



VIVA CHINA HOLDINGS LIMITED
非凡中國控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(於開曼群島註冊成立之有限公司)

Stock Code 股份代號：8032

Third Quarterly Report 2011 第三季度業績報告



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This report, for which the directors (the "Directors") of Viva China Holdings Limited (the "Company" or "Viva China", which together with its subsidiaries, the "Group") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM ("GEM Listing Rules") of the Stock Exchange 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 report 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 report misleading.

Corporate Profile

Viva China Holdings Limited and its subsidiaries (the “Group”), aims to become one of China’s leading and most dynamic sports and green conglomerates. We strive to raise the standards and values within the sports industry and link up different components of the sports value chain in China. Currently we have three main business segments, namely Sports, Sports Community Development and Green Energy.

The Sports business covers sports talent management, sports consultancy, competition and event production, and may expand to cover sale of sports related premiums and merchandise, sports-training programs, facility management, and sports media and content distribution. The Group currently manages some of China’s most desirable athletes and national sports teams.

We have also secured rights to world-class badminton tournaments in China and we are continuing to further build up our tournament portfolio. One of our new business models integrate sports and entertainment elements to form a new genre of captivating sporting events. The Group also aims to enhance the profile and economic value of the sports resources on hand and raise the bar for the presentation of games and competitions in China.

The Group’s Sports Community Development business capitalizes on our strong capabilities in sports and environmentally friendly technology to develop sports and green communities throughout China. Our strategy is to utilize our resources and related expertise to build communities with key sports facilities while managing both the facilities and related programs at the same time. These projects create a sports and leisure oriented environment, aligning with the Group’s mission of promoting a lifestyle of higher quality in China.

The Green Energy business develops and manufactures energy-saving air-conditioning systems. Currently, the Group has a licensing agreement with Tsingdao Haier Air-Conditioner Co., Limited (“Haier”), to use our patented technology to produce energy-saving air-conditioners. The Group has also entered into a supply agreement with Haier for the supply of certain air-conditioner parts for production.

Management Discussion and Analysis

Business Review

Sports

Sports tournaments

The annual Badminton Asian Championships (“BAC”) and China Masters Superseries (“CMS”), which the Group owns and actively participates in the management and production, were held in Chengdu in April and Changzhou in September this year respectively. Both the BAC and the CMS are among the highest honored and the most important badminton tournaments of the Badminton World Federation (“BWF”) in Asia. Apart from the BAC and CMS, the Group also helps manage the China Open Superseries, which will be held in Shanghai in November this year. Currently, we hold the commercial rights in connection with the 2011 and 2012 editions of the BWF World Superseries Finals. The 2011 BWF World Superseries Final is scheduled to be held in December 2011 in Liuzhou, China. Together with our agency relationship with China’s National Badminton Team, the Group has an unparalleled advantage in the badminton sports arena in China.

Sports talent management

Encouraging progress was made in enhancing the value of the current sports talent resources. During the period under review, we successfully sealed various cooperation or endorsement agreements with various renowned consumer brands such as Tencent, Jianlibao (健力寶), P&G and Gillette, etc. This reflects not only our efforts and popularity of our athletes but also the potential of the sports industry in China. We will continue our efforts in this respect in order to capitalize on the commercial value of various sports resources and to further strengthen the popularity of our athletes.

Sports Community

The Group’s missions and strategies include bringing a healthy lifestyle to communities across China by developing residential properties with themes of sports and green living (“Sports Community”). The Sports Community will integrate comprehensive sports facilities and energy-saving concepts to create a comfortable living environment.

Management Discussion and Analysis (continued)

Changbai Project

On 11 May 2011, the Group was successful in bidding for a parcel of land (with an area of approximately 117,200 sq.m.) situated at Changbai Dao of Heping District, Shenyang at a consideration of approximately RMB1.0 billion (equivalent to approximately HK\$1.2 billion). The land is planned to be developed into a residential and commercial complex (the “Changbai Project”) with a gross floor area of approximately 350,000 sq.m. The project company has been incorporated in August 2011. The governmental administrative procedures for land acquisition and various preparatory works such as project design are currently underway.

