



**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

Interim Report 2012 年中期報告

## **CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

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

# MANAGEMENT DISCUSSION AND ANALYSIS

## RESULTS

For the first half of the year of 2012, the Group achieved a consolidated revenue of HK\$16.3 million (2011: HK\$8.9 million), representing a growth of HK\$7.4 million or 83%. Gross profit in the same period was HK\$11.9 million (2011: HK\$5.0 million). Growth in revenue and gross profit was directly attributed to the improving performance of our sports businesses and our acquisition of Shenyang Zhaohuan Modern Construction Industrial Park Company Limited ("Shenyang Zhaohuan") in April 2011.

Other income and gains in this half year amounted to HK\$15.8 million (2011: HK\$135.3 million), mainly comprised bank interest income of HK\$10.2 million (2011: HK\$5.0 million). Included in the 2011 figures was a one-off gain of HK\$105.5 million recognised in relation to the acquisition of Shenyang Zhaohuan, as a result of a bargain purchase.

Selling and distribution costs of the half year period totalled HK\$9.1 million (2011: HK\$6.2 million), an expected rise given the increase in marketing and promotional activities of our sports businesses. Administrative and other operating expenses ("Administrative Expenses") of the half year under review was HK\$79.3 million (2011: HK\$77.5 million). Excluding non-cash items, the Administrative Expenses was HK\$44.3 million (2011: HK\$47.5 million). The slight decrease was mainly due to an off-setting effect of increase in level of spending to cope with increasing business activities but less professional fee incurred in the current half year comparing to the same period last year. The non-cash items in the Administrative Expenses mainly included amortisation of share option expenses, intangible assets and depreciation of fixed assets with an aggregate amount of HK\$23.2 million (2011: HK\$30.0 million). In the period under review there was an impairment of intangible assets of the Sports segment of HK\$6.4 million (2011: Nil), according to the management's latest impairment assessment.

Besides, under the latest review of the business value of the green energy business, the board of Directors ("the Board") decided to write off the respective goodwill of HK\$155.4 million (2011: Nil).

In the first half of 2012, the Group recorded a net loss of HK\$212.4 million comparing to a net gain of HK\$58.7 million for the corresponding period in 2011. Excluding the one-off and non-cash impairment of green energy's goodwill of HK\$155.4 million and the non-cash impairment of intangible assets of the Sports segment of HK\$6.4 million, the Group's net loss for the period under review was HK\$50.6 million (2011: excluding the one-off and non-cash gain of bargain purchase, the net loss was HK\$46.8 million).

## SEGMENT

### Sports

The sports business currently encompasses sports talent management, sport and athletic related consulting, and event production. Currently, the Group manages some of China's most desirable athletes and national sports teams. The Group is continually expanding our portfolio of sports properties and has secured the rights to world-class badminton tournaments in China.

The sports segment will also strive to become a professional consulting service provider in facilities management and sports media and content distribution.

## MANAGEMENT DISCUSSION AND ANALYSIS (continued)

In the first half of 2012, our sports segment generated HK\$8.4 million and HK\$5.8 million in revenue and gross profit respectively, representing a significant growth over the same period in last year (2011: revenue of HK\$7.2 million and gross profit of HK\$4.8 million). The growth was achieved mainly through the talent management business.

For the period under review, the segment recorded an operating loss of HK\$6.2 million (2011: HK\$2.8 million) as a result of increased operating expenses. The Group made a strategic decision to enhance the commercial value and public awareness of our existing talents and to expand the scale of the segment. Therefore heavy investments in human resources and marketing were made to promote these assets.

### Sports Community

The sports community segment generated revenue of HK\$5.7 million (2011: HK\$0.3 million) in the period, which was mainly attributed to Shenyang Zhaohuan. In the period, the segment reported an operating loss of HK\$9.3 million (2011: HK\$4.7 million) given increased operating expenses.

Currently, the Group has two projects in this segment:

#### *Changbai Land*

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). Up to the date of this report, the Group has paid HK\$230.0 million as a deposit and has a capital commitment of RMB817.8 million (equivalent to approximately HK\$1.0 billion).

The land was intended to become a residential and commercial complex with a gross floor area of approximately 350,000 sq.m. However, given the capital requirement of the project and the condition of the property market, the Group is actively searching for parties interested in co-developing or fully taking over the project. The Group will also consider cancelling the project provided that the cancellation will not attract material claims from the seller.

#### *Shenyang Zhaohuan*

The project encompasses three parcels of industrial land of approximately 411,600 sq.m. in total size. The Group's strategy is to develop Shenyang Zhaohuan into an environmentally friendly construction materials manufacturing hub. The Group has entered into lease agreements with a construction company for an aggregate site area of roughly 60,000 sq.m. to manufacture environmentally friendly pre-fabricated cement blocks.

### Green Energy

Since 2010, the Group has been working closely with an independent third party to launch a series of energy-saving air-conditioning products. Owing to delays in the commercialisation process of the energy saving air-conditioning products jointly developed, the green energy business posted a modest revenue of HK\$2.2 million (2011: HK\$1.4 million) with operating losses amounting to HK\$9.1 million (2011: HK\$3.0 million).

## MANAGEMENT DISCUSSION AND ANALYSIS (continued)

At 31 December 2011, the Group had goodwill arising from the acquisition of this green energy segment in prior years with a net carrying amount of approximately HK\$155.4 million. Based on the on-going negotiation between the Group and the independent third party during the period under review and up to the date of this interim report, it is highly probable that certain energy saving air-conditioning products will not be launched in a scale as originally planned in the foreseeable future and spare parts will not be supplied by the Group to the independent third party, as such, the goodwill is tested for impairment and an impairment loss of approximately HK\$155.4 million was recognised in profit or loss for the period ended 30 June 2012 (2011: Nil). The reduction on the recoverable amount of green energy business was driven by substantial reduction in expected net cash inflow from the project, as a consequence of the diminution in the scale of the project and the postponement in the development and commercialisation of certain energy saving air-conditioning products. As at the date of approval of these financial statements, commercial production of the aforesaid products has not yet commenced and therefore the ultimate outcome of the joint development project is uncertain.

