VIVA CHINA

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

Annual Report 2011年報

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the main board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

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") 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 INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Li Ning *(Chairman)*
Mr. Ng Chi Man, Michael *(Chief Executive Officer)*
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, *GBS, JP*
Mr. Ng Sau Kei, Wilfred, *SBS, MH, JP*

AUDIT COMMITTEE

Mr. Chen Johnny *(Committee Chairman)*
Mr. Ip Shu Kwan, Stephen, *GBS, JP*
Mr. Ng Sau Kei, Wilfred, *SBS, MH, JP*
Mr. Ma Wing Man

REMUNERATION COMMITTEE

Mr. Ip Shu Kwan, Stephen, *GBS, JP (Committee Chairman)*
Mr. Ng Chi Man, Michael
Mr. Chan Ling
Mr. Chen Johnny
Mr. Ng Sau Kei, Wilfred, *SBS, MH, JP*

NOMINATION COMMITTEE

Mr. Li Ning *(Committee Chairman)*
Mr. Ip Shu Kwan, Stephen, *GBS, JP*
Mr. Ng Sau Kei, Wilfred, *SBS, MH, JP*

AUTHORISED REPRESENTATIVES

Mr. Chan Ling
Mr. Ho Kim Ching

COMPLIANCE OFFICER

Mr. Chan Ling

COMPANY SECRETARY

Mr. Ho Kim Ching

AUDITORS

Ernst & Young
Certified Public Accountants
22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

PRINCIPAL BANKERS

Hang Seng Bank Limited
The Bank of East Asia, Limited
Industrial and Commercial Bank of China (Asia) Limited
Standard Chartered Bank (Hong Kong) Limited
Credit Suisse AG Hong Kong Branch

LEGAL ADVISERS

Woo Kwan Lee & Lo
26th Floor
Jardine House
1 Connaught Place
Central, Hong Kong

Michael Li & Co
19/F, Prosperity Tower
39 Queen's Road Central
Central, Hong Kong

Commerce & Finance Law Offices
6/F, NCI Tower, A12
Jianguomenwai Avenue
Chaoyang District
Beijing, 100022, PRC

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS

Room 3602–06, 36th Floor
China Merchants Tower
Shun Tak Centre
200 Connaught Road Central
Hong Kong

SHARE REGISTRARS AND TRANSFER OFFICES

Cayman Islands

Butterfield Fulcrum Group (Cayman) Limited
Butterfield House, 68 Fort Street
P.O. Box 609
Grand Cayman KY1-1107
Cayman Islands

Hong Kong

Tricor Secretaries Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Wanchai, Hong Kong

WEBSITE

www.vivachina.hk

STOCK CODE

8032

CONTENTS

Dear Shareholders,

2011 marked our first full year of operations as Viva China. Throughout the year, we have worked towards becoming one of China's leading sports and green conglomerates. In this short period of time, Viva China has already become known as an innovator of the sports industry in China.

SPORTS BUSINESSES

Our sports businesses comprise sports talent management, event management, competition management and production, as well as sports-related consultancy services. Viva China now manages some of the most valuable sports talents and resources in China. Various branding and promotional activities organized during the year also enhanced public perception and business value of these talents. In 2011, we have produced and managed several world class international competitions such as the Badminton Asia Championships ("BAC") and the Badminton World Federation ("BWF") World Superseries Finals. We have also produced *Viva Fiesta*, a crossover performance between traditional sports and popular entertainment. *Viva Fiesta* was staged at Beijing's National Aquatics Centre with performances by the National Diving Team, the National Synchronized Swimming Team, and several acclaimed pop singers. *Viva Fiesta* was very successful not only in terms of bringing Viva China to the sports market in China, but also as a pioneer to explore commercial value on sports talents performance. In view of the resources on hand and our experience in crossover performance, such as *Viva Fiesta*, the Group is also exploring further opportunities in the entertainment business. In addition, we successfully sealed a number of cooperation on endorsement agreements with various renowned consumer brands for our sports talents under our management. With the London 2012 Olympic Games on the horizon, the team is working hard to capitalize opportunities. With this momentum, we will negotiate collaboration with other brands. Further, to increase our advantage, we will continue to sign more athletes and diversify our talent management sector. Late last year, we have completed a sports consulting project in China, and we are actively looking for other similar projects.

SPORTS COMMUNITY DEVELOPMENT

Leveraging upon our sports and green expertises and resources, we have successfully kick-started two projects last year. In the first half of last year, we have successfully acquired Shenyang Zhaohuan Modern Construction Industrial Park Company Limited ("Shenyang Zhaohuan"). Shenyang Zhaohuan possesses a piece of land in the Shenyang Economic and Technology Development Zone which is now planned to be developed into a low-carbon, energy-saving and environmentally-friendly construction materials manufacturing hub. Shenyang, the host city of the 2013 National Games, is the capital of Liaoning province and a major economic, cultural, logistical, transportation and advanced industrial center in northern China. Its GDP for 2010 amounted to over RMB500 billion, representing a growth of 14% over 2009. While promotion of sports and healthy lifestyle is addressed in the State's policy promulgated in the Twelfth Five Year Plan, a huge demand for environmentally-friendly construction materials in Shenyang is expected.

In May last year, we were successful in bidding a parcel of land situated in Changbai Dao of Heping District, Shenyang with the original intent of developing it into a sports residential community.

However, given onerous capital requirement in the community development business and recent corrections in the property market in China towards the end of 2011, making the development of the business more challenging, the Company is reconsidering its position and strategy in the business.

GREEN ENERGY BUSINESS

The Group has been working closely with Tsingdao Haier Air-Conditioner Co., Limited ("Haier") to launch a series of energy-saving air conditioning products using the Group's patented technology. At the moment, the Group and Haier are optimizing the functions, designs and cost structures of the products to meet the market needs to the largest extent and aiming to launch the products later this year.

STAKE IN LI NING COMPANY

Back in 2010, the Group announced its intention of injecting my Li Ning Company Limited (Stock code: 2331) ("LNCL") stake. Unfortunately, the project was not approved by the Stock Exchange due to certain technical issues. We had continue to pursue this until late last year when we finally decided not to go forward with this acquisition due to adverse big changes in the financial markets that made this strategy unfeasible for the time being.

GOING FORWARD

With the changing market conditions of 2012, Viva China will readjust its business development strategies. As a young and new pioneer company, we will focus on the expansion of the sports businesses while actively seizing further opportunities in China's sports market in order to expedite our development in China's sports industry.

Viva China will face difficulties as we continue to grow our Company in the sports industry, like scarcity of management expertise, but I remain confident that the sports industry has great potential for growth in China. Furthermore, governmental policies are moving to support further development and we will make the suitable adjustments to our strategies as we continue to move forward.

Li Ning
Chairman

Hong Kong, 15 March 2012

MR. LI NING *CHAIRMAN*

Mr. Li Ning, aged 49, has been the chairman of the Company (the "Chairman"), an executive Director and a member of the executive committee of the Company since June 2010. Mr. Li was also appointed as the chairman of the nomination committee of the Company with effect from 15 March 2012. Mr. Li is the founder of the LI-NING brand and currently the chairman and an executive director of Li Ning Company Limited* (Stock Code: 2331). He is primarily responsible for formulating the overall corporate strategies and planning of Li Ning Company Limited. Mr. Li is the younger brother of Mr. Li Chun, who is a non-executive Director.

Mr. Li is one of the most outstanding athletes in the 20th century. In the 6th World Cup Gymnastics Competition in 1982, Mr. Li unprecedentedly won six gold medals in men's artistic gymnastics events and was named the "Prince of Gymnastics" ("體操王子") in the PRC. In the 23rd Los Angeles Olympic Games in 1984, Mr. Li won three gold, two silver and one bronze medals, making him the athlete winning the most medals of that Olympic Games. In 1987, Mr. Li became the only Asian member of Athlete's Commission of the International Olympic Committee. From 1993 to 2000, Mr. Li served as a member of the Men's Artistic Gymnastics Technical Committee of the Federation Internationale De Gymnastique. He is currently an honorary member of the Federation Internationale De Gymnastique. In 1999, Mr. Li was voted one of the "World's Most Excellent Athletes in the 20th Century" by the World Sports Correspondent Association.

After retiring in 1989 from his athlete career, Mr. Li initiated the idea of LI-NING brand with the goal of creating the first national sports goods brand in the PRC. He has dedicated the past 22 years to the development of the business of Li Ning Group, achieving great contribution to the development of the PRC's sports goods industry.

Mr. Li holds a bachelor's degree in law from School of Law of Peking University (北京大學), an executive M.B.A. degree from Guanghua School of Management of Peking University (北京大學光華管理學院), an honorary doctorate in technology from Loughborough University in the United Kingdom and an honorary degree of doctor of humanities from The Hong Kong Polytechnic University. In June 2010, Mr. Li was also conferred honorary fellowship from The Hong Kong University of Science and Technology.

Mr. Li has also been actively involved in charities via his "Li Ning Foundation" (李寧基金) and his genuine support to the active and retired Chinese athletes and coaches in establishing "The Chinese Athletes Educational Foundation"(中國運動員教育基金), which aims at providing subsidies for further education and trainings for athletes and to support educational development in impoverished and remote areas in the PRC. In October 2009, Mr. Li was appointed by the United Nations World Food Programme (WFP) as China's first "WFP Goodwill Ambassador Against Hunger".

MR. NG CHI MAN, MICHAEL *CHIEF EXECUTIVE OFFICER*

Mr. Ng Chi Man, Michael, aged 53, has been the chief executive officer of the Company (the "Chief Executive Officer"), an executive Director and a member of the executive committee of the Company since December 2010. Mr. Ng was appointed as a member of the remuneration committee of the Company in May 2011 and has been a member of the nomination committee of the Company during the period from 12 May 2011 to 15 March 2012. Mr. Ng is also a director of various subsidiaries of the Company. Mr. Ng is a fellow member of the Hong Kong Institute of Certified Public Accountants and was a member of the American Institute of Certified Public Accountants. He holds a Master Degree in Business Administration from St. John's University of New York. He has significant experience in corporate, operational and financial management of listed companies in Hong Kong. Mr. Ng was an executive director of Shun Tak Holdings Limited* (Stock Code: 242) from April 2009 to June 2010 and is currently one of its non-executive directors. Prior to joining the Company, he was an executive director of HKC (Holdings) Limited* (Stock Code: 190) and the chief executive officer of Hong Kong Energy (Holdings) Limited. He was also an executive director and deputy general manager of China Travel International Investment Hong Kong Limited* (Stock Code: 308), the founder and chief executive officer of Mangocity.com Limited and group financial controller of Consolidated Electric Power Asia Limited.

* The shares of these companies are listed on the Stock Exchange

MR. CHAN LING *EXECUTIVE DIRECTOR*

Mr. Chan Ling, aged 40, is an executive Director, an authorised representative and the compliance officer of the Company and a member of the executive committee and remuneration committee of the Company. Mr. Chan has been a member and the chairman of the nomination committee of the Company since 2 June 2010 and 23 June 2010 respectively, and ceased to hold any office of this committee on 15 March 2012. Mr. Chan joined the Group in June 2010 and is a director of Viva China Sports Holding Limited, Viva China Community Development Holdings Limited and various subsidiaries of the Company. Mr. Chan was the chief executive officer of "The Chinese Athletes Educational Foundation". He has over 10 years of working experience in the media industry and in the sports agency industry.

MR. LI CHUNYANG *EXECUTIVE DIRECTOR*

Mr. Li Chunyang, aged 43, is an executive Director and a member of the executive committee of the Company. Mr. Li joined the Group in June 2010 and is a director of 非凡領越體育發展 (北京) 有限公司, Viva China Community Development Holdings Limited and various subsidiaries of the Company. Mr. Li graduated from Peking University in 2004 with a bachelor's degree in Economics. He was one of the founders of "The Chinese Athletes Educational Foundation". In 1989 and 1991, he won the World Gymnastics Championships.

MR. LEE WA LUN, WARREN *EXECUTIVE DIRECTOR*

Mr. Lee Wa Lun, Warren, aged 48, is an executive Director. Mr. Lee joined the Group in June 2010 and oversees the development of the Green Energy business, one of the Group core businesses. Mr. Lee is currently the director and the chairman of the board of SHK Hong Kong Industries Limited* (Stock Code: 666). He became a director of SHK Hong Kong Industries Limited in 2004. He is also a director of Yu Ming Investment Management Limited, the investment manager of SHK Hong Kong Industries Limited and a subsidiary of Allied Group Limited, a substantial shareholder of SHK Hong Kong Industries Limited and a company listed on the main board of the Stock Exchange (Stock Code: 373). Mr. Lee is also a non-executive chairman of Rotol Singapore Limited since November 2007. Rotol Singapore Limited was listed on the main board of the Singapore Exchange Limited until August 2011. Mr. Lee is an executive director of First Natural Foods Holdings Limited (Provisional Liquidators Appointed) ("FNF") since December 2008. FNF is listed on the main board of the Stock Exchange (Stock Code: 1076) and is currently undergoing a provisional liquidation procedure, details of which have been disclosed in the announcements of FNF between 8 January 2009 and 4 January 2012. From December 2006 to May 2007, Mr. Lee was the chief executive officer of Nam Tai Electronics, Inc., an electronics manufacturing services provider listed on the New York Stock Exchange. From March 2004 to February 2006, he was an independent non-executive director of Nam Tai Electronic and Electrical Products Limited ("NTEEP"), and from February 2006 to April 2007, he was re-designated as a non-executive director of NTEEP. From January 2007 to April 2007, he was also a non-executive director of J.I.C. Technology Company Limited ("JIC"). Both of NTEEP and JIC were listed on the main board of the Stock Exchange and subsidiaries of Nam Tai Electronics, Inc.

Mr. Lee graduated with a Bachelor of Science Degree from the University of East Anglia in England in 1986 and obtained a distinction in Master of Science degree from The City University Business School in London in 1988.

* The shares of this company are listed on the Stock Exchange

MR. LI CHUN *NON-EXECUTIVE DIRECTOR*

Mr. Li Chun, aged 50, is a non-executive Director. Mr. Li joined the Group in June 2010. Mr. Li is currently the vice chairman of "Li Ning Foundation" and a committee member of the Buddhist Foundation of China. Mr. Li graduated from the University of International Business and Economics, China in 1990 with a diploma in Development on International Business and Economics. Mr. Li is the elder brother of Mr. Li Ning, who is an executive Director.

MR. MA WING MAN *NON-EXECUTIVE DIRECTOR*

Mr. Ma Wing Man, aged 46, is a non-executive Director and a member of the audit committee of the Company. Mr. Ma joined the Group in June 2010. Mr. Ma has been a member of the nomination committee of the Company during the period from 2 June 2010 to 15 March 2012. Mr. Ma has over 20 years of experience in finance and administration. Mr. Ma has been employed by "Li Ning Foundation" as the financial controller since 2005. From 1992 to 2005, Mr. Ma had been employed first as accountant and later as financial and accounting manager of Jianlibao Holdings (H.K.) Company Limited. From 1989 to 1991, Mr. Ma was employed as assistant accountant by Wong's Circuits (PTH) Limited, which was a subsidiary of Wong's International (Holdings) Limited* (formerly known as Wong's Industrial (Holdings) Limited) (Stock Code: 0099).

Mr. Ma graduated from Hong Kong Shue Yan College (predecessor of Hong Kong Shue Yan University) in 1989 with a diploma in business administration. In 1993, he obtained a diploma in accounting from School of Professional and Continuing Education, University of Hong Kong. In 1998, he obtained a professional diploma for financial controllers & finance directors of foreign investment & foreign enterprise in China, which was jointly awarded by School of Management Zhongshan University, China and The Hong Kong Management Association. In 2003, he obtained a bachelor of business administration degree with honours in accounting from the Open University of Hong Kong.

MR. CHEN JOHNNY *INDEPENDENT NON-EXECUTIVE DIRECTOR*

Mr. Chen Johnny, aged 52, is an independent non-executive Director since June 2010. He is also the chairman of the audit committee and a member of the remuneration committee of the Company. Mr. Chen is currently the chief executive officer of Asia Pacific General Insurance of Zurich Financial Services Ltd ("Zurich"). Mr. Chen is also a member of the leadership team and the Asia Pacific executive committee of Zurich. From 2007 to 2010, Mr. Chen was the chief executive officer of Greater China and South East Asia of Zurich. From 2005 to 2007, Mr. Chen was the chief executive officer of Greater China region of Zurich. Prior to joining Zurich, Mr. Chen was an executive member of the Greater China management board and of the operating committee of PricewaterhouseCoopers ("PwC"). He was also the managing partner of PwC's Beijing office. Mr. Chen has also been a director of the American Chamber of Commerce in China since 1995. Since February 2009, Mr. Chen has been an independent non-executive director, the chairman of the nomination committee and a member of the audit committee of Stella International Holdings Limited* (Stock Code: 1836). Mr. Chen has been a non-executive director of New China Life Insurance Company Ltd.* (Stock Code: 1336) since 2005. The shares of New China Life Insurance Company Ltd. commenced listing on the Stock Exchange on 15 December 2011. Mr. Chen received a master's degree in accounting from the University of Rhode Island and is a U.S. qualified certified public accountant.

* The shares of these companies are listed on the Stock Exchange

MR. IP SHU KWAN, STEPHEN *INDEPENDENT NON-EXECUTIVE DIRECTOR*

Mr. Ip Shu Kwan, Stephen, aged 60, is an independent non-executive Director. He is the chairman of the remuneration committee and a member of the audit committee of the Company. Mr. Ip was appointed as a member of the nomination committee of the Company with effect from 15 March 2012. Mr. Ip joined the Group in June 2010. Mr. Ip graduated from the University of Hong Kong with a bachelor's degree in social sciences in 1973. He subsequently pursued post-graduate studies in Oxford University and Harvard Business School.

Mr. Ip joined the Hong Kong Government in November 1973 and was promoted to the rank of Director of Bureau in April 1997. He worked in the HKSAR Government as a principal official from July 1997 to June 2007. Senior positions which Mr. Ip held in the past included Commissioner of Insurance, Commissioner for Labour, Secretary for Economic Services and Secretary for Financial Services.

Mr. Ip received the Gold Bauhinia Star award from the HKSAR Government in 2001, and is an unofficial Justice of the Peace.

Since February 2008, Mr. Ip has been an independent non-executive director of Yangtze China Investment Limited, the shares of which are listed on the London Stock Exchange. Since August 2008, Mr. Ip has been an independent non-executive director of China Resources Cement Holdings Limited* (Stock Code: 1313). Also, since September 2008, Mr. Ip has been an independent non-executive director of Synergis Holdings Limited* (Stock Code: 2340). Since December 2009, Mr. Ip has been an independent non-executive director of Lai Sun Development Company Limited* (Stock Code: 488). He was an independent non-executive director of PICC Property and Casualty Company Limited* (Stock Code: 2328) during the period from 17 January 2011 to 31 October 2011. He has also been appointed as an independent non-executive director of Goldpoly New Energy Holdings Limited* (Stock Code: 686), Milan Station Holdings Limited* (Stock Code: 1150), Kingboard Laminates Holdings Limited* (Stock Code:1888) and Luk Fook Holdings (International) Limited* (Stock Code: 590) on 25 October 2010, 28 April 2011, 4 May 2011 and 1 October 2011 respectively.

MR. NG SAU KEI, WILFRED *INDEPENDENT NON-EXECUTIVE DIRECTOR*

Mr. Ng Sau Kei, Wilfred, aged 47, is an independent non-executive Director and a member of the audit committee and remuneration committee of the Company. Mr. Ng was appointed as a member of the nomination committee of the Company with effect from 15 March 2012. Mr. Ng joined the Group in June 2010. Mr. Ng was an independent non-executive director of China Renji Medical Group Limited* (Stock Code: 648, formerly known as Softbank Investment International (Strategic) Limited) during the period from 30 April 2007 to 1 October 2008.

Mr. Ng holds positions in various charitable and social organisations. He is a member of the advisory board of Yanchai Hospital, of which he was the chairman of the board of directors during the term of year 2009–2010. He is also the president of the Handball Association, Hong Kong, China.

Mr. Ng also serves as a member of various advisory committees of the HKSAR Government, namely the Sports Commission, the Rehabilitation Advisory Committee, the Sir David Trench Fund for Recreation and The Fight Crime Committee. He was awarded the Medal of Honour in 2004 and the Silver Bauhinia Star in 2010 and appointed as an unofficial Justice of the Peace in 2007 by the HKSAR Government. In May 2011, Mr. Ng received a Hon. Doctor of Laws degree from the University of Western Ontario.

* The shares of these companies are listed on the Stock Exchange

SENIOR MANAGEMENT

Mr. Li Ning, Mr. Ng Chi Man, Michael, Mr. Chan Ling, Mr. Li Chunyang and Mr. Lee Wa Lun, Warren, being the executive Directors, are also the senior management of the Group.

DISCLOSURE ON CHANGES IN INFORMATION OF DIRECTORS

Pursuant to Rule 17.50A(1) of the GEM Listing Rules, the changes in details of the Directors' information since the date of the interim report of the Company for the six months ended 30 June 2011 are set out below:

NAME	DETAILS OF CHANGES
Mr. Li Ning	Appointed as the chairman of the nomination committee of the Company with effect from 15 March 2012
Mr. Ng Chi Man, Michael	Ceased to be a member of the nomination committee of the Company with effect from 15 March 2012
Mr. Chan Ling	Ceased to be the chairman of the nomination committee of the Company with effect from 15 March 2012
Mr. Ma Wing Man	Ceased to be a member of the nomination committee of the Company with effect from 15 March 2012
Mr. Chen Johnny	Appointed in 2005 as a non-executive director of New China Life Insurance Company Ltd.* (Stock Code: 1336), which became listed on the Stock Exchange on 15 December 2011
Mr. Ip Shu Kwan, Stephen	Resigned as an independent non-executive directors of PICC Property and Casualty Company Limited* (Stock Code: 2328) with effect from 31 October 2011 Appointed as an independent non-executive director of Luk Fook Holdings (International) Limited* (Stock Code: 590) on 1 October 2011 Appointed as a member of the nomination committee of the Company with effect from 15 March 2012
Mr. Ng Sau Kei, Wilfred	Appointed as a member of the nomination committee of the Company with effect from 15 March 2012

* The shares of these companies are listed on the Stock Exchange

OUR SPORTS EXPERT

MR. LI XIAO PENG

Mr. Li Xiao Peng is currently a director of Viva China Sports Holding Limited. Having received a bachelor degree from Beijing Sports University, he is currently continuing his studies for a master's degree. As a former professional athlete in gymnastics, Mr. Li has won 16 world championships including 4 Olympic gold medals, the record for the National Gymnastic team. After retiring from the national team in 2010, he has been committed to various charity events in both Hong Kong and China. He is the member of the champions committee of "The Chinese Athletes Education Foundation", contributing in rebuilding playgrounds in Sichuan after the 2008 earthquake.

