 2015, the Nomination Committee held two meetings. Details of individual attendance of each member at the meetings are set out below:

Nomination Committee Members	Meetings attended/held	Attendance (%)
Mr. Wang Mingquan *(Chairman)*	2/2	100
Dr. Xiang Bing	2/2	100
Dr. Ouyang Zhonghui (Note)	N/A	N/A
Mr. Feng Lisheng	2/2	100

Note: Dr. Ouyang Zhonghui resigned as a member of the Nomination Committee on 12 January 2015. Prior to his resignation, no Nomination Committee meeting was held during the year ended 31 December 2015.

At the foregoing meetings, the Nomination Committee: (i) reviewed the structure, size and composition of the Board to ensure that it has a balance of expertise, skills and experience appropriate to the requirements for the business of the Group; (ii) considered and recommended the re-election of the retiring Directors at the 2015 AGM; (iii) assessed the independence of INEDs; (iv) reviewed the policy on the diversity of the Board; and (v) considered and recommended the appointment of Mr. Zhu Haibin in place of Mr. Wang Mingquan as an INED.

According to the diversity policy of the Board adopted by the Company, the Board takes into account various elements of diversity including but not limited to age, gender, cultural and educational background, skills, professional knowledge, and industry experience in designing the composition of the Board. All Board appointments are based on meritocracy and due regard is given to Board diversity to ensure the Company can obtain the benefits of such diversity. The Nomination Committee is responsible for the monitoring and review of the policy. During the year ended 31 December 2015, the Nomination Committee was satisfied with the diversity of the existing Board and did not, for the time being, set up any measureable objective regarding board diversity.

(C) Accountability and Audit

The Board is provided with explanations and information by the senior management of the Company, so that the Directors have an informed assessment of the financial and other information of the Group putting forward to the Board for discussion and approval.

All the Directors have acknowledged their responsibilities for preparing and reviewing the financial statements of the Group and ensure that the financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2015 and of the financial performance and cash flows of the Group for the year then ended. In preparing the above financial statements, the Board has selected and applied suitable accounting policies and principles generally accepted internationally, has made prudent and reasonable judgements and estimates, and has prepared the financial statements on a going concern basis. The statement by the external auditor of the Company regarding its reporting responsibilities on the financial statements of the Group is set out in the "Independent Auditor's Report" on pages 62 to 63 of this annual report.

The Board's endeavors to present a balanced, clear and understandable assessment of the Group's position and prospects extend to annual and interim reports, other price-sensitive announcements and financial disclosures of the Company required under the Listing Rules and other applicable rules, and to other reports to regulators as well as to other information required to be disclosed pursuant to statutory requirements. Accordingly, the Board will exercise due care in reviewing any relevant announcements, reports, or any other information before they are published.

For the year ended 31 December 2015, the remuneration paid and payable to KPMG, the Company's external auditor, amounted to RMB2.6 million for audit services to the Group and RMB1.3 million for non-audit services. The non-audit services related to a review of the Group's interim financial report and assistance in the Group's review of its internal control system.

(D) Company Secretary

The Board appoints its Company Secretary in accordance with the Company's Articles of Association and in compliance with the relevant requirements of the Listing Rules. Biographical details of the current Company Secretary is set out in the section headed "Directors and Senior Management" on page 52 of this annual report. The Company Secretary complied with the professional training requirement as set out in the Listing Rule 3.29 during the year ended 31 December 2015.

(E) Internal Controls

The Board acknowledges its responsibility in maintaining an effective and sound internal control system for the Group to safeguard the Group's assets and protect the interests of its shareholders. The internal control system is also designed to ensure the effectiveness and efficiency of the Group's operation, to enhance reliability of internal and external financial reporting, and to ensure compliance of applicable laws and regulations.

During the year ended 31 December 2015, the Board conducted a review of the effectiveness of the Group's internal control system. The review covered all material controls, including financial, operational and compliance controls and risk management functions. The Board also considered the Group's adequacy of resources, qualifications and experience of staff in its accounting and financial reporting functions, and their training programmes and budget.

(F) Shareholders' Rights

The Company's shareholders may convene an extraordinary general meeting or put forward proposals at shareholders' meetings according to the following procedures:

(1) A shareholder may request the Board to convene an extraordinary general meeting pursuant to Article 58 of the Company's Articles of Association by sending a written requisition to the Board or the Company Secretary at the Company's principal place of business in Hong Kong, provided that the shareholder's shareholding is not less than one-tenth of the paid-up capital of the Company. The objects of the meeting must be stated in the written requisition.

(2) If a shareholder wishes to put forward proposals at a shareholders' meeting, the shareholder, who has satisfied the shareholding requirements set out in (1) above, may follow the same procedures as described in (1) above by sending a written requisition to the Board or the Company Secretary at the Company's principal place of business in Hong Kong. The shareholder should state his/her proposals in the written requisition and submit the written requisition as early as practicable to enable the Company Secretary to make necessary arrangement.

(3) If a shareholder wishes to propose a person other than a retiring director for election as a director of the Company at a general meeting, pursuant to Article 85 of the Company's Articles of Association, the shareholder (other than the person to be proposed) should prepare a written notice duly signed by him/her of his/her intention to propose a person for the election and a notice duly signed by the person to be proposed of his/her willingness to be elected. These notices should be lodged at the Company's principal place of business in Hong Kong or its share registrar at least 7 days prior to the date of the general meeting. Where the notices are submitted after the dispatch of the notice of the general meeting, the period for the lodgment of the notices should commence on the day after the dispatch of the notice of the general meeting and end not later than 7 days prior to the date of the general meeting.

For the avoidance of doubt, the shareholder must provide his/her full name, contact details and identification, in the signed requisition, notice or statement (as the case may be), in order to give effect thereto. Information of the shareholder may be disclosed as required by law.

During 2015, the Company has not made any changes to its Articles of Association. An up-to-date version of the Articles of Association is available on the websites of the Company and the Hong Kong Stock Exchange. Shareholders may refer to the Articles of Association for further details of the rights of shareholders.

(G) Investor Relations and Communications with Shareholders

The Company highly values its relationship with 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 main features of the system are as follows:

- The Company maintains a corporate website www.peaksport.com on which comprehensive information about the Group, including products and services provided, financial reports, public announcements, circulars and news of the Group, is disclosed. Shareholders can obtain corporate communication electronically via the Company's website.

- The Company establishes and maintains different communication channels with its shareholders and other stakeholders through annual reports, interim reports and press releases.

- AGM provides a useful forum for shareholders to exchange views with the Board. The respective chairmen of the Board and Audit, Remuneration and Nomination Committees (or in the absence of the chairmen of such Committees, another member of each Committee or failing this, his duly appointed delegate) will endeavor to be available to answer questions raised by shareholders.

- Separate resolutions are proposed at general meetings for each substantially separate issue, including the election of individual Directors.

- Details of the proposed resolutions to be put forward at a general meeting are, where necessary or appropriate, included in a circular to the shareholders dispatched prior to the date of the relevant general meeting.

- All resolutions put to the vote of a general meeting are taken by poll. The poll results are published on the Hong Kong Stock Exchange's website www.hkexnews.hk and on the Company's website.

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.

The shareholders' communication policy is available on the Company's website www.peaksport.com under the "Investor Relations/Corporate Governance" section.

Corporate Governance Report

During the year ended 31 December 2015, the Company held one shareholders' meeting, being the 2015 AGM held on 8 May 2015. Details of individual attendance of each Director at the 2015 AGM are set out below:

Directors	Shareholders' Meeting attended/held	Attendance (%)
EDs		
Mr. Xu Jingnan *(Chairman)*	1/1	100
Mr. Xu Zhihua	1/1	100
Mr. Xu Zhida	1/1	100
NED		
Ms. Wu Tigao	0/1	0
INEDs		
Dr. Xiang Bing	0/1	0
Mr. Wang Mingquan	1/1	100
Mr. Feng Lisheng	1/1	100
Dr. Ouyang Zhonghui (resigned on 12 January 2015)	N/A	N/A

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

Shareholders may request for a 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 a reasonable prior notice in writing to the Company's share registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong. Shareholders may also send such a notice by email to peak-ecom@hk.tricorglobal.com.

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.

Corporate Social Responsibility Report

Statement of policies

The Group has incorporated the performance of corporate social responsibilities into its development strategies, corporate governance structures, corporate culture and business processes. The above arrangement coupled with the Group's determination to create a harmonious environment for its shareholders, staff and the community at large, enable the Group to achieve sustainable development.

Based on its understanding of the risks and opportunities in the market, the Group has established its strategic mission for corporate social responsibilities as "Efficiency in operation, growth for staff, cooperation for win-win situation and contribution to society" to ensure a sustainable development.

To enhance corporate governance

The Group believes that good corporate governance practices are very important for maintaining and promoting investor confidence and for the sustainable growth of the Group. The Group has therefore made continued efforts to uplift its quality of corporate governance. It has established a highly effective system of internal controls and adopted a series of measures to ensure its safety and effectiveness. As a result, the Group is able to safeguard its assets and protect the interests of its shareholders.

Starting from 2011, the Group appoints independent corporate advisory firm to review its risk and internal controls every year from the perspective of its organizational structure, operations, financial function, etc. A report with recommendations on improvement is issued after each review for reference.

To grow with our staff

The Group strives to resolve safety issues in its production workshops that may be hazardous to the health of its workers. It monitors and assesses safety measures periodically and carries out emergency drills half-yearly. The Group also provides training on safety matters for its employees so as to reduce the occurrence of accidents. The Group places much emphasis on the career development of its employees. It organizes various professional education and training activities to enhance business skills and professional ethics of its employees. The Group also holds training sessions on knowledge about Peak branded products and marketing techniques for employees from the Group's marketing department, its distributors and third party retail outlets operators. These training sessions received good responses from participants.

The Group is dedicated to creating a good working environment through continuous improvement in employee benefits such as refurbishment of staff dormitory and improvement of facilities at staff canteens. The Group organizes various recreational and entertainment activities for its employees to enrich their lives at leisure. The Group also allows its employees to form a labour union and women's association. These organizations provide various kinds of assistance to employees.

Corporate Social Responsibility Report

To fulfill environmental protection responsibilities

The Group obtained the ISO14001 certification regarding its environmental protection system and has prepared and implemented the "Peak Sport Environmental Protection Manual". The manual covers modules on management for environmental protection, including directions, strategies, implementation, operation, inspection, appraisal, etc. The Group carries out inspection on the operation of its system on environmental management twice a year. In addition, it also conducts a review of compliance of rules and regulations on environmental protection regarding research and development of new products, production processes, and related management practices and activities every year. A compliance review report is issued for reference.

The Group strictly controls the discharge of sewage, exhaust gas and residual materials during its daily production processes. It also actively implements measures on the reduction of noises and separation of residual materials for different treatments. All these controls and measures have enabled the Group to comply with relevant rules and regulations of the state and local authorities on sewage, noises and residual materials. In addition, the Group carries out an inspection of its environmental management in all production workshops every month to reduce the impact on the environment arising from the production processes.

Further, the Group takes account of environmental protection issues in developing and designing new products. It only uses materials which have passed relevant physical and safety tests and complied with relevant rules and regulations. In its day-to-day operations, the Group advocates "paperless office" and actively promotes electronic management information system. In addition, the Group concerns about the responsibilities of its suppliers on environmental protection. The Group only enters into contracts with suppliers which can produce inspection reports issued by approved authorities regarding materials used for their production and/or products manufactured by them.

To participate in charitable activities

As the Group has been receiving a lot of support from different segments of the society since its establishment, it always upholds the principle of "rewarding to society and creating value for society" and has been actively participating in community and charitable activities.

2015 is the fourth consecutive year that the Group has cooperated with "Yao Foundation" to support "Yao Foundation Hope Primary School Basketball Season" by supplying apparel and footwear to participants and volunteers in competitions to enable the children in all Hope schools throughout China to have an opportunity to know more about the basketball sport and its spirit. In addition, the Group also arranged and supported its promotion partners and endorsed athletes to participate in charitable activities. During the Peak Team China Tour, the Group arranged its endorsed NBA players to teach children from remote areas basketball skills and donated Peak's products so that these children were able to experience the glamour of the basketball sport.

