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

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

**(Stock Code: 1968)**

**ANNOUNCEMENT OF INTERIM RESULTS**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2016**

The board of directors (the “Board”) of Peak Sport Products Co., Limited (the “Company”) announces the interim results of the Company and its subsidiaries for the six months ended 30 June 2016. This announcement, containing the full text of the 2016 Interim Report of the Company, complies with the relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited in relation to information to accompany preliminary announcement of interim results. The printed version of the Company’s 2016 Interim Report will be delivered to the shareholders of the Company and available for perusal on the websites of Hong Kong Exchanges and Clearing Limited at [www.hkexnews.hk](http://www.hkexnews.hk) and of the Company at [www.peaksport.com](http://www.peaksport.com) by the mid of September 2016.

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

Hong Kong, 29 August 2016

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

A full-page advertisement featuring basketball player Tony Parker. He is wearing a white and black Reebok basketball jersey with the 'PEAK' logo on the chest. He is holding a white and black Reebok sneaker in his right hand. The background is a stylized basketball court with blue and white geometric shapes and a wooden floor. The lighting is dramatic, with bright spotlights and lens flares.

**Tony Parker**  
San Antonio Spurs



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A photograph of basketball player George Hill in a yellow Indiana Pacers jersey, crouching on a basketball court and holding a basketball. The background is a blurred arena with bright lights.

**George Hill**  
Indiana Pacers

# Financial summary

	Six months ended 30 June	
	2016 (RMB million)	2015 (RMB million)
<i>Profitability data</i>		
Revenue	1,298.1	1,380.4
Gross profit	494.0	523.1
Net profit	169.4	176.0
Basic earnings per share (RMB cents)	7.09	8.37
Diluted earnings per share (RMB cents)	7.09	8.36
<i>Profitability ratios</i>		
Gross profit margin	38.1%	37.9%
Net profit margin	13.0%	12.7%
Effective tax rate	31.3%	34.4%
Return on equity (Note 1)	3.5%	4.1%
<i>Operating ratios (as a percentage of revenue)</i>		
Advertising and promotion expenses	8.4%	9.3%
Staff costs	14.5%	15.5%
Research and development expenses	3.0%	2.2%

	As at	As at
	30 June 2016 (RMB million)	31 December 2015 (RMB million)
<i>Assets and liabilities data</i>		
Non-current assets	731.5	750.2
Current assets	5,846.3	5,764.8
Current liabilities	1,575.2	1,275.5
Non-current liabilities	96.1	353.9
Shareholders' equity	4,906.5	4,885.6
Current ratio	3.7	4.5
Gearing ratio (%) (Note 2)	21.0%	20.8%
Net asset value per share (RMB yuan)	2.05	2.04

	Six months	Year ended
	ended 30 June 2016 (days)	31 December 2015 (days)
<i>Working capital data</i>		
Average inventory turnover days (Note 3)	89	63
Average trade receivables and bills receivable turnover days (Note 4)	142	109
Average trade payables and bills payable turnover days (Note 5)	52	33

Notes:

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

# Financial highlights for the first half of 2016



## Financial performance

- Revenue for the period decreased by 6.0% to RMB1,298.1 million
- Gross profit for the period decreased by 5.6% to RMB494.0 million
- Gross profit margin for the period increased by 0.2 percentage point to 38.1%
- Profit for the period attributable to shareholders decreased by 3.8% to RMB169.4 million
- Net profit margin for the period increased by 0.3 percentage point to 13.0%
- Basic and diluted earnings per share for the period amounted to RMB7.09 cents

## Operational performance

- Number of authorized Peak retail outlets totaled 6,001, representing a net increase of 2 outlets from the end of 2015
- Average floor area per retail outlet decreased by 0.4% to 89.0 square metres
- Number of distributors in China decreased to 99 from 100





# 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)

## JOINT COMPANY SECRETARIES

Ms. Soon Yuk Tai and Ms. So Yee Kwan

## AUTHORIZED REPRESENTATIVES

Mr. Xu Zhihua (許志華)  
Mr. Xu Zhida (許志達)

## 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 HONGKONG

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

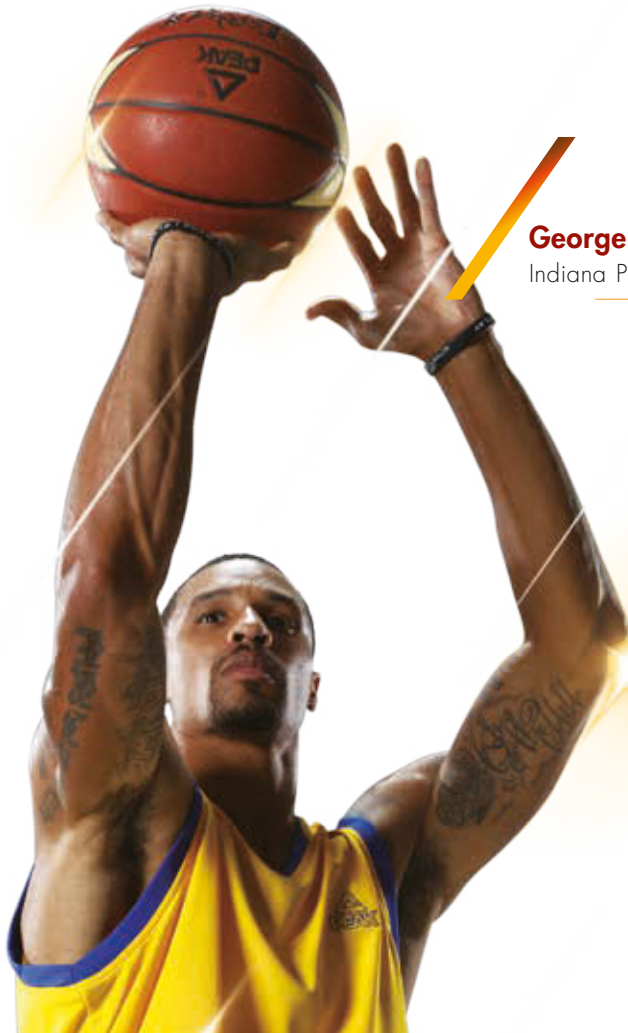
[www.peaksport.com](http://www.peaksport.com)

## Market overview

### Global economic conditions

The global economy remained sluggish in the first half of 2016. Developed countries generated a lower-than-expected growth while the gap between emerging markets and developing countries was widened. Commodity prices continued to slump and international trade and capital flows significantly slackened. With slow world economic recovery, the U.S. Federal Reserve refrained from hiking interest rates while central banks in Europe, Japan and other countries continued to implement monetary easing policies as well as negative interest rates. According to the World Bank's "Global Economic Prospect Report," the global economy will continue to be weak with significant downside risk as the global growth forecast for the year 2016 was revised to 2.4%. Looking ahead to the second half of 2016, the global economic environment will have a number of unfavourable factors, including drastic changes in financial market sentiment, prolonged weak commodity prices, and rising geopolitical risks, which will increase the possibility of a global economic slump.

In 2016, investments in China's real estate and infrastructure began to pick up. The rebound in real estate development was faster than expected while private investment and consumption continued to slow. China's GDP for the year 2016 is expected to grow 6.8% according to the People's Bank of China's macroeconomic forecast for 2016. Looking ahead to the second half of 2016, China's macroeconomy will continue to face many challenges. The stabilization of commodity prices and development of real estate and infrastructure will provide support for the economy and the government's macroeconomic policy of "stabilizing currency and easing fiscal" will play an increasingly important role in China's economy in the second half of 2016.



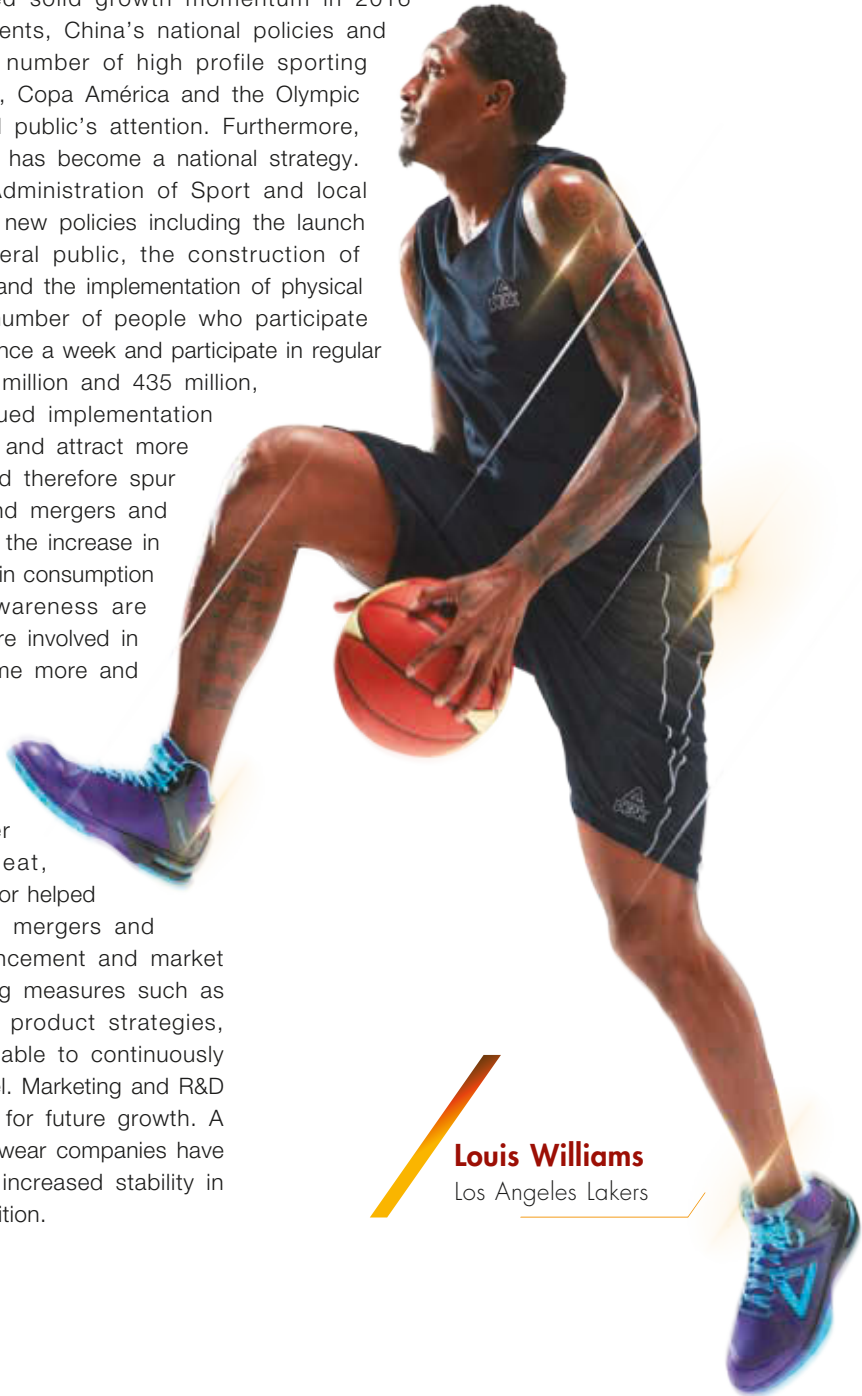
**George Hill**  
Indiana Pacers

# Management discussion and analysis

## Sportswear industry in China

China's sportswear market gained solid growth momentum in 2016 with the support of top sports events, China's national policies and changes in lifestyle. There are a number of high profile sporting events in 2016 such as Euro 2016, Copa América and the Olympic Games, which capture the general public's attention. Furthermore, the development of sports industry has become a national strategy. The State Council, the General Administration of Sport and local governments rolled out a series of new policies including the launch of a fitness program for the general public, the construction of national fitness and sports facilities and the implementation of physical education and training, etc. The number of people who participate in sports exercise in China at least once a week and participate in regular exercise is targeted to reach 700 million and 435 million, respectively, by 2020. The continued implementation of favorable policies will add value and attract more investors to the sports industry and therefore spur further sports industry financing and mergers and acquisitions. Meanwhile, followed by the increase in income per capita in China, changes in consumption patterns and increased health awareness are expected; people are becoming more involved in popular sports. Running has become more and more popular, and thus marathon has now been one of the most popular sports in China.

