非凡中國控股有限公司2012年報

VIVA CHINA HOLDINGS LIMITED
ANNUAL REPORT 2012

VIVA CHINA

VIVA CHINA HOLDINGS LIMITED

非凡中國控股有限公司

(Incorporated In The Cayman Islands With Limited Liability)

(於開曼群島註冊成立之有限公司)

Stock Code 股份代號 ：8032

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

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Directors

Mr. Li Chun
Mr. Ma Wing Man

Independent non-executive Directors

Mr. Chen Johnny
Mr. Ng Sau Kei, Wilfred, *SBS, MH, JP*

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

Mr. Ng Sau Kei, Wilfred, *SBS, MH, JP (Committee Chairman)*
Mr. Chan Ling
Mr. Chen Johnny

NOMINATION COMMITTEE

Mr. Li Ning *(Committee Chairman)*
Mr. Chen Johnny
Mr. Ng Sau Kei, Wilfred, *SBS, MH, JP*

AUTHORISED REPRESENTATIVES

Mr. Chan Ling
Mr. Ho Kim Ching

COMPLIANCE OFFICER

Mr. Chan Ling

COMPANY SECRETARY

Mr. Ho Kim Ching

AUDITORS

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

PRINCIPAL BANKERS

The Bank of East Asia, Limited
Hang Seng Bank Limited
Industrial and Commercial Bank of China (Asia) Limited
Standard Chartered Bank (Hong Kong) Limited
Credit Suisse AG Hong Kong Branch
Credit Agricole (Suisse) SA, Hong Kong Branch
DBS Bank (China) Ltd.
China Citic Bank International Limited

LEGAL ADVISERS

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

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

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

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS

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

SHARE REGISTRARS AND TRANSFER OFFICES

Cayman Islands

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KY1-1110
Cayman Islands

Hong Kong

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

WEBSITE

www.vivachina.hk

STOCK CODE

8032

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CHAIRMAN'S STATEMENT

Dear Shareholders,

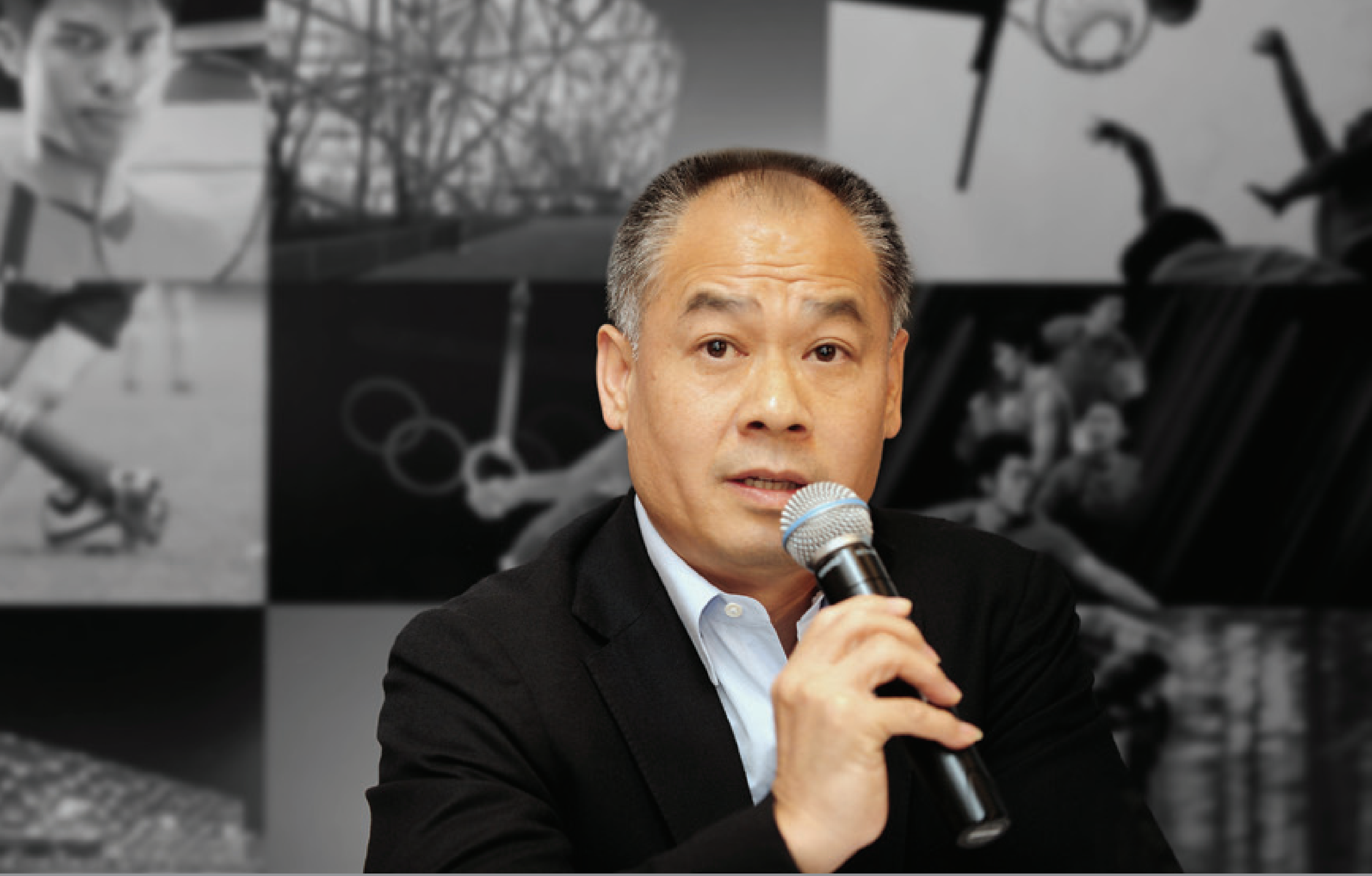
On behalf of the Board of Viva China Holdings Limited, I hereby present the annual results of the Group for the year ended 31 December 2012.

Sports Business

During 2012, the primary focus of the Group continues to be our sports-related businesses, while we put in relatively less effort in fostering the green-energy business in the second half of the year. With the London Olympics Games held in July 2012, the Group has taken advantages of the opportunities arising from such to boost the images of the sports talents currently under our management. Continuing with this theme, the Group has also organised events such as "Super-Fans", which brought our sports talents closer with the public to enhance their marketability. Our management team will continue to explore ways to elevate and to capitalise the commercial values of our managed talents. In addition to managing our sports talents, the Group also achieved encouraging results from the organisation of world-class international tournaments such as the 2012 Badminton World Federation World Superseries Finals. The Group will continue to leverage our resources on hand to produce more innovative and quality events, games and competitions to further strengthen our foundation in growing our business as well as the PRC sports industry. At the same time, we are also actively searching for opportunities to expand our sports resources and the scope of our business.

Acquisition of equity interests in Li Ning Co

The year of 2012 was a very meaningful year for the development of our Group. As one of our key milestones, the Company successfully acquired approximately 25.23% equity interests in Li Ning Co in December 2012. I believe that the acquisition will accord to the Group a mature business platform that would be beneficial for its development and enhance its growth potential in the PRC sports industry. This is also in line with the Company's core strategy of achieving long-term growth through both organic growth and strategic acquisition. The Group will strive to build an integrated platform that will allow it to create synergies and reap crossover benefits among various business components along the sports value chain, and endeavor to foster the Company into a professional sports enterprise with the greatest growth potential in the PRC. In the long run, with sports getting increasingly popular in the PRC, I envisage that the Group and Li Ning Co may leverage on their respective resources and expertise to capture continuous development opportunities and greater room for growth during the commercialisation process of the PRC sports industry.



Sports Community Development Business

In view of the change in the regulatory environment, the Group has terminated the acquisition of the land use rights of a parcel of land situated in Shenyang, PRC. The Group is currently readjusting its strategy towards the sports community development segment and is looking for and studying various potential projects in cities with large growth prospects. With our aim to promote a sportive culture among the mass population through development of sports communities and to strive for a balance between risk and return, we will continue to seek and pursue different opportunities in this business segment at a measured pace.

Future Prospects

We firmly believe in the tremendous potential for the sports industry due to the continuous process of urbanisation in the PRC, opportunities emerging from increasing government investments or supports in sports facilities development, changes in living habit of PRC people as they are getting more health conscious and striving for higher quality of living. These factors would all contribute to sustain the growth of the sports industry, and reinforce our confidence in the sector outlook. We will utilise our resources on hand to expand our sports resource portfolio and continue exploring new business opportunities to generate greater returns for our shareholders.

Appreciation

On behalf of the board, I would like to take this opportunity to express my gratitude and appreciation to Mr. Ng Chi Man, Michael who left office in August 2012. I would also like to thank the board of directors for their valuable contribution and counsel. I would also like to thank management and all of our employees for their dedicated contribution towards the continual progress of the Group. Finally, I would like to thank all of our stakeholders for their continued support.

Li Ning
Chairman
Hong Kong, 26 March 2013

MR. LI NING *CHAIRMAN AND EXECUTIVE DIRECTOR*

Mr. Li Ning, aged 50, has been the chairman of the Company (the "Chairman"), an executive Director and a member of the executive committee of the Company since June 2010. Mr. Li was also appointed as the chairman of the nomination committee of the Company with effect from 15 March 2012. Mr. Li is the founder of the LI-NING brand and currently the chairman and an executive director of Li Ning Co. He is primarily responsible for formulating the overall corporate strategies and planning of Li Ning Co. Mr. Li is the younger brother of Mr. Li Chun, who is a non-executive Director.

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

After retiring in 1989 from his athlete career, Mr. Li initiated the idea of LI-NING brand with the goal of creating the first national sports goods brand in the PRC. He has dedicated the past 23 years to the development of the business of Li Ning Group, achieving great contribution to the development of the PRC's sports goods industry.

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

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

MR. CHAN LING *EXECUTIVE DIRECTOR*

Mr. Chan Ling, aged 41, is an executive Director, an authorised representative and the compliance officer of the Company and a member of the executive committee and remuneration committee of the Company. Mr. Chan has been a member and the chairman of the nomination committee of the Company since 2 June 2010 and 23 June 2010 respectively, and ceased to hold any office of this committee on 15 March 2012. Mr. Chan joined the Group in June 2010 and is a director of Viva China Sports Holding Limited, Viva China Community Development Holdings Limited and various subsidiaries of the Company. Mr. Chan was the chief executive officer of "The Chinese Athletes Educational Foundation". He has over 10 years of working experience in the media industry and in the sports agency industry.

MR. LI CHUNYANG *EXECUTIVE DIRECTOR*

Mr. Li Chunyang, aged 44, is an executive Director and a member of the executive committee of the Company. Mr. Li joined the Group in June 2010 and is a director of 非凡領越體育發展 (北京) 有限公司, Viva China Community Development Holdings Limited and various subsidiaries of the Company. Mr. Li graduated from Peking University in 2004 with a bachelor's degree in Economics. He was one of the founders of "The Chinese Athletes Educational Foundation". In 1989 and 1991, he won the World Gymnastics Championships.

MR. LEE WA LUN, WARREN *EXECUTIVE DIRECTOR*

Mr. Lee Wa Lun, Warren, aged 49, is an executive Director. Mr. Lee joined the Group in June 2010 and oversees the development of the Group's green energy business. Mr. Lee is currently the director and the chairman of the board of SHK Hong Kong Industries Limited* (Stock Code: 666). He became a director of SHK Hong Kong Industries Limited in 2004. He is also a director of Yu Ming Investment Management Limited, the investment manager of SHK Hong Kong Industries Limited and a subsidiary of Allied Group Limited, a substantial shareholder of SHK Hong Kong Industries Limited and a company listed on the main board of the Stock Exchange (Stock Code: 373). Mr. Lee is also a non-executive chairman of Rotol Singapore Limited since November 2007. Rotol Singapore Limited was listed on the main board of the Singapore Exchange Limited until August 2011. Mr. Lee is an executive director of First Natural Foods Holdings Limited* (Stock code: 1076) since December 2008. Mr. Lee was the chief executive officer of Nam Tai Electronics, Inc., an electronics manufacturing services provider listed on the New York Stock Exchange. From March 2004 to February 2006, he was an independent non-executive director of Nam Tai Electronic and Electrical Products Limited ("NTEEP"), and from February 2006 to April 2007, he was re-designated as a non-executive director of NTEEP. From January 2007 to April 2007, he was also a non-executive director of J.I.C. Technology Company Limited ("JIC"). Both of NTEEP and JIC were listed on the main board of the Stock Exchange and subsidiaries of Nam Tai Electronics, Inc.

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

MR. LI CHUN *NON-EXECUTIVE DIRECTOR*

Mr. Li Chun, aged 51, is a non-executive Director. Mr. Li joined the Group in June 2010. Mr. Li is currently the vice chairman of "Li Ning Foundation" and a committee member of the Buddhist Foundation of China. Mr. Li graduated from the University of International Business and Economics, China in 1990 with a diploma in Development on International Business and Economics. Mr. Li is the elder brother of Mr. Li Ning, who is an executive Director.

MR. MA WING MAN *NON-EXECUTIVE DIRECTOR*

Mr. Ma Wing Man, aged 47, is a non-executive Director and a member of the audit committee of the Company. Mr. Ma joined the Group in June 2010. Mr. Ma has been a member of the nomination committee of the Company during the period from 2 June 2010 to 15 March 2012. Mr. Ma has over 20 years of experience in finance and administration. Mr. Ma has been employed by "Li Ning Foundation" as the financial controller since 2005. From 1992 to 2005, Mr. Ma had been employed first as accountant and later as financial and accounting manager of Jianlibao Holdings (H.K.) Company Limited. From 1989 to 1991, Mr. Ma was employed as assistant accountant by Wong's Circuits (PTH) Limited, which was a subsidiary of Wong's International (Holdings) Limited* (formerly known as Wong's Industrial (Holdings) Limited) (Stock Code: 0099).