Every year, the Group makes contribution to the Peak Sport Charity Fund which is set up by the Group and Quanzhou Charity Foundation and other charitable organizations. During 2015, the Group's total contribution for charitable purposes amounted to RMB4 million.

Directors and Senior Management

Executive Directors

Mr. Xu Jingnan, aged 60, is the founder of the Group. He is also the Chairman, an ED, the chairman of the Executive Committee and a member of the Remuneration Committee of the Company. Mr. Xu is also a director and/or a member of senior management of various subsidiaries of the Company. He is the key decision-maker of the Group and responsible for the operation of the Board as well as the Group's overall strategic planning and the management of the Group's businesses. Mr. Xu launched the Peak brand in 1991 and has over 20 years of experience in the sportswear industry in China. In addition, Mr. Xu is a member of the 12th Fujian Provincial People's Congress, a member of the 15th Quanzhou Municipal People's Congress, the vice-chairman of the Committee of the Chinese People's Political Consultative Conference in Fengze, the vice-chairman of Federation of Fujian Industry and Commerce and the vice-chairman of Quanzhou Federation of Industry and Commerce. Mr. Xu graduated from Central Institute of Socialism, majoring in Business Administration, in 1994. He was recognized as an economist in 1991 by the Human Resources Bureau of Fujian Province. He is also the controlling shareholder and director of Ever Sound Development Limited (a controlling shareholder of the Company), the spouse of Ms. Wu Tigao (a controlling shareholder and a NED of the Company), the father of Mr. Xu Zhihua (a substantial shareholder, the Chief Executive Officer and an ED of the Company) and Mr. Xu Zhida (a substantial shareholder and an ED of the Company), and the father-in-law of Ms. Wu Bingrui (the Sales Director (International Sales) of the Company).

Mr. Xu Zhihua, aged 37, is an ED, Chief Executive Officer and a member of the Executive Committee of the Company. Currently, he is also a director and/or a member of senior management of certain subsidiaries of the Company. Mr. Xu is primarily responsible for day-to-day operation of the Group's business. Mr. Xu joined the Group in 2001 and has more than 10 years of experience in the sportswear industry in China. Mr. Xu obtained a Bachelor of Science degree in Applied Information Technology from Sichuan University in 2001 and a Master of Business Administration degree from Guanghua School of Management, Peking University in 2004. Mr. Xu was accredited "Top 10 Outstanding Young Entrepreneur of Quanzhou" in 2007 by various local authorities, including the Chinese Communist Party Quanzhou Commission (中共泉州市委組織部). He is also the sole shareholder and director of Alpha Top Group Limited (a substantial shareholder of the Company), a son of Mr. Xu Jingnan (a controlling shareholder, the Chairman and an ED of the Company) and Ms. Wu Tigao (a controlling shareholder and a NED of the Company), the elder brother of Mr. Xu Zhida (a substantial shareholder and an ED of the Company) and the brother-in-law of Ms. Wu Bingrui (the Sales Director (International Sales) of the Company).

Mr. Xu Zhida, aged 35, is an ED and a member of the Executive Committee of the Company. Currently, he is also a director and/or a member of senior management of certain subsidiaries of the Company. Mr. Xu is primarily responsible for the Group's internal audit function. Mr. Xu joined the Group in 2000 and has more than 10 years of experience in the sportswear industry in China. He is also the sole shareholder and director of Brilliant Lead Group Limited (a substantial shareholder of the Company), a son of Mr. Xu Jingnan (a controlling shareholder, the Chairman and an ED of the Company) and Ms. Wu Tigao (a controlling shareholder and a NED of the Company), a younger brother of Mr. Xu Zhihua (a substantial shareholder, the Chief Executive Officer and an ED of the Company) and the spouse of Ms. Wu Bingrui (the Sales Director (International Sales) of the Company).

Directors and Senior Management

Non-executive Directors

Ms. Wu Tigao, aged 61, is a NED of the Company. She is currently a director of a subsidiary of the Company and is responsible for certain cash management function of the Group. Ms. Wu joined the Group in 1996. Ms. Wu is a director and a shareholder of Ever Sound Development Limited (a controlling shareholder of the Company), the spouse of Mr. Xu Jingnan (a controlling shareholder, the Chairman and an ED of the Company), the mother of Mr. Xu Zhihua (a substantial shareholder, the Chief Executive Officer and an ED of the Company) and Mr. Xu Zhida (a substantial shareholder and an ED of the Company), and the mother-in-law of Ms. Wu Bingrui (the Sales Director (International Sales) of the Company).

Independent Non-executive Directors

Dr. Xiang Bing, aged 53, was appointed as an INED of the Company in September 2009. He is also the chairman of both the Audit Committee and the Remuneration Committee and a member of the Nomination Committee of the Company. Dr. Xiang obtained a Doctor of Philosophy degree in Accounting from University of Alberta, Canada in 1991. Dr. Xiang is currently the founding dean and professor of Cheung Kong Graduate School of Business. He has extensive experience in cooperating with multi-national corporations to offer professional training programs regarding, in particular, corporate governance and internal control, to their senior executives. Dr. Xiang resigned as an independent director of Perfect World Co., Ltd. and Yunnan Baiyao Group Co., Ltd. on 28 July 2015 and 27 November 2015 respectively. Currently, Dr. Xiang is acting as an independent non-executive director or independent director of a number of listed companies in Hong Kong and New York as follows:

Name of listed company	Stock code	Place of listing
Dan Form Holdings Company Limited	271	Hong Kong
HC International, Inc.	2280	Hong Kong
China Dongxiang (Group) Co., Ltd.	3818	Hong Kong
Enerchina Holdings Limited	622	Hong Kong
Sinolink Worldwide Holdings Limited	1168	Hong Kong
Longfor Properties Co. Ltd.	960	Hong Kong
E-House (China) Holdings Limited	EJ	New York

Mr. Feng Lisheng, aged 59, was appointed as an INED of the Company in January 2015. He is also the chairman of the Nomination Committee (appointed on 1 January 2016), a member of both the Audit Committee and the Remuneration Committee of the Company. Mr. Feng graduated from the Fujian Finance and Accounting Management Cadre College (currently known as Fujian Jiangxia University) with a major in accounting and auditing in 1987. He has been working in the banking industry for more than 30 years and has accumulated rich financial and management experience. Mr. Feng is currently a consultant of the China Construction Bank (the "Bank"), Quanzhou Branch. He joined the Bank since 1980 and served in several key positions in the Bank including the presidents of the Bank's Quanzhou Bincheng Branch and Huian Branch.

Mr. Zhu Haibin, aged 60, was appointed as an INED of the Company in January 2016. He is also a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company. Mr. Zhu has engaged in the administrative management of corporate entities in the PRC for nearly 30 years and has solid knowledge of laws and regulations in respect of the administrative management of entities in various industries in the PRC. He has just retired from the position of Researcher of the Administration for Industry and Commerce in Quanzhou. Prior to this position, Mr. Zhu had worked as the Vice Minister of the Administration for Industry and Commerce in Quanzhou and the Minister of the Administration for Industry and Commerce in Shishi, Licheng and Fengze.

Senior Management

Mr. Tsoi Ka Ho, aged 51, joined the Group in 2008 and is the Company's Chief Financial Officer and the Company Secretary. Mr. Tsoi graduated from The Hong Kong Polytechnic University with a Professional Diploma in Accountancy in 1988. He also obtained a Bachelor of Science degree in Economics from University of London in 1994. Mr. Tsoi is a member of the Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants and the Institute of Chartered Accountants in England and Wales. Mr. Tsoi has over 20 years of experience in auditing, accounting, financial control and financial management.

Mr. Li Wei, aged 39, joined the Group in 2007 and is the Deputy General Manager of Peak (China) Company Limited. Prior to joining the Group, Mr. Li has been in the managerial positions in a number of sportswear companies in the PRC for more than 10 years.

Ms. Li Yashuang, aged 51, joined the Group in 2004 and is the Group's Factory Manager (Apparel Division). Ms. Li has more than 20 years of management experience in apparel industry.

Ms. Wu Bingrui, aged 35, joined the Group in 2004 and is the Group's Deputy General Manager and Sales Director (International Sales). In addition to helping the Chief Executive Officer manage the Group's day-to-day business, Ms. Wu also looks after the sales of the Group's products overseas. Ms. Wu obtained a Bachelor of Arts degree in English Language from Fujian Normal University. Ms. Wu has approximately 11 years of sales and marketing experience in the sportswear industry. She is the daughter-in-law of Mr. Xu Jingnan (a controlling shareholder, the Chairman and an ED of the Company) and Ms. Wu Tigao (a controlling shareholder and a NED of the Company), the sister-in-law of Mr. Xu Zhihua (a substantial shareholder, the Chief Executive Officer and an ED of the Company) and the spouse of Mr. Xu Zhida (a substantial shareholder and an ED of the Company).

Ms. Lin Bi Lian, aged 47, joined the Group in 1989 and is the Group's Deputy General Manager and Sales Director (Domestic Sales). In addition to helping the Chief Executive Officer manage the Group's day-to-day business, Ms. Lin also looks after the sales of the Group's products in the PRC. Ms. Lin graduated from The Open University of Fujian (福建廣播電視大學), majoring in sales and marketing. Ms. Lin has over 20 years of sales and marketing experience in the sportswear industry.

Report of the Directors

The Directors are pleased to submit the directors' report together with the audited consolidated financial statements for the year ended 31 December 2015.

Registered office and principal place of business

The Company is incorporated and domiciled in the Cayman Islands. The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands while its principal place of business is located at Units 1613 & 1615, 16th Floor, Tower Two, Lippo Centre, 89 Queensway, Hong Kong.

Principal activities

The Group is principally engaged in manufacturing and distributing sports products including footwear, apparel and accessories. The principal activities and other particulars of the Group's subsidiaries are set out in note 17 to the consolidated financial statements.

Business review

A review of the Group's business during the year, which includes a discussion of the principal risks and uncertainties facing by the Group, an analysis of the Group's performance using financial key performance indicators, particulars of important events affecting the Group during the year, and an indication of likely future developments in the Group's business, can be found in the Management Discussion and Analysis set out on pages 11 to 31 of this annual report. In addition, discussions on the Group's environmental policies, relationships with its key stakeholders, and compliance with relevant laws and regulations which have a significant impact on the Group are also included in the Management Discussion and Analysis, Corporate Governance Report, and Corporate Social Responsibility Report of this annual report. The review forms part of this directors' report.

Major customers and suppliers

During the year, the Group sold less than 30% of its goods and services to its five largest customers.

The percentage of purchases for the year attributable to the Group's major suppliers are as follows:

The largest supplier	9.6%
Five largest suppliers in aggregate	31.6%

At no time during the year have the Directors, their close associates or any shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) had any interest in these major suppliers.

Recommended dividend

An interim dividend of HK8 cents (2014: HK4 cents) per ordinary share for the year ended 31 December 2015 was paid on 25 September 2015. The Directors recommended a payment of final dividend of HK7 cents (2014: HK8 cents) per ordinary share in respect of the year ended 31 December 2015. Such final dividend, which totals approximately RMB140,152,000 (2014: RMB132,920,000), is subject to the approval of the shareholders at the AGM to be held on 6 May 2016. The final dividend is expected to be paid on 27 May 2016 to shareholders whose names appear on the register of members of the Company on 20 May 2016.

Charitable donations

Charitable donations made by the Group during the year amounted to RMB4 million.

Share capital

The Company issued new ordinary shares during the year upon exercise of share options by the Company's directors and employees, and completion of the Top-up Placement (as defined under "Top-up placement" in the section headed "Equity linked agreements" below). Details of the movements in share capital of the Company are set out in note 26 to the consolidated financial statements. The reasons for the issue of the new ordinary shares are set out in the section headed "Equity linked agreements" below.

