

IN THE GRAND COURT OF THE CAYMAN ISLANDS
FINANCIAL SERVICES DIVISION

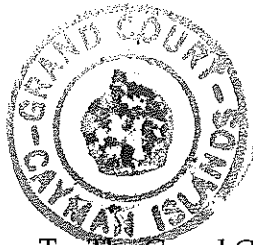
CAUSE NO.: FSD of 2016

126

IN THE MATTER OF SECTIONS 15 & 86 OF THE COMPANIES LAW (2013 REVISION)

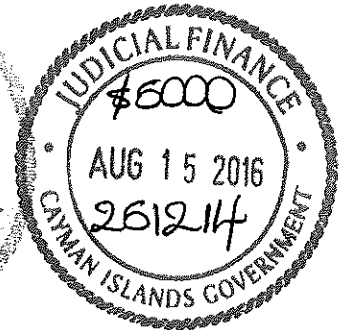
AND IN THE MATTER OF ORDER 102 OF THE GRAND COURT RULES 1995

AND IN THE MATTER OF PEAK SPORT PRODUCTS CO., LIMITED (匹克體育用品有限公司)



PETITION

AUG 15 2016



To: The Grand Court of the Cayman Islands

THE HUMBLE PETITION OF PEAK SPORT PRODUCTS CO., LIMITED (匹克體育用品有限公司), of Cricket Square, Hutchins Drive, P. O. Box 2681, Grand Cayman KY1-1111, Cayman Islands (the "Company") shows the following:

1. The object of this Petition is to seek:
 - a. the sanction of the Court pursuant to section 86 of the Companies Law (2013 Revision) to a proposed Scheme of Arrangement (the "Scheme") between the Company and the Scheme Shareholders as defined in the Scheme contained in a composite scheme document (the "Scheme Document") a draft of which is attached as Exhibit XZD-1 to the First Affirmation of XU Zhida made on 12 August 2016, and

- b. the confirmation of the Court, pursuant to section 15 of the Companies Law (the "Companies Law"), of the intended reduction of the issued share capital ("Reduction of Capital") of the Company consequent upon the cancellation of the Scheme Shares (as defined in the Scheme) pursuant to the Scheme which is expected to be approved by a special resolution of the Shareholders (as defined in the Scheme Document) passed at an extraordinary general meeting of the Company immediately after the Court Meeting referred to herein.

The Company

2. The Company is engaged in the business of investment holdings and principally carries on business through its subsidiaries whose principal business activities comprise the manufacture and distribution of sports products including footwear, apparel and accessories. It is a Cayman Islands exempted company limited by shares incorporated on 15 February 2008 with registration number CT-204989. Its registered office is at Cricket Square, Hutchins Drive, P. O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and its principal place of business in Hong Kong is at Units 1613 and 1615, 16th Floor, Tower Two, Lippo Centre, 89 Queensway, Hong Kong.
3. The objects for which the Company was established are unrestricted and except as prohibited or limited by the laws of the Cayman Islands, the Company shall have and be capable of exercising all of the functions of a natural person of full capacity irrespective of corporate benefit as provided by Section 27(2) of the Companies Law.
4. The authorised share capital of the Company consists of HK\$50,000,000 divided into 5,000,000,000 shares of par value of HK\$0.01 each. As of the date of this Petition, 2,389,150,394 shares in the capital of the Company with a par value of HK\$0.01 each have been issued and are fully paid or credited as fully paid (the

“Shares”). Since 29 September 2009 the Shares have been listed and traded on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Offeror

5. Xu’s Sport Company Limited (the “Offeror”) is a company incorporated under the laws of Hong Kong SAR with limited liability on 21 June 2016. Its registered office is 19th Floor, Beverly House, Nos.93-107 Lockhart Road, Wanchai, Hong Kong. It is in the business of investment holding and is owned by Mr. Xu Jingnan (the Chairman of the Company and an executive director of the Company (the “Director”)), Mr. Xu Zhihua (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 Zhihua) as to 40%, 30% and 30%, respectively.
6. Each of the Offeror and the Offeror Concert Parties (as defined in the Scheme Document) has provided its undertaking to be bound by the terms of the Scheme.