### Assets and Liabilities

The net working capital of the Group as at 30 June 2012 was HK\$1,000.5 million compared to HK\$1,038.9 million as at 31 December 2011. The decrease was due to an operating loss during the first half of 2012. As at period end date, the equity attributable to shareholders of the Company was HK\$1,876.7 million, representing a decrease of HK\$203.1 million, mainly attributed to the net loss incurred during the first half of 2012. In terms of net tangible assets (net assets less goodwill and intangibles), there was a decrease of HK\$33.0 million compared to the beginning of the period, again mainly due to the net operating loss of the period under review.

### Liquidity and Financial Resources

The Group has no bank borrowing or any committed bank borrowing facility as at the period-end date. The Group has other borrowings of HK\$1.0 million as at the end of the period, or a gross gearing ratio (% of borrowings to total assets) of only 0.05%. As at the period end date, the current ratio (ratio of current assets to current liabilities) of the Group was approximately 11 (31 December 2011: 10).

The cash and bank balances as at the period end date was HK\$1,078.0 million, compared to HK\$1,120.7 million on 31 December 2011. The Group's gearing level and liquidity position remain healthy. As of the period end date, the Group has cash and bank balances denominated in Renminbi ("RMB") and Hong Kong Dollar of HK\$402.0 million and HK\$676.0 million, respectively.

The Group's net cash from operation of the period under review had a net outflow of HK\$42.2 million, mainly due to operating loss of the period. Apart from the placement of a fixed deposit of HK\$184.0 million with original maturity of over three months, which is classified as investing activities for the purpose of cash flow, there was no significant net cash flows from investing activities for the period under review. There was no significant cash flow from financing activities for the period under review.

### **Foreign Currency Risk**

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\$. The Group maintain its proportion of deposits in RMB and HK\$ in line with its future business and investment plans. The policies to manage foreign currency risk have been followed by the Group since prior years and are considered to be effective and the current foreign currency risk is still manageable.

### **Capital commitments**

As at period end, the Group had capital commitments of RMB817.8 million, equivalent to HK\$997.7 million towards the Changbai Land, which was contracted but not provided for.

### **Material Transactions**

During the period under review, the Group has not entered into any material transaction.

# UNAUDITED CONSOLIDATED RESULTS

The Board announces the unaudited condensed consolidated results of the Company and its subsidiaries (the "Group") for the periods from 1 April 2012 to 30 June 2012 and from 1 January 2012 to 30 June 2012 together with the comparative unaudited consolidated results for the corresponding periods in 2011 as follows:

## Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2012

	Notes	For the three months ended 30 June		For the six months ended 30 June	
		2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
<b>Revenue</b>	3	8,598	5,778	16,252	8,884
Cost of sales		(2,734)	(2,919)	(4,374)	(3,848)
<b>Gross profit</b>		5,864	2,859	11,878	5,036
Other income and gains, net	3	10,483	125,951	15,839	135,306
Selling and distribution costs		(3,796)	(3,798)	(9,120)	(6,169)
Impairment of goodwill		(155,433)	—	(155,433)	—
Administrative and other operating expenses		(47,418)	(48,259)	(79,320)	(77,466)
Finance costs		(24)	(8)	(49)	(8)
<b>Profit/(Loss) before tax</b>	5	(190,324)	76,745	(216,205)	56,699
Income tax	6	2,780	997	3,783	2,000
<b>Profit/(Loss) for the period</b>		(187,544)	77,742	(212,422)	58,699
<b>Other comprehensive income/(loss) for the period, net of income tax of nil</b>					
— Exchange differences on translation of foreign operations		(2,067)	461	(2,247)	424
<b>Total comprehensive income/(loss) for the period</b>		(189,611)	78,203	(214,669)	59,123
<b>Profit/(Loss) attributable to:</b>					
Shareholders of the Company		(187,633)	77,609	(212,434)	58,411
Non-controlling interests		89	133	12	288
		(187,544)	77,742	(212,422)	58,699
<b>Total comprehensive income/(loss) attributable to:</b>					
Shareholders of the Company		(189,676)	78,016	(214,657)	58,781
Non-controlling interests		65	187	(12)	342
		(189,611)	78,203	(214,669)	59,123
<b>Earnings/(Loss) per share attributable to shareholders of the Company</b>					
Basic and diluted (HK cents)	7	(0.98)	0.41	(1.11)	0.31

## Condensed Consolidated Statement of Financial Position

As at 30 June 2012

	Notes	As at 30 June 2012 (Unaudited) HK\$'000	As at 31 December 2011 (Audited) HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	8	11,437	13,615
Investment properties	9	284,041	284,430
Land use rights	10	4,903	5,022
Goodwill	11	269,758	425,192
Other intangible assets	12	49,584	64,028
Deposit paid for acquisition of a land use right	13	230,000	230,000
Other non-current deposits		—	969
Derivative financial assets		35,922	30,431
Deferred tax assets	19	7,214	7,214
<b>Total non-current assets</b>		<b>892,859</b>	<b>1,060,901</b>
<b>CURRENT ASSETS</b>			
Inventories		—	2,462
Trade receivables	14	4,410	11,536
Prepayments, deposits and other receivables	15	20,460	18,639
Time deposits with original maturity of over three months		184,009	—
Cash and bank balances (excluding time deposits with original maturity of over three months)		894,029	1,120,724
<b>TOTAL CURRENT ASSETS</b>		<b>1,102,908</b>	<b>1,153,361</b>
<b>CURRENT LIABILITIES</b>			
Trade payables	16	1,612	4,577
Other payables and accruals		34,802	43,322
Receipts in advance		16,456	12,350
Other loan	17	1,025	1,230
Due to a non-controlling equity holder		1,781	1,365
Derivative financial liabilities		62	62
Income tax payables		46,707	51,567
<b>Total current liabilities</b>		<b>102,445</b>	<b>114,473</b>
<b>NET CURRENT ASSETS</b>		<b>1,000,463</b>	<b>1,038,888</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>1,893,322</b>	<b>2,099,789</b>