Distributable reserves

Distributable reserves of the Company as at 31 December 2015, calculated in accordance with the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, amounted to RMB991,181,000 (2014: RMB673,380,000).

Pre-emptive rights

There is no provision for pre-emptive rights under the Company's Articles of Association and there is no restriction against such rights under the laws of the Cayman Islands.

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 year.

Indemnity of directors

A permitted indemnity provision (as defined in the Hong Kong Companies Ordinance) for the benefit of the Directors of the Company is currently in force and was in force throughout the year.

Directors

The Directors during the financial year and up to the date of this report were:

EDs

Mr. Xu Jingnan *(Chairman)*
Mr. Xu Zhihua
Mr. Xu Zhida

NED

Ms. Wu Tigao

INEDs

Dr. Xiang Bing
Mr. Feng Lisheng (appointed on 12 January 2015)
Mr. Zhu Haibin (appointed on 1 January 2016)
Mr. Wang Mingquan (resigned on 1 January 2016)
Dr. Ouyang Zhonghui (resigned on 12 January 2015)

Report of the Directors

In accordance with Article 84 of the Company's Articles of Association, Mr. Xu Jingnan and Ms. Wu Tigao, being one-third of the Directors who are subject to retirement by rotation, will retire and, being eligible, offer themselves for re-election at the 2016 AGM.

Pursuant to Article 83(3) of the Company's Articles of Association, Mr. Zhu Haibin, who was appointed by the Board as an INED on 1 January 2016 to fill the casual vacancy left by the resignation of Mr. Wang Mingquan, shall hold office until 2016 AGM and, being eligible, will offer himself for re-election at the 2016 AGM.

Directors' service contracts

None of the Directors who is proposed for re-election at the AGM has a service contract with the Company which is not determinable within one year without payment of compensation other than statutory compensation.

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

As at 31 December 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	911,804,246	38.16%
Ms. Wu Tigao	Interest held by controlled corporation	1	911,804,246	38.16%
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%

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 these share options granted by the Company as required to be disclosed pursuant to the Listing Rules are set out in Part B of the section headed "Equity linked agreements" below.

+ The percentage represents the number of ordinary shares/underlying shares interested divided by the number of the Company's issued shares as at 31 December 2015.

Save as disclosed above and in the section headed "Equity linked agreements" below, as at 31 December 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, 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.

Directors' rights to acquire shares or debentures

Save as disclosed in Part B of the section headed "Equity linked agreements" below, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Directors or their respective spouses or minor children, or were any such rights exercised by them; or was the Company, or any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

Equity linked agreements

Details of the equity-linked agreements entered into by the Company during the year or subsisting at the end of the year are set out below:

(A) 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 agreements of transactions (collectively "Top-up Placement") whereby: (i) the controlling shareholder sold 280,000,000 ordinary shares of the Company to not less than six placees procured by the placing agents on 23 June 2015 at the price of HK$2.48 per share, representing a discount of approximately 15.4% to the closing price of HK$2.93 per share on the same date; and (ii) the Company issued 280,000,000 new ordinary shares with a par value of HK$0.01 each to the controlling shareholder at the same price of HK$2.48 per share upon completion of the transaction mentioned in (i). The Top-up Placement was completed on 7 July 2015. The placees were independent professional and institutional investors. The net proceeds raised from the Top-up Placement was approximately HK$680.3 million. Not only did the Top-up Placement provide funding for the Company's sponsorship and promotional activities, daily operations of its overseas subsidiaries, and repayment of bank loans denominated in foreign currencies, it also broadened the shareholder base and capital base of the Company.

Report of the Directors

(B) Share option scheme

Pursuant to the Company's share option scheme which was adopted and revised 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.

The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other schemes of the Company must not exceed 30% of the total number of shares in issue from time to time. No option may be granted to any participant of the Scheme such that the total number of shares issued and to be issued upon exercise of the options granted and to be granted to that person (including exercised, cancelled and outstanding options) in any 12-month period up to the date of the latest grant exceeds 1% of the Company's issued share capital from time to time. Any grant or further grant of share options in excess of this limit is subject to shareholders' approval in advance in a general meeting of the Company.

Each grant of share options to a Director, chief executive or substantial shareholder of the Company, or to any of their associates, is subject to approval in advance by the INEDs. In addition, any grant of share options to a substantial shareholder or an INED, or to any of their associates, resulting in the shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person, in a 12-month period up to and including the date of such grant in excess of 0.1% of the shares of the Company in issue and with an aggregate value (based on the closing price of the Company's shares at the date of the grant) in excess of HK$5 million, is subject to shareholders' approval in advance in a general meeting of the Company.

The subscription price of share options is determined by the Board and must not be less than the highest of (i) the closing price of the Company's shares as stated in the Hong Kong Stock Exchange's daily quotations sheet on the date of offer of the share options, which must be a business day; (ii) the average of the closing prices of the Company's shares as stated in the Hong Kong Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of offer of the share options; and (iii) the nominal value of a share of the Company.

An option may be exercised in accordance with the terms of the Scheme at any time during a period as determined by the Board and not exceeding 10 years from the date of a grant. Unless the Directors determine otherwise, there is no minimum period for which an option must be held before it can be exercised. The offer of a grant of share options may be accepted within 28 days from the date of offer upon payment of a nominal consideration of RMB1 in total by the grantee. The Scheme shall be valid and effective for a period of 10 years since the approval of the Scheme (i.e. 8 September 2009) after which no further options will be granted or offered.

As at the date of this annual report, the total number of shares of the Company currently available for issue under the Scheme was 184,100,339 shares, representing approximately 7.71% of the issued share capital of the Company as at the date of this annual report.

Further details of the Scheme are set out in note 24 to the consolidated financial statements. Details of movements of the options granted under the Scheme for the year ended 31 December 2015 are as follows:

			Number of options						
Name or category of option holder	Date of grant	Exercise price per share	Outstanding as at 1/1/2015	Granted during the year	Exercised during the year (Note 1)	Cancelled during the year	Forfeited during the year	Outstanding as at 31/12/2015	Exercise period (Note 2)
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	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 Director (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	—	(4,463,000)	—	(103,000)	6,699,000	H
			2,607,000	—	(868,000)	—	(51,000)	1,688,000	I
			2,607,000	—	—	—	(153,000)	2,454,000	J
			3,476,000	—	—	—	(204,000)	3,272,000	K
			19,955,000	—	(5,331,000)	—	(511,000)	14,113,000	
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	—	(10,761,000)	(4,152,000)	(711,000)	14,613,000	

Report of the Directors

Notes:

1. 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.

2. The respective 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.

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

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

As at 31 December 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

Name of substantial shareholder	Capacity	Note	Number of ordinary shares interested	Percentage+ of the Company's issued share capital
Ever Sound Development Limited	Beneficial owner	1	911,804,246	38.16%
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, an ED. Such interest of Mr. Xu Zhida was disclosed in the above section headed "Directors' interests and short positions in shares, underlying shares and debentures".

4. The above interest of Alpha Top Group Limited was also disclosed as the interest of Mr. Xu Zhihua in the above section headed "Directors' interests and short positions in shares, underlying shares and debentures".

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

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

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

\+ The percentage represents the number of ordinary shares/underlying shares interested divided by the number of the Company's issued shares as at 31 December 2015.

Save as disclosed above, as at 31 December 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.

Sufficiency of public float

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this annual report, the Company has maintained the prescribed public float under the Listing Rules.

Directors' interests in transactions, arrangements or contracts

Save as disclosed in note 30 to the financial statements headed "Material related party transactions" of this annual report, no transactions, arrangements and contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which any director of the Company or his/her connected entity had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended 31 December 2015.

Report of the Directors

Contract of significance

Save as disclosed in note 30 to the financial statements headed "Material related party transactions" of this annual report, no contract of significance has been entered into between the Company, or any of its subsidiaries and the controlling shareholder or any of its subsidiaries during the year ended 31 December 2015.

Five-year financial summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 9 of this annual report.

Confirmation of independence

The Company has received from each of the INEDs an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considers all the INEDs to be independent.

Biographical details of directors and senior management

Brief biographical details of Directors and senior management are set out on pages 50 to 52.

Management contracts

No contract concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the year.

Auditor

KPMG will retire and, being eligible, offer itself for re-appointment at the 2016 AGM. A resolution for the re-appointment of KPMG as the auditor of the Company is to be proposed at the 2016 AGM.

Closure of register of members

The register of members of the Company will be closed from 4 May 2016 to 6 May 2016 (both days inclusive) for the purpose of determining the right to attend and vote at the 2016 AGM. In order to be entitled to attend and vote at the 2016 AGM, 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. Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong) for registration not later than 4:30 p.m. on 3 May 2016.

Besides, the register of members of the Company will also be closed from 19 May 2016 to 20 May 2016 (both days inclusive) for the purpose of determining the entitlement to the recommended final dividend in respect of the year ended 31 December 2015 (subject to the approval of the shareholders at the 2016 AGM). In order to be qualified for the recommended final 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 for registration not later than 4:30 p.m. on 18 May 2016.

On behalf of the Board
Xu Jingnan
Chairman
Hong Kong, 10 March 2016

Independent Auditor's Report

KPMG

To the shareholders of Peak Sport Products Co., Limited
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Peak Sport Products Co., Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 64 to 119, which comprise the consolidated statement of financial position as at 31 December 2015, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditor's Report

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2015 and of the Group's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

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

10 March 2016

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2015

(Expressed in Renminbi)

	Note	2015 RMB'000	2014 RMB'000
Revenue	3	3,107,478	2,841,398
Cost of sales		(1,905,963)	(1,762,389)
Gross profit		1,201,515	1,079,009
Other revenue	4	60,144	72,204
Other net (loss)/income	4	(8,063)	8,104
Selling and distribution expenses		(330,700)	(359,405)
Administrative expenses		(294,401)	(291,487)
Profit from operations		628,495	508,425
Finance expenses	5(a)	(25,812)	(19,634)
Profit before taxation	5	602,683	488,791
Income tax	6	(210,422)	(168,139)
Profit for the year attributable to shareholders of the Company		392,261	320,652
Other comprehensive income for the year			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of operations outside mainland China		(16,750)	(2,923)
Total comprehensive income for the year attributable to shareholders of the Company		375,511	317,729
Earnings per share (RMB cents)			
– Basic	10	17.56	15.28
– Diluted	10	17.54	15.27

The notes on pages 70 to 119 form part of these financial statements. Details of dividends proposed after the year end and paid during the year to shareholders of the Company are set out in note 9.

Consolidated Statement of Financial Position

As at 31 December 2015

(Expressed in Renminbi)

	Note	2015 RMB'000	2014 RMB'000
Non-current assets			
Property, plant and equipment	11	429,991	461,622
Construction in progress	12	44,332	44,783
Lease prepayments	13	172,590	176,330
Deposits and prepayments for purchase of non-current assets	14	37,481	37,364
Intangible assets	15	20,443	24,970
Deferred tax assets	25(b)	45,390	45,217
		750,227	790,286
Current assets			
Inventories	16	311,101	345,672
Trade and other receivables	18	1,059,447	986,582
Pledged deposits	19	396,137	502,072
Deposits at banks with original maturity over three months		1,400,000	1,400,000
Cash and cash equivalents	20	2,598,097	1,849,693
		5,764,782	5,084,019

The notes on pages 70 to 119 form part of these financial statements.

Consolidated Statement of Financial Position

As at 31 December 2015

(Expressed in Renminbi)

	Note	2015 RMB'000	2014 RMB'000
Current liabilities			
Trade and other payables	21	431,903	419,457
Bank loans	22	766,148	702,462
Current tax liabilities	25(a)	77,404	68,361
		1,275,455	1,190,280
Net current assets		4,489,327	3,893,739
Total assets less current liabilities		5,239,554	4,684,025
Non-current liabilities			
Bank loans	22	251,952	350,088
Deferred tax liabilities	25(b)	101,918	87,360
		353,870	437,448
Net assets		4,885,684	4,246,577
Equity			
Share capital	26	20,756	18,462
Reserves	27	4,864,928	4,228,115
Total equity		4,885,684	4,246,577

Approved and authorized for issue by the Board of Directors on 10 March 2016.