BUSINESS REVIEW

WE FOCUS ON SPORTS TALENT MANAGEMENT, EVENTS AND COMPETITIONS

In 2011, we successfully produced and managed four top ranked international badminton tournaments in China, namely; BAC; China Masters ("CM"); China Open ("CO") and BWF World Superseries Finals, which generated a total of HK$29.0 million of revenue and contributed positively to our operating profit and cash flow. The Group is also a strategic partner of the National Badminton Team as well as the exclusive manager of the National Gymnastics Team, National Diving Team and several individual sports celebrities in China. These teams generated tremendous buzz in 2011 with the National Gymnastics Team's 4 gold medals in the 2011 Tokyo World Championships, the National Diving Team's 10 gold medals in the Shanghai FINA World Championships and the National Badminton Team's 5 gold medals in the London World Championships. The success of these national teams and world-class athletes are a direct reflection on the Group's image and therefore meticulous effort was placed on enhancing the marketability of the talented athletes and teams under our management. Their impressive results alongside their fresh new images attracted prominent endorsements with renowned commercial brands such as Tencent, Jianlibao (健力寶), Wrigley's (箭牌), P&G, Gillette, Pepsi, Coca Cola, and Tsingdao Beer (青島啤酒). Given 2011's successful run, we will continue our efforts to capitalize on the commercial value of various sports resources and use the upcoming London 2012 Olympic Games as a platform to further strengthen the popularity of our athletes. In view of the resources on hand and our experience in crossover performance, such as *Viva Fiesta*, the Group is also exploring further opportunities in the entertainment business. In addition, during the year under review, we also provided sports parks and facilities development consultancy services to a property developer in China.

AGENCY MANAGEMENT

National Badminton Team

This is an eighth-time winner of the Sudirman Cup and the holder of 11 Olympic gold medals. Its athletes are internationally famed for their skills and talents, with its star player Lin Dan ranked as the best male athlete of 2011 at the China's Laureus Sports Awards.

Recent Accomplishments:

2011 London World Championships	—	5 Gold
2011, 2009 Sudirman Cup	—	Champion
2010, 2008 Thomas Cup	—	Champion
2008 Uber Cup	—	Champion
2008 Beijing Olympics	—	Champion (Men's singles, Women's singles, Women's doubles)

EXCLUSIVE TEAM MANAGEMENT

National Gymnastics Team

The men's team and the women's team are among the most honored national teams. Together, they have won a total of 22 Olympic gold medals, and 68 World Championship medals, making them one of the leading gold medal teams in China.

Recent Accomplishments:

2011 Tokyo World Championships	—	4 Gold
2010 Rotterdam World Championships	—	4 Gold
2008 Beijing Olympics	—	9 Gold

EXCLUSIVE TEAM MANAGEMENT

National Diving Team

The team has been named as one of the world's two "Dream Teams". The team has won 27 Olympic gold medals, 55 World Championship gold medals and swept 10 diving gold medals in the 2010 Guangzhou Asian Games. In the 2011 Shanghai FINA World Championships, the National Diving Team received all diving 10 gold medals.

Recent Accomplishments:

2011 Shanghai FINA World Championships	—	10 Gold
2010 Guangzhou Asian Games	—	10 Gold
2009 Rome World Championships	—	7 Gold
2008 Beijing Olympics	—	7 Gold

EXCLUSIVELY SIGNED
SPORTS CELEBRITY

Liu Xuan* — Gymnastics

Athletic Achievements:

2000 Sydney Olympics — Gold (Balance Beam)
1998 World Cup — Champion (Balance Beam)
1997 East Asian Games — 3 Gold (Women's team, Individual all round, Balance beam)
1996 "Liu Xuan's Arm Swing" at the World Championships

Recent Accomplishments:

2011 Asian drama "Strangers 6" female lead
2011 TVB anniversary drama 女拳 female lead
2011 First mandarin album 美麗的樣子
2008 Beijing Olympics torch bearer

* Exclusively in China market

EXCLUSIVELY SIGNED
SPORTS CELEBRITY

Yang Wei — Gymnastics

Athletic Achievements:

2008 Beijing Olympics — 2 Gold
(Men's team, Individual all-round)

2007 Gymnastics World Championships — Champion
(Men's team, Individual all-round)

2006 Gymnastics World Championships — Champion
(Men's team, Individual all-round, Parallel bars)

2006 Doha Asian Games — Champion
(Men's team, Individual all-round, Rings, Parallel bars)

2003 Gymnastics World Championships — Champion
(Men's team)

2000 Sydney Olympics — Gold (Men's team)

EXCLUSIVELY SIGNED
SPORTS CELEBRITY

Pan Xiao Ting — Nine Ball

Recent Accomplishments:

2011 CBSA American Nine Ball Open — Champion

2010 WPBA U.S. Professional Women's Nine Ball Tour Finals — Champion

2010 Asian Games Women's American Nine Ball Individual — Champion

2008 Women's World Professional BCA Nine Ball Open — Champion

EXCLUSIVELY SIGNED SPORTS CELEBRITY

Jin Jing — Paralympics Athlete

Athletic Achievements:

2003 World Wheelchair Championships Individual Epee — 2nd Runner Up

2002 FESPIC Disable Game Epee Individual — 1st Runner Up,
Foil Epee Group — 2nd Runner Up

Recent Accomplishments:

2010 Awarded the 14th Youth Prize
中國青年五四獎章

2008 Awarded as one of the 19th group of
"China's 10 Most Outstanding Youth"

EXCLUSIVELY SIGNED SPORTS CELEBRITY

Zheng Jie — Tennis

Recent Accomplishments:

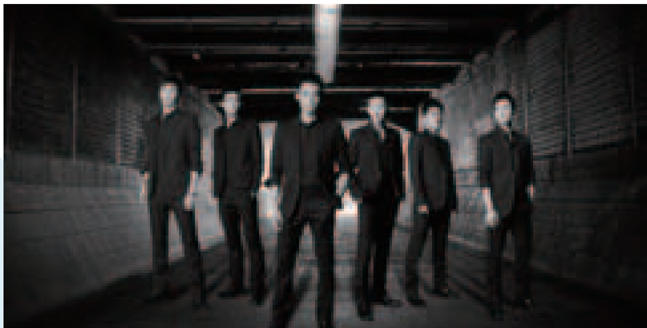
2012 ASB Classic — Champion

2011 WTA Internazionali BNL D'Italia
— Women's double champion

2011 OEC Taipei Ladies Open
— Women's double champion

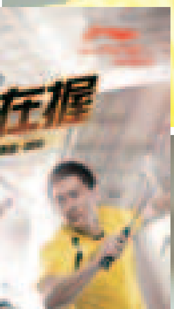
2010 Australian Open Women's Singles
— Semi-finalist

2008 Wimbledon Singles — Semi-finalist



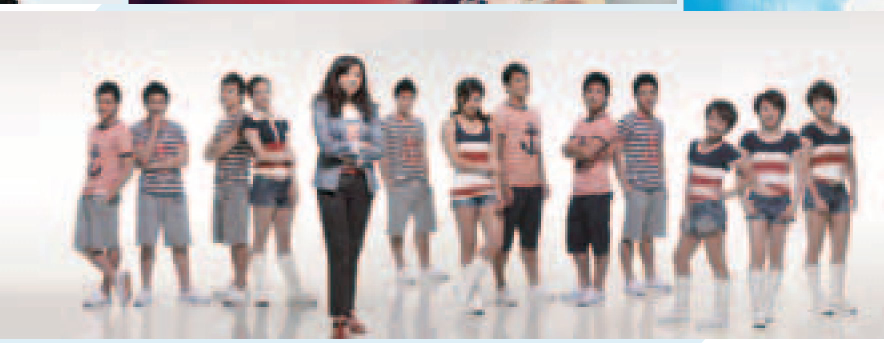
STRANGERS 6

DOUBLEMINT




金牌冰皮
金牌选择


百年男人品牌

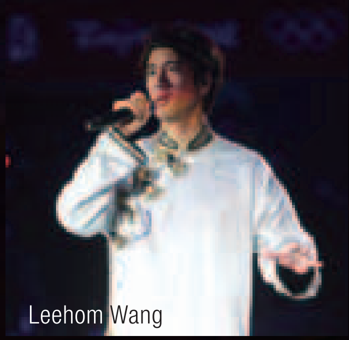


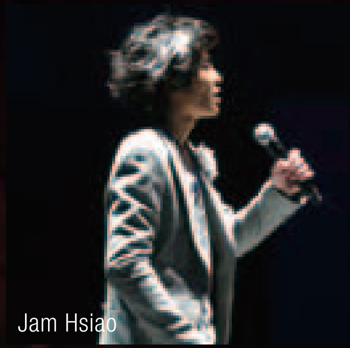
Viva Fiesta

Beijing • April 1-2, 2011

Viva Fiesta, an event held at the landmark National Aquatics Center (Water Cube) in Beijing, featured the National Diving Team, National Synchronized Swimming Team, Eason Chan, Leehom Wang, Li Yu Chun and Jam Hsiao. The spectacular represented a first-of-its-kind cross over between sporting events and popular entertainment. Centered on an environmentally conscious theme, *Viva Fiesta* featured diving and synchronized swimming alongside song and dance performances. *Viva Fiesta* was extremely well received, and was successful in creating awareness for the Group in China.


Eason Chan


Leehom Wang


Jam Hsiao


Li Yu Chun

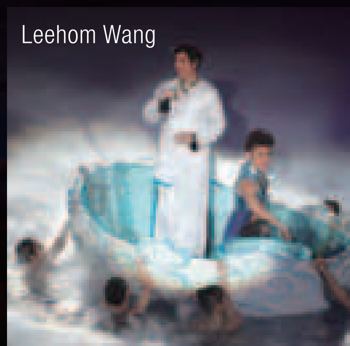

He Chong


He Zi


Jin Jing


Wu Min Xia


Eason Chan, He Chong, He Zi


Leehom Wang

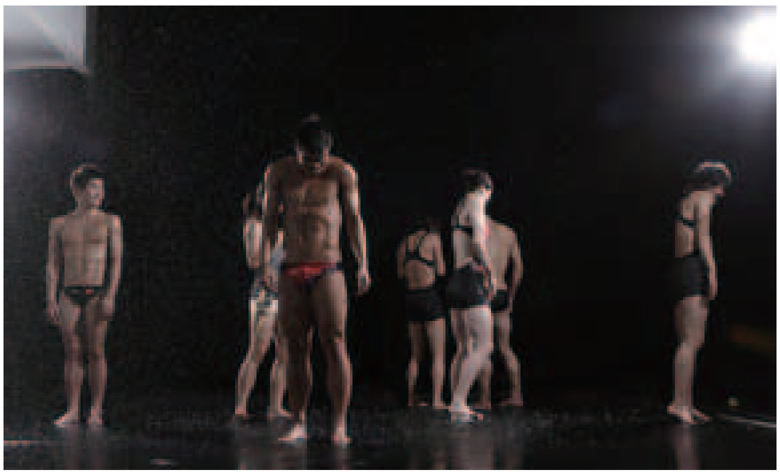

National Synchronized Swimming Team


National Diving Team

Badminton Asia Championships

Chengdu • April 19-24, 2011

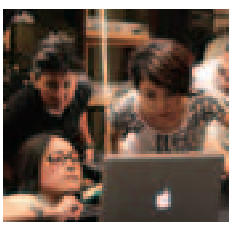
The competitions held at the Sichuan Gymnasium attracted 294 athletes from 21 countries, and drew over 26,000 total spectators. The China National Badminton Team received gold in all five categories. Lin Dan and Zhao Yun Lei were also recognized as the top male and female athlete respectively.

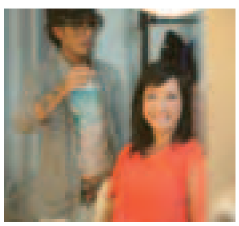


Athletes Photoshoot

Beijing • May-June, 2011

Viva China spent three months re-styling its athletes in various photo shoots throughout China. Many pieces went on to be nominated for the International Designer Awards, attracting fresh commercial endorsements and increasing the commercial value of the athletes.

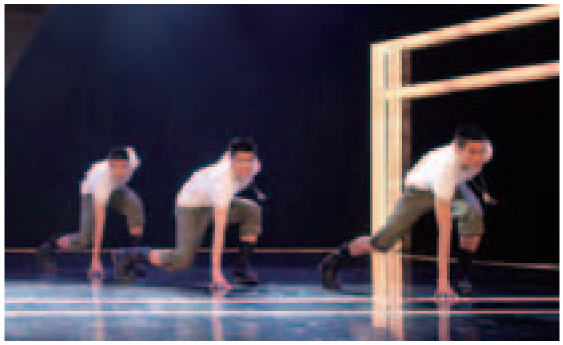


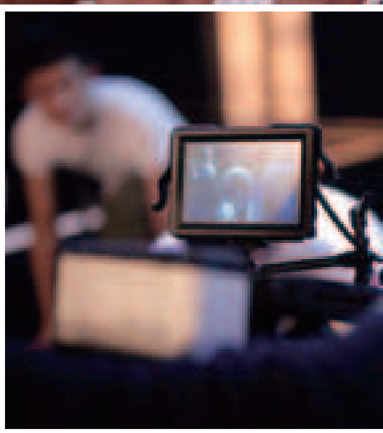


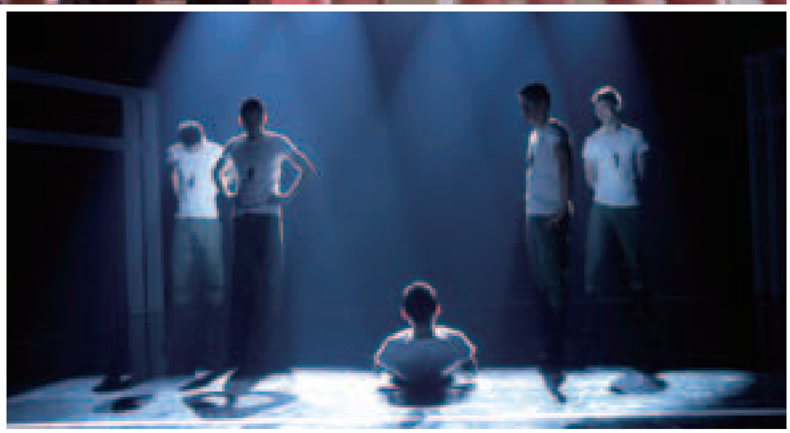
National Badminton Team's Theme Song

London/Beijing • August-October, 2011

Hong Kong's Eason Chan along with music producer C.Y. Kong and lyricist Albert Leung (林夕) collaborated on the National Badminton Team's theme song. The team and its Head Coach Li Yongbo visited London to film the music video.







National Diving Team's Perfect Ten Celebration

Beijing • August 7, 2011

As a celebration of the National Diving Team's 10 gold medals at the 14th FINA World Championships, Viva China hosted a "Perfect Ten" celebration in Beijing.

China Badminton Celebrity Team 1st Anniversary Fundraising

Beijing • August 21, 2011

China's badminton stars, coach and artists gathered for the charity event held in Beijing. The evening included singing and magician performances, as well as a round of mini badminton with selected guests. All proceeds went to support The Chinese Athletes Educational Foundation.

China Masters

Changzhou • September 13-18,2011

208 players from 19 countries, including China, Malaysia, Indonesia, Japan, Denmark, and England, drew over 21,000 spectators over the course of the tournament. The China Masters is a tournament stop of the BWF World Superseries and leads up to the 2012 London Olympics. China received 4 gold medals.

China Open

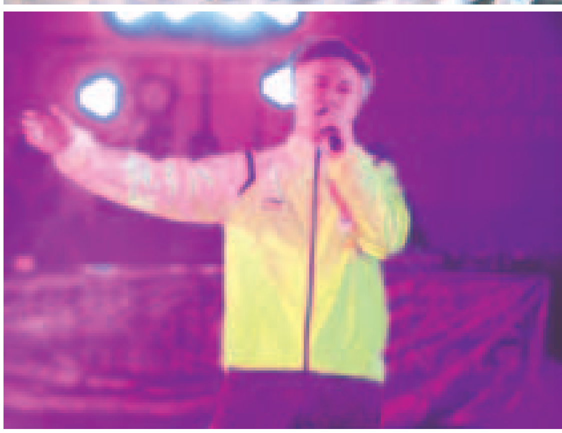
Shanghai • November 22-27, 2011

The China Open showcased 276 players from 24 countries competing for a total grand prize of USD350,000 under the BWF World Superseries Premier. Players competed for titles in men's and women's singles, men's and women's doubles and mixed doubles. China received 4 of 5 gold medals.

2011 BWF World Superseries Finals Opening Ceremony

Liu Zhou • December 12, 2011

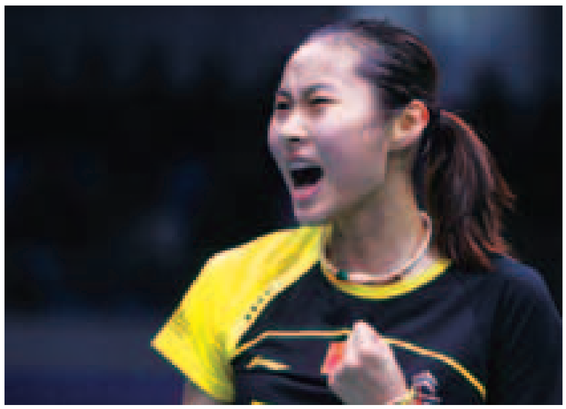
The ceremony held at the Li Ning Gymnasium attracted over 7,000 attendees, including government officials, representatives from Badminton World Federation and Chinese Badminton Association, coaches and players from the National Badminton Team. The performances by Eason Chan and the members of the National Badminton Team were two highlights of the ceremony.

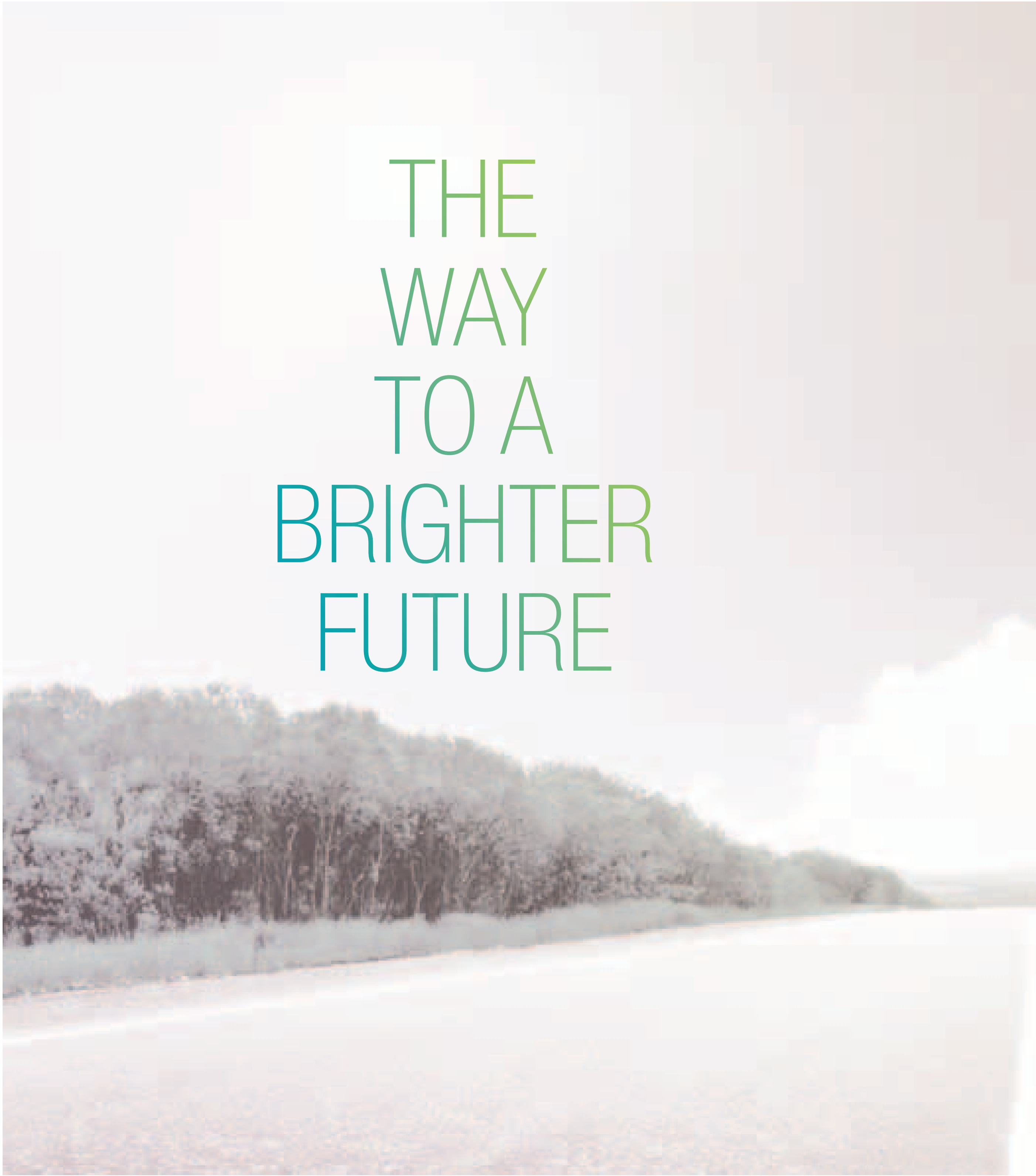


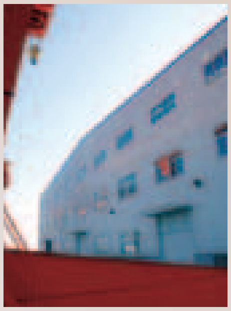
2011 BWF World Superseries Finals

Liu Zhou • December 14-18, 2011

The 2011 BWF World Superseries Finals made its first appearance in China. A total of 61 players from 12 different countries participated. This year end tournament generated the highest ticket sales revenue among all the organized tournaments of 2011, with an average audience attendance rate of 80%. The National Badminton Team players were awarded 4 of 5 championship titles.




THE
WAY
TO A
BRIGHTER
FUTURE



On 11 May 2011, the Group successfully bid 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 billion (equivalent to approximately HK$1.2 billion). The land will be developed into a residential and commercial complex (the "Changbai Project") with a gross floor area of approximately 350,000 sq.m. Details of the transaction are set out in the Company's announcement and circular dated 11 May 2011 and 1 June 2011 respectively. Given the size of the project, the Group has actively sought partners interested in developing the Changbai Project together. However, given corrections in the property market towards the end of 2011, which made the development of the land more challenging, the Company is currently reconsidering its position and strategies in such aspect.

The acquisition of Shenyang Zhaohuan in the Shenyang Economic and Technology Development Zone was completed in April 2011 for a cash consideration of RMB81 million (equivalent to approximately HK$96.8 million) and the assumption of the payment obligation for the capital contribution of RMB19 million (equivalent to approximately HK$22.7 million). Details of the transaction are set out in the Company's announcement dated 6 March 2011.

Shenyang Zhaohuan currently has a piece of industrial land of approximately 411,600 sq.m. in size; a large potential space for development of an industrial park. The Group's strategy is to develop Shenyang Zhaohuan into an environmentally friendly construction materials manufacturing hub. The goal is for Shenyang Zhaohuan to supply high grade, and environmentally friendly, construction materials derived from low-carbon, energy efficient manufacturing processes. The Group already has entered into lease agreements with construction companies for an aggregate site area of roughly 60,000 sq.m. to manufacture environmentally friendly pre-fabricated cement blocks.

LOVE LIFE LIVE GREEN

The Group continues to work closely with Haier to launch a series of energy-saving air-conditioning products. After going through standard testing procedures, these products will be available on the market in the near future. Meanwhile, the Group is placing great emphasis on continually optimizing the design of our products to maximize their energy efficiency and mass market appeal.

FINANCIAL REVIEW

RESULTS

In 2011, the Group achieved a consolidated revenue of HK$80.1 million (2010: HK$11.4 million), representing a growth by HK$68.7 million or 6 times. Gross profit in the year was HK$41.1 million (2010: HK$6.7 million). Substantial improvement in both the revenue and gross profit was mainly due to the improving performance of the sports businesses.

During the year, other income and gains amounted to HK$161.9 million (2010: HK$47.8 million), including a gain of HK$105.5 million recognised in relation to the acquisition of Shenyang Zhaohuan, the result of a bargain purchase, alternatively known as negative goodwill. The gain was non-recurring and non-cash in nature. Besides, there was also fair value changes of derivative financial assets and liabilities of HK$41.7 million of non-cash income.

