



VIVA CHINA HOLDINGS LIMITED

非凡中國控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(於開曼群島註冊成立之有限公司)

Stock Code 股份代號 : 8032

Third Quarterly Report 2012 第三季度業績報告

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

The Group recorded a consolidated revenue of HK\$40.3 million for the nine months ended 30 September 2012, reflecting a growth of HK\$18.0 million or 81% from the corresponding period last year. Gross profit in the period soared to HK\$23.0 million from HK\$9.0 million as recorded in the same period in 2011. Growth in revenue and gross profit was largely driven by the improving performance of our sports businesses and the effect of our acquisition of Shenyang Zhaohuan Modern Construction Industrial Park Company Limited ("Shenyang Zhaohuan") in April 2011.

Other income and gains in the current period amounted to HK\$20.1 million (2011: HK\$144.1 million), mainly comprised bank interest income of HK\$14.3 million (2011: HK\$7.4 million) and a fair value gain of HK\$5.5 million (2011: HK\$29.7 million) on derivative financial assets and liabilities. 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 in the current period amounted to HK\$16.2 million (2011: HK\$10.3 million), which was in tandem with the increase in marketing and promotional activities of our sports businesses. Administrative and other operating expenses ("Administrative Expenses") of the period under review was HK\$89.3 million (2011: HK\$113.0 million). Excluding non-cash items, the Administrative Expenses was HK\$62.8 million (2011: HK\$69.8 million). Even with increased spending in our business activities, the slight decrease in Administrative Expenses was due to the proportionally lower professional fees incurred during the period under review when compared to the corresponding period in 2011. The non-cash items in the Administrative Expenses, which amounted to HK\$26.5 million (2011: HK\$43.2 million), mainly included share option expenses, amortization and impairment of intangible assets and depreciation of fixed assets. There was a substantial reduction in the share option expenses charged to the profit and loss from HK\$28.8 million for the nine month period in 2011 to HK\$3.5 million for the same period in current year due to the write back of expenses related to unvested share options arising from departure of certain grantees. In the period under review, there was also an impairment of intangible assets of the Sports segment of HK\$6.4 million (2011: Nil) and a write off of the goodwill of HK\$155.4 million (2011: Nil) arising from the acquisition of the green energy business, according to the management's impairment assessment and review in the first half of 2012.

The Group recorded a net loss of HK\$213.2 million in the nine months period ended 30 September 2012 compared to a net profit of HK\$32.7 million for the corresponding period in the previous financial year. Excluding the one-off and non-cash impairment of green energy's goodwill of HK\$155.4 million, the non-cash impairment of intangible assets of the Sports segment of HK\$6.4 million as well as the non-cash share option expenses, the Group's net loss for the period under review was HK\$47.9 million (2011: excluding the one-off and non-cash gain of bargain purchase, fair value gain on derivative financial liabilities and non-cash share option expenses, the net loss was HK\$61.1 million).

SEGMENT

Sports

The sports business continued to play a primary role in the Group's overall performance. In this nine-month period, we actively participated in the management and production of the 2012 China Masters Superseries ("CMS"), a highly regarded and important tournament in the Badminton World Federation ("BWF") in Asia. Inherited from the success of 2011 BWF World Superseries Finals held in Liuzhou, the People's Republic of China ("PRC") in December 2011, we continued to hold the commercial rights of the 2012 games. We will co-organize the 2012 BWF World Superseries Finals to be hosted in Shenzhen, the PRC in the end of 2012. Our experience in managing and producing these Finals is expected to garner significant publicity and create attraction of the badminton tournament of the year in southern China.

The Chinese national teams put on an outstanding performance during the 2012 London Olympic Games. As agents for some of the Chinese national teams, we are currently leveraging this publicity to organised popular events through our Sports Business. Events like "Super Fans" that we produced and various sports talents appearances held in multiple cities have been on-going. These events have contributed to the results of the "Sports content production and distribution" and the "Sports talent management" categories of the Group in the period under review and will continue to do so in the forthcoming quarters. The sports segment will also strive to become a professional consulting service provider in sports facilities management. Potential projects are expected to be underway in relation to the consulting service.