Xu Jingnan
Director

Xu Zhihua
Director

The notes on pages 70 to 119 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2015

(Expressed in Renminbi)

	Note	Share capital RMB'000 (Note 26)	Share premium RMB'000 (Note 27(a))	Statutory reserve RMB'000 (Note 27(b))	Other reserve RMB'000 (Note 27(c))	Exchange reserve RMB'000 (Note 27(d))	Share-based payment reserve RMB'000 (Note 27(e))	Retained profits RMB'000	Total equity 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 year		–	–	–	–	–	–	320,652	320,652
Other comprehensive income		–	–	–	–	(2,923)	–	–	(2,923)
Total comprehensive income for the year		–	–	–	–	(2,923)	–	320,652	317,729
Appropriation to statutory reserve		–	–	35,704	–	–	–	(35,704)	–
Shares issued under Share Option Scheme		2	628	–	–	–	(122)	–	508
Dividends	9	–	(200,069)	–	–	–	–	–	(200,069)
Equity-settled share-based payment	24	–	–	–	–	–	6,644	–	6,644
Transfer between reserves in respect of share options forfeited and cancelled	24	–	–	–	–	–	(10,580)	10,580	–
At 31 December 2014		18,462	331,355	387,911	81,354	8,940	10,518	3,408,037	4,246,577
Profit for the year		–	–	–	–	–	–	392,261	392,261
Other comprehensive income		–	–	–	–	(16,750)	–	–	(16,750)
Total comprehensive income for the year		–	–	–	–	(16,750)	–	392,261	375,511
Appropriation to statutory reserve		–	–	30,722	–	–	–	(30,722)	–
Shares issued under Top-up Placement	26	2,209	534,188	–	–	–	–	–	536,397
Shares issued under Share Option Scheme		85	19,193	–	–	–	(2,869)	–	16,409
Dividends	9	–	(290,102)	–	–	–	–	–	(290,102)
Equity-settled share-based payment	24	–	–	–	–	–	892	–	892
Transfer between reserves in respect of share options forfeited and cancelled	24	–	–	–	–	–	(3,295)	3,295	–
At 31 December 2015		20,756	594,634	418,633	81,354	(7,810)	5,246	3,772,871	4,885,684

The notes on pages 70 to 119 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2015

(Expressed in Renminbi)

	Note	2015 RMB'000	2014 RMB'000
Operating activities			
Profit before taxation		602,683	488,791
Adjustments for:			
– Depreciation	5(c)	43,285	44,648
– Amortization of lease prepayments	5(c)	3,740	4,238
– Finance expenses	5(a)	25,812	19,634
– Interest income	4	(50,713)	(57,001)
– Net loss/(gain) on disposal of property, plant and equipment	5(c)	2,590	(39)
– Amortization of intangible assets	5(c)	5,219	906
– Net foreign exchange loss/(gain)		20,015	(2,819)
– Net loss of financial liabilities at fair value through profit or loss	4	5,770	–
– Equity-settled share-based payment expenses	5(b)	892	6,644
Operating profit before changes in working capital		659,293	505,002
Decrease in inventories		34,245	20,109
(Increase)/decrease in trade and other receivables		(115,083)	39,915
Increase/(decrease) in trade and other payables		26,870	(5,048)
Cash generated from operations		605,325	559,978
Income tax paid		(186,994)	(175,977)
Net cash generated from operating activities		418,331	384,001
Investing activities			
Payment for the purchase of property, plant and equipment		(15,935)	(22,038)
Proceeds from the sale of property, plant and equipment		124	559
Proceeds from the sale of lease prepayments		37,756	–
Payment for lease prepayments		(19,050)	–
Payment for the purchase of intangible assets		(809)	(2,768)
Interest received		56,407	44,889
Placement of deposits at banks with original maturity over three months		(3,600,000)	(3,400,000)
Withdrawal of deposits at banks with original maturity over three months		3,600,000	3,000,000
Placement of pledged deposits		(4,116,405)	(426,992)
Withdrawal of pledged deposits		4,222,340	272,427
Net cash generated from/(used in) investing activities		164,428	(533,923)

Consolidated Cash Flow Statement

For the year ended 31 December 2015

(Expressed in Renminbi)

	Note	2015 RMB'000	2014 RMB'000
Financing activities			
Proceeds from new share issued under Top-up Placement	26	536,397	–
Proceeds from new share issued under Share Option Scheme	26	16,409	508
Proceeds from new bank loans		646,486	906,918
Repayment of bank loans		(738,352)	(620,601)
Advances from related parties	30(d)	31,896	–
Repayments to related parties	30(d)	(31,896)	–
Interest paid		(26,173)	(20,113)
Dividends paid to shareholders		(290,100)	(200,069)
Net cash generated from financing activities		144,667	66,643
Net increase/(decrease) in cash and cash equivalents		727,426	(83,279)
Cash and cash equivalents at 1 January		1,849,693	1,933,164
Effect of foreign exchange rate changes		20,978	(192)
Cash and cash equivalents at 31 December	20	2,598,097	1,849,693

The notes on pages 70 to 119 form part of these financial statements.

1 Significant accounting policies

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations issued by International Accounting Standards Board ("IASB"). These financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance and applicable disclosure provisions of the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). A summary of the significant accounting policies adopted by the Group is set out below.

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company (see definitions below). Note 1(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of these financial statements

These financial statements for the year ended 31 December 2015 are consolidated financial statements comprising Peak Sport Products Co., Limited (the "Company") and its subsidiaries (together referred to as the "Group").

The measurement basis used in the preparation of these financial statements is the historical cost basis, except for derivative financial instruments that are stated at their fair value as explained in the accounting policies set out below (see note1(e)).

The functional currency of the Company is Hong Kong Dollars ("HK$"). These financial statements are presented in Renminbi ("RMB") as the functional currency of the Group's main operating subsidiaries is RMB. These financial statements presented in RMB have been rounded to the nearest thousand.

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRSs that have significant effect on these financial statements and major sources of estimation uncertainty are discussed in note 2.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

1 Significant accounting policies (Continued)

(c) Changes in accounting policies

The IASB has issued several amendments to IFRSs that are first effective for the current accounting period of the Group. Of these amendments, the following are relevant to the Group:

- *Annual Improvements to IFRSs 2010-2012 Cycle*
- *Annual Improvements to IFRSs 2011-2013 Cycle*

The Group has not adopted any new standard or Interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the amended IFRSs are set out below:

Annual Improvements to IFRSs 2010-2012 Cycle and 2011-2013 Cycle

These two cycles of annual improvements contain amendments to nine standards with consequential amendments to other standards. Among them, IAS 24, Related party disclosures has been amended to expand the definition of a "related party" to include a management entity that provides key management personnel services to the reporting entity, and to require the disclosure of the amounts incurred for obtaining the key management personnel services provided by the management entity. These amendments do not have an impact on the Group's related party disclosures as the Group does not obtain key management personnel services from management entities.

(d) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into these financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealized profits arising from intra-group transactions are eliminated in full in preparing these financial statements. Unrealized losses resulting from intra-group transactions are eliminated in the same way as unrealized gains but only to the extent that there is no evidence of impairment.

In the Company-level statement of financial position (see note 31), an investment in a subsidiary is stated at cost less impairment losses (see note 1(k)).

1 Significant accounting policies (Continued)

(e) Derivative financial instruments

Derivative financial instruments are recognized initially at fair value. At the end of each reporting period, the fair value is remeasured. The gain or loss on remeasurement to fair value is recognized immediately in profit or loss.

(f) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 1(k)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognized in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

- Buildings held for own use which are situated on leasehold land are depreciated over the shorter of the unexpired term of the lease and their estimated useful lives, being no more than 20 years after the date of completion.
- Plant and machinery 5 – 10 years
- Motor vehicles 5 years
- Furniture and fixtures 5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

1 Significant accounting policies (Continued)

(g) Construction in progress

Construction in progress represents property, plant and equipment under construction and equipment pending installation, and is stated at cost less impairment losses (see note 1(k)). The cost of self-constructed items of property, plant and equipment includes the cost of materials and direct labour. Capitalization of these costs ceases and the construction in progress is transferred to property, plant and equipment when substantially all of the activities necessary to prepare the assets for their intended use are completed.

No depreciation is provided in respect of construction in progress until it is substantially completed and ready for its intended use.

(h) Lease prepayments

Lease prepayments represent the cost of land use rights paid to the People's Republic of China ("PRC") government authorities. Lease prepayments are carried at cost less accumulated amortization and impairment losses (see note 1(k)). Amortization of lease prepayments is charged to profit or loss on a straight-line basis over respective periods of the leases.

(i) Intangible assets

Intangible assets represent trademarks and software and are stated at cost less accumulated amortization (where the estimated useful life is finite) and impairment losses (see note 1(k)).

Software is amortized on the straight-line basis over its estimated useful life of five years. Both the useful life and method of amortization of software are reviewed annually.

Trademarks are not amortized while their useful lives are assessed to be indefinite. Any conclusion that the useful lives of trademarks are indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for those trademarks. If they do not, the change in useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortization of intangible assets with finite useful lives.

Trademarks with finite useful lives are amortized on the straight-line basis over their estimated useful life of 5 years to 15 years.

1 Significant accounting policies (Continued)

(j) Operating lease charges

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

An operating lease is a lease which does not transfer substantially all the risks and rewards of ownership of an asset or assets held under the lease to the Group.

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognized in profit or loss as an integral part of the aggregate net lease payments made.

(k) Impairment of assets

(i) Impairment of trade and other receivables

Trade and other receivables that are stated at cost or amortized cost are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganization; and

– significant changes in the technological, market, economic, political or legal environment that have an adverse effect on the debtor.

If any such evidence exists, any impairment loss is determined and recognized as follows:

The impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

1 Significant accounting policies (Continued)

(k) Impairment of assets (Continued)

(i) Impairment of trade and other receivables (Continued)

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognized, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognized in prior years.

Impairment losses recognized in respect of trade debtors and bills receivable are included within trade and other receivables, if recovery of such debts are considered doubtful but not remote. The impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors and bills receivable directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognized in profit or loss.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or an impairment loss previously recognized no longer exists or may have decreased:

- property, plant and equipment;
- construction in progress;
- lease prepayments;
- deposits and prepayments for purchase of non-current assets;
- intangible assets; and
- investments in subsidiaries.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

1 Significant accounting policies (Continued)

(k) Impairment of assets (Continued)

(ii) Impairment of other assets (Continued)

- Calculation of recoverable amount

  The recoverable amount of an asset is the greater of its fair value less cost of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

- Recognition of impairment losses

  An impairment loss is recognized in profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognized in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable), or value in use (if determinable).

- Reversals of impairment losses

  An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

  A reversal of impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognized in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognized.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

1 Significant accounting policies (Continued)

(l) Inventories

Inventories are carried at the lower of cost and net realizable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognized as an expense in the period in which the related revenue is recognized. The amount of any write down of inventories to net realizable value and all losses of inventories are recognized as an expense in the period when the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

(m) Trade and other receivables

Trade and other receivables are initially recognized at fair value and thereafter stated at amortized cost using the effective interest method, less allowance for impairment of doubtful debts (see note 1(k)(i)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

Bills receivable are derecognized if substantially all the risks and rewards of ownership of the bills receivable are transferred. If substantially all the risks and rewards of ownership of bills receivable are retained, the bills receivable are continued to recognize in the statement of financial position.