Selling and distribution costs totaled HK$16.7 million (2010: HK$2.7 million) which was in line with an increase in marketing and promotional activities of our sports businesses. Administrative expenses and other expenses amounted to HK$145.7 million (2010: HK$112.9 million). Excluding non-cash expenses or adjustments, which was mainly comprised of non-cash amortization of share options expenses of HK$36.7 million and other intangible assets of HK$16.1 million, the net costs in organizing brand building and promotion activities for the Group, *Viva Fiesta*, of HK$9.3 million, the administrative expenses and other expenses totaled HK$83.6 million (2010: HK$50.5 million). Not including the effect of non-cash items, the rise in administrative expenses kept pace with the growth strategy of the Group.

The Group recorded a turnaround in the profit attributable to shareholders of the Company in 2011. The profit attributable to shareholders of the Company for the year 2011 was HK$39.5 million, compared to a respective loss of HK$63.0 million in 2010. Again, the turnaround was mainly brought about by the encouraging improvement in the sports businesses and the one-off and non-cash gain on acquisition of Shenyang Zhaohuan.

SEGMENT

Sports

In 2011, this segment generated HK$72.4 million and HK$38.1 million in revenue and gross profit respectively, representing a significant growth over the previous year (2010: revenue of HK$7.8 million and gross profit of HK$4.8 million). The growth was achieved through three main businesses: event management, talent management and sports facility consultancy services. During the year, these businesses generated HK$29.0 million, HK$8.8 million and HK$34.6 million of revenue respectively.

During the year, the segment recorded an operating profit of HK$18.4 million which showed encouraging progress when compared to last year (2010: HK$1.4 million). Given the fact that the sports platform was only acquired in the fourth quarter of 2010, the results in 2011 was very promising. Continued efforts and resources will be dedicated to growing our sports assets in the future. The aim is to produce quality games and events in order to unlock their full potential value.

Sports Community

The sports community segment generated revenue of HK$3.3 million in 2011 (2010: Nil), all attributed to Shenyang Zhaohuan.

Green Energy

The Group continues to work closely with Tsingdao Haier Air-Conditioner Co., Limited to launch a series of energy-saving air-conditioning products (the "Haier Project"). Owing to delay in launching of the Haier Project, there was no revenue generated by the project in 2011. Therefore the green energy business posted a modest revenue of HK$4.5 million (2010: HK$3.6 million) with operating losses amounting to HK$8.9 million (2010: HK$17.1 million).

ASSETS AND LIABILITIES

As at 31 December 2011, the net assets value of the Group amounted to HK$2,083.0 million, representing an increase of HK$82.2 million or 4% compared to the beginning of the year. The increase was mainly driven by the profit contribution over the year. In terms of non-current assets, the total non-current assets of the Group increased substantially from HK$525.4 million in the beginning of the year to HK$1,060.9 million. The rise was brought about by the acquisition of Shenyang Zhaohuan and deposit paid for Changbai Project during the year. The key contribution from the acquisition of Shenyang Zhaohuan was the addition of investment properties of HK$284.4 million as at year end and was accounted for based on independent valuation. The Changbai Project has given rise to a land deposit of HK$230.0million as at end of the year.

Among non-current assets, there was goodwill and intangible assets of HK$489.2 million, compared to HK$505.3 million at the beginning of the year. The goodwill and intangible assets were mainly gained through acquisitions of the sports and green energy businesses. Additionally, there was HK$30.4 million of other non-current assets representing the fair value of a profit guarantee given by certain vendors in one of the acquisitions of the Group. The Group's net tangible assets as at end of the year was HK$1,593.8 million, representing an increase of 7% compared to beginning of the year.

The current assets of the Group was reduced by HK$368.2 million or 24% compared to the beginning of the year to HK$1,153.4 million. The key component of the working capital was cash, which amounted to HK$1,120.7 million as at end of year 2011. The land deposit for the Changbai Project and the cash consideration for Shenyang Zhaohuan, amounted to HK$326.8 million were the major reasons for the decline of the Group's cash balance.

The total liabilities of the Group were HK$131.3 million, representing an increase of HK$85.1 million. The increase was mainly due to various receipts in advance, capital expenditure, trading and tax payables arising from the Group's operations. As at end of the year, the Group's debt related borrowing was only HK$1.2 million, and there were no bank borrowings or loans as at end of the year.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's net cash from operations of the year was an outflow of HK$50.7 million, representing a slight increase compared to last year (2010: HK$43.6 million). In the sports segment, it had a net operating cash inflow of HK$12.07 million. Given that our sports businesses have only fully commenced operations for little more than a year, the positive operating cash flow was a positive indicator supporting our current strategies and the future potential of the sports industry in China. Despite the satisfactory operating cash flow from sports, the Group's net operating cash flow was less encouraging. This was attributed to investments, such as the Changbai Project which have yet to contribute to the Group's bottom line. Furthermore, at the corporate level, we spent HK$19.4 million to explore expansion opportunities, such as the acquisition of Mr. Li's stake in Li Ning Company Limited, and brand building activities for the Group, such as *Viva Fiesta*.

The net cash outflow on investment in 2011 amounted to HK$342.4 million (2010: net cash inflow of HK$1.2 million), representing the net cash considerations for the acquisition Shenyang Zhaohuan of HK$92.3 million and the deposit payment for the Changbai Project of HK$230 million. The net cash inflow on financing was only HK$1.2 million (2010: net cash inflow was HK$1,518.7 million). The Group did not have major funding exercise in the year 2011.

The Group has no other bank borrowing or any committed bank borrowing facility throughout the year and as at the year-end date. The Group has a borrowing of HK$1.2 million as at end of 2011, or a gross gearing ratio (% of borrowings to total assets) of only 0.05%. As at year end date, the current ratio (ratio of current assets to current liabilities) of the Group as at year end date was about 10 (2010: 58). The Group's gearing level and liquidity position were healthy which leave rooms for obtaining financing through additional bank facilities. It is the Group's strategy to maintain a healthy and effective gearing ratio (ratio of net borrowings to shareholders' fund) in a range of 0 to 1.

FINANCIAL MANAGEMENT AND POLICY

It is the responsibilities of the Group's finance function at its headquarter in Hong Kong to manage the financial risks of the Group. One of the key objectives of the Group's treasury policies is to manage its exposure to fluctuations in foreign currency exchange rates. It is the Group's policy not to engage in any speculative activities. As at year end date, majority of the Group's net current assets were denominated in Hong Kong dollar. The Group has assessed its foreign exchange rate risk exposure and has not entered into any foreign exchange hedging arrangement during the year and as at year end date.

OTHERS

Material Transactions

During the period under review, the Group underwent a series of material transactions in relation to investment activities. A brief summary follows below:

1. *Acquisition of Shenyang Zhaohuan*
   In April 2011, the Group successfully acquired Shenyang Zhaohuan for a cash consideration of RMB81 million (equivalent to approximately HK$96.8 million) and the assumption of the payment obligation for the capital contribution of RMB19 million (equivalent to approximately HK$22.7 million) to Shenyang Zhaohuan. Currently, Shenyang Zhaohuan possesses a piece of land in Shenyang Economic and Technology Development Zone with an area approximately 411,600 sq.m. in size. Details of the transaction are set out in the Company's announcement dated 6 March 2011.

2. *Acquisition of land in Shenyang*
   On 11 May 2011, the Group was successful in bidding for a parcel of land with area of approximately 117,200 sq.m. and at a cost of RMB1,006.31 million (approximately HK$1,207.5 million) situated within the region east to Three Changbai Street, south to Guihua Road, west to Two Changbai Street and north to South Binhe Road in Changbai Dao of the Heping District, Shenyang, Liaoning Province, the PRC (中國遼寧省瀋陽市和平區長白島, 東至長白三街, 南至規劃道路, 西至長白二街, 北至濱河南路). As at the time of this report, the Group has paid part of the price amounted to HK$230 million.

Pledge of Assets

As at 31 December 2011, no assets were pledged (2010: Nil).

Contingent Liabilities

There was no material contingent liability as at year end of 2011 (2010: Nil).

Commitments

As at 31 December 2011, the Group had capital commitments of HK$1,007.7 million in respect of the Changbai Project, was contracted but not provided for.

Employees and Remuneration Policies

Staff remuneration is comprised of monthly salaries, provident fund contributions, medical benefits, education allowances and discretionary options share issued based on their contribution to the Group. Staff costs including Directors' remuneration for the year ended 31 December 2011 amounted to HK$78.2 million (2010: HK$32.6 million). The Group also engages professional consultants to ensure the competitiveness of the remuneration policy which, in turn, would support the business growth of the Group. As at 31 December 2011, the Group employed about 171 full-time employees (2010: 124) and their remuneration was calculated in reference to the market rates.

REPORT OF THE DIRECTORS

The Directors present their report and the audited financial statements for the year ended 31 December 2011.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The Company and its subsidiaries are principally engaged in (i) sports talent management and competition/event production and management; (ii) sports and green themed community development; (iii) development and manufacture of energy saving air-conditioning systems and (iv) trading of health related products.

Other particulars of the principal subsidiaries of the Company as at 31 December 2011 are set out in note 19 to the financial statements.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2011 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 55 to 119.

The Directors did not declare an interim dividend and did not recommend the payment of a dividend for the year ended 31 December 2011.

PROPERTY, PLANT AND EQUIPMENT

Movements in the property, plant and equipment of the Company and the Group during the year are set out in note 13 to the financial statements.

SHARE CAPITAL

On 3 January 2011, the Company cancelled 160,654,000 ordinary shares of the Company repurchased in December 2010 and the outstanding issued ordinary shares of the Company after such cancellation amounted to 19,081,859,785 shares. Details of changes in the Company's share capital during the year are set out in notes 30 to the financial statements.

RESERVES

As at 31 December 2011, the Company's reserves available for distribution to shareholders comprising share premium account less accumulated losses, amounted to approximately HK$1,547,646,000. (2010: HK$1,618,012,000).

Details of movements in the reserves of the Company and the Group during the year are set out in note 32 to the financial statements and in the consolidated statement of changes in equity on page 58 respectively.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for approximately 84% of the total sales for the year and sales to the largest customer included therein accounted for approximately 43% of the total sales.

Purchases from the Group's five largest suppliers accounted for approximately 52% of the total purchases for the year and purchases from the largest supplier included therein accounted for approximately 33% of the total purchases.

None of the Directors or any of their associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers and suppliers.

GROUP FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on page 120 of this annual report.

PRE-EMPTIVE RIGHTS

No pre-emptive rights exist in the jurisdiction of Cayman Islands in which the Company is incorporated.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

There was no purchase, sale or redemption by the Company, or any of its subsidiaries, of any listed securities of the Company during the year.

DIRECTORS

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

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

The terms of office of each Director are subject to retirement by rotation in accordance with the Company's articles of association.

At the forthcoming annual general meeting, Mr. Ma Wing Man, Mr. Ip Shu Kwan, Stephen and Mr. Ng Sau Kei, Wilfred will retire as Directors by rotation and, being eligible, offers themselves for re-election in accordance with articles 108(A) and 108(B) of the articles of association of the Company. Further particulars of the Directors to be re-elected at the forthcoming annual general meeting are set out in the circular to the shareholders sent together with this annual report.

All other Directors shall continue in office.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 6 to 10 of the annual report.

DIRECTORS' SERVICE CONTRACTS

No Director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

Particulars of the emoluments of the Directors on a named basis for the year are set out in note 8 to the financial statements.

DIRECTORS' INTERESTS IN CONTRACTS

Each of Mr. Li Ning, the Chairman and executive Director, and Mr. Li Chun, a non-executive Director, was indirectly interested in a master agreement entered into between the Company and LNCL as disclosed in the paragraph headed "Continuing Connected Transaction" of this report by virtue of the respective interests of Mr. Li Ning and Mr. Li Chun in LNCL.

Save as disclosed above and the disclosures in note 30 to the financial statements in relation to possible issuance of convertible bonds, no Director had a material interest, either directly or indirectly, in any contract of significance to the businesses of the Group to which the Company or any of its subsidiaries was a party during the year.

SHARE OPTION SCHEMES

Pursuant to an ordinary resolution passed by the shareholders of the Company on 8 April 2002, the Company adopted a share option scheme (the "Old Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Old Scheme include the Company's Directors, independent non-executive directors, other employees of the Group, consultants, suppliers of goods or services to the Group, customers of the Group, and any minority shareholder in the Company's subsidiaries. The Old Scheme became effective on 18 April 2002 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date. On 29 June 2010, the Company passed an ordinary resolution to terminate the Old Scheme. Accordingly, no share is available for issue under the Old Scheme as at the date of this report. All options granted and accepted prior to such termination and not exercised should have continued to be valid and exercisable. Nonetheless, there is no option under the Old Scheme outstanding at the end of the year.

On 29 June 2010, the Company also passed an ordinary resolution to adopt a new share option scheme (the "New 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 New 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 (the "Committee") (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 the Committee (as the case may be) may think fit. The New Scheme will remain in force for period of 10 years commencing on 29 June 2010.

The overall limit on the number of ordinary shares of the Company (the "Shares") which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Scheme and any other share option schemes of the Company must not, in aggregate, exceed 30% of the number of Shares in issue from time to time. In addition, the total number of Shares which may be issued upon exercise of all options granted together with all options to be granted under the New Scheme and any other share option schemes of the Company must not, in aggregate, exceed 10% of the nominal amount of all the Shares in issue as at the date of adoption of the New Scheme (the "Scheme Mandate Limit"). The Company may, from time to time, refresh the Scheme Mandate Limit by obtaining the approval of the shareholders in general meeting. Once refreshed, the total number of Shares which may be issued upon exercise of all options to be granted under the New Scheme and all other share option schemes of the Company under the limit, as refreshed, must not exceed 10% of the number of Shares in issue as at the date of approval of the refreshment by the shareholders of the Company.

As at the date of this report, the total number of Shares available for issue under the New Scheme is 1,349,384,602 representing 7% of the existing issued share capital of the Company. The maximum number of shares issuable under share options to each eligible participant in the New Scheme within any 12-month period is limited to 1% of the shares of the Company in issue as at the proposed date of grant. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

The offer of a grant of share options under the New Scheme may be accepted within 28 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the Board or the Committee, save that such period shall not be more than 10 years from the date of grant. Unless the Board may otherwise determine, there is no minimum period required under the New Scheme for the holding of an option before it can be exercised.

The exercise price of share options is determinable by the Board or the Committee, but shall be at least the highest of (i) the Stock Exchange closing price of the Company's shares on the date of offer of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of grant; and (iii) the nominal value of the Shares.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

Movement of the share options under the New Scheme outstanding as at the end of the reporting year are as follows:

	Date of Grant	Exercise Price per Share (HK$)	Number of Share Options: Balance as at 1.1.2011	Granted during the year	Cancelled during the year	Lapsed during the year	Balance as at 31.12.2011
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	—	(12,000,000)	—	**26,000,000[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	(200,000)	(1,500,000)	**220,550,000[10]**
			90,050,000	222,250,000	(22,200,000)	(1,500,000)	**288,600,000**
Other grantees							
In aggregate	02.07.2010	0.78	50,000,000[11]	—	(50,000,000)	—	**—**
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	(50,000,000)	—	**144,100,000**
			374,150,000	656,250,000	(72,200,000)	(1,500,000)	**956,700,000**

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) 12,666,667 share options with exercisable period from 2 July 2012 to 1 July 2017; and (iii) 12,666,667 share options with exercisable period from 2 July 2013 to 1 July 2018. Following the cancellation of 12,000,000 share options, the number of share options under each of (i), (ii) and (iii) of this note reduced to 8,666,666, 8,666,667 and 8,666,667, respectively, as at 31 December 2011.

(9) The share options granted in 2010 and outstanding as at 1 January 2011 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) 16,000,000 share options with exercisable period from 6 September 2014 to 5 September 2019; and (v) 11,000,000 share options with exercisable period from 6 September 2015 to 5 September 2020. Following the cancellation of 10,000,000 share options, the number of share options under each of (iv) and (v) of this note reduced to 11,000,000 and 6,000,000, respectively, as at 31 December 2011, while the number of share options under each of (i), (ii) and (iii) remained unchanged as at 31 December 2011.

(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; (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. Following the cancellation of 200,000 share options and lapse of 1,500,000 share options, the number of share options under each of (ii), (iii) and (iv) of this note reduced to 63,649,998, 63,650,003 and 37,000,003, respectively, as at 31 December 2011, while the number of share options under (i) and (v) remained unchanged as at 31 December 2011.

(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 year ended 31 December 2011.

(15) During the year ended 31 December 2011, 656,250,000 share options were granted on 20 September 2011 pursuant to the New 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' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 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 Shares

Name of Directors	Capacity	Number of Shares held Personal interests	 Corporate interests	Number of share options held[2]	Total interests	Approximate % of shareholding
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 Chunyang	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 31 December 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 Schemes" in this annual report.

Save as disclosed above, none of the Directors nor the chief executive of the Company had, as at 31 December 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.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosures on the Company's share option scheme in the paragraph headed "Share Option Schemes" on pages 41 to 43 of this annual report and the possible issuance of convertible bonds in note 30 to the financial statements, at no time during the year were rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company granted to any Directors or their respective associates, or were any such rights exercised by them; or was the Company or any of its subsidiaries, or its holding company, or any of its fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

CONTROLLING SHAREHOLDER'S INTERESTS IN CONTRACTS

The Company is owned as to more than 30% by its controlling shareholder, Lead Ahead, which is in turn owned as to 60% by Mr. Li Ning and 40% by Mr. Li Chun. Accordingly, Lead Ahead was deemed and was taken to have indirect interest in the master agreement as disclosed in the paragraph headed "Continuing Connected Transaction" on pages 47 and 48 of this annual report by virtue of the interests of Mr. Li Ning in LNCL.

Save as disclosed above and the disclosures in note 30 to the financial statements in relation to possible issuance of convertible bonds, at no time during the year had the Company or any of its subsidiaries, and the controlling shareholders or any of its subsidiaries entered into any contract of significance or any contract of significance for the provision of services to the Company or any of its subsidiaries by the controlling shareholder or any of its subsidiaries.

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

As at 31 December 2011, so far as was known to the Directors, the interests and short positions of the 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 otherwise notified to the Company are set out below:

Long Positions in Shares

	Number of Shares held			
	Beneficial owner	Interest in controlled corporation	Total interests	Approximate % of shareholding
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 31 December 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 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 31 December 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 notified to the Company.

MANAGEMENT CONTRACTS

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

GROUP'S EMOLUMENT POLICY

The emolument policy of the employees of the Group is formulated on the basis of their merit, qualifications and competence and it is the Group's policy to compensate each employee fairly and equitably. The Group has a system for measuring employees' performance against agreed-upon goals with specific performance standards. Performance discussion is carried out on an ongoing basis and a formal evaluation is conducted once a year to review employees' overall performance, achievements, and areas in need of improvement. Salary review would be based on individual's performance and subject to Group's discretion.

The determination of remuneration packages of the Directors takes into consideration of the factors such as time commitment and responsibilities of the Directors and by reference to the level of emoluments normally paid by a listed company in Hong Kong to directors of comparable calibre and job responsibilities so as to ensure a fair and competitive remuneration package as is fit and appropriate.

The existing new share option scheme was adopted by the Company in 2010 as an incentive to directors and eligible participants, details of the scheme are set out in the paragraph headed "Share Option Schemes" on page 41 to 43 of this annual report.

CONNECTED TRANSACTION AND CONTINUING CONNECTED TRANSACTION

The Company has entered into the following connected transaction and continuing connected transaction (as defined under the GEM Listing Rules):

Connected Transaction

On 28 July 2010, the Company and Lead Ahead entered into the supplemental deed (the "Supplemental Deed") to the subscription agreement dated 8 April 2010, as amended and supplemented by the supplemental agreement dated 9 April 2010, which were entered into between the same parties in relation to, among the other things, the issue of convertible bonds for an aggregate principal amount of HK$300 million (the "Convertible Bonds") by the Company to Lead Ahead. Lead Ahead is a substantial shareholder of the Company and hence a connected person of the Company. The entering into the Supplemental Deed constituted a connected transaction of the Company under the GEM Listing Rules.

The principal amendments on the Convertible Bonds pursuant to the Supplement Deed are as follows:

(i) the Company shall be entitled to issue to Lead Ahead the Convertible Bonds in respect of the entire or part of the aggregate principal amount of the Convertible Bonds by serving a demand notice to Lead Ahead during the period which demand notice may be served to demand the issue of the Convertible Bonds by the Company to Lead Ahead (the "Issue Period"). Lead Ahead shall not be entitled to demand the issue of the Convertible Bonds;

(ii) the Issue Period shall be shortened to cover the period commencing on 24 June 2010 and ending on the second anniversary of such date (i.e. 24 June 2012); and

(iii) certain terms in respect of the adjustments of the conversion price in relation to the Shares to be issued upon conversion of the Convertible Bonds, and the details of which was disclosed in the announcement and the circular of the Company dated 28 July 2010 and 13 August 2010 respectively.

Under the terms of the Supplemental Deed, Lead Ahead no longer have the right to demand issue of the Convertible Bonds and the Company is allowed to have better control over the timing of the issuance of the Convertible Bonds, and therefore, have better management of its financial position. No Convertible Bonds have been issued by the Company to Lead Ahead up to the date of this report.

Continuing Connected Transaction

The Company entered into an agreement dated 31 August 2010 (the "Master Agreement") with LNCL relating to the provision of services by the Group to the LNCL and its subsidiaries (the "LNCL Group") in relation to brand or product endorsement, sponsorship and event management for a term commencing from the effective date of the Master Agreement, being 27 October 2010. The Master Agreement shall continue in force until 31 December 2012 or the day on which both the Company and LNCL cease to be a connected person of the other party, whichever is earlier. The maximum aggregate annual value for the provision of such services during the term for the financial period ending 31 December 2010, 2011 and 2012 are RMB21,500,000 (equivalent to approximately HK$24,150,000), RMB100,000,000 (equivalent to approximately HK$114,000,000) and RMB100,000,000 (equivalent to approximately HK$114,000,000) (the "Annual Caps") respectively.

Mr. Li Ning, the Chairman and executive Director, is a director and a controlling shareholder of LNCL. Thus, LNCL is an associate of Mr. Li Ning and a connected person of the Company. The transactions, if any, entered into under the Master Agreement would therefore constituted a continuing connected transaction for the Company under the GEM Listing Rules. The Master Agreement and the Annual Cap were approved by independent shareholders (as defined under the GEM Listing Rules) on 27 October 2010.

The transaction values in respect of provision of services by the Group to the LNCL Group in relation to brand or product endorsement, sponsorship and event management based on the gross fee of the services for the year ended 31 December 2011 were as follows:

	Transaction values	
	RMB	**HK$ equiv.**
Brand or product endorsement	100,000	122,000
Sponsorship	1,500,000	1,830,000
Event management	—	—
	1,600,000	1,952,000
Annual Cap	100,000,000	114,000,000

The independent non-executive Directors had reviewed the continuing connected transactions arising from the Master Agreement above for the year ended 31 December 2011 and confirmed that the transactions were:

(a) in the ordinary and usual course of business of the Group;
(b) on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; and
(c) in accordance with the Master Agreement on terms that are fair and reasonable and in the interests of Company's shareholders as a whole.

The auditor of the Company has performed procedures in respect of the Continuing Connected Transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants and has confirmed that the Continuing Connected Transactions (a) were approved by the Board; (b) were, in all material respects, in accordance with the pricing policies of the Group; (c) were, in all material respects, in accordance with the relevant agreements governing the transactions; and (d) did not exceed the Annual Cap as disclosed in the relevant circular of the Company.

