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## **VIVA CHINA HOLDINGS LIMITED**

### **非凡中國控股有限公司**

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

**(Stock Code: 8032)**

#### **(1) VERY SUBSTANTIAL ACQUISITION**

#### **AND CONNECTED TRANSACTION**

#### **IN RELATION TO THE**

#### **ACQUISITION OF SHARES IN LI NING COMPANY LIMITED**

#### **(2) SHARE CONSOLIDATION AND CHANGE OF BOARD LOT SIZE**

#### **AND**

#### **(3) AUTHORISED CAPITAL INCREASE**

#### **(1) VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF SHARES IN LI NING COMPANY LIMITED**

On 12 October 2012, the Company has entered into the Acquisition Agreement with the Vendors to effect the Acquisition, pursuant to which the Company has conditionally agreed to acquire from the Vendors the Sale Shares, representing approximately 25.23% of the entire issued share capital of Li Ning Co as at the date of this announcement.

The Acquisition constitutes a very substantial acquisition and connected transaction for the Company under the GEM Listing Rules since: (i) the applicable percentage ratios are above 100%; and (ii) as Mr. Li is an executive Director and the chairman of the Company, Mr. Li Chun is a non-executive Director and the Vendors are associates of Messrs Li, the Vendors are connected persons of the Company. Accordingly, the Acquisition is subject to the reporting, announcement and Independent Shareholders' approval requirements, under Chapters 19 and 20 of the GEM Listing Rules.

## **(2) SHARE CONSOLIDATION AND CHANGE OF BOARD LOT SIZE**

The Board proposes that every five issued and unissued Shares of nominal value HK\$0.01 each in the share capital of the Company be consolidated into one Consolidated Share of nominal value HK\$0.05. As at the date of this announcement, there are 19,081,859,785 Shares of nominal value HK\$0.01 each in issue which are fully paid or credited as fully paid. Assuming no further Shares will be issued from the date of this announcement up to the date of the EGM, there will be 3,816,371,957 Consolidated Shares of nominal value HK\$0.05 each in issue which are fully paid or credited as fully paid following the Share Consolidation. The Company has no Preferred Shares in issue and the Share Consolidation will not affect the unissued Preferred Shares in the authorised share capital of the Company.

As at the date of this announcement, the Shares are traded in board lots of 2,000 Shares. It is proposed that the Consolidated Shares will be changed to be traded in board lots of 8,000 Consolidated Shares upon the Share Consolidation becoming effective.

## **(3) AUTHORISED CAPITAL INCREASE**

The authorised share capital of the Company is HK\$510,000,000 divided into 45,000,000,000 Shares and 6,000,000,000 unissued Preferred Shares as at the date of this announcement.

In order to accommodate the issue of the Consideration Shares and the Conversion Shares, the Company proposes to increase its authorised share capital from HK\$510,000,000 to HK\$1,060,000,000, assuming the Share Consolidation has taken place, by the creation of 11,000,000,000 additional Consolidated Shares in the authorised share capital of the Company and the 6,000,000,000 unissued Preferred Shares will remain.

## **GENERAL**

The EGM will be convened at which resolutions will be proposed to consider and, if thought fit, approve: (i) by the Independent Shareholders, the Acquisition; and (ii) by the Shareholders, the Share Consolidation and the Authorised Capital Increase.

A circular containing, among others, (i) further information on the Acquisition; (ii) further information in respect of the Share Consolidation and the change of board lot size; (iii) further information in respect of the Authorised Capital Increase; (iv) the recommendation of the Independent Board Committee to the Independent Shareholders and advice of the IFA to the Independent Board Committee and the Independent Shareholders regarding the terms of the Acquisition; and (v) notice of the EGM, is currently expected to be despatched to Shareholders on or before 7 November 2012.

**As Completion is subject to the fulfillment of a number of conditions precedent which may or may not be fulfilled, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.**

## **SUSPENSION AND RESUMPTION OF TRADING**

At the request of the Company, trading in its Shares was suspended with effect from 9:00 a.m. on 11 October 2012 pending the release of this announcement. The Company has made an application to the Stock Exchange for the resumption of trading in its Shares on GEM with effect from 9:00 a.m. on 17 October 2012.

### **(1) VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF SHARES IN LI NING COMPANY LIMITED**

#### **The Acquisition Agreement**

The Company is pleased to announce that on 12 October 2012, it has entered into the Acquisition Agreement with the Vendors to effect the Acquisition, pursuant to which the Company has conditionally agreed to acquire from the Vendors the Sale Shares, representing approximately 25.23% of the issued share capital of Li Ning Co as at the date of this announcement.

#### **Date**

12 October 2012

#### **Parties**

- (1) The Vendors
- (2) Company

#### **Subject matter to be acquired**

As at the date of this announcement, the Sale Shares are held as follows:

- (a) 116,374,000 Li Ning Shares, representing approximately 11.02% of the entire issued share capital of Li Ning Co, are held by Victory Mind Assets. Victory Mind Assets is indirectly held by a corporate trustee of two discretionary trusts, the respective beneficiaries of which include family members of Messrs Li, both being Directors; and
- (b) 150,000,000 Li Ning Shares, representing approximately 14.21% of the entire issued share capital of Li Ning Co, are held by Dragon City in its capacity as trustee of a unit trust, the units of which are owned by two revocable family trusts, the beneficiaries of which include the respective family members of Messrs Li, both being Directors.

Accordingly, the Vendors are all associates of Messrs Li and hence connected persons of the Company.