(n) Interest-bearing borrowings

Interest-bearing borrowings are recognized initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortized cost with any difference between the amount initially recognized and redemption value being recognized in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

1 Significant accounting policies (Continued)

(o) Trade and other payables

Trade and other payables are initially recognized at fair value and are subsequently stated at amortized cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(p) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(q) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Share-based payment

The fair value of share options granted to eligible persons is recognized as an expense with a corresponding increase in the share-based payment reserve within equity. The fair value is measured at the grant date using the Black-Scholes-Merton Option Pricing Model, taking into account the terms and conditions upon which the options are granted.

Where the eligible persons have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest. During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognized in prior years is charged/credited to profit or loss for the year of the review, unless the original employee expense qualify for recognition as an asset, with a corresponding adjustment to the share-based payment reserve. On vesting date, the amount recognized as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the share-based payment reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognized in the share-based payment reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

1 Significant accounting policies (Continued)

(r) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognized in profit or loss except to the extent that they relate to items recognized in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognized in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous periods.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilized, are recognized. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilized.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, it is probable that they will reverse in the future.

The amount of deferred tax recognized is measured based on the expected manner of realization or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

1 Significant accounting policies (Continued)

(r) Income tax (Continued)

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilized. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognized when the liability to pay the related dividends is recognized.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously; or

- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  – the same taxable entity; or

  – different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realize the current tax assets and settle the current tax liabilities on a net basis or realize and settle simultaneously.

(s) Provisions and contingent liabilities

Provisions are recognized for liabilities of uncertain timing or amount when the Company or the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

1 Significant accounting policies (Continued)

(t) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognized in profit or loss as follows:

(i) Sale of goods

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns, trade discounts, rebates, value added taxes and other sales taxes. Revenue is recognized when the significant risks and rewards of ownership of the goods have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of the goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

(ii) Interest income

Interest income is recognized as it accrues using the effective interest method.

(iii) Government grants

Government grants are recognized in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognized as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are initially recognized as deferred income and subsequently recognized as revenue in profit or loss over the useful life of the asset.

(u) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognized in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates.

The results of operations outside mainland China are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into RMB at the foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognized in other comprehensive income and accumulated separately in the exchange reserve in equity.

(v) Borrowing costs

Borrowing costs are expensed in the period in which they are incurred.

1 Significant accounting policies (Continued)

(w) Research and development expenditure

Expenditure on research activities is recognized as an expense in the period in which it is incurred. Expenditure on development activities is capitalized if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete the development. The expenditure capitalized includes the costs of materials, direct labour, and an appropriate proportion of overheads. Capitalized development costs, if any, are stated at cost less accumulated amortization and impairment losses (see note 1(k)). Other development expenditure is recognized as an expense in the period in which it is incurred.

(x) Dividends

Dividends are recognized as a liability in the period in which they are declared.

(y) Related parties

(i) A person, or a close member of that person's family, is related to the Group if that person:

(a) has control or joint control over the Group;

(b) has significant influence over the Group; or

(c) is a member of the key management personnel of the Group or the Group's parent.

(ii) An entity is related to the Group if any of the following conditions applies:

(a) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(b) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(c) Both entities are joint ventures of the same third party.

(d) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(e) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

1 Significant accounting policies (Continued)

(y) Related parties (Continued)

(ii) (Continued)

(f) The entity is controlled or jointly controlled by a person identified in (i).

(g) A person identified in (i)(a) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(h) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(z) 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. The Group's all non-current assets are located in the PRC. The geographic analysis on the Group's revenue is set out in note 3.

2 Significant accounting estimates and judgements

Set out below are the key sources of estimation uncertainty and critical accounting judgements adopted in preparing these financial statements:

(a) Impairments

If circumstances indicate that the carrying value of an asset may not be recoverable, the asset may be considered "impaired", and an impairment loss may be recognized in profit or loss. The carrying amounts of assets are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to recoverable amount.

The recoverable amount is the greater of the fair value less costs to sell and the value in use. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to level of sales volume, sales revenue and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of sales volume, sales revenue and amount of operating costs.

(b) Net realizable value of inventories

Net realizable value of inventories is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale. These estimates are based on the current market conditions and the historical experience of selling products with similar nature. It could change significantly as a result of changes in customer taste or competitor actions. The Group reassesses these estimates at the end of each reporting period.

(c) Impairment of trade and other receivables

The Group estimates the impairment allowances for trade and other receivables by assessing the recoverability based on credit history and prevailing market conditions. This requires the use of estimates and judgements. Allowances are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. Where the expectation is different from the original estimate, such difference will affect the carrying amounts of trade and other receivables and thus the impairment loss in the period in which such estimate is changed. The Group reassesses the impairment allowances at the end of each reporting period.

(d) Depreciation and amortization

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives, after taking into account the estimated residual value. Intangible assets except for those with indefinite lives are amortized on a straight-line basis over the estimated useful lives. The Group reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation and amortization expenses to be recorded during any reporting period. The useful lives are based on the Group's historical experience with similar assets and take into account anticipated technological changes. The depreciation and amortization expenses for future periods are adjusted prospectively if there are significant changes from previous estimates.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

2 Significant accounting estimates and judgements (Continued)

(e) Provision for deferred tax

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. The management evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation. Deferred tax assets are recognized for tax losses not yet used and temporary deductible differences. As those deferred tax assets can only be recognized to the extent that it is probable that future taxable profit will be available against which the unused tax credits can be utilized, management's judgement is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognized if it becomes probable that future taxable profits will allow the deferred tax assets to be recovered.

3 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:

	2015 RMB'000	2014 RMB'000
Footwear	1,335,256	1,150,100
Apparel	1,703,021	1,633,240
Accessories	69,201	58,058
	3,107,478	2,841,398

None of the Group's customers (2014: one) had transactions with the Group, the amount of which exceeded 10% of the Group's aggregate revenue during the year ended 31 December 2015. Sales to the customer, which exceeded 10% of the Group's aggregate revenue during the year ended 31 December 2014, amounted to approximately RMB360,825,000.

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

	2015 RMB'000	2014 RMB'000
PRC (excluding Hong Kong, Macau and Taiwan)	2,434,810	2,188,781
Overseas	672,668	652,617
	3,107,478	2,841,398

The amount of the Group's revenue generated from each overseas country was not material during the year ended 31 December 2015 (2014: not material).

4 Other revenue and other net (loss)/income

	2015 RMB'000	2014 RMB'000
Other revenue		
Interest income	50,713	57,001
Government grants	9,232	14,403
Others	199	800
	60,144	72,204

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.

	2015 RMB'000	2014 RMB'000
Other net (loss)/income		
Net exchange (loss)/gain	(3,658)	7,993
Change in fair value of derivative financial instruments	(5,770)	–
Others	1,365	111
	(8,063)	8,104

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

5 Profit before taxation

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

		2015 RMB'000	2014 RMB'000
(a)	Finance expenses:		
	Interest on bank borrowings	25,812	19,634
(b)	Staff costs:		
	Salaries, wages and other benefits	444,055	432,193
	Contributions to defined contribution retirement plans	11,498	10,626
	Equity-settled share-based payments (note 24)	892	6,644
		456,445	449,463
(c)	Other items:		
	Amortization		
	– lease prepayments	3,740	4,238
	– intangible assets	5,219	906
	Depreciation	43,285	44,648
	Operating lease charges in respect of leasing of properties	12,654	12,854
	Net loss/(gain) on disposal of property, plant and equipment	2,590	(39)
	Auditors' remuneration	3,525	3,511
	Net impairment loss of trade and other receivables (note 18(ii))	39,629	30,245
	Research and development expenses*	63,477	63,562
	Cost of inventories#	1,905,963	1,762,389

* Research and development expenses for the year ended 31 December 2015 includes RMB34,377,000 (2014: RMB32,773,000) relating to staff costs, depreciation and operating lease charges, which amount is also included in the respective total amounts disclosed separately in notes 5(b) and (c) for each of these types of expenses.

\# Cost of inventories for the year ended 31 December 2015 includes RMB338,031,000 (2014: RMB332,802,000) relating to staff costs, depreciation, amortization expenses and operating lease charges, which amount is also included in the respective total amounts disclosed separately in notes 5(b) and (c) for each of these types of expenses.

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

(a) Income tax in the consolidated statement of profit or loss and other comprehensive income represents:

	2015 RMB'000	2014 RMB'000
Current tax – PRC income tax		
Provision for the year	196,037	179,413
Deferred tax		
Origination and reversal of temporary differences	14,385	(11,274)
	210,422	168,139

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 for the years ended 31 December 2015 and 2014.

Pursuant to the income tax rules and regulations of the PRC, provision for PRC Corporate Income Tax is calculated based on the statutory rate of 25% of the assessable profits of the subsidiaries 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 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, 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 Financial Statements

(Expressed in Renminbi unless otherwise indicated)

6 Income tax in the consolidated statement of profit or loss and other comprehensive income (Continued)

(b) Reconciliation between income tax and accounting profit at applicable tax rates:

	2015 RMB'000	2014 RMB'000
Profit before income tax	602,683	488,791
Notional tax on profit before income tax,calculated at the standard tax rates applicable to the respective tax jurisdictions	169,741	135,125
Tax effect of non-deductible expenses	26,123	25,597
Effect of withholding tax	14,558	7,417
Income tax	210,422	168,139

7 Directors' remuneration

Details of directors' remuneration of the Company are set out below:

Year ended 31 December 2015

	Fees RMB'000	Basic salaries, allowances and other benefits RMB'000	Contributions to retirement benefit scheme RMB'000	Discretionary bonuses RMB'000	Equity-settled share-based payments RMB'000	Total RMB'000
Executive Directors						
Mr. Xu Jingnan	–	1,507	16	–	–	1,523
Mr. Xu Zhihua	–	1,107	16	500	–	1,623
Mr. Xu Zhida	–	1,007	16	500	–	1,523
Sub-total	–	3,621	48	1,000	–	4,669
Non-executive Director						
Ms. Wu Tigao	–	180	–	–	–	180
Independent Non-executive Directors						
Mr. Wang Mingquan	–	100	–	–	–	100
Dr. Xiang Bing	–	180	–	–	–	180
Dr. Ouyang Zhonghui	–	3	–	–	(30)	(27)
Mr. Feng Lisheng	–	97	–	–	–	97
Sub-total	–	380	–	–	(30)	350
Total	–	4,181	48	1,000	(30)	5,199

7 Directors' remuneration (Continued)

Year ended 31 December 2014

	Fees RMB'000	Basic salaries, allowances and other benefits RMB'000	Contributions to retirement benefit scheme RMB'000	Discretionary bonuses RMB'000	Equity-settled share-based payments RMB'000	Total RMB'000
Executive Directors						
Mr. Xu Jingnan	–	1,507	16	–	–	1,523
Mr. Xu Zhihua	–	1,107	16	500	–	1,623
Mr. Xu Zhida	–	1,007	16	500	–	1,523
Sub-total	–	3,621	48	1,000	–	4,669
Non-executive Directors						
Ms. Wu Tigao	–	180	–	–	–	180
Mr. Shen Nanpeng	–	5	–	–	–	5
Mr. Zhu Linan	–	75	–	–	–	75
Sub-total	–	260	–	–	–	260
Independent Non-executive Directors						
Mr. Wang Mingquan	–	100	–	–	74	174
Dr. Xiang Bing	–	180	–	–	74	254
Dr. Ouyang Zhonghui	–	100	–	–	47	147
Sub-total	–	380	–	–	195	575
Total	–	4,261	48	1,000	195	5,504

Equity-settled share-based payments represent the estimated value of share options granted to the Directors under the Company's share option scheme. The value of these share options is measured according to the Group's accounting policies for share-based payment transactions as set out in note 1(q)(ii) and, in accordance with that policy, includes adjustments to reverse amounts accrued in previous years where grants of share options are forfeited prior to vesting. The details of these benefits in kind, including the principal terms and number of share options granted, are disclosed under the paragraph "Share option scheme" in the directors' report and note 24.