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

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

MR. CHEN JOHNNY *INDEPENDENT NON-EXECUTIVE DIRECTOR*

Mr. Chen Johnny, aged 53, has been an independent non-executive Director, the chairman of the audit committee of the Company and a member of the remuneration committee of the Company since June 2010. He was also appointed as a member of the nomination committee of the Company with effect from 15 March 2013. Mr. Chen is currently the chief executive officer of Asia Pacific General Insurance of Zurich Financial Services Ltd ("Zurich"). Mr. Chen is also a member of the leadership team and the Asia Pacific executive committee of Zurich. From 2007 to 2010, Mr. Chen was the chief executive officer of Greater China and South East Asia of Zurich. From 2005 to 2007, Mr. Chen was the chief executive officer of Greater China region of Zurich. Prior to joining Zurich, Mr. Chen was an executive member of the Greater China management board and of the operating committee of PricewaterhouseCoopers ("PwC"). He was also the managing partner of PwC's Beijing office. Mr. Chen has also been a director of the American Chamber of Commerce in China since 1995. Since February 2009, Mr. Chen has been an independent non-executive director, the chairman of the nomination committee and a member of the audit committee of Stella International Holdings Limited* (Stock Code: 1836). Mr. Chen has been a non-executive director of New China Life Insurance Company Ltd.* (Stock Code: 1336) since 2005. The shares of New China Life Insurance Company Ltd. commenced listing on the Stock Exchange on 15 December 2011. Mr. Chen received a master's degree in accounting from the University of Rhode Island and is a U.S. qualified certified public accountant.

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

Mr. Ng Sau Kei, Wilfred, aged 48, has been an independent non-executive Director and a member of the audit committee and remuneration committee of the Company since June 2010. Mr. Ng was appointed as a member of the nomination committee and the chairman of remuneration committee of the Company with effect from 15 March 2012 and 15 March 2013 respectively. Mr. Ng joined the Group in June 2010. Mr. Ng was an independent non-executive director of China Renji Medical Group Limited* (Stock Code: 648, formerly known as Softbank Investment International (Strategic) Limited) during the period from 30 April 2007 to 1 October 2008.

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

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

SENIOR MANAGEMENT

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

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

DISCLOSURE ON CHANGES IN INFORMATION OF DIRECTORS

Pursuant to Rule 17.50A(1) of the GEM Listing Rules, the changes in details of the Directors' information since the date of the interim report of the Company for the six months ended 30 June 2012 are set out below:

NAME	Details of changes
Mr. Chen Johnny	Appointed as a member of nomination committee of the Company with effect from 15 March 2013
Mr. Ng Sau Kei, Wilfred	Appointed as the chairman of the remuneration committee of the Company with effect from 15 March 2013 Completed the term of appointment for the Sir David Trench Found for Recreation on 9 January 2013

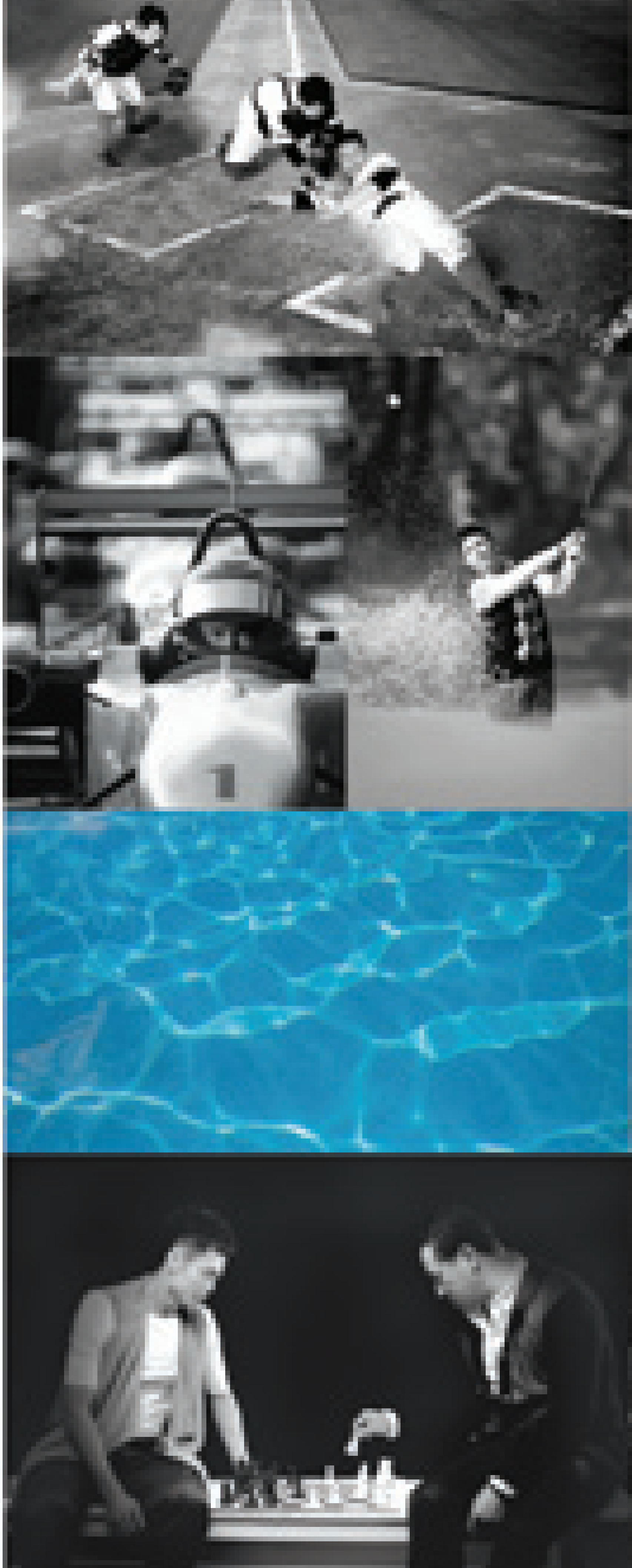
SPORTS TALENT MANAGEMENT, EVENTS AND COMPETITIONS

In 2012, Viva China continues to be a strategic partner of the National Badminton Team as well as the exclusive manager of the National Gymnastics Team, National Diving Team and various sports celebrities. The success of these national teams and world-class athletes in the London Olympics has attracted media attention. The talents have also been invited by leading terrestrial TV broadcasters such as CCTV, Dragon TV and Hunan TV to participate in popular programs and shows. We have advantage of this increased exposure to enhance the marketability and popularity of sport talents and teams under our management. Their impressive results, fresh new images and increasing media exposure have attracted endorsements with renowned commercial brands such as Coca Cola, Tsingtao Beer, Amway, P&G, Shiseido, By-Health, QQ, Rejoice, Wrigley's Doublemint, and Bluemoon.

We also participated in the management of three major international badminton tournaments in China, namely, China Masters in Changzhou, China Open in Shanghai, and BWF World Superseries Finals in Shenzhen. These events were well-received in China and contributed positively to our operating income and cash flow.

The London Olympics have been an excellent catalyst in promoting our talents. The Company will continue to put forth efforts in producing inspiring sporting events and utilise our resources and experience to capitalise the commercial value of our talents.

BUSINESS REVIEW I SPORTS



NATIONAL BADMINTON TEAM

The National Badminton Team is one of the top badminton teams in the world, having won Thomas Cup 9 times, Uber Cup 12 times and Sudirman Cup 8 times since 1982. At the London Olympics, the team was the first team to sweep all 5 Olympic gold medals. Its individual athletes are also internationally famed for their skills and talents, with its star player Lin Dan who successfully defended his Olympic title in London Olympics and became the first two-time Olympic badminton champion.

Recent Accomplishments:

2012 London Olympics	– 5 Gold (Men's singles, Women's singles, Men's Doubles, Women's Doubles and Mixed Doubles)
2012 Uber Cup	– Champion
2012, 2010 Thomas Cup	– Champion
2011 Sudirman Cup	– Champion
2011 London World Championships	– 5 Gold

NATIONAL GYMNASTICS TEAM

The men's and women's national gymnastics team are among the most honoured national teams and currently one of the leading gold medal teams in China. At the London Olympics, the team won 4 gold medals, 3 silver medals and 1 bronze medal. One of its star gymnasts, Zou Kai, won a total of 5 Olympics gold medals in two Olympics and became most decorated gymnast in China's gymnastics history.

Recent Accomplishments:

2012 London Olympics	– 4 Gold
2011 Tokyo Artistic Gymnastics World Championships	– 4 Gold
2010 Rotterdam Artistic Gymnastics World Championships	– 4 Gold

NATIONAL DIVING TEAM

The team has been named one of the world's "Dream Team" in diving. At the London Olympics, the team received 6 out of 8 possible Olympic diving gold medals. In the 2011 Shanghai FINA World Championships, the National Diving Team received all diving 10 gold medals.

Recent Accomplishments:

2012 London Olympics	– 6 Gold
2011 Shanghai FINA World Championships	– 10 Gold
2010 Guangzhou Asian Games	– 10 Gold

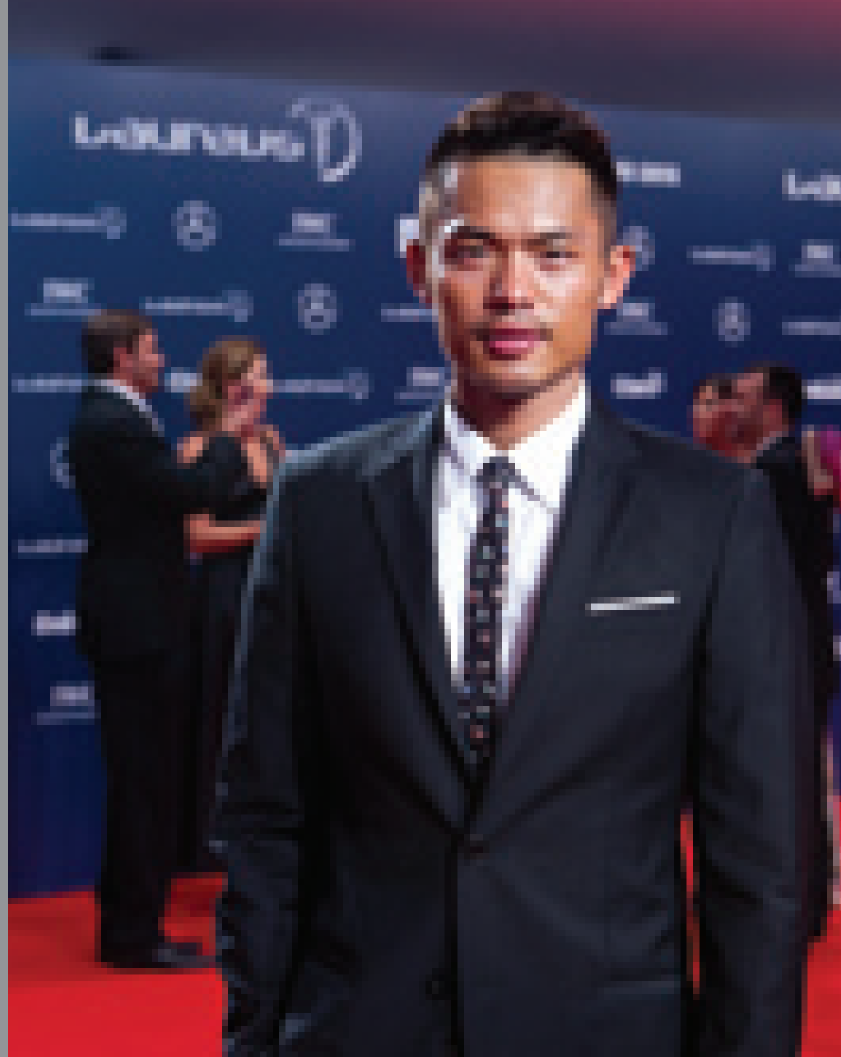
Lin Dan Badminton

Athletic Accomplishments:

2012 London Olympics	– Gold (Men's Singles)
2012, 2009 All England Badminton Championships	– Champion (Men's Singles)
2011 BWF World Superseries Finals	– Champion (Men's Singles)
2010 Guangzhou Asian Games	– Champion (Men's Singles, Men's Team)
2008 Beijing Olympics	– Gold (Men's Singles)

Recent Achievements:

2012	The Most Impact of the World Chinese Athlete Award
2011	China Top Ten Benefiting Laureus Sports For Good, Best Male Athlete Award
2011	2010 CCTV Sports Best Male Athlete Award
2010	Top 10 Athletes by Xinhua News
2010	Guangzhou Asian Games Most Valuable Player
2009	The Most Influential Sportsmen in the 21st Century nominee
2006 –2008	3 years in a row being awarded the "Best Athlete of the Year" by BWF



Liu Xuan Gymnastics

Athletic Accomplishments:

2000 Sydney Olympics	– Gold (Balance Beam)
1998 World Cup	– Champion (Balance Beam)
1997 East Asian Games	– 3 Gold (Women's team, Individual all-around, Balance Beam)

1996 "Liu Xuan One-Arm Giant Swings" at the World Championships

Commercial Appearances:

2012	Spokeswoman of Uzise（柚子舍）
2012	Autobiography titled "Xuan Mu"（璇木）
2011	Asian drama "Stranger 6"（六個陌生人）female lead
2011	TVB anniversary drama "Grace Under Fire"（女拳）female lead
2011	First Mandarin album "Beautiful Face"（美麗的樣子）
2008	Beijing Olympics torch bearer

Yang Wei Gymnastics

Athletic Accomplishments:

2008 Beijing Olympics	– 2 Gold (Men's team, Individual all-around)
2007 Stuttgart Gymnastic World Championship	– Champion (Men's team, Individual all-around)
2006 Arhus Gymnastic World Championship	– Champion (Men's team, Individual all-around, Parallel Bars)
2006 Doha Asian Games	– Champion (Men's team, Individual all-around, Ring, Parallel Bars)
2003 Anaheim Gymnastic World Championship	– Champion (Men's team)
2000 Sydney Olympics	– Gold (Men's team)

Commercial Appearances:

2012	Autobiography titled "Blazon Forth Our Country Prestige"（楊我國威）
2012	"China's Got Talent"（中國達人秀）broadcasted on Dragon TV – Judge

Chen Yibing Gymnastics

Athletic Accomplishments:

2012 London Olympics	– Gold (Men's team)
2011 Tokyo Gymnastics World Championship	– Champion (Rings)
2010 Rotterdam Gymnastics World Championship	– Champion (Rings)
2009 Stuttgart Gymnastics World Cup	– Gold (Rings)
2008 Beijing Olympics	– Gold (Men's team and Rings)

Jin Jing Paralympics Athlete

Athletic Accomplishments:

2003 World Wheelchair Championships (Individual Epee) – 2nd Runner Up

2002 FESPIC Disable Game Epee Individual – 1st runner up, Foil Epee Group – 2nd runner up

Recent Achievements:

2010 Awarded the 中國青年五四獎章

2008 Awarded as one of the 19th group “China’s 10 Most Outstanding Youths”（中國十大傑出青年）title

2008 Beijing Olympics torch bearer

2008 Awarded as one of the ten Person of the Year of “Moving China”（感動中國年度人物）

Zheng Jie Tennis

Recent Accomplishments:

2012 ASB Classic – Champion (Women’s singles)

2011 Internazionali BNL d’Italia, WTA Tour – Champion (Women’s doubles)

2011 OEC Taipei Ladies Open – Champion (Women’s doubles)

2010 Australian Open Women’s Singles – Semi-finalist

2008 Wimbledon Singles – Semi-finalist

Cheering For National Gymnastics Team

— 6 July 2012

Before the National Gymnastics Team departure to the London Olympics, Viva China hosted a cheering event in Beijing on 6 July 2012 to cheer for the athletes. Our Chairman, Mr. Li Ning, along with China's outstanding gymnasts, coaches and athletes gathered for the cheering event to show their encouragement to the National Gymnastics Team.