CORPORATE GOVERNANCE

A report on the principal corporate governance practice adopted by the Company is set out on pages 49 to 52 of this annual report.

The compliance officer of the Company is Mr. Chan Ling whose biographical details are set out on page 7 of this annual report. The company secretary of the Company is Mr. Ho Kim Ching. Mr. Ho has over 9 years of experience in accounting and finance industry. He is a certified public accountant of the United States and a charterholder of the Chartered Financial Analyst designation.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

For the year ended 31 December 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 conflict of interest which any such person has or may have with the Group.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best of the Directors' knowledge, as at the date of this annual report, there was a sufficient prescribed public float of the issued shares of the Company under the GEM Listing Rules.

AUDITOR

In December 2009, Shu Lun Pan Horwath Hong Kong CPA Limited resigned as the auditors of the Company and Grant Thornton were appointed by the Board to fill the casual vacancy following the resignation of Sun Lun Pan Horwath Hong Kong CPA Limited. During the year 2010, Grant Thornton resigned as auditor of the Company and Ernst & Young were appointed by the Board to fill in the casual vacancy. Ernst & Young offered themselves for re-appointment as auditors of the Company at the annual general meeting of the Company held on 29 June 2011 and such re-appointment was approved by shareholders at that meeting. There have been no other changes of auditors in the past three years.

The financial statements of the Company for the year under review have been audited by Ernst & Young, who will retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of Ernst & Young as auditor of the Company for the ensuing year will be proposed at the forthcoming annual general meeting of the Company.

By Order of the Board

Li Ning
Chairman

Hong Kong, 15 March 2012

CORPORATE GOVERNANCE PRACTICES

The Company is committed to achieving and maintaining high standard of corporate governance. Throughout the financial year ended 31 December 2011, the Group had complied with the code provisions in the Code on Corporate Governance Practices as set out in Appendix 15 of the GEM Listing Rules (the "CG Code"). The application of the relevant principles of the CG Code is stated in the following sections.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the rules set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the "Required Standard") as the code for dealing in securities of the Company by the Directors.

The Company has made specific enquiry with all Directors, and the Directors have confirmed compliance with the Required Standard during the year ended 31 December 2011.

Specific employees who are likely to be in possession of unpublished price-sensitive information of the Group are also subject to compliance with the same Required Standard. No incident of non-compliance was noted by the Company for the year ended 31 December 2011.

BOARD OF DIRECTORS

The Company is governed by the Board, which has the responsibility for leadership and control of the Company. The Directors are collectively responsible for promoting the success of the Group by directing and supervising the Group's affairs. The Board set strategies and directions for the Group's affairs and activities with a view to develop its business and to enhance shareholders' value. There is a clear division of responsibilities between the Board and the management. Decisions on important matters are specifically reserved to the Board while decisions on the Group's general operations are delegated to the management. Important matters include those affecting the Group's strategic policies, major investment and funding decisions and major commitments relating to the Group's operations.

The Directors are encouraged to enroll in relevant professional development programme to ensure that they are aware of their responsibilities under the legal and regulatory requirements applicable to the Company. During the year, the Company has also arranged training on compliance of the GEM Listing Rules to the Directors and senior management for enhancement of their knowledge and skills in performance of their functions.

The Board currently comprises of five executive Directors (the "Executive Directors"), two non-executive Directors (the "Non-executive Directors") and three independent non-executive Directors (the "Independent Non-executive Directors").

The Board has a balance of skills and experience and a balanced composition of executive and non-executive directors. Six Board meetings were held during the financial year ended 31 December 2011. The composition of the Board and attendance of the Directors are set out below:

	Number of meetings attended/eligible to attend
Executive Directors	
Mr. Li Ning *(Chairman)**	6/6
Mr. Ng Chi Man, Michael *(Chief Executive Officer)*	6/6
Mr. Chan Ling	6/6
Mr. Li Chunyang	6/6
Mr. Lee Wa Lun, Warren	5/6
Non-executive Directors	
Mr. Li Chun*	2/6
Mr. Ma Wing Man	6/6
Independent Non-executive Directors	
Mr. Chen Johnny	3/6
Mr. Ip Shu Kwan, Stephen	5/6
Mr. Ng Sau Kei, Wilfred	6/6

* Mr. Li Ning is the younger brother of Mr. Li Chun.

Apart from formal meetings, matters requiring Board approval were arranged by means of circulation of written resolutions.

The Board has established an audit committee (the "Audit Committee"), a remuneration committee (the "Remuneration Committee"), a nomination committee (the "Nomination Committee") and an executive committee (the "Executive Committee") as integral elements of good corporate governance and to oversee relevant aspects of the Company's affairs. More details of these committees are set out in separate sections in this report.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The posts of chairman and chief executive officer are separate and are not held by the same individual to ensure their independence, accountability and responsibility. The Chairman of the Board is Mr. Li Ning and the Chief Executive Officer is Mr. Ng Chi Man, Michael. The Chairman takes the lead to oversee the Board functions and the direction of the Group while the Chief Executive Officer, supported by his management team, is responsible for the day-to-day management of the businesses of the Group.

NON-EXECUTIVE DIRECTORS

All Non-executive Directors are appointed for a term of two years. The term of office of each of the Independent Non-executive Directors is for a period of three years from the date of appointment. In addition, all Directors are subject to retirement by rotation at least once every three years in accordance with the Company's articles of association.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The current Independent Non-executive Directors are Mr. Chen Johnny, Mr. Ip Shu Kwan, Stephen and Mr. Ng Sau Kei, Wilfred. The Independent Non-executive Directors help the management to formulate the Group's development strategies, ensure the Board prepares its financial and other mandatory reports in strict compliance with required standards, and ensure the Company maintains appropriate system to protect the interests of the Company and its shareholders. The Company received the annual confirmation from the Independent Non-executive Directors in respect of their independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company considered all the Independent Non-executive Directors as independent.

NOMINATION COMMITTEE

The Nomination Committee was established by the Board with written terms of reference. The Nomination Committee is responsible for identifying potential new Directors and recommends to the Board for decision. A Director appointed by the Board is subject to election by shareholders at the first annual general meeting after his appointment in case of the appointment of additional Director or at the first general meeting after his appointment in case of filling of casual vacancy.

Under the articles of association of the Company, all Directors are subject to retirement by rotation and re-election by shareholders every three years. Potential new Directors are selected on the basis of their qualifications, skill and experience which the Nomination Committee considers will make a positive contribution to the performance of the Board. During the year, the committee has reviewed the composition of the Board in conjunction with the strategy and business focus of the Group.

One Nomination Committee meeting was held during the year ended 31 December 2011. The composition of the Nomination Committee and attendance of individual members at the aforesaid meeting are as follows:

Name	**Number of meetings attended/eligible to attend**
Mr. Li Ning *(Chairman)* (appointed on 15 March 2012)	N/A
Mr. Ip Shu Kwan, Stephen (appointed on 15 March 2012)	N/A
Mr. Ng Sau Kei, Wilfred (appointed on 15 March 2012)	N/A
Mr. Chan Ling *(Chairman)* (ceased on 15 March 2012)	1/1
Mr. Ng Chi Man, Michael (appointed on 12 May 2011 and ceased on 15 March 2012)	1/1
Mr. Ma Wing Man (ceased on 15 March 2012)	1/1

REMUNERATION COMMITTEE

The Company established the Remuneration Committee on 1 August 2005 with written terms of reference. The written terms of reference include the specific duties of making recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management, having the delegated responsibility to determine the specific remuneration packages of all Executive Directors and senior management and making recommendations to the Board of the remuneration of Non-executive Directors.

The determination of remuneration packages of the Directors takes into consideration of the factors such as time commitment and responsibilities of the Directors and by reference to the level of emoluments normally paid by a listed company in Hong Kong to directors of comparable calibre and job responsibilities so as to ensure a fair and competitive remuneration package as is fit and appropriate. During the year, the committee reviewed the services agreement and the remuneration package of each of the Non-executive Directors.

One Remuneration Committee meeting was held during the year ended 31 December 2011. Apart from the formal meeting, matters requiring approval of the Remuneration Committee were arranged by means of circulation of written resolutions. The composition of the Remuneration Committee and attendance of individual members at the aforesaid meeting are as follows:

Name	**Number of meetings attended/eligible to attend**
Mr. Ip Shu Kwan, Stephen *(Chairman)*	1/1
Mr. Ng Chi Man, Michael (appointed on 12 May 2011)	—#
Mr. Chan Ling	1/1
Mr. Chen Johnny	1/1
Mr. Ng Sau Kei, Wilfred	1/1

No meeting of the Remuneration Committee has been held from the date of his appointment as a member of the committee to 31 December 2011.

EXECUTIVE COMMITTEE

The Executive Committee was established by the Board with specific terms of reference. The committee comprises four Executive Directors, Mr. Li Ning (Chairman of the Executive Committee), Mr. Ng Chi Man, Michael, Mr. Chan Ling and Mr. Li Chunyang. The primary duties of the Executive Committee are to propose and implement business strategies and plans for the Group, monitor the operations of Group companies and approve matters relating to their day-to-day operations.

AUDIT COMMITTEE

The Company's Audit Committee was formed on 17 March 2000 with written terms of reference. 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, Mr. Chen Johnny (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. This annual report has been reviewed by the Audit Committee.

During the year, the committee members met together to review the quarterly reports, half-year report and annual report before submission to the Board. The financial controller and the finance manager of the Company were also invited to attend these meetings in order to give a full account of the financial statements of the Group. The committee also reviewed the appointment and remuneration of external auditors.

The Audit Committee held four meetings during the year ended 31 December 2011. Its composition and attendance of individual members at these Audit Committee meetings are as follows:

Name	Number of meetings attended/eligible to attend
Mr. Chen Johnny *(Chairman)*	4/4
Mr. Ip Shu Kwan, Stephen	4/4
Mr. Ng Sau Kei, Wilfred	4/4
Mr. Ma Wing Man	4/4

ACCOUNTABILITY AND AUDIT

The Directors acknowledge their responsibility for preparing the accounts of the Company.

In preparing the accounts for the year ended 31 December 2011, the Directors have selected suitable accounting policy and applied them consistently, approved adoption of all Hong Kong Financial Reporting Standards, made judgments and estimates that are appropriate, and prepared the accounts on a going concern basis.

The responsibilities of the external auditor about their financial reporting are set out in the independent auditors' report on pages 53 and 54 of this report.

AUDITORS' REMUNERATION

During the year ended 31 December 2011, the total fees paid and payable to Ernst & Young in relation to the audit and other services for the financial year ended 31 December 2011, amounted to HK$960,000 and HK$2,330,000 respectively. The sum for other services included HK$470,000 for taxation services, HK$1,500,000 for services rendered in connection with some potential acquisition projects and HK$340,000 for a review of the Group's interim results for the six months ended 30 June 2011 and the quarterly results for the three months ended 31 March 2011 and the nine months ended 30 September 2011 respectively and HK$20,000 for continuing connected transaction review.

INTERNAL CONTROL

The Board is responsible for the maintenance of a sound and effective internal control system of the Group and has established the Group's internal control policies and procedures for monitoring the internal control system.

The internal control system of the Group is designed for the achievement of business objectives, safeguard assets against unauthorized use or disposition, ensure maintenance of proper books and records for the provision of reliable financial information for internal use or publication, and to ensure compliance with relevant legislations and regulations. The management and various departments conduct periodic self-assessment of the effectiveness of the internal control policies and procedures. The Group has engaged an external professional consultancy company to assess the internal control risks which may arise from the Group's operation. Besides, the Board reviews at least annually the overall effectiveness of the Group's internal control system.

Based on the reviews performed by the management and comment from the external auditors and the Audit Committee, the Board is of the view that the Group's internal control system is adequate for the year ended 31 December 2011. The Board will continue to assess the effectiveness of internal controls by considering reviews to be performed by the Audit Committee, executive management, auditors and external professional consultant that the Group may engage.

SHAREHOLDERS' RELATIONS

The Group is committed to maintaining a high level of transparency and employs a policy of open and timely disclosure of relevant information to its shareholders.

The Board strives to maintain an on-going communication with its shareholders through different means. The Directors host the annual general meeting each year to meet the shareholders and answer their enquiries. The Company also updates its shareholders on its latest business developments and financial performance through its annual, interim and quarterly reports. The corporate website of the Company has provided an effective communication platform to the public and the shareholders.

INDEPENDENT AUDITORS' REPORT

Ernst & Young
安永

Ernst & Young
22nd Floor
CITIC Tower
1 Tim Mei Avenue, Central
Hong Kong

Tel : +852 2846 9888
Fax : +852 2868 4432
www.ey.com

安永會計師事務所
香港中環添美道1號
中信大廈22樓

電話 :+852 2846 9888
傳真 :+852 2868 4432

To the shareholders of Viva China Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Viva China Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 55 to 118, which comprise the consolidated and company statements of financial position as at 31 December 2011, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

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

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

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2011, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants
Hong Kong

15 March 2012

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
REVENUE	5	**80,130**	11,419
Cost of sales		**(39,005)**	(4,730)
Gross profit		**41,125**	6,689
Other income and gains, net	5	**161,906**	47,794
Selling and distribution costs		**(16,722)**	(2,653)
Administrative expenses		**(132,165)**	(68,459)
Other expenses		**(13,576)**	(44,479)
Finance costs	6	**(57)**	(2,997)
PROFIT/(LOSS) BEFORE TAX	7	**40,511**	(64,105)
Income tax	10	**(1,332)**	479
PROFIT/(LOSS) FOR THE YEAR		**39,179**	(63,626)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF INCOME TAX OF NIL —			
Exchange differences on translation of foreign operations		**6,334**	373
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		**45,513**	(63,253)
Profit/(loss) attributable to:			
Shareholders of the Company	11	**39,452**	(62,957)
Non-controlling interests		**(273)**	(669)
		39,179	(63,626)
Total comprehensive income/(loss) attributable to:			
Shareholders of the Company		**45,658**	(62,658)
Non-controlling interests		**(145)**	(595)
		45,513	(63,253)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY SHAREHOLDERS OF THE COMPANY			
Basic and diluted	12	**HK0.21 cents**	HK(0.57) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**13,615**	8,125
Investment properties	14	**284,430**	—
Land use rights	15	**5,022**	5,002
Goodwill	16	**425,192**	425,192
Other intangible assets	17	**64,028**	80,085
Deposits paid for acquisition of a land use right	18	**230,000**	—
Other non-current deposits		**969**	1,160
Derivative financial asset	28	**30,431**	5,877
Deferred tax assets	29	**7,214**	—
Total non-current assets		**1,060,901**	525,441
CURRENT ASSETS			
Inventories	20	**2,462**	4,864
Trade receivables	21	**11,536**	1,025
Prepayments, deposits and other receivables	22	**18,639**	3,672
Cash and bank balances	23	**1,120,724**	1,511,979
Total current assets		**1,153,361**	1,521,540
CURRENT LIABILITIES			
Trade payables	24	**4,577**	237
Other payables and accruals	25	**43,322**	6,811
Receipts in advance		**12,350**	1,456
Other loan	26	**1,230**	—
Due to a non-controlling equity holder	27	**1,365**	484
Derivative financial liabilities	28	**62**	17,204
Income tax payables		**51,567**	—
Total current liabilities		**114,473**	26,192
NET CURRENT ASSETS		**1,038,888**	1,495,348
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,099,789**	2,020,789
NON-CURRENT LIABILITIES			
Deferred tax liabilities	29	**16,808**	20,020
Net assets		**2,082,981**	2,000,769

	Notes	**2011 HK$'000**	2010 HK$'000
EQUITY			
Equity attributable to shareholders of the Company			
Issued capital	30	**190,818**	190,818
Reserves	32(a)	**1,889,047**	1,806,690
		2,079,865	1,997,508
Non-controlling interests		**3,116**	3,261
Total equity		**2,082,981**	2,000,769

Ng Chi Man, Michael
Chief Executive Officer and Executive Director

Chan Ling
Executive Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2011

		Attributable to shareholders of the Company							
	Notes	Issued capital HK$'000	Share premium account HK$'000	Share option reserve HK$'000	Exchange fluctuation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2010		33,119	605,435	12,613	15	(413,583)	237,599	3,856	241,455
Loss for the year		—	—	—	—	(62,957)	(62,957)	(669)	(63,626)
Other comprehensive income for the year: Exchange differences on translation of foreign operations		—	—	—	299	—	299	74	373
Total comprehensive income/(loss) for the year		—	—	—	299	(62,957)	(62,658)	(595)	(63,253)
Allotment of ordinary shares	30(d)	6,290	324,704	—	—	—	330,994	—	330,994
Placement of ordinary shares	30(e)	11,600	746,709	—	—	—	758,309	—	758,309
Repurchase and cancellation of shares	30(f)	(1,607)	(50,274)	—	—	—	(51,881)	—	(51,881)
Conversion of preferred shares	30(g)	133,276	260,800	—	—	—	394,076	—	394,076
Exercise of share options	30(b)	2,240	37,831	(12,613)	—	—	27,458	—	27,458
Equity-settled share option arrangements	31(a)	—	—	26,053	—	—	26,053	—	26,053
Acquisition of subsidiaries	33	5,900	331,658	—	—	—	337,558	—	337,558
At 31 December 2010 and 1 January 2011		190,818	2,256,863*	26,053*	314*	(476,540)*	1,997,508	3,261	2,000,769
Profit/(loss) for the year		—	—	—	—	39,452	39,452	(273)	39,179
Other comprehensive income for the year: Exchange differences on translation of foreign operations		—	—	—	6,206	—	6,206	128	6,334
Total comprehensive income/(loss) for the year		—	—	—	6,206	39,452	45,658	(145)	45,513
Equity-settled share option arrangements	31(a)	—	—	36,699	—	—	36,699	—	36,699
Transfer of share option reserve upon forfeiture of share options		—	—	(1,650)	—	1,650	—	—	—
At 31 December 2011		**190,818**	**2,256,863***	**61,102***	**6,520***	**(435,438)***	**2,079,865**	**3,116**	**2,082,981**

* These reserve accounts comprise the consolidated reserves of HK$1,889,047,000 (2010: HK$1,806,690,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax		**40,511**	(64,105)
Adjustments for:			
Finance costs	6	**57**	2,997
Bank interest income		**(12,192)**	(1,371)
Fair value gains on derivative financial asset and liabilities	28	**(41,696)**	(41,330)
Gain on bargain purchase of a subsidiary	33	**(105,498)**	—
Gain on derecognition of a derivative financial liability	30(g)(ii)	**—**	(4,181)
Loss on disposal of items of property, plant and equipment	7	**89**	—
Depreciation	13	**3,495**	1,623
Amortisation of land use rights	15	**188**	114
Amortisation of other intangible assets	17	**16,051**	3,344
Provision for slow-moving inventories		**1,743**	2,952
Impairment of goodwill	16	**—**	33,000
Impairment of trade receivables	21	**—**	361
Impairment of other deposits		**—**	342
Impairment of items of property, plant and equipment	13	**824**	5,898
Write-off of items of property, plant and equipment	13	**—**	96
Write-off of other intangible assets	17	**6**	—
Write-off of inventories		**—**	1,830
Equity-settled share option expense	31(a)	**36,699**	26,053
		(59,723)	(32,377)
Decrease/(increase) in inventories		**659**	(3,881)
Increase in trade receivables		**(10,409)**	(667)
Decrease/(increase) in prepayments, deposits and other receivables		**6,030**	(3,092)
Increase/(decrease) in trade payables		**4,340**	(4,804)
Increase/(decrease) in other payables and accruals		**(3,183)**	3,310
Increase in receipts in advance		**10,894**	1,455
Increase/(decrease) in amount due to a non-controlling equity holder		**881**	(3,150)
Cash used in operations		**(50,511)**	(43,206)
PRC corporate income tax paid		**(181)**	(357)
Net cash flows used in operating activities		**(50,692)**	(43,563)

	Notes	2011 HK$'000	2010 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**12,192**	1,371
Purchases of items of property, plant and equipment		**(6,446)**	(6,052)
Proceeds from disposal of items of property, plant and equipment		**225**	—
Acquisition of subsidiaries	33	**(92,269)**	5,839
Deposit paid for acquisition of a land use right		**(230,000)**	—
Additions to investment properties		**(26,003)**	—
Net cash flows from/(used in) investing activities		**(342,301)**	1,158
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid on other loan		**(57)**	—
Proceeds from allotment of ordinary shares and issuance of warrants, net of expenses	30(d)	**—**	389,528
Proceeds from exercise of share options	30(b)	**—**	27,458
Proceeds from issuance of preferred shares, net of expenses	30(g)	**—**	395,260
Proceeds from placement of ordinary shares, net of expenses	30(b),(e)	**—**	758,309
Payment for repurchase of ordinary shares (including transaction costs)	30(f)	**—**	(51,881)
New loan		**1,200**	—
Net cash flows from financing activities		**1,143**	1,518,674
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(391,850)**	1,476,269
Cash and cash equivalents at beginning of year		**1,511,979**	35,658
Effect of foreign exchange rate changes, net		**595**	52
CASH AND CASH EQUIVALENTS AT END OF YEAR	23	**1,120,724**	1,511,979

STATEMENT OF FINANCIAL POSITION

31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**2,907**	3,671
Investments in subsidiaries	19	**337,960**	337,960
Deposit paid		**969**	—
Total non-current assets		**341,836**	341,631
CURRENT ASSETS			
Due from subsidiaries	19	**838,833**	348,565
Prepayments, deposits and other receivables	22	**3,326**	2,180
Cash and bank balances	23	**623,984**	1,163,398
Total current assets		**1,466,143**	1,514,143
CURRENT LIABILITIES			
Due to subsidiaries	19	**4,011**	—
Accruals	25	**4,340**	3,687
Derivative financial liabilities	28	**62**	17,204
Total current liabilities		**8,413**	20,891
NET CURRENT ASSETS		**1,457,730**	1,493,252
Net assets		**1,799,566**	1,834,883
EQUITY			
Issued capital	30	**190,818**	190,818
Reserves	32(b)	**1,608,748**	1,644,065
Total equity		**1,799,566**	1,834,883

Ng Chi Man, Michael
Chief Executive Officer and Executive Director

Chan Ling
Executive Director

1. CORPORATE INFORMATION

Viva China Holdings Limited ("Viva China" or the "Company") is a limited liability company incorporated in the Cayman Islands and the ordinary shares of which are listed on The Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

During the year, the Company and its subsidiaries (collectively referred to as the "Group") were involved in the following principal activities:

- production and distribution of sports content, management and marketing of sports talent and provision of sports consultancy service
- development of properties for generating rental income and/or for capital appreciation potential
- manufacturing, marketing and installation of proprietary energy-saving air conditioning systems and water heating equipment

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

2.1 BASIS OF PRESENTATION AND PREPARATION

Basis of presentation

As further explained in notes 18 and 36 to the financial statements, as at 31 December 2011, the Group had a capital commitment in relation to the acquisition of a parcel of land (the "Changbai Land") in Changbai Dao, Shenyang, Liaoning Province, the People's Republic of China (the "PRC"), which amounted to approximately HK$1,008 million. The directors of the Company are currently negotiating with independent third parties either to co-develop the project with the Group, or to buy out the entire project from the Group or directly from the local land bureau. Should the negotiations not proceed, the directors of the Company, having obtained legal advice, are of the opinion that the Group will be able to terminate the aforesaid acquisition without significantly impairing the liquidity of the Group. Therefore, notwithstanding the capital commitment, in the opinion of the directors of the Company, it is appropriate for these financial statements to be prepared on a going concern basis.