## Consideration

The Consideration amounts to HK\$1,358,507,400, which will be satisfied by the Company to the Vendors at Completion by:

- (i) assuming the Share Consolidation has taken place, the issue of 1,780,022,769 Consideration Shares to the Vendors credited as fully paid at issuance, at the issue price of HK\$0.325 per Consideration Share, as follows:

	<b>Number of Consideration Shares</b>
Victory Mind Assets:	1,780,022,769
Dragon City:	<u>0</u>
Total:	<u><u>1,780,022,769</u></u>

(which represents, in aggregate, approximately 46.64% and 17.12% of the entire issued share capital of the Company respectively as at the date of this announcement (on a post-Share Consolidation basis for illustration purpose) and as enlarged by the issue of all Consideration Shares and Conversion Shares); and

- (ii) the issue of Initial Convertible Bonds with the principal amount of HK\$780,000,000 at an initial conversion price of HK\$0.325 per Conversion Share, as follows:

	<b>Principal amount of Initial Convertible Bonds</b>
Victory Mind Assets:	HK\$0
Dragon City:	<u>HK\$780,000,000</u>
Total:	<u><u>HK\$780,000,000</u></u>

(which represents, when fully converted, approximately 62.89% and 23.08% of the entire issued share capital of the Company respectively as at the date of this announcement (on a post-Share Consolidation basis for illustration purpose) and as enlarged by the issue of all Consideration Shares and Conversion Shares).

The shareholding changes in the Company in relation to the issue of the Consideration Shares and Conversion Shares are further disclosed in the section headed “*Changes in shareholding of the Company*” below.

The respective proportion of Consideration Shares and Initial Convertible Bonds as described above were agreed as between the Vendors.

The Consideration represents a per Sale Share price of approximately HK\$5.1 per Li Ning Share, which represents a premium of approximately 5.59% over the closing price of Li Ning Shares of HK\$4.83 on 12 October 2012 (being the last trading day for Li Ning Shares immediately preceding the date of this announcement) and a premium of

approximately 12.43% over the average of the closing prices of Li Ning Shares of HK\$4.536 for the 5 consecutive trading days for Li Ning Shares ended on 12 October 2012.

The issue price and initial conversion price of HK\$0.325 for respectively the Consideration Shares and Conversion Shares, based on the closing price of Shares of HK\$0.065 on 10 October 2012 (being the last trading day for Shares immediately preceding the date of this announcement on a post-Share Consolidation basis), represents a premium of approximately 1.56% over the average of the closing prices of Shares of HK\$0.064 for the 5 consecutive trading days for Shares ended on 10 October 2012 and a discount of approximately 20.53% to the unaudited consolidated net tangible asset value per Share of approximately HK\$0.08179 as at 30 June 2012.

The Consideration was agreed between the Company and the Vendors after arm's length negotiations, taking into account:

- (i) Li Ning Co being one of the leading sports brand enterprises in the PRC;
- (ii) the growth potential of the business of Li Ning Co together with the synergies that may be derived with the businesses of the Group in the long run in view of the expected continued improving standard of living and increasing consumption of the people in the PRC;
- (iii) the historical operating and financial performance of Li Ning Co;
- (iv) the recent trading prices of the Shares and the Li Ning Shares;
- (v) other comparable transactions;
- (vi) historical and current valuation multiples of Li Ning Co; and
- (vii) that the consideration payment will be satisfied by the issue of Consideration Shares and Convertible Bonds, with no immediate cash outlay by the Group.

The Consideration Shares and Conversion Shares are to be issued by the Company under a specific mandate to be approved by the Independent Shareholders at the EGM. An application will be made to the Stock Exchange by the Company for the listing of, and permission to deal in, the Consideration Shares and Conversion Shares.

### **Earn-out payment**

Pursuant to the Acquisition Agreement, after the end of each of the financial years of Li Ning Co during the period between 2013 to 2017 ("**Financial Years**"), if 25.227% of the amount of the profit attributable to equity holders of Li Ning Co for the relevant Financial Year multiplied by the P/E Ratio exceeds such portion of the total accumulated amount already paid by the issue of Consideration Shares under paragraph (i) of the sub-section headed "**Consideration**" above, issue of Initial Convertible Bonds under paragraph (ii) of the sub-section headed "**Consideration**" above and issue of Earn-out Convertible Bonds (if any) for the other Financial Years ("**Surplus**"), the Purchaser shall, within 60 Business Days (or such other period as agreed between the Company and the Vendors) after receipt of the audited consolidated financial statements of the group of Li Ning Co for the relevant Financial Year, issue to the Vendors Earn-out Convertible Bonds, at an initial conversion price of HK\$0.325 per Conversion Share (i.e. per Consolidated Share

for illustration purposes), in the aggregate amount of the Surplus for such year (“**Earn-out Mechanism**”). In the event that there is no Surplus for a Financial Year, no Earn-out Convertible Bonds will be issued to the Vendors for the relevant Financial Year. The P/E Ratio was arrived at after arm’s length negotiations between the Company and the Vendors with reference to the historical trading prices and the historical price-earnings ratio of the Li Ning Shares. The aggregate additional amount which may be payable under the Earn-out Mechanism for all the Financial Years shall not be more than HK\$780,000,000 (the corresponding maximum amount of Earn-out Convertible Bonds which may be issued represents, when fully converted, approximately 62.89% and 23.08% of the entire issued share capital of the Company respectively as at the date of this announcement (on a post-Share Consolidation basis for illustration purpose) and as enlarged by the issue of all Consideration Shares and Conversion Shares).

### **Conditions precedent for Completion**

Completion is subject to the following conditions being satisfied and/or waived (as the case may be):

- (i) the passing of a resolution at the EGM by the Independent Shareholders to approve the Acquisition Agreement and the Acquisition;
- (ii) the listing of, and permission to deal in the Consideration Shares and the Conversion Shares having been granted by the Stock Exchange and not having been revoked or withdrawn;
- (iii) all other necessary waivers, consents and approvals (if required) being granted by third parties and no statute, regulation or decision which would prohibit, restrict or materially delay or affect the sale and purchase of the Sale Shares or the operation of the Li Ning Group after Completion having been proposed, enacted or taken by any governmental or official authority;
- (iv) there being no indication from the Stock Exchange or the SFC prior to the date of Completion that listing of the Shares on GEM will be suspended, revoked or withdrawn at any time after Completion, other than in connection with the Acquisition;
- (v) the warranties given by the Vendors being true and accurate in all material respects and not misleading in any material respect;
- (vi) the listing and trading of the Li Ning Shares on the Stock Exchange not being suspended for more than ten (10) Business Days for reasons other than in relation to the Acquisition; and
- (vii) the Authorised Capital Increase becoming effective.