Super Fans

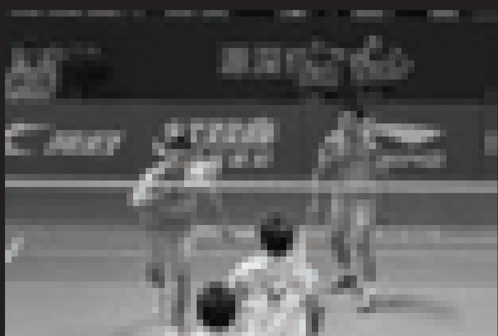
On the Journey to London Olympics
May 2012–August 2012

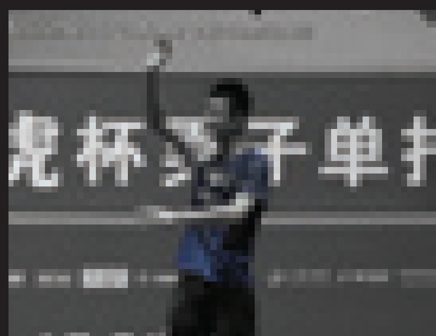
To enhance the marketability of our talents, Viva China launched a large-scale marketing campaign, *Super Fans*, in collaboration with the renowned commercial brands Rejoice and Wrigley's Doublemint. Super fans were selected to visit London and watch the Olympics events with Hong Kong's pop-stars Eason Chan and our talent Jin Jing.

China Masters : Changzhou
– 11–16 September 2012

The China Masters was held in Changzhou in September for the fifth consecutive year. With 138 players from 17 countries participated in the tournament, it has drew over 20,800 spectators over the course of the tournament.





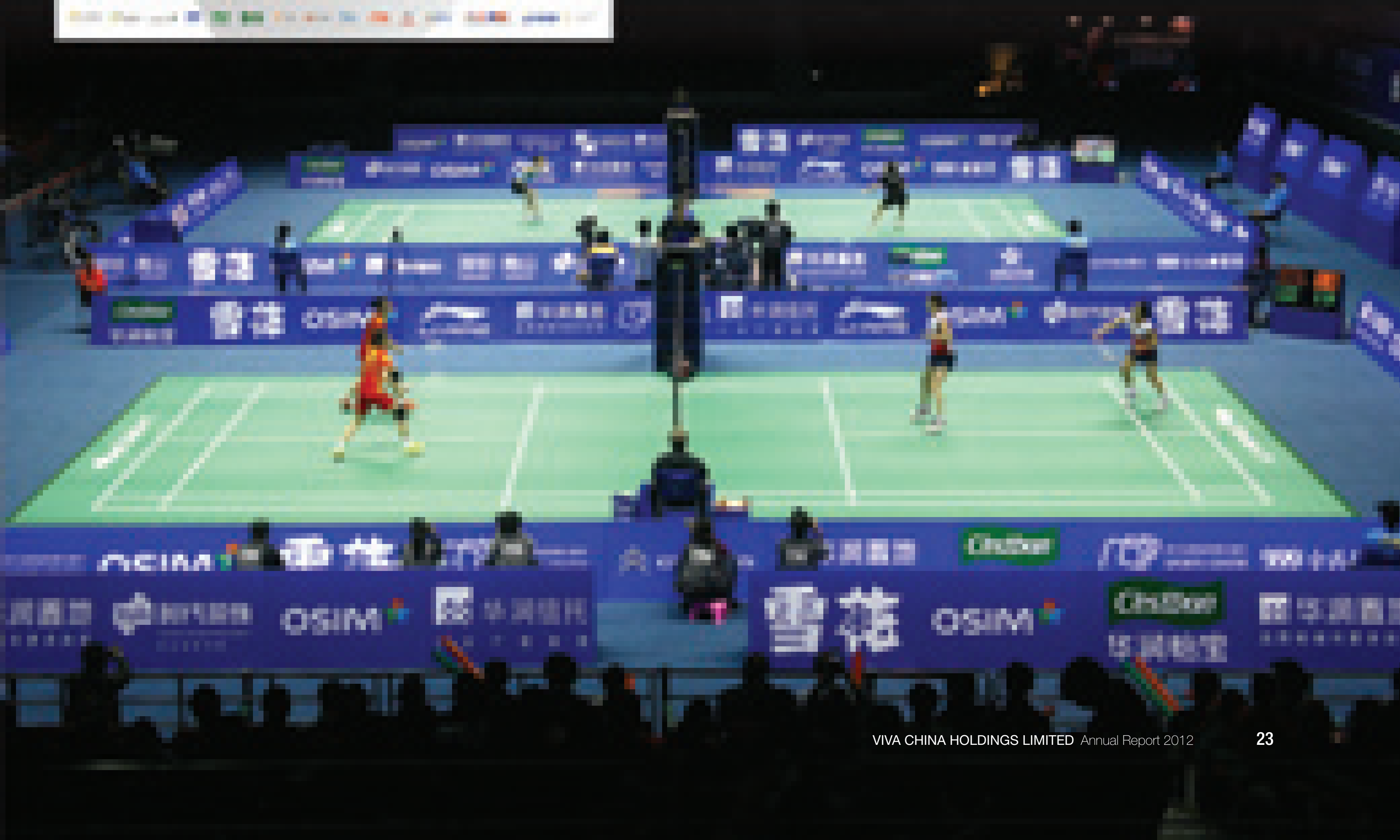
China Open : Shanghai
– 13–18 November 2012

The China Open was also held in November for the fifth consecutive year in Shanghai. The tournament reached another year of success with 232 players from 25 countries.

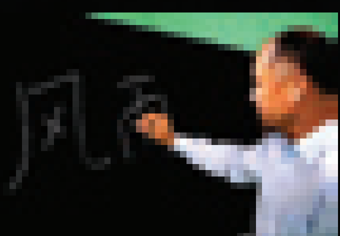
2012 BWF World Superseries Finals : Shenzhen

– 12–16 December 2012

The 2012 BWF World Superseries Finals made its second appearance in China after its success in Liuzhou in 2011. The tournament took place at Shenzhen Bay Sports Center, which was also known as the “Spring Cocoon”. It was built in 2011 for the Summer Universiade Games. The Top 8 of each category after 12 stops of BWF World Superseries has gathered together the first time in Shenzhen for the finals. A total of 61 players from 10 countries participated in the event. The tournament has attracted over 57,000 spectators over the 5 days tournament. The National Badminton Team players were awarded 3 out of 5 championships titles.

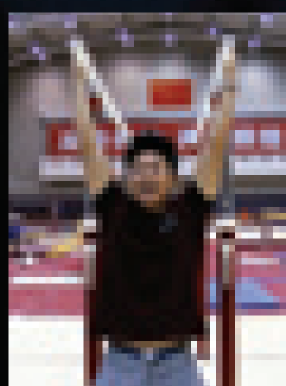


My Arena

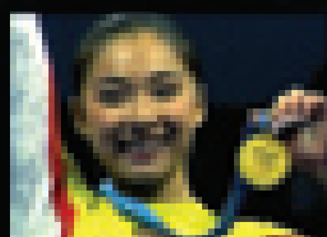


Li Ning (4'55)

Zhou Jihong (10'22)



Li Xiaopeng (10'23)

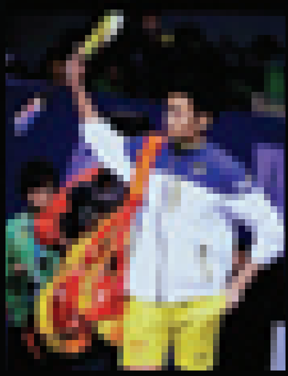


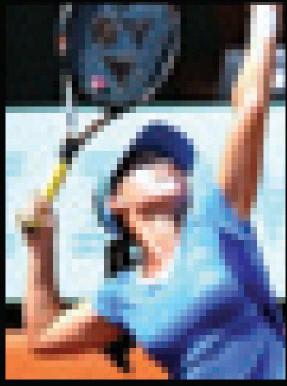
Liu Xuan (10'19)

Documentary Shooting "My Arena"

In 2012, Viva China took an initiative to showcase well-known athletes in the documentary *My Arena*. The film featured a collection of stories highlighting the most successful athletes and their emotional ups and downs during their rise to fame. This documentary has been broadcasted on CCTV and Now TV in Hong Kong.


Li Na (4'38)


Lin Dan (6'15 • 4'21 • 4'33)


Zheng Jie (10'41)


Guo Jingjing (9'26)

Li Ning (4'55)

Failure is never the final destination
It's a new beginning of life
Failure is a triumph for yourself
Keep learning, keep pursuing
Anything is possible
Make the Change
Let's walk through My Arena with a big smile

Zhou Jihong (10'22)

We all experience the darkness in life
Guide our children through the ups
and downs in life
We assumed the roles of fathers and mothers
Through our efforts spent will the children
Reach out the brightness in My Arena

Li Xiaopeng (10'23)

Gymnastics has shaped my personality
and my development
The spirit of sportsmanship will tinge
with my career and my life
Sports brings happiness to people
Be positive, be optimistic
Face everyone's My Arena

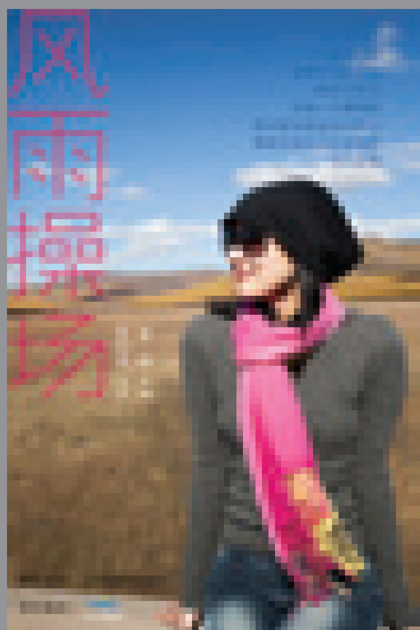
Liu Xuan (10'19)

No matter how complicated the world is
Have a crystal clear mind
Keep up with the spirits of
an athlete
All hard works paid off on
my way towards My Arena

My Arena

Zheng Jie (10'41)

I treasure every match I played
My body can never bind me from playing
The thought of "Giving up" never come across my mind
No regrets shall leave in my memories
Embrace My Arena with Zhang Yu

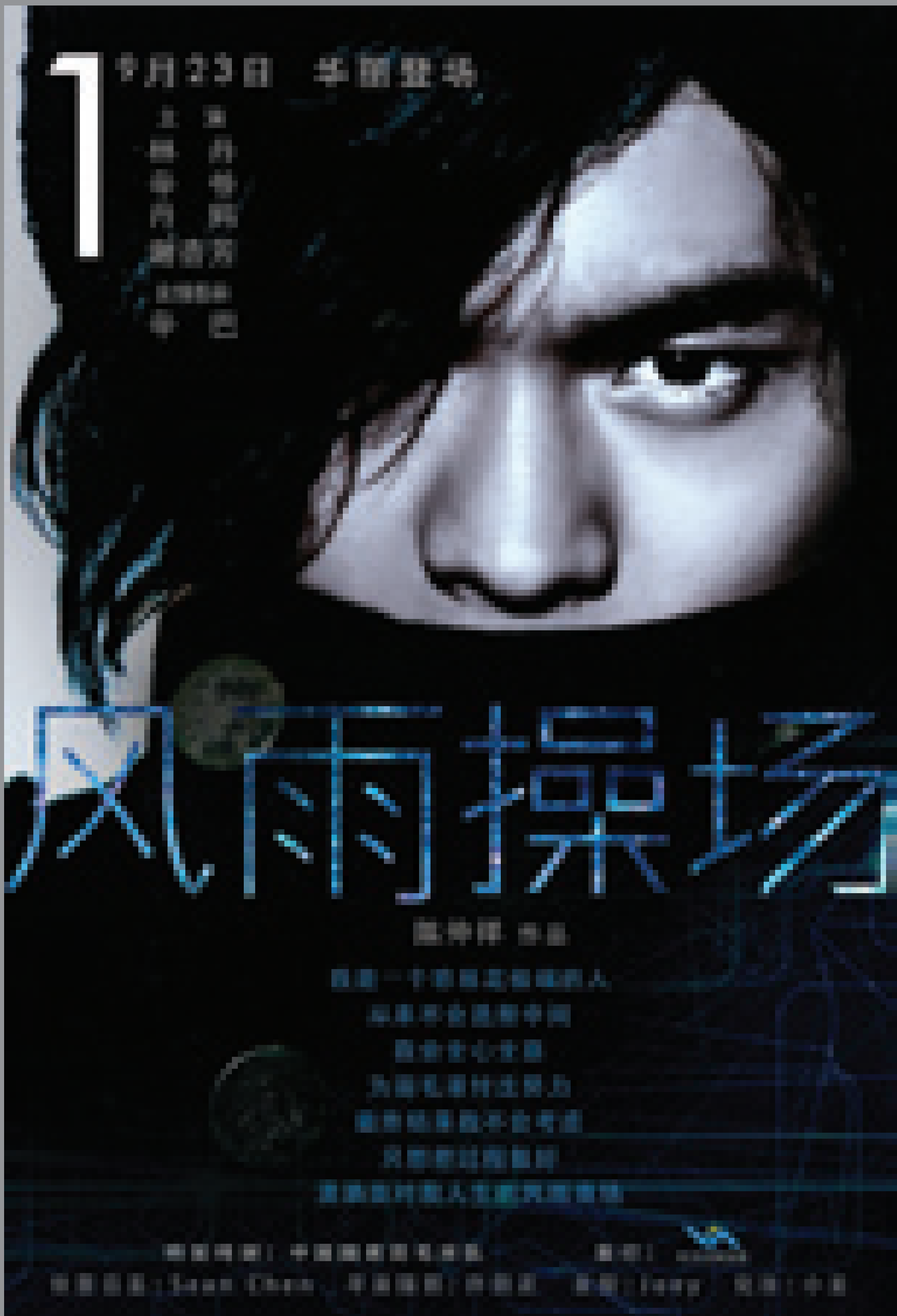


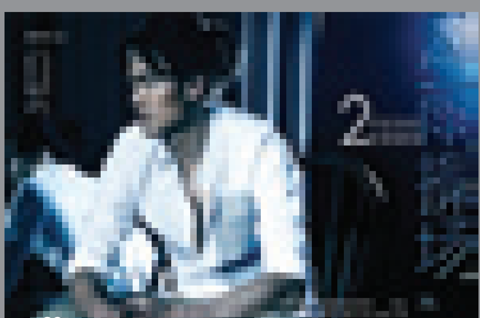
Li Na (4'38)