Based on the above consideration, the directors of the Company are satisfied that the Group will have sufficient financial resources to meet its financial obligations as they fall due for the foreseeable future and therefore, the consolidated financial statements have been prepared on the going concern basis and do not include any adjustments that would be required should the Group not be able to continue as a going concern.

Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties and derivative financial instruments which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

2.1 BASIS OF PRESENTATION AND PREPARATION (Continued)

Basis of preparation (Continued)

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2011. The financial statements of the subsidiaries are prepared for the same reporting period as the Company. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full. Adjustments are made to bring in line any dissimilar accounting policies that may exist.

Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements:

HKFRS 1 Amendment	Amendment to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards — Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters*
HKAS 24 (Revised)	*Related Party Disclosures*
HKAS 32 Amendment	Amendment to HKAS 32 *Financial Instruments: Presentation — Classification of Rights Issues*
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement*
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments*
Improvements to HKFRSs 2010	Amendments to a number of HKFRSs issued in May 2010

Other than as further explained below regarding the impact of HKAS 24 (Revised), and amendments to HKFRS 3, HKAS 1 and HKAS 27 included in *Improvements to HKFRSs 2010*, the adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

The principal effects of adopting these new and revised HKFRSs are as follows:

(a) HKAS 24 (Revised) *Related Party Disclosures*

HKAS 24 (Revised) clarifies and simplifies the definitions of related parties. The new definitions emphasise a symmetrical view of related party relationships and clarify the circumstances in which persons and key management personnel affect related party relationships of an entity. The revised standard also introduces an exemption from the general related party disclosure requirements for transactions with a government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The accounting policy for related parties has been revised to reflect the changes in the definitions of related parties under the revised standard. The adoption of the revised standard did not have any impact on the financial position or performance of the Group. Details of the related party transactions, including the related comparative information, are included in note 37 to the financial statements.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (Continued)

(b) *Improvements to HKFRSs 2010* issued in May 2010 sets out amendments to a number of HKFRSs. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments has had a significant financial impact on the financial position or performance of the Group. Details of the key amendments most applicable to the Group are as follows:

- HKFRS 3 *Business Combinations*: The amendment clarifies that the amendments to HKFRS 7, HKAS 32 and HKAS 39 that eliminate the exemption for contingent consideration do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of HKFRS 3 (as revised in 2008).

  In addition, the amendment limits the scope of measurement choices for non-controlling interests. Only the components of non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation are measured at either fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another HKFRS.

  The amendments also added explicit guidance to clarify the accounting treatment for non-replaced and voluntarily replaced share-based payment awards.

- HKAS 1 *Presentation of Financial Statements*: The amendment clarifies that an analysis of each component of other comprehensive income can be presented either in the statement of changes in equity or in the notes to the financial statements. The Group elects to present the analysis of each component of other comprehensive income in the consolidated statement of changes in equity.

- HKAS 27 *Consolidated and Separate Financial Statements*: The amendment clarifies that the consequential amendments from HKAS 27 (as revised in 2008) made to HKAS 21, HKAS 28 and HKAS 31 shall be applied prospectively for annual periods beginning on or after 1 July 2009 or earlier if HKAS 27 is applied earlier.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements:

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards — Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*[1]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures — Transfers of Financial Assets*[1]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures — Offsetting Financial Assets and Financial Liabilities*[4]
HKFRS 9	*Financial Instruments*[6]
HKFRS 10	*Consolidated Financial Statements*[4]
HKFRS 11	*Joint Arrangements*[4]
HKFRS 12	*Disclosure of Interests in Other Entities*[4]
HKFRS 13	*Fair Value Measurement*[4]
HKAS 1 Amendments	Amendments to HKAS 1 *Presentation of Financial Statements — Presentation of Items of Other Comprehensive Income*[3]
HKAS 12 Amendments	Amendments to HKAS 12 *Income Taxes — Deferred Tax: Recovery of Underlying Asset*[2]
HKAS 19 (2011)	*Employee Benefits*[4]
HKAS 27 (2011)	*Separate Financial Statements*[4]

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

HKAS 28 (2011)	*Investments in Associates and Joint Ventures*[4]
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities*[5]
HK(IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine*[4]

[1] Effective for annual periods beginning on or after 1 July 2011
[2] Effective for annual periods beginning on or after 1 January 2012
[3] Effective for annual periods beginning on or after 1 July 2012
[4] Effective for annual periods beginning on or after 1 January 2013
[5] Effective for annual periods beginning on or after 1 January 2014
[6] Effective for annual periods beginning on or after 1 January 2015

Further information about those changes that are expected to significantly affect the Group is as follows:

(a) HKFRS 7 Amendments issue new disclosure requirements in relation to the offsetting models of financial assets and financial liabilities. The amendments also improve the transparency in the reporting of how companies mitigate credit risk, including disclosure of related collateral pledged or received. The Group expects to adopt the amendments from 1 January 2013.

(b) HKFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace HKAS 39 *Financial Instruments: Recognition and Measurement*. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of HKAS 39.

In November 2010, the HKICPA issued additions to HKFRS 9 to address financial liabilities (the "Additions") and incorporated in HKFRS 9 the current derecognition principles of financial instruments of HKAS 39. Most of the Additions were carried forward unchanged from HKAS 39, while changes were made to the measurement of financial liabilities designated at fair value through profit or loss using the fair value option ("FVO"). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in other comprehensive income ("OCI"). The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of the Additions.

HKAS 39 is aimed to be replaced by HKFRS 9 in its entirely. Before this entire replacement, the guidance in HKAS 39 on hedge accounting and impairment of financial assets continues to apply. The Group expects to adopt HKFRS 9 from 1 January 2015.

(c) HKFRS 10 establishes a single control model that applies to all entities including special purpose entities or structured entities. It includes a new definition of control which is used to determine which entities are consolidated. The changes introduced by HKFRS 10 require management of the Group to exercise significant judgement to determine which entities are controlled, compared with the requirements in HKAS 27 and HK(SIC)-Int 12 *Consolidation — Special Purpose Entities*. HKFRS 10 replaces the portion of HKAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also includes the issues raised in HK(SIC)-Int 12.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

(c) (Continued)

HKFRS 11 replaces HKAS 31 *Interests in Joint Ventures* and HK(SIC)-Int 13 *Jointly Controlled Entities — Non-Monetary Contributions by Venturers*. It describes the accounting for joint arrangements with joint control. It addresses only two forms of joint arrangements, i.e.. joint operations and joint ventures, and removes the option to account for joint ventures using proportionate consolidation.

HKFRS 12 includes the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities that are previously included in HKAS 27 *Consolidated and Separate Financial Statements*. HKAS 31 *Interests in Joint Ventures* and HKAS 28 *Investments in Associates*. It also introduces a number of new disclosure requirements for these entities.

Consequential amendments were made to HKAS 27 and HKAS 28 as a result of the issuance of HKFRS 10, HKFRS 11 and HKFRS 12. The Group expects to adopt HKFRS 10, HKFRS 11, HKFRS 12, and the consequential amendments to HKAS 27 and HKAS 28 from 1 January 2013.

(d) HKFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The standard does not change the circumstances in which the Group is required to use fair value, but provides guidance on how fair value should be applied where its use is already required or permitted under other HKFRSs. The Group expects to adopt HKFRS 13 prospectively from 1 January 2013.

(e) Amendments to HKAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items which will never be reclassified. The Group expects to adopt the amendments from 1 January 2013.

(f) HKAS 12 Amendments clarify the determination of deferred tax for investment property measured at fair value. The amendments introduce a rebuttable presumption that deferred tax on investment property measured at fair value should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, the amendments incorporate the requirement previously in HK(SIC)-Int 21 *Income Taxes — Recovery of Revalued Non-Depreciable Assets* that deferred tax on non-depreciable assets, measured using the revaluation model in HKAS 16, should always be measured on a sale basis. The Group expects to adopt HKAS 12 Amendments from 1 January 2012.

(g) HKAS 32 Amendments clarify the requirements for offsetting financial instruments. The amendments address inconsistencies in current practice when applying the offsetting criteria and clarify the meaning of "currently has a legally enforceable right of set-off" and some gross settlement systems may be considered equivalents to net settlements. The Group expects to adopt the amendments from 1 January 2014.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's profit or loss to the extent of dividends received and receivable. The Company's investments in subsidiaries that are not classified as held for sale in accordance with HKFRS 5 are stated at cost less any accumulated impairment losses.

Joint ventures

A joint venture is an entity set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture and the basis on which the assets are to be realised upon its dissolution. The profits or losses from the joint venture's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

A joint venture is treated as:

(a) a subsidiary, if the Group has unilateral control, directly or indirectly, over the joint venture;

(b) a jointly-controlled entity, if the Group does not have unilateral control, but has joint control, directly or indirectly, over the joint venture;

(c) an associate, if the Group does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture's registered capital and is in a position to exercise significant influence over the joint venture; or

(d) an equity investment accounted for in accordance with HKAS 39, if the Group holds, directly or indirectly, less than 20% of the joint venture's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations and goodwill (Continued)

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of HKAS 39, it is measured in accordance with the appropriate HKFRS.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets of the subsidiary acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person:

- (i) has controls or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Related parties (Continued)

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

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

(vi) the entity is controlled or jointly controlled by a person identified in (a); and

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

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	2.5% to 5%
Leasehold improvements	Over the lease terms
Machinery and office equipment	7.5% to $33^1/_3$%
Furniture and fixtures	9% to $33^1/_3$%
Motor vehicles	9% to 25%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the period the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment properties

Investment properties are interests in land and buildings held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purpose; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the period in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the period of the retirement or disposal.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. The useful lives of intangible assets are all assessed to be finite. Intangible assets with finite lives are subsequently amortised on the straight-line basis over their estimated useful economic lives and the principal annual rates used for this purpose are as follows:

Trademarks	10%
Sports-related business contracts	Over the contract terms

Intangible assets are assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

An intangible asset is derecognised on disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the period the intangible asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant intangible asset.

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including land use rights under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to profit or loss on the straight-line basis over the lease terms.

Land use rights under operating leases are initially stated at cost and subsequently amortised on the straight-line basis over the lease terms.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets, investment properties and goodwill), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

Investments and other financial assets

Initial recognition and measurement

Financial assets within the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets (Continued)

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

a) *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by HKAS 39. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in "Other income and gains, net" or "Other expenses" in profit or loss, as appropriate. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised when shareholders' right to receiving payment has been established and in accordance with the policies set out for "Revenue recognition" below, respectively.

Financial assets designated upon initial recognition at fair value through profit or loss are designated at the date of initial recognition and only if the criteria under HKAS 39 are satisfied.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

b) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in "Other income and gains, net" in profit or loss. The loss arising from impairment is recognised in profit or loss in "Finance costs" for loans and in "Other expenses" for receivables.

c) *Held-to-maturity investments*

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held to maturity when the Group has the positive intention and ability to hold them to maturity. Held-to-maturity investments are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in "Other income and gains, net" in profit or loss. The loss arising from impairment is recognised in profit or loss in "Other expenses".

d) *Available-for-sale investments*

Available-for-sale investments are non-derivative financial assets in unlisted equity securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated at fair value through profit or loss. After initial recognition, the available-for-sale investments are stated at cost less any accumulated impairment losses as the fair value of the unlisted investments cannot be reliably measured, which is because (a) the variability in the range of reasonable fair value estimates is significant for those investments or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to "Other expenses" in profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets (Continued)

Available-for-sale investments carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of HKAS 39 are classified as financial liabilities at fair value through profit or loss, or loans and borrowings, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value, in the case of loans and borrowings, net of directly attributable transaction costs.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss. The net fair value gain or loss recognised in profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the date of initial recognition and only if the criteria of HKAS 39 are satisfied.

Loans and borrowings

After initial recognition, loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate method amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in “Finance costs” in profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Redeemable convertible preferred shares

The component of redeemable convertible preferred shares that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs. On issuance of redeemable convertible preferred shares, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond; and this amount is carried as a non-current liability on the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option (the equity component) that is recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years.

Transaction costs are apportioned between the liability and equity components of the redeemable convertible preferred shares based on the allocation of proceeds to the liability and equity components when the instruments are initially recognised.

Upon the exercise of the conversion options, the resulting ordinary shares issued are recorded by the Company as additional share capital at the nominal value of the ordinary shares issued, and the excess of the total carrying amount of the liability and equity components of the redeemable convertible preferred shares over the nominal value of the ordinary shares issued is recorded in the share premium account. When the redeemable convertible preferred shares are redeemed, the carrying amount of the equity component is transferred to retained profits/accumulated losses as a movement in reserves and any difference between the amount paid and the carrying amount of the liability component is recognised in profit or loss. Where the conversion option remains unexercised at the expiry date, any remaining balance of the equity component of the redeemable convertible preferred shares will be transferred to retained profits/accumulated losses as a movement in reserves. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

Derivative financial instruments

Derivative financial instruments of the Group include contingent consideration in connection with the acquisition of subsidiaries and share warrants issued by the Company. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract or the host contract, as appropriate, is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets at fair value through profit or loss when the fair value is positive and as financial liabilities at fair value through profit or loss when the fair value is negative and are recognised as such in accordance with policies set out for "Financial assets" and "Financial liabilities" above.

Current versus non-current classification

Derivative instruments that are not designated as effective hedging instruments are classified as current or non-current or separated into a current or non-current portion based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows).

- Where the Group will hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the end of the reporting period, the derivative is classified as non-current (or separated into current and non-current portions) consistently with the classification of the underlying item.

- Embedded derivatives that are not closely related to the host contract are classified consistently with the cash flows of the host contract.

- Derivative instruments that are designated as, and are effective hedging instruments, are classified consistently with the classification of the underlying hedged item. The derivative instruments are separated into current portions and non-current portions only if a reliable allocation can be made.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments where there is no active market, the fair value is determined using appropriate valuation techniques. These techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and option pricing models.

Repurchase and cancellation of ordinary shares

The Company's own ordinary shares which are reacquired and simultaneously cancelled are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the repurchase and cancellation of the Company's own ordinary shares. Any difference between the carrying amount and the consideration is recognised in equity.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in "Finance costs" in profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from sports events and competitions produced or organised, when the events and competitions are completed;

(b) from sports talent management and marketing services, when services are rendered or on a time apportionment basis in accordance with the agreements or contracts entered into with sponsors and clients;

(c) rental income, on a time proportion basis over the lease terms;

(d) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold; and

(e) interest income, on an accrual basis using the effective interest rate method by applying the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Share-based payment transactions

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model or the Black-Scholes option pricing model, further details of which are given in note 31 to the financial statements.

The cost of equity-settled transactions is recognised, together with a corresponding increase in the share option reserve, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled awards are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph. All cancellations of equity-settled transaction awards are treated equally.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share-based payment transactions (Continued)

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings/losses per share.

Upon the exercise of share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. In addition, at the time share options are exercised, the amount previously recognised in the share option reserve will be transferred to the share premium account.

Options which are cancelled prior to their exercise date or lapsed are deleted from the register of outstanding options. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in the share option reserve will be transferred to retained profits/accumulated losses as a movement in reserves.

Other employee benefits

Pension scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme in Hong Kong (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for those employees which are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in central pension schemes operated by the local municipal governments. These subsidiaries are required to contribute certain percentage of their payroll costs to the central pension schemes. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension schemes.

Borrowing costs

Borrowings costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred.

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. All differences arising on settlement or translation of monetary items are taken to profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gain or loss arising on retranslation of a non-monetary item is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

The functional currency of the subsidiaries established in Mainland China is Renminbi ("RMB"). As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the end of the reporting period and their profit or loss are translated into Hong Kong dollars at the weighted average exchange rates for the year/period. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of the exchange fluctuation reserve relating to that particular foreign operation is recognised in profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of the subsidiaries established in Mainland China are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year/period are translated into Hong Kong dollars at the weighted average exchange rates for the year/period.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

(i) *Operating lease commitments — Group as lessor*

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

(ii) *Classification between investment properties and owner-occupied properties*

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

(i) Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in note 2.4 to the financial statements. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates about future cash flows expected to be arose from the cash generating unit, the timeframe for the cash flow forecast and the suitable discount rates in order to calculate the present value. In the process of estimating expected future cash flows, management makes assumptions about future revenues and profits. These assumptions relate to future events and circumstances. The actual results may vary and may cause a material adjustment to the carrying amount of goodwill within the next financial year. Determining the appropriate discount rate involves estimating the appropriate adjustment for market risk and for asset specific risk factors. The carrying amount of goodwill at 31 December 2011 was HK$425,192,000 (2010: HK$425,192,000). Further details are given in note 16 to the financial statements.

(ii) Estimation of fair value of investment properties

The fair values of the Group's investment properties are assessed by management based on the property valuation performed by independent professionally qualified valuers on an open market, existing use basis. The assumptions adopted in the property valuation are based on market conditions existing at each reporting date, with reference to comparable sales transactions and where appropriate, on the basis of capitalisation of the net income after allowances for outgoings and in some cases provisions for reversionary income potential.

(iii) Current tax and deferred tax assets

The Group is subject to income taxes in Hong Kong and Mainland China. The Group carefully evaluates tax implications of transactions in accordance with the prevailing tax regulations and makes tax provision accordingly. However, judgement is required in determining the Group's provision for income taxes as there are many transactions and calculations of which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact on the income tax and deferred tax provision in the periods in which such determination is made. The carrying amount of income tax payables, carried as liabilities in the consolidated statement of financial position as at 31 December 2011 was HK$51,567,000 (2010: Nil).

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. There was no deferred tax recognised with respect to tax losses at 31 December 2011 (2010: Nil). The amount of unrecognised tax losses as at 31 December 2011 was HK$197,621,000 (2010: HK$140,507,000). The carrying amount of deferred tax assets, which was acquired upon acquisition of a subsidiary in respect of revaluation of investment properties, carried as a non-current asset in the consolidation statement of financial position as at 31 December 2011 was HK$7,214,000 (2010: Nil). Further details are contained in note 29 to the financial statements.

(iv) Depreciation

The Group's management exercises its judgement in estimating the useful lives of the depreciable assets. The estimated useful lives reflect the management's estimate of the periods the Group intends to derive future economic benefits from the use of these assets.

The Group depreciates the property, plant and equipment in accordance with the accounting policies stated in note 2.4 to the financial statements. The carrying amount of property, plant and equipment is disclosed in note 13 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

(v) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and applicable selling expenses. These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of competitor actions in response to severe industry cycles. The Group's management will reassess the estimations at the reporting date.

(vi) Estimated impairment on receivables

The Group's management assesses the collectability of receivables. This estimate is based on the credit history of the Group's receivables and the current market condition. Impairment on receivables is made based on the estimation of the future cash flow expected to arise and the original effective interest rate in order to calculate the present value. The Group's management determines impairment of its receivables on a regular basis and reassesses the impairment of receivables at the reporting date.

(vii) Impairment of non-financial assets (other than goodwill)

The carrying amounts of items of property, plant and equipment and other intangible assets are reviewed for impairment when events or changes in circumstances indicate the carrying amounts may not be recoverable in accordance with the accounting policy as disclosed in note 2.4 to the financial statements. The recoverable amount is the higher of its fair value less costs to sell and value in use, and calculations of which involve the use of estimates. In estimating the recoverable amounts of assets, various assumptions, including future cash flows to be associated with the non-current assets and discount rates, are made. If future events do not correspond to such assumptions, the recoverable amounts will need to be revised, and this may have an impact on the Group's results of operations or financial position.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has three reportable operating segments during the year:

(a) the sports-related business segment engages in the production and distribution of sports content, management and marketing of sports talent and provision of sports consultancy service;

(b) the sports community business segment engages in the development of properties for generating rental income and/or capital appreciation potential; and

(c) the green energy business segment engages in the manufacturing, marketing and installation of proprietary energy-saving air conditioning systems and water heating equipment.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment result, which is a measure of adjusted profit or loss before tax. The adjusted profit or loss before tax is measured consistently with the Group's profit or loss before tax except that interest income, finance costs, gain on bargain purchase of a subsidiary, fair value gains from the Group's financial instruments, equity-settled share option expense, impairment of goodwill, amortisation of other intangible assets as well as head office and corporate expenses are excluded from such measurement.

4. OPERATING SEGMENT INFORMATION (Continued)

Year ended 31 December 2011	Sports-related business HK$'000	Sports community business HK$'000	Green energy business HK$'000	Elimination HK$'000	Total HK$'000
Segment revenue:					
External	72,401	3,266	4,463	—	80,130
Other revenue	—	386	960	—	1,346
Intersegment	500	—	—	(500)	—
Revenue	72,901	3,652	5,423	(500)	81,476
Segment results	18,449	(12,184)	(8,938)		(2,673)
Reconciliation:					
Bank interest income					12,192
Gain on bargain purchase of a subsidiary					105,498
Fair value gains on derivative financial asset and liabilities					41,696
Equity-settled share option expense					(36,699)
Amortisation of other intangible assets					(16,051)
Corporate and other unallocated income					189
Corporate and other unallocated expenses					(63,584)
Finance costs					(57)
Profit before tax					40,511
Other segment information:					
Depreciation	1,476	669	469	—	2,614
Add: depreciation related to corporate					881
					3,495
Amortisation of land use rights	—	—	188	—	188
Provision against slow-moving inventories	—	—	1,743	—	1,743
Impairment of items of property, plant and equipment	—	—	824	—	824
Capital expenditure*	5,628	282,038	8	—	287,674
Add: capital expenditure related to corporate*					142
					287,816

4. OPERATING SEGMENT INFORMATION (Continued)

Year ended 31 December 2010	Sports-related business HK$'000	Green energy business HK$'000	Health-related business HK$'000	Total HK$'000
Segment revenue:				
External	7,816	3,570	33	11,419
Other revenue	94	747	—	841
Revenue	7,910	4,317	33	12,260
Segment results	1,424	(17,120)	(29)	(15,725)
Reconciliation:				
Bank interest income				1,371
Fair value gains on derivative financial liabilities				41,330
Gain on derecognition of a derivative financial liability				4,181
Equity-settled share option expense				(26,053)
Impairment of goodwill				(33,000)
Amortisation of other intangible assets				(3,344)
Corporate and other unallocated income				70
Corporate and other unallocated expenses				(29,938)
Finance costs				(2,997)
Loss before tax				(64,105)
Other segment information:				
Depreciation	10	1,333	—	1,343
Add: depreciation related to corporate				280
				1,623
Amortisation of land use rights	—	114	—	114
Provision against slow-moving inventories	—	2,952	—	2,952
Write-off of inventories	—	1,830	—	1,830
Impairment of trade receivables	—	361	—	361
Write-off of other deposits	—	53	289	342
Impairment of items of property, plant and equipment	—	5,898	—	5,898
Capital expenditure*	909	86	—	995
Add: capital expenditure related to corporate*				87,373
				88,368

* Capital expenditure consists of additions to property, plant and equipment, investment properties and other intangible assets including assets from the acquisition of subsidiaries.

4. OPERATING SEGMENT INFORMATION (Continued)

Geographical information

(a) *Revenue from external customers*

	2011 HK$'000	2010 HK$'000
Hong Kong (domicile)	**2,133**	1,023
Mainland China	**77,997**	10,396
	80,130	11,419

The revenue information above is based on the location of the customers.

(b) *Non-current assets*

	2011 HK$'000	2010 HK$'000
Hong Kong (domicile)	**3,939**	3,842
Mainland China	**1,019,317**	515,722
	1,023,256	519,564

The non-current asset information above is based on the location of assets and excludes financial instruments and deferred tax assets.

Information about two major customers

For the year ended 31 December 2011, revenue of approximately HK$34,587,000 and HK$22,783,000 were derived from two individual customers of the sports-related business segment.