In the event that not all the conditions have been fulfilled or waived pursuant to the terms of the Acquisition Agreement on or before 5:00 p.m. on 31 December 2012 (or such other date as may be agreed between the Company and the Vendors), the Acquisition Agreement shall lapse and become null and void and the parties thereunder shall be released from all obligations save for any antecedent breaches thereof.



## **Completion**

Pursuant to the Acquisition Agreement, Completion is to take place on the third Business Day after all the conditions precedent have been fulfilled (or, where applicable, waived by the Company).

Upon Completion, the Company will hold the Sale Shares as strategic long term investment which will be classified as an “interest in associate” and accounted for using the equity method of accounting in the financial statement of the Group. Li Ning Co will not fall in the definition of a subsidiary of the Company under the accounting standard “IFRS 10 Consolidated Financial Statements” in the consolidated financial statements of the Group.

## **Principal terms of the Convertible Bonds**

The principal terms of the Convertible Bonds are summarised below:

Status and subordination	: The Convertible Bonds constitute direct, unsecured and subordinated obligations of the Company and rank pari passu without any preference or priority among themselves.  In the event of the liquidation of the Company, the rights and claims of the holders of the Convertible Bonds shall (i) rank ahead of those persons whose claims are in respect of any class of share capital (including preference shares) of the Company; and (ii) at all times rank pari passu with each other and with all other present and future unsecured and subordinated obligations of the Company (except for obligations accorded preference by mandatory provisions under the applicable laws), and shall be subordinated in rights of payment to the claims of all other present and future senior, unsecured and unsubordinated creditors of the Company. The principal amount of the Convertible Bonds is not repayable in cash, save in the event of liquidation of the Company.
Issue price	: 100% of the principal amount of the Convertible Bonds.
Form	: The Convertible Bonds will be issued in registered form.
Maturity and interest	: There is no maturity date for the Convertible Bonds save that the Convertible Bonds will become due and payable upon the liquidation of the Company. No interest or default interest will accrue on the principal amount of the Convertible Bonds.

- Distribution : At a variable rate and payable on the Convertible Bonds on an “as converted” basis, i.e. distribution on the Convertible Bonds will be equal to the distribution or dividend that would otherwise have been paid on the Conversion Shares into which the Convertible Bonds are convertible had the relevant conversion right been exercised prior to the record date applicable to the distribution or dividend declaration. Distribution on the Convertible Bonds shall be paid at the same time as the Company pays the relevant distribution or dividend to the Shareholders.
- Conversion period : Any time from the date of the issue of the Convertible Bonds, subject to certain conditions as provided in the terms and conditions of the Convertible Bonds.
- Conversion price : Initially HK\$0.325 per Conversion Share, subject to adjustment as provided for in the terms and conditions of the Convertible Bonds.
- Conversion : Any conversion shall be made in amounts of not less than a whole multiple of HK\$1,625,000 on each conversion save that if at any time the aggregate outstanding principal amount of such Convertible Bonds is less than HK\$1,625,000, the whole (but not part only) of the outstanding principal amount of such Convertible Bonds shall be converted.
- No conversion right may be exercised by the holders of the Convertible Bonds if the issue of the Conversion Shares pursuant to such conversion will cause the issued Shares in the hands of “public” (as defined in Rule 11.23 of the GEM Listing Rules) to fall below 25% or such other minimum percentage of the total issued share capital of a listed company as prescribed under the GEM Listing Rules that must remain in public hands.
- Fractional Shares : Fractions of Shares will not be issued on conversion and no cash adjustments will be made in respect thereof. Notwithstanding the foregoing, in the event of a consolidation or re-classification of Shares by operation of law or otherwise occurring after the date of terms and conditions of the Convertible Bonds, the Company will upon conversion of Convertible Bonds pay in cash a sum equal to such portion of the principal amount of the Convertible Bonds represented by the certificate deposited in connection with the exercise of conversion rights as corresponds to any fraction of a Share not issued as aforesaid if such sum exceeds HK\$100.



- Conversion price adjustment : The conversion price will be subject to adjustment for, among other things, consolidation, subdivision or re-classification of Shares, capitalisation of profits or reserves (other than in lieu of cash dividend), rights issue of Shares or options over Shares or other securities, and other dilutive events. In case of other dilutive issuance (such as issue of Shares or convertible securities at less than the current market price, modification of rights of conversion etc.), the application of the conversion price adjustment is subject to certain thresholds of discount on issuance. The adjusted conversion price will in any event be above the prevailing nominal value of the Shares.
- Voting : The holders of the Convertible Bonds will not be entitled to receive notice of, attend or vote at general meetings of the Company by reason only of it being a holder of Convertible Bonds.
- Transferability : The Convertible Bonds are freely transferable. Subject to the terms of the Convertible Bonds, the Convertible Bonds may be transferred by delivery of the bond certificate, with the form of transfer in the agreed form as set out in the terms of the Convertible Bonds duly completed and signed, to the Company. Upon transfer of the Convertible Bonds, a new certificate will be issued to the transferee. Where only part of a principal amount of the Convertible Bonds in respect of which a certificate is issued is to be transferred, a new certificate in respect of the Convertible Bonds not so transferred will be issued to the transferor. No transfer of a Convertible Bond will be valid unless and until entered on the register of holders of Convertible Bonds.
- Pre-emption right : Not more than 20 nor less than 15 Business Days prior to the holder of the Convertible Bonds delivering a certificate for the transfer of Convertible Bonds, the holder of the Convertible Bonds must notify the Company of his intention to transfer the Convertible Bonds in writing. Following the receipt by the Company of such notice, the Company may by no later than 15 Business Days after it has received the notice, elect to purchase and cancel all or some of the Convertible Bonds of the subject of the relevant notice at the price specified in the notice (which is the price as agreed between the holder of the Convertible Bonds and the proposed transferee). The Company must complete the purchase of the relevant Convertible Bonds within 15 Business Days after it has informed the holder of the Convertible Bonds that it has elected to purchase the Convertible Bonds.