The Scheme

7. The purpose of the Scheme is to privatise the Company so that the Offeror and the Offeror Concert Parties will own 100% of the Company. This will be achieved by the steps summarised in paragraph 8 below.
8. The principal features of the Scheme are:
 - a. the Reduction of Capital by the cancellation and extinguishment of the Scheme Shares pursuant to the Scheme, in consideration of which the Scheme Shareholders will receive HK\$2.60 (the “Cancellation Price”) in cash for each Scheme Share;

- b. subject to and forthwith upon the Reduction of Capital taking effect, the share capital of the Company being restored to its former amount by the allotment and issue to the Offeror, credited as fully paid at par, the same number of Shares as the number of Scheme Shares cancelled and extinguished at the Effective Date (as defined in the Scheme) (the "Restoration of Capital"); and
 - c. the credit arising in the books of account of the Company as a result of the Reduction of Capital resulting from the cancellation and extinguishment of the Scheme Shares pursuant to the Scheme being applied in paying up in full at par such number of Shares as is equal to the number of Scheme Shares cancelled at the Effective Date.
9. The Cancellation Price is in excess of the relevant closing prices and the average closing prices of the Scheme Shares referred to in the explanatory memorandum in the Scheme Document. The Cancellation Price has been determined on a commercial basis after taking into account the prices of the Shares traded on the Stock Exchange, the trading multiples of comparable companies listed on the Stock Exchange and with reference to other privatization transactions in Hong Kong in recent years.

Reasons for the Scheme

10. The Company plans to implement a series of long-term growth strategies, which may affect the Company's short-term growth profile and may result in divergence between the Offeror's views on the Company's potential long-term value and investors' views on the Company's share price. Following the implementation of the Proposal (as defined in the Scheme Document) and the Option Offer (as defined in the Scheme Document), the Offeror and the Company can make strategic decisions focused on long-term benefits, free from

the pressure of market expectations, profit visibility and share price fluctuation associated with being a publicly listed company.

11. Since its listing in September 2009, the Company's share price performance has not been satisfactory. As a well-recognized sportswear company in China, the Company values its reputation. The Offeror considers that the depressed share price has had an adverse impact on the Company's reputation with customers, and therefore on its business, and also on staff morale. The implementation of the Proposal could eliminate this adverse impact.
12. The liquidity of Shares has been at a low level over a long period of time. The average daily trading volume of the Shares for the 24 months up to and including the Last Trading Day (as defined in the Scheme Document) was approximately 5,881,947 Shares per day, representing only approximately 0.25% of the issued Shares as at the date of this Petition. The low trading liquidity of the Shares could make it difficult for Shareholders to execute substantial on-market disposals without adversely affecting the price of the Shares and also make it difficult for Shareholders to dispose of a large number of Shares when any event that has an adverse impact on the Company's share price occurs.
13. The Proposal is intended to provide the Scheme Shareholders with an opportunity to realise their investments in the Company for the following reasons:
 - Premium valuation: The Cancellation Price of HK\$2.60 per Scheme Share represents a premium of approximately 35.4% over the closing price per Share on the trading day immediately before the Initial Announcement Date (as defined in the Scheme Document) and a premium of approximately 10.6% over the closing price per Share on the Last Trading Day. The Cancellation Price also represents a premium of approximately 15.6% and 20.9% over the average closing prices of approximately

HK\$2.25 and approximately HK\$2.15 per Share for 30 and 60 consecutive trading days up to and including the Last Trading Day, respectively.

- Certain and immediate premium for low liquidity in the Shares: The Scheme provides an opportunity for the holders of the Scheme Shares to dispose of their Shares expeditiously and receive cash at a price above the prevailing market price, particularly in light of the underperformance of the share price since the Company's listing in 2009. Given the low liquidity of the Shares, it is also challenging for the holders of the Scheme Shares to realize their Shares in the stock market without adversely affecting the market price of the Shares. The Scheme also affords the Scheme Shareholders the opportunity, if they so wish, to realize their investments in the Company and invest the monies received in alternative investments with higher liquidity.

In addition, the listing of Shares requires the Company to bear administrative, compliance and other listing-related costs and expenses; if these costs and expenses are eliminated, the funds saved could be used for the Company's business operations.