While China's domestic consumer goods market remained downbeat, leading companies in the sports sector helped drive the industry growth through mergers and acquisitions, product design enhancement and market segmentation, etc. By implementing measures such as channel integration and adjusting product strategies, sportswear companies have been able to continuously refine their extensive operating model. Marketing and R&D have now become the key factors for future growth. A considerable number of small sportswear companies have exited the market, resulting in the increased stability in market structure and rational competition.



**Louis Williams**  
Los Angeles Lakers



## Prospects

After years of continuous channel restructuring, destocking and market consolidation, the sportswear sector in China has bottomed out and is now looking towards a brighter future. Looking forward, there is a vast growth potential in China's sportswear market with the entire sector's growth expected to remain stable. Increased and upgraded consumption of sportswear products is expected to drive 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 General Administration of Sport predicts that the total value of the sports sector in China will exceed RMB3 trillion by 2020, accounting for 1% of GDP. The huge growth potential of professional and functional sportswear products will contribute to the Group's market expansion.

The sports sector in China is expanding at an unparalleled pace as the nation upgrades its industrial capacity and implements its "Internet+" strategy. A better sports marketing environment, together with more sporting events, will unlock the vast growth potential of China's sportswear sector. In addition to the traditional sportswear sector, other sectors of the sports service industry including sports marketing, event operations and sports brokerage will experience a rapid growth as well. By virtue of the robust development of internet and new media, streaming sporting events has become the primary viewing channel. In addition, as virtual reality ("VR") technology continues to develop, the application of VR technology in broadcasting sports events will greatly enhance the audience's watching experience and contribute to the development of the sports sector. The robust development of mobile sports apps will also bring opportunities to the industry. 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 manufacturer into a comprehensive sports solution provider.



# Management discussion and analysis

## Financial review

### Revenue

The Group's revenue for the first half of 2016 amounted to RMB1,298.1 million (First half of 2015: RMB1,380.4 million), representing a decrease of 6.0% when compared to the first half of 2015. The decrease was mainly attributable to a decrease in the revenue derived from the China market during the period.

Analysis of revenue by product category:

	Six months ended 30 June				
	2016		2015		Change (%)
	RMB (million)	% of revenue	RMB (million)	% of revenue	
Footwear	492.5	37.9	597.6	43.3	(17.6)
Apparel	791.7	61.0	755.6	54.7	4.8
Accessories	13.9	1.1	27.2	2.0	(48.9)
Total	1,298.1	100.0	1,380.4	100.0	(6.0)

Compared to the first half of 2015, the ratio of revenue contributed by footwear products decreased by 5.4 percentage points during the first half of 2016 mainly because of the sluggish economic conditions. The above change in ratio for footwear products increased the corresponding ratio for apparel products. The quantities of apparel products sold remained stable when compared to that of the same period last year, however, the revenue of apparel products increased due to the increase in the average unit selling price.



# Management discussion and analysis

Analysis of revenue by geographical location:

	Six months ended 30 June				
	2016		2015		Change (%)
	RMB (million)	% of revenue	RMB (million)	% of revenue	
Southern region (Note 1)	389.3	30.0	379.6	27.5	2.6
Northern region (Note 2)	306.6	23.6	363.7	26.3	(15.7)
Eastern region (Note 3)	306.0	23.6	373.8	27.1	(18.1)
<b>China market</b>	<b>1,001.9</b>	<b>77.2</b>	1,117.1	80.9	(10.3)
Asia	139.0	10.7	83.1	6.0	67.3
Europe	82.1	6.3	69.0	5.0	19.0
Africa	35.5	2.7	25.9	1.9	37.1
South America	24.4	1.9	26.1	1.9	(6.5)
North America	12.4	1.0	54.0	3.9	(77.0)
Australasia	2.8	0.2	5.2	0.4	(46.2)
<b>Overseas markets</b>	<b>296.2</b>	<b>22.8</b>	263.3	19.1	12.5
<b>Total</b>	<b>1,298.1</b>	<b>100.0</b>	1,380.4	100.0	(6.0)

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. Northern region includes Heilongjiang, Jilin, Liaoning, Inner Mongolia, Hebei, Beijing, Tianjin, Shanxi, Shaanxi, Gansu, Ningxia, Qinghai and Xinjiang.
3. Eastern region includes Shandong, Jiangsu, Shanghai, Zhejiang, Henan, Anhui, Hubei, Hunan and Jiangxi.

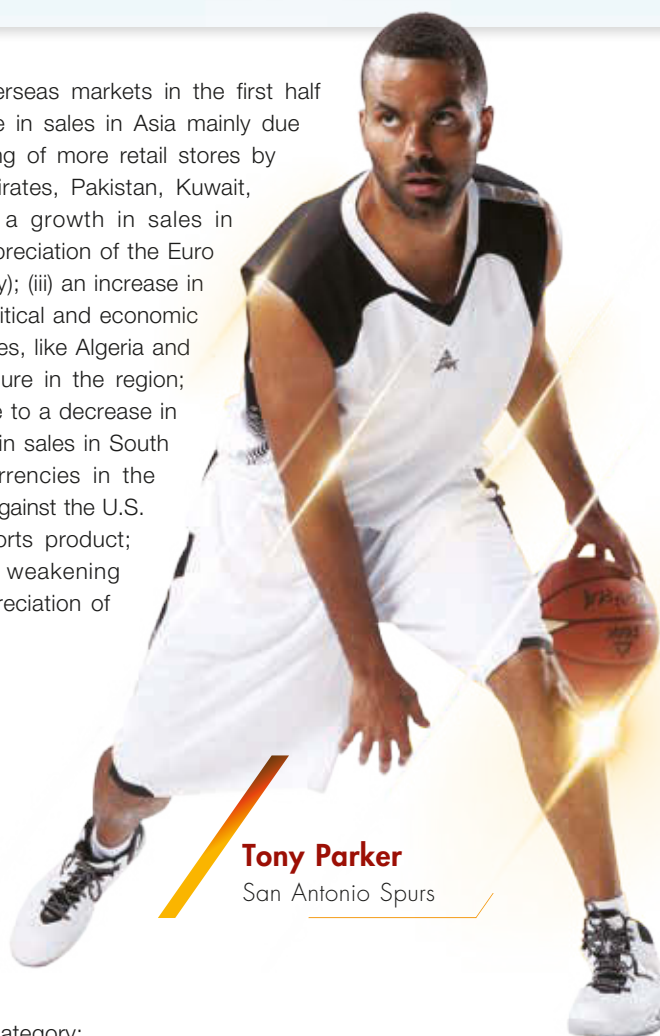
The China market contributed 77.2% of the total revenue while the overseas markets contributed 22.8% of the total revenue during the first half of 2016. The revenue derived from the China market decreased by 10.3% while the revenue derived from the overseas markets increased by 12.5% when compared to the same period in 2015.

Revenue derived from the China market decreased during the first half of 2016 mainly because of: (i) sluggish economic environment; and (ii) intense market competition. The increase in revenue derived from the Southern region was mainly attributable to the improved efficiency of distribution channel in the region.



# Management discussion and analysis

The increase in the revenue derived from the overseas markets in the first half of 2016 was mainly 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, Pakistan, Kuwait, Thailand and Philippines during the period; (ii) a growth in sales in European countries in general mainly due to an appreciation of the Euro against the U.S. dollars (the Group's billing currency); (iii) an increase in sales in Africa mainly due to an improvement in political and economic conditions during the period in a number of countries, like Algeria and Libya, which supported the consumption expenditure in the region; (iv) a decrease in sales in North America mainly due to a decrease in the number of distributors in the region; (v) a drop in sales in South America mainly due to a depreciation of the currencies in the region (including Argentine peso and Brazilian Real) against the U.S. dollars and hence decreased the demand for sports product; and (vi) a decline in Australasia mainly due to weakening economic conditions in Australia caused by a depreciation of the Australian dollars against the U.S. dollars.



**Tony Parker**  
San Antonio Spurs

## Gross profit

Analysis of contribution to gross profit by product category:

	Six months ended 30 June				
	2016		2015		Change in gross profit margin (% points)
	Gross profit RMB (million)	Gross profit margin (%)	Gross profit RMB (million)	Gross profit margin (%)	
Footwear	179.7	36.5	218.4	36.5	0.0
Apparel	309.1	39.0	295.4	39.1	(0.1)
Accessories	5.2	37.4	9.3	34.3	3.1
<b>Total</b>	<b>494.0</b>	<b>38.1</b>	<b>523.1</b>	<b>37.9</b>	<b>0.2</b>

The gross profit margin of footwear products remained stable while the gross profit margin of apparel products slightly decreased by 0.1 percentage point during the first half of 2016 when compared to that of the same period in 2015.

# Management discussion and analysis

## Selling price and volume

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

Six months ended 30 June						
	2016		2015		Change	
	Quantity sold (million)	Average unit selling price (RMB)	Quantity sold (million)	Average unit selling price (RMB)	Quantity sold (%)	Average unit selling price (%)
Footwear (pairs)	5.2	94.7	6.5	91.9	(20.0)	3.0
Apparel (pieces)	13.3	59.5	13.3	56.8	0.0	4.8

Notes:

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

The average unit selling price ("ASP") for footwear products and apparel products increased by 3.0% and 4.8% respectively during the first half of 2016 when compared to the same period in 2015. The ASP for footwear products and apparel products increased during the period mainly because the Group launched more sports products which are equipped with high-tech features and hence increased the selling prices of these products during the period.

The quantity of footwear products sold in the first half of 2016 decreased by 20.0% when compared to the same period in 2015. The decrease was mainly attributable to the sluggish economy which adversely affected the demand for new products during the period. The quantity of apparel products sold in the first half of 2016 remained stable as compared to the same period in 2015.

## Average revenue per retail outlet and per unit retail floor area

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

	As at 30 June			Six months ended 30 June			
	No. of retail outlets	Total retail floor area (sq. m.)	Average floor area per retail outlet (sq. m.)	Average no. of retail outlets (Note 1)	Average total retail floor area (sq. m.) (Note 2)	Average revenue per retail outlet (RMB'000) (Note 1)	Average revenue per unit retail floor area (RMB'000) (Note 2)
2016	6,001	534,102	89.0	6,000	534,316	167	1.9
2015	6,011	537,442	89.4	6,008	538,753	186	2.1
Change (%)	(0.2)	(0.6)	(0.4)	(0.1)	(0.8)	(10.2)	(9.5)

# Management discussion and analysis

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 retail outlets for the period.
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 period.