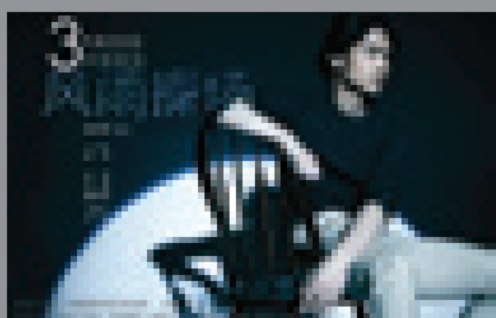
Once stepped on the diving tower,
even 10m platform,
Dive without hesitation
Embracing the supporting hearts with an open-mind
Breakthrough My Arena with courage

Guo Jingjing (9'26)

There is only one champion
Either you win or I lose
It's just about that point of time
As an athlete, I have sacrificed a lot of things
I wanna find them back bit by bit
To leap a new life in My Arena







Lin Dan (6'15 • 4'21 • 4'33)

I am an extreme type of person
I never take the middle way
I devote myself to badminton
I do not care about the results
I only want to play well in the process
So that I can face My Arena without regrets

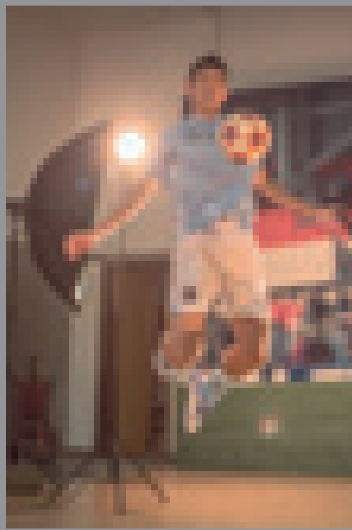
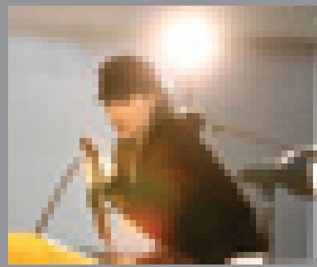
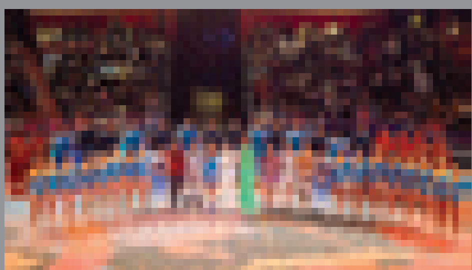
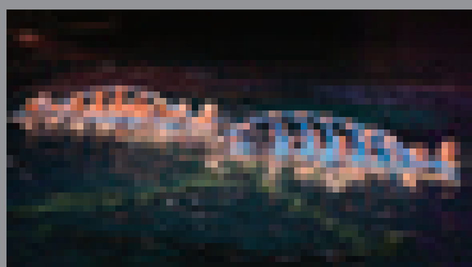
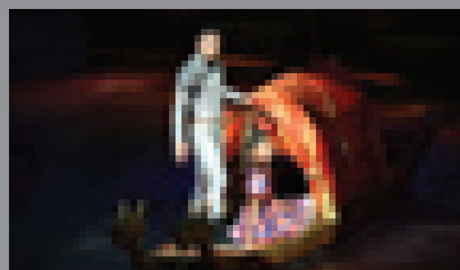




Image Filming for Athletes

The London Olympics were over in a brief two weeks, but our talents returned home with lasting memories of their triumphs to adoring fans at home. To capture the commercial opportunities arising from such, Viva China has shot a series of stylish and energetic images of our talents to attract fresh commercial endorsements and enhance their commercial values.

Viva Fiesta: Macau
— 2 March 2013

Viva Fiesta, which was held at the landmark National Aquatics Centre (Water Cube) in Beijing in 2011, was staged in Macau. *Viva Fiesta* featured the National Diving Team and has invited pop stars like Leon Lai, Joey Yung, Zhou Bi Chang and Liu Xuan to participate in it. The visual spectacle represented a cross-over between sporting events and popular entertainment. Centred on an environmentally conscious theme, *Viva Fiesta* featured diving, synchronised swimming and funny diving alongside pop songs and dance performances. *Viva Fiesta* was successful in boosting the presence of the Group in China and has brought audiences to an entirely new level in experiencing sports.

Sports is an essential element to improve people's life

Sports Community Development

In view of the recent changes to the regulatory environment in the PRC property sector, the Group has terminated the acquisition of the land use rights of the Changbai Land in December 2012. Details of the transaction are set out in the announcement of the Company dated 24 December 2012. Nonetheless, the Group has continuously been exploring different opportunities for its sports community development segment. The Group is currently readjusting its strategy towards such segment and is studying the feasibility of a number of potential projects. As the continued urbanisation process undergoes in the PRC as well as increase in people's health consciousness, the sports community development concept is well-received by local governments given that it is in line with the PRC government's policy to promote a sportive culture and sports interests among the mass population.

Industrial Park

The Group has been continuously trying to develop its industrial park in Shenyang, the PRC into an environmentally friendly construction materials manufacturing hub, and has been liaising and working with different partners towards such goal.

FINANCIAL REVIEW

RESULTS

The Group recorded a consolidated revenue of HK$68.2 million for the year ended 31 December 2012 (2011: HK$80.1 million), representing a decline of 14.9% as compared to 2011 mainly due to the drop in consultancy service revenue stream in the year. On the contrary, there were improvements from other revenue streams including sports content production and distribution which went up by 15.4%, sports talent management grew by 115.5% and gross rental income nearly tripled that of 2011. Gross profit in the year was HK$36.9 million (2011: HK$41.1 million) with overall gross profit ratio improved slightly from 51.3% in 2011 to 54.1% this year.

During the year, other income and gains amounted to HK$49.0 million mainly consisted of bank interest income of HK$18.2 million and fair value gain on a derivative financial asset of HK$23.8 million. In 2011, the Group recorded other income and gains of HK$161.9 million which mainly included the recognition of a non-recurring gain of HK$105.5 million resulting from a bargain purchase in relation to the acquisition of Shenyang Zhaohuan and also the recognition of fair value changes of derivative financial asset and liabilities of HK$41.7 million.

The Group incurred selling and distribution expenses in 2012 amounting to HK$25.4 million (2011: HK$16.7 million) which was in tandem with an increase in marketing and promotional activities of our sports businesses in relation to talent management as well as events productions. In particular, spending on marketing and travelling expenditures in connection with events related to the 2012 London Olympics Games were some of the factors leading to the upsurge.

Administrative expenses and other operating expenses ("Administrative Expenses") incurred in the year totalling HK$151.9 million (2011: HK$145.7 million). The non-cash items in Administrative Expenses, which amounted to HK$71.0 million (2011: HK$56.3 million), mainly included share options expenses, fair value changes in investment properties, amortisation and impairment of intangible assets and depreciation of fixed assets etc. Excluding these major non-cash items, Administrative Expenses in 2012 amounted to HK$80.9 million, a reduction of 9.5% as compared to that in prior year of HK$89.4 million. Increased spending from activities related to the sports and community development segments together with the full year effect of Shenyang Zhaohuan's overhead since its acquisition in April 2011 overshadowed the reduction in staff costs and brand-building activities as well as professional fee incurred at corporate level during the year. The increase in amount of non-cash items was resulted from the net effect of: (i) the impairment of intangible assets in the Sports segment of HK$34.3 million due to the unsatisfactory results on certain talent management contracts in the year and the expected future performance over their respective remaining terms; (ii) loss on fair value changes of HK$10.4 million of the investment properties in Shenyang, the PRC due to the leasing situation of the properties and the local leasing market affected by the overall political climate; (iii) reduction in the share option expenses charged to the profit and loss by HK$31.0 million due to the write back of expenses related to unvested share options arising from departure of certain grantees in the year. Apart from the aforementioned non-cash items, there was a impairment of goodwill of HK$155.4 million (2011: Nil) arising from the green energy business according to the management's impairment assessment and review during the year.

In 2012, the Group acquired an approximately 25.23% equity interest of Li Ning Co and the Group's shares of post-acquisition losses of this associate during the year amounting to HK$49.1 million (2011: Nil).

The loss attributable to Shareholders for the year was HK$282.6 million (2011: profit of HK$39.5 million). Excluding the non-cash items discussed above together with impairment of green energy business goodwill, fair value change in a derivative financial asset and liabilities, share of profits and losses of an associate and reversal of deferred tax, the Group's net loss for 2012 was HK$43.3 million. With a similar basis and excluding the non-cash gain on bargain purchase; the Group's net loss for 2011 was HK$54.6 million.

SEGMENT

Sports

Income generated from sports content production and distribution and talent management experienced persistent growth in 2012, totalling HK$52.5 million (2011: HK$37.8 million). This result is also due to the increased number of commercial brand and product endorsement contracts, some of which span over more than one year. Our sports team continued to actively participate in the management and production of the 2012 China Masters Superseries and the 2012 China Open Superseries. We also co-organized the 2012 BWF World Superseries Finals hosted in Shenzhen, the PRC in December 2012 as well as other commercial events such as "Super Fans" in relation to the 2012 London Olympics Games. On the other hand, consultancy service fee generated from discrete projects recorded a significant drop as compared to 2011 although various such projects are still on-going and the related income is yet to be recognised. The overall gross profit of this segment amounted to HK$26.9 million (2011: HK$38.1 million) with a gross profit margin maintained at a stable level of 51.2% in the year as compared to 52.3% last year.

During the year, the segment recorded an operating loss of HK$4.0 million (2011: operating profit of HK$18.4 million). Persistently high overhead remained a challenge to this segment in which staff costs, marketing and promotional expenses accounted for the majority of the overall expenditures. Given the business nature of this segment, increased spending in relation to these items is conceivable as the Group continues to dedicate resource to grow our sports assets. However, the Group will seek to improve efficiencies in allocating staff and other resources to strike for a balance between growth and costs.

Impairment testing of other intangible assets in relation to sports segment

Sports-related business contracts of the Group represented certain sports talent management contracts, sport event and competition contracts acquired upon the Group's acquisition of 100% equity interest in Viva China Sports Holding Limited ("Viva China Sports") in October 2010. These contracts were initially recognised at their respective fair values at the date of acquisition, as determined by reference to valuations performed by American Appraisal China Limited, independent professionally qualified valuers, and are subsequently amortised on the straight-line basis over their then respective remaining terms. During the year ended 2012, an impairment loss of HK$34.3 million, (2011: Nil) was recognised in profit or loss, which was driven by the decrease in anticipated profitability derived from the aforesaid sports talent management contracts.

Sports Community Development

The sports community development segment generated revenue of HK$10.4 million in 2012, triple the revenue in 2011 of HK$3.3 million. The revenue was mainly attributed to the rental income generated by Shenyang Zhaohuan. Despite the surge in revenue, the segment recorded a loss of HK$16.8 million (2011: HK$12.2 million) which was mainly due to the increase in overhead as a combined effect of (i) the full year effect since the acquisition of Shenyang Zhaohuan in April 2011; and (ii) the expenditures incurred in projects feasibility study and business exploration.

At the end of the reporting period, the Group had an industrial park project in this segment. The project encompasses three parcels of industrial land with land area 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. Due to the impact of the political climate over the region and the tenant's business decision, the tenancy agreements of industrial plants previously leased out were early terminated near year end. Nonetheless, further construction has been in progress with an initial investment of approximately HK$5.4 million and expected to be completed in May 2013. The Group is considering the plan of utilising certain plants in manufacturing of pre-fabricated cement blocks and other new generation pre-fabricated partition walls.

In 2011, the Group bidded the Changbai Land at a consideration of approximately RMB1 billion (equivalent to approximately HK$1.2 billion) (the "Transaction") and paid HK$230.0 million as a deposit. In view of the legal and administrative procedure involved under the Transaction has not been completed and has taken a much longer time than expected, the Group has reviewed the matter and has decided to withdraw from the acquisition of the state-owned land use right in respect of the Changbai Land. The Group has therefore discussed and agreed with the SY PLR Bureau for entering into a termination agreement ("Termination Agreement"). Pursuant to the Termination Agreement, the deposit will be returned to the Group, and the Group has been relieved from all liabilities and obligations under the bidding confirmation of the Changbai Land. Further details are set out in the Company's announcement dated 24 December 2012.

Green Energy

The green energy segment recorded a revenue of HK$5.3 million (2011: HK$4.5 million) in the year from the sale of air-conditioners and ventilation systems and related services. Despite the increase in revenue, this segment recorded a loss of HK$9.9 million (2011: HK$8.9 million). The increase in loss was mainly due to the internal restructuring of the Hong Kong and PRC operations and certain other provisions made. The Group decided to dispose of its interest in a subsidiary in this segment or the assets of this subsidiary and accordingly, the net assets of Coolpoint Zhongshan was classified as assets held for sale. The negotiation between the Group and the potential buyer was still on-going at the date of this report.