For the year ended 31 December 2010, revenue of approximately HK$7,083,000 and HK$1,663,000 were derived from two individual customers of the sports-related business segment and the green energy business segment, respectively.

5. REVENUE, OTHER INCOME AND GAINS, NET

Revenue, which is also the Group's turnover, represents (i) the aggregate of the invoiced value of goods sold, net of value-added tax and after allowances for returns and trade discounts; (ii) the value of services rendered, net of business tax and government surcharges; (iii) considerations received and receivable for organising events and competitions or licensing of related rights; and (iv) gross rental income received and receivable from investment properties during the year.

An analysis of the Group's revenue, other income and gains, net is as follows:

	Notes	2011 HK$'000	2010 HK$'000
Revenue			
Sports content production and distribution income		28,974	3,356
Sports talent management income		8,840	4,460
Sports consultancy service income		34,587	—
Gross rental income		3,266	—
Sale of air-conditioners and ventilation systems		4,463	3,570
Sale of western medicine and herbal products		—	33
		80,130	11,419
Other income			
Bank interest income		12,192	1,371
Others		1,535	912
		13,727	2,283
Gains, net			
Gain on bargain purchase of a subsidiary	33	105,498	—
Fair value gains on derivative financial asset and liabilities		41,696	41,330
Gain on derecognition of a derivative financial liability	30(g)(ii)	—	4,181
Foreign exchange gains, net		985	—
		148,179	45,511
		161,906	47,794

6. FINANCE COSTS

	Group 2011 HK$'000	2010 HK$'000
Imputed interest on redeemable convertible preferred shares	**—**	2,997
Interest on other loan repayable within one year (note 26)	**57**	—
	57	2,997

7. PROFIT/(LOSS) BEFORE TAX

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

	Notes	2011 HK$'000	2010 HK$'000
Cost of inventories sold		**4,248**	1,699
Cost of services provided		**34,757**	3,031
Depreciation	13	**3,495**	1,623
Amortisation of land use rights	15	**188**	114
Amortisation of other intangible assets*	17	**16,051**	3,344
Minimum lease payments under operating leases of land and buildings		**6,506**	2,675
Auditors' remuneration		**960**	860
Employee benefit expense (including directors' remuneration (note 8)):			
Wages and salaries		**45,687**	15,177
Equity-settled share option expense		**30,031**	16,960
Pension scheme contributions (defined contribution scheme)		**2,473**	423
		78,191	32,560
Impairment of items of property, plant and equipment**	13	**824**	5,898
Write-off of items of property, plant and equipment	13	**—**	96
Loss on disposal of items of property, plant and equipment		**89**	—
Impairment of goodwill**	16	**—**	33,000
Write-off of other intangible assets**	17	**6**	—
Provision against slow-moving inventories		**1,743**	2,952
Write-off of inventories		**—**	1,830
Impairment of trade receivables	21	**—**	361
Impairment of other deposits		**—**	342
Foreign exchange differences, net		**(985)**	13

* The amortisation of other intangible assets for the year is included in "Administrative expenses" on the face of the consolidated statement of comprehensive income.

** The write-off of other intangible assets and the impairment of items of property, plant and equipment, and goodwill for the year are included in "Other expenses" on the face of the consolidated statement of comprehensive income.

8. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to The Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules") and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Group 2011 HK$'000	2010 HK$'000
Fees	**1,650**	965
Other emoluments:		
Salaries, allowances and benefits in kind	**11,085**	4,843
Equity-settled share option expense	**23,508**	7,146
Pension scheme contributions	**48**	40
	34,641	12,029
	36,291	12,994

During the current and prior years, certain directors were granted share options, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in note 31 to the financial statements. The fair values of these options, which have been recognised in profit or loss over the relevant vesting periods, were determined as at the respective dates of grant and the amounts included in the financial statements for the current year are included in the above directors' remuneration disclosures.

An analysis of the directors' remuneration, on a named basis, is as follows:

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Equity-settled share option expense HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
Year ended 31 December 2011					
Executive directors:					
Mr. Li Ning (iv)	150	5,242	—	12	5,404
Mr. Li Chunyang (iv)	150	629	3,409	12	4,200
Mr. Chan Ling (iv)	150	1,048	3,409	12	4,619
Mr. Lee Wa Lun, Warren (ii)	150	—	561	—	711
Mr. Ng Chi Man, Michael (i)	150	4,166	13,324	12	17,652
	750	11,085	20,703	48	32,586
Non-executive directors:					
Mr. Li Chun (iv)	150	—	561	—	711
Mr. Ma Wing Man (iv)	150	—	561	—	711
	300	—	1,122	—	1,422
Independent non-executive directors:					
Mr. Ng Sau Kei, Wilfred (iv)	200	—	561	—	761
Mr. Ip Shu Kwan, Stephen (iv)	200	—	561	—	761
Mr. Chen, Johnny (iv)	200	—	561	—	761
	600	—	1,683	—	2,283
	1,650	11,085	23,508	48	36,291

8. DIRECTORS' REMUNERATION (Continued)

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Equity-settled share option expense HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
Year ended 31 December 2010					
Executive directors:					
Mr. Li Ning (iv)	87	2,903	—	7	2,997
Mr. Li Chunyang (iv)	87	348	1,977	7	2,419
Mr. Chan Ling (iv)	87	580	1,977	7	2,651
Mr. Lee Wa Lun, Warren (ii)	78	—	329	—	407
Mr. Ng Chi Man, Michael (i)	12	311	1,215	1	1,539
Mr. Wang Yinan (iii)	—	469	—	6	475
Mr. Fung Wing Cheung, Tony (iii)	—	58	—	3	61
Mr. Fung Yiu Fai, Peter (iii)	—	58	—	3	61
Mr. Leung King Yue, Alex (iii)	—	58	—	3	61
Ms. Lam Wing Ah (iii)	—	58	—	3	61
	351	4,843	5,498	40	10,732
Non-executive directors:					
Mr. Li Chun (iv)	87	—	329	—	416
Mr. Ma Wing Man (iv)	87	—	329	—	416
Ms. Fung Yee Kei, Kay (iii)	5	—	—	—	5
	179	—	658	—	837
Independent non-executive directors:					
Mr. Chee Man Sang, Eric (iii)	29	—	—	—	29
Ms. Lam Tak Yee (iii)	29	—	—	—	29
Mr. Tang Chi Chung, Matthew (iii)	29	—	—	—	29
Mr. Ng Sau Kei, Wilfred (iv)	116	—	330	—	446
Mr. Ip Shu Kwan, Stephen (iv)	116	—	330	—	446
Mr. Chen, Johnny (iv)	116	—	330	—	446
	435	—	990	—	1,425
	965	4,843	7,146	40	12,994

Notes:

(i) Appointed on 3 December 2010

(ii) Appointed on 24 June 2010

(iii) Resigned on 24 June 2010

(iv) Appointed on 2 June 2010

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2010: Nil).

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included four (2010: four) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining one (2010: one) non-director, highest paid employee for the year are as follows:

	Group 2011 HK$'000	Group 2010 HK$'000
Salaries, allowances and benefits in kind	**1,081**	490
Equity-settled share option expense	**3,311**	1,465
Pension scheme contributions	**12**	7
	4,404	1,962

The remuneration of the non-director, highest paid employee fell within the band of HK$4,000,001 to HK$4,500,000 (2010: HK$1,500,001 to HK$2,000,000).

During the year, share options were granted to the non-director, highest paid employee in respect of his services to the Group, further details of which are set out in note 31 to the financial statements. The fair value of these options, which has been recognised in profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above non-director, highest paid employee's remuneration disclosures.

10. INCOME TAX

No provision for Hong Kong profits tax has been made for the year ended 31 December 2011 as the Group did not generate any assessable profits arising in Hong Kong during the year (2010: Nil). The PRC corporate income tax provision in respect of operations in Mainland China is calculated at the applicable tax rates on the estimated assessable profits for the year based on existing legislation, interpretations and practices in respect thereof.

	Group 2011 HK$'000	Group 2010 HK$'000
Current — Mainland China	**4,544**	357
Deferred (note 29)	**(3,212)**	(836)
Total tax expense/(credit) for the year	**1,332**	(479)

10. INCOME TAX (Continued)

A reconciliation of the tax expense/(credit) applicable to profit/(loss) before tax at the statutory/applicable rates for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rate is as follows:

Group

	2011		2010	
	HK$'000	**%**	HK$'000	%
Profit/(loss) before tax	**40,511**		(64,105)	
At the statutory/applicable income tax rates of different jurisdictions	**15,035**	**37.1**	(10,577)	16.5
Lower tax rate enacted by local authority	**—**	**—**	(949)	1.5
Income not subject to tax	**(35,315)**	**(87.1)**	(7,736)	12.0
Expenses not deductible for tax	**8,741**	**21.5**	13,547	(21.1)
Tax losses not recognised	**12,002**	**29.6**	5,835	(9.1)
Disallowed accounting depreciation				
— permanent difference	**—**	**—**	46	(0.1)
— temporary difference	**115**	**0.3**	1	(0.0)
Tax depreciation allowance	**(47)**	**(0.1)**	(279)	0.4
Effect of withholding tax at 5% on the distributable profits of the Group's PRC subsidiaries	**801**	**2.0**	—	—
Utilisation of tax losses previously not recognised	**—**	**—**	(183)	0.3
Tax concession of a PRC subsidiary	**—**	**—**	(184)	0.3
Tax expense/(credit) at the Group's effective rate of 3.3% (2010: 0.7%)	**1,332**	**3.3**	(479)	(0.7)

11. PROFIT/(LOSS) FOR THE YEAR ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The consolidated profit attributable to shareholders of the Company for the year ended 31 December 2011 includes a loss of HK$72,065,000 (2010: HK$71,859,000) which has been dealt with in the financial statements of the Company.

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

The calculation of basic earnings/(loss) per share amounts is based on the profit/(loss) for the year attributable to shareholders of the Company, and the weighted average number of ordinary shares of 19,081,859,785 (2010: 11,127,136,271) in issue during the year.

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 years ended 31 December 2011 and 2010 as the impact of the share warrants and share options of the Company outstanding during these years had either no dilutive effect or an anti-dilutive effect on the basic earnings/(loss) per share amounts presented.

13. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings HK$'000 (note (a))	Leasehold improvements HK$'000	Machinery and office equipment HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Total HK$'000
Year ended 31 December 2011						
At 1 January 2011:						
Cost	2,702	2,487	9,317	1,212	319	16,037
Accumulated depreciation and impairment	(269)	(170)	(7,331)	(72)	(70)	(7,912)
Net carrying amount	2,433	2,317	1,986	1,140	249	8,125
Net carrying amount:						
At 1 January 2011	2,433	2,317	1,986	1,140	249	8,125
Additions	—	3,657	1,606	808	375	6,446
Acquisition of a subsidiary (note 33)	—	—	1,117	—	2,034	3,151
Depreciation provided during the year	(294)	(1,424)	(824)	(353)	(600)	(3,495)
Impairment during the year recognised in profit or loss (note (b))	—	—	(598)	(11)	(215)	(824)
Disposals	—	(39)	(236)	(39)	—	(314)
Exchange realignment	97	135	188	53	53	526
At 31 December 2011	2,236	4,646	3,239	1,598	1,896	13,615
At 31 December 2011:						
Cost	2,816	6,245	11,995	2,028	2,795	25,879
Accumulated depreciation and impairment	(580)	(1,599)	(8,756)	(430)	(899)	(12,264)
Net carrying amount	2,236	4,646	3,239	1,598	1,896	13,615

13. PROPERTY, PLANT AND EQUIPMENT (Continued)

Group (Continued)

	Buildings HK$'000 (note (a))	Leasehold improvements HK$'000	Machinery and office equipment HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Total HK$'000
Year ended 31 December 2010						
At 1 January 2010:						
Cost	2,600	69	10,912	130	308	14,019
Accumulated depreciation and impairment	(39)	—	(3,506)	(33)	(22)	(3,600)
Net carrying amount	2,561	69	7,406	97	286	10,419
Net carrying amount:						
At 1 January 2010	2,561	69	7,406	97	286	10,419
Additions	—	2,505	1,276	1,112	—	4,893
Acquisition of a subsidiary (note 33)	—	—	52	—	—	52
Depreciation provided during the year	(221)	(187)	(1,096)	(73)	(46)	(1,623)
Impairment during the year recognised in profit or loss (note (b))	—	—	(5,898)	—	—	(5,898)
Written-off	—	(70)	(15)	(11)	—	(96)
Exchange realignment	93	—	261	15	9	378
At 31 December 2010	2,433	2,317	1,986	1,140	249	8,125
At 31 December 2010:						
Cost	2,702	2,487	9,317	1,212	319	16,037
Accumulated depreciation and impairment	(269)	(170)	(7,331)	(72)	(70)	(7,912)
Net carrying amount	2,433	2,317	1,986	1,140	249	8,125

13. PROPERTY, PLANT AND EQUIPMENT (Continued)

Company

	Leasehold improvements HK$'000	Office equipment HK$'000	Furniture and fixtures HK$'000	Total HK$'000
Year ended 31 December 2011				
At 1 January 2011:				
Cost	**2,434**	**956**	**561**	**3,951**
Accumulated depreciation	**(160)**	**(83)**	**(37)**	**(280)**
Net carrying amount	**2,274**	**873**	**524**	**3,671**
Net carrying amount:				
At 1 January 2011	**2,274**	**873**	**524**	**3,671**
Additions	**9**	**123**	**10**	**142**
Depreciation provided during the year	**(488)**	**(280)**	**(113)**	**(881)**
Disposals	**—**	**(25)**	**—**	**(25)**
At 31 December 2011	**1,795**	**691**	**421**	**2,907**
At 31 December 2011:				
Cost	**2,443**	**1,048**	**571**	**4,062**
Accumulated depreciation	**(648)**	**(357)**	**(150)**	**(1,155)**
Net carrying amount	**1,795**	**691**	**421**	**2,907**
Year ended 31 December 2010				
At 1 January 2010:				
Cost	—	71	—	71
Accumulated depreciation	—	(65)	—	(65)
Net carrying amount	—	6	—	6
Net carrying amount:				
At 1 January 2010	—	6	—	6
Additions	2,434	956	561	3,951
Depreciation provided during the year	(160)	(83)	(37)	(280)
Written-off	—	(6)	—	(6)
At 31 December 2010	2,274	873	524	3,671
At 31 December 2010:				
Cost	2,434	956	561	3,951
Accumulated depreciation	(160)	(83)	(37)	(280)
Net carrying amount	2,274	873	524	3,671

Notes:

(a) The Group's buildings are situated in Mainland China and are held under medium term leases.

(b) As a result of the change in business focus and mode of operations in respect of the Group's green energy business, certain items of property, plant and equipment of the green energy business would have minimal use in future and accordingly, impairment losses of an aggregate amount of HK$824,000 (2010: HK$5,898,000) were recognised in profit or loss during the year after an impairment assessment carried out by the Group's management.

14. INVESTMENT PROPERTIES

Group

	Completed HK$'000	Under construction HK$'000	Land use rights held for future development of industrial buildings HK$'000 (note (b))	Total HK$'000
Carrying amount at 1 January 2010, 31 December 2010 and 1 January 2011	—	—	—	—
Acquisition of a subsidiary (note 33)	8,044	24,474	196,682	229,200
Additions	—	49,019	—	49,019
Transfers	74,888	(73,493)	(1,395)	—
Exchange realignment	1,294	—	4,917	6,211
Carrying amount at 31 December 2011	84,226	—	200,204	284,430

Notes:

(a) The Group's investment properties are situated in Mainland China and are held under medium term leases.

(b) Land use rights held for future development of industrial buildings are used to earn rental income and/or for capital appreciation.

(c) The Group's investment properties were initially valued at their fair values at the date of acquisition, as determined by reference to valuations performed by Savills Valuation and Professional Services Limited ("Savills"), independent professional qualified valuers, and were subsequently revalued on 31 December 2011 by Savills at HK$284,430,000. The fair value of the land use rights held for future development of industrial buildings was determined by reference to comparable market transactions. The fair value of completed investment properties was based on capitalisation of net income derived from the existing tenancies with allowance for the reversionary income potential of the properties. The fair value of investment properties under construction was determined on the basis of the residual method. However, using residual method to value investment properties under construction also requires considering the significant risks which are relevant to the development process, including but not limited to construction and letting risks.

(d) As at 31 December 2011, certain portion of the investment properties has been completed, for which the completion and acceptance certificates for construction works and the real estate title certificates have not yet been obtained by the Group. Accordingly, additional construction costs and any other associated charges may be incurred and payable to contractors and/or the relevant government authorities for the fulfillment of the completion and acceptance for construction works.

(e) The completed investment properties are leased to third parties under operating leases, further summary details of which are included in note 35(a) to the financial statements.

15. LAND USE RIGHTS

	Group 2011 HK$'000	2010 HK$'000
Carrying amount at 1 January	**5,002**	5,172
Amortisation provided during the year	**(188)**	(114)
Exchange realignment	**208**	(56)
Carrying amount at 31 December	**5,022**	5,002

The Group's land use rights are situated in Mainland China and are held under medium term leases.

16. GOODWILL

Group

	2011 HK$'000	2010 HK$'000
At 1 January:		
Cost	**458,192**	188,434
Accumulated impairment	**(33,000)**	—
Net carrying amount	**425,192**	188,434
Net carrying amount:		
At 1 January	**425,192**	188,434
Acquisition of subsidiaries (note 33)	**—**	269,758
Impairment during the year recognised in profit or loss	**—**	(33,000)
At 31 December	**425,192**	425,192
At 31 December:		
Cost	**458,192**	458,192
Accumulated impairment	**(33,000)**	(33,000)
Net carrying amount	**425,192**	425,192

Impairment testing of goodwill

The net carrying amount of the goodwill, which arose from the acquisitions of subsidiaries, has been allocated to the relevant cash-generating units of the following individual operating segments of the Group for impairment testing, which is summarised as follows:

	Notes	2011 HK$'000	2010 HK$'000
Green energy business	(a)	**155,434**	155,434
Sports-related business	(b)	**269,758**	269,758
		425,192	425,192

Each of the recoverable amounts of the above cash-generating units was determined based on the value in use calculations covering a detailed five-year financial budget plan and the estimated terminal value at the end of the five-year financial budget plan period prepared by the Group's management. There are a number of key assumptions and estimates involved in the preparation of the cash flow projections for the period covered by the Group's management prepared financial budget plans and the estimated terminal value. Key assumptions include the expected growth in revenues, stable profit margins, expectation of market share, availability of comparable products, selection of published market research discount rates as well as the risk factors associated with the cash-generating units.

Notes:

(a) Green energy business cash-generating unit

Value in use of the cash-generating unit in the green energy business was determined by reference to a business valuation performed by the Group's management using a value in use calculation which was derived at by discounting the expected future cash flow projection at a 15% discount rate (2010: 19%). The discount rate used reflects specific risks relating to the relevant segment. The Group's management has assumed a zero growth rate for first three years and estimated decline rates ranging from 4.76% to 10% for the remaining forecast period (2010: long term growth rates ranging from 3% to 5% during the forecast period) in its budget revenues which reflects the product life cycle of the cash-generating unit.

The recoverable amount of the green energy business cash-generating unit has been solely determined based on the anticipated profitability derived from using the patented technology of the Group and the supply of certain parts to produce energy saving air conditioning products by an independent third party under licensing and supply agreements entered into between the two parties. As at the date of approval of these financial statements, the aforesaid production has not yet commenced and therefore the ultimate outcome is uncertain.

16. GOODWILL (Continued)

Impairment Testing of Goodwill (Continued)

Notes: (Continued)

(a) Green energy business cash-generating unit (Continued)

The directors of the Company represent that it has been at the final stage to commercialise the development of these energy saving air-conditioning products and it is highly probable to launch these products in the near future. The expected future cash flow projection in relation to these agreements has been determined based on the best estimation of the management.

Should these products be ultimately unable to be developed and launched successfully, impairment provision would have to be made to reduce the value of the goodwill attributable to the green energy business to its recoverable amount.

Based on the impairment testing result, no impairment loss against the goodwill attributable to the green energy business cash-generating unit (2010: an impairment loss of HK$33,000,000) is considered necessary as at 31 December 2011.

(b) Sports-related business cash-generating unit

Value in use of the cash-generating unit in the sports-related business was determined by reference to a business valuation performed by the Group's management using a value in use calculation which was derived at by discounting the expected future cash flow projection at a 16.4% discount rate (2010: 19.4%). The discount rate used reflects specific risks relating to the relevant segment. The Group's management has assumed a growth rate of 20% (2010: growth rates ranging from 12% to 20%) in its budget revenues in its five-year financial budget plan which reflects the Group's management's expectation for market development in the coming years.

Based on the impairment testing result, no impairment loss against the goodwill attributable to the sports-related business cash-generating unit is considered necessary as at 31 December 2011 (2010: Nil).

17. OTHER INTANGIBLE ASSETS

Group

31 December 2011

	Sports-related business contracts HK$'000 (note)	Trademarks HK$'000	Total HK$'000
At 1 January 2011:			
Cost	83,423	6	83,429
Accumulated amortisation	(3,344)	—	(3,344)
Net carrying amount	80,079	6	80,085
Net carrying amount:			
At 1 January 2011	80,079	6	80,085
Amortisation provided during the year	(16,051)	—	(16,051)
Written-off	—	(6)	(6)
At 31 December 2011	64,028	—	64,028
At 31 December 2011:			
Cost	83,423	—	83,423
Accumulated amortisation	(19,395)	—	(19,395)
Net carrying amount	64,028	—	64,028

17. OTHER INTANGIBLE ASSETS (Continued)

Group (Continued)

31 December 2010

	Sports-related business contracts HK$'000 (note)	Trademarks HK$'000	Total HK$'000
At 1 January 2010:			
Cost and net carrying amount	—	6	6
Net carrying amount:			
At 1 January 2010	—	6	6
Acquisition of subsidiaries (note 33)	83,423	—	83,423
Amortisation provided during the year	(3,344)	—	(3,344)
At 31 December 2010	80,079	6	80,085
At 31 December 2010:			
Cost	83,423	6	83,429
Accumulated amortisation	(3,344)	—	(3,344)
Net carrying amount	80,079	6	80,085

Note: Sports-related business contracts of the Group represented certain sports talent management contracts, sport event and competition contracts acquired upon the Group's acquisition of 100% equity interest in Viva China Sports Holding Limited ("Viva China Sports") in October 2010, as further detailed in note 33(b) to the financial statements. These contracts were initially recognised at their respective fair values at the date of acquisition, as determined by reference to valuations performed by American Appraisal China Limited, independent professional valuers, and are subsequently amortised on the straight-line basis over their then respective remaining terms. At 31 December 2011, certain contracts have expired and the remaining contracts had unexpired terms ranging from six months to four years and nine months.

18. DEPOSIT PAID FOR ACQUISITION OF A LAND USE RIGHT

The balance as at 31 December 2011 represented a deposit of RMB190 million (equivalent to approximately HK$230 million) paid to Shenyang Planning and Land and Resources Bureau (the "Land Bureau") for the acquisition of the Changbai Land (as defined in note 2.1 to the financial statements). The deposit will be applied as part of the consideration payment. As at 31 December 2011 and the date of approval of these financial statements, the Group has not yet signed the relevant sales and purchase agreement and has not settled the remaining consideration payment, and therefore the land certificate of the Changbai Land has not yet been obtained.