The average revenue per authorized Peak retail outlet in China during the first half of 2016 decreased by 10.2% and the average revenue per unit retail floor area in China during the first half of 2016 decreased by 9.5% when compared to the same period in 2015. Such decreases were in line with the decline in revenue derived from the China market.

## Cost of sales

Analysis of cost of sales by production method:

	Six months ended 30 June				
	2016		2015		Change (%)
	RMB (million)	% of total	RMB (million)	% of total	
<b>Self-production</b>					
Raw materials	237.8	65.0	341.3	64.8	(30.3)
Direct labour	79.2	21.6	117.7	22.4	(32.7)
Overhead	49.0	13.4	67.3	12.8	(27.2)
<b>Total</b>	<b>366.0</b>	<b>100.0</b>	526.3	100.0	(30.5)
<b>Cost of sales</b>					
Self-production	366.0	45.5	526.3	61.4	(30.5)
Subcontracting arrangements	232.3	28.9	253.4	29.6	(8.3)
OEM	205.8	25.6	77.6	9.0	165.2
<b>Total</b>	<b>804.1</b>	<b>100.0</b>	857.3	100.0	(6.2)

The ratios of cost of self-production and subcontracting arrangements to the cost of sales dropped by 30.5% and 8.3% respectively in the first half of 2016 as compared to that in the same period in 2015. The above change in ratios of self-production and subcontracting arrangements to the cost of sales increased the corresponding ratio of OEM to the cost of sales. It was mainly because the OEM could facilitate the production of high-tech sports products during the period. There have not been any material changes in the ratios of various components of cost of self-production during the first half of 2016 when compared to those in 2015.



## Other revenue

Other revenue increased to RMB38.6 million (First half of 2015: RMB37.8 million) in the first half of 2016 mainly because of a net result of: (i) the increased interest income derived from bank deposits during the period; and (ii) the decrease in the amount of government grants by local governments in the first half of 2016.

## Other net losses

Other net losses amounted to RMB18.1 million (First half of 2015: other net income of RMB2.2 million) in the first half of 2016 mainly due to (i) the exchange loss arising from the depreciation of Renminbi against the U.S. dollar; and (ii) the loss arising from the fair value changes in the derivative financial instruments.

## Selling and distribution expenses

Total selling and distribution expenses for the first half of 2016 amounted to RMB133.9 million (First half of 2015: RMB154.0 million), representing a decrease of 13.1% when compared to the same period in 2015. The decrease was mainly attributable to decreased sponsoring, advertising and promotional activities in the first half of 2016.

## Administrative expenses

Total administrative expenses for the first half of 2016 amounted to RMB124.3 million (First half of 2015: RMB127.7 million), representing a decrease of 2.7% when compared to the same period in 2015. The decrease was primarily a net result of: (i) decreased staff costs mainly due to decreased amortization of share option expenses in the first half of 2016; (ii) increased R&D expenses; (iii) drop in donation; and (iv) increased provision for doubtful debts for distributors in the first half of 2016.

## Finance expenses

Finance expenses, which comprised interest expenses only, amounted to RMB9.6 million (First half of 2015: RMB13.1 million) during the first half of 2016, representing a decrease of 26.7% when compared to that in the same period in 2015. The decrease was mainly caused by a decrease in the average balance of bank loans and a decrease in relevant interest rates during the first half of 2016. 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 decreased by 16.3% to RMB77.3 million for the first half of 2016 from RMB92.3 million for the same period in 2015 mainly due to (i) no interim dividend is declared for the first half of 2016, and that no relevant provision for interim dividend withholding tax is made; and (ii) the decrease in the net profits from operations during the period.

## Net profit and net profit margin

Net profit decreased by 3.8% to RMB169.4 million for the first half of 2016 from RMB176.0 million for the same period in 2015. Such decrease in net profit during the period was primarily a net result of: (i) a decrease in the gross profit; (ii) an increase in other revenue; (iii) other net losses arised; (iv) a decrease in the selling and distribution expenses; (v) a decrease in the administrative expenses; and (vi) a drop in the finance expenses.

# Management discussion and analysis

Net profit margin increased to 13.0% for the first half of 2016 from 12.7% for the same period in 2015. Such increase in net profit margin during the period was primarily a net result of: (i) an increase in gross profit margin; (ii) a net increase in the ratio of other revenue to revenue mainly caused by the increase in the interest income derived from bank deposits during the first half of 2016 and the drop in government grants from local governments; (iii) an increase in the ratio of other net losses to revenue mainly due to the exchange loss 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) an increase in the ratio of administrative expenses to revenue mainly caused by increases in R&D expenses.

## Working capital ratios

The average inventory turnover days for the six months ended 30 June 2016 increased to 89 days from 63 days for the year ended 31 December 2015.

The average trade receivables and bills receivable turnover days for the six months ended 30 June 2016 increased to 142 days from 109 days when compared to that for the year ended 31 December 2015.

The average trade payables and bills payable turnover days for the six months ended 30 June 2016 increased to 52 days from 33 days for the year ended 31 December 2015.

## Liquidity and capital resources

The net cash outflow from operating activities of the Group for the six months ended 30 June 2016 amounted to RMB73.5 million (First half of 2015: net inflow of RMB292.1 million). As at 30 June 2016, 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 RMB4,132.7 million, representing a net decrease of RMB261.5 million when compared to the position as at 31 December 2015.

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

	<b>Six months ended 30 June 2016</b>
	RMB'000
Net cash outflow from operating activities	(73,548)
Capital expenditure	(6,592)
Dividends paid	(139,157)
Net repayment of bank loans	(8,042)
Interest received (net of interest paid)	14,466
Other net cash outflow	(48,619)
Net decrease in cash and bank deposits	(261,492)

The Group had bank borrowings as at 30 June 2016, which were repayable within one year and primarily used for the settlement of advertising and promotional expenses denominated in foreign currencies and the payment of dividends of the Company.

# Management discussion and analysis

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

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

The Group monitors its capital structure on the basis of an adjusted net debt-to-capital ratio. For this purpose, the Group defines net debt as interest-bearing loans less cash and bank deposits. Capital is defined as the total equity. As at 30 June 2016, 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 U.S. dollars and bank loans that were denominated in Hong Kong dollars or U.S. 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 foreign exchange rate swaps to hedge our foreign exchange exposure during the first half of 2016. The management will continue to monitor the foreign exchange exposure and adopt prudent measures as appropriate.

## Pledge of assets

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

	Carrying amount as at	
	30 June 2016 RMB'000	31 December 2015 RMB'000
Buildings	87,582	90,793
Bank deposits	442,571	396,137
Lease prepayments	9,504	9,619



**Carl Landry**  
Philadelphia 76ers



# Management discussion and analysis

## Business review

### Distribution network

The network of authorized Peak retail outlets, which components are owned and operated either by our distributors or by retail outlet operators, has been providing an effective retail channel for our products throughout China. To prepare for our future growth and further enhance our brand image, the Group continued to optimize our distribution network by closing down small and less efficient retail outlets while opening larger retail outlets in the first half of 2016. As at 30 June 2016, the total number of authorized Peak retail outlets was 6,001, representing a net increase of 2 outlets when compared to that at the end of 2015.

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

	Number of retail outlets as at		
	30 June 2016	31 December 2015	Change (%)
Southern region	2,004	2,018	(0.7)
Eastern region	2,001	1,986	0.8
Northern region	1,996	1,995	0.1
Total	6,001	5,999	0.0

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

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

	Number of retail outlets as at		
	30 June 2016	31 December 2015	Change (%)
First-tier city	124	144	(13.9)
Second-tier city	582	631	(7.8)
Third-tier city	5,295	5,224	1.4
Total	6,001	5,999	0.0

The second-tier and third-tier cities in China have been the Group's focused markets in recent years because of their faster economic growth and less intense competition when compared to the first-tier cities. Accordingly, most of authorized Peak retail outlets are located in the second-tier and third-tier cities.

# Management discussion and analysis

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

	Number of retail outlets as at		
	30 June 2016	31 December 2015	Change (%)
Flagship Store	23	21	9.5
Basic Store	3,670	3,671	(0.0)
Department Store or Shopping Mall Outlet	2,272	2,257	0.7
Basketball Specialty Outlet	36	50	(28.0)
Total	6,001	5,999	0.0

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 have yielded encouraging results. We took further steps in our “Channel Flattening” strategy by actively adjusting the number of distributors. On one hand, we upgraded selected retailers with excellent performance to distributors; on the other hand, we introduced new distributors with strong retail experience in order to better manage the retail business. The Group also encouraged existing distributors to open more authorized Peak retail outlets so that they could respond more promptly to any market changes. The number of distributors of the Group reduced from 100 at the end of 2015 to 99 as at 30 June 2016. 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.

# Management discussion and analysis

The Group's computerized management information system ("MIS") has linked to all distributors and their self-operated retail outlets. Through active utilization of MIS, we have deepened our knowledge of critical information such as channel inventory, retail end discounts and market demand. Distributors can also make replenishment orders promptly according to the information collected to increase their sales. During the first half of 2016, the Group continued to expand the coverage of its MIS and actively collected and analyzed real-time operational data and feedbacks from the authorized retail outlets that have already connected to the MIS. As at 30 June 2016, 3,115 retail outlets were connected to the MIS. In addition to strengthening our efforts in broadening the MIS coverage, we also sent out dedicated teams to provide instructions on how to use the MIS and relevant trainings to distributors and retailers.

## Overseas markets

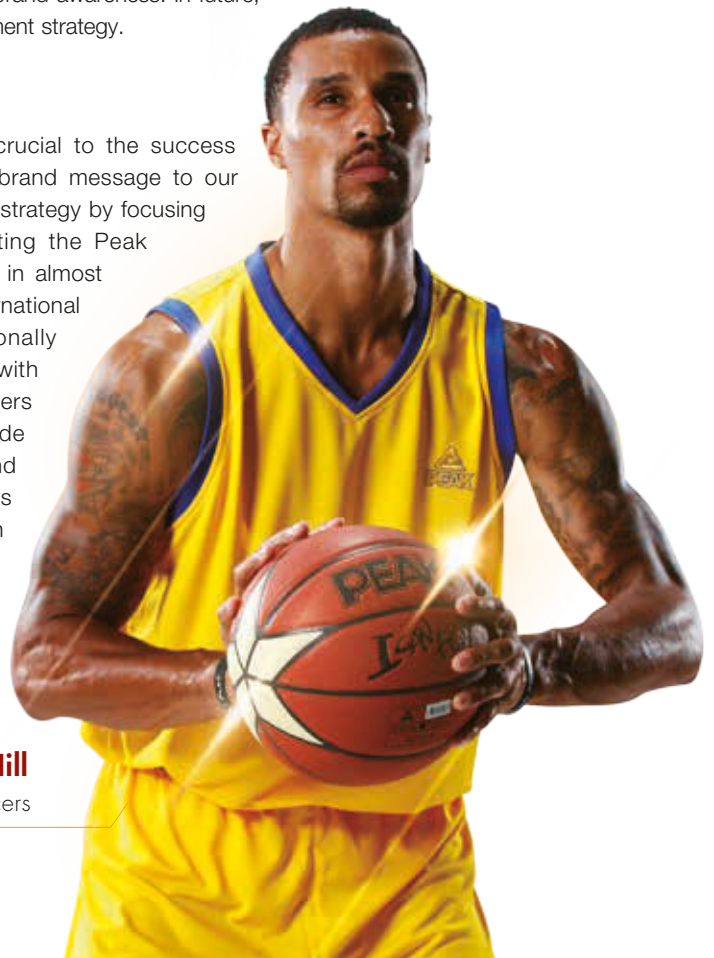
We have been exporting our products to overseas markets since early 90's. At present, we sell the Peak branded products to overseas customers in more than 70 countries and regions. These overseas customers include distributors, retailers, sports teams and clubs. We invite our overseas customers to attend our sales fairs held in China together with our domestic distributors. In addition, we participate in international exhibitions, overseas sales and trade fairs to introduce and promote our products to our existing and potential overseas customers every year. In order to strengthen the communication with our overseas customers, we have been enhancing the contents of our corporate website in recent years.