Shenyang Zhaohuan

The acquisition of Shenyang Zhaohuan Modern Construction Industrial Park Company Limited (“Shenyang Zhaohuan”) in the Shenyang Economic and Technology Development Zone was completed in April 2011 for an aggregate consideration of RMB100 million (equivalent to approximately HK\$119.5 million). Details of the transaction were set out in the announcement of the Company dated 6 March 2011. Currently, Shenyang Zhaohuan possesses an industrial land with a site area of approximately 411,600 sq.m. for the development of an industrial park. The Group’s strategy is to develop it into a low-carbon, energy-saving and quality environment-friendly construction materials manufacturing hub. Apart from the provision of environmentally friendly construction technologies and materials to property developers in China, the Shenyang Zhaohuan project is complementary to the Group’s Sports Community business. Currently, the Group has signed leasing agreements with a construction company for leasing an aggregate site area of about 60,000 sq.m. to manufacture environmentally friendly pre-fabricated cement blocks.

In addition to the Changbai Project and Shenyang Zhaohuan, the Group is actively looking for other investment opportunities in Sports Community in China.

Green Energy

The Group is working closely with Haier on the launch of a series of energy-saving air-conditioning products. After going through standard testing procedures, these products will be available in the market in the near future. Meanwhile, the Group is placing great emphasis on perfecting the design of products to maximize their efficiency to cater for market needs. There is no income generated from this project up to the end of September 2011.

In addition to developing the project with Haier, the Hong Kong sales team works closely with restaurants, laundry operators, food preparation centers and other businesses that require hot water and air-conditioning to increase our market share. Our objective to lower the carbon footprint in this region shall be fulfilled by promoting green-living concepts to a broader customer base.

Management Discussion and Analysis (continued)

Financial Review

Results

For the nine months ended 30 September 2011 (the "Period"), the Group recorded a considerable growth in consolidated revenue to HK\$22.3 million compared to HK\$2.3 million during the same period last year. Gross profit in the Period was HK\$9.0 million (2010: HK\$0.4 million). Substantial improvement in our top line was mainly due to the acquisition of a new sports business platform in China in the fourth quarter of 2010.

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During the Period, other income and gains amounted to HK\$144.1 million (2010: HK\$4.8 million), including a gain of HK\$105.5 million recognized in relation to the acquisition of Shenyang Zhaohuan, as a result of a bargain purchase, alternatively known as negative goodwill. The gain was non-recurring and non-cash in nature.

Selling and distribution costs totaled HK\$10.3 million (2010: HK\$0.7 million) which was in line with an increase in promotional activities of our sports business. Administrative expenses and other expenses amounted to HK\$113.0 million (2010: HK\$40.6 million), representing a significant increase mainly due to non-cash amortization of share options expenses of HK\$28.8 million and other intangible assets of HK\$12.0 million, the net costs in organizing brand building and promotional activities for the Group in the Beijing National Aquatics Center (known as the Water Cube) in April of HK\$9.3 million and a significant increase in professional fees incurred in the expansion process. Excluding the effect of non-cash amortization, the rise in administrative expenses kept pace with the growth strategy of the Group.

The Group's profit before tax for the Period was HK\$29.7 million (2010: loss before tax HK\$39.0 million). Excluding non-cash items, namely equity-settled share option expenses, amortization of other intangible assets and gains derived from changes in fair value of derivative financial assets and liabilities and gain on bargain purchase, the net loss for the Group in the Period was HK\$64.7 million. Given the fact that the Group operated according to the new management directives only since late 2010, the values of the new businesses is yet to be reflected in the results.

Management Discussion and Analysis (continued)

Segments

Sports

During the Period, the segment generated HK\$18.7 million in revenues (2010: Nil). The revenues generated were mainly related to service income of talents management and events and competitions organization and production. During the Period, the segment recorded an operating loss of HK\$5.2 million (2010: Nil). Given the fact that the sports platform was only acquired in the fourth quarter of 2010, greater efforts will be dedicated to growing its sports resources and producing quality games and events in order to fully grow and unlock their values. The majority of the effects of the business contracts signed with Tencent, Jianlibao, P&G and Gillette etc. are also yet to be reflected in the operating results of the segment.

Green Energy

The effect of the Haier project has not yet been reflected in the financial results for the Period. Therefore the Green Energy business only posted HK\$2.8 million in revenue (2010: HK\$2.3 million) with slight operating losses amounting to HK\$3.7 million (2010: HK\$9.0 million).

Sports Community

Apart from the acquisition of Shenyang Zhaohuan and the initiation of the Changbai Project, various business plans and financial studies related to potential projects in this segment are still underway. The business did not have any significant impact on the Group's results in the Period.