Driven by the above mentioned factors, our sports segment generated HK\$28.6 million and HK\$14.8 million in revenue and gross profit respectively for the period under review, representing a significant growth over the same period a year before (2011: revenue of HK\$18.7 million and gross profit of HK\$8.4 million).

The operating loss of this segment in current period amounted to HK\$5.4 million (2011: HK\$5.2 million). Rising revenues were met with rising operating expenses, leading to results in this segment nearly identical as those seen in same period in 2011. Spending on human resources and marketing accounted for the majority of the total operating expenditures in this segment. Management has strived to maintain a balance between the increased business activities and spending during the development phase of the business.

Sports Community Development

The sports community development segment generated revenue of HK\$8.4 million (2011: HK\$0.8 million) in the period, which was mainly attributed to rental income generated by Shenyang Zhaohuan. In the period, the segment reported an operating loss of HK\$14.6 million (2011: HK\$9.8 million) given the increased operating expenses for projects exploration.

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 RMB819.3 million (equivalent to approximately HK\$1.0 billion).

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

The land was initially intended to be a residential and commercial development 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 material manufacturing hub. Certain industrial plants have been leased out to a construction company to manufacture environmentally friendly pre-fabricated cement blocks. Further construction has been planned on a separate parcel of the land with an initial investment of approximately HK\$5.4 million.

Green Energy

The green energy segment recorded a revenue of HK\$3.3 million (2011: HK\$2.8 million) in the period from the sale of air-conditioners and ventilation systems and related services. Despite of the modest revenue posted, the operating loss climbed up to HK\$10.2 million compared to HK\$3.7 million in the corresponding period last year. This was mainly due to internal restructuring of the Hong Kong operation and certain other provisions.

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 prolong delays in the commercialisation process of these products and based on updated information received by the Group, the goodwill arising from the acquisition of this green energy segment in prior years was tested for impairment in the second quarter this year. An impairment loss of approximately HK\$155.4 million was recognised in profit or loss (2011: Nil). As at the date of this report, co-operation with the independent third party is still on-going, albeit at a slower pace. As such commercial production of the aforesaid products has not yet commenced, the ultimate outcome of the joint development project is uncertain.

Financial Position

The Group has no bank borrowing or any committed bank borrowing facility as at the period-end date but other borrowings of HK\$0.9 million as at the end of the period. The gross cash and bank balances as at the period end date was HK\$1,083.3 million, of which approximately HK\$123 million had been held under a charge. As of the period end date, the Group has gross cash and bank balances denominated in Renminbi ("RMB") and Hong Kong Dollar of HK\$429.9 million and HK\$653.4 million, respectively.

Charge on Deposit

As at period end date, a charge over bank deposit amounting to RMB100,000,000 (equivalent to approximately HK\$123,000,000) had been given by the Group to secure certain payables.

Foreign Currency Risk

The Group operates in Hong Kong and Mainland China. Most sales and trading transactions are settled in RMB. Deposits invested into various bank deposits are denominated in RMB and HK\$. The Group maintains its proportion of deposits in RMB and HK\$ in line with its future business and investment plans. The policies in place to manage foreign currency risk have been followed by the Group several 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 RMB819.3 million, equivalent to HK\$1,007.7 million towards the Changbai Land and another RMB4.3 million equivalent to HK\$5.3 million in respect of other construction work in the PRC, which was contracted but not provided for.

Profit Guarantees

In October 2010, the Company acquired the entire interest of Viva China Sports Holding Limited and its subsidiary (the "Target Group") at the consideration of HK\$332 million (the "Acquisition"). Under the Acquisition, the vendors of the Target Group (the "Vendors") guaranteed the Company that the consolidated attributable net profit after taxation (net of minority interests) of the Target Group as ascertained from the audited financial statements of the Target Group prepared under HKFRSs for a guarantee period of three financial years (i.e. for the three financial years ending 31 December 2013 ("Profit Guarantee Period") shall not be less than HK\$30 million, HK\$40 million and HK\$50 million for the years ended/ending 31 December 2011, 2012 and 2013 respectively (the "Profit Guarantee"). Under the agreement of the Acquisition, the Vendors shall compensate the shortfall to the Company on a dollar-to-dollar basis where the guaranteed profit for a financial year during the Profit Guarantee Period is not met.