## E-commerce

We believe e-commerce is an effective and efficient way to further promote our brand and products beyond geographical boundaries. In addition to Peak's official online store ([www.epeaksport.com](http://www.epeaksport.com)), our reach has extended to other well-known third party e-commerce platforms including [amazon.cn](http://amazon.cn), [dangdang.com](http://dangdang.com), [JD.com](http://JD.com), [paipai.com](http://paipai.com), [Tmall.com](http://Tmall.com), [vja.com](http://vja.com) and [yhd.com](http://yhd.com). Although e-commerce currently contributes only a 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 profit 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 but 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.



**George Hill**  
Indiana Pacers

Leveraging our success in focusing on the basketball sports category, the Group has rolled out new marketing strategy focusing on running and tennis 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 a 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 teams for the period ended 30 June 2016.

As of 30 June 2016, the Group endorsed a total of 11 NBA players. With these players, we had presence in ten teams out of the 30 NBA teams as follows (listed by alphabetical order):

### NBA players

Andrew Nicholson  
Anthony Morrow  
Carl Landry  
Chase Budinger  
Dwight Howard  
George Hill  
Kyle Singler  
Louis Williams  
Matthew Dellavedova  
Miles Plumlee  
Tony Parker

### NBA teams

Orlando Magic  
Oklahoma City Thunder  
Philadelphia 76ers  
Phoenix Suns  
Houston Rockets  
Indiana Pacers  
Oklahoma City Thunder  
Los Angeles Lakers  
Cleveland Cavaliers  
Milwaukee Bucks  
San Antonio Spurs

## FIBA

The Group has had an association with FIBA since 2008 and has become the official and exclusive footwear partner of FIBA worldwide and the official and exclusive sportswear (apparel and headwear) partner of FIBA in Asia since August 2011. Under 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.

# Management discussion and analysis

## 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 sports products to all officials and staff of the tournament.

## National Basketball Federations

The Group has association with a number of national basketball federations which are responsible for managing national teams of their own countries. Under the relevant sponsorship agreements, the Group is required, among other things, to supply the relevant national teams with sports products in specified games and tournaments. As at 30 June 2016, these national basketball federations were as follows:

- Basketball Australia;
- Basketball Federation of Montenegro;
- Basketball Federation of Serbia;
- Basketball New Zealand;
- Cameroon Basketball Federation;
- German Basketball Federation;
- Iran Basketball Federation;
- Latvian Basketball Association; and
- Nigeria 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 2016 Peak Team China Tour kicked-off in Beijing on 7 June 2016. 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, Urumqi and Ningbo. 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 the first half of 2016:

- 2016 Guangdong Basketball League (2016年廣東省男子籃球聯賽);
- The 27th National Basketball Competition for middle-aged and old adults (第二十七屆全國城市中老年籃球賽); and
- Peak Stars Basketball Training Camp (匹克星籃球訓練營).



## Tennis promotion partners

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

### 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 Peak in the women's tennis sector, the Group had endorsement contracts with international tennis players including Kamila Kerimbayeva from Kazakhstan and Margarita Lazareva from Russia as at 30 June 2016.

## 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 the first half of 2016:

- The 29th Dalian International Marathon 2016; and
- 2016 International Association of Athletics Federations World Challenge Beijing

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 30 June 2016, the Group sponsored the following national Olympic committees:

- The National Olympic Committee of Algeria;
- The National Olympic Committee of Cyprus;
- The National Olympic Committee of Egypt;
- The National Olympic Committee of Iceland;
- The National Olympic Committee of Jordan;

# Management discussion and analysis

- The National Olympic Committee of Lebanon;
- The National Olympic Committee of New Zealand;
- The National Olympic Committee of Nigeria;
- The National Olympic Committee of Palestine;
- The National Olympic Committee of Slovenia;
- The National Olympic Committee of Turkmenistan; and
- The National Olympic Committee of Ukraine.

## 2016 Tour of Qinghai Lake International Cycling Race (“QLCR”)

QLCR is a top-tier international highway cycling competition held at a racing track with the highest altitude above sea level. The competition is recognized by the Union Cycliste Internationale and is held from July to August every year, mainly in Qinghai Province with the participation of top cyclists from the five continents. 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 flexibility and ability to respond promptly to market changes, and better bargaining power over contract manufacturers.

## Footwear production facilities

The Group currently has three footwear production facilities at Fengze in Fujian Province, Hui’an in Fujian Province and Shang’gao in Jiangxi Province. We also outsource a portion of our footwear production to contract manufacturers. The total footwear production volume for the first half of 2016 was approximately 6.2 million pairs, of which approximately 82.3% was produced in-house and approximately 17.7% was produced through outsourcing to contract manufacturers.

## Apparel production facilities

The Group currently has three apparel production facilities at Fengze in Fujian Province, Hui’an in Fujian Province and Shang’gao in Jiangxi Province. We also outsource a major portion of our apparel production to contract manufacturers. The total apparel production volume for the first half of 2016 was approximately 15.7 million pieces, of which approximately 27.4% was produced in-house and approximately 72.6% was produced through outsourcing to contract manufacturers.

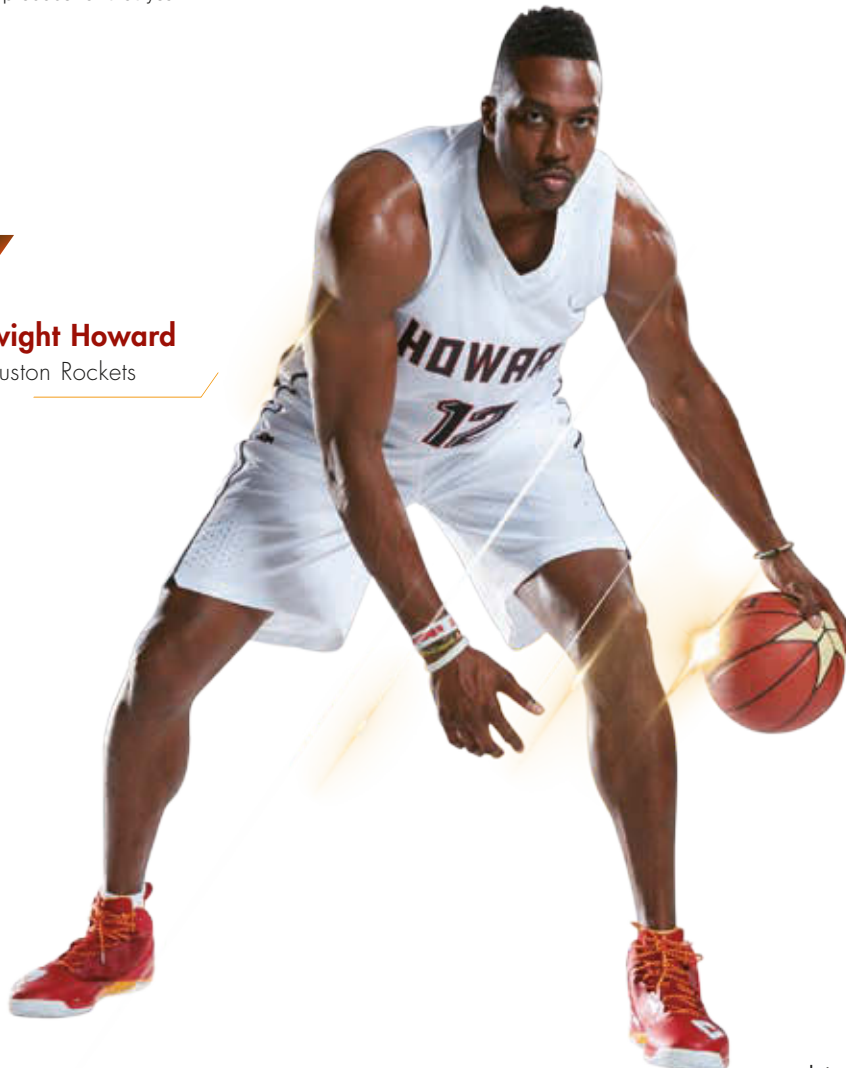
# Management discussion and analysis

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

Location	Footwear production facilities			Apparel production facilities			
	Fengze Quanzhou Fujian Province (full production)	Hui'an Quanzhou Fujian Province (full production)	Shang'gao Yichun Jiangxi Province	Fengze Quanzhou Fujian Province (full production)	Hui'an Quanzhou Fujian Province	Shang'gao Yichun Jiangxi Province	
Commencement date of production	Aug 1994	Jul 2011	Jun 2008	Feb 2004	Sep 2008	Jan 2012	
Estimated annual production capacity (Note) (pairs/pieces)	2015 <b>2016</b>	3.0 million <b>3.0 million</b>	3.0 million <b>3.0 million</b>	6.1 million <b>6.1 million</b>	2.5 million <b>2.5 million</b>	10.0 million <b>10.0 million</b>	0.5 million <b>0.5 million</b>
Actual production volume (pairs/pieces)	2015 (Jan-Dec) <b>2016 (Jan-Jun)</b>	2.6 million <b>1.3 million</b>	2.8 million <b>1.1 million</b>	5.7 million <b>2.7 million</b>	2.1 million <b>0.9 million</b>	8.6 million <b>3.2 million</b>	0.4 million <b>0.2 million</b>
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.

**Dwight Howard**  
Houston Rockets



# Management discussion and analysis

## Research & development (“R&D”)

Being a professional sportswear manufacturer, the Group endeavors to introduce high quality products with innovative designs and functionality to meet the needs of professional athletes and sports enthusiasts. To this end, the Group will continue to invest in R&D of new products. As at 30 June 2016, the Group operated four R&D workshops located in Beijing, Guangzhou, Quanzhou and Los Angeles. These workshops altogether employed 182 research and design professionals. Through the interactions of the design teams in different workshops, we are capable of rolling out more innovative and stylish products to satisfy the needs of different consumer groups all over the world. Peak is adherent to the professionalism of its brand. Therefore, professional athletes, including Peak’s sponsored sports stars, are consulted and involved in the product developing and testing processes. During the first half of 2016, the Group introduced 609 new footwear products, 600 new apparel products and 94 new accessory products to consumers.

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

## Supply chain management

A portion of the Group’s footwear and apparel production was outsourced to contract manufacturers. We have two types of outsource arrangements with our contract manufacturers: (i) subcontract arrangements; and (ii) arrangements with original equipment manufacturers (“OEM”). Under the subcontract arrangements, we provide subcontractors with raw materials and pay them processing fees for completing certain production processes for us. Under the OEM arrangements, we provide OEM with the 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 of 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 made 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.

# Management discussion and analysis

## Human resources

We consider our people to be the most valuable asset to the Group and will continue to allocate sufficient resources to recruiting, training and rewarding our staff. As at 30 June 2016, the Group's total headcount was approximately 8,090.