Management Discussion and Analysis (continued)

Looking Forward

The Group will continue its strategy to develop sports-related businesses in China, namely sports talent management, games and events management and production, sports community development and healthcare products businesses. Growth will be achieved either through organic expansion or acquisitions when opportunities arise.

For the Sports business, great potential lies ahead because of the 2012 London Olympic Games. The Group is in discussion for a number of sponsorship and endorsement contracts for our sports talent resources, namely the national diving, gymnastics and badminton teams and associating athletes. We are also in negotiation for the representation of a number of national teams and athletes to join us in order to strengthen our sports talent pool.

For Sports Community business, besides the Changbai Project, the Group is actively looking for other investment opportunities in building sports and green communities in China.

Unaudited Consolidated Results

The board of directors (the “Board”) of the Company announces the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the periods from 1 July 2011 to 30 September 2011 and from 1 January 2011 to 30 September 2011 together with the comparative unaudited consolidated results for the corresponding periods in 2010 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	For the three months ended 30 September		For the nine months ended 30 September	
		2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Revenue	3	13,387	1,062	22,271	2,304
Cost of sales		(9,383)	(488)	(13,231)	(1,905)
Gross profit		4,004	574	9,040	399
Other income and gains, net	3	8,765	4,507	144,071	4,823
Selling and distribution costs		(4,173)	(171)	(10,342)	(676)
Administrative expenses and other operating expenses		(35,582)	(32,167)	(113,048)	(40,580)
Finance costs		(24)	—	(32)	(3,014)
Profit/(loss) before tax	4	(27,010)	(27,257)	29,689	(39,048)
Income tax	5	1,003	—	3,003	—
Profit/(loss) for the period		(26,007)	(27,257)	32,692	(39,048)
Other comprehensive income for the period, net of income tax of nil					
— Exchange difference on translation of foreign operations		3,984	—	4,408	—
Total comprehensive income/(loss) for the period		(22,023)	(27,257)	37,100	(39,048)
Profit/(loss) attributable to:					
Shareholders of the Company		(25,789)	(27,254)	32,622	(38,565)
Non-controlling interests		(218)	(3)	70	(483)
		(26,007)	(27,257)	32,692	(39,048)
Total comprehensive income/(loss) attributable to:					
Shareholders of the Company		(21,853)	(27,254)	36,928	(38,565)
Non-controlling interests		(170)	(3)	172	(483)
		(22,023)	(27,257)	37,100	(39,048)
Earnings/(loss) per share attributable to shareholders of the Company					
Basic and diluted (HK cents)	6	(0.14)	(0.16)	0.17	(0.45)

Notes to the Unaudited Condensed Consolidated Financial Statements

1. GENERAL INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands and the ordinary shares of the Company are listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

The Group was involved in the following principal activities:

- Manufacturing, marketing and installation of proprietary energy-saving air-conditioning systems and water heating equipment
- Production and distribution of sports content, management and marketing of sports talents
- Development of properties for generating rental income and/or capital appreciation potential
- Trading of health-related products

In the opinion of the Directors, the immediate holding company and the ultimate holding company of the Company is Lead Ahead Limited, which is incorporated in the British Virgin Islands with limited liability.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited consolidated results have been prepared to comply with the disclosure requirements of the GEM Listing Rules.

The accounting policies used in the preparation of the unaudited consolidated results are consistent with those adopted in preparing the annual audited financial statements for the year ended 31 December 2010.

In the current period, the Group has adopted the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) that are relevant to its operations and effective for its accounting year beginning on 1 January 2011. The adoption of these new and revised HKFRSs did not result in significant changes to the Group’s accounting policies, presentation of the Group’s financial statements and amounts reported for the current and prior periods.