During the year, no amount was paid or payable by the Company to the Directors or any of the five highest paid individuals set out in note 8 as an inducement to join or upon joining the Group or as compensation for loss of office. There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

8 Individual with highest emoluments

Of the five individuals with the highest emoluments, three (2014: three) are Directors whose remuneration is disclosed in note 7 above. The aggregate of the emoluments in respect of the remaining two individuals for 2015 (2014: two) are as follows:

	2015 RMB'000	2014 RMB'000
Salaries and other emoluments	3,109	2,934
Discretionary bonus	165	158
Equity-settled share-based payments	–	294
Contributions to defined contribution retirement plans	14	13
	3,288	3,399

The emoluments of the two (2014: two) individuals with the highest emoluments fall within the following bands:

	2015 Number of individuals	2014 Number of individuals
HK$1,500,001 to HK$2,000,000	1	1
HK$2,000,001 to HK$2,500,000	1	1

9 Dividends

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

	2015 RMB'000	2014 RMB'000
Interim dividend declared and paid of HK8 cents per ordinary share (2014: HK4 cents per ordinary share)	157,204	66,795
Final dividend proposed after the end of the reporting period of HK7 cents per ordinary share (2014: HK8 cents per ordinary share)	140,152	132,920
	297,356	199,715

The final dividend proposed after the end of the reporting period have not been recognized as a liability at the end of the reporting period.

9 Dividends (Continued)

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

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

10 Earnings per share

(a) Basic earnings per share

The calculation of the basic earnings per share is based on the profit for the year attributable to shareholders of the Company of RMB392,261,000 (2014: RMB320,652,000) and the weighted average number of ordinary shares of 2,234,024,000 (2014: 2,098,152,000 shares) during the year.

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 Top-up Placement (note 26(b))	128,333	–
Effect of share options exercised	7,332	123
Weighted average number of ordinary shares at 31 December	2,234,024	2,098,152

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

10 Earnings per share (Continued)

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to shareholders of the Company of RMB392,261,000 (2014: RMB320,652,000) and the weighted average number of ordinary shares of 2,236,350,000 (2014: 2,100,029,000) after adjustment for the potential dilutive effect of the share options granted under the Company's Share Option Scheme (see note 24).

Weighted average number of ordinary shares (diluted)

	2015 '000 shares	2014 '000 shares
Weighted average number of ordinary shares at 31 December	2,234,024	2,098,152
Effect of deemed issue of shares under the Company's Share Option Scheme (note 24)	2,326	1,877
Weighted average number of ordinary shares (diluted) at 31 December	2,236,350	2,100,029

11 Property, plant and equipment

	Note	Buildings RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Furniture and fixtures RMB'000	Total RMB'000
Cost:						
At 1 January 2014		445,633	133,943	11,567	50,244	641,387
Additions		129	4,993	51	4,726	9,899
Transfer from construction in progress	12	16,102	1,169	–	–	17,271
Disposals		–	(3,396)	(174)	(234)	(3,804)
At 31 December 2014		461,864	136,709	11,444	54,736	664,753
Additions		157	9,515	338	2,167	12,177
Transfer from construction in progress	12	–	–	–	–	–
Disposals		–	(607)	(538)	(1,196)	(2,341)
At 31 December 2015		462,021	145,617	11,244	55,707	674,589
Accumulated depreciation:						
At 1 January 2014		71,305	54,869	5,726	29,867	161,767
Charge for the year		21,556	14,092	1,368	7,632	44,648
Written back on disposals		–	(2,936)	(147)	(201)	(3,284)
At 31 December 2014		92,861	66,025	6,947	37,298	203,131
Charge for the year		22,008	13,581	1,273	6,423	43,285
Written back on disposals		–	(346)	(511)	(961)	(1,818)
At 31 December 2015		114,869	79,260	7,709	42,760	244,598
Net book value:						
At 31 December 2015		347,152	66,357	3,535	12,947	429,991
At 31 December 2014		369,003	70,684	4,497	17,438	461,622

At 31 December 2015, buildings with net book value of RMB90,793,000 (2014: RMB97,212,000) were pledged to secure the bills payable, derivative financial instruments and certain bank loans set out in notes 21 and 22.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

12 Construction in progress

	Note	2015 RMB'000	2014 RMB'000
At 1 January		44,783	53,541
Additions		1,740	8,513
Transfer to property, plant and equipment	11	–	(17,271)
Disposal		(2,191)	–
At 31 December		44,332	44,783

13 Lease prepayments

	2015 RMB'000	2014 RMB'000
Cost:		
At 1 January	185,778	210,141
Additions	–	14,139
Disposal	–	(38,502)
At 31 December	185,778	185,778
Accumulated amortization:		
At 1 January	9,448	5,956
Charge for the year	3,740	4,238
Written back on disposal	–	(746)
At 31 December	13,188	9,448
Net book value:		
At 31 December	172,590	176,330

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.

At 31 December 2015, lease prepayments with net book value of RMB9,619,000 (2014: RMB9,848,000) were pledged to secure the bills payable, derivative financial instruments and certain bank loans set out in notes 21 and 22.

14 Deposits and prepayments for purchase of non-current assets

	2015 RMB'000	2014 RMB'000
Prepayments for acquisition of land use rights	29,648	29,648
Prepayments for acquisition of software	7,833	7,716
	37,481	37,364

15 Intangible assets

	Trademarks RMB'000	Software RMB'000	Total RMB'000
Cost:			
At 1 January 2014	20,101	5,417	25,518
Additions	1,729	723	2,452
At 31 December 2014 and 1 January 2015	21,830	6,140	27,970
Additions	4	688	692
At 31 December 2015	21,834	6,828	28,662
Accumulated amortization:			
At 1 January 2014	–	2,094	2,094
Charge for the year	–	906	906
At 31 December 2014 and 1 January 2015	–	3,000	3,000
Charge for the year	4,352	867	5,219
At 31 December 2015	4,352	3,867	8,219
Net book value:			
At 31 December 2015	17,482	2,961	20,443
At 31 December 2014	21,830	3,140	24,970

The amortization of intangible assets for the year is included in the administrative expenses in the consolidated statement of profit or loss and other comprehensive income.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

16 Inventories

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

	2015 RMB'000	2014 RMB'000
Raw materials	37,435	29,071
Work in progress	89,457	73,125
Finished goods	184,209	243,476
	311,101	345,672

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

	2015 RMB'000	2014 RMB'000
Carrying amount of inventories sold	1,898,740	1,744,868
Write down of inventories	7,223	17,521
	1,905,963	1,762,389

(Expressed in Renminbi unless otherwise indicated)

17 Investments in subsidiaries

Particulars of the subsidiaries are set out below:

Name of company	Place and date of incorporation/ establishment	Particulars of issued/fully paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Peak Investment Management Co., Limited	BVI 17 January 2008	US$1	100%	100%	–	Investment holding
Peak (Hong Kong) International Company Limited	Hong Kong 2 January 2003	HK$96,800,010	100%	–	100%	Investment holding
Quanzhou Peak Shoes Co., Ltd.*	PRC 23 July 1994	RMB196,880,000	100%	–	100%	Manufacturing and trading of sports products
Fujian Quanzhou Peak Sports Products Co., Ltd.*	PRC 10 August 2004	US$28,600,000	100%	–	100%	Manufacturing and trading of sports products
Peak (Jiangxi) Industry Co., Ltd.*	PRC 6 April 2006	US$32,900,000	100%	–	100%	Manufacturing and trading of sports products
Peak (China) Limited Company*	PRC 29 January 2007	RMB280,000,000	100%	–	100%	Manufacturing and trading of sports products
Xiamen Peak Sports Goods Co., Ltd.*	PRC 8 January 2010	US$25,300,000	100%	–	100%	Trading of sports products
Peak Sports Products USA, Inc.	US 7 July 2010	US$2,000,000	100%	–	100%	Trading of sports products
Peak (Shandong) Industry Co., Ltd*	PRC 22 April 2011	RMB100,000,000	100%	–	100%	Manufacturing and trading of sports products

* These entities are wholly foreign owned enterprises incorporated in the PRC.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

18 Trade and other receivables

	2015 RMB'000	2014 RMB'000
Bills receivable	5,960	9,850
Trade debtors	1,065,294	903,678
Less: allowance for doubtful debts	(84,785)	(45,156)
	986,469	868,372
Other receivables	51,856	101,310
Total receivables	1,038,325	969,682
Deposits and prepayments	21,122	16,900
	1,059,447	986,582

At 31 December 2015, the Group had endorsed bank acceptance bills totalling RMB520,473,000 (2014: RMB757,602,000), which were derecognized from financial assets. These bank acceptance bills matured within six months from the date of issue.

(i) Aging analysis

Set out below is an aging 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 date (or date of revenue recognition, if earlier):

	2015 RMB'000	2014 RMB'000
Within 3 months	761,168	750,422
After 3 months but within 6 months	222,791	112,809
After 6 months but within 1 year	2,510	5,141
	986,469	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. Accordingly, as soon as the outstanding balance of a domestic distributor has exceeded such revolving credit, the portion of the debt exceeding the revolving credit is due for settlement.

In addition, the Group generally offers a credit period, the maximum of which normally does not exceed six months, to each overseas customer.

Further details of the Group's credit policies are set out in note 28(a).

18 Trade and other receivables (Continued)

(ii) Impairment of trade debtors and bills receivable

Impairment losses in respect of trade debtors and bills receivable are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade debtors and bills receivable directly (see note 1(k)(i)).

The movement in the allowance for doubtful debts during the year, including both specific and collective loss components, is as follows:

	2015 RMB'000	2014 RMB'000
At 1 January	45,156	14,911
Impairment loss recognized	49,217	32,345
Reversal of provision for impairment	(9,588)	(2,100)
At 31 December	84,785	45,156

At 31 December 2015, the Group determined the impairment of trade debtors and bills receivable on both individual and collective bases. The Group's trade debtors of RMB91,195,000 (2014: RMB45,156,000) were individually determined to be impaired as a result. The individually impaired trade debtors related to customers that were in financial difficulties. Management considered that the recovery of such debtors was doubtful but not remote and only a portion of such receivables was expected to be recovered. Consequently, specific allowances for doubtful debts of RMB66,251,000 (2014: RMB45,156,000) were recognized.

(iii) Trade debtors and bills receivable that are not impaired

The aging analysis of trade debtors and bills receivable that are neither individually nor collectively considered to be impaired is as follows:

	2015 RMB'000	2014 RMB'000
Neither past due nor impaired	659,217	868,189
More than 1 month but within 3 months	–	183
	659,217	868,372

Trade debtors and bills receivable that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Except for several trade debtors that had been determined individually and fully provided for impairment loss in note 18(ii), none of the Group's trade debtors and bills receivable (2014: RMB183,000) were past due at 31 December 2015.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

19 Pledged deposits

Bank deposits were pledged to secure the bills payable, derivative financial instruments and certain bank loans set out in notes 21 and 22.

20 Cash and cash equivalents

	2015 RMB'000	2014 RMB'000
Cash at bank and on hand	2,598,097	1,849,693

At 31 December 2015, the balances denominated in RMB that were placed with banks in the PRC and included in the Group's cash and cash equivalents amounted to RMB2,498,394,000 (2014: RMB1,766,455,000). Remittance of funds out of the PRC is subject to exchange restrictions imposed by the PRC government.

21 Trade and other payables

	2015 RMB'000	2014 RMB'000
Bills payable	23,610	50,660
Trade creditors	170,080	103,424
	193,690	154,084
Other payables and accruals	227,653	242,344
Financial liabilities measured at amortized cost	421,343	396,428
Derivative financial instruments (note 28(g))	5,770	–
Advance received	4,790	23,029
	431,903	419,457

At 31 December 2015, bills payable were secured by pledged deposits of RMB4,742,000 (2014: RMB10,560,000), certain buildings and lease prepayments as set out in notes 11 and 13.