The audited consolidated attributable net profit after taxation of the Target Group for the year ended 31 December 2011, which was derived from its ordinary course of business, did not meet the Profit Guarantee for the corresponding year with a shortfall amounted to approximately HK\$16.7 million. The Vendors has compensated the Company for the shortfall amount on a dollar-to-dollar basis in accordance with the terms stipulated in the agreement of the Acquisition by cash.

Material Transactions

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

Subsequent Events

On 12 October 2012, the Company has entered into an acquisition agreement with Dragon City Management (PTC) Limited and Victory Mind Assets Limited to acquire from them an aggregate of approximately 25.23% of the issued share capital of Li Ning Company Limited (a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the main board of the Stock Exchange (stock code: 2331)). Details of the transaction are set out in the Company's announcement and circular dated 17 October 2012 and 7 November 2012 respectively. The Company also proposed that every five ordinary shares of the Company of nominal value of HK\$0.01 each be consolidated into one ordinary share of nominal value of HK\$0.05 each and to increase its authorised share capital from HK\$510,000,000 to HK\$1,060,000,000. All the above transactions are subject to the approval by relevant members of the Company at the extraordinary general meeting to be held on 23 November 2012.

UNAUDITED CONSOLIDATED RESULTS

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

Condensed Consolidated Statement of Comprehensive Income

	Notes	For the three months ended 30 September		For the nine months ended 30 September	
		2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Revenue	3	24,063	13,387	40,315	22,271
Cost of sales		(12,925)	(9,383)	(17,299)	(13,231)
Gross profit		11,138	4,004	23,016	9,040
Other income and gains, net	3	7,911	8,765	20,094	144,071
Selling and distribution costs		(7,034)	(4,173)	(16,154)	(10,342)
Impairment of goodwill		—	—	(155,433)	—
Administrative and other operating expenses		(13,661)	(35,582)	(89,325)	(113,048)
Finance costs		(17)	(24)	(66)	(32)
Profit/(Loss) before tax	4	(1,663)	(27,010)	(217,868)	29,689
Income tax	5	909	1,003	4,692	3,003
Profit/(Loss) for the period		(754)	(26,007)	(213,176)	32,692
Other comprehensive income/(loss) for the period, net of income tax of nil					
— Exchange differences on translation of foreign operations		1,818	3,984	(429)	4,408
Total comprehensive income/(loss) for the period		1,064	(22,023)	(213,605)	37,100
Profit/(Loss) attributable to:					
Shareholders of the Company		(727)	(25,789)	(213,161)	32,622
Non-controlling interests		(27)	(218)	(15)	70
		(754)	(26,007)	(213,176)	32,692
Total comprehensive income/(loss) attributable to:					
Shareholders of the Company		1,067	(21,853)	(213,590)	36,928
Non-controlling interests		(3)	(170)	(15)	172
		1,064	(22,023)	(213,605)	37,100
Earnings/(Loss) per share attributable to shareholders of the Company					
Basic and diluted (HK cents)	6	(0.004)	(0.135)	(1.117)	0.171

NOTES TO THE UNAUDITED CONSOLIDATED RESULTS

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 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 note 8 to the unaudited consolidated results, as at 30 September 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\$1,007.7 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 consolidated results 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 consolidated results 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.

2. BASIS OF PRESENTATION AND PREPARATION (continued)

Basis of preparation

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

This unaudited consolidated result does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2011.

The accounting policies adopted in the preparation of this unaudited consolidated result are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2011, except for the adoption of the following new and revised standards and interpretations for the first time for the current period's financial information:

HKFRS 1 Amendments	Amendments to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards — Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters</i>
HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial Instruments: Disclosures — Transfers of Financial Assets</i>
HKAS 12 Amendments	Amendments to HKAS 12 <i>Income Taxes — Deferred Tax: Recovery of Underlying Assets</i>

The adoption of these new and revised standards and interpretations has had no significant impact on the Group.