The unpaid portion, pursuant to the corresponding bidding confirmation (the "Bidding Confirmation") entered into between the Group and the Land Bureau on 11 May 2011, amounted to RMB816 million (equivalent to approximately HK$1,008 million) and was disclosed as a capital commitment (note 36 to the financial statements). Pursuant to the Bidding Confirmation, the unpaid portion was due to be settled before the end of the reporting period and as a result, the Group may be held liable to claims of late payment penalties, forfeiture of deposits and other damages from the Land Bureau. By reference to a legal opinion, the directors of the Company estimate the claims, if any, would only be limited to RMB190 million (equivalent to approximately HK$230 million) representing the forfeiture of the deposit.

Taking into consideration the capital requirement of the Changbai Land project, the Company is repositioning its strategy for the project. Currently, the Company is actively in search for parties either to co-develop the project with the Group, or to buy out the entire project from the Group or directly from the Land Bureau. The Group will also consider canceling the Bidding Confirmation, provided that the cancellation will not attract material claims from the Land Bureau. Furthermore, as at the end of the reporting period and at the date of approval of these financial statements, neither demand note nor indictment from the Land Bureau in respect of the Group not fulfilling the Bidding Confirmation has been received by the Group. Therefore, the directors of the Company considered that no impairment is needed for the aforesaid deposit.

19. INTERESTS IN SUBSIDIARIES

	Notes	Company 2011 HK$'000	2010 HK$'000
Investments in subsidiaries, included in non-current assets			
Unlisted shares, at cost		**337,960**	337,960
Due from subsidiaries, included in current assets	(a)	**1,183,543**	693,324
Less: Impairment	(b)	**(344,710)**	(344,759)
		838,833	348,565
Due to subsidiaries, included in current liabilities	(a)	**(4,011)**	—
Interests in subsidiaries		**1,172,782**	686,525

Notes:

(a) The amounts due from/to subsidiaries included in the Company's current assets and current liabilities are unsecured, interest-free and have no fixed terms of repayment.

(b) The movement in the provision for impairment of the amounts due from subsidiaries during the year is as follows:

	Company 2011 HK$'000	2010 HK$'000
At 1 January	**344,759**	166,272
Impairment/(reversal of impairment) recognised during the year in profit or loss	**(49)**	178,487
At 31 December	**344,710**	344,759

(c) Particulars of the principal subsidiaries are as follows:

Company name	Place of incorporation/ registration and place of operations	Nominal value of issued ordinary shares/ paid up registered capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Winner Rich Investment Limited	Hong Kong	HK$1	100	—	Provision of treasury service
Viva China Sports Holding Limited	Hong Kong	HK$100,000	100	—	Investment holding and sports talent management
Viva China Community Development Holdings Limited#	BVI	US$1	100	—	Investment holding
Viva China Community Development (Shenyang Changbai) Holdings Limited#	BVI	US$1	—	100	Investment holding
Viva China Nanyang Community Development Holdings Limited	Hong Kong	HK$10,000	—	100	Investment holding
Coolpoint Energy (Hong Kong) Limited	BVI/Hong Kong	US$1	100	—	Investment holding
Coolpoint Equipment (HK) Limited	Hong Kong	HK$1	—	100	Sale and marketing of energy-saving equipment

19. INTERESTS IN SUBSIDIARIES (Continued)

Notes: (Continued)

(c) (Continued)

Company name	Place of incorporation/ registration and place of operations	Nominal value of issued ordinary shares/ paid up registered capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Coolpoint Ventilation Equipment Limited	Hong Kong	HK$42,232,017	—	96.72	Investment holding and sale of energy-saving equipment
Fully Link Company Limited#	BVI/Hong Kong	US$1	—	100	Holding of trademarks and patents
非凡領越體育發展(北京)有限公司 ("Viva Beijing")#*	PRC/Mainland China	HK$40,100,000**	—	100	Sports talent management, competition and event production and management, and sports consultancy service
瀋陽兆環現代建築產業園有限公司 ("Shenyang Zhaohuan")#*@	PRC/Mainland China	RMB100,000,000	—	100	Properties holding and leasing of investment properties
中山市快意空調設備有限公司#&	PRC/Mainland China	HK$33,473,906	—	74.37	Research and development of energy-saving equipment
快意節能設備(深圳)有限公司#* ("Coolpoint SZ")	PRC/Mainland China	HK$4,480,000**	—	100	Installation and sale of energy-saving equipment

Not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network

& This entity is registered as a Sino-foreign joint venture under PRC Law

* These entities are registered as wholly-foreign-owned enterprises under PRC law

@ Acquired during the year

** The registered capital of Viva Beijing and Coolpoint SZ are HK$50,000,000 and HK$20,000,000, respectively.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

In 2011, the Group acquired the entire equity interest in Shenyang Zhaohuan, further details of this acquisition are included in note 33 to the financial statements.

20. INVENTORIES

	Group 2011 HK$'000	2010 HK$'000
Raw materials	**858**	1,804
Finished goods	**1,604**	3,060
	2,462	4,864

21. TRADE RECEIVABLES

The Group's trading terms with its customers are mainly on credit, generally one month, extending up to four months for major customers. Each customer has a maximum credit limit. Overdue balances are reviewed regularly by senior management. In the opinion of the directors of the Company, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest bearing.

An aged analysis of the trade receivables that are not considered to be impaired as at the end of the reporting period, based on the payment due date, is as follows:

	Group	
	2011	2010
	HK$'000	HK$'000
Neither past due nor impaired	**7,141**	1,003
Less than 3 months past due	**3,107**	22
3 to 6 months past due	**1,288**	—
	11,536	1,025

The movements in provision for impairment of trade receivables during the year are as follows:

	Group	
	2011	2010
	HK$'000	HK$'000
At 1 January	**—**	—
Impairment during the year recognised in profit or loss (note 7)	**—**	361
Amount written off as uncollectible	**—**	(361)
At 31 December	**—**	—

Receivables that were neither past due nor impaired relate to diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

Included in the Group's trade receivables is an amount of HK$850,000 (2010: Nil) due from a related company, which is repayable on similar credit terms to those offered by the Group to major customers.

22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Prepayments	**6,971**	874	**553**	451
Deposits and other receivables	**11,668**	2,798	**2,773**	1,729
	18,639	3,672	**3,326**	2,180

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

23. CASH AND BANK BALANCES

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and bank balances other than time deposits	**93,837**	116,104	**23,984**	113,398
Time deposits with original maturity of less than three months when acquired	**1,026,887**	1,395,875	**600,000**	1,050,000
Cash and bank balances	**1,120,724**	1,511,979	**623,984**	1,163,398

As at 31 December 2011, cash and bank balances of the Group denominated in RMB amounted to approximately HK$87,697,000 (2010: HK$36,283,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Bank balances other than time deposits earn interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

24. TRADE PAYABLES

The trade payables of the Group as at 31 December 2011 and 2010 were all aged within three months, as determined based on the invoice date. They are non-interest-bearing and are normally settled on terms ranging from 30 to 60 days.

25. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Accruals	**15,907**	4,916	**4,340**	3,687
Other payables	**27,415**	1,895	**—**	—
	43,322	6,811	**4,340**	3,687

Other payables are non-interest-bearing and are normally settled on an average term of three months.

26. OTHER LOAN

The balance is unsecured, bears interest at 8% per annum and is repayable on demand.

27. DUE TO A NON-CONTROLLING EQUITY HOLDER

The balance is unsecured, interest free and has no fixed terms of repayment.

28. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial asset

The derivative financial asset of the Group as at 31 December 2011 represented the profit guarantee (the "Profit Guarantee") provided by the vendors to the Company in respect of the acquisition of Viva China Sports and its subsidiaries (collectively the "Viva China Sports Group") in 2010. The vendors undertake that the audited consolidated net profit of the Viva China Sports Group shall not be less than HK$30,000,000, HK$40,000,000 and HK$50,000,000 for the year ended 31 December 2011, and the years ending 31 December 2012 and 2013, respectively, and will compensate the Company for any shortfall between the guaranteed profits and the actual profits for the relevant years. Further details of the acquisition of the Viva China Sports Group are included in note 33(b) to the financial statements. The Profit Guarantee represents a right to the return of previously transferred consideration for the acquisition of the Viva China Sports Group when the specified conditions are met and hence constitutes a kind of contingent consideration arrangement to be accounted for as a financial asset at fair value through profit or loss in accordance with HKFRS 3 and HKAS 39. The Profit Guarantee was initially recognised in the consolidated statement of financial position at the acquisition-date fair value of HK$5,877,000, as determined by reference to a valuation performed by American Appraisal China Limited, independent professionally qualified valuers. As at 31 December 2010, in the opinion of the directors, there was no significant change in the fair value of the Profit Guarantee from the initial recognised amount. For the purpose of the preparation of these consolidated financial statements, the fair value of the Profit Guarantee is determined to be HK$30,431,000 by the directors of the Company as at 31 December 2011, based on the unaudited consolidated net profit of the Viva China Sports Group for the year ended 31 December 2011 and its financial budget plans for 2012 and 2013. Accordingly, a fair value gain on the derivative financial asset of HK$24,554,000 (2010: Nil) was recognised in profit or loss during the year ended 31 December 2011.

The directors of the Company are of the opinion that no provision for impairment is necessary in respect of the Profit Guarantee as, pursuant to the relevant acquisition agreement, the balance has not become due as at 31 December 2011 and the date of approval of these financial statements. Moreover, the directors of the Company have assessed the recoverability of the balance, based on their knowledge of the financial position of the vendors as at the end of the reporting period, nothing has come to their attention that there has been a significant deterioration in the credit quality of the vendors. As a result, the balance is considered fully recoverable.

28. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

Derivative financial liabilities

The derivative financial liabilities of the Group and the Company as at 31 December 2011 are 314,519,000 warrants of the Company (the "Share Warrants") issued by the Company to certain independent third parties on 2, 3 and 9 November 2010, as further detailed in note 30(d) to the financial statements. The movements of the number of the Share Warrants and their corresponding carrying amounts during the years ended 31 December 2011 and 2010 are as follows:

		Group and Company	
	Notes	Number of Share Warrants	Carrying amount HK$'000
At 1 January 2010		—	—
Issue of Share Warrants (note 30(d))	(a), (b)	314,519,000	58,534
Fair value gain on revaluation recognised in profit or loss	(b)	—	(41,330)
At 31 December 2010 and 1 January 2011		314,519,000	17,204
Fair value gain on revaluation recognised in profit or loss	(b)	—	(17,142)
At 31 December 2011		314,519,000	62

Notes:

(a) Each Share Warrant carries the right to subscribe for one ordinary share of the Company at HK$0.80 per share, subject to adjustments in certain events, at any time within 30 months from the date of issue.

(b) Based on the terms and conditions of the Share Warrants, the Share Warrants are classified as derivative financial instruments (financial liabilities at fair value through profit or loss) in these financial statements and recognised in the statements of financial position at fair value. The fair values of the Share Warrants as at 31 December 2011 were estimated by the directors of the Company while the fair values as at their respective dates of issue and 31 December 2010 were determined by reference to valuations performed by American Appraisal China Limited, independent professionally qualified valuers.

29. DEFERRED TAX

Net deferred tax assets/(liabilities) recognised in the consolidated statement of financial position are as follows:

Group

	2011 HK$'000	2010 HK$'000
Deferred tax assets	**7,214**	—
Deferred tax liabilities	**(16,808)**	(20,020)
	(9,594)	(20,020)

The components of deferred tax assets and liabilities and their movements during the year are as follows:

Group

	Notes	**Fair value adjustments arising from acquisition of subsidiaries** HK$'000	**Withholding taxes** HK$'000	**Net deferred tax assets/ (liabilities)** HK$'000
At 1 January 2010		—	—	—
Acquisition of subsidiaries	33	(20,856)	—	(20,856)
Deferred tax credited to profit or loss during the year	10	836	—	836
At 31 December 2010 and 1 January 2011		(20,020)	—	(20,020)
Acquisition of a subsidiary	33	7,214	—	7,214
Deferred tax credited/(charged) to profit or loss during the year	10	4,013	(801)	3,212
At 31 December 2011		(8,793)	(801)	(9,594)

Notes:

(a) As at 31 December 2011, the Group has tax losses arising in Hong Kong of approximately HK$187,786,000 (2010: HK$140,507,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. The Group also has tax losses arising in the PRC of HK$9,835,000 (2010: Nil) that will expire within five years to offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses as they have arisen in companies that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

(b) Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5% or 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1January 2008.

As at 31 December 2011, a deferred tax liability of HK$801,000 (2010: Nil) has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China.

30. SHARE CAPITAL

Shares

	Notes	2011 No. of shares	2011 Nominal value HK$'000	2010 No. of shares	2010 Nominal value HK$'000
Authorised:					
Ordinary shares of HK$0.01 each ("Ordinary Shares")	(a)	**45,000,000,000**	**450,000**	45,000,000,000	450,000
Redeemable convertible preferred shares of HK$0.01 each ("Preferred Shares")	(a)	**6,000,000,000**	**60,000**	6,000,000,000	60,000
Total		**51,000,000,000**	**510,000**	51,000,000,000	510,000
Issued and fully paid:					
Ordinary Shares		**19,081,859,785**	**190,818**	19,081,859,785	190,818

A summary of the movements in the Company's issued share capital during the years ended 31December 2011 and 2010 is as follows:

Ordinary Shares

	Notes	Number of Ordinary Shares in issue	Issued capital HK$'000	Share premium account HK$'000	Total HK$'000
At 1 January 2010		3,311,916,027	33,119	605,435	638,554
Allotment of Ordinary Shares for the acquisition of subsidiaries	(c)	590,000,000	5,900	331,658	337,558
Allotment of Ordinary Shares for cash	(d)	629,038,000	6,290	324,704	330,994
Placement of Ordinary Shares	(e)	1,160,000,000	11,600	746,709	758,309
Exercise of share options	(b)	224,000,000	2,240	37,831	40,071
Repurchase and cancellation of Ordinary Shares	(f)	(160,654,000)	(1,607)	(50,274)	(51,881)
Issue of Ordinary Shares upon conversion of Preferred Shares	(g)	13,327,559,758	133,276	260,800	394,076
At 31 December 2010, 1 January 2011 and 31 December 2011		19,081,859,785	190,818	2,256,863	2,447,681

30. SHARE CAPITAL (Continued)

Shares (Continued)

Preferred Shares

	Note	Number of preferred shares	Financial liability stated at amortised cost HK$'000
At 1 January 2010		—	—
Issue of Preferred Shares	(g)	5,479,452,054	391,079
Imputed interest during the year recognised in profit or loss (note 6)		—	2,997
Conversion to Ordinary Shares	(g)	(5,479,452,054)	(394,076)
At 31 December 2010, 1 January 2011 and 31 December 2011		—	—

Notes:

(a) Pursuant to an ordinary resolution of the Company's shareholders passed on 25 May 2010, the Company's authorised share capital was increased from HK$50,000,000 to HK$510,000,000 by the creation of an additional 40,000,000,000 Ordinary Shares and 6,000,000,000 Preferred Shares. The Ordinary Shares rank pari passu with the then existing Ordinary Shares of the Company in all respects. The Preferred Shares do not carry the right to vote in shareholders' meetings and will rank prior to the Ordinary Shares in the event of liquidation.

(b) The subscription rights attaching to 224,000,000 share options were exercised during the year ended 31 December 2010 at an average subscription price of approximately HK$0.1226 per Ordinary Share, resulting in the issue of 224,000,000 Ordinary Shares for a total cash consideration of HK$27,458,000. At the time when the share options were exercised, the fair values of these share options in an aggregate amount of HK$12,613,000 previously recognised in the share option reserve were transferred to the share premium account.

(c) Pursuant to an acquisition agreement entered into between the Company and two independent third parties on 31 August 2010, 590,000,000 new Ordinary Shares were issued on 12 October 2010 as the consideration for the acquisition of the entire equity interest in Viva China Sports. The fair value of these Ordinary Shares at the date of acquisition of 12 October 2010, determined by reference to a valuation performed by American Appraisal China Limited, independent professionally qualified valuers, amounted to approximately HK$337,960,000. The related transaction costs amounting to HK$402,000 have been netted off with the deemed proceeds. Further details of the transaction are set out in note 33(b) to the financial statements.

(d) Pursuant to three subscription agreements entered into between the Company and eight independent third parties (the "Subscribers") on 25 October 2010, (i) 467,748,000 and 161,290,000 new Ordinary Shares were allotted and issued to the Subscribers on 3 and 9 November 2010, respectively, at a subscription price of HK$0.62 per Ordinary Share for a total cash consideration, before any issuance expenses, of HK$390,004,000, for the purpose of providing additional working capital to the Group; and (ii) in consideration of the Subscribers entering into the subscription agreements, 201,616,000, 32,258,000 and 80,645,000 Share Warrants of the Company conferring the rights to subscribe for an initial aggregate of 314,519,000 new Ordinary Shares at an initial exercise price of HK$0.80 each (subject to adjustments in certain events) were issued to the Subscribers on 2, 3 and 9 November 2010, respectively, at nil consideration. Further details of the subscription agreements were set out in the Company's announcement dated 25 October 2010.

The net proceeds to the Company in respect of the issue of the new Ordinary Shares under the subscription agreements amounted to HK$389,528,000 (net of transaction costs of HK$476,000), which have been apportioned between the Ordinary Shares and the Share Warrants issued for accounting purposes. Based on the terms and conditions of the Share Warrants, the Share Warrants were designated as financial liabilities at fair value through profit or loss (note 28) and were initially recognised in the statements of financial position as derivative financial liabilities at their fair value of HK$58,534,000 at the date of issuance. The remainder of the net proceeds of HK$330,994,000, being the difference between the total net proceeds and the initial fair value of the Share Warrants recognised, was allocated to Ordinary Shares.

(e) Pursuant to a placing and subscription agreement entered into between the Company, Lead Ahead (the ultimate holding company) and two placing agents on 26 October 2010, a total of 1,160,000,000 Ordinary Shares were issued to Lead Ahead on 1 November 2010 at the subscription price of HK$0.67 per Ordinary Share for total net proceeds of HK$758,309,000 (net of transaction costs of HK$18,891,000). The purpose of the share placement was to provide additional working capital to the Group.

30. SHARE CAPITAL (Continued)

Shares (Continued)

Notes: (Continued)

(f) During the year ended 31 December 2010, the Company repurchased a total of 160,654,000 Ordinary Shares on the Stock Exchange and these Ordinary Shares were subsequently cancelled by the Company on 3 January 2011. These Ordinary Shares are deemed to be automatically cancelled upon their repurchase for presentation in the above table. The summary details of these transactions are as follows:

Month of repurchase	Number of Ordinary shares repurchased during the year ended 31 December 2010	Price per Ordinary Share Highest	Lowest	Total consideration paid
		HK$	HK$	HK$'000
December 2010	160,654,000	0.37	0.28	51,881

(g) Pursuant to a subscription agreement entered into between the Company and Lead Ahead on 8 April 2010, 5,479,452,054 Preferred Shares were issued to Lead Ahead on 31 May 2010 at a subscription price of HK$0.073 per Preferred Share for total net proceeds of HK$395,260,000 (net of transaction costs of HK$4,740,000), for the purpose of the development of the green energy business of the Group as well as expanding into other businesses. Below is the summary of the key terms of the Preferred Shares:

- In each fiscal year, a holder of the Preferred Shares will receive a cumulative dividend from time to time payable out of any funds legally available therefor, prior to and in preference to any dividends on any Ordinary Shares and shares of any other class in the capital of the Company, at the rate of 10% per annum on the subscription price of the Preferred Shares.

- The Preferred Shares are convertible into Ordinary Shares of the Company at an initial conversion ratio of one, subject to adjustments in certain events, during a 9-year period ending on 31 May 2019.

- In certain circumstances, the Preferred Shares could be redeemed by the holder of the Preferred Shares, in whole or in part, at a price equal to (a) 100% of the subscription price of the Preferred Shares plus (b) an amount which would give the holder an internal rate of return of 10.38% per annum in respect of the subscription price of such number of issued and outstanding Preferred Shares calculated from the date of subscription to the maturity date of 31 May 2019, without taking into account any dividends that may have been paid or to be paid.

In addition, in connection with the aforesaid subscription of the Preferred Shares, the two parties also entered into a supplemental agreement to the subscription agreement on 9 April 2010, pursuant to which the Company and Lead Ahead agreed that at nil consideration, (i) Lead Ahead will be entitled to demand the issue of (the "Lead Ahead CB Option"), and (ii) the Company will be entitled to issue to Lead Ahead (the "Viva China CB Option") convertible bonds with an aggregate principal amount of HK$300,000,000 which can be convertible at the option of the bondholder into the Company's Ordinary Shares at an initial conversion price of HK$0.073 each, subject to adjustments in certain events, during an original five-year period ending on 24 June 2015. The Lead Ahead CB Option was subsequently cancelled and the exercise period of the Viva China CB Option was revised to a two-year period ending on 24 June 2012 pursuant to a supplementary deed entered into between the two parties on 28 July 2010.

Details of the above transactions are set out in the Company's circular and announcement dated 3 May 2010 and 28 July 2010, respectively.

The net proceeds of HK$395,260,000 from the issue of the 5,479,452,054 Preferred Shares had been allocated to the following components for accounting purposes:

	Notes	Type of financial instruments	HK$'000
Liability component of the Preferred Shares	(i)	Loans and borrowings	391,079
Equity component of the Preferred Shares	(i)	Equity instrument	—
Lead Ahead CB Option	(ii)	Derivative financial liability	4,181
Viva China CB Option	(iii)	Derivative financial asset	—
			395,260

30. SHARE CAPITAL (Continued)

Shares (Continued)

Notes: (Continued)

(g) (Continued)

Notes:

(i) Based on the terms and conditions of the Preferred Shares, the Preferred Shares are bifurcated into a liability component and an equity component as further described in the accounting policy for "Redeemable convertible preferred shares" set out in note 2.4 to the financial statements. No value has been allocated to the equity component of the Preferred Shares upon initial recognition because the total value of the liability component and the Lead Ahead CB Option is more than the total net proceeds.

All the Preferred Shares have been converted into 13,327,559,758 Ordinary Shares of the Company during the year ended 31 December 2010. The difference of HK$260,800,000 between the nominal value of the Ordinary Shares issued and the aggregate carrying amount of the liability component of the Preferred Shares of HK$394,076,000 at the dates of conversion was transferred to the Company's share premium account.

(ii) The Lead Ahead CB Option was derecognised upon its cancellation pursuant to the supplementary deed entered into between the Company and Lead Ahead on 28 July 2010. Accordingly, a gain on derecognition of a derivative financial liability of HK$4,181,000 was recognised in profit or loss during the year ended 31 December 2010 (note 5 to the financial statements).

(iii) In the opinion of the directors of the Company, the fair value of the Viva China CB Option as at the date of issue and as at 31 December 2010 was not significant as it was deeply out of money as at these dates. At 31 December 2011, the fair value of the Viva China CB option, as determined by reference to valuation performed by American Appraisal China Limited, independent professional valuers, was also not significant.

Share Options

Details of the Company's share option scheme and the share options issued under the scheme are included in note 31 to the financial statements.

Share Warrants

Details of the Company's Share Warrants are included in note 28 to the financial statements.

31. SHARE OPTION SCHEME

On 29 June 2010, the Company passed an ordinary resolution to adopt a share option scheme (the "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 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 or a committee comprising directors and members of the senior management of the Company (the "Committee") (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 of directors or the Committee (as the case may be) may think fit. The Scheme will remain in force for period of ten years commencing on 29 June 2010.

The overall limit on the number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option schemes of the Company must not, in aggregate, exceed 30% of the number of shares in issue from time to time. In addition, the total number of shares which may be issued upon exercise of all options granted together with all options to be granted under the Scheme and any other share option schemes of the Company must not, in aggregate, exceed 10% of the nominal amount of all the shares in issue as at the date of adoption of the Scheme (the "Scheme Mandate Limit"). The Company may, from time to time, refresh the Scheme Mandate Limit by obtaining the approval of the shareholders in general meeting. Once refreshed, the total number of shares which may be issued upon exercise of all options to be granted under the Scheme and all other share option schemes of the Company under the limit, as refreshed, must not exceed 10% of the number of shares in issue as at the date of approval of the refreshment by the shareholders of the Company.