Condensed Consolidated Statement of Financial Position (continued)

As at 30 June 2012

	Notes	As at 30 June 2012 (Unaudited) HK\$'000	As at 31 December 2011 (Audited) HK\$'000
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities		13,197	16,808
<b>Net assets</b>		<b>1,880,125</b>	<b>2,082,981</b>
<b>EQUITY</b>			
<b>Equity attributable to shareholders of the Company</b>			
Issued capital	18	190,818	190,818
Reserves		1,685,915	1,889,047
		1,876,733	2,079,865
<b>Non-controlling interests</b>		<b>3,392</b>	<b>3,116</b>
<b>Total equity</b>		<b>1,880,125</b>	<b>2,082,981</b>

## Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2012

	Attributable to shareholders of the Company								
	Issued capital	Share premium account	Share option reserve	Other reserve	Exchange fluctuation reserve	Accumulated losses	Total	Non-controlling interests	Total equity
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK'000	HK'000	HK'000	HK'000	HK'000	HK'000	HK'000	HK'000	HK'000
At 1 January 2011	190,818	2,256,863	26,053	—	314	(476,540)	1,997,508	3,261	2,000,769
Profit for the period	—	—	—	—	—	58,411	58,411	288	58,699
Other comprehensive income for the period:									
Exchange differences on translation of foreign operations	—	—	—	—	370	—	370	54	424
Total comprehensive income for the period	—	—	—	—	370	58,411	58,781	342	59,123
Equity-settled share option arrangements	—	—	20,538	—	—	—	20,538	—	20,538
At 30 June 2011	190,818	2,256,863	46,591	—	684	(418,129)	2,076,827	3,603	2,080,430
At 1 January 2012	190,818	2,256,863	61,102	—	6,520	(435,438)	2,079,865	3,116	2,082,981
Profit/(Loss) for the period	—	—	—	—	—	(212,434)	(212,434)	12	(212,422)
Other comprehensive loss for the period:									
Exchange differences on translation of foreign operations	—	—	—	—	(2,223)	—	(2,223)	(24)	(2,247)
Total comprehensive loss for the period	—	—	—	—	(2,223)	(212,434)	(214,657)	(12)	(214,669)
Acquisition of non-controlling interests	—	—	—	(1,671)	—	—	(1,671)	288	(1,383)
Equity-settled share option arrangements	—	—	13,196	—	—	—	13,196	—	13,196
Forfeiture of share options	—	—	(48)	—	—	48	—	—	—
At 30 June 2012	190,818	2,256,863*	74,250*	(1,671)*	4,297*	(647,824)*	1,876,733	3,392	1,880,125

\* These reserve accounts comprise the unaudited consolidated reserves of HK\$1,685,915,000 (31 December 2011: HK\$1,889,047,000) in the condensed consolidated statement of financial position.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2012

	For the six months ended 30 June	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Net cash flows used in operating activities	(42,247)	(33,653)
Net cash flows used in investing activities	(183,946)	(335,086)
Net cash flows from/(used in) financing activities	(197)	1,200
Decrease in cash and cash equivalents	(226,390)	(367,539)
Effect of foreign exchange rate changes, net	(305)	272
Cash and cash equivalents at beginning of period	1,120,724	1,511,979
Cash and cash equivalents at end of period	894,029	1,144,712

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 1. GENERAL INFORMATION

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

The Group was involved in the following principal activities:

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

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

## 2. BASIS OF PRESENTATION AND PREPARATION

### Basis of presentation

As further explained in notes 13 and 21 to the unaudited condensed consolidated financial statements, as at 30 June 2012, 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\$997.7 million. The Directors are currently negotiating with independent third parties either to co-develop the Changbai Land with the Group, or to buy out the entire Changbai Land from the Group or directly from the local land bureau. The Group will also consider cancelling the corresponding bidding confirmation (the "Bidding Confirmation"), provided that the cancellation will not attract material claims from the land bureau. Should the negotiations not proceed, the Directors, 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, it is appropriate for these unaudited condensed consolidated financial statements to be prepared on the going concern basis.

Based on the above consideration, the Directors 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 unaudited condensed 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

The unaudited condensed consolidated financial statements have been prepared to comply with the disclosure requirements of the GEM Listing Rules and Hong Kong Accounting Standard ("HKAS") 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

## 2. BASIS OF PRESENTATION AND PREPARATION (continued)

### Basis of preparation (continued)

The accounting policies used in the preparation of the unaudited condensed consolidated financial statements are consistent with those adopted in preparing the annual audited financial statements for the year ended 31 December 2011.

In the current period, the Group has adopted the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") that are relevant to its operations and effective for its accounting year beginning on 1 January 2012. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current and prior periods.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

## 3. REVENUE, OTHER INCOME AND GAINS, NET

	For the three months ended 30 June		For the six months ended 30 June	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
<b>Revenue</b>				
Sports content production and distribution income	—	3,178	—	3,178
Sports talent management income	4,083	1,915	8,358	4,066
Gross rental income	2,568	284	5,136	284
Consultancy service income	291	—	581	—
Sales of air-conditioners and ventilation systems and related service income	1,656	401	2,177	1,356
	<b>8,598</b>	<b>5,778</b>	<b>16,252</b>	<b>8,884</b>
<b>Other income</b>				
Bank interest income	4,945	2,793	10,190	5,009
Others	47	400	158	896
	<b>4,992</b>	<b>3,193</b>	<b>10,348</b>	<b>5,905</b>

## 3. REVENUE, OTHER INCOME AND GAINS, NET (continued)

	For the three months ended 30 June		For the six months ended 30 June	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
<b>Gains, net</b>				
Gain on bargain purchase of a subsidiary	—	105,498	—	105,498
Fair value gains on derivative financial assets and liabilities	5,491	17,260	5,491	23,903
	5,491	122,758	5,491	129,401
Other income and gains, net	10,483	125,951	15,839	135,306

## 4. OPERATING SEGMENT INFORMATION

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

- (a) the sports-related business segment engages in the production and distribution of sports content, management and marketing of sport talents and provision of sports consultancy service;
- (b) the sports community development segment engages in development of properties for generating rental income and/or for capital appreciation potential and provision of related consultancy service; 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.