3. REVENUE, OTHER INCOME AND GAINS, NET

	For the three months ended 30 September		For the nine months ended 30 September	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Revenue				
Sports content production and distribution income	15,015	6,917	15,015	10,095
Sports talent management income	5,244	4,501	13,602	8,567
Gross rental income	2,431	558	7,567	842
Consultancy service income	287	—	868	—
Sales of air-conditioners and ventilation systems and related services income	1,086	1,411	3,263	2,767
	24,063	13,387	40,315	22,271
Other income				
Bank interest income	4,157	2,437	14,347	7,446
Others	74	509	232	1,405
	4,231	2,946	14,579	8,851

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

	For the three months ended 30 September		For the nine months ended 30 September	
	2012	2011	2012	2011
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Gains, net				
Gain on bargain purchase of a subsidiary	—	—	—	105,498
Fair value gain on derivative financial assets and liabilities	—	5,819	5,491	29,722
Foreign exchange gain, net	3,680	—	24	—
	3,680	5,819	5,515	135,220
Other income and gains, net	7,911	8,765	20,094	144,071

4. PROFIT/(LOSS) BEFORE TAX

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

	For the three months ended 30 September		For the nine months ended 30 September	
	2012	2011	2012	2011
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Depreciation	1,026	1,000	3,080	2,451
Amortisation of land use rights	39	47	119	141
Amortisation of other intangible assets	3,637	4,013	11,662	12,038
Impairment of goodwill	—	—	155,433	—
Impairment of other intangible assets	—	—	6,419	—

5. INCOME TAX

	For the three months ended 30 September		For the nine months ended 30 September	
	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)
Deferred tax credit	909	1,003	4,520	3,010
	909	1,003	4,692	3,003

No provision for Hong Kong profits tax and PRC corporate income tax have been made for the nine months ended 30 September 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 nine months ended 30 September 2012 (2011: Nil).

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

The earnings/(loss) per share are computed as follows:

	For the three months ended 30 September		For the nine months ended 30 September	
	2012	2011	2012	2011
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Earnings/(Loss) attributable to shareholders	(727)	(25,789)	(213,161)	32,622
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)	(0.004)	(0.135)	(1.117)	0.171

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 nine months ended 30 September 2012 and 2011 and the three months ended 30 September 2012 and 2011 in respect of a dilution as the impact of the share options and share warrants outstanding had an anti-dilutive effect on the basic earnings/(loss) per share amounts presented.

7. RESERVES

	Attributable to shareholders of the Company					
	Share premium account	Share option reserve	Other reserve	Exchange fluctuation reserve	Accumulated losses	Total
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
For the nine months ended 30 September 2012						
Balance at 1 January 2012	2,256,863	61,102	—	6,520	(435,438)	1,889,047
Loss for the period	—	—	—	—	(213,161)	(213,161)
Other comprehensive loss for the period:						
Exchange differences on translation of foreign operations	—	—	—	(429)	—	(429)
Total comprehensive loss for the period	—	—	—	(429)	(213,161)	(213,590)
Acquisition of non-controlling interests	—	—	(1,671)	—	—	(1,671)
Forfeiture of share options	—	(1,158)	—	—	1,158	—
Equity-settled share option arrangement	—	3,470	—	—	—	3,470
Balance at 30 September 2012	2,256,863	63,414	(1,671)	6,091	(647,441)	1,677,256
For the nine months ended 30 September 2011						
Balance at 1 January 2011	2,256,863	26,053	—	314	(476,540)	1,806,690
Profit for the period	—	—	—	—	32,622	32,622
Other comprehensive income for the period:						
Exchange differences on translation of foreign operations	—	—	—	4,306	—	4,306
Total comprehensive income for the period	—	—	—	4,306	32,622	36,928
Forfeiture of share options	—	(1,648)	—	—	1,648	—
Equity-settled share option arrangement	—	28,782	—	—	—	28,782
Balance at 30 September 2011	2,256,863	53,187	—	4,620	(442,270)	1,872,400