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

We provide systematic training to our front-line sales staff, distributors and retail outlet operators regarding Peak's product knowledge and selling and promotion skills. During the period, we held 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.

**Dwight Howard I**  
Basketball shoes



## Outlook

The Group will continue to focus on the second and the third-tier cities in China as well as overseas markets in the second half of 2016. The Group will continue to optimize and improve its brand image, product R&D, overseas distribution and marketing channels and, at the same time, to build a sports ecosystem and to accelerate the transformation of the Group. The Group believes that its international brand image, precise market positioning and professional products have helped it gain certain competitive advantages in the market hereafter. To ensure the continuous growth of its business, the Group will focus on accomplishing the following tasks in the future.

### Enhancement of brand image

Since the launch of its "Star Strategy" at the end of 2014, Peak has made significant progress in signing additional agreements with popular sporting events and athletes as well as selling star athlete products. By cooperating with popular sporting events and star athletes, Peak has not only significantly improved its brand awareness, but also facilitated the improvement in the professionalism of its products and sales growth. In the second half of 2016, the Group will further strengthen its "Star Strategy" marketing model, focus on deploying its world class sports marketing resources, and actively seek to deepen cooperation with athletes, sports teams and international sporting organizations in order to enhance its brand recognition, and to promote the professionalism and reliability of its products in eyes of the consumers.



## Management discussion and analysis

In future, star athlete endorsements and sponsorship of large scale domestic and foreign sporting events will remain the focal point of Peak's marketing activities. Currently, the lineup of Peak's NBA spokespersons has increased to 11. In June 2016, Peak signed an endorsement contract with Matthew Dellavedova, a basketball player in Cleveland Cavaliers (now in Milwaukee Bucks), whose outstanding performance helped the team win the 2016 NBA Finals. Through the "Peak Team China Tour", Peak has brought NBA players to China for 11 consecutive years. Another Peak's endorsed player Miloš Teodosić from Serbia outstandingly performed in the Olympic Men's Basketball Games Rio 2016 and helped the Serbian national team to win a silver medal in the game. In June 2016, Louis Williams, one of Peak's star players, kicked off the "Peak Team China Tour". With the help of the platform of live.qq.com, the offline related activities of the China Tour were able to interact with the online live broadcast. The Group also concerned about the cooperation with international sports organizations and teams. In addition to partnering with the two top international sports organizations, FIBA and the WTA, the Group also sponsored nine national basketball teams including Australia and Germany.

2016 is an Olympic year and Peak has developed a strategy targeting the Olympic Games. Peak signed contracts with a number of Olympic Committees during the period. This increased the number of Peak-sponsored national Olympic teams to 12, more than the number of teams during the London Olympic Games in 2012 and any other Chinese sports brands. Going forward, Peak's Olympic strategy upgrade will not only be limited to signing more national teams, but will also adopt a spatial marketing model so that the marketing resources can be used to serve consumers more directly.

In the second half of 2016, the Group will continue to strive for more NBA All-Star players to join and put its expertise to good use in the Olympic Games and other major international sporting events so as to enhance the professional image and influence of the Peak's brand. By sponsoring events, Peak not only has the opportunity to directly display the attractiveness of its products to athletes and sports enthusiasts, but also lets consumers sense the brand competitive and progressive corporate spirit while they are watching sports competition.

### Focus on niche markets

The makeup of the Chinese consumers is gradually shifting to the post-80s and 90s generation. This segment of the population requires personalization, differentiation and diversity in merchandise. To meet consumers' demand, the Group adopts a unique and accurate market positioning to focus on niche markets.

With the strength in researching and developing professional basketball shoes, the Group's series of basketball products have been widely recognized by the market. The Group's basketball product portfolio consists of premium products such as its star signature product series, medium to high-end professional product series which form the backbone of the Group's sales, and functional product series which cover various categories and segments with high price-to-value ratio. The star signature series which are endorsed by the star athletes such as the "Tony Parker III" and "Dwight Howard I", have helped the Group turn fans' passion for star players into sales. The



#### FLY RUNNING IV

Running shoes

Group's professional basketball shoes gained favorable reviews following their release with strong sales. This indicates that Peak's products not only meet the needs of professional basketball players but also gain popularity in the market.

As running becomes popular globally, the Group actively expands and deepens its running product portfolio and follows the successful strategy for promoting basketball products in the past, by focusing on the top marathons sponsorship and supplementing by other regional running event sponsorships, the Group's market share in professional running products

# Management discussion and analysis

increased. In the first half of 2016, the Group hosted and sponsored 2 professional running events, the 2016 International Association of Athletics Federations World Challenge Beijing and the Dalian International Marathon. As an official partner of the Dalian International Marathon in May 2016, the Group released the “Arrow” and “P-Motive” professional running shoes as well as the “Flyii IV” which was designed for new runners. Through extensive R&D, the professional running shoes designed by Peak, meet the marathon runners’ needs for efficiency, stability and durability in the most direct way, while simultaneously satisfying the demands for stability, lightweight, colourfulness, etc in design.

**P-Motive**  
Running shoes



In the second half of 2016, with further segmentation in the sportswear market, we believe that the consumers will concern more about the functionality and professionalism of sportswear products. Peak will continue to focus on basketball, running and other segments to enhance its R&D capabilities and to enrich its product portfolio. While maintaining a competitive price and meeting consumers’ demand for high price-to-value ratio, the Group ensures a consistent advantage on the professionalism of its products to further shape up Peak’s professional sports brand image.

## Expansion of overseas markets

As one of the leading sports brands in China, the Group has been targeting on international development. After more than 20 years of hard work, Peak has expanded into over 70 countries and regions. The overseas sales accounted for 22.8% of total sales in the first half of 2016. This makes Peak having the leading overseas sales ratio among all the Chinese sportswear brands. Peak’s success in overseas markets is a result of the Group’s long-term dedication to brand internationalization. Peak optimizes its brand value and promotes brand awareness in overseas markets by sponsoring large-scale sporting events and effectively utilizing its sports marketing resources which include the sponsorships of star athletes, national basketball teams, Olympic delegations and tournament organizers, and helps its overseas distributors further expand their market share. For Peak, exploration of overseas markets not only serves to hedge against risks of concentration in the China market, but also drives the brand’s growth in the future.

In the second half of 2016, Peak will continue to target on emerging overseas market. In addition to accelerating the deployment of its international sales channels, the Group strives for enhancing its brand influence in the global framework through its international sports marketing resources and regional sponsorships. Thanks to the Olympic Games this year, the cooperation with numerous foreign delegations becomes an important part for Peak to implement the “Olympic Development Strategy” and to promote brand and market internationalization. The Group will further increase the percentage of sales from overseas markets and take its brand promotion and market internationalization to the next level.

## Optimization of distribution channels

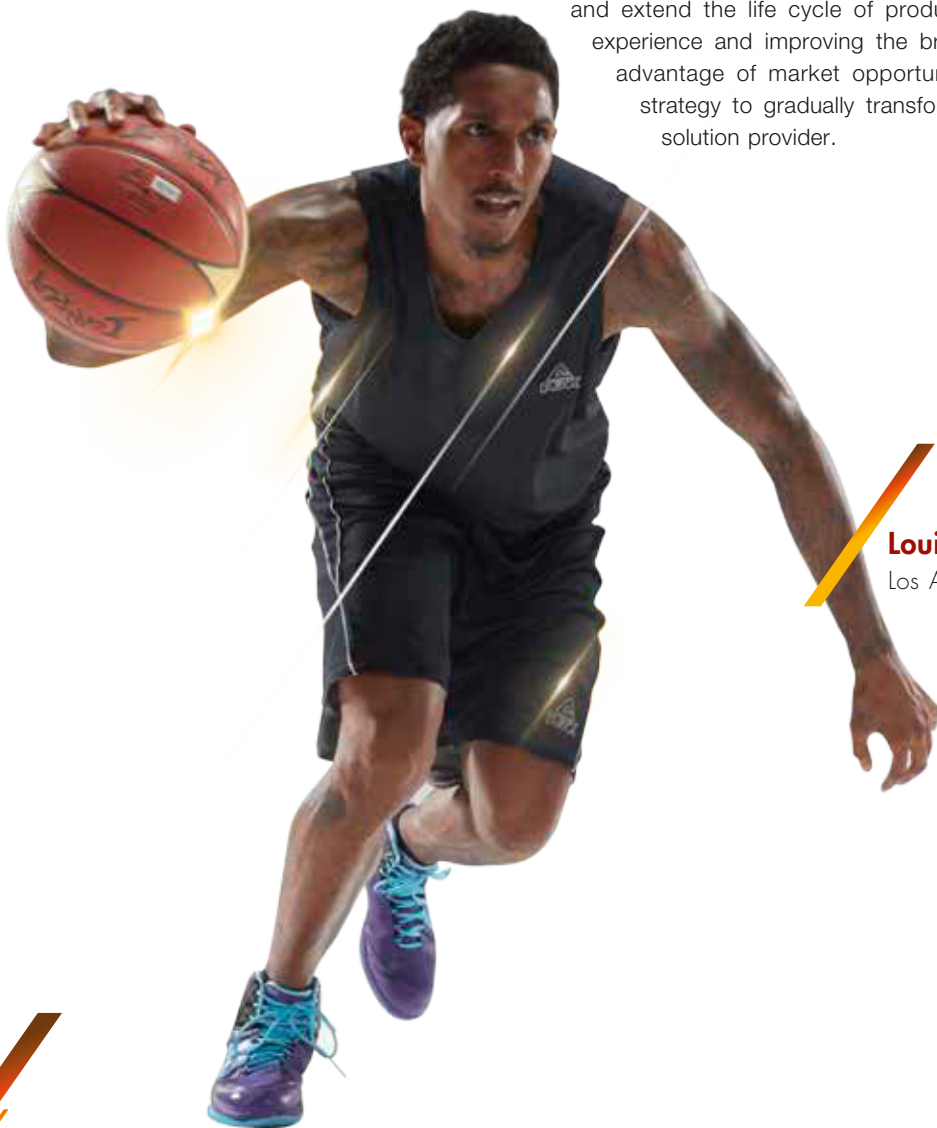
Going forward, the Group will continue optimizing and adjusting its distribution channels in order to strengthen its competitiveness in second and third-tier cities. Following the consolidation of its store network over the past two years, the reorganization of authorized retail outlets has progressed with store closures being stabilized. As at 30 June 2016, Peak had 6,001 authorized retail outlets. Peak expects the number of stores to remain at a similar level throughout the rest of the year and store profitability and efficiency will continue to improve and become a significant drive for future sales growth. At the same time, the Group is working on adjusting the number of distributors and optimizing their coverage to enhance operational efficiency, to deepen market penetration and to strengthen overall competitiveness. Peak also encourages its distributors to open more retail stores of their own to further enhance their responsiveness to market changes. With an increasing number of distributor-owned retail stores, the Group expects the coverage of its MIS to expand, resulting in faster and more accurate responses to changes in R&D, manufacturing, sales and market governance.

# Management discussion and analysis

The Group has created new innovative marketing channels in addition to its traditional stores network. In March 2016, Peak launched the low cut “Dwight Howard I Phoenix” sneakers through a live chat on a WeChat group and developed presale and promotion activities through crowdfunding as well as campaigns among domestic stores. Presales not only enable consumers to purchase their favorite product once it is available on the market, but also enable the Group to gauge the consumers’ demand and provide feedback to support the production and manufacturing processes of current and next generation of products with the use of the presales data.