Notes to the Unaudited Condensed Consolidated Financial Statements (continued)

3. REVENUE, OTHER INCOME AND GAINS, NET

	For the three months ended 30 September		For the nine months ended 30 September	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Revenue				
Sales of air-conditioning and ventilation systems and related services income	1,411	1,056	2,767	2,271
Sale of health-related products	—	6	—	33
Sports content production and distribution income	6,917	—	10,095	—
Sports talent management income	4,501	—	8,567	—
Rental income from investment properties	558	—	842	—
	13,387	1,062	22,271	2,304
Other income				
Bank interest income	2,437	168	7,446	286
Sundry income	509	157	1,405	355
	2,946	325	8,851	641
Gains, net				
Gain on bargain purchase of a subsidiary	—	—	105,498	—
Fair value gain on derivative financial assets	—	—	12,580	—
Fair value gain on derivative financial liabilities	5,819	—	17,142	—
Gain on derecognition of a derivative financial liability	—	4,182	—	4,182
	5,819	4,182	135,220	4,182
Other income and gains, net	8,765	4,507	144,071	4,823

Notes to the Unaudited Condensed Consolidated Financial Statements (continued)

4. PROFIT/(LOSS) BEFORE TAX

The Group's profit/(loss) before tax is arrived at after charging:

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	For the three months ended 30 September		For the nine months ended 30 September	
	2011	2010	2011	2010
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Depreciation	1,000	454	2,451	1,168
Amortisation of land use rights	47	34	141	114
Amortisation of other intangible assets	4,013	—	12,038	—

5. INCOME TAX

	For the three months ended 30 September		For the nine months ended 30 September	
	2011	2010	2011	2010
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Underprovision in prior year	—	—	(7)	—
Deferred tax credit	1,003	—	3,010	—
	1,003	—	3,003	—

No provision for Hong Kong profits tax has been made for the nine months ended 30 September 2011 as the Group did not generate any assessable profits arising in Hong Kong during the period (2010: Nil). No PRC corporate income tax was provided for the nine months ended 30 September 2011 as the Group did not generate any assessable profits arising in Mainland China during the period (2010: Nil).

Deferred tax credit for the three months and the nine months ended 30 September 2011 represents release of deferred tax liabilities of the Group during these periods, which arose from the fair value adjustment in connection with acquisition of subsidiaries in 2010.

There was no significant unprovided deferred tax for the nine months ended 30 September 2011 (2010: Nil).

6. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The calculation of basic earnings/loss per share amounts is based on the loss and profit attributable to shareholders of the Company for the three months and the nine months ended 30 September 2011 of approximately HK\$25,789,000 and of approximately HK\$32,622,000, respectively, (three months and nine months ended 30 September 2010: loss of approximately HK\$27,254,000 and of approximately HK\$38,565,000, respectively) and on the weighted average number of ordinary shares in issue during the three months and the nine months ended 30 September 2011 of 19,081,859,785 (three months and nine months ended 30 September 2010: 16,573,542,000 and 8,633,841,000, respectively) in issue during the period.

In respect of diluted earnings/loss per share amounts, no adjustment has been made to the basic earnings/loss per share amounts presented for the three months and the nine months ended 30 September 2011 as the exercise prices of outstanding warrants and share options of the Company were higher than the average market prices of the Company during their relevant outstanding periods. No adjustment has been made to the basic loss per share amounts presented for the three months and nine months ended 30 September 2010 as the impact of the share options and the redeemable convertible preferred shares outstanding had an anti-dilutive effect.

Notes to the Unaudited Condensed Consolidated Financial Statements (continued)

7. RESERVES

	Share premium account (Unaudited) HK\$'000	Share option reserve (Unaudited) HK\$'000	Exchange fluctuation reserve (Unaudited) HK\$'000	Accumulated losses (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
For the nine months ended 30 September 2011					
Balance at 1 January 2011	2,256,863	26,053	314	(476,540)	1,806,690
Profit for the period	—	—	—	32,622	32,622
Exchange differences on translation of foreign operations	—	—	4,306	—	4,306
Total comprehensive income for the period	—	—	4,306	32,622	36,928
Cancellation of share options	—	(1,648)	—	1,648	—
Equity-settled share option arrangement	—	28,782	—	—	28,782
Balance at 30 September 2011	2,256,863	53,187	4,620	(442,270)	1,872,400
For the nine months ended 30 September 2010					
Balance at 1 January 2010	605,435	12,613	15	(413,583)	204,480
Loss for the period and total comprehensive loss for the period	—	—	—	(38,565)	(38,565)
Conversion of redeemable convertible preferred shares	260,800	—	—	—	260,800
Exercise of share options	37,831	(12,613)	—	—	25,218
Equity-settled share option arrangement	—	15,641	—	—	15,641
Balance at 30 September 2010	904,066	15,641	15	(452,148)	467,574