## 4. OPERATING SEGMENT INFORMATION (continued)

For the six months ended 30 June

	Sport-related business		Sports community development		Green energy business		Elimination		Total	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK'000	HK'000	HK'000	HK'000	HK'000	HK'000	HK'000	HK'000	HK'000	HK'000
<b>Segment Revenue</b>										
External	8,358	7,244	5,717	284	2,177	1,356	—	—	16,252	8,884
Intersegment	—	500	—	—	—	—	—	(500)	—	—
	8,358	7,744	5,717	284	2,177	1,356	—	(500)	16,252	8,884
<b>Segment Results</b>	(6,241)	(2,787)	(9,302)	(4,716)	(9,127)	(2,951)	—	(500)	(24,670)	(10,954)
Reconciliation:										
Bank interest income									10,190	5,009
Fair value gains on derivative financial asset and liabilities									5,491	23,903
Equity-settled share option expense									(13,196)	(20,538)
Impairment of goodwill									(155,433)	—
Impairment of other intangible assets									(6,419)	—
Amortisation of other intangible assets									(8,025)	(8,025)
Gain on bargain purchase of a subsidiary									—	105,498
Corporate and other unallocated income									89	896
Corporate and other unallocated expenses									(24,183)	(39,082)
Finance costs									(49)	(8)
Profit/(Loss) before tax									(216,205)	56,699

## 5. PROFIT/(LOSS) BEFORE TAX

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

	For the three months ended 30 June		For the six months ended 30 June	
	2012	2011	2012	2011
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Depreciation	1,025	1,044	2,054	1,451
Amortisation of land use rights	36	50	80	94
Amortisation of other intangible assets	4,012	4,012	8,025	8,025
Impairment of goodwill	155,433	—	155,433	—
Impairment of other intangible assets	6,419	—	6,419	—
Write-down of inventories to net realisable value	3,080	—	3,080	—

## 6. INCOME TAX

	For the three months ended 30 June		For the six months ended 30 June	
	2012	2011	2012	2011
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Current — Mainland China Overprovision/(underprovision) in prior year	172	(7)	172	(7)
Deferred tax credit	2,608	1,004	3,611	2,007
	2,780	997	3,783	2,000

No provision for Hong Kong profits tax and PRC corporate income tax have been made for the six months ended 30 June 2012 as the Group did not generate any assessable profits arising in Hong Kong and Mainland China, respectively, during the period (2011: Nil).

Deferred tax credit represents release of deferred tax liabilities of the Group during the period, which arose from the fair value adjustment in connection with acquisition of subsidiaries in 2010.

There was no significant unprovided deferred tax for the six months ended 30 June 2012 (2011: Nil).



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

The earnings per share are computed as follows:

	For the three months ended 30 June		For the six months ended 30 June	
	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
Earnings/(Loss) attributable to shareholders	(187,633)	77,609	(212,434)	58,411
Number of shares in issue	19,081,859,785	19,081,859,785	19,081,859,785	19,081,859,785
Earnings/(Loss) per share (HK cents)	(0.98)	0.41	(1.11)	0.31

In respect of diluted earnings/(loss) per share amounts, no adjustment has been made to the basic earnings/(loss) per share amounts presented for six months ended 30 June 2012 and 2011 and three months ended 30 June 2012 and 2011 as the impact of the share options and share warrants of the Company outstanding during the respective periods had no dilutive effect on the basic earnings/(loss) per share.

## 8. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2012, the Group did not have any significant acquisition or disposal of property, plant and equipment. During the six months ended 30 June 2011, additions to property, plant and equipment through purchases and acquisition of a subsidiary amounted to approximately HK\$5,303,000 and HK\$3,151,000, respectively.

## 9. INVESTMENT PROPERTIES

During the six months ended 30 June 2011, the Group acquired investment properties with a fair value of HK\$229,200,000 (note 19) upon acquisition of a subsidiary and further incurred capital expenditure of HK\$12,549,000 in relation to the investment properties during that period. The Group spent approximately HK\$1,937,000 in relation to the investment properties during the current period. As at 30 June 2012, the fair value of the Group's investment properties was HK\$284,041,000, as determined by reference to valuations performed by Savills Valuation and Professional Services Limited, independent professional qualified valuers.

## 10. LAND USE RIGHTS

There was no significant movement in land use rights during the six months ended 30 June 2012 and 2011. The Group's land use rights are situated in Mainland China and are held under medium term leases.

## 11. GOODWILL

As at 30 June 2012, the Group had goodwill arising from the acquisitions of subsidiaries operating in the sports-related business in prior years with a net carrying amount of approximately HK\$269.8 million. As at 31 December 2011, the Group had goodwill arising from the acquisitions of subsidiaries operating in the green energy business and sports-related business in prior years with net carrying amounts of approximately HK\$155.4 million and HK\$269.8 million, respectively.

With respect to the goodwill allocated to the green energy business, its recoverable amount has been solely determined based on the anticipated profitability that could be derived from the future launch of certain energy saving air-conditioning products by an independent third party which involve the use of the Group's technical know-how and the supply of certain spare parts by the Group to the independent third party. The Group has been closely monitoring the development and commercialisation of these energy saving air-conditioning products since the inception of this project and an impairment test on the goodwill allocated to the green energy business would be performed if events or changes in circumstances indicate that the carrying amount of the goodwill may be impaired.