## Expansion of business scope

Mobile terminal has become a new channel for growth thanks to the increasing number of users and the advancement of technology. With the rise of various mobile applications, the sportswear industry is gradually shifting from a product-led model into a service-oriented one. In recent years, the Group has gradually expanded the application of mobile devices to fully utilize the new media. In addition to cooperation with major domestic third-party e-commerce platforms, WeChat, Weibo, video portals and other new marketing channels have become important promotional tools for the Group. In the next three to five years, the Group will focus on establishing a more comprehensive smart sports ecosystem that centers on a Peak sports community platform and reinforces social networking features to meet consumers’ needs. By investing in sports events, broadcasting, sports training and sports related apps, Peak is gradually turning itself from a professional sport products company into a professional sport services company. This will increase brand loyalty among consumers and extend the life cycle of products. Apart from enhancing the user experience and improving the brand loyalty, the Group will also take advantage of market opportunities created by China’s “Internet+” strategy to gradually transform itself into a comprehensive sports solution provider.



**Louis William**  
Los Angeles Lakers

# Interim financial report

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

for the six months ended 30 June 2016 – unaudited

(Expressed in Renminbi)

	Note	Six months ended 30 June	
		2016 RMB'000	2015 RMB'000
<b>Revenue</b>	4	<b>1,298,066</b>	1,380,388
Cost of sales		<b>(804,084)</b>	(857,336)
<b>Gross profit</b>		<b>493,982</b>	523,052
Other revenue	5	<b>38,630</b>	37,791
Other net (loss)/income	5	<b>(18,080)</b>	2,233
Selling and distribution expenses		<b>(133,921)</b>	(153,970)
Administrative expenses		<b>(124,283)</b>	(127,726)
<b>Profit from operations</b>		<b>256,328</b>	281,380
Finance expenses	6(a)	<b>(9,573)</b>	(13,112)
<b>Profit before taxation</b>	6	<b>246,755</b>	268,268
Income tax	7	<b>(77,333)</b>	(92,279)
<b>Profit for the period attributable to shareholders of the Company</b>		<b>169,422</b>	175,989
<b>Other comprehensive income for the period:</b>			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of operations outside mainland China		<b>(9,729)</b>	289
<b>Total comprehensive income for the period attributable to shareholders of the Company</b>		<b>159,693</b>	176,278
<b>Earnings per share (RMB cents)</b>			
– Basic	9	<b>7.09</b>	8.37
– Diluted	9	<b>7.09</b>	8.36

The notes on pages 33 to 50 form part of this interim financial report. Details of dividends declared after the period end and paid during the period to shareholders of the Company are set out in note 8.

# Consolidated statement of financial position

as at 30 June 2016 – unaudited  
(Expressed in Renminbi)

	Note	30 June 2016 RMB'000	31 December 2015 RMB'000
<b>Non-current assets</b>			
Property, plant and equipment	10	414,721	429,991
Construction in progress	11	45,360	44,332
Lease prepayments	12	170,720	172,590
Deposits and prepayments for purchase of non-current assets	13	37,705	37,481
Intangible assets	14	19,658	20,443
Deferred tax assets	23(b)	43,355	45,390
		<b>731,519</b>	750,227
<b>Current assets</b>			
Inventories	15	472,364	311,101
Trade and other receivables	16	1,191,199	1,059,447
Available-for-sale financial asset	17	50,000	–
Pledged deposits	18	442,571	396,137
Deposits at banks with original maturity over three months		1,696,835	1,400,000
Cash and cash equivalents	19	1,993,336	2,598,097
		<b>5,846,305</b>	5,764,782
<b>Current liabilities</b>			
Trade and other payables	20	470,615	431,903
Bank loans	21	1,029,042	766,148
Current tax liabilities	23(a)	75,556	77,404
		<b>1,575,213</b>	1,275,455
<b>Net current assets</b>			
		<b>4,271,092</b>	4,489,327
<b>Total assets less current liabilities</b>			
		<b>5,002,611</b>	5,239,554
<b>Non-current liabilities</b>			
Bank loans	21	–	251,952
Deferred tax liabilities	23(b)	96,119	101,918
		<b>96,119</b>	353,870
<b>Net assets</b>			
		<b>4,906,492</b>	4,885,684
<b>Equity</b>			
Share capital	24	20,756	20,756
Reserves	25	4,885,736	4,864,928
<b>Total equity</b>			
		<b>4,906,492</b>	4,885,684

Approved and authorized for issue by the Board of Directors on 29 August 2016.

**Xu Jingnan**  
Director

**Xu Zhihua**  
Director

The notes on pages 33 to 50 form part of this interim financial report.



# Consolidated statement of changes in equity

for the six months ended 30 June 2016 – unaudited  
(Expressed in Renminbi)

		Share capital	Share premium	Statutory reserve	Other reserve	Exchange reserve	Share-based payment reserve	Retained profits	Total equity
	Note	RMB'000 (Note 24)	RMB'000 (Note 25(a))	RMB'000 (Note 25(b))	RMB'000 (Note 25(c))	RMB'000 (Note 25(d))	RMB'000 (Note 25(e))	RMB'000	RMB'000
At 1 January 2015		18,462	331,355	387,911	81,354	8,940	10,518	3,408,037	4,246,577
Profit for the period		-	-	-	-	-	-	175,989	175,989
Other comprehensive income		-	-	-	-	289	-	-	289
Total comprehensive income for the period		-	-	-	-	289	-	175,989	176,278
Share issued under share option scheme	22	83	18,696	-	-	-	(2,772)	-	16,007
Dividends	8(b)	-	(132,898)	-	-	-	-	-	(132,898)
Equity-settled share-based payment	22	-	-	-	-	-	397	-	397
Transfer between reserves in respect of share options forfeited and cancelled	22	-	-	-	-	-	(2,215)	2,215	-
At 30 June 2015		18,545	217,153	387,911	81,354	9,229	5,928	3,586,241	4,306,361
At 1 January 2016		20,756	594,634	418,633	81,354	(7,810)	5,246	3,772,871	4,885,684
Profit for the period		-	-	-	-	-	-	169,422	169,422
Other comprehensive income		-	-	-	-	(9,729)	-	-	(9,729)
Total comprehensive income for the period		-	-	-	-	(9,729)	-	169,422	159,693
Share issued under share option scheme	22	*	60	-	-	-	(13)	-	47
Dividends	8(b)	-	(139,161)	-	-	-	-	-	(139,161)
Equity-settled share-based payment	22	-	-	-	-	-	229	-	229
Transfer between reserves in respect of share options forfeited and cancelled	22	-	-	-	-	-	(426)	426	-
At 30 June 2016		20,756	455,533	418,633	81,354	(17,539)	5,036	3,942,719	4,906,492

\* Less than RMB1 thousand

The notes on pages 33 to 50 form part of this interim financial report.

# Condensed consolidated cash flow statement

for the six months ended 30 June 2016 – unaudited  
(Expressed in Renminbi)

	Note	Six months ended 30 June	
		2016 RMB'000	2015 RMB'000
<b>Operating activities</b>			
Cash generated from operations		9,397	361,888
Income tax paid		(82,945)	(69,746)
<b>Net cash (used in)/generated from operating activities</b>		<b>(73,548)</b>	292,142
<b>Investing activities</b>			
Placement of pledged deposits		(904,670)	(107,828)
Withdrawal of pledged deposits		858,236	100,426
Receipt of interest income		23,679	24,389
Purchase of available-for-sale financial asset		(50,000)	–
Cash flows (used in)/derived from other investing activities		(303,405)	12,233
<b>Net cash (used in)/generated from investing activities</b>		<b>(376,160)</b>	29,220
<b>Financing activities</b>			
Proceeds from new bank loans		290,424	450,994
Repayment of bank loans		(298,466)	(290,458)
Dividends paid to shareholders of the Company		(139,157)	(132,895)
Payment of interest expenses		(9,213)	(13,058)
Advances from related parties	28(d)	24,533	–
Repayments to related parties	28(d)	(24,533)	–
Cash flows derived from other financing activities		47	16,007
<b>Net cash (used in)/generated from financing activities</b>		<b>(156,365)</b>	30,590
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(606,073)</b>	351,952
<b>Cash and cash equivalents at 1 January</b>	19	<b>2,598,097</b>	1,849,693
<b>Effect of foreign exchange rate changes</b>		<b>1,312</b>	(7)
<b>Cash and cash equivalents at 30 June</b>	19	<b>1,993,336</b>	2,201,638

The notes on pages 33 to 50 form part of this interim financial report.

# Notes to the unaudited interim financial report

(Expressed in Renminbi unless otherwise indicated)

## 1 Basis of preparation

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"), including compliance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting*, issued by the International Accounting Standard Board ("IASB"). This interim financial report was authorized for issue on 29 August 2016.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2015 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2016 annual financial statements. Details of these changes in accounting policies are set out in note 2.

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

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of Peak Sport Products Co., Limited (the "Company") and its subsidiaries (collectively refer to as the "Group") since the 2015 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with International Financial Reporting Standards.

The interim financial report is unaudited, but has been reviewed by the audit committee of the Company.

The financial information relating to the year ended 31 December 2015 that is included in the interim financial report as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2015 are available from the Company's registered office. The Company's auditor has expressed an unqualified opinion on those financial statements in its report dated 10 March 2016.

# Notes to the unaudited interim financial report

(Expressed in Renminbi unless otherwise indicated)

## 2 Changes in accounting policies

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

- *Annual improvements to IFRSs 2012-2014 cycle*
- *Amendments to IAS 1, Presentation of financial statements: Disclosure initiative*
- *Amendments to IAS 16 and IAS 38, Clarification of acceptable methods of depreciation and amortization*

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

## 3 Segment reporting

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

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

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

# Notes to the unaudited interim financial report

(Expressed in Renminbi unless otherwise indicated)

## 4 Revenue

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

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Footwear	492,446	597,626
Apparel	791,736	755,574
Accessories	13,884	27,188
	<b>1,298,066</b>	1,380,388

The Group's customer base was diversified and one customer (six months ended 30 June 2015: nil) had transactions with the Group exceeding 10% of the Group's aggregate revenue during the six months ended 30 June 2016. Sales to the customer during the six months ended 30 June 2016 amounted to approximately RMB134,787,000.

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

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
PRC (excluding Hong Kong, Macau and Taiwan)	1,001,938	1,117,074
Overseas	296,128	263,314
	<b>1,298,066</b>	1,380,388

## 5 Other revenue and other net (loss)/income

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
<b>Other revenue</b>		
Interest income	34,448	31,678
Government grants	3,967	5,911
Others	215	202
	<b>38,630</b>	37,791

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.



# Notes to the unaudited interim financial report

(Expressed in Renminbi unless otherwise indicated)

## 5 Other revenue and other net (loss)/income (continued)

	Six months ended 30 June	
	2016 RMB'000	2015 RMB'000
<b>Other net (loss)/income</b>		
Net exchange (loss)/gain	(12,539)	1,384
Net realized and unrealized loss on derivative financial instruments	(5,759)	–
Others	218	849
	<b>(18,080)</b>	<b>2,233</b>

## 6 Profit before taxation

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

	Six months ended 30 June	
	2016 RMB'000	2015 RMB'000
<b>(a) Finance expenses:</b>		
Interest on bank borrowings	9,573	13,112
<b>(b) Staff costs:</b>		
Salaries, wages and other benefits	181,733	207,801
Contributions to defined contribution retirement plans	5,734	5,548
Equity-settled share-based payments (note 22)	229	398
	<b>187,696</b>	<b>213,747</b>
<b>(c) Other items:</b>		
Amortization:		
– lease prepayments	1,870	1,870
– intangible assets	946	4,217
Depreciation	21,309	21,649
Net impairment losses recognized/(reversed) for trade receivables (note 16(b))	6,691	(94)
Research and development expenses*	38,349	30,725

\* Research and development expenses for the six months ended 30 June 2016 includes RMB13,253,000 (six months ended 30 June 2015: RMB17,275,000) relating to staff costs and depreciation, which amount is included in the respective total amounts disclosed separately in notes 6(b) and (c) above for each of these types of expenses.