7. RESERVES (continued)

	Share premium account (Unaudited) HK\$'000	Share option reserve (Unaudited) HK\$'000	Exchange fluctuation reserve (Unaudited) HK\$'000	Accumulated losses (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
For the three months ended 30 September 2011					
Balance at 1 July 2011	2,256,863	46,591	684	(418,129)	1,886,009
Loss for the period	—	—	—	(25,789)	(25,789)
Exchange differences on translation of foreign operations	—	—	3,936	—	3,936
Total comprehensive income/ (loss) for the period	—	—	3,936	(25,789)	(21,853)
Cancellation of share options	—	(1,648)	—	1,648	—
Equity-settled share option arrangement	—	8,244	—	—	8,244
Balance at 30 September 2011	2,256,863	53,187	4,620	(442,270)	1,872,400
For the three months ended 30 September 2010					
Balance at 1 July 2010	818,125	7,115	15	(424,894)	400,361
Loss for the period and total comprehensive loss for the period	—	—	—	(27,254)	(27,254)
Conversion of redeemable convertible preferred shares	64,645	—	—	—	64,645
Exercise of share options	21,296	(7,115)	—	—	14,181
Equity-settled share option arrangement	—	15,641	—	—	15,641
Balance at 30 September 2010	904,066	15,641	15	(452,148)	467,574

8. CAPITAL COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	30 September 2011 (Unaudited) HK\$'000	31 December 2010 (Audited) HK\$'000
Contracted but not provided for:		
Construction of investment properties	12,804	—
Purchase of land	993,823	—
Leasehold improvement	—	2,324
	1,006,627	2,324

9. DIVIDEND

The Directors do not recommend the payment of any dividend in respect of the nine months ended 30 September 2011 (2010: Nil).

PURCHASE, SALES OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the nine months ended 30 September 2011.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 September 2011, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and chief executive of the Company were deemed or taken to have under such provisions of the SFO), or which were required to be and are recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise required to be notified to the Company and the Stock Exchange pursuant to the required standard of dealings by Directors as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules were as follows:

Long Positions in the ordinary shares of the Company (the "Shares")

Name of Directors	Capacity	Number of Shares held		Number of share options held ⁽²⁾	Total interests	Approximate % of shareholding
		Personal interests	Corporate interests			
Li Ning ⁽¹⁾	Interest in controlled corporation	—	14,771,690,951	—	14,771,690,951	77.41%
Ng Chi Man, Michael	Beneficial owner	—	—	260,000,000	260,000,000	1.36%
Li Churyang	Beneficial owner	49,978,348	—	90,000,000	139,978,348	0.73%
Chan Ling	Beneficial owner	49,978,348	—	90,000,000	139,978,348	0.73%
Lee Wa Lun, Warren	Beneficial owner	—	—	14,000,000	14,000,000	0.07%
Li Chun ⁽¹⁾	(i) Interest in controlled corporation	—	14,771,690,951	—		
	(ii) Beneficial owner	—	—	14,000,000	14,785,690,951	77.48%
Ma Wing Man	Beneficial owner	—	—	14,000,000	14,000,000	0.07%
Chen, Johnny	Beneficial owner	—	—	14,000,000	14,000,000	0.07%
Ip Shu Kwan, Stephen	Beneficial owner	400,000	—	14,000,000	14,400,000	0.07%
Ng Sau Kei, Wilfred	Beneficial owner	17,000,000	—	14,000,000	31,000,000	0.16%

Notes:

- (1) Lead Ahead Limited ("Lead Ahead") is owned as to 60% by Mr. Li Ning and 40% by his brother, Mr. Li Chun. Mr. Li Ning is also a director of Lead Ahead. The 14,771,690,951 Shares in which Lead Ahead is interested comprises (i) 10,662,101,910 Shares held by Lead Ahead as at 30 September 2011; and (ii) 4,109,589,041 Shares representing the Shares to be issued upon conversion of the convertible bonds to be issued to it by the Company.

- (2) These represented the share options granted by the Company to the respective Directors, the details of which are provided in the section headed "Share Option Scheme" in this report.