7. RESERVES (continued)

	Attributable to shareholders of the Company					
	Share premium account	Share option reserve	Other reserve	Exchange fluctuation reserve	Accumulated losses	Total
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
For the three months ended						
30 September 2012						
Balance at 1 July 2012	2,256,863	74,250	(1,671)	4,297	(647,824)	1,685,915
Loss for the period	—	—	—	—	(727)	(727)
Other comprehensive income for the period:						
Exchange differences on translation of foreign operations	—	—	—	1,794	—	1,794
Total comprehensive income for the period	—	—	—	1,794	(727)	1,067
Forfeiture of share options	—	(1,110)	—	—	1,110	—
Equity-settled share option arrangement	—	(9,726)	—	—	—	(9,726)
Balance at 30 September 2012	2,256,863	63,414	(1,671)	6,091	(647,441)	1,677,256
For the three months ended						
30 September 2011						
Balance at 1 July 2011	2,256,863	46,591	—	684	(418,129)	1,886,009
Loss for the period	—	—	—	—	(25,789)	(25,789)
Other comprehensive loss for the period:						
Exchange differences on translation of foreign operations	—	—	—	3,936	—	3,936
Total comprehensive loss for the period	—	—	—	3,936	(25,789)	(21,853)
Forfeiture of share options	—	(1,648)	—	—	1,648	—
Equity-settled share option arrangement	—	8,244	—	—	—	8,244
Balance at 30 September 2011	2,256,863	53,187	—	4,620	(442,270)	1,872,400

8. CAPITAL COMMITMENT

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

	30 September 2012 (Unaudited) HK\$'000	31 December 2011 (Audited) HK\$'000
Contracted, but not provided for:		
Acquisition of land use right*	1,007,719*	1,007,719
Construction costs	5,271	—
	1,012,990	1,007,719

* Denominated in RMB, in the amount of approximately RMB819.3 million.

In May 2011, the Group paid a deposit of HK\$230 million to Shenyang Planning and Land and Resources Bureau (the "Land Bureau") for the acquisition of the Changbai Land. The deposit will be applied as part of the consideration payment. As at 30 September 2012 and the date of approval of these unaudited consolidated results, 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 above 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 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 consolidated results, 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.

9. SUBSEQUENT EVENT AFTER THE REPORTING PERIOD

On 12 October 2012, the Company has entered into an acquisition agreement with vendors to acquire from them an aggregate of approximately 25.23% of the issued share capital of Li Ning Company Limited (a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the main board of the Stock Exchange (stock code: 2331)). Details of the transaction are set out in the Company's announcement and circular dated 17 October 2012 and 7 November 2012 respectively. The Company also proposed that every five ordinary shares of the Company of nominal value of HK\$0.01 each be consolidated into one ordinary share of nominal value of HK\$0.05 each and to increase its authorised share capital from HK\$510,000,000 to HK\$1,060,000,000. All the above transactions are subject to the approval by relevant members of the Company at the extraordinary general meeting to be held on 23 November 2012.

10. **DIVIDEND**

The Directors do not recommend the payment of any dividend in respect of the nine months ended 30 September 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 nine months ended 30 September 2012.

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

As at 30 September 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 ⁽²⁾		
Li Ning ⁽¹⁾	Interest in controlled corporation	—	10,662,101,910	—	10,662,101,910	55.87%
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	—	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 September 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 September 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		
Substantial Shareholders				
Lead Ahead ⁽¹⁾	10,662,101,910	—	10,662,101,910	55.87%
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. Mr. Li Ning is also a director of Lead Ahead.
- (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 30 September 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 nine months ended 30 September 2012 are set out below:

Grantees	Date of Grant	Exercise Price per Share (HK\$)	Number of Share Options		
			Balance as at 01.01.2012	Cancelled during the period	Balance as at 30.09.2012
Directors					
Chan Ling	02.07.2010	0.78	30,000,000	—	30,000,000 ⁽¹⁾
	20.09.2011	0.15	60,000,000	—	60,000,000 ⁽²⁾
Li Chunyang	02.07.2010	0.78	30,000,000	—	30,000,000 ⁽¹⁾
	20.09.2011	0.15	60,000,000	—	60,000,000 ⁽²⁾
Lee Wa Lun, Warren	02.07.2010	0.78	5,000,000	—	5,000,000 ⁽³⁾
	20.09.2011	0.15	9,000,000	—	9,000,000 ⁽⁴⁾
Li Chun	02.07.2010	0.78	5,000,000	—	5,000,000 ⁽³⁾
	20.09.2011	0.15	9,000,000	—	9,000,000 ⁽⁴⁾
Ma Wing Man	02.07.2010	0.78	5,000,000	—	5,000,000 ⁽³⁾
	20.09.2011	0.15	9,000,000	—	9,000,000 ⁽⁴⁾
Chen Johnny	02.07.2010	0.78	5,000,000	—	5,000,000 ⁽³⁾
	20.09.2011	0.15	9,000,000	—	9,000,000 ⁽⁴⁾
Ip Shu Kwan, Stephen	02.07.2010	0.78	5,000,000	—	5,000,000 ⁽³⁾
	20.09.2011	0.15	9,000,000	—	9,000,000 ⁽⁴⁾
Ng Sau Kei, Wilfred	02.07.2010	0.78	5,000,000	—	5,000,000 ⁽³⁾
	20.09.2011	0.15	9,000,000	—	9,000,000 ⁽⁴⁾
Ng Chi Man, Michael (Note 5)	02.07.2010	0.78	90,000,000	(30,000,000)	60,000,000 ^(5a)
	06.09.2010	0.83	40,000,000	(40,000,000) ^(5b)	—
	20.09.2011	0.15	130,000,000	(86,666,667)	43,333,333 ^(5c)
			524,000,000	(156,666,667)	367,333,333