Impairment testing of goodwill arising from the green energy business cash-generating unit

For the year ended 31 December 2011, value in use of the cash-generating unit in the green energy business was determined by reference to a business valuation performed by the Group's management using a value in use calculation by discounting the expected future cash flow projection at a 15% discount rate in 2011. The discount rate used reflects specific risks relating to the relevant segment. The Group's management has assumed zero growth rate for the first three years and estimated decline rates to be 4.76% to 10% for the remaining forecast period in 2011 in its budget revenues which reflect the product life cycle of the cash-generating unit. For the year ended 31 December 2012, no expected future cash inflow is projected.

The recoverable amount of green energy business cash-generating unit has been solely determined based on the anticipated profitability derived from the patented technology of the Group and the supply of certain parts to an independent third party to produce energy saving air-conditioning products under licensing and supply agreements between the two parties.

Based on the latest discussion during the year between the Group and the independent third party, 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 HK$155.4 million was recognised in profit or loss for the year ended 31 December 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.

Financial Position

At the year end date, the net assets value of the Group soared to HK$3,458.0 million from HK$2,083.0 million at the beginning of the year, representing a substantial increase of HK$1,375.0 million or 66.0%. The increase was mainly due to the acquisition of approximately 25.23% of the equity interest in Li Ning Co with consideration being satisfied by issue of 1,780.0 million new shares (post-consolidated shares) of the Company and Initial Convertible Bonds with principal amount of HK$780.0 million and the possible issuance of Earn-out Convertible Bonds of not more than HK$780.0 million in future years. The increase in net assets value was being partially offset by the loss for the year of HK$283.3 million.

The total non-current assets of the Group increased substantially from HK$1,060.9 million at the beginning of the year to HK$3,219.3 million as at the end of the year. The rise was brought about by the acquisition of interest in Li Ning Co partially offset by the impairment of goodwill of HK$155.4 million in relation to the green energy business as well as the reclassification of the land deposit paid for the Changbai Land of HK$230.0 million to current assets during the year. Among the non-current assets at the reporting date, there was investment properties held in Shenyang, the PRC which was stated at fair value of HK$285.2 million. There was also goodwill and intangible assets of aggregate carrying value of HK$284.2 million arising from acquisitions of the sports businesses. Additionally, there was HK$37.6 million of derivative financial asset representing the fair value of a profit guarantee given by certain vendors in the acquisition of the sports segment to the Group.

Current assets of the Group also recorded an increase by HK$304.7 million from the beginning of the year to HK$1,458.0 million as at the end of the year. The key component of the current assets at the reporting date was cash and bank deposits (including pledged deposits) of HK$1,056.4 million compared to that as at the end of year 2011 of HK$1,120.7 million. The decline in the Group's cash and bank deposits balance was mainly due to the cash outflow used in the Group's operating activities during the year. Land deposit of HK$230.0 million was reclassified to current assets from non-current category as, as at the date of this report, the return of the deposits is being processed by the local authorities. Included in other receivables at reporting date was an amount of HK$124.0 million representing an advance payment made in respect of a potential project.

The total current liabilities of the Group were HK$230.9 million, representing an increase of HK$116.4 million. The increase was mainly due to an advance from an independent third party in connection to a potential project. As at the end of the year, the Group's debt related borrowing was minimal, and there were no bank borrowings or loans as at the end of the year.

Liquidity and Financial Resources

The Group recorded a net cash outflow from operations for the current year of HK$56.2 million, representing a slight increase compared to last year (2011: HK$50.7 million). Other than incurring certain professional fees, the acquisition of interest in Li Ning Co did not use up any significant amount of the Group's financial resources. The Group did not have any other major funding exercise in the year 2012.

The Group has no other bank borrowing or any committed bank borrowing facility throughout the year and as at the year end date. The Group has a borrowing of HK$0.7 million as at the end of 2012. The Group has no gearing as at 31 December 2012 and 2011. The Group defines gearing ratio as ratio of net debt over equity plus net debt in which net debt represents total bank and other borrowings less cash and bank balances. As at the year end date, the current ratio (ratio of current assets to current liabilities) of the Group as at year end date was about 6.3 (2011: 10.1). The Group's gearing level and liquidity position were very healthy as at the reporting date. The expanded asset base provides room for obtaining financing through bank facilities when needed. It is the Group's strategy to maintain a healthy and effective gearing ratio in a range of 0 to 1.

Financial Management and Policy and Foreign Currency Risk

The Group's finance division at its headquarter in Hong Kong manages the financial risks of the Group. One of the key objectives of the Group's treasury policies is to manage its exposure to fluctuations in foreign currency exchange rates. It is the Group's policy not to engage in any speculative activities. As the Group operates in Hong Kong and Mainland China, most revenue and trading transactions are settled in either HK$ or RMB. Accordingly, the majority of the Group's net current assets were denominated in either HK$ or RMB. Deposits placed in various banks are mainly denominated in these two currencies. 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 with the current foreign currency risk still manageable. The Group has assessed its foreign exchange rate risk exposure and has not entered into any foreign exchange hedging arrangement during the year and as at year end date.

Charge on Deposit

As at the reporting date, a charge over bank deposit amounting to RMB100.0 million (equivalent to approximately HK$124.0 million) had been given by the Group to secure an advance payment from an independent third party in respect of a potential project.

Capital Commitments

At 31 December 2012, the Group had capital commitments of HK$1.6 million in respect of construction work*s* in the PRC which were contracted but not provided for. At 31 December 2011, the Group had capital commitment of HK$1,007.7 million which was the unpaid portion of the consideration for the acquisition of the Changbai Land and such commitment had been released upon the entering into of the Termination Agreement.

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$332.0 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$30.0 million, HK$40.0 million and HK$50.0 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 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. The unaudited consolidated results of the Target Group for the year ended 31 December 2012 indicated that there will be a shortfall for the current year as well.

Material Transactions

During the year, the Company entered into a sale and purchase agreement with Victory Mind Assets and Dragon City, to acquire their equity interests in Li Ning Co, which held (and through which Mr. Li Ning and Mr. Li Chun were deemed to be interested in) respectively 116.4 million and 150.0 million (in aggregate 266.4 million) LN Shares, together representing approximately 25.23% equity interest in Li Ning Co as at the date of the acquisition. The purchase consideration of HK$1,358.5 million was satisfied by the Company issuing (i) 1,780.2 million Shares at the price of HK$0.325 per Share and (ii) perpetual convertible bonds in the principal amount of HK$780.0 million at an initial conversion price of HK$0.325 per Share, representing, in aggregate, approximately 52.27% of the entire issued share capital of the Company as enlarged by such issue and full conversion of initial convertible bonds. The Company may have to issue further earn-out convertible bonds on the same terms as the initial convertible bonds, based on the operating performance of Li Ning Co for the financial periods between 2013 and 2017, subject to a maximum principal amount of HK$780.0 million. The acquisition was approved by the Shareholders on 23 November 2012 and completed in December 2012. Further details of the above were set out in the Company's announcement and circular dated 12 October 2012 and 7 November 2012, respectively.

Subsequent Events

(a) On 21 February 2013, the Company entered into a subscription agreement with Atlantis Investment Management (Hong Kong) Limited, an independent third party, pursuant to which the Company would issue 480.0 million Shares (representing approximately 7.90% of the entire issued share capital of the Company as enlarged by such issue) at the cash subscription price of HK$0.50 per Share, which was completed on 8 March 2013. The net proceeds of such issue amounted to approximately HK$240.0 million.

(b) The Shareholders had on 13 March 2013 approved the Group's proposed Subscription and Underwriting, through VCHL, in the conditional Li Ning Open Offer (details of which were set out in Li Ning Co Announcement):

(i) a principal amount of approximately HK$466.2 million convertible securities, being all the assured entitlements of the Group in the Li Ning Open Offer; and

(ii) a principal amount of not more than approximately HK$744.7 million, whether in excess applications of convertible securities by VCHL under the Li Ning Open Offer or in underwriting commitment pursuant to the conditional VCHL Underwriting Agreement, pursuant to which VCHL would act as one of the underwriters to underwrite 60% of all the convertible securities to be issued in the Li Ning Open Offer (other than those in the aggregate principal amount of approximately HK$627.4 million undertaken to be applied for by VCHL and two institutional shareholders of Li Ning Co and before taking into account any assured entitlements which may be taken up and excess application which may be made by the other shareholders of Li Ning Co.

Further details of the above were set out in the announcement and circular of the Company dated 25 January 2013 and 25 February 2013, respectively.

Employees and Remuneration Policies

Staff remuneration is comprised of monthly salaries, mandatory provident fund contributions, medical benefits, education allowances and discretionary options share issued based on their contribution to the Group. Staff costs including Directors' remuneration for the year ended 31 December 2012 amounted to HK$51.9 million (2011: HK$78.2 million). The Group also engages professional consultants to ensure the competitiveness of the remuneration policy which, in turn, would support the business growth of the Group. As at 31 December 2012, the Group employed 107 full-time employees (2011: 171) and their remuneration was calculated with reference to the market rates.

Outlook

With the continuous process of urbanization in the PRC underway, opportunities emerge from increasing government investments or supports in sports facility development, and changes in living habit of PRC people as they are getting more health conscious and striving for higher quality of living, there is ample potential for the PRC sports industry to grow in the long term.

The Group will continue to expand the scale and scope of our current sports related businesses, including sports talent management, competitions and events organization, etc. The Group will strive to leverage on its existing sports resources as well as resources that may be secured in the future to aid our investment and participation in commercial development of sports parks and sports communities in the PRC with a view to generate additional values for the shareholders of the Company through our management and operation expertise.

REPORT OF THE DIRECTORS

The Directors present their report and the audited financial statements for the year ended 31 December 2012.

PRINCIPAL ACTIVITIES

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

The principal activities and other particulars of the principal subsidiaries of the Company as at 31 December 2012 are set out in note 20 to the financial statements.

RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 December 2012 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 58 to 125.

The Directors did not declare an interim dividend and did not recommend the payment of a final dividend for the year ended 31 December 2012.

PROPERTY, PLANT AND EQUIPMENT

Movements in the property, plant and equipment of the Company and the Group during the year are set out in note 14 to the financial statements.

SHARE CAPITAL

Details of changes in the Company's share capital during the year are set out in notes 32 to the financial statements.

RESERVES

As at 31 December 2012, the Company's reserves available for distribution to Shareholders comprising share premium account less accumulated losses, amounted to approximately HK$2,150,922,000 (2011: HK$1,547,646,000).

Details of movements in the reserves of the Company and the Group during the year are set out in note 35 to the financial statements and in the consolidated statement of changes in equity on page 61 respectively.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for approximately 59% of the total sales for the year and sales to the largest customer included therein accounted for approximately 21% of the total sales.

Purchases from the Group's five largest suppliers accounted for approximately 52% of the total purchases for the year and purchases from the largest supplier included therein accounted for approximately 17% of the total purchases.

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

GROUP FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on page 126 of this annual report.

PRE-EMPTIVE RIGHTS

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

DIRECTORS

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

Executive Directors

Mr. Li Ning *(Chairman)*
Mr. Chan Ling
Mr. Li Chunyang
Mr. Lee Wa Lun, Warren
Mr. Ng Chi Man, Michael *(Chief Executive Officer)* (resigned with effect from 31 August 2012)

Non-executive Directors

Mr. Li Chun
Mr. Ma Wing Man

Independent non-executive Directors

Mr. Chen Johnny
Mr. Ng Sau Kei, Wilfred
Mr. Ip Shu Kwan, Stephen (resigned with effect from 15 March 2013)

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

At the forthcoming annual general meeting, Mr. Li Ning, Mr. Li Chun and Mr. Lee Wa Lun, Warren will retire as Directors by rotation and, being eligible, offers themselves for re-election in accordance with articles 108(A) and 108(B) of the articles of association of the Company and pursuant to the Appendix 15 of the GEM Listing Rules. Further particulars of the Directors to be re-elected at the forthcoming annual general meeting are set out in the circular to the shareholders sent together with this annual report.

Mr. Ip Shu Kwan, Stephen resigned as an independent non-executive Director, the chairman of the remuneration committee of the Company and a member of each of the audit committee and the nomination committee of the Company with effect from 15 March 2013. All other existing Directors shall continue in office.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 6 to 9 of the annual report.

DIRECTORS' SERVICE CONTRACTS

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

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

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in the paragraph headed "Connected Transactions and Continuing Connected Transaction" of this report, no Director had a material interest, either directly or indirectly, in any contract of significance to the businesses of the Group to which the Company or any of its subsidiaries was a party during the year.

SHARE OPTION SCHEMES

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

On 29 June 2010, the Company also passed an ordinary resolution to adopt a new share option scheme (the "New Scheme") for the purpose of providing incentives to participants to contribute to the Group and/or to enable the Group to recruit high-calibre employees and/or attract human resources that are valuable to the Group. Participants of the New Scheme include employee, officer, agent, consultant, business associate or representative of the Company or any subsidiary or otherwise contributes to the success of the Group, including any executive, non-executive or independent non-executive director of the Company or any subsidiary who, as the Board or a committee comprising Directors and members of the senior management of the Company (the "Committee") (as the case may be) may determine in its absolute discretion, is regarded as valuable human resources of the Group based on his work experience, knowledge in the industry and other relevant factors, and subject to such conditions as the Board or the Committee (as the case may be) may think fit. The New Scheme will remain in force for a period of 10 years commencing on 29 June 2010.

The overall limit on the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Scheme and any other share option schemes of the Company must not, in aggregate, exceed 30% of the number of Shares in issue from time to time. In addition, the total number of Shares which may be issued upon exercise of all options granted together with all options to be granted under the New Scheme and any other share option schemes of the Company must not, in aggregate, exceed 10% of the nominal amount of all the Shares in issue as at the date of adoption of the New Scheme (the "Scheme Mandate Limit"). The Company may, from time to time, refresh the Scheme Mandate Limit by obtaining the approval of the shareholders in general meeting. Once refreshed, the total number of Shares which may be issued upon exercise of all options to be granted under the New Scheme and all other share option schemes of the Company under the limit, as refreshed, must not exceed 10% of the number of Shares in issue as at the date of approval of the refreshment by the shareholders of the Company. The Scheme Mandate Limit amounted to 381,637,195 Shares following the approval by the Shareholders on 28 June 2012 and the Share Consolidation.