Save as disclosed above, none of the Directors nor the chief executive of the Company had, as at 30 September 2011, any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were deemed or taken to have under such provisions of the SFO), or which were required to be and are recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the required standard of dealings by Directors as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 September 2011, so far as was known to the Directors, the interests and short positions of substantial shareholders and other persons (other than the interests and short positions of the Directors or chief executive of the Company as disclosed above) in the shares and/or underlying shares of the Company (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO or as based on the information available to the Company, or as otherwise notified to the Company are set out below:

Long Positions in Shares

	Number of Shares held		Total interests	Approximate % of shareholding
	Beneficial owner	Interest in controlled corporation		
Substantial shareholders				
Lead Ahead ⁽¹⁾	14,771,690,951	—	14,771,690,951	77.41%
Other persons				
Blue Bright Limited ⁽²⁾	959,702,374	—	959,702,374	5.03%
Well Harvest Properties Limited ⁽²⁾	—	959,702,374	959,702,374	5.03%
Fairmate Investment Limited ⁽²⁾	—	959,702,374	959,702,374	5.03%
Axenia Holdings (PTC) Limited ⁽²⁾	—	959,702,374	959,702,374	5.03%
Fung Wing Cheung, Tony ⁽²⁾	—	959,702,374	959,702,374	5.03%
Fung Yee Kei, Kay ⁽²⁾	—	959,702,374	959,702,374	5.03%
Fung Yee Ling, Lynn ⁽²⁾	—	959,702,374	959,702,374	5.03%

Notes:

- (1) Lead Ahead, substantial shareholder of the Company, is owned as to 60% by Mr. Li Ning and 40% by his brother, Mr. Li Chun. The 14,771,690,951 Shares which Lead Ahead is interested in comprises (i) 10,662,101,910 Shares held by Lead Ahead as at 30 September 2011; and (ii) 4,109,589,041 Shares representing the Shares to be issued upon conversion of the convertible bonds to be issued to it by the Company.
- (2) Blue Bright Limited (“Blue Bright”) is a corporation in which Well Harvest Properties Limited (“Well Harvest”) has 100% controlling interest. Well Harvest is a corporation in which Mr. Fung Wing Cheung, Tony and Fairmate Investment Limited (“Fairmate”) have controlling interest of 60% and 40% respectively. Fairmate is a corporation in which Axenia Holdings (PTC) Limited (“Axenia”) has 100% controlling interest. Axenia is a corporation in which Ms. Fung Yee Kei, Kay and Ms. Fung Yee Ling, Lynn each has 50% controlling interest. For avoidance of doubt and double counting, it should be noted that duplication occurs in respect of the shareholdings stated against parties under the category of the Other Persons above.

As at 30 September 2011, save as disclosed above, so far as was known to the Directors, no other person (other than the Directors or chief executive of the Company) had any interests or short position in the shares and/or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO, or as otherwise notified to the Company.

SHARE OPTION SCHEME

On 29 June 2010, the Company passed an ordinary resolution to adopt a share option scheme (the “Share Option Scheme”) for the purpose of providing incentives to participants to contribute to the Group and/or to enable the Group to recruit high-calibre employees and/or attract human resources that are valuable to the Group. Participants of the Share Option Scheme include employee, officer, agent, consultant, business associate or representative of the Company or any subsidiary or otherwise contributes to the success of the Group, including any executive, non-executive or independent non-executive director of the Company or any subsidiary who, as the board of Directors (the “Board”) or a committee comprising Directors and members of the senior management of the Company (as the case may be) may determine in its absolute discretion, is regarded as valuable human resources of the Group based on his work experience, knowledge in the industry and other relevant factors, and subject to such conditions as the Board or such committee (as the case may be) may think fit. The Share Option Scheme will remain in force for a period of ten years commencing on 29 June 2010.

Particulars of the share options under the Share Option Scheme and their movements during the nine months period ended 30 September 2011 are set out below:

	Date of Grant	Exercise Price per Share (HK\$)	Number of Share Options			
			Balance as at 1.1.2011	Granted during the period	Cancelled during the period	Balance as at 30.9.2011
Directors						
Ng Chi Man, Michael	02.07.2010	0.78	90,000,000	—	—	90,000,000 ⁽¹⁾
	06.09.2010	0.83	40,000,000	—	—	40,000,000 ⁽²⁾
	20.09.2011	0.15	—	130,000,000	—	130,000,000 ⁽³⁾
Chan Ling	02.07.2010	0.78	30,000,000	—	—	30,000,000 ⁽⁴⁾
	20.09.2011	0.15	—	60,000,000	—	60,000,000 ⁽⁵⁾
Li Chunyang	02.07.2010	0.78	30,000,000	—	—	30,000,000 ⁽⁴⁾
	20.09.2011	0.15	—	60,000,000	—	60,000,000 ⁽⁵⁾
Lee Wa Lun, Warren	02.07.2010	0.78	5,000,000	—	—	5,000,000 ⁽⁶⁾
	20.09.2011	0.15	—	9,000,000	—	9,000,000 ⁽⁷⁾
Li Chun	02.07.2010	0.78	5,000,000	—	—	5,000,000 ⁽⁶⁾
	20.09.2011	0.15	—	9,000,000	—	9,000,000 ⁽⁷⁾
Ma Wing Man	02.07.2010	0.78	5,000,000	—	—	5,000,000 ⁽⁶⁾
	20.09.2011	0.15	—	9,000,000	—	9,000,000 ⁽⁷⁾
Chen, Johnny	02.07.2010	0.78	5,000,000	—	—	5,000,000 ⁽⁶⁾
	20.09.2011	0.15	—	9,000,000	—	9,000,000 ⁽⁷⁾
Ip Shu Kwan, Stephen	02.07.2010	0.78	5,000,000	—	—	5,000,000 ⁽⁶⁾
	20.09.2011	0.15	—	9,000,000	—	9,000,000 ⁽⁷⁾
Ng Sau Kei, Wilfred	02.07.2010	0.78	5,000,000	—	—	5,000,000 ⁽⁶⁾
	20.09.2011	0.15	—	9,000,000	—	9,000,000 ⁽⁷⁾
			220,000,000	304,000,000	—	524,000,000
Other employees						
in aggregate	02.07.2010	0.78	38,000,000	—	(8,000,000)	30,000,000 ⁽⁸⁾
in aggregate	06.09.2010	0.83	52,050,000	—	(10,000,000)	42,050,000 ⁽⁹⁾
in aggregate	20.09.2011	0.15	—	222,250,000	—	222,250,000 ⁽¹⁰⁾
			90,050,000	222,250,000	(18,000,000)	294,300,000
Other grantees						
in aggregate	02.07.2010	0.78	50,000,000	—	—	50,000,000 ⁽¹¹⁾
in aggregate	06.09.2010	0.83	14,100,000	—	—	14,100,000 ⁽¹²⁾
in aggregate	20.09.2011	0.15	—	130,000,000	—	130,000,000 ⁽¹³⁾
			64,100,000	130,000,000	—	194,100,000
			374,150,000	656,250,000	(18,000,000)	1,012,400,000

Notes:

- (1) The share options granted comprise the following: (i) 30,000,000 share options with exercisable period from 2 July 2011 to 1 July 2016; (ii) 30,000,000 share options with exercisable period from 2 July 2012 to 1 July 2017; (iii) 30,000,000 share options with exercisable period from 2 July 2013 to 1 July 2018.
- (2) The share options granted comprise the following: (i) 20,000,000 share options with exercisable period from 6 September 2014 to 5 September 2019; and (ii) 20,000,000 share options with exercisable period from 6 September 2015 to 5 September 2020.
- (3) The share options granted comprise the following: (i) 43,333,333 share options with exercisable period from 20 September 2011 to 19 September 2013; (ii) 43,333,333 share options with exercisable period from 20 September 2012 to 19 September 2014; and (iii) 43,333,334 share options with exercisable period from 20 September 2013 to 19 September 2015.
- (4) The share options granted comprise the following: (i) 10,000,000 share options with exercisable period from 2 July 2011 to 1 July 2016; (ii) 10,000,000 share options with exercisable period from 2 July 2012 to 1 July 2017; and (iii) 10,000,000 share options with exercisable period from 2 July 2013 to 1 July 2018.
- (5) The share options granted comprise the following: (i) 20,000,000 share options with exercisable period from 20 September 2011 to 19 September 2013; (ii) 20,000,000 share options with exercisable period from 20 September 2012 to 19 September 2014; and (iii) 20,000,000 share options with exercisable period from 20 September 2013 to 19 September 2015.
- (6) The share options granted comprise the following: (i) 1,666,666 share options with exercisable period from 2 July 2011 to 1 July 2016; (ii) 1,666,667 share options with exercisable period from 2 July 2012 to 1 July 2017; and (iii) 1,666,667 share options with exercisable period from 2 July 2013 to 1 July 2018.
- (7) The share options granted comprise the following: (i) 3,000,000 share options with exercisable period from 20 September 2011 to 19 September 2013; (ii) 3,000,000 share options with exercisable period from 20 September 2012 to 19 September 2014; and (iii) 3,000,000 share options with exercisable period from 20 September 2013 to 19 September 2015.
- (8) The share options granted comprise the following: (i) 12,666,666 share options with exercisable period from 2 July 2011 to 1 July 2016; (ii) 8,666,667 share options with exercisable period from 2 July 2012 to 1 July 2017; and (iii) 8,666,667 share options with exercisable period from 2 July 2013 to 1 July 2018.
- (9) The share options granted comprise the following: (i) 8,350,000 share options with exercisable period from 6 September 2011 to 5 September 2016; (ii) 8,350,000 share options with exercisable period from 6 September 2012 to 5 September 2017, (iii) 8,350,000 share options with exercisable period from 6 September 2013 to 5 September 2018; (iv) 11,000,000 share options with exercisable period from 6 September 2014 to 5 September 2019; and (v) 6,000,000 share options with exercisable period from 6 September 2015 to 5 September 2020.