In the event that the Vendors propose to dispose all or part of the Convertible Bonds they hold to other third parties, such pre-emption right will give the Company a right, but not an obligation, to acquire such Convertible Bonds should it deem that the transaction is beneficial to the Company and Shareholders at the time.

There is no other redemption right for the Company under the terms and conditions of the Convertible Bonds. If and when the Company wants to repurchase such Convertible Bonds in the future, the Company can reach bilateral arrangement with the holders of the Convertible Bonds. In the event the repurchase of the Convertible Bonds is from a connected person of the Company, the Company will comply with the requirements under the applicable GEM Listing Rules.

Application for listing : No application will be made for the listing of the Convertible Bonds on the Stock Exchange or any other stock exchange. An application will be made by the Company to the GEM Listing Committee for the listing of, and permission to deal in, the Conversion Shares to be issued upon the exercise of the conversion rights attaching to the Convertible Bonds.

#### **Financial information on Li Ning Co**

The audited consolidated net profit of Li Ning Co, based on its latest published annual report 2011, for the latest two financial years are as follows:

	<b>For the year ended</b>	
	<b>31 December</b>	
	<b>2011</b>	<b>2010</b>
	<b>(in RMB</b>	<b>(in RMB</b>
	<b>millions)</b>	<b>millions)</b>
Net profit (before taxation and extraordinary items)	547.4	1,509.5
Net profit (after taxation and extraordinary items)	411.0	1,132.1

As at 31 December 2011, the audited consolidated net asset value of Li Ning Co was approximately RMB3,664.7 million, based on its latest published annual report 2011.

The Vendors acquired the Sale Shares in the corporate reorganisation of the Li Ning Group prior to the initial public offering of the Li Ning Shares on the Stock Exchange in June 2004. On the basis of HK\$2.15 per Li Ning Share (being the then offer price per Li Ning Share at their initial listing), the indicative original acquisition cost of the Sale Shares was approximately HK\$572,704,100.

## **Reasons for and benefits of the Acquisition**

People in the PRC are becoming more conscious about health and participating in more sports-related activities as urbanisation continues to evolve and household disposable income and living standards continue to improve. Such development of the PRC sports industry is expected to continue with government and policy support. Taking into account that the commercial aspects of the PRC sports industry is still at a relatively early stage of development and the virtuous circle of popular events expanding fans and participant base, which in turn attracts sponsors and creates demand for more merchandise and events that are found in other more developed markets has yet been created, it is believed that the PRC sports industry still has ample growth potential in the long run. Successful development of an integrated sports business in this environment hinges on competition with not just local players but also international giants as well as other cultural offerings. It is believed that companies with larger scale and recognisable brand names would be in a better position to compete among its peers.

The Group is principally engaged in, inter alia, sports talent management and competition/event production and management, and sports-themed community development. The Group strives to continually expanding its portfolio of sports properties as well as into other sports related businesses with a view to grasp the opportunities arising as people in China seek for a healthier lifestyle and higher standard of living.

Li Ning Co is one of the leading sports brand enterprises in the PRC offering a wide range of sporting goods such as footwear, apparel, accessories and equipment for professional and leisure uses predominantly under the LI-NING brand. It has its own branding, research and development, design, manufacturing, distribution and retail capabilities and has established an extensive retail distribution network in China.

The Company wishes to acquire a stake in Li Ning Co as it aligns with the Company's strategy to expand its business scope along the sports value chain in the PRC. Upon Completion, the Company will be interested in Li Ning Co of above 20% so that the results of Li Ning Co is expected to be equity accounted for thereby increasing the Group's exposure to such subsets of the PRC sports market that Li Ning Co pursues. The Company is committed to continue investing in Li Ning Co with the Group's long term commitment to build an integrated platform that will allow it to create synergies and reap crossover benefits among its various business components to the greatest extent.

The Company believes that the acquisition of a significant interest in Li Ning Co, a well-known main board listed company, can enhance the presence and perceived image of the Company in the PRC sports industry, which is beneficial to the development of its businesses and at the same time the closer relationship between the Company and Li Ning Co is also expected to enable them to come closer in exploring strategic development opportunities identified by the Group currently and in the future, including sports advertising and sponsorship opportunities by the two groups, and promote the aligned utilisation of their resources in hand for growing their businesses together as well as possibly expanding the PRC sport market segment for different types of sports.

The Company considers that Li Ning Co has a solid retail distribution platform and strong network within the PRC sports industry as well as a well-known brand name in the PRC. This is considered to be valuable to the Group for getting access to and being received by the mass population for capturing additional economic benefits resulting from

the Group's efforts in the promotion of sports that aims to increase the participation rate in the mass population in the PRC. In addition, such a mature platform/network may also be helpful in the development of various sports related businesses that the Group pursues at the moment and in the future. On the other hand, it is also expected that Li Ning Co may leverage on the expertise and marketing resources of the Group which would be beneficial to the successful implementation of the marketing strategies of Li Ning Co.

It is expected that the Acquisition will enhance the financial substance of the Group by expanding its equity base and making it more capable in obtaining financing when needed. It would also enable the Group to take on more concurrent projects more efficiently and capture market shares at a faster pace since the Company will have stronger bargaining power in all manners of business negotiations with other business and financial partners, thus increasing its chance to more readily secure bigger projects. The Company believes that the Acquisition will improve the overall competitiveness of the Group.

The Directors (excluding the independent non-executive Directors whose views will be expressed after considering the advice from the IFA) consider that the terms of the Acquisition are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### **Implications of the GEM Listing Rules**

The Acquisition constitutes a very substantial acquisition and connected transaction for the Company under the GEM Listing Rules since: (i) the applicable percentage ratios are above 100%; and (ii) as Mr. Li is an executive Director and the chairman of the Company, Mr. Li Chun is an non-executive Director and the Vendors are associates of Messrs Li, the Vendors are connected persons of the Company. Accordingly, the Acquisition is subject to the reporting, announcement and Independent Shareholders' approval requirements, under Chapters 19 and 20 of the GEM Listing Rules.