# Notes to the unaudited interim financial report

(Expressed in Renminbi unless otherwise indicated)

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

	Six months ended 30 June	
	2016 RMB'000	2015 RMB'000
<b>Current tax – PRC income tax</b>		
Provision for the period	81,097	71,522
<b>Deferred taxation</b>		
Reversal and origination of temporary differences	(3,764)	20,757
	77,333	92,279

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

No provision has been made for Hong Kong Profits Tax and United States Corporate Income Tax as the Group did not earn any profit that was subject to Hong Kong Profits Tax and United States Corporate Income Tax respectively for the six months ended 30 June 2016 (six months ended 30 June 2015: nil).

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

In addition, from 1 January 2008, a non-resident enterprise without an establishment or a place of business in the PRC or which has an establishment or a place of business in the PRC but whose relevant income is not effectively connected with the establishment or place of business in the PRC, will be subject to a withholding tax at the rate of 10% (unless reduced by treaty) on various types of passive income such as dividends derived from sources within the PRC. Pursuant to the Sino-Hong Kong Double Tax Arrangement and the related regulations, a qualified Hong Kong tax resident may be liable for a reduced withholding tax rate of 5% on dividends from a PRC enterprise if the Hong Kong tax resident is the “beneficial owner” and holds 25% or more of the equity interest of the PRC enterprise.

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

# Notes to the unaudited interim financial report

(Expressed in Renminbi unless otherwise indicated)

## 8 Dividends

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

	Six months ended 30 June	
	2016 RMB'000	2015 RMB'000
No interim dividend declared after the interim period (2015: HK\$8 cents per ordinary share)	—	150,789

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

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

	Six months ended 30 June	
	2016 RMB'000	2015 RMB'000
Final dividend in respect of the previous financial year, approved and paid during the period, of HK7 cents per ordinary share (2015: HK8 cents per ordinary share)	139,161	132,898

# Notes to the unaudited interim financial report

(Expressed in Renminbi unless otherwise indicated)

## 9 Earnings per share

### (a) Basic earnings per share

The calculations of the basic earnings per share is based on the profit attributable to shareholders of the Company of RMB169,422,000 (six months ended 30 June 2015: RMB175,989,000) and the weighted average number of issued ordinary shares of 2,389,133,000 (six months ended 30 June 2015: 2,102,483,000 shares) during the interim period.

#### Weighted average number of ordinary shares

	Six months ended 30 June	
	2016 '000 shares	2015 '000 shares
Issued ordinary shares at 1 January	2,389,120	2,098,359
Effect of share options exercised	13	4,124
Weighted average number of ordinary shares at 30 June	2,389,133	2,102,483

### (b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to shareholders of the Company of RMB169,422,000 (six months ended 30 June 2015: RMB175,989,000) and the weighted average number of ordinary shares of 2,389,459,000 (six months ended 30 June 2015: 2,105,977,000) after adjustment for the potential dilutive effect caused by the share options granted under the Company's share option scheme (see note 22).

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

	Six months ended 30 June	
	2016 '000 shares	2015 '000 shares
Weighted average number of ordinary shares	2,389,133	2,102,483
Effect of deemed issue of shares under the Company's share option scheme	326	3,494
Weighted average number of ordinary shares (diluted)	2,389,459	2,105,977

# Notes to the unaudited interim financial report

(Expressed in Renminbi unless otherwise indicated)

## 10 Property, plant and equipment

	2016 RMB'000	2015 RMB'000
Net book value as at 1 January	429,991	461,622
Additions	6,229	12,177
Disposals (net carrying amount)	(190)	(523)
Depreciation charge for the period/year	(21,309)	(43,285)
Net book value as at 30 June/31 December	414,721	429,991

As at 30 June 2016, buildings with net book values of RMB87,582,000 (31 December 2015: RMB90,793,000) were pledged to secure the bills payable and certain bank loans as set out in note 20 and 21, respectively.

## 11 Construction in progress

	2016 RMB'000	2015 RMB'000
As at 1 January	44,332	44,783
Additions	1,028	1,740
Disposal	–	(2,191)
As at 30 June/31 December	45,360	44,332

## 12 Lease prepayments

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

As at 30 June 2016, lease prepayments with net book values of RMB9,504,000 (31 December 2015: RMB9,619,000) were pledged to secure bills payable and certain bank loans as set out in note 20 and 21, respectively.

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

	30 June 2016 RMB'000	31 December 2015 RMB'000
Prepayments for acquisition of land use rights	29,648	29,648
Prepayments for acquisition of software	8,057	7,833
	37,705	37,481



# Notes to the unaudited interim financial report

(Expressed in Renminbi unless otherwise indicated)

## 14 Intangible assets

	2016 RMB'000	2015 RMB'000
Net book value as at 1 January	20,443	24,970
Additions	161	692
Amortization for the period/year	(946)	(5,219)
Net book value as at 30 June/31 December	19,658	20,443

## 15 Inventories

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

	30 June 2016 RMB'000	31 December 2015 RMB'000
Raw materials	45,427	37,435
Work in progress	100,325	89,457
Finished goods	326,612	184,209
	472,364	311,101

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

	Six months ended 30 June	
	2016 RMB'000	2015 RMB'000
Carrying amount of inventories sold	798,744	854,747
Write down of inventories	5,340	2,589
	804,084	857,336

# Notes to the unaudited interim financial report

(Expressed in Renminbi unless otherwise indicated)

## 16 Trade and other receivables

	30 June 2016 RMB'000	31 December 2015 RMB'000
Bills receivable	5,250	5,960
Trade debtors	1,123,962	1,065,294
Less: allowance for doubtful debts	(91,476)	(84,785)
Other receivables	1,037,736	986,469
	59,662	51,856
Total receivables	1,097,398	1,038,325
Deposits and prepayments	93,801	21,122
	1,191,199	1,059,447

As at 30 June 2016, the Group had endorsed bank acceptance bills totalling RMB480,100,000 (31 December 2015: RMB520,473,000), which were derecognised as financial assets. These bank acceptance bills matured within six months from the date of issue.

### (a) Ageing analysis

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

	30 June 2016 RMB'000	31 December 2015 RMB'000
Within 3 months	689,503	761,168
After 3 months but within 6 months	323,739	222,791
After 6 months but within 1 year	24,494	2,510
	1,037,736	986,469

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

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

# Notes to the unaudited interim financial report

(Expressed in Renminbi unless otherwise indicated)

## 16 Trade and other receivables (continued)

### (b) Impairment of trade receivables

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

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

	2016 RMB'000	2015 RMB'000
At 1 January	84,785	45,156
Impairment loss recognized	37,116	49,217
Reversal of provision for impairment	(30,425)	(9,588)
At 30 June/31 December	91,476	84,785

As at 30 June 2016, the Group's trade debtors of RMB83,372,000 (31 December 2015: RMB91,195,000) were individually determined to be impaired. The individually impaired receivables related to distributors that were in financial difficulties and management considered that the recovery of such receivables was doubtful but not remote. Consequently, specific allowances for doubtful debts of RMB83,372,000 (31 December 2015: RMB66,251,000) were recognized.

## 17 Available-for-sale financial asset

	30 June 2016 RMB'000	31 December 2015 RMB'000
Measure at fair value – bank financial products	50,000	–
	50,000	–

The balance represented an investment in financial products operated by banks with expected annual return at 3.1% as at 30 June 2016.

## 18 Pledged deposits

Bank deposits were pledged to secure bills payable and certain bank loans as set out in notes 20 and 21 respectively.

# Notes to the unaudited interim financial report

(Expressed in Renminbi unless otherwise indicated)

## 19 Cash and cash equivalents

	<b>30 June 2016 RMB'000</b>	31 December 2015 RMB'000
Cash at bank and on hand	<b>1,993,336</b>	2,598,097

## 20 Trade and other payables

	<b>30 June 2016 RMB'000</b>	31 December 2015 RMB'000
Bills payable	<b>40,600</b>	23,610
Trade creditors	<b>223,009</b>	170,080
	<b>263,609</b>	193,690
Other payables and accruals	<b>189,888</b>	227,653
Financial liabilities measured at amortized cost	<b>453,497</b>	421,343
Derivative financial instruments	<b>11,530</b>	5,770
Advance received	<b>5,588</b>	4,790
	<b>470,615</b>	431,903

As at 30 June 2016, bills payable were secured by pledged deposits of RMB13,500,000 (31 December 2015: RMB4,742,000), certain buildings and lease prepayments set out in notes 10 and 12 respectively.

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

	<b>30 June 2016 RMB'000</b>	31 December 2015 RMB'000
Within 3 months	<b>169,016</b>	142,178
After 3 months but within 6 months	<b>72,864</b>	45,784
After 6 months but within 1 year	<b>21,729</b>	5,728
	<b>263,609</b>	193,690

# Notes to the unaudited interim financial report

(Expressed in Renminbi unless otherwise indicated)

## 21 Bank loans

As at 30 June 2016, bank loans were borrowed at variable interest rates, secured by pledged deposits (see note 18) and certain non-current assets (see notes 10 and 12), and repayable as follows:

	<b>30 June 2016 RMB'000</b>	31 December 2015 RMB'000
Within 1 year	<b>1,029,042</b>	766,148
After 1 year but within 2 years	–	251,952
	<b>1,029,042</b>	1,018,100

## 22 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 options to subscribe for the shares of the Company.

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

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

	<b>Six months ended 30 June 2016</b>		Year ended 31 December 2015	
	<b>Weighted average exercise price</b>	<b>Number of options '000</b>	Weighted average exercise price	Number of options '000
Outstanding at the beginning of the period/year	<b>HK\$1.9380</b>	<b>14,613</b>	HK\$2.0997	30,237
Exercised during the period/year	<b>HK\$1.9380</b>	<b>(30)</b>	HK\$1.9244	(10,761)
Forfeited during the period/year	<b>HK\$1.9380</b>	<b>(1,322)</b>	HK\$1.9380	(711)
Cancelled during the period/year	–	–	HK\$3.1511	(4,152)
Outstanding at the end of the period/year	<b>HK\$1.9380</b>	<b>13,261</b>	HK\$1.9380	14,613
Exercisable at the end of the period/year	<b>HK\$1.9380</b>	<b>10,253</b>	HK\$1.9380	8,887

The weighted average closing price of the Company's shares immediately before the dates on which share options were exercised during the period was HK\$2.14 (six months ended 30 June 2015: HK\$2.45).

The share options outstanding as at 30 June 2016 had an exercise price of HK\$1.9380 (31 December 2015: HK\$1.9380) and a weighted average remaining contractual life of 2.2 years (31 December 2015: 2.7 years).