Based on the on-going negotiation between the Group and the independent third party during the period under review and up to the date of this interim report, it is highly probable that certain energy saving air-conditioning products will not be launched in a scale as originally planned in the foreseeable future and spare parts will not be supplied by the Group to the independent third party, as such, the goodwill is tested for impairment and an impairment loss of approximately HK\$155.4 million was recognised in profit or loss for the period ended 30 June 2012 (2011: Nil). The reduction on the recoverable amount of the green energy business as compared with that as at 31 December 2011 was driven by the substantial reduction in expected net cash inflow from the project, as a consequence of the diminution in the scale of the project and the postponement in the development and commercialisation of certain energy saving air-conditioning products. As at the date of approval of these financial statements, commercial production of the aforesaid products has not yet commenced and therefore the ultimate outcome of the joint development project is uncertain.

## 12. OTHER INTANGIBLE ASSETS

The Group's other intangible assets mainly represent sports-related business contracts acquired in 2010 upon acquisition of subsidiaries. During the period under review, the Group re-assessed the carrying values of these intangible assets and based on the results of the re-assessment, an impairment loss of HK\$6,419,000 (2011: Nil) was recognised in profit or loss. Apart from the aforesaid impairment loss and amortisation of other intangible assets of HK\$8,025,000 there was no significant movements in other intangible assets during the six months periods ended 30 June 2012 and 2011.

### 13. DEPOSIT PAID FOR ACQUISITION OF A LAND USE RIGHT

In May 2011, the Group paid a deposit of RMB190 million (equivalent to approximately HK\$230 million) to a planning and land and resources bureau (the "Land Bureau") in Mainland China for the acquisition of the Changbai Land. The deposit will be applied as part of the consideration payment. As at 30 June 2012 and the date of approval of these unaudited condensed consolidated 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 Bidding Confirmation entered into between the Group and the Land Bureau on 11 May 2011, was disclosed in note 21 as a capital commitment. 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 estimate the claims, if any, would only be limited to RMB190 million (equivalent to approximately HK\$230 million), representing the forfeiture of the deposit. Furthermore, as at the end of the reporting period and at the date of approval of the unaudited condensed consolidated 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 considered that no impairment is needed for the aforesaid deposit.

### 14. 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, 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:

	30 June 2012 (Unaudited) HK\$'000	31 December 2011 (Audited) HK\$'000
Neither past due nor impaired	297	7,141
Less than 3 months past due	1,554	3,107
3 to 6 months past due	2,559	1,288
	<b>4,410</b>	<b>11,536</b>

## 15. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2012 (Unaudited) HK\$'000	31 December 2011 (Audited) HK\$'000
Prepayments	12,007	6,971
Deposits and other receivables	8,453	11,668
	<b>20,460</b>	<b>18,639</b>

## 16. TRADE PAYABLES

The trade payables of the Group as at 30 June 2012 and 31 December 2011 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.

## 17. OTHER LOAN

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

## 18. SHARE CAPITAL

	30 June 2012 (Unaudited)		31 December 2011 (Audited)	
	Number of shares	Nominal amount HK\$'000	Number of shares	Nominal amount HK\$'000
Authorised				
Ordinary shares of HK\$0.01 each ("Ordinary Shares")	45,000,000,000	450,000	45,000,000,000	450,000
Redeemable convertible preferred shares of HK\$0.01 each ("Preferred Shares")	6,000,000,000	60,000	6,000,000,000	60,000
Total	<b>51,000,000,000</b>	<b>510,000</b>	<b>51,000,000,000</b>	<b>510,000</b>
Issued and fully paid:				
Ordinary Shares	19,081,859,785	190,818	19,081,859,785	190,818

There were no movements of Ordinary Shares and Preferred Shares during the period ended 30 June 2012.

## 19. BUSINESS COMBINATION

There was no business combination during the six months ended 30 June 2012. In respect of the prior period, pursuant to a new 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 for the 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) paid to the vendor in cash and (ii) the remaining RMB19 million (equivalent to approximately HK\$22.7 million) 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.

The fair values of the identifiable assets and liabilities of the subsidiary acquired during the period ended 30 June 2011 as at the date of acquisition were as follows:

	HK\$'000
Property, plant and equipment	3,151
Investment properties	229,200
Deferred tax assets	7,214
Trade receivable	102
Prepayments, deposits and other receivables	20,806
Cash and bank balances	4,563
Other payables and accruals	(16,853)
Income tax payable	(45,853)
<b>Total identifiable net assets at fair value</b>	<b>202,330</b>
<b>Gain on bargain purchase of the subsidiary</b>	<b>(105,498)</b>
	<b>96,832</b>
Satisfied by:	
Cash	96,832

## 19. BUSINESS COMBINATION (continued)

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

	HK\$'000
Cash and bank balances acquired	4,563
Cash consideration	(96,832)
Net outflow of cash and cash equivalents included in cash flows used in investing activities	(92,269)
Transaction costs for the acquisition included in cash flows used in operating activities	(2,360)
Net outflow of cash in respect of the acquisition of the subsidiary	(94,629)

In accordance with HKFRS 3 (Revised) *Business Combinations*, the Group had assessed the fair value of the net identifiable assets acquired and the liabilities assumed of Shenyang Zhaohuan as at the acquisition date. Included in the acquisition-date management accounts of Shenyang Zhaohuan was a deferred income (included in the liability section of its statement of financial position), which had been confirmed with the Group's legal advisor that such deferred income did not constitute any obligations and it was not expected that an outflow of resources embodying economic benefits would be required in the future. Therefore, the deferred income did not fall into the definition of an asset or a liability for the purpose of HKFRS 3 (Revised) and was derecognised at consolidation level as at the acquisition date. As a consequence of the aforesaid adjustment together with other fair value adjustments made, the total identifiable net assets at fair value acquired at the date of acquisition amounted to HK\$202.3 million which exceeded the cash paid of HK\$96.8 million and, accordingly, a non-cash and non-recurring gain on bargain purchase of HK\$105.5 million was recognised.