Shareholder Profile

14. On the assumption that no outstanding Share Options (as defined in the Scheme Document) are exercised before the Latest Practicable Date (as defined in the Scheme Document) and the assumption that there is no other change in shareholdings in the Company, the profile of the major Shareholders on the Latest Practicable Date (as defined in the Scheme Document) is expected to be as follows:

	As at the Latest Practicable Date
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Shareholders	Number of Shares	% (approximate)
Controlling Shareholder	911,804,246	38.16
Alpha Top	273,060,000	11.43
Brilliant Lead	276,960,000	11.59
Subtotal	1,461,824,246	61.19
Holder of Scheme Shares	927,326,148	38.81
Total Shares in issue	2,389,150,394	100

Proposed Sanction Process

15. After careful consideration, the board of Directors (the "Board") (with those Directors who were interested in the transaction abstained from voting) has determined that the Scheme is desirable and that the implementation of the Scheme is in the best interests of the Company and its Shareholders. Accordingly, the Board (with those Directors who were interested in the transaction abstained from voting) unanimously approved the Scheme.
16. Under the Takeovers Code (as defined in the Scheme), persons deemed to be acting in concert with the Offeror in connection with the implementation of the Scheme who are also Scheme Shareholders shall not be counted (unless permitted by the Securities and Futures Commission of Hong Kong) for the purposes of satisfying the voting requirements of the Takeovers Code. The Scheme Shareholders who are parties acting in concert with the Offeror will not vote on the Scheme at the Court Meeting and all Independent Shareholders (as defined in the Scheme) will be entitled to vote at the Court Meeting.

17. The Company intends to make an application for directions herein for declarations and orders that, among other things:
- a. the relevant class of shareholders affected by the Scheme are the Scheme Shareholders;
 - b. the Company be at liberty to convene a meeting of the Scheme Shareholders (the "Court Meeting") for the purpose of considering and, if thought fit, approving (with or without modification(s)) the Scheme;
 - c. directions as to the mode of delivery of an explanatory memorandum and proxy form to the Scheme Shareholders;
 - d. the appointment of a chairman of the Court Meeting and for the conduct of the Court Meeting generally; and,
 - e. directions as to the treatment of Shares held by custodians, clearing houses and other nominees for the purposes of the "majority in number" calculation.

18. The resolution intended to be submitted at the Court Meeting is:

"THAT a scheme of arrangement dated [15 September 2016] (the "Scheme") between the Company and the holders of the Scheme Shares (as defined in the Scheme) in the form of the print thereof which has been produced to this Court Meeting and, for the purpose of identification, signed by the chairman of this Court Meeting, or in such other form and on such terms and conditions as may be approved or imposed by the Grand Court of the Cayman Islands, be and is hereby approved."

19. The Scheme Shareholders who are persons acting in concert with the Offeror in connection with the implementation of the Scheme will not vote at the Court Meeting.

Reduction of Capital

20. Article 6 of the Articles of Association of the Company provides as follows:

“The Company may from time to time by special resolution, subject to any confirmation or consent required by the Law, reduce its share capital or any capital redemption reserve or other undistributable reserve in any manner permitted by law.”

21. The Company intends to convene an extraordinary general meeting to take place immediately after the Court Meeting at which it is intended to submit a special resolution to confirm the Reduction of Capital pursuant to the Scheme and an ordinary resolution to approve the Restoration of Capital as follows:

SPECIAL RESOLUTION

1 “THAT AS A SPECIAL RESOLUTION:

(a) Pursuant to the scheme of arrangement dated [15 September] 2016 (the “Scheme of Arrangement”) between the Company and the holders of Scheme Shares (as defined in the Scheme of Arrangement) in the form of the print thereof, which has been produced to this meeting and for the purposes of identification signed by the chairman of this meeting, or in such other form and on such terms and conditions as may be approved or imposed by the Grand Court of the Cayman Islands, on the Effective Date (as defined in the Scheme of Arrangement), the issued share capital of the Company shall be reduced by cancelling and extinguishing the Scheme Shares (as defined in the Scheme of Arrangement); and

(b) the directors of the Company be and are hereby authorised to do all such acts and things considered by them to be necessary or desirable in connection with the implementation of the Scheme of Arrangement and the reduction of capital pursuant to the Scheme of Arrangement, including (without limitation) the giving of consent to any modification of or addition to, the Scheme of Arrangement or the reduction of capital, which the Grand Court of the Cayman Islands may see fit to impose.”