### **Principal business activities of the parties to the Acquisition**

#### *The Vendors*

The Vendors are all investment holding companies.

#### *The Group*

The Group is principally engaged in (i) sports talent management and competition/event production and management and provision of sports consultancy service; (ii) sports-themed community development; and (iii) development and manufacture of energy saving air-conditioning systems. Other than in relation to the land situated at Changbai Dao of Heping District, Shenyang, the PRC as disclosed in the interim report of the Company dated 10 August 2012, the Company has not started negotiation and does not have any present intention to dispose of or downsize the assets and operations that are material to the Group's existing business.

Li Ning Co is one of the leading sports brand enterprises in the PRC offering a wide range of sporting goods such as footwear, apparel, accessories and equipment for professional and leisure uses predominantly under the LI-NING brand. It has its own branding, research and development, design, manufacturing, distribution and retail capabilities and has established an extensive retail distribution network in China.

## **(2) SHARE CONSOLIDATION AND CHANGE OF BOARD LOT SIZE**

### **Share Consolidation**

The Board proposes that every five issued and unissued Shares of nominal value HK\$0.01 each in the share capital of the Company be consolidated into one Consolidated Share of nominal value HK\$0.05. As at the date of this announcement, there are 19,081,859,785 Shares of nominal value HK\$0.01 each in issue which are fully paid or credited as fully paid. Assuming no further Shares will be issued from the date of this announcement up to the date of the EGM, there will be 3,816,371,957 Consolidated Shares of nominal value HK\$0.05 each in issue which are fully paid or credited as fully paid following the Share Consolidation. The Company has no Preferred Share in issue and the Share Consolidation will not affect the unissued Preferred Shares in the authorised share capital of the Company.

### **Conditions of the Share Consolidation**

The implementation of the Share Consolidation is conditional upon:

- (a) the passing of the necessary ordinary resolution by the Shareholders by way of poll at the EGM to approve the Share Consolidation;
- (b) the GEM Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Consolidated Shares; and
- (c) without prejudice to the above, any necessary consents and approvals regarding the Share Consolidation having been obtained by the Company.

### **Reasons for the Share Consolidation**

The Share Consolidation will increase the nominal value of the Shares and it is expected that the Share Consolidation will lead to a corresponding upward adjustment in the trading price of the Consolidated Shares.

Due to the increase in the nominal value of the Shares and reduction of the total number of Shares currently in issue, the transaction and handling costs of the Company in relation to the dealings in the Consolidated Shares are expected to be reduced, which will be beneficial to the Company. Moreover, as the market value of each board lot upon the Share Consolidation becoming effective will correspondingly be higher than the market value of each existing board lot, the transaction costs as a proportion of the market value of each board lot will be lowered. It is expected that such reduction in transaction costs may facilitate liquidity in trading of the Consolidated Shares and hence, the market value of the Consolidated Shares may better reflect the intrinsic value of the Company.

Accordingly, the Board is of the view that the Share Consolidation is beneficial to the Company and the Shareholders as a whole. The Board has not currently contemplated any fund-raising activities subsequent to the Share Consolidation.

Save for the necessary professional expenses for the implementation of the Share Consolidation, the implementation of the Share Consolidation will not alter the underlying assets, business operation, management or financial position of the Company and the interests and rights of the Shareholders.

### **Application for listing**

Application will be made by the Company to the Stock Exchange for granting the listing of and permission to deal in the Consolidated Shares.

Subject to granting of the listing of and permission to deal in the Consolidated Shares on the Stock Exchange, the Consolidated Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Consolidated Shares on the Stock Exchange or, under contingent situation, such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Dealings in the Consolidated Shares may be settled through CCASS.

### **Status of the Consolidated Shares**

The Consolidated Shares will rank pari passu in all respects with each other and the Share Consolidation will not result in any change in the relative rights of the Shareholders.

### **Odd lot arrangement and fractional Consolidated Shares**

In order to facilitate the trading of odd lots (if any) of the Consolidated Shares, the Company will appoint a securities firm to provide standard matching service to those Shareholders who wish to acquire odd lots of the Consolidated Shares to make up a full board lot, or to dispose of their holding of odd lots of the Consolidated Shares. Details of the odd lot arrangement will be set out in the circular in relation to, among other things, the Share Consolidation, to be despatched to the Shareholders as soon as practicable.

Holders of Consolidated Shares in odd lots should note that successful matching of the sale and purchase of odd lots of Consolidated Shares will not be guaranteed. Shareholders are advised to consult their professional advisers if they are in doubt.

Fractional Consolidated Shares will be disregarded and not be issued to the Shareholders but all such fractional Consolidated Shares will be aggregated and, if possible, sold and retained for the benefit of the Company. Fractional Consolidated Shares will only arise in respect of the entire shareholding of a holder of the Shares regardless of the number of share certificates held by such holder.



## **Exchange of share certificates**

Subject to the Share Consolidation becoming effective, Shareholders may, on or after Monday, 26 November 2012 until Friday, 4 January 2013 (both days inclusive), submit share certificates for existing Shares to the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, to exchange, at the expense of the Company, for certificates of the Consolidated Shares (on the basis of five existing Shares for one Consolidated Share). Thereafter, certificates of Shares will be accepted for exchange only on payment of a fee of HK\$2.50 (or such other amount as may from time to time be specified by the Stock Exchange) by the Shareholders for each certificate issued or cancelled, whichever number of certificates issued or cancelled is higher. Existing certificates for the Shares will remain effective as documents of title but will not be accepted for delivery, trading and settlement purpose after 4:00 p.m. on Wednesday, 2 January 2013 but may be exchanged for certificates for Consolidated Shares at any time.