Acquisition-related costs amounting to HK\$2,360,000 have been excluded from the consideration transferred and have been recognised as an expense in the prior period and included in administrative expenses in the profit or loss for the prior period.

Since its acquisition, the subsidiary acquired during the prior period contributed HK\$284,000 to the Group's revenue and had a loss of HK\$1,729,000 dealt with in the Group's results for the period ended 30 June 2011.

## 20. MATERIAL RELATED PARTY TRANSACTIONS

The Group had the following material transactions with related parties during the period:

	Notes	For the six months ended	
		30 June 2012 (Unaudited) HK\$'000	30 June 2011 (Unaudited) HK\$'000
Administration fee paid to a related company	(i)	226	173
Storage and rental fee paid to a related company	(ii)	—	53
Administration fee paid to a related company	(iii)	14	—
Service income received from a related company	(iv)	37	—

- (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 Yiu Fai, Peter is a director of certain subsidiaries of the Company and a director of Yu Ming. Ms. Lam Wing Ah is an ex-director of certain subsidiaries of the Company and 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 is a director of certain subsidiaries of the Company and All Star. Ms. Lam Wing Ah is an ex-director of All Star and certain 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 Yue, Alex is a director of certain subsidiaries of the Company and Hip Yick.
- (iv) Service income represented an agency fee for service rendered in relation to the endorsement of brand products of Li Ning (China) Sports Goods Company Limited ("LiNing"), which was charged in accordance with the terms negotiated between the related parties. Mr. Li Ning is a director 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.

## 21. CAPITAL COMMITMENT

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

	<b>30 June 2012</b> <b>(Unaudited)</b> <b>HK\$'000</b>	31 December 2011 <b>(Audited)</b> <b>HK\$'000</b>
Contracted, but not provided for:		
Acquisition of land use right*	<b>997,656</b>	1,007,719
	<b>997,656</b>	1,007,719

\* Denominated in RMB, in the amount of approximately RMB817.8 million.

## 22. INTERIM DIVIDEND

The Directors do not recommend the payment of any interim dividend in respect of the six months ended 30 June 2012 (2011: Nil).



## PURCHASE, REDEMPTION OR SALE OF THE COMPANY'S LISTED SECURITIES

There was no purchase, sale or redemption by the Company, or any of its subsidiaries, of any listed securities of the Company during the six months ended 30 June 2012.

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

As at 30 June 2012, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and chief executive of the Company were deemed or taken to have under such provisions of the SFO), or which were required to be and are recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise required to be notified to the Company and the Stock Exchange pursuant to the required standard of dealings by Directors as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules were as follows:

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

Name of Directors	Capacity	Number of Shares held			Total interests	Approximate % of shareholding
		Personal interests	Corporate interests	Number of share options held <sup>(2)</sup>		
Li Ning <sup>(1)</sup>	Interest in controlled corporation	—	10,662,101,910	—	10,662,101,910	55.87%
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 <sup>(1)</sup>	(i) Interest in controlled corporation	—	10,662,101,910	—	—	—
	(ii) Beneficial owner	—	—	14,000,000	10,676,101,910	55.94%
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.
- (2) These represented the share options granted by the Company to the respective Directors, the details of which are provided in the section headed "Share Option Scheme" in this report.

Save as disclosed above, none of the Directors nor the chief executive of the Company had, as at 30 June 2012, any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were deemed

or taken to have under such provisions of the SFO), or which were required to be and are recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the required standard of dealings by Directors as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules.

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

As at 30 June 2012, 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		Total interests	Approximate % of shareholding
	Beneficial owner	Interest in controlled corporation		
<b>Substantial Shareholders</b>				
Lead Ahead <sup>(1)</sup>	10,662,101,910	—	10,662,101,910	55.87%
<b>Other Persons</b>				
Blue Bright Limited <sup>(2)</sup>	959,702,374	—	959,702,374	5.03%
Well Harvest Properties Limited <sup>(2)</sup>	—	959,702,374	959,702,374	5.03%
Fairmate Investment Limited <sup>(2)</sup>	—	959,702,374	959,702,374	5.03%
Axenia Holdings (PTC) Limited <sup>(2)</sup>	—	959,702,374	959,702,374	5.03%
Fung Wing Cheung, Tony <sup>(2)</sup>	—	959,702,374	959,702,374	5.03%
Fung Yee Kei, Kay <sup>(2)</sup>	—	959,702,374	959,702,374	5.03%
Fung Yee Ling, Lynn <sup>(2)</sup>	—	959,702,374	959,702,374	5.03%

#### Notes:

- Lead Ahead, substantial shareholder of the Company, 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.
- 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 30 June 2012, 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.

## SHARE OPTION SCHEME

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

Particulars of the share options under the Share Option Scheme and their movements during the six months ended 30 June 2012 are set out below:

	Date of Grant	Exercise Price per Share (HK\$)	Number of Share Options		
			Balance as at 1.1.2012	Cancelled during the period	Balance as at 30.06.2012
<b>Directors</b>					
Ng Chi Man, Michael	02.07.2010	0.78	90,000,000	—	90,000,000 <sup>(1)</sup>
	06.09.2010	0.83	40,000,000	—	40,000,000 <sup>(2)</sup>
	20.09.2011	0.15	130,000,000	—	130,000,000 <sup>(3)</sup>
Chan Ling	02.07.2010	0.78	30,000,000	—	30,000,000 <sup>(4)</sup>
	20.09.2011	0.15	60,000,000	—	60,000,000 <sup>(5)</sup>
Li Chunyang	02.07.2010	0.78	30,000,000	—	30,000,000 <sup>(4)</sup>
	20.09.2011	0.15	60,000,000	—	60,000,000 <sup>(5)</sup>
Lee Wa Lun, Warren	02.07.2010	0.78	5,000,000	—	5,000,000 <sup>(6)</sup>
	20.09.2011	0.15	9,000,000	—	9,000,000 <sup>(7)</sup>
Li Chun	02.07.2010	0.78	5,000,000	—	5,000,000 <sup>(6)</sup>
	20.09.2011	0.15	9,000,000	—	9,000,000 <sup>(7)</sup>
Ma Wing Man	02.07.2010	0.78	5,000,000	—	5,000,000 <sup>(6)</sup>
	20.09.2011	0.15	9,000,000	—	9,000,000 <sup>(7)</sup>
Chen Johnny	02.07.2010	0.78	5,000,000	—	5,000,000 <sup>(6)</sup>
	20.09.2011	0.15	9,000,000	—	9,000,000 <sup>(7)</sup>
Ip Shu Kwan, Stephen	02.07.2010	0.78	5,000,000	—	5,000,000 <sup>(6)</sup>
	20.09.2011	0.15	9,000,000	—	9,000,000 <sup>(7)</sup>
Ng Sau Kei, Wilfred	02.07.2010	0.78	5,000,000	—	5,000,000 <sup>(6)</sup>
	20.09.2011	0.15	9,000,000	—	9,000,000 <sup>(7)</sup>
			524,000,000	—	524,000,000

	Date of Grant	Exercise Price per Share (HK\$)	Number of Share Options		
			Balance as at 1.1.2012	Cancelled during the period	Balance as at 30.06.2012
<b>Other employees</b>					
In aggregate	02.07.2010	0.78	26,000,000	(6,000,000)	20,000,000 <sup>(8)</sup>
In aggregate	06.09.2010	0.83	42,050,000	(1,500,000)	40,550,000 <sup>(9)</sup>
In aggregate	20.09.2011	0.15	220,550,000	(39,166,667)	181,383,333 <sup>(10)</sup>
			288,600,000	(46,666,667)	241,933,333
<b>Other grantees</b>					
In aggregate	06.09.2010	0.83	14,100,000	(1,400,000)	12,700,000 <sup>(11)</sup>
In aggregate	20.09.2011	0.15	130,000,000	(6,000,000)	124,000,000 <sup>(12)</sup>
			144,100,000	(7,400,000)	136,700,000
			956,700,000	(54,066,667)	902,633,333

*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 balance as at 1 January 2012 comprise the following: (i) 8,666,666 share options with exercisable period from 2 July 2011 to 1 July 2016; (ii) 8,666,667 share options with exercisable period from 2 July 2012 to 1 July 2017; and (iii) 8,666,667 share options with exercisable period from 2 July 2013 to 1 July 2018. Following the cancellation of 6,000,000 share options, the number of share options under each of (ii) and (iii) of this note reduced to 5,666,667 and 5,666,667 respectively as at 30 June 2012, while the number of share options under (i) remained unchanged as at 30 June 2012.
- (9) The share options balance as at 1 January 2012 comprise the following: (i) 8,350,000 share options with exercisable period from 6 September 2011 to 5 September 2016; (ii) 8,350,000 share options with exercisable period from 6 September 2012 to 5 September 2017; (iii) 8,350,000 share options with exercisable period from 6 September 2013 to 5 September 2018; (iv) 11,000,000 share options with exercisable period from 6 September 2014 to 5 September 2019; and (v) 6,000,000 share options with exercisable period from 6 September 2015 to 5 September 2020. Following the cancellation of 1,500,000 share options, the number of share options under each of (ii) and (iii) of this note reduced to 7,600,000 and 7,600,000 respectively as at 30 June 2012, while the number of share options under each of (i), (iv) and (v) remained unchanged as at 30 June 2012.
- (10) The share options balance as at 1 January 2012 comprise the following: (i) 32,749,996 share options with exercisable period from 20 September 2011 to 19 September 2013; (ii) 63,649,998 share options with exercisable period from 20 September 2012 to 19 September 2014; (iii) 63,650,003 share options with exercisable period from 20 September 2013 to 19 September 2015; (iv) 37,000,003 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 39,166,667 share options, the number of share options under each of (i), (ii), (iii), (iv) and (v) of this note reduced to 31,583,330, 49,483,332, 49,483,336, 29,333,335 and 21,500,000 respectively as at 30 June 2012.
- (11) The share options balance as at 1 January 2012 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. Following the cancellation of 1,400,000 share options, the number of share options under each of (ii) and (iii) of this note reduced to 4,000,000 and 4,000,000 respectively as at 30 June 2012, while the number of share options under (i) remained unchanged as at 30 June 2012.
- (12) The share options balance as at 1 January 2012 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; (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. Following the cancellation of 6,000,000 share options, the number of share options under each of (ii), (iii), (iv) and (v) of this note reduced to 30,000,000, 30,000,000, 24,000,000 and 16,000,000 respectively as at 30 June 2012, while the number of share options under (i) remained unchanged as at 30 June 2012.
- (13) No share options were granted, exercised or lapsed during the six months ended 30 June 2012.

## 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 throughout the six months ended 30 June 2012.

## DIRECTORS' INTERESTS IN A COMPETING BUSINESS

For the six months ended 30 June 2012, 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 interests which any such person has or may have with the Group.