31. SHARE OPTION SCHEME (Continued)

As at the date of this report, the total number of shares available for issue under the Scheme is 1,349,384,602 representing 7% of the existing issued share capital of the Company. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue as at the proposed date of grant. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

The offer of a grant of share options under the Scheme may be accepted within 28 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the board of directors or the Committee, save that such period shall not be more than 10 years from the date of grant. Unless the board of directors may otherwise determine, there is no minimum period required under the Scheme for the holding of an option before it can be exercised.

The exercise price of share options is determinable by the board of directors or the Committee, but shall be at least the highest of (i) the Stock Exchange closing price of the Company's Ordinary Shares on the date of offer of the share options; (ii) the average Stock Exchange closing price of the Company's Ordinary Shares for the five trading days immediately preceding the date of grant; and (iii) the nominal value of the Ordinary Shares.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

The following share options were outstanding under the Scheme during the year:

	Notes	**Weighted average exercise price** (HK$ per share)	**Number of options** '000
At 1 January 2010		—	—
Granted during the year	(a)	0.794	376,400
Cancelled during the year	(b)	0.830	(2,250)
At 31 December 2010 and 1 January 2011		0.794	374,150
Granted during the year	(a)	0.150	656,250
Forfeited during the year	(b)	0.772	(73,700)
At 31 December 2011	(c)	0.354	956,700

Notes:

(a) The fair values of the share options granted under the Scheme during the year ended 31 December 2011 were HK$16,563,000 (2010: HK$95,517,000) in aggregate, which were estimated as at the respective dates of grant using a binominal model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	2011	2010
Dividend yield (%)	**—**	—
Expected volatility (%)	**47**	61.63–66.15
Expected life of options (years)	**2**	2.5–7.5
Risk-free interest rate (%)	**0.17**	0.68–1.66
Weighted average share price (HK$ per share)	**0.09**	0.58

The expected life of the share options is based on the historical data over the past three years and is not necessarily indicative of the exercise patterns that may occur. No other feature of the share options granted was incorporated into the measurement of fair value.

Equity-settled share option expense of HK$36,699,000 (2010: HK$26,053,000) was recognised in profit or loss during the year ended 31 December 2011 in respect of the share options granted under the Scheme.

31. SHARE OPTION SCHEME (Continued)

Notes: (Continued)

(b) 73,700,000 share options granted under the Scheme were forfeited during the year ended 31 December 2011 upon the resignation of certain employees during that year while 2,250,000 share options were cancelled during the year ended 31 December 2010.

(c) As at 31 December 2011 and at the date of approval of these financial statements, the Company had 956,700,000 share options outstanding under the Scheme, which represented approximately 5.01% of the Ordinary Shares in issue as at these dates.

(d) The exercise prices and exercise periods of the share options outstanding under the Scheme as at the end of the reporting period are as follows:

2011 Number of options ('000)	**Exercise price* (HK$ per share)**	**Exercise period**
68,666	**0.78**	**2 Jul 2011 to 1 Jul 2016**
68,667	**0.78**	**2 Jul 2012 to 1 Jul 2017**
68,667	**0.78**	**2 Jul 2013 to 1 Jul 2018**
13,050	**0.83**	**6 Sep 2011 to 5 Sep 2016**
13,050	**0.83**	**6 Sep 2012 to 5 Sep 2017**
13,050	**0.83**	**6 Sep 2013 to 5 Sep 2018**
31,000	**0.83**	**6 Sep 2014 to 5 Sep 2019**
26,000	**0.83**	**6 Sep 2015 to 5 Sep 2020**
304,000	**0.15**	**20 Sep 2011 to 19 Sep 2015**
350,550	**0.15**	**20 Sep 2011 to 19 Sep 2017**
956,700		

2010 Number of options ('000)	Exercise price* (HK$ per share)	Exercise period
50,000	0.78	2 Jul 2010 to 1 Jul 2015
72,666	0.78	2 Jul 2011 to 1 Jul 2016
72,667	0.78	2 Jul 2012 to 1 Jul 2017
72,667	0.78	2 Jul 2013 to 1 Jul 2018
13,050	0.83	6 Sep 2011 to 5 Sep 2016
13,050	0.83	6 Sep 2012 to 5 Sep 2017
13,050	0.83	6 Sep 2013 to 5 Sep 2018
36,000	0.83	6 Sep 2014 to 5 Sep 2019
31,000	0.83	6 Sep 2015 to 5 Sep 2020
374,150		

* The exercise price of the share options is subject to adjustment in the event of any capitalisation issue, rights issue, consolidation, sub-division or reduction of the share capital of the Company (other than an issue of Ordinary Shares as consideration in respect of a transaction).

The exercise in full of the outstanding share options as at 31 December 2011 under the Scheme would, under the present capital structure of the Company, result in the issue of 956,700,000 additional Ordinary Shares and additional share capital of HK$9,567,000 and share premium of HK$329,105,000, before taking into account any transfer of share option reserve to the share premium account.

32. RESERVES

(a) Group

(i) The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity.

(ii) The share option reserve comprises the fair value of share options vested which are yet to be exercised, as further explained in the accounting policy of share-based payment transactions in note 2.4 to the financial statements. The amount will either be transferred to the share premium account when the related share options are exercised, or transferred to retained profits/accumulated losses should the related share options lapse or be forfeited.

(b) Company

	Notes	**Share premium account** HK$'000	**Share option reserve** HK$'000	**Accumulated losses** HK$'000	**Total** HK$'000
At 1 January 2010		605,435	12,613	(388,505)	229,543
Loss for the year and total comprehensive loss for the year		—	—	(250,346)	(250,346)
Allotment of Ordinary Shares for the acquisition of subsidiaries	30(c)	331,658	—	—	331,658
Allotment of Ordinary Shares for cash	30(d)	324,704	—	—	324,704
Placement of Ordinary Shares	30(e)	746,709	—	—	746,709
Exercise of share options	30(b)	37,831	(12,613)	—	25,218
Repurchase and cancellation of Ordinary Shares	30(f)	(50,274)	—	—	(50,274)
Issue of Ordinary Shares upon conversion of Preferred Shares	30(g)	260,800	—	—	260,800
Equity-settled share option arrangements	31(a)	—	26,053	—	26,053
At 31 December 2010 and 1 January 2011		2,256,863	26,053	(638,851)	1,644,065
Loss for the year and total comprehensive loss for the year		—	—	(72,016)	(72,016)
Equity-settled share option arrangements	31(a)	—	36,699	—	36,699
Transfer of share option reserve upon forfeiture of share options		—	(1,650)	1,650	—
At 31 December 2011		**2,256,863**	**61,102**	**(709,217)**	**1,608,748**

Under the Companies Law (Revised) of the Cayman Islands, the share premium account of the Company is available for distributions or payment of dividends to shareholders of the Company subject to the provisions of the Company's articles of association and provided that immediately following the distribution of dividends, the Company is able to pay off its debts as and when they fall due in the ordinary course of business.

33. BUSINESS COMBINATIONS

The fair values of the identifiable assets and liabilities of the subsidiaries acquired during the years ended 31 December 2011 and 2010 as at their respective dates of acquisition were as follows:

	Notes	**2011 HK$'000 (note (a))**	2010 HK$'000 (note (b))
Property, plant and equipment	13	**3,151**	52
Investment properties	14	**229,200**	—
Other intangible assets	17	**—**	83,423
Deferred tax assets	29	**7,214**	—
Trade receivables		**102**	234
Prepayments, deposits and other receivables		**20,806**	100
Cash and bank balances		**4,563**	6,241
Trade payables		**—**	(4,966)
Other payables and accruals		**(16,853)**	(1,903)
Income tax payable		**(45,853)**	—
Deferred tax liabilities	29	**—**	(20,856)
Total identifiable net assets at fair value		**202,330**	62,325
Gain on bargain purchase of the subsidiary	5	**(105,498)**	—
Goodwill on acquisition	16	**—**	269,758
		96,832	332,083
Satisfied by:			
Cash		**96,832**	—
Allotment of new Ordinary Shares		**—**	337,960
Profit Guarantee classified as a derivative financial asset	28	**—**	(5,877)
		96,832	332,083

An analysis of the cash flows in respect of the acquisition of subsidiaries is as follows:

	2011 HK$'000	2010 HK$'000
Cash and bank balances acquired	**4,563**	6,241
Cash consideration	**(96,832)**	—
Net inflow/(outflow) of cash and cash equivalents included in cash flows from/(used in) investing activities	**(92,269)**	6,241
Transaction costs for the acquisition included in cash flows used in operating activities	**(2,360)**	(402)
	(94,629)	5,839

Since its acquisition, the subsidiary acquired during the year contributed HK$3,266,000 (2010: HK$7,816,000) to the Group's revenue and had a loss of HK$5,021,000 (2010: a profit of HK$1,424,000) dealt with in the Group's results for the year ended 31 December 2011.

33. BUSINESS COMBINATIONS (Continued)

Had the combination taken place at the beginning of the year, the revenue of the Group and the profit of the Group for the year would have been HK$80,216,000 (2010: HK$12,924,000) and HK$38,664,000 (2010: loss of HK$64,334,000), respectively.

None of the goodwill recognised is expected to be deductible for income tax purposes.

Notes:

(a) Pursuant to an acquisition agreement entered into between the Company and two independent third parties on 4 March 2011, the Company acquired the entire interest in Shenyang Zhaohuan in April 2011, for an aggregate consideration of RMB100 million (equivalent to approximately HK$119.5 million), out of which (i) RMB81 million (equivalent to approximately HK$96.8 million) was paid to the vendor in cash and (ii) the remaining RMB19 million (equivalent to approximately HK$22.7 million) was settled by way of assuming the payment obligation owed by the other vendor for capital contribution in relation to the registered capital of Shenyang Zhaohuan. At the acquisition date, Shenyang Zhaohuan possessed three parcels of industrial land in Shenyang and engaged in the development and lease of an industrial park for provision of construction technology and materials. The acquisition is complementary to the sports community business of the Group. Further details of the acquisition transaction are set out in the Company's announcement dated 6 March 2011.

The Group incurred transaction costs of HK$2,360,000 for the acquisition. These transaction costs have been expensed and are included in administrative expenses in the profit or loss for the year.

(b) Pursuant to an acquisition agreement entered into between the Company and independent third parties on 31 August 2010, the Company acquired the entire equity interest in Viva China Sports by the allotment and issuance of 590,000,000 new Ordinary Shares of the Company. The fair value of these Ordinary Shares at the date of acquisition of 12 October 2010, determined by reference to a valuation performed by American Appraisal China Limited, independent professionally qualified valuers, amounted to HK$337,960,000. The Viva China Sports Group is engaged in the sport events and competitions production and organisation and sports talents management services. The acquisition allows the Group to develop the sports-related business. Further details of the acquisition transaction are set out in the Company's circular dated 21 September 2010.

The Group incurred transaction costs of HK$402,000 for this acquisition. These transactions costs have been accounted for as a deduction from equity.

34. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Apart from the transactions detailed in note 33 to the financial statements, the Group had no major non-cash transactions of investing and financing activities during the years ended 31 December 2011 and 2010.

35. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases the completed portion of its investment properties (note 14 to the financial statements) under operating lease arrangements, with each lease negotiated for a term of five years.

As at 31 December 2011, the Group had total future minimum lease payments under non-cancellable operating leases with its tenants falling due as follows:

	Group	
	2011	2010
	HK$'000	HK$'000
Within one year	**13,100**	—
In the second to fifth years, inclusive	**52,959**	—
	66,059	—

As at 31 December 2011, the Company did not have any significant operating lease commitments as a lessor (2010: Nil).

35. OPERATING LEASE ARRANGEMENTS (Continued)

(b) As lessee

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from six months to two years.

As at 31 December 2011, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**6,282**	5,905	**3,345**	3,345
In the second to fifth years, inclusive	**4,077**	9,578	**1,241**	4,600
	10,359	15,483	**4,586**	7,945

36. CAPITAL COMMITMENTS

As at 31 December 2011, the Group had the following capital commitments:

	Group	
	2011	2010
	HK$'000	HK$'000
Contracted, but not provided for:		
Acquisition of land use right (note)	**1,007,719**	—
Leasehold improvement	**—**	2,324
	1,007,719	2,324

Note: The amount represented the unpaid portion of the consideration for the acquisition of the Changbai Land. Further details of the transaction are included in note 18 to the financial statements.

As at 31 December 2011, the Company did not have any significant capital commitments (2010: Nil).

37. RELATED PARTY DISCLOSURES

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:

		Group	
		2011	2010
	Notes	**HK$'000**	HK$'000
Administration fee paid to a related company*	(i)	**368**	112
Storage and rental fees paid to a related company*	(ii)	**53**	134
Administration fee paid to a related company*	(iii)	**21**	—
Sponsorship income received and receivable from a related company#	(iv)	**1,830**	—
Service income received from a related company#	(v)	**23**	—

* These items were continuing connected transactions (as defined in Chapter 20 of the GEM Listing Rules) which were exempted from reporting, announcement and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

These items were continuing connected transactions (as defined in Chapter 20 of the GEM Listing Rules) which fall within the context of an agreement ("Master Agreement") entered into between the Company and Li Ning Company Limited. The Master Agreement has been approved by the independent shareholders on an extraordinary general meeting of the Company held on 27 October 2010. These items were reviewed by the Company's independent non-executive directors, details of which were set out in the directors' report.

37. RELATED PARTY DISCLOSURES (Continued)

(a) (Continued)

Notes:

(i) Administration fee paid to Yu Ming Property Management Limited ("Yu Ming") was charged in accordance with the terms negotiated between the relevant parties. Mr. Fung Wing Cheung, Tony and Mr. Fung Yiu Fai, Peter and Ms. Lam Wing Ah are ex-directors of the Company and the directors of Yu Ming.

(ii) Storage fee and rental fee were paid to All Star (HK) Limited ("All Star") in accordance with the terms negotiated between the related parties, Mr. Fung Yiu Fai, Peter, an ex-director of the Company and director of the subsidiaries of the Company and All Star and Ms. Lam Wing Ah, an ex-director of the Company and All Star and director of the subsidiaries of the Company.

(iii) Administration fee paid to Hip Yick Industrial Company Limited ("Hip Yick") was charged in accordance with the terms negotiated between the relevant parties. Mr. Leung King Yee, Alex, is an ex-director of the Company and a director of certain subsidiaries of the Company and Hip Yick.

(iv) Sponsorship income represented fees received and receivable in relation to a sports competition event organised by the Group from Li Ning (China) Sports Goods Company Limited ("LiNing"), which were charged in accordance with the terms negotiated between the related parties. Mr. Li Ning is a common director of the Company and LiNing.

(v) Service income represented an agency fee for service rendered in relation to the endorsement of brand products of LiNing, which was charged in accordance with the terms negotiated between the related parties. Mr. Li Ning is a common directors of the Company and LiNing. Pursuant to the relevant agency contract entered with the sport talent appointed by LiNing for the provision of the aforesaid endorsement, the service income recognised by the Group was calculated based on certain percentage of the gross sponsorship fee on a time apportionment basis in accordance with the service agreement entered into with LiNing, over the relevant service period.

(b) Outstanding balance with a related party

Details of the Group's balance with a related party included in trade receivables are disclosed in note 21 to the financial statements.

(c) Compensation of key management personnel of the Group

Details of directors' emoluments and highest paid employees are included in notes 8 and 9 to the financial statements, respectively.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to financial risks through its use of financial instruments in its ordinary course of operations and in its investment activities. The Group does not have written risk management policies and guidelines. However, the board of directors of the Company meets periodically to analyse and formulate measures to manage the Group's exposure to market risk (including foreign currency risk, interest risk and other price risk), liquidity risk and credit risk. Generally, the Group employs a conservative strategy regarding its risk management. As the Group's exposure to market risk (including foreign currency risk, interest risk and other price risk), liquidity risk and credit risk are kept at a minimum level, the Group has not used any derivatives or other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes. The most significant financial risks to which the Group is exposed are discussed below.

Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group has interest-bearing assets in relation to cash at banks carried at effective interest rates with reference to the market, details of which are disclosed in note 23 to the financial statements. The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group has not used any financial instrument to hedge potential fluctuations in interest rates. The exposure to interest rates for the Group's cash at banks is considered minimal.

Foreign currency risk

Currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group operates in Hong Kong and Mainland China. Most of the sales and trading transactions are settled in RMB. Deposits invested into various bank deposits are denominated in RMB and HK$. As at the end of the reporting period, foreign currencies were translated into HK$ at the closing rate. As at 31 December 2011, cash and bank balances denominated in RMB amounted to HK$87,697,000 and the remaining balance of HK$1,033,027,000 was mainly denominated in HK$. The foreign currency exchange rate fluctuations in connection with its bank deposits to the Group is not significant. The Company does not have significant exposure to foreign currency risk at the reporting date. The policies to manage foreign currency risk have been followed by the Group since prior years and are considered to be effective.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. The Group's exposure to credit risk mainly arises from granting credit to customers in the ordinary course of its operations. The carrying amounts of trade receivables, other receivables and deposits, amounts due from subsidiaries and cash and cash equivalents included in the face of the statements of financial position represent the Group's or the Company's maximum exposure to credit risk in relation to its financial assets.

The Group generally has established long-term and stable relationships with its customers. The Group has policies in place to ensure that sales of products are made to customers with an appropriate credit history. The Group generally allows credit period of 30 days extending up to 120 days to its major trade customers. The Group has no other significant concentration of credit risk in respect of its trade receivables. The Group maintains its cash and cash equivalents with reputable banks in Hong Kong and the PRC, therefore the directors consider that the credit risk for such is minimal. The credit and investment policies have been followed by the Group since prior years and are considered to have been effective in limiting the Group's exposure to credit risk to a desirable level.

Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group is exposed to liquidity risk in respect of settlement of trade payables, other payables and accruals, other loan and an amount due to a non-controlling shareholder, also in respect of its cash flow management.

The Group's objective is to maintain an appropriate level of liquid assets and committed lines of funding to meet its liquidity requirements in the short and longer term. The Group manages its liquidity needs on a consolidated basis by carefully monitoring scheduled debt servicing payments for long term financial liabilities as well as forecast cash inflows and outflows due in day to day business. Liquidity needs are monitored in various time bands, on a day to day and week to week basis, as well as on the basis of a rolling three months projection. Long term liquidity needs for a 180-day and 365-day lookout period are identified monthly. Net cash requirements are compared to available funds in order to determine headroom or any shortfalls. This analysis shows if available funds are expected to be sufficient over the lookout period. The Group maintains cash and short-term bank deposits to meet its liquidity requirements for a 30-day period at a minimum. Funding for longer-term liquidity needs is additionally secured by an adequate amount of borrowings and the ability to sell longer-term financial assets. The Group's liquidity is mainly dependent upon the cash received from its trade customers.

The directors of the Company are satisfied that the Group will be able to meet in full its financial obligations as and when they fall due in the foreseeable future. The liquidity policies have been followed by the Group since prior years and are considered to have been effective in managing liquidity risks.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is within one year or on demand.

The contractual undiscounted payments are approximate to their carrying amounts.

The Group considers expected cash flows from financial assets in assessing and managing liquidity risk, in particular, its cash resources and other liquid assets that readily generate cash. The Group's existing cash resources and other liquid assets significantly exceed the cash outflow requirements.

The directors of the Company are of the opinion that, as at 31 December 2011, the capital commitment of approximately HK$1,008 million in relation to the acquisition of Changbai Land will not significantly impair the liquidity of the Group. Further details are included in note 2.1 to the financial statements.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Fair value risk and disclosures

As at 31 December 2011, the Group held certain derivative financial instruments which are carried in the financial statements at fair value, as further detailed in note 28 to the financial statements. In respect of the derivative financial asset, its fair value was measured based on a valuation technique for which any inputs which have a significant effect on the recorded fair value are not based on observable market data (the "Level 3 measurement"). In respect of the derivative financial liabilities, their fair values were measured based on a valuation technique for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly (the "Level 2 measurement"). During the year ended 31 December 2011, there were no transfers into or out of Level 3 fair value measurements (2010: Nil).

In respect of the Group's financial assets and liabilities as at 31 December 2011 and 2010 which are carried in the financial statements at other than fair value, in the opinion of the directors of the Company, the carrying amounts of these financial assets and liabilities are a reasonable approximation of their respective fair values as these financial instruments are due to be received or settled within one year. Accordingly, no disclosure of the fair values of these financial instruments is made.

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group actively and regularly reviews and manages its capital structure to ensure optimal structure and shareholder returns, taking into consideration the future capital requirements of the Group, prevailing and projected capital expenditure, projected strategic investment opportunities and economic conditions.

To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the year ended 31 December 2011 and 2010.

The Group regards total equity attributable to shareholders of the Company presented on the face of the consolidated statement of financial position as capital, for capital management purposes. The amount of capital as at 31 December 2011 amounted to approximately HK$2,079,865,000 (2010: HK$1,997,508,000), which the management considers as optimal having considered the projected capital expenditures and the forecast strategic investment opportunities.

39. FINANCIAL INSTRUMENTS BY CATEGORY

Other than derivative financial instruments being classified as financial asset/liabilities at fair value through profit or loss as disclosed in note 28 to the financial statements, all financial assets and liabilities of the Group and the Company as at 31 December 2011 and 2010 were loans and receivables, and financial liabilities stated at amortised cost, respectively.

40. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform to the current year's presentation.

41. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 15 March 2012.

PARTICULARS OF INVESTMENT PROPERTIES

31 December 2011

Location	Use	Tenure	Attributable Interest of the Group
Land Lot Nos. 50, 52 and 61, No. 22 Kaifa Road, Shenyang Economic and Technology Development Zone, Shenyang, Liaoning Province, PRC	For generating rental income and/or capital appreciation	Medium term	100% directly

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities and total equity of the Group for the last five financial years/period, as extracted from the published annual report of the Group, is set out below:

RESULTS

	Year ended 31 December		Period from 1 August 2008 to 31 December	Year ended 31 July	
	2011	2010	2009	2008	2007
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
REVENUE	**80,130**	11,419	10,887	11,799	18,622
PROFIT/(LOSS) BEFORE TAX	**40,511**	(64,105)	(52,646)	(30,521)	(12,185)
PROFIT/(LOSS) FOR THE YEAR/PERIOD ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY	**39,452**	(62,957)	(52,006)	(30,521)	(11,894)

ASSETS AND LIABILITIES

	31 December			31 July	
	2011	2010	2009	2008	2007
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
NON-CURRENT ASSETS	**1,060,901**	525,441	204,031	83,230	88,358
CURRENT ASSETS	**1,153,361**	1,521,540	42,730	7,830	17,759
CURRENT LIABILITIES	**114,473**	26,192	5,306	15,596	6,157
NET CURRENT ASSETS/(LIABILITIES)	**1,038,888**	1,495,348	37,424	(7,766)	11,602
TOTAL ASSETS	**2,214,262**	2,046,981	246,761	91,060	106,117
TOTAL ASSETS LESS CURRENT LIABILITIES	**2,099,789**	2,020,789	241,455	75,464	99,960
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY	**2,079,865**	1,997,508	237,599	75,401	94,569

Design, Production and Printing: REF Financial Press Limited www.ref.com.hk
設計，製作及印刷：緯豐財經印刷有限公司 www.ref.com.hk

VIVA CHINA

VIVA CHINA HOLDINGS LIMITED

非凡中國控股有限公司