## **Change of board lot size**

As at the date of this announcement, the Shares are traded in board lots of 2,000 Shares. As at 10 October 2012, being the last trading day in the Shares immediately before the date of this announcement, the market value of each existing board lot of the Shares was approximately HK\$130. It is proposed that the Consolidated Shares will be changed to be traded in board lots of 8,000 Consolidated Shares upon the Share Consolidation becoming effective. Based on the closing price of HK\$0.065 per Share as quoted on GEM as at the last trading day in the Shares immediately before the date of this announcement, the estimated market value per board lot of the Consolidated Shares will be approximately HK\$2,600.

## **Expected timetable**

Set out below is the expected timetable for the implementation of the Share Consolidation and change in board lot size. The timetable is subject to the results of the EGM. The Company will notify the Shareholders of any changes to the expected timetable as and when appropriate.

Despatch of circular and form of proxy for the EGM. . . . Wednesday, 7 November 2012

Latest time for lodging form of proxy for the EGM . . . . . 2:30 p.m. on  
Wednesday, 21 November 2012

Date of the EGM . . . . . 2:30 p.m. on Friday, 23 November 2012

Announcement of results of the EGM. . . . . Friday, 23 November 2012

*The following events are conditional on the results of the EGM. The dates are therefore tentative.*

Effective date for the Share Consolidation. . . . . Monday, 26 November 2012

Dealing in Consolidated Shares commences. . . . . 9:00 a.m. on  
Monday, 26 November 2012

Original counter for trading in Shares in board lot size of  
2,000 Shares in the form of existing share certificates  
temporarily closes . . . . . 9:00 a.m. on  
Monday, 26 November 2012

Temporary counter for trading in Consolidated Shares  
in board lot size of 400 Consolidated Shares in the form  
of existing share certificates opens. . . . . 9:00 a.m. on  
Monday, 26 November 2012

First day for free exchange of existing share certificates  
for new share certificates for the Consolidated Shares  
commences . . . . . Monday, 26 November 2012

Original counter for trading in Consolidated Shares  
in board lot size of 8,000 Consolidated Shares in the form  
of new share certificates for Consolidated Shares reopens . . . . . 9:00 a.m. on  
Monday, 10 December 2012

Parallel trading in Consolidated Shares in the form  
of new and existing share certificates commences . . . . . 9:00 a.m. on  
Monday, 10 December 2012

Designated broker starts to stand in the market to  
provide matching services for the sale and purchase of  
odd lots of Consolidated Shares . . . . . 9:00 a.m. on  
Monday, 10 December 2012

Parallel trading in Consolidated Shares in the form  
of new and existing share certificates ends . . . . . 4:00 p.m. on  
Wednesday, 2 January 2013

Temporary counter for trading in Consolidated Shares  
in board lot size of 400 Consolidated Shares in the form  
of existing share certificates closes. . . . . 4:00 p.m. on  
Wednesday, 2 January 2013

Designated broker ceases to stand in the market to sell  
and purchase odd lots of Consolidated Shares . . . . . 4:00 p.m. on  
Wednesday, 2 January 2013

Last day for free exchange of existing share certificates  
for new share certificates for Consolidated Shares. . . . . Friday, 4 January 2013

### **(3) AUTHORISED CAPITAL INCREASE**

The authorised share capital of the Company is HK\$510,000,000 divided into 45,000,000,000 Shares of nominal value HK\$0.01 each and 6,000,000,000 unissued Preferred Shares of nominal value HK\$0.01 each as at the date of this announcement.

In order to accommodate the issue of the Consideration Shares and the Conversion Shares, the Company proposes to increase its authorised share capital from HK\$510,000,000 to HK\$1,060,000,000, assuming the Share Consolidation has taken

place, by the creation of 11,000,000,000 additional Consolidated Shares of nominal value HK\$0.05 each in the authorised share capital of the Company and the 6,000,000,000 unissued Preferred Shares of nominal value HK\$0.01 each in the authorised share capital of the Company shall remain.

The Authorised Capital Increase is conditional upon the passing of an ordinary resolution by the Shareholders on the Authorised Capital Increase at the EGM.

## CHANGES IN SHAREHOLDING OF THE COMPANY

The shareholding of the Company immediately before Completion: (i) as at the date of this announcement; and (ii) assuming the Share Consolidation has taken place is and will be as follows:

Shareholders	Before Completion			
	As at the date of this announcement		Assuming the Share Consolidation has taken place	
	<i>No. of Shares</i>	<i>Approx. %</i>	<i>No. of Consolidated Shares</i>	<i>Approx. %</i>
Li Family Group	10,662,101,910	55.88	2,132,420,382	55.88
Other connected persons of the Company	1,277,059,070	6.69	255,411,814	6.69
Public Shareholders	<u>7,142,698,805</u>	<u>37.43</u>	<u>1,428,539,761</u>	<u>37.43</u>
Total	<u><u>19,081,859,785</u></u>	<u><u>100.00</u></u>	<u><u>3,816,371,957</u></u>	<u><u>100.00</u></u>

The shareholding of the Company after Completion and assuming the Share Consolidation has taken place: (i) assuming no Earn-out Convertible Bonds have been issued and no conversion of the Initial Convertible Bonds; (ii) assuming no Earn-out Convertible Bonds have been issued and full conversion of the Initial Convertible Bonds; (iii) assuming the maximum amount of Earn-out Convertible Bonds under the Acquisition Agreement have been issued and no conversion of the Initial Convertible Bonds and Earn-out Convertible Bonds; (iv) assuming the maximum amount of Earn-out Convertible Bonds under the Acquisition Agreement have been issued, full conversion of the Initial Convertible Bonds and no conversion of the Earn-out Convertible Bonds; (v) assuming the maximum amount of Earn-out Convertible Bonds under the Acquisition Agreement have been issued, no conversion of the Initial Convertible Bonds and full conversion of the Earn-out Convertible Bonds; and (vi) assuming the maximum amount of Earn-out Convertible Bonds under the Acquisition Agreement have been issued and full conversion of the Initial Convertible Bonds and the Earn-out Convertible Bonds, will be as follows:

Shareholders	After Completion assuming the Share Consolidation has taken place and no Earn-out Convertible Bonds have been issued				After Completion assuming the Share Consolidation has taken place and the maximum amount of Earn-out Convertible Bonds have been issued							
	Assuming no conversion of the Initial Convertible Bonds		Assuming full conversion of the Initial Convertible Bonds (Note)		Assuming no conversion of the Initial Convertible Bonds and Earn-out Convertible Bonds		Assuming full conversion of the Initial Convertible Bonds and no conversion of the Earn-out Convertible Bonds (Note)		Assuming no conversion of the Initial Convertible Bonds and full conversion of the Earn-out Convertible Bonds (Note)		Assuming full conversion of the Initial Convertible Bonds and the Earn-out Convertible Bonds (Note)	
	No. of Consolidated Shares		No. of Consolidated Shares		No. of Consolidated Shares		No. of Consolidated Shares		No. of Consolidated Shares		No. of Consolidated Shares	
	Approx. %		Approx. %		Approx. %		Approx. %		Approx. %		Approx. %	
Li Family Group	2,132,420,382	38.10	2,132,420,382	26.67	2,132,420,382	38.10	2,132,420,382	26.67	2,132,420,382	26.67	2,132,420,382	20.51
Vendors	1,780,022,769	31.81	4,180,022,769	52.27	1,780,022,769	31.81	4,180,022,769	52.27	4,180,022,769	52.27	6,580,022,769	63.29
Other connected persons of the Company	255,411,814	4.56	255,411,814	3.19	255,411,814	4.56	255,411,814	3.19	255,411,814	3.19	255,411,814	2.46
Public Shareholders	<u>1,428,539,761</u>	<u>25.53</u>	<u>1,428,539,761</u>	<u>17.87</u>	<u>1,428,539,761</u>	<u>25.53</u>	<u>1,428,539,761</u>	<u>17.87</u>	<u>1,428,539,761</u>	<u>17.87</u>	<u>1,428,539,761</u>	<u>13.74</u>
Total	<u>5,596,394,726</u>	<u>100.00</u>	<u>7,996,394,726</u>	<u>100.00</u>	<u>5,596,394,726</u>	<u>100.00</u>	<u>7,996,394,726</u>	<u>100.00</u>	<u>7,996,394,726</u>	<u>100.00</u>	<u>10,396,394,726</u>	<u>100.00</u>

*Note: Such figures are provided for illustration purposes only. The terms of the Convertible Bonds will not permit conversion if such conversion will cause the Shares in the hands of the “public” (as defined in Rule 11.23 of the GEM Listing Rules) to fall below 25% or such other minimum percentage as prescribed under the GEM Listing Rules.*

The shareholding of the Company after Completion assuming the Share Consolidation has taken place and conversion of the Convertible Bonds to the fullest extent while still maintaining the 25% public float in the Consolidated Shares will be as follows:

<b>Shareholders</b>	<b>After Completion assuming the Share Consolidation has taken place and conversion of the Convertible Bonds to the fullest extent while still maintaining the 25% public float in the Consolidated Shares</b>	
	<i>No. of Consolidated Shares</i>	<i>Approx. %</i>
Li Family Group	2,132,420,382	37.32
Vendors	1,897,102,178	33.21
Other connected persons of the Company	255,411,814	4.47
Public Shareholders	<u>1,428,539,761</u>	<u>25.00</u>
Total	<u><u>5,713,474,135</u></u>	<u><u>100.00</u></u>

## **ADJUSTMENT IN RELATION TO THE OUTSTANDING WARRANTS AND SHARE OPTIONS**

The Share Consolidation and the issue of Consideration Shares and Conversion Shares may cause adjustments to the exercise price and/or the number of Consolidated Shares to be issued pursuant to the exercise of the subscription rights attaching to the Warrants. The Share Consolidation may also cause adjustments to the exercise price and/or the number of Consolidated Shares to be issued pursuant to the exercise of the Share Options. As at the date of this announcement, there are 314,519,000 outstanding Warrants and 716,583,332 outstanding Share Options. Save for the aforesaid, the Company has no other outstanding convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into Shares. The Company will instruct its auditors or an independent financial adviser to certify such adjustments, if any, and will inform holders of the Warrants and the Share Options of such adjustments.

Further announcements will be made by the Company in respect of such adjustments as and when appropriate.

## **GENERAL**

### **EGM**

The EGM will be convened at which resolutions will be proposed to consider and, if thought fit, approve: (i) by the Independent Shareholders, the Acquisition; and (ii) by the Shareholders, the Share Consolidation and the Authorised Capital Increase.

### **Circular**

A circular containing, among others, (i) further information on the Acquisition; (ii) further information in respect of the Share Consolidation and the change of board lot size; (iii) further information in respect of the Authorised Capital Increase; (iv) the recommendation of the Independent Board Committee to the Independent Shareholders and advice of the IFA to the

Independent Board Committee and the Independent Shareholders regarding the terms of the Acquisition; and (v) notice of the EGM; is currently expected to be despatched to Shareholders on or before 7 November 2012.

## **WARNING**

**As Completion is subject to the fulfillment of a number of conditions precedent which may or may not be fulfilled, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.**

## **SUSPENSION AND RESUMPTION OF TRADING**

At the request of the Company, trading in its Shares was suspended with effect from 9:00 a.m. on 11 October 2012 pending the release of this announcement. The Company has made an application to the Stock Exchange for the resumption of trading in its Shares on GEM with effect from 9:00 a.m. on 17 October 2012.