## DISCLOSURE ON CHANGES OF INFORMATION OF DIRECTORS

Pursuant to the Rule 17.50A(1) of the GEM Listing Rules, the changes in details of the Directors' information subsequent to the date of the annual report of the Company for the year ended 31 December 2011 are set out below:

Name	Details of Changes
Ng Chi Man, Michael	Resignation as an executive Director, the chief executive officer and a member of both the remuneration committee and the executive committee of the Company with effect from 31 August 2012

## CORPORATE GOVERNANCE

The Company is committed to achieving and maintaining high standard of corporate governance. The Company had complied with the code provisions in the Code on Corporate Governance Practices during the period from 1 January 2012 to 31 March 2012 and the Corporate Governance Code ("New CG Code") during the period from 1 April 2012 to 30 June 2012 as set out in Appendix 15 of the GEM Listing Rules, save for the disclosure below. In respect of the code provision A.1.7 of the New CG Code, Mr. Chen Johnny, independent non-executive Director, was unable to present at the Board meeting of the Company held on 4 June 2012 relating to a connected transaction that certain Directors are interested in due to other pre-arranged business commitments. However, Mr. Chen has reviewed the matters considered at that meeting and expressed his view and agreement to the Company in advance of the meeting. In respect of code provision A.6.7 of the New CG Code, Mr. Chen Johnny and Mr. Li Chun, non-executive Director, were not able to attend the annual general meeting of the Company held on 28 June 2012 as they both had overseas engagements.

## AUDIT COMMITTEE

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

The Audit Committee currently comprises three independent non-executive Directors, namely, Mr. Chen Johnny (the Chairman of the Audit Committee), Mr. Ip Shu Kwan, Stephen and Mr. Ng Sau Kei, Wilfred and one non-executive Director, Mr. Ma Wing Man. The unaudited consolidated results of the Group for the six months ended 30 June 2012 have been reviewed by the Audit Committee.

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

Hong Kong, 10 August 2012

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

*Executive Directors:*

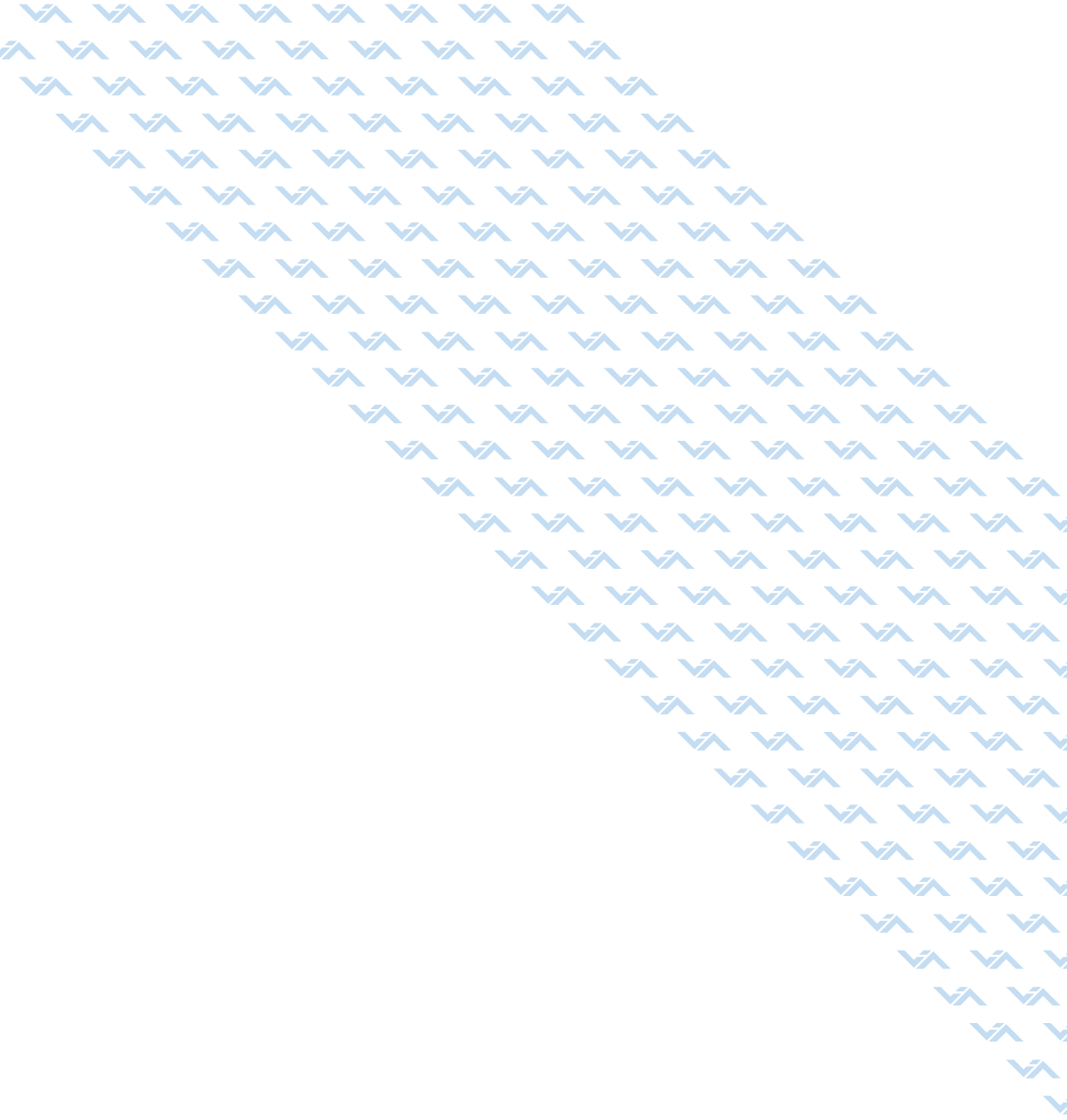
Mr. Li Ning (*Chairman*)  
Mr. Ng Chi Man, Michael (*Chief Executive Officer*)  
Mr. Li Chunyang  
Mr. Chan Ling  
Mr. Lee Wa Lun, Warren

*Non-executive Directors:*

Mr. Li Chun  
Mr. Ma Wing Man

*Independent Non-executive Directors:*

Mr. Chen Johnny  
Mr. Ip Shu Kwan, Stephen  
Mr. Ng Sau Kei, Wilfred



VIVA CHINA HOLDINGS LIMITED

VIVA CHINA 非凡中國控股有限公司