21 Trade and other payables (Continued)

Set out below is an aging 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:

	2015 RMB'000	2014 RMB'000
Within 3 months	142,178	89,313
After 3 months but within 6 months	45,784	60,309
After 6 months but within 1 year	5,728	4,462
	193,690	154,084

22 Bank loans

At 31 December 2015, bank loans were borrowed at variable interest rates, secured by pledged deposits of RMB373,808,000 (2014: RMB491,512,000), certain buildings and lease prepayments (see notes 11 and 13), and repayable as follows:

	2015 RMB'000	2014 RMB'000
Within 1 year	766,148	702,462
After 1 year but within 2 years	251,952	350,088
	1,018,100	1,052,550

23 Employee retirement benefits

Defined contribution retirement plans

Pursuant to the relevant labour rules and regulations in the PRC, the Group's subsidiaries in the PRC participate in defined contribution retirement benefit schemes (the "Schemes") organized by the PRC municipal government authorities in Fujian, Jiangxi and Shandong provinces whereby the Group is required to make contributions to the Schemes at the rates ranging from 18% to 20% of the eligible employees' salaries. The local government authorities are responsible for the entire pension obligations payable to retired employees.

The Group also operates a Mandatory Provident Fund Scheme ("the MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed in Hong Kong. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000 (HK$25,000 prior to June 2014). Contributions to the plan vest immediately.

The Group does not have any material obligation for the payment of retirement benefits for its employees except for those schemes described above.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

24 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 of the Company are authorized, at their discretion, to invite any persons (including directors, employees, suppliers, customers and other business partners) who have made valuable contribution to the Group to take up share options to subscribe for the shares of the Company.

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

(a) The terms and conditions of various batches of share options granted under the Share Option Scheme that existed at any time during the year ended 31 December 2015 are as follows:

Date of grant	Batch number	Number of options granted	Vesting conditions	Contractual life of options
Options granted to directors:				
1 June 2010	Batch 4	180,000	1 year after the date of grant	5 years
1 June 2010	Batch 5	180,000	2 years after the date of grant	5 years
1 June 2010	Batch 6	240,000	3 years after the date of grant	5 years
1 January 2014	Batch 8	400,000	4 months after the date of grant	4.3 years
1 January 2014	Batch 9	60,000	1 year after the date of grant	5 years
1 January 2014	Batch 10	60,000	2 years after the date of grant	5 years
1 January 2014	Batch 11	80,000	3 years after the date of grant	5 years
Options granted to employees:				
9 February 2010	Batch 1	3,919,500	1 year after the date of grant	5 years
9 February 2010	Batch 2	3,919,500	2 years after the date of grant	5 years
9 February 2010	Batch 3	5,226,000	3 years after the date of grant	5 years
1 June 2010	Batch 4	639,000	1 year after the date of grant	5 years
1 June 2010	Batch 5	639,000	2 years after the date of grant	5 years
1 June 2010	Batch 6	852,000	3 years after the date of grant	5 years
1 January 2014	Batch 8	12,005,000	4 months after the date of grant	4.3 years
1 January 2014	Batch 9	2,736,000	1 year after the date of grant	5 years
1 January 2014	Batch 10	2,736,000	2 years after the date of grant	5 years
1 January 2014	Batch 11	3,648,000	3 years after the date of grant	5 years
Options granted to distributors:				
1 November 2013	Batch 7	14,880,000	Achieving 2013 payment targets	1.4 years
		52,400,000		

24 Equity settled share-based transactions (Continued)

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

	Year ended 31 December 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 year	HK$2.0997	30,237	HK$3.8390	18,299
Granted during the year	–	–	HK$1.9380	21,725
Exercised during the year	HK$1.9244	(10,761)	HK$1.9380	(330)
Forfeited during the year	HK$1.9380	(711)	HK$3.3799	(962)
Cancelled	HK$3.1511	(4,152)	HK$5.2940	(8,495)
Outstanding at the end of the year	HK$1.9380	14,613	HK$2.0997	30,237
Exercisable at the end of the year	HK$1.9380	8,887	HK$2.1671	21,347

The weighted average share price at the dates of exercise for share options exercised during the year was HK$2.46 (2014: HK$2.22).

The share options outstanding as at 31 December 2015 had an exercise price of HK$1.9380 (2014: HK$5.1960, HK$5.6040, HK$1.9100 or HK$1.9380) and a weighted average remaining contractual life of 2.7 years (2014: 2.6 years).

(c) Fair value of share options and assumptions

The fair value of services received in return for the share options granted is measured by reference to the fair value of the share options granted. Set out below are the estimate of such fair value and the related assumptions made at the grant dates based on the Black-Scholes-Merton Option Pricing Model:

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

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

24 Equity settled share-based transactions (Continued)

(c) Fair value of share options and assumptions (Continued)

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

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

25 Income tax in the consolidated statement of financial position

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

	2015 RMB'000	2014 RMB'000
Provision for PRC income tax	77,404	68,361

(b) Recognized deferred tax assets and liabilities

Recognized deferred tax assets/(liabilities) are attributable to the following:

	Provision of incentive rewards and subsidies RMB'000	Impairment losses for trade debtors RMB'000	Pre-operating expenses, accruals and others RMB'000	Withholding tax on dividends RMB'000	Total RMB'000
Deferred tax arising from:					
At 1 January 2014	5,723	3,728	17,076	(79,944)	(53,417)
Charged to profit or loss	5,978	7,456	5,256	(7,416)	11,274
At 31 December 2014	11,701	11,184	22,332	(87,360)	(42,143)
Charged to profit or loss	(552)	9,901	(9,176)	(14,558)	(14,385)
At 31 December 2015	11,149	21,085	13,156	(101,918)	(56,528)

25 Income tax in the consolidated statement of financial position (Continued)

(b) Recognized deferred tax assets and liabilities (Continued)

	2015 RMB'000	2014 RMB'000
Represented by:		
Deferred tax assets	45,390	45,217
Deferred tax liabilities	(101,918)	(87,360)
	(56,528)	(42,143)

(c) Deferred tax assets not recognized

In accordance with the accounting policy set out in note 1(r), the Group has not recognized deferred tax assets of RMB109,077,000 (2014: RMB77,082,000) in respect of cumulative tax losses. Of these deferred tax assets not recognized, RMB10,233,000 (2014: RMB8,275,000) is related to tax losses which will expire within 20 years starting from the next year when the tax losses occurred under the current tax legislation. The cumulative tax losses have not been recognized as deferred tax assets as it is not probable that future taxable profits against which the losses can be utilized will be available in the relevant tax jurisdiction and entity.

(d) Deferred tax liabilities not recognized

At 31 December 2015, temporary differences relating to undistributed profits of subsidiaries amounted to RMB2,302,021,000 (2014: RMB2,055,924,000). Deferred tax liabilities of RMB115,101,000 (2014: RMB102,796,000) have not been recognized in respect of the tax that would be payable on the distribution of these retained profits as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that these profits will not be distributed in the foreseeable future.

26 Share capital

(a) Authorized

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

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

26 Share capital (Continued)

(b) Issued and fully paid

	2015			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
Shares issued under Top-up Placement	280,000	2,800	2,209	–	–	–
Shares issued under Share Option Scheme (note 24)	10,761	108	85	330	3	2
At 31 December	2,389,120	23,891	20,756	2,098,359	20,983	18,462

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

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 agreements of transactions (collectively "Top-up Placement") whereby: (i) the controlling shareholder sold 280,000,000 ordinary 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 (ii) the Company issued 280,000,000 new ordinary shares with a par value of HK$0.01 each to the controlling shareholder at the same price of HK$2.48 per share upon completion of the transaction mentioned in (i). The Top-up Placement was completed on 7 July 2015. The net proceeds from the Top-up Placement was RMB536,397,000 and accordingly the issued share capital and share premium of the Company were increased by RMB2,209,000 and RMB534,188,000 respectively upon completion of the Top-up Placement.

In 2015, share options were exercised to subscribe for 10,761,000 ordinary shares in the Company at a consideration of RMB16,409,000 of which RMB85,000 was credited to share capital and the balance of RMB16,324,000 was credited to the share premium account. RMB2,869,000 has been transferred from the share-based payment reserve to the share premium account in accordance with policy set out in note 1(q)(ii).

27 Reserves

Details of the changes in the Company's individual components of reserves are set out below:

	Note	Share premium RMB'000 (Note a)	Other reserve RMB'000 (Note c)	Exchange reserve RMB'000 (Note d)	Share-based payment reserve RMB'000 (Note e)	Accumulated losses RMB'000	Total RMB'000
At 1 January 2014		530,796	549,336	(170,960)	14,576	(50,687)	873,061
Total comprehensive income		–	–	4,480	–	(11,242)	(6,762)
Shares issued under Share Option Scheme	24	628	–	–	(122)	–	506
Equity-settled share-based payment	24	–	–	–	6,644	–	6,644
Dividends	9	(200,069)	–	–	–	–	(200,069)
Transfer between reserves in respect of share options forfeited and cancelled	24	–	–	–	(10,580)	10,580	–
At 31 December 2014	31	331,355	549,336	(166,480)	10,518	(51,349)	673,380
Total comprehensive income		–	–	65,665	–	(9,166)	56,499
Shares issued under Top-up Placement	26	534,188	–	–	–	–	534,188
Shares issued under Share Option Scheme	24	19,193	–	–	(2,869)	–	16,324
Equity-settled share-based payment	24	–	–	–	892	–	892
Dividends	9	(290,102)	–	–	–	–	(290,102)
Transfer between reserves in respect of share options forfeited and cancelled	24	–	–	–	(3,295)	3,295	–
At 31 December 2015	31	594,634	549,336	(100,815)	5,246	(57,220)	991,181

(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.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

27 Reserves (Continued)

(b) Statutory reserve

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

(c) Other reserve

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

The other reserve of the Company represents the difference between the nominal value of the shares issued by the Company as a consideration to acquire Peak Hong Kong and the historical carrying value of net assets of Peak Hong Kong and its subsidiaries.

(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 portion of the grant date fair value of unexercised share options granted to eligible person(s) of the Group that has been recognized in accordance with the accounting policy adopted for share-based payment in note 1(q)(ii).

(f) Distributable reserve

The distributable reserve of the Company as at 31 December 2015 was RMB991,181,000 (2014: RMB673,380,000).

(g) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for its shareholders and benefits for other stakeholders by pricing products commensurately with the level of risk and by securing access to finance at a reasonable cost.

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

27 Reserves (Continued)

(g) Capital management (Continued)

The Group monitors its capital structure on the basis of an adjusted net debt-to-capital ratio. For this purpose, the Group defines adjusted net debt as interest-bearing loans less cash and bank deposits. Capital is defined as the total equity. As at 31 December 2015, the Group had cash and 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 raise new debts.

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

28 Financial risk management and fair values of financial instruments

Exposure to credit, liquidity, interest rate, currency, commodity price and business risks arise in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables.

Management has credit policies in place and the exposures to these credit risks are monitored on an ongoing basis.

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

In addition, the Group generally offers a credit period to each overseas customer. This credit period, the maximum of which normally does not exceed six months, varies for different overseas customers depending on economic and political conditions of relevant countries, and the factors similar to those for determining the revolving credits for the domestic distributors mentioned above.

At the end of the reporting period, 13% (2014: 18%) and 23% (2014: 29%) of the total trade debtors and bills receivable were due from the Group's largest customer and the five largest customers respectively.

As set out in note 18, at 31 December 2015, the Group had endorsed bank acceptance bills totaling RMB520,473,000 (2014: RMB757,602,000), which were derecognized from financial assets. The transferees have recourse to the Group in case of default by the issuing banks. If such default has happened, the Group are required to repurchase these bank acceptance bills at face value. The Group's maximum loss in case of default is RMB520,473,000 for these endorsed bills. Nonetheless, the Group only endorses bank acceptance bills issued by major banks in the PRC and considers that the credit risk associated with such bank acceptance bills to be insignificant.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

28 Financial risk management and fair values of financial instruments (Continued)

(b) *Liquidity risk*

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the head office when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor liquidity requirements and its compliance with lending covenants to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and long terms.