As at the date of this report, the total number of Shares available for issue under the New Scheme is 502,633,861 representing 8.3% of the existing issued share capital of the Company. The maximum number of shares issuable under share options to each eligible participant in the New Scheme within any 12-month period is limited to 1% of the shares of the Company in issue as at the proposed date of grant. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

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

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

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

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

		Number of Share Options				
	Date of Grant	Balance as at 1.1.2012	Cancelled during the year before Share Consolidation	Adjusted balance immediately after Share Consolidation	Cancelled during the year after Share Consolidation	Balance as at 31.12.2012
Directors						
Chan Ling	02.07.2010	30,000,000	—	6,000,000	—	**6,000,000**(1)
	20.09.2011	60,000,000	—	12,000,000	—	**12,000,000**(2)
Li Chunyang	02.07.2010	30,000,000	—	6,000,000	—	**6,000,000**(1)
	20.09.2011	60,000,000	—	12,000,000	—	**12,000,000**(2)
Lee Wa Lun, Warren	02.07.2010	5,000,000	—	1,000,000	—	**1,000,000**(1)
	20.09.2011	9,000,000	—	1,800,000	—	**1,800,000**(2)
Li Chun	02.07.2010	5,000,000	—	1,000,000	—	**1,000,000**(1)
	20.09.2011	9,000,000	—	1,800,000	—	**1,800,000**(2)
Ma Wing Man	02.07.2010	5,000,000	—	1,000,000	—	**1,000,000**(1)
	20.09.2011	9,000,000	—	1,800,000	—	**1,800,000**(2)
Chen Johnny	02.07.2010	5,000,000	—	1,000,000	—	**1,000,000**(1)
	20.09.2011	9,000,000	—	1,800,000	—	**1,800,000**(2)
Ng Sau Kei, Wilfred	02.07.2010	5,000,000	—	1,000,000	—	**1,000,000**(1)
	20.09.2011	9,000,000	—	1,800,000	—	**1,800,000**(2)
Ip Shu Kwan, Stephen(3(ii))	02.07.2010	5,000,000	—	1,000,000	—	**1,000,000**(1)
	20.09.2011	9,000,000	—	1,800,000	—	**1,800,000**(2)
Ng Chi Man, Michael(3(i))	02.07.2010	90,000,000	(30,000,000)	12,000,000	(12,000,000)	**—**
	06.09.2010	40,000,000	(40,000,000)	—	—	**—**
	20.09.2011	130,000,000	(86,666,667)	8,666,666	(8,666,666)	**—**
		524,000,000	(156,666,667)	73,466,666	(20,666,666)	**52,800,000**
Other employees						
In aggregate	02.07.2010	26,000,000	(9,000,000)	3,400,000	—	**3,400,000**(4)
In aggregate	06.09.2010	42,050,000	(2,250,000)	7,960,000	—	**7,960,000**(5)
In aggregate	20.09.2011	220,550,000	(65,433,334)	31,023,333	(33,333)	**30,990,000**(6)
		288,600,000	(76,683,334)	42,383,333	(33,333)	**42,350,000**
Other grantees						
In aggregate	06.09.2010	14,100,000	(2,100,000)	2,400,000	—	**2,400,000**(7)
In aggregate	20.09.2011	130,000,000	(8,000,000)	24,400,000	—	**24,400,000**(8)
		144,100,000	(10,100,000)	26,800,000	—	**26,800,000**
		956,700,000	(243,450,001)	142,649,999	(20,699,999)	**121,950,000**

Notes:

(1) The share options are exercisable for a period of 5 years after vested subject to the vesting schedule of one third on each of the first, second and third anniversaries of the date of grant.

(2) The share options are exercisable for a period of 2 years after vested subject to the vesting schedule of one-third on each of the date of grant, the first anniversary of the date of grant and the second anniversary of the date of grant.

(3) (i) 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 options granted to him which were all cancelled during the period after his resignation but before the end of year 2012:

(a) The share options granted on 2 July 2010 comprised 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.

(b) The share options granted on 6 September 2010 comprised 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

(c) The share options granted on 20 September 2011 comprised 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.

(ii) Mr. Ip Shu Kwan, Stephen resigned as an independent non-executive Director of the Company with effect from 15 March 2013.

(4) The share options as at 1 January 2012 comprised 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. The number of share options under each of (i), (ii) and (iii) of this note were 1,133,333, 1,133,333 and 1,133,334, respectively, as at 31 December 2012.

(5) The share options as at 1 January 2012 comprised 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. The number of share options under each of (i), (ii), (iii), (iv) and (v) of this note were 1,520,000, 1,520,000, 1,520,000, 2,200,000 and 1,200,000 respectively as at 31 December 2012.

(6) The share options as at 1 January 2012 comprised 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. The number of share options under each of (i), (ii), (iii), (iv) and (v) of this note were 4,529,998, 8,496,666, 8,496,669, 5,166,667 and 4,300,000, respectively, as at 31 December 2012.

(7) The share options as at 1 January 2012 comprised 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. The number of share options under each of (i), (ii) and (iii) of this note were 800,000, 800,000 and 800,000 respectively at as 31 December 2012.

(8) The share options as at 1 January 2012 comprised the following: (i) 24,000,000 share options with exercisable period from 20 September 2011 to 19 September 2013; (ii) 32,000,000 share options with exercisable period from 20 September 2012 to 19 September 2014; and (iii) 32,000,000 share options with exercisable period from 20 September 2013 to 19 September 2015; (iv) 25,000,000 share options with exercisable period from 20 September 2014 to 19 September 2016; and (v) 17,000,000 share options with exercisable period from 20 September 2015 to 19 September 2017. The number of share options under each of (i), (ii), (iii), (iv) and (v) of this note were 4,400,000, 6,000,000, 6,000,000, 4,800,000 and 3,200,000 as at 31 December 2012.

(9) The exercise prices of the share options are as follows:

Date of Grant	Exercise Price per share before Share Consolidation (HK$)	Adjusted Exercise Price per Share after the Share Consolidation (HK$)
02.07.2010	0.78	3.90
06.09.2010	0.83	4.15
20.09.2011	0.15	0.75

(10) No share options were granted, exercised or lapsed during the year ended 31 December 2012.

(11) Upon the Share Consolidation, adjustments have been made to the number and the exercise prices of the outstanding share options, details of which are set out in the Company's announcement dated 23 November 2012.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 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 "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:

INTERESTS AND SHORT POSITIONS OF DIRECTORS AND THE CHIEF EXECUTIVE IN THE SHARES AND UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

		Long positions Number of Shares/ underlying Shares held				
Name of Director	**Capacity and nature of interest**	**Personal interests**	**Corporate interests**	**Number of share options held[4]**	**Total interests**	**Approximate percentage of shareholding as at 31 December 2012**
Mr. LI Ning[3]	Interest of controlled corporation	—	8,712,443,151[1]	—	8,712,443,151	155.68%
Mr. LI Chunyang	Beneficial owner	9,995,669		6,000,000 12,000,000	27,995,669	0.50%
Mr. CHAN Ling	Beneficial owner	9,995,669	— —	6,000,000 12,000,000	27,995,669	0.50%
Mr. LEE Wa Lun, Warren	Beneficial owner	—	—	1,000,000 1,800,000	2,800,000	0.05%
Mr. LI Chun	Interest of controlled corporation Beneficial owner	—	8,712,443,151[2]	— 1,000,000 1,800,000	8,715,243,151	155.73%
Mr. MA Wing Man	Beneficial owner	—	—	1,000,000 1,800,000	2,800,000	0.05%
Mr. CHEN Johnny	Beneficial owner	—	—	1,000,000 1,800,000	2,800,000	0.05%
Mr. NG Sau Kei, Wilfred	Beneficial owner	3,400,000	—	1,000,000 1,800,000	6,200,000	0.11%
Mr. IP Shu Kwan, Stephen (resigned with effect from 15 March 2013)	Beneficial owner	80,000	—	1,000,000 1,800,000	2,880,000	0.05%

Notes:

1. Mr. Li Ning is deemed to be interested in an aggregate of 8,712,443,151 Shares through his interests in Lead Ahead, Victory Mind Assets and Dragon City, respectively, as follows:

    (a) 2,132,420,382 Shares are held by Lead Ahead, which is owned as to 60% by Mr. Li Ning and 40% by Mr. Li Chun. Mr. Li Ning is also a director of Lead Ahead;

    (b) The 2,828,582,769 Shares in which Victory Mind Assets is interested in comprise (i) 1,780,022,769 Shares held by Victory Mind Assets and (ii) 1,048,560,000 Shares which may be issued on the basis of a full exercise of conversion rights attaching to the convertible bonds which may be issued to Victory Mind Assets by the Company. Victory Mind Assets is owned as to 57% by Ace Leader Holdings Limited ("Ace Leader") and 38% by Jumbo Top Group Limited ("Jumbo Top"). All shares of Ace Leader are held by TMF (Cayman) Ltd. ("TMF") in its capacity as trustee of a discretionary trust. Mr. Li Ning is the settlor of the trust and is therefore deemed to be interested in such 2,828,582,769 Shares. Mr. Li Ning is a director of each of Victory Mind Assets and Ace Leader; and

    (c) The 3,751,440,000 Shares in which Dragon City is interested in comprise (i) 2,400,000,000 Shares which may be issued on the basis of a full exercise of conversion rights attaching to the convertible bonds issued to Dragon City by the Company in December 2012 and (ii) 1,351,440,000 Shares which may be issued on the basis of a full exercise of conversion rights attaching to the convertible bonds which may be issued to Dragon City by the Company pursuant to the sale and purchase agreement entered into by Victory Mind Assets and Dragon City with the Company on 12 October 2012. Dragon City is interested in such 3,751,440,000 Shares in its capacity as trustee of a unit trust, the units of which are owned as to 60% by Cititrust (Cayman) Limited ("Cititrust") and as to 40% by Cititrust, each as the trustee of separate trust. Mr. Li Ning is the 60% shareholder of Dragon City and a founder of the unit trust and is therefore deemed to be interested in such 3,751,440,000 Shares. Mr. Li Ning is a director of Dragon City.

2. Mr. Li Chun is deemed to be interested in an aggregate of 8,712,443,151 Shares through his interests in Lead Ahead, Victory Mind Assets and Dragon City, respectively, as follows:

    (a) 2,132,420,382 Shares are held by Lead Ahead, which is owned as to 60% by Mr. Li Ning and 40% by Mr. Li Chun;

    (b) The 2,828,582,769 Shares in which Victory Mind Assets is interested in comprise (i) 1,780,022,769 Shares held by Victory Mind Assets and (ii) 1,048,560,000 Shares which may be issued on the basis of a full exercise of conversion rights attaching to the convertible bonds which may be issued to Victory Mind Assets by the Company. Victory Mind Assets is owned as to 57% by Ace Leader and 38% by Jumbo Top. All shares of Jumbo Top are held by TMF in its capacity as trustee of a discretionary trust. Mr. Li Chun is the settlor of the trust and is therefore deemed to be interested in such 2,828,582,769 Shares. Mr. Li Chun is also a director of each of Victory Mind Assets and Jumbo Top; and

    (c) The 3,751,440,000 Shares in which Dragon City is interested in comprise (i) 2,400,000,000 Shares which may be issued on the basis of a full exercise of conversion rights attaching to the convertible bonds issued to Dragon City by the Company in December 2012 and (ii) 1,351,440,000 Shares which may be issued on the basis of a full exercise of conversion rights attaching to the convertible bonds which may be issued to Dragon City by the Company pursuant to the sale and purchase agreement entered into by Victory Mind Assets and Dragon City with the Company on 12 October 2012. Dragon City is interested in such 3,751,440,000 Shares in its capacity as trustee of a unit trust, the units of which are owned as to 60% by Cititrust and as to 40% by Cititrust, each as the trustee of a separate trust. Mr. Li Chun is taken to be interested in 40% of the shares of Dragon City and is therefore deemed to be interested in such 3,751,440,000 Shares. Mr. Li Chun is a director of Dragon City.

3. Mr. Li Ning was also deemed to be interested in 1,807,850 LN Shares (representing, as at the 31 December 2012, approximately 0.17% shareholding interest in Li Ning Co, which is an associated corporation of the Company (within the meaning of Part XV of the SFO)) held by Alpha Talent Management Limited (a company wholly-owned by Mr. Li Ning) for the purpose of a share purchase scheme.

4. These represented the share options granted by the Company to the respective Directors, the details of which are provided in the section headed "Share Option Schemes" in this report.

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosures on the Company's share option scheme in the paragraph headed "Share Option Schemes" and the item (2) of the paragraph headed "Connected Transactions" of this report, at no time during the year were rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company granted to any Directors or their respective associates, or were any such rights exercised by them; or was the Company or any of its subsidiaries, or its holding company, or any of its fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

CONTROLLING SHAREHOLDER'S INTERESTS IN CONTRACTS

Save as disclosed in the paragraph headed "Connected Transactions and Continuing Connected Transaction" of this report, at no time during the year had the Company or any of its subsidiaries, and the controlling shareholders or any of its subsidiaries entered into any contract of significance or any contract of significance for the provision of services to the Company or any of its subsidiaries by the controlling shareholder or any of its subsidiaries.

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

As at 31 December 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 the shares, underlying shares and debentures of the Company

	Number of Shares/underlying Shares held				Approximate percentage of shareholding as at 31 December 2012
Name of Shareholder	Beneficial owner	Interest in controlled corporation	Trustee	Total interests	
Lead Ahead[(1)]	2,132,420,382	—	—	2,132,420,382	38.10%
Victory Mind Assets[(2)]	2,828,582,769	—	—	2,828,582,769	50.54%
Ace Leader[(2)]	—	2,828,582,769	—	2,828,582,769	50.54%
Jumbo Top[(2)]	—	2,828,582,769	—	2,828,582,769	50.54%
TMF[(2)]	—	—	2,828,582,769	2,828,582,769	50.54%
Dragon City[(3)]	—	—	3,751,440,000	3,751,440,000	67.03%
Cititrust[(3)]	—	—	3,751,440,000	3,751,440,000	67.03%

Notes:

1. 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. See note 1(b) and note 2(b) under "Interests and short positions of directors and the chief executive in the shares and underlying shares and debentures of the Company and its associated corporations" above. For avoidance of doubt and double counting, it should be noted that Ace Leader, Jumbo Top and TMF are deemed to be interested in the 2,828,582,769 Shares which Victory Mind Assets is interested in.