- (10) The share options granted comprise the following: (i) 32,749,996 share options with exercisable period from 20 September 2011 to 19 September 2013; (ii) 64,249,998 share options with exercisable period from 20 September 2012 to 19 September 2014; and (iii) 64,250,003 share options with exercisable period from 20 September 2013 to 19 September 2015; (iv) 37,500,003 share options with exercisable period from 20 September 2014 to 19 September 2016; and (v) 23,500,000 share options with exercisable period from 20 September 2015 to 19 September 2017.
- (11) The share options granted comprise 50,000,000 share options which are exercisable for a period of 5 years from the date of grant.
- (12) The share options granted comprise the following: (i) 4,700,000 share options with exercisable period from 6 September 2011 to 5 September 2016; (ii) 4,700,000 share options with exercisable period from 6 September 2012 to 5 September 2017; and (iii) 4,700,000 share options with exercisable period from 6 September 2013 to 5 September 2018.
- (13) The share options granted comprise the following: (i) 24,000,000 share options with exercisable period from 20 September 2011 to 19 September 2013; (ii) 32,000,000 share options with exercisable period from 20 September 2012 to 19 September 2014; and (iii) 32,000,000 share options with exercisable period from 20 September 2013 to 19 September 2015; (iv) 25,000,000 share options with exercisable period from 20 September 2014 to 19 September 2016; and (v) 17,000,000 share options with exercisable period from 20 September 2015 to 19 September 2017.
- (14) No share options were exercised during the nine months period ended 30 September 2011.
- (15) During the nine months period ended 30 September 2011, 656,250,000 share options were granted on 20 September 2011 pursuant to the Share Option Scheme and the closing price of the Shares immediately before the date on which the aforesaid share options were granted was HK\$0.099.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

For the nine months ended 30 September 2011, the Directors are not aware of any business or interest of the Directors, the controlling shareholders and their respective associates (as defined under the GEM Listing Rules) that compete or may compete with the business of the Group and any other conflicts of interests which any such person has or may have with the Group.

AUDIT COMMITTEE

The Company established an audit committee (the "Audit Committee") with written terms of reference in compliance with Rules 5.28 to 5.29 of the GEM Listing Rules. The primary duties of the Audit Committee are to review the Company's internal control procedures, annual reports, financial statements, half-year reports and quarterly reports and to provide advice and comments thereon to the Board.

The Audit Committee currently comprises three independent non-executive directors, namely, Mr. Chen Johnny (the Chairman of the Audit Committee), Mr. Ip Shu Kwan, Stephen and Mr. Ng Sau Kei, Wilfred and one non-executive director, Mr. Ma Wing Man. The unaudited consolidated results of the Group for the nine months ended 30 September 2011 have been reviewed by the Audit Committee.

By order of the Board
Viva China Holdings Limited
Li Ning
Chairman and Executive Director

Hong Kong, 25 October 2011

As at the date of this report, the Board comprises the following members:

Executive Directors:

Mr. Li Ning (*Chairman*)
Mr. Ng Chi Man, Michael (*Chief Executive Officer*)
Mr. Li Chunyang
Mr. Chan Ling
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



VIVA CHINA HOLDINGS LIMITED
非凡中國控股有限公司