Grantees	Date of Grant	Exercise Price per Share (HK\$)	Number of Share Options		
			Balance as at 01.01.2012	Cancelled during the period	Balance as at 30.09.2012
Other employees					
In aggregate	02.07.2010	0.78	26,000,000	(9,000,000)	17,000,000 ⁽⁶⁾
In aggregate	06.09.2010	0.83	42,050,000	(2,250,000)	39,800,000 ⁽⁷⁾
In aggregate	20.09.2011	0.15	220,550,000	(62,100,001)	158,449,999 ⁽⁸⁾
			288,600,000	(73,350,001)	215,249,999
Other grantees					
In aggregate	06.09.2010	0.83	14,100,000	(2,100,000)	12,000,000 ⁽⁹⁾
In aggregate	20.09.2011	0.15	130,000,000	(8,000,000)	122,000,000 ⁽¹⁰⁾
			144,100,000	(10,100,000)	134,000,000
			956,700,000	(240,116,668)	716,583,332

Notes:

- (1) 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.
- (2) 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.
- (3) 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.
- (4) 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.
- (5) Mr. Ng Chi Man, Michael resigned as an executive Director and Chief Executive Officer of the Company with effect from 31 August 2012. Below is the information in relation to the share option granted to him:
 - (a) The share options granted on 2 July 2010 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 and the share options under (iii) were cancelled upon his resignation.

- (b) The share options granted on 6 September 2010 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 and all of them were cancelled upon his resignation; and
- (c) The share options granted on 20 September 2011 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 and the share options under (ii) and (iii) were cancelled upon his resignation.
- (6) 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 9,000,000 share options, the number of share options under each of (i), (ii) and (iii) of this note reduced to 5,666,666, 5,666,667 and 5,666,667 respectively as at 30 September 2012.
- (7) 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 2,250,000 share options, the number of share options under each of (i), (ii) and (iii) of this note reduced to 7,600,000, 7,600,000 and 7,600,000 respectively as at 30 September 2012, while the number of share options under each of (iv) and (v) remained unchanged as at 30 September 2012.
- (8) 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 62,100,001 share options, the number of share options under each of (i), (ii), (iii), (iv) and (v) of this note reduced to 26,149,997, 42,483,333, 42,483,335, 25,833,334 and 21,500,000 respectively as at 30 September 2012.
- (9) 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 2,100,000 share options, the number of share options under each of (i), (ii) and (iii) of this note reduced to 4,000,000, 4,000,000 and 4,000,000 respectively as at 30 September 2012.
- (10) 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 8,000,000 share options, the number of share options under each of (i), (ii), (iii), (iv) and (v) of this note reduced to 22,000,000, 30,000,000, 30,000,000, 24,000,000 and 16,000,000 respectively as at 30 September 2012.
- (11) No share options were granted, exercised or lapsed during the nine months ended 30 September 2012.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

For the nine months ended 30 September 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.