## **DEFINITIONS**

In this announcement, the following expressions shall have the meanings set adjacent below, unless the context requires otherwise:

“Acquisition”	acquisition of the Sale Shares by the Company pursuant to the Acquisition Agreement and the transactions contemplated thereunder, including the issue of the Consideration Shares and Convertible Bonds and the issue of the Conversion Shares thereunder
“Acquisition Agreement”	the sale and purchase agreement for the Sale Shares dated 12 October 2012 entered into between the Company and the Vendors in respect of the Acquisition
“associate(s)”	has the same meaning as defined in the GEM Listing Rules
“Authorised Capital Increase”	the increase in the authorised share capital of the Company from HK\$510,000,000 divided into 45,000,000,000 Shares and 6,000,000,000 unissued Preferred Shares to HK\$1,060,000,000 divided into 20,000,000,000 Consolidated Shares (or 100,000,000,000 Shares, as the case may be) and 6,000,000,000 unissued Preferred Shares
“Board”	the board of Directors
“Business Day”	a day on which banks in Hong Kong are generally open for business (excluding Saturdays, Sundays and any day on which a tropical cyclone warning no. 8 or above or a “black” rainstorm warning is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.)
“BVI”	the British Virgin Islands
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC



“Company”	Viva China Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on GEM (stock code: 8032) and owned as to approximately 55.88% by the Li Family Group, through Lead Ahead, as at the date of this announcement
“Completion”	completion of the Acquisition pursuant to the Acquisition Agreement
“connected person(s)”	has the meaning ascribed to it in Rule 1.01 of the GEM Listing Rules and as expanded by Rule 20.11 of the GEM Listing Rules
“Consideration”	the consideration for the acquisition of the Sale Shares
“Consideration Shares”	new Shares to be issued to the Vendors as part of the Consideration under the Acquisition Agreement and for the purpose of disclosure in this announcement, it is assumed that the Share Consolidation has taken place on Completion, references to the Consideration Shares as disclosed in this announcement refer to the Consolidated Shares
“Consolidated Shares”	ordinary shares of nominal value HK\$0.05 each in the share capital of the Company upon the Share Consolidation taking place
“Conversion Shares”	new Shares to be issued upon the conversion of the Convertible Bonds and for the purpose of disclosure in this announcement, it is assumed that the Share Consolidation has taken place on Completion, references to the Conversion Shares as disclosed in this announcement refer to the Consolidated Shares
“Convertible Bonds”	the Initial Convertible Bonds and the Earn-out Convertible Bonds
“Director(s)”	director(s) of the Company
“Dragon City”	Dragon City Management (PTC) Limited, a company incorporated in BVI
“Earn-out Convertible Bonds”	convertible bonds which may be issued by the Company to the Vendors, as more particularly set out in the section headed “(1) <i>The Acquisition Agreement — Earn-out payment</i> ” in this announcement
“EGM”	an extraordinary general meeting of Shareholders to be convened and held to consider and, if thought fit, approve the Acquisition, the Share Consolidation and the Authorised Capital Increase
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“IFA”	the independent financial adviser to be appointed by the Company to advise the Independent Board Committee and the Independent Shareholders regarding the terms of the Acquisition
“Independent Board Committee”	an independent committee of the Board, comprising the independent non-executive Directors, established to consider and provide recommendation to the Independent Shareholders in respect of the Acquisition
“Independent Shareholders”	Shareholders other than: (i) Lead Ahead and (ii) Shareholders who have a material interest in the Acquisition, and their respective associates
“Initial Convertible Bonds”	convertible bonds to be issued by the Company to the Vendors as part of the Consideration under the Acquisition Agreement
“Lead Ahead”	Lead Ahead Limited, a company incorporated in BVI owned as to 60% by Mr. Li and 40% by his brother, Mr. Li Chun, holding approximately 55.88% of the entire issued share capital of the Company as at the date of this announcement
“Li Family Group”	Messrs Li and Lead Ahead
“Li Ning Co”	Li Ning Company Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange (stock code: 2331)
“Li Ning Group”	Li Ning Co and its subsidiaries
“Li Ning Share(s)”	ordinary share(s) of nominal value HK\$0.10 each in the issued share capital of Li Ning Co
“Messrs Li”	Mr. Li and, his brother, Mr. Li Chun, a non-executive Director
“Mr. Li”	Mr. Li Ning, the chairman of the Company and an executive Director
“percentage ratios”	has the meaning as defined in Chapter 19 of the GEM Listing Rules
“P/E Ratio”	12 times
“PRC”	the People’s Republic of China
“Preferred Share(s)”	preferred share(s) of nominal value HK\$0.01 each in the share capital of the Company, none of which is in issue as at the date of this announcement
“Sale Shares”	the 266,374,000 Li Ning Shares held by the Vendors as at the date of this announcement
“SFC”	the Securities and Futures Commission of Hong Kong
“Share Consolidation”	the proposed consolidation of every five issued and unissued Shares into one Consolidated Share

“Share Options”	the share options granted under the share option scheme of the Company adopted on 29 June 2010, details of which are disclosed in the 2012 interim report of the Company
“Shareholder(s)”	holder(s) of Shares
“Share(s)”	ordinary share(s) of nominal value HK\$0.01 each in the share capital of the Company existing on the date of this announcement and all other (if any) stock or shares from time to time and for the time being ranking pari passu therewith and all other (if any) stock or shares in the equity share capital of the Company resulting from any sub-division, consolidation or re-classification thereof
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendors”	Victory Mind Assets and Dragon City
“Victory Mind Assets”	Victory Mind Assets Limited, a company incorporated in the BVI
“Warrants”	a total of 314,519,000 unlisted warrants of the Company conferring right in its registered form to the holder(s) thereof to subscribe for a total of 314,519,000 new Shares at an initial exercise price of HK\$0.80, details of which are set out in the announcement of the Company dated 25 October 2010
“%”	percentage

By order of the Board  
**Viva China Holdings Limited**  
**Chan Ling**  
*Executive Director*

Hong Kong, 17 October 2012

*Executive Directors:*

Mr. LI Ning (*Chairman*)

Mr. CHAN Ling

Mr. LI Chunyang

Mr. LEE Wa Lun, Warren

*Non-executive Directors:*

Mr. LI Chun

Mr. MA Wing Man

*Independent non-executive Directors:*

Mr. CHEN Johnny

Mr. IP Shu Kwan, Stephen

Mr. NG Sau Kei, Wilfred

*This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

*This announcement will remain on the GEM website at [www.hkgem.com](http://www.hkgem.com) on the “Latest Company Announcements” page for at least seven days from the date of its posting and the website of the Company at [www.vivachina.hk](http://www.vivachina.hk).*