3. See note 1(c) and note 2(c) under "Interests and short positions of directors and the chief executive in the shares and underlying shares and debentures of the Company and its associated corporations" above. Cititrust is deemed to be interested in the 3,751,440,000 Shares which Dragon City is interested in.

As at 31 December 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.

MANAGEMENT CONTRACTS

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

GROUP'S EMOLUMENT POLICY

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

The determination of remuneration packages of the Directors takes into consideration of the factors such as time commitment and responsibilities of the Directors and by reference to the level of emoluments normally paid by a listed company in Hong Kong to directors of comparable calibre and job responsibilities so as to ensure a fair and competitive remuneration package as is fit and appropriate. The details of remuneration payable to the Directors and senior management are set out in note 8 to the financial statements.

The existing new share option scheme was adopted by the Company in 2010 as an incentive to directors and eligible participants, details of the scheme are set out in the paragraph headed "Share Option Schemes" on page 39 to 41 of this annual report.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTION

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

Connected Transactions

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

The principal amendments on the CB pursuant to the First Supplemental Deed are as follows:

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

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

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

Under the terms of the First Supplemental Deed, Lead Ahead no longer have the right to demand issue of the CB and the Company is allowed to have better control over the timing of the issuance of the CB, and therefore, have better management of its financial position. On 21 May 2012, the Company and Lead Ahead entered into the second supplemental deed (the "Second Supplemental Deed"), pursuant to which the parties agreed that, subject to the fulfillment of the conditions precedent thereof, the Issue Period will be extended for 2 years, ending on the fourth anniversary of the date immediately following the close of the offer (i.e. 24 June 2014). The proposed extension of the Issue Period under the Second Supplemental Deed will allow the Company to avoid incurring unnecessary interest expenses at this time and to retain the source of funding for its projects and future investment opportunities during the amended Issue Period. Since the conditions precedent to the Second Supplemental Deed was not fulfilled on or before 24 June 2012, it has automatically lapsed. Lead Ahead provided, for the interests of the Company, a deed of waiver dated 25 June 2012 (the "Waiver") of all liabilities of the Company in the event the Company fails to serve the demand notice(s) as obliged under its undertaking to Lead Ahead to issue the CB during the original Issue Period (i.e. ending on 24 June 2012) as amended by the First Supplemental Deed. The Company has requested Lead Ahead for provision of the Waiver and with such Waiver the Group would not be liable for breach of the Company's undertaking by not issuing a demand notice by 24 June 2012 and other means of financing which may be of better terms than the CB may be considered by the Group as and when appropriate. No CB have been issued by the Company to Lead Ahead up to the date of this report.

(2) Pursuant to a sale and purchase agreement dated 12 October 2012 (the "Acquisition Agreement") entered into between the Company and Victory Mind Assets and Dragon City as the vendors, the Company has conditionally agreed to acquire from the vendors the 266,374,000 LN Shares ("Sale Shares") representing approximately 25.23% of the entire issued share capital of Li Ning Co, details of which are set out in the announcement and the circular of the Company dated 17 October 2012 and 7 November 2012 respectively.

Victory Mind Assets is indirectly held by a corporate trustee of two discretionary trusts, the respective beneficiaries of which include family members of Mr. Li Ning and Mr. Li Chun, both being Directors. Dragon City is a trustee of unit trust, the units of which are owned by two revocable family trusts, the beneficiaries of which include the respective family members of Mr. Li Ning and Mr. Li Chun, both being Directors. Accordingly, the vendors are all associates of Mr. Li Ning and Mr. Li Chun and hence connected persons of the Company.

Upon completion in December 2012, the Company issued the following securities of the Company to satisfy the consideration of HK$1,358,507,400 for the acquisition of the Sale Shares pursuant to the Acquisition Agreement.

(i) the issuance of 1,780,022,769 Shares to Victory Mind Assets at the price of HK$0.325 per Share; and

(ii) the issuance to Dragon City of unlisted initial convertible bonds with the principal amount of HK$780,000,000 (the "Initial Convertible Bonds") which are convertible at an initial conversion price of HK$0.325 per Share, subject to adjustment provided under the terms and conditions of the Initial Convertible Bonds.

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

Pursuant to the Acquisition Agreement, after the end of each of the financial years of Li Ning Co during the period between 2013 to 2017 ("Financial Years"), if 25.227% of the amount of the profit attributable to shareholders of Li Ning Co as reflected in the audited consolidated income statement of the Li Ning Group for the relevant Financial Year multiplied by the specified P/E ratio exceeds such portion of the total accumulated amount already paid by the issue of Shares under paragraph (i) above, issue of Initial Convertible Bonds under paragraph (ii) above and issue of earn-out convertible bonds (if any) for the other Financial Years ("Surplus"), the Purchaser shall, within 60 business days (or such other period as agreed between the Company and the vendors) after receipt of the audited consolidated financial statements of the Li Ning Co for the relevant Financial Year, issue to the vendors the earn-out convertible bonds, at an initial conversion price of HK$0.325 per new Share issued upon conversion of the Initial Convertible Bonds and the earn-out convertible bonds, in the aggregate amount of the Surplus for such year. The maximum amount of earn-out convertible bonds which may be issued for all the Financial Years shall not be more than HK$780,000,000. In the event that there is no Surplus for a Financial Year, no earn-out convertible bonds will be issued to the vendors for the relevant Financial Year.

Continuing Connected Transaction

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

Mr. Li Ning, the Chairman and executive Director, was a controlling shareholder of Li Ning Co. Thus, Li Ning Co was an associate of Mr. Li Ning and a connected person of the Company. The transactions, if any, entered into under the Master Agreement therefore constituted a continuing connected transaction for the Company under the GEM Listing Rules. The Master Agreement and the Annual Caps were approved by independent shareholders (as defined under the GEM Listing Rules) on 27 October 2010. On 8 February 2012, Mr. Li Ning has decreased his equity interests in Li Ning Co to approximately 25.40% and therefore Li Ning Co ceased to be a connected person of the Company. Accordingly, the transactions under the Master Agreement ceased to constitute a continuing connected transaction from 9 February 2012 onwards. The service fees under the Master Agreement for the period between 1 January 2012 to 8 February 2012 recognized by the Group are subject to annual review as below.

The transaction values in respect of provision of services by the Group to the Li Ning Group in relation to brand or product endorsement, sponsorship and event management based on the gross fee of the services for the year ended 31 December 2012 were as follows:

	Transaction values	
	RMB	**HK$ equiv.**
Brand or product endorsement	32,099	39,803
Sponsorship	—	—
Event management	—	—
	32,099	39,803
Annual Cap	100,000,000	114,000,000

The independent non-executive Directors had reviewed the continuing connected transactions arising from the Master Agreement above for the year ended 31 December 2012 and confirmed that the transactions were:

(a) in the ordinary and usual course of business of the Group;

(b) on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; and

(c) in accordance with the Master Agreement on terms that are fair and reasonable and in the interests of Company's shareholders as a whole.

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

CORPORATE GOVERNANCE

A report on the principal corporate governance code adopted by the Company is set out on pages 49 to 56 of this annual report.

The compliance officer of the Company is Mr. Chan Ling whose biographical details are set out on page 6 of this annual report. The company secretary of the Company is Mr. Ho Kim Ching. Mr. Ho has over 10 years of experience in accounting and finance industry. He is a certified public accountant of the United States and a charterholder of the Chartered Financial Analyst designation.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

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

PUBLIC FLOAT

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

AUDITOR

During the year 2010, Grant Thornton resigned as auditor of the Company and Ernst & Young were appointed by the Board to fill in the casual vacancy. Ernst & Young offered itself for re-appointment as auditor of the Company at the annual general meeting of the Company held on 28 June 2012 and such re-appointment was approved by shareholders at that meeting. There have been no other changes of auditor in the past three years.

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

By Order of the Board

Li Ning
Chairman

Hong Kong, 26 March 2013

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

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 (the "New CG Code") during the period from 1 April 2012 to 31 December 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 was not able to attend the annual general meeting of the Company held on 28 June 2012 and Mr. Li Chun, non-executive Director, was not able to attend that annual general meeting and the extraordinary general meeting held on 23 November 2012 due to overseas engagements.

The application of the relevant principles of the corporate governance code is stated in the following sections.

DIRECTORS' SECURITIES TRANSACTIONS

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

The Company has made specific enquiry with all Directors, and the Directors have confirmed compliance with the Required Standard during the year ended 31 December 2012.

Specific employees who are likely to be in possession of unpublished price-sensitive information of the Group are also subject to compliance with the same Required Standard. No incident of non-compliance was noted by the Company for the year ended 31 December 2012.

BOARD OF DIRECTORS

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

The Directors are encouraged to enroll in relevant professional development programme to ensure that they are aware of their responsibilities under the legal and regulatory requirements applicable to the Company. During the year, the Company has also arranged training on compliance of the GEM Listing Rules, including a seminar on the amendments to the GEM Listing Rules and the New CG Code adopted in year 2012, to the Directors and senior management for continous professional development of their knowledge and skills in performance of their functions. The company secretary maintains records of training attended by the Directors. The training attended by the Directors during the year are as follows:

	Training received(note)
Executive Directors	
Mr. Li Ning *(Chairman)*	1(a), 1(b) & 2(b)
Mr. Chan Ling	1(a), 1(b) & 2(b)
Mr. Li Chunyang	1(a), 1(b) & 2(b)
Mr. Lee Wa Lun, Warren	1(b) & 2(b)
Non-executive Directors	
Mr. Li Chun	1(b) & 2(b)
Mr. Ma Wing Man	1(a), 1(b) & 2(b)
Independent Non-executive Directors	
Mr. Chen Johnny	1(b) & 2(b)
Mr. Ip Shu Kwan, Stephen (resigned with effect from 15 March 2013)	1(a), 1(b), 2(a) & 2(b)
Mr. Ng Sau Kei, Wilfred	1(b) & 2(b)

Notes:

1. corporate governance, laws, rules or regulations
   (a) seminar
   (b) reading materials
2. management and other relevant professional skills
   (a) seminar
   (b) reading materials

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

The authorities and duties of each of the Nomination Committee, the Remuneration Committee and the Audit Committee are set out in their respective terms of reference. On 15 March 2012, the Board adopted for each comittee a set of revised terms of reference in accordance with the requirements of the New CG Code, and they are published on the websites of the Company and the Stock Exchange.

Mr. Ng Chi Man, Michael has resigned as an executive director, the chief executive officer and a member of each of the remuneration committee and the executive committee of the Company with effect from 31 August 2012.

Mr. Ip Shu Kwan, Stephen has resigned as an independent non-executive Director, the chairman of the Remuneration Committee and a member of each of the Audit Committee and the Nomination Committee of the Company with effect from 15 March 2013. With effect from the same day, Mr. Ng Sau Kei, Wilfred has been appointed as the chairman of the Remuneration Committee and Mr. Chen Johnny has been appointed as a member of the Nomination Committee.

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

The Board has a balance of skills and experience and a balanced composition of executive and non-executive directors. Six Board meetings were held during the financial year ended 31 December 2012. The composition of the Board and attendance of the Directors are set out below:

	Number of meetings attended/eligible to attend
Executive Directors	
Mr. Li Ning *(Chairman)**	5/6
Mr. Chan Ling	6/6
Mr. Li Chunyang	6/6
Mr. Lee Wa Lun, Warren	5/6
Mr. Ng Chi Man, Michael *(resigned as Chief Executive Officer and Executive Director with effect from 31 August 2012)*	3/4
Non-executive Directors	
Mr. Li Chun*	3/6
Mr. Ma Wing Man	6/6
Independent Non-executive Directors	
Mr. Chen Johnny	4/6
Mr. Ng Sau Kei, Wilfred	6/6
Mr. Ip Shu Kwan, Stephen (resigned with effect from 15 March 2013)	6/6

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

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The posts of chairman and chief executive officer are separate and are not held by the same individual to ensure their independence, accountability and responsibility. The Chairman takes the lead to oversee the Board functions and the direction of the Group and the chairman of the Board is Mr. Li Ning.

The Chief Executive Officer, supported by his management team, was responsible for the day-to-day management of the businesses of the Group. Mr. Ng Chi Man, Michael resigned as the chief executive officer of the Company with effect from 31 August 2012. After his departure, Mr. Li Ning continues to act as the Chairman while the duties of the chief executive officer of the Company have been undertaken by the other executive Directors.

NON-EXECUTIVE DIRECTORS

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

Following the resignation of Mr. Ip Shu Kwan, Stephen with effect from 15 March 2013, the number of Independent Non-executive Directors has fallen below the minimum number required under Rule 5.05(1) and Rule 5.05A of the GEM Listing Rules. The Company will make its best endeavours to seek suitable candidate to fill the vacancy as soon as possible within three months from the effective date of resignation of Mr. Ip Shu Kwan, Stephen pursuant to Rule 5.06 of the GEM Listing Rules.

NOMINATION COMMITTEE

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

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

One Nomination Committee meeting was held during the year ended 31 December 2012. The composition of the Nomination Committee and attendance of individual members at the aforesaid meeting are as follows:

Name	**Number of meetings attended/eligible to attend**
Mr. Li Ning *(Chairman)* (appointed on 15 March 2012)	1/1
Mr. Ng Sau Kei, Wilfred (appointed on 15 March 2012)	1/1
Mr. Chen Johnny (appointed on 15 March 2013)	N/A
Mr. Chan Ling *(Chairman)* (ceased on 15 March 2012)	—[#]
Mr. Ng Chi Man, Michael (ceased on 15 March 2012)	—[#]
Mr. Ma Wing Man (ceased on 15 March 2012)	—[#]
Mr. Ip Shu Kwan, Stephen (appointed on 15 March 2012 and resigned with effect from 15 March 2013)	1/1

[#] No meeting of the Nomination Committee has been held from 1 January 2012 to the date of his cessation as a member of the committee.