ORDINARY RESOLUTION

2 “THAT AS AN ORDINARY RESOLUTION:

(a) subject to and simultaneously with the cancellation and extinguishment of the Scheme Shares referred to in resolution 1(a) taking effect, the share capital of the Company will be increased to its former amount by the issuance at par to Xu’s Sport Company Limited, credited as fully paid, of the aggregate number of Shares (as defined in the Scheme of Arrangement) as is equal to the number of Scheme Shares cancelled;

(b) the reserve created in the Company’s books of account as a result of the capital reduction will be applied in paying up in full at par the new Shares so issued, credited as fully paid, to Xu’s Sport Company Limited; and

(c) any one of the directors of the Company be and is hereby authorised to apply to The Stock Exchange of Hong Kong Limited for the withdrawal of the listing of the shares of the Company.”

22. The Scheme and the Reduction of Capital will not involve any diminution of liability in respect of any unpaid share capital or the payment to any member of the Company of any paid up capital or alteration of the underlying assets, business operations, management or financial position of the Company and will have no effect on the creditors of the Company. It is to be noted that the Restoration of Capital will occur forthwith upon the Reduction of Capital. The Company will continue to be able to pay its debts as they fall due in the ordinary course of business.

23. The form of Minute proposed to be registered is as follows:

"The issued share capital of Peak Sport Products Co., Limited was by virtue of a Special Resolution passed on [14 October 2016] and with the confirmation of an order of the Grand Court of the Cayman Islands dated [21 October 2016], reduced from HK\$[●] divided into [●] shares of par value HK\$0.01 each to HK\$[●] divided into [●] shares of par value HK\$0.01 (the "Reduction of Capital"). Immediately upon the Reduction of Capital, the issued share capital of Peak Sport Products Co., Limited was restored to HK\$[●] by allotting and issuing to the Offeror, credited as fully paid at par, [●] shares of par value HK\$0.01 each.

The authorised share capital of the Company, on the registration of this Minute, is HK\$50,000,000 divided into 5,000,000,000 ordinary shares of par value HK\$0.01 each."

The completed Minute will be provided to this Honourable Court before the sanction of the Reduction of Capital pursuant to the Scheme by the Court.

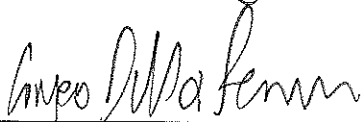
YOUR PETITIONER, THE COMPANY, THEREFORE HUMBL Y PRAYS:

- (1) That the Scheme to be approved at the Court Meeting to be convened at the direction of this Honourable Court be sanctioned by the Court so as to be binding on the Company, the Scheme Shareholders and the Offeror.

- (2) That the Reduction of Capital may be confirmed and that the above mentioned minute may be approved by the Court.
- (3) That the preparation of a list of creditors be dispensed with.
- (4) That, to this end, all necessary inquiries may be made and directions may be made and given.
- (5) Such further or other relief as the Court shall see fit.

And your Petitioner will ever pray etc.

Dated this ^{15th} day of ^{August} 2016



Conyers Dill & Pearman
Attorneys-at-Law for the Petitioner herein

NOTE: It is intended to serve this Petition on Peak Sport Products Co., Limited, at its registered office located at P. O. Box 2681, Cricket Square, Hutchins Drive, Grand Cayman, KY1-1111, Cayman Islands.

Notice of Hearing

This Petition, having been presented to the Court on the day of , 2016, will be heard at the Law Courts, George Town, Grand Cayman on the 20th day of *October* , 2016 at 9.30 *(a.m.)* or as soon thereafter as the Petition can be heard.

This Petition is presented by Conyers Dill & Pearman, for and on behalf of the Petitioner, of P. O. Box 2681, Cricket Square, Hutchins Drive, Grand Cayman, KY1-1111, Cayman Islands