AUDIT COMMITTEE

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

The Audit Committee currently comprises three independent non-executive Directors, namely, Mr. Chen Johnny (the Chairman of the Audit Committee), Mr. Ip Shu Kwan, Stephen and Mr. Ng Sau Kei, Wilfred and one non-executive Director, Mr. Ma Wing Man. The unaudited consolidated results of the Group for the nine months ended 30 September 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, 12 November 2012

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

Executive Directors:

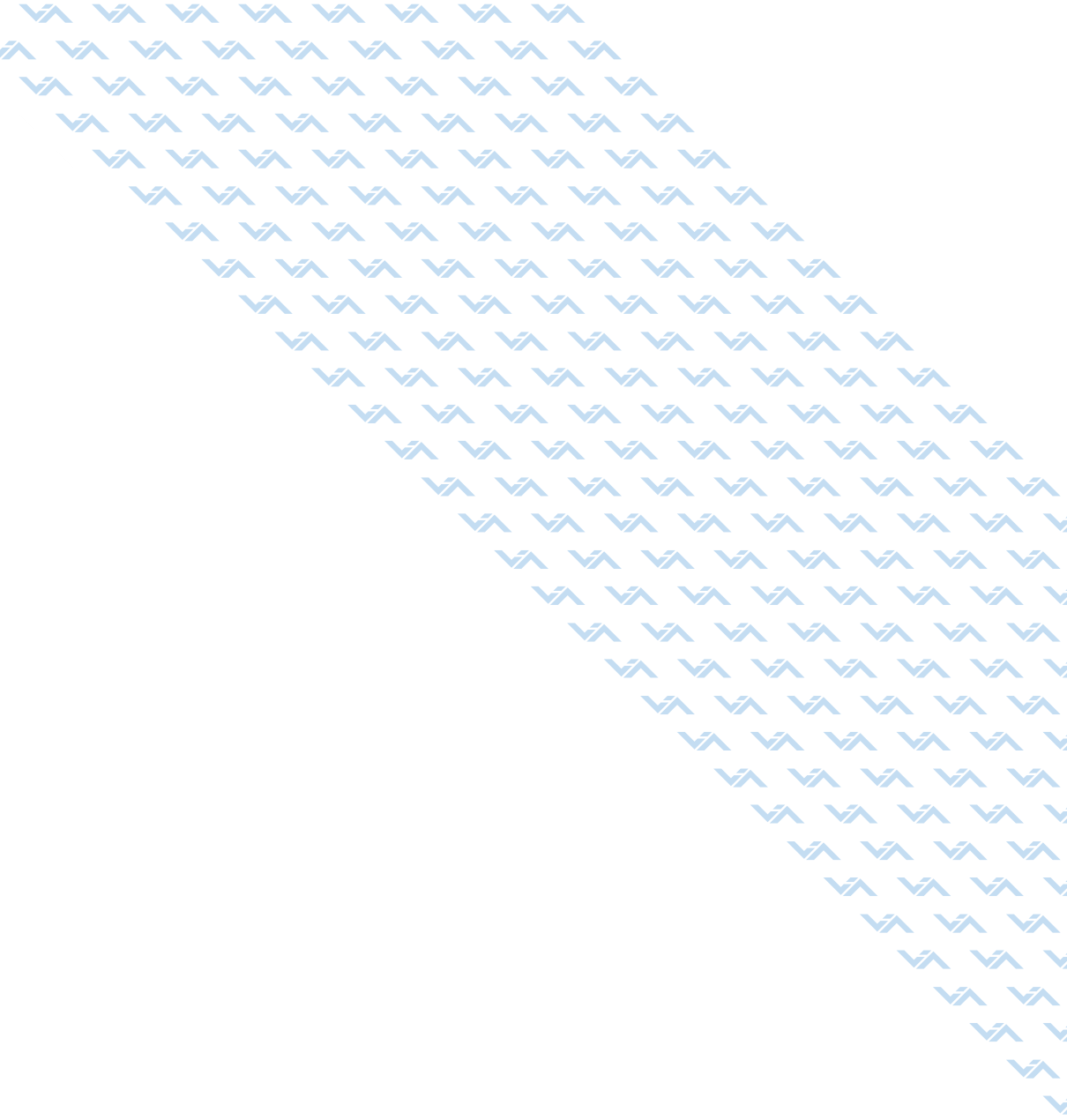
Mr. Li Ning (*Chairman*)
Mr. Li Chunyang
Mr. Chan Ling
Mr. Lee Wa Lun, Warren

Non-executive Directors:

Mr. Li Chun
Mr. Ma Wing Man

Independent Non-executive Directors:

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



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