# Notes to the unaudited interim financial report

(Expressed in Renminbi unless otherwise indicated)

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

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

	30 June 2016 RMB'000	31 December 2015 RMB'000
Provision for PRC income tax	75,556	77,404

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

	30 June 2016 RMB'000	31 December 2015 RMB'000
Deferred tax assets/(liabilities) arising from:		
Provision of incentive rewards and subsidies	9,819	11,149
Impairment losses for trade debtors	22,755	21,085
Pre-operating expenses, accruals and others	10,781	13,156
Withholding tax on dividends	(96,119)	(101,918)
	(52,764)	(56,528)
Represented by:		
Deferred tax assets	43,355	45,390
Deferred tax liabilities	(96,119)	(101,918)
	(52,764)	(56,528)

## 24 Share capital

### (a) Authorized

	30 June 2016 and 31 December 2015	
	No. of shares '000	Amount HK\$'000
Ordinary shares of HK\$0.01 each	5,000,000	50,000

# Notes to the unaudited interim financial report

(Expressed in Renminbi unless otherwise indicated)

## 24 Share capital (continued)

### (b) Issued and fully paid

	30 June 2016			31 December 2015		
	No. of shares '000	Amount		No. of shares '000	Amount	
		HK\$'000	RMB'000		HK\$'000	RMB'000
Ordinary shares of HK\$0.01 each						
At 1 January	2,389,120	23,891	20,756	2,098,359	20,983	18,462
Shares issued under Top-up Placement	-	-	-	280,000	2,800	2,209
Share issued under share option scheme	30	-†	-†	10,761	108	85
At 30 June/31 December	2,389,150	23,891	20,756	2,389,120	23,891	20,756

† Less than HK\$1 thousand or RMB1 thousand

## 25 Reserves

### (a) Share premium

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

### (b) Statutory reserve

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

### (c) Other reserve

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

### (d) Exchange reserve

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

### (e) Share-based payment reserve

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

# Notes to the unaudited interim financial report

(Expressed in Renminbi unless otherwise indicated)

## 26 Fair values measurement of financial instruments

The carrying amounts of the Group's financial instruments, which are carried at cost, or amortized cost are not materially different from their fair values as at 31 December 2015 and 30 June 2016.

### 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, categorized 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.

	Fair value at 30 June 2016 RMB'000	Fair value measurements categorized to		
		Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
<b>Recurring fair value measurement</b>				
Financial assets:				
Available-for-sale financial asset	50,000	–	50,000	–
Financial liabilities:				
Derivative financial instruments:				
– Foreign exchange rate swaps	11,530	–	11,530	–

	Fair value at 31 December 2015 RMB'000	Fair value measurements categorized to		
		Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
<b>Recurring fair value measurement</b>				
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	–

During the six months ended 30 June 2016, there were no transfers between level 1 and level 2, or transfers into or out of level 3 (2015: nil). The Group's policy is to recognize transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

# Notes to the unaudited interim financial report

(Expressed in Renminbi unless otherwise indicated)

## 26 Fair values measurement of financial instruments (continued)

### Valuation techniques and inputs used in Level 2 fair value measurements

The fair value of available-for-sale financial asset in level 2 is determined by using income approach based on discounted cash flow analysis on the expected interest rates (level 2).

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.

## 27 Capital commitments

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

	30 June 2016 RMB'000	31 December 2015 RMB'000
Contracted for	10,056	11,354
Authorized but not contracted for	363	494
	10,419	11,848

## 28 Material related party transactions

### (a) Key management personnel compensation

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

	Six months ended 30 June	
	2016 RMB'000	2015 RMB'000
Short-term employee benefits	4,574	4,477
Contributions to defined contribution retirement plans	36	37
	4,610	4,514

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

# Notes to the unaudited interim financial report

(Expressed in Renminbi unless otherwise indicated)

## 28 Material related party transactions (continued)

### (b) Lease of land and properties

During the six months ended 30 June 2016, the Group leased certain land and properties from Fujian Peak Group Co., Ltd, which was controlled by Mr. Xu Jingnan, Mr. Xu Zihua, Mr. Xu Zhida and Ms. Wu Tigao (the "Xu's family"). The rental expenses for the six months ended 30 June 2016 were RMB2,911,000 (six months ended 30 June 2015: RMB1,129,000).

### (c) Top-up Placement

On 23 June 2015, the Company, Ever Sound Development Limited (a controlling shareholder of the Company as defined under the Listing Rules), and placing agents entered into 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 24(b).

### (d) Transactions and balances with related parties

During the six months ended 30 June 2016, the Group obtained advances of total amount of RMB24,533,000 from an entity controlled by the three executive directors of the Company (six months ended 30 June 2015: nil) with a maximum outstanding balance of RMB24,533,000 (six months ended 30 June 2015: nil). The advances were unsecured and interest free. The Group repaid all such advances to the entity before 30 June 2016.

## 29 Non-adjusting event after the reporting period

On 26 July 2016, Xu's Sport Company Limited (the "Offeror"), jointly controlled by Mr. Xu Jingnan (the Chairman of the Company and an executive Director), Mr. Xu Zihua (an executive Director and a son of Mr. Xu Jingnan and Ms. Wu Tigao, and a brother of Mr. Xu Zhida) and Mr. Xu Zhida (an executive Director and a son of Mr. Xu Jingnan and Ms. Wu Tigao, and a brother of Mr. Xu Zihua) (hereinafter collectively referred to as "Offeror Concert Parties"), requested the Board to put forward a proposal (the "Proposal") to privatize the Company by way of a scheme of arrangement under Section 86 of the Cayman Islands Companies Law (the "Scheme"). Under the Proposal, shares of the Company other than those held directly or indirectly by Offeror Concert Parties (the "Scheme Shares") will be cancelled in exchange for the payment by the Offeror under the Scheme to each holder of the Scheme Shares the sum of HK\$2.60 in cash per Scheme Share. In addition, the Offeror will make (or procure to be made on its behalf) an appropriate offer to the option holders to cancel every vested and unvested share option in accordance with Rule 13 of the Takeovers Code. Such option offer will be conditional upon the Scheme becoming effective.

Management considered that the Proposal had no financial impact on the Company and the consolidated financial statements of the Group for the period ended 30 June 2016.

### Review of interim results

The Audit Committee of the Company, consisting of the Company's three independent non-executive Directors, has reviewed the accounting principles and practices adopted by the Group and the Group's results for the six months ended 30 June 2016. The interim financial report has been approved for issue by the Board on 29 August 2016.

### Purchase, sale or redemption of the Company's listed shares

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed shares during the six months ended 30 June 2016.

### Compliance with the Model Code for securities transactions by Directors

The Company has adopted the Model Code as its own code of conduct regarding Directors' securities transactions in the Company. All Directors have confirmed, following specific enquiry by the Company, that they have complied with the required standards set out in the Model Code throughout the six months ended 30 June 2016.

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

The Company has established written guidelines for the relevant employees of the Group (the "Relevant Employees") in respect of their dealings in the securities of the Company (the "Written Guidelines") on terms no less exacting than the required standards set out in the Model Code. For this purpose, "Relevant Employee" includes any employee of the Company or a director or employee of a subsidiary or holding company of the Company who, because of such office or employment, is likely to possess inside information in relation to the Company or its securities. No incident of non-compliance of the Written Guidelines was noted by the Company during the six months ended 30 June 2016.

### Corporate governance

The Company believes that good corporate governance practices are very important for maintaining and promoting investor confidence and for the sustainable growth of the Group. The Company has made continuous efforts to maintain and uplift the quality of corporate governance so as to ensure an effective Board, a sound internal control system, and transparency and accountability to its shareholders. The Board is of the view that the Company has complied with all the code provisions set out in the Corporate Governance Code as contained in Appendix 14 to the Listing Rules during the six months ended 30 June 2016.



## Supplementary information

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

As at 30 June 2016, 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 <sup>+</sup> 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:

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

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

Name of director	Capacity	Note	Number of underlying shares in respect of the share options granted	Percentage <sup>+</sup> 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:

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

<sup>+</sup> The percentage represents the number of ordinary shares/underlying shares interested divided by the number of the Company's issued shares as at 30 June 2016.

Save as disclosed above and in the below section headed "Share option scheme", as at 30 June 2016, 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.

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

As at 30 June 2016, the following parties had interests of 5% or more in the issued share capital of the Company according to the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

### (A) Long position in ordinary shares of the Company

Name of substantial shareholder	Capacity	Note	Number of ordinary shares interested	Percentage <sup>+</sup> of the Company's issued share capital
Ever Sound Development Limited	Beneficial owner	1	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. 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 <sup>+</sup> of underlying shares over the Company's issued share capital
Ms. Wu Bingrui	Beneficial owner	300,000 (Note)	0.01%

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

<sup>+</sup> The percentage represents the number of ordinary shares/underlying shares interested divided by the number of the Company's issued shares as at 30 June 2016.

Save as disclosed above, as at 30 June 2016, no person, other than the Directors whose interests are set out in the section headed "Directors' interests and short positions in shares, underlying shares and debentures" above, had registered an interest or a short position in the shares or underlying shares of the Company as recorded in the register of the Company required to be kept pursuant to Section 336 of the SFO.

# Supplementary information

## Share option scheme

Pursuant to the Company's share option scheme which was adopted and amended by the resolutions of the shareholders of the Company passed on 8 September 2009 and 18 May 2011 respectively (the "Scheme"), the Company may grant share options to "Eligible Persons" (including Directors, employees, suppliers, customers or other business partners of any member of our Group) to subscribe for the Company's shares. The purpose of the Scheme is to provide incentive or reward to the Eligible Persons for their contribution to, and continuing efforts to promote the interests of, our Group and to enable our Group to attract and retain high-calibre employees and business partners. Details of the movements of the options granted under the Scheme for the six months ended 30 June 2016 are as follows:

Name or category of option holder	Date of grant	Exercise price per share	Outstanding as at 1/1/2016	Number of options				Outstanding as at 30/6/2016	Exercise period
				Granted during the period	Exercised during the period	Cancelled during the period	Forfeited during the period		
<b>Independent Non-executive Director</b>									
Dr. Xiang Bing	1 January 2014	HK\$1.938	200,000	-	-	-	-	200,000	H
<b>Substantial Shareholder</b>									
Ms. Wu Bingrui (Sales Director (International Sales))	1 January 2014	HK\$1.938	300,000	-	-	-	-	300,000	H
<b>Employees of the Group</b>									
In aggregate	1 January 2014	HK\$1.938	6,699,000	-	-	-	(800,000)	5,899,000	H
			1,688,000	-	-	-	(114,000)	1,574,000	I
			2,454,000	-	(30,000)	-	(144,000)	2,280,000	J
			3,272,000	-	-	-	(264,000)	3,008,000	K
			14,113,000	-	(30,000)	-	(1,322,000)	12,761,000	
			14,613,000	-	(30,000)	-	(1,322,000)	13,261,000	

### Notes:

- The exercise periods of the share options are as follows:

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.

- The weighted average closing price of the Company's shares immediately before the date on which the share options were exercised was HK\$2.14.
- The number and/or exercise price of the share options may be subject to adjustment in the case of rights or bonus issues, or other changes in the Company's share capital.

### Investor relations and communications with shareholders

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

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

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

Shareholders may request for printed copy of the Company's corporate communications or change their choice of language and means of receipt of the Company's corporate communications by sending reasonable prior notice in writing to the Company's share registrar, 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](mailto:peak-ecom@hk.tricorglobal.com).

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

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

# Glossary

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

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