Set out below are the details of the remaining contractual maturities of non-derivative financial liabilities and derivative financial liabilities of the Group at the end of the reporting period in contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current as at the end of the reporting period) and the earliest days that the Group can be required to pay:

	Contractual undiscounted cash inflows/(outflows)			
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	Total RMB'000	Carrying amount RMB'000
At 31 December 2015				
Current liabilities				
Bank loans	(771,355)	–	(771,355)	(766,148)
Trade and other payables	(421,343)	–	(421,343)	(421,343)
Non-current liabilities				
Bank loans	(5,869)	(253,769)	(259,638)	(251,952)
	(1,198,567)	(253,769)	(1,452,336)	(1,439,443)
Foreign exchange derivatives settled gross				
– outflow	(267,840)	–	(267,840)	
– inflow	262,275	–	262,275	
At 31 December 2014				
Current liabilities				
Bank loans	(710,449)	–	(710,449)	(702,462)
Trade and other payables	(419,457)	–	(419,457)	(419,457)
Non-current liabilities				
Bank loans	(8,682)	(353,174)	(361,856)	(350,088)
	(1,138,588)	(353,174)	(1,491,762)	(1,472,007)

28 Financial risk management and fair values of financial instruments (Continued)

(c) *Interest rate risk*

The Group's interest rate risk arises primarily from bank loans. Bank loans borrowed at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. All of the Group's bank loans were borrowed at variable rates. During the year ended 31 December 2015, the effective interest rates of the bank loans of the Group were 2.29% per annum (2014: 2.06%).

Sensitivity analysis

The following interest rate sensitivity analysis for the Group's bank loans has been determined assuming that a change in interest rates had occurred at the end of the reporting period. The impact on the Group's after-tax profit is estimated as an annualized impact on interest expenses of such a change in interest rates. The analysis is performed on the same basis for 2014.

A general increase of 100 basis points (i.e. 1%) in interest rates, with all other variables held constant, would have decreased the Group's after-tax profit by an amount as follows:

	2015 RMB'000	2014 RMB'000
100 basis point increase	(10,181)	(10,526)

A general decrease of 100 basis points in interest rates would have had the equal but opposite effect on the after-tax profit by the amount shown above, with all other variables held constant.

(d) *Currency risk*

The Group is exposed to foreign currency risk primarily through bank deposits, bank loans, proceeds from export sales and settlement of accounts of overseas service providers that are denominated in currencies other than the functional currency of the operations to which they relate. The currencies giving rise to this risk are primarily United States Dollars and Hong Kong Dollars.

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognized assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in Renminbi, translated using the spot rate at the year end date. Differences resulting from the translation of the financial statements of foreign operations into the Group's presentation currency are excluded.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

28 Financial risk management and fair values of financial instruments (Continued)

(d) Currency risk (Continued)

	Exposure to foreign currencies (expressed in Renminbi)			
	2015		2014	
	Hong Kong Dollars RMB'000	United States Dollars RMB'000	Hong Kong Dollars RMB'000	United States Dollars RMB'000
Trade and other receivables	323	381,099	220	133,928
Cash and cash equivalents	39,889	54,528	1,518	79,188
Pledged deposits	–	194,808	–	156,402
Bank loans	(251,920)	(766,180)	(118,607)	(933,943)
Trade and other payables	(360)	(18,417)	(219)	(20,901)
Gross exposure arising from recognized assets and liabilities	(212,068)	(154,162)	(117,088)	(585,326)
Notional amounts of foreign exchange derivative instruments	–	(196,756)	–	–
Net exposure arising from recognized assets and liabilities	(212,068)	(350,918)	(117,088)	(585,326)

Sensitivity analysis

The following table indicates the instantaneous change in the Group's profit after tax (and retained profits) that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant. In this respect, it is assumed that the pegged rate between the Hong Kong dollar and the United States dollar would be materially unaffected by any changes in movement in value of the United States dollar against other currencies.

	2015		2014	
	Increase/(decrease) in foreign exchange rates in %	Effect on profit after tax and retained profits RMB'000	Increase/(decrease) in foreign exchange rates in %	Effect on profit after tax and retained profits RMB'000
Hong Kong Dollars	5	(10,603)	5	(5,854)
	(5)	10,603	(5)	5,854
United States Dollars	5	(21,454)	5	(31,683)
	(5)	21,454	(5)	31,683

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' profit after tax and retained profits measured in the respective functional currencies, translated into RMB at the exchange rate ruling at the end of the reporting period for presentation purposes.

28 Financial risk management and fair values of financial instruments (Continued)

(d) *Currency risk (Continued)*

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of operations outside mainland China into the Group's presentation currency. The analysis is performed on the same basis for 2014.

(e) *Commodity price risk*

The major raw materials used in the production of the Group's products include cotton, polyester and rubber. The Group is exposed to price fluctuations of these raw materials which are influenced by global as well as regional supply and demand conditions. Price fluctuations of raw materials could adversely affect the Group's financial performance. The Group historically has not entered into any commodity derivative instruments to hedge the potential commodity price changes.

(f) *Business risk*

The Group's primary business is the design, manufacture and distribution of branded sports products including footwear, apparel and related accessories. The Group's financial results are influenced by the rapidity of its designs to be copied by competitors and reproduced at much lower prices, as well as by the Group's ability to continue to create new designs that appeal to consumers, maintain an extensive distribution network, manufacture sufficient quantities to meet customer demand, and dispose of excess inventories without excessive losses. Based on these factors, the Group may experience significant fluctuations in its future financial results.

(g) *Fair values measurement*

The carrying amounts of the Group's financial instruments, which are carried at cost or amortised cost, are not materially different from their fair values as at 31 December 2014 and 2015.

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs (i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date).

- Level 2 valuations: Fair value measured using Level 2 inputs (i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs). Unobservable inputs are inputs for which market data are not available.

- Level 3 valuations: Fair value measured using significant unobservable inputs.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

28 Financial risk management and fair values of financial instruments (Continued)

(g) *Fair values measurement (Continued)*

Fair value hierarchy (Continued)

	Fair value at 31 December 2015 RMB'000	Fair value measurements categorised to Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Recurring fair value measurement				
Financial liabilities:				
Derivative financial instruments:				
– Foreign exchange forward contracts	1,181	–	1,181	–
– Foreign exchange rate swaps	4,041	–	4,041	–
– Foreign exchange rate options	548	–	548	–

	Fair value at 31 December 2014 RMB'000	Fair value measurements categorised to Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Recurring fair value measurement				
Financial liabilities:				
Derivative financial instruments:				
– Foreign exchange forward contracts	–	–	–	–
– Foreign exchange rate swaps	–	–	–	–
– Foreign exchange rate options	–	–	–	–

During the years ended 31 December 2014 and 2015, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

Valuation techniques and inputs used in Level 2 fair value measurements

The fair value of foreign exchange forward contracts and foreign exchange rate swaps in Level 2 is determined by discounting the contractual forward price and deducting the current spot rate. The discount rate used is derived from relevant government yield curve as at the end of the reporting period and an adequate constant credit spread.

The fair value of foreign exchange rate options in Level 2 is measured by the Black-Scholes Model. Main parameters used in the Black-Scholes Model include the spot price of the foreign exchange rate as of the valuation date, strike rates, forward foreign exchange rates, implied volatilities of foreign exchange rate and the risk-free rates.

29 Commitments

(a) Capital commitments outstanding at 31 December 2015 not provided for in the financial statements were as follows:

	2015 RMB'000	2014 RMB'000
Contracted for	11,354	12,501
Authorized but not contracted for	494	541
	11,848	13,042

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

	2015 RMB'000	2014 RMB'000
Within 1 year	11,615	6,105
After 1 year but within 5 years	26,188	10,730
After 5 years	1,912	–
	39,715	16,835

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

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

30 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 as disclosed in note 7 and certain of the highest paid employees as disclosed in note 8, is as follows:

	2015 RMB'000	2014 RMB'000
Short-term employee benefits	8,998	8,894
Equity-settled share-based payments	(30)	929
Contributions to defined contribution retirement plans	71	69
	9,039	9,892

The above remuneration is included in "staff costs" (note 5(b)).

(b) *Lease of land and properties*

During the year ended 31 December 2015, the Group leased certain land and properties from Fujian Peak Group Co., Ltd, which is controlled by Xu's family (as defined in note 32). The rental expenses for the year ended 31 December 2015 amounted to RMB2,259,000 (2014: RMB2,259,000).

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

(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 the Top-up Placement whereby: (i) the controlling shareholder sold 280,000,000 ordinary 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 (ii) the Company issued 280,000,000 new ordinary shares to the controlling shareholder at the same price of HK$2.48 per share upon completion of the transaction mentioned in (i). The Top-up Placement was completed on 7 July 2015. The financial impact of the Top-up Placement is set out in note 26(b).

(d) *Transactions and balances with related parties*

During the year ended 31 December 2015, the Group obtained advances of total amount of RMB31,896,000 from an entity controlled by the three executive directors of the Company with a maximum outstanding balance of RMB12,279,000. The advances were unsecured and interest free. The Group repaid all such advances to the entity before 31 December 2015.

(e) *Applicability of the Listing Rules relating to connected transactions*

The related party transactions mentioned in notes 30(a) to 30(d) above constitute connected transaction as defined in Chapter 14A of the Listing Rules. However, the transactions are exempt from relevant disclosure requirements under Rules 14A.95, 14A.76(1), 14A.92(4) and 14A.90 of the Listing Rules.

31 Company-level statement of financial position as at 31 December 2015

	Note	2015 RMB'000	2014 RMB'000
Non-current assets			
Investments in subsidiaries	17	558,600	525,086
Current assets			
Other receivables		700,329	401,277
Cash and cash equivalents		4,382	755
		704,711	402,032
Current liabilities			
Other payables		69,552	63,943
Bank loans		181,822	171,333
		251,374	235,276
Net current assets		453,337	166,756
Net assets		1,011,937	691,842
Equity			
Share capital	26	20,756	18,462
Reserves	27	991,181	673,380
Total equity		1,011,937	691,842

32 Immediate and ultimate controlling party

The Directors consider that the immediate holding companies of the Company as at 31 December 2015 are the three entities incorporated in BVI and controlled by Mr. Xu Jingnan, Mr. Xu Zhihua, Mr. Xu Zhida and Ms. Wu Tigao (the "Xu's family"). Accordingly, the ultimate controlling party of the Company as at 31 December 2015 is the Xu's family. These three BVI entities do not provide financial statements for public use.

33 Non-adjusting events after the reporting period

After the end of the reporting period, the Directors proposed a final dividend which is disclosed in note 9(a).

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

34 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2015

Up to the date of issue of these financial statements, the IASB has issued a number of amendments and new standards which are not yet effective for the year ended 31 December 2015 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group:

	Effective for accounting periods beginning on or after
Annual Improvements to IFRSs 2012-2014 Cycle	1 January 2016
Amendments to IAS 1, *Disclosure initiative*	1 January 2016
Amendments to IAS 16 and IAS 38, *Clarification of acceptable methods of depreciation and amortization*	1 January 2016
IFRS 15, *Revenue from contracts with customers*	1 January 2018
IFRS 9, *Financial instruments*	1 January 2018
IFRS 16, *Leases*	1 January 2019

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to result in a material impact on the Group's results of operations and financial position.

Glossary

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

"AGM"	Annual General Meeting of the Company
"Board"	The Board of Directors of the Company
"CG Code"	The Corporate Governance Code and Corporate Governance Report set out in Appendix 14 to the Listing Rules
"Company"	Peak Sport Products Co., Limited
"Director(s)"	Director(s) of the Company
"ED(s)"	Executive 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
"INED(s)"	Independent Non-executive Director(s) of the Company
"Listing Rules"	Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
"Model Code"	Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules
"NBA"	National Basketball Association
"NED"	Non-executive Director of the Company
"PRC" or "China"	The People's Republic of China
"SFO"	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

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

Incorporated in the Cayman Islands with limited liability
Stock Code : 1968

www.peaksport.com