REMUNERATION COMMITTEE

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

The determination of remuneration packages of the Directors takes into consideration of the factors such as time commitment and responsibilities of the Directors and by reference to the level of emoluments normally paid by a listed company in Hong Kong to directors of comparable calibre and job responsibilities so as to ensure a fair and competitive remuneration package as is fit and appropriate. During the year, the committee reviewed the remuneration package of the Directors. It also reviewed the management's remuneration proposal with reference to the business development of the Group and the market surveys so as to ensure that the level of remuneration offered by the Company is competitive and sufficient to attract, retain and motivate personnel of the required quality for the Company.

One Remuneration Committee meeting was held during the year ended 31 December 2012. The composition of the Remuneration Committee and attendance of individual members at the aforesaid meeting are as follows:

Name	**Number of meetings attended/eligible to attend**
Mr. Ng Sau Kei, Wilfred (appointed as chairman of the committee on 15 March 2013)	1/1
Mr. Chan Ling	1/1
Mr. Chen Johnny	0/1
Mr. Ip Shu Kwan, Stephen (resigned as chairman and member with effect from 15 March 2013)	1/1
Mr. Ng Chi Man, Michael (resigned with effect from 31 August 2012)	—#

No meeting of the Remuneration Committee has been held from 1 January 2012 to the date of his resignation as a member of the committee.

EXECUTIVE COMMITTEE

The Executive Committee was established by the Board with specific terms of reference. The committee as at 31 December 2012 and up to the date of this report comprises three Executive Directors, Mr. Li Ning (Chairman of the Executive Committee), Mr. Chan Ling and Mr. Li Chunyang. The primary duties of the Executive Committee are to propose and implement business strategies and plans for the Group, monitor the operations of Group companies and approve matters relating to their day-to-day operations.

The Executive Committee is responsible for performing the corporate governance duties which include the development and review of the Company's policies and practices on corporate governance, review and monitor the training and continuous professional development of Directors and senior management and review the Company's compliance with the corporate governance code set out in the GEM Listing Rules and disclosure in the corporate governance report of the Company. During the year, the members of the Executive Committee considered and reviewed the compliance and disclosure in the corporate governance report of the Company as required under the GEM Listing Rules.

Six Executive Committee meetings were held during the financial year ended 31 December 2012 and the attendance are set out below:

	Number of meetings attended/eligible to attend
Executive Directors	
Mr. Li Ning *(Chairman)**	4/6
Mr. Chan Ling	5/6
Mr. Li Chunyang	3/6
Mr. Ng Chi Man, Michael (resigned as Chief Executive Officer and Executive Director with effect from 31 August 2012)	1/2

AUDIT COMMITTEE

The Audit Committee was formed on 17 March 2000 with written terms of reference. The primary duties of the Audit Committee are to review the Company's internal control procedures, annual reports, financial statements, half-year reports and quarterly reports and to provide advice and comments thereon to the Board.

The Audit Committee currently comprises two Independent Non-executive Directors, Mr. Chen Johnny (Chairman of the Audit Committee) and Mr. Ng Sau Kei, Wilfred and one Non-executive Director, Mr. Ma Wing Man. This annual report has been reviewed by the Audit Committee.

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

The Audit Committee held four meetings during the year ended 31 December 2012. Its composition and attendance of individual members at these Audit Committee meetings are as follows:

Name	**Number of meetings attended/eligible to attend**
Mr. Chen Johnny *(Chairman)*	4/4
Mr. Ng Sau Kei, Wilfred	4/4
Mr. Ma Wing Man	4/4
Mr. Ip Shu Kwan, Stephen (resigned with effect from 15 March 2013)	4/4

ACCOUNTABILITY AND AUDIT

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

In preparing the accounts for the year ended 31 December 2012, the Directors have selected suitable accounting policy and applied them consistently, approved adoption of all Hong Kong Financial Reporting Standards, made judgments and estimates that are appropriate, and prepared the accounts on a going concern basis.

The responsibilities of the external auditor about their financial reporting are set out in the independent auditors' report on page 57 of this report.

AUDITORS' REMUNERATION

During the year ended 31 December 2012, the total fees paid and payable to Ernst & Young in relation to the audit and other services for the financial year ended 31 December 2012, amounted to HK$1,380,000 and HK$1,207,000 respectively. The sum for other services included HK$650,000 for accountants' report in relation to the acquisition of 25.227% equity interest in Li Ning Co, HK$67,000 for taxation services, HK$470,000 for a review of the Group's interim results for the six months ended 30 June 2012 and the quarterly results for the three months ended 31 March 2012 and the nine months ended 30 September 2012, and HK$20,000 for continuing connected transaction review.

INTERNAL CONTROL

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

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

Based on the reviews performed by the management and comment from the external auditors and the Audit Committee, the Board is of the view that the Group's internal control system is adequate for the year ended 31 December 2012. The Board will continue to assess the effectiveness of internal controls by considering reviews to be performed by the Audit Committee, executive management, auditors and external professional consultant that the Group may engage.

SHAREHOLDERS' RIGHTS AND INVESTORS' RELATIONS

The Group is committed to maintaining a high level of transparency and employs a policy of open and timely disclosure of relevant information to the Shareholders and the investors. The Board strives to encourage and maintain constant dialogue with its shareholders through various means.

Procedures for requisitioning an extraordinary general meeting and for putting forward proposals at general meetings

Shareholder(s) holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company may, by written requisition to the Board or the company secretary of the Company signed and deposited in accordance with the Article 64 of the Company's articles of association, require an extraordinary general meeting to be called by the Directors for the transaction of any business specified in the requisition.

Shareholder(s) may propose a candidate for election as a Director at any general meetings of the Company by a requisition signed by the shareholder (other than the person to be proposed) of his intention to propose such person for election as a Director together with a notice signed by the person to be proposed of his willingness to be elected in accordance with the Articlle 113 of the Company's articles of association.

The articles of association of the Company set out the procedures for the Shareholders to convene general meetings, to move a resolution at general meetings and propose a person for election as a Director are available for viewing at the Company's corporate website www.vivachina.hk.

Procedures by which enquiries may be put to the Board

General meetings of the Company provide a direct forum of communication between Shareholders and the Board. Shareholders may at any time send their enquiries to the Board in writing through the company secretary of the Company whose contact is as follow:

Address: Room 3602–06, 36/F, China Merchants Tower, Shun Tak Centre, 200 Connaught Road Central, Hong Kong
Telephone: 37961111
Fax: 37961100
Email: info@vivachina.hk

The company secretary of the Company shall forward the Shareholders' enquiries to the Board, where appropriate to answer the Shareholders' questions.

Communication with Shareholders

An annual general meeting of the Company was held on 28 June 2012 (the "2012 AGM"). A notice convening the 2012 AGM contained in the circular dated 30 March 2012 was despatched to the Shareholders together with the Annual Report 2011. The Chairman of the Board and members of the committees of the Company (as appropriate) attended the 2012 AGM to answer the questions from the Shareholders. External auditor, Ernst & Young attended the 2012 AGM to answer questions about the conduct of the audit, the preparation and content of the auditors' report, the accounting policies and auditor independence. The Chairman explained detailed procedures for conducting a poll. All the resolutions proposed at the 2012 AGM, including (i) the adoption of the audited financial statements of the Company and the reports of the Directors and the auditors of the Company for the year ended 31 December 2011; (ii) the re-election of certain Directors and the authorisation to the Board to fix the Directors' remunerations; (iii) the re-appointment of Ernst & Young as the auditor of the Company and the authorisation to the Board to fix its remuneration; (iv) the granting to Directors the general mandates to issue and repurchase Shares; and (v) the amendment of the articles of association of the Company, were passed by the Shareholders by way of poll. The results of the poll were published on the websites of the Stock Exchange and the Company on 28 June 2012.

Moreover, an extraordinary general meeting of the Company was held on 23 November 2012 (the "EGM") to consider the ordinary resolutions approving the very substantial acquisition and connected transaction in relation to the acquisition of shares in Li Ning Co, the Share Consolidation and the Authorised Capital Increase. A notice convening the EGM contained in the circular dated 7 November 2012 was despatched to the Shareholders. The chairman of the EGM made himself available to answer the questions from the Shareholders and explained detailed procedures for conducting a poll. The ordinary resolutions proposed at the EGM was passed by the Shareholders by way of poll.

The results of the poll was published on the websites of the Stock Exchange and the Company.

The attendance of general meetings of each Director is set out below:

	Number of general meetings attended/ eligible to attend
Executive Directors	
Mr. Li Ning *(Chairman)*	1/2
Mr. Chan Ling	2/2
Mr. Li Chunyang	1/2
Mr. Lee Wa Lun, Warren	0/2
Mr. Ng Chi Man, Michael (resigned with effect from 31 August 2012)	1/1
Non-executive Directors	
Mr. Li Chun	0/2
Mr. Ma Wing Man	2/2
Independent Non-executive Directors	
Mr. Chen Johnny	1/2
Mr. Ip Shu Kwan, Stephen (resigned with effect from 15 March 2013)	2/2
Mr. Ng Sau Kei, Wilfred	2/2

Changes in the Constitutional Documents

At the 2012 AGM, the Shareholders approved the amendments to the articles of association of the Company so as to adhere to the amended GEM Listing Rules with effect from 1 January 2012 and 1 April 2012. The amendments to the articles of association of the Company were detailed in the circular of the Company dated 30 March 2012 which was available on the websites of the Company and the Stock Exchange.

A notice for the forthcoming annual general meeting of the Company will be published on the websites of the Stock Exchange and the Company and despatched together with the Annual Report 2012 to the Shareholders as soon as practicable in accordance with the article of association and the new CG Code.

INDEPENDENT AUDITORS' REPORT

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

We have audited the consolidated financial statements of Viva China Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 58 to 124, which comprise the consolidated and company statements of financial position as at 31 December 2012, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

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

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

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2012, and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants
Hong Kong

26 March 2013

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
REVENUE	5	**68,191**	80,130
Cost of sales		**(31,316)**	(39,005)
Gross profit		**36,875**	41,125
Other income and gains, net	5	**48,994**	161,906
Selling and distribution expenses		**(25,424)**	(16,722)
Impairment of goodwill	17	**(155,434)**	—
Administrative expenses		**(104,866)**	(132,165)
Other expenses		**(47,033)**	(13,576)
Finance costs	6	**(82)**	(57)
Share of profits and losses of an associate		**(49,118)**	—
PROFIT/(LOSS) BEFORE TAX	7	**(296,088)**	40,511
Income tax	10	**12,762**	(1,332)
PROFIT/(LOSS) FOR THE YEAR		**(283,326)**	39,179
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF INCOME TAX OF NIL —			
Share of other comprehensive income of an associate		**(96)**	—
Exchange differences on translation of foreign operations		**1,713**	6,334
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**1,617**	6,334
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		**(281,709)**	45,513
Profit/(loss) attributable to:			
Shareholders of the Company	11	**(282,595)**	39,452
Non-controlling interests		**(731)**	(273)
		(283,326)	39,179
Total comprehensive income/(loss) attributable to:			
Shareholders of the Company		**(280,995)**	45,658
Non-controlling interests		**(714)**	(145)
		(281,709)	45,513
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY SHAREHOLDERS OF THE COMPANY			(Restated)
Basic and diluted (HK cents)	12	**(7.16)**	1.03

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**9,648**	13,615
Investment properties	15	**285,200**	284,430
Prepaid land lease payments	16	**—**	5,022
Goodwill	17	**269,758**	425,192
Other intangible assets	18	**14,434**	64,028
Deposit paid for acquisition of a land use right	19	**—**	230,000
Investment in an associate	21	**2,594,471**	—
Other non-current deposits		**969**	969
Derivative financial asset	30	**37,572**	30,431
Deferred tax assets	31	**7,273**	7,214
Total non-current assets		**3,219,325**	1,060,901
CURRENT ASSETS			
Inventories	22	**—**	2,462
Trade receivables	23	**17,926**	11,536
Prepayments, deposits and other receivables	24	**146,222**	18,639
Deposit paid for acquisition of a land use right	19	**230,000**	—
Pledged deposit	25	**124,000**	—
Cash and bank balances	25	**932,409**	1,120,724
		1,450,557	1,153,361
Assets of a disposal group classified as held for sale	13	**7,460**	—
Total current assets		**1,458,017**	1,153,361
CURRENT LIABILITIES			
Trade payables	26	**15,417**	4,577
Other payables and accruals	27	**153,963**	43,322
Receipts in advance		**10,737**	12,350
Other loan	28	**744**	1,230
Due to a non-controlling equity holder	29	**—**	1,365
Derivative financial liabilities	30	**62**	62
Income tax payable		**47,472**	51,567
		228,395	114,473
Liabilities directly associated with the assets classified as held for sale	13	**2,513**	—
Total current liabilities		**230,908**	114,473
NET CURRENT ASSETS		**1,227,109**	1,038,888
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,446,434**	2,099,789

	Notes	2012 HK$'000	2011 HK$'000
NON-CURRENT LIABILITIES			
Deferred tax liabilities	31	**4,445**	16,808
Derivative financial liabilities	30	**984,000**	—
Total non-current liabilities		**988,445**	16,808
Net assets		**3,457,989**	2,082,981
EQUITY			
Equity attributable to shareholders of the Company			
Issued capital	32	**279,820**	190,818
Perpetual convertible bonds	34	**955,480**	—
Reserves	35(a)(i)	**2,219,999**	1,889,047
		3,455,299	2,079,865
Non-controlling interests		**2,690**	3,116
Total equity		**3,457,989**	2,082,981

Li Ning
Chairman and Executive Director

Chan Ling
Executive Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2012

		Attributable to shareholders of the Company										
	Notes	Issued capital HK$'000 (note 32)	Share premium account HK$'000 (note 32)	Perpetual convertible bonds HK$'000 (note 34)	Share option reserve HK$'000	Exchange fluctuation reserve HK$'000	Reserve funds HK$'000	Other reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity 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/(loss) for the year		—	—	—	—	—	—	—	39,452	39,452	(273)	39,179
Other comprehensive income for the year:												
Exchange differences on translation of foreign operations		—	—	—	—	6,206	—	—	—	6,206	128	6,334
Total comprehensive income for the year		—	—	—	—	6,206	—	—	39,452	45,658	(145)	45,513
Equity-settled share option arrangements	33(a)	—	—	—	36,699	—	—	—	—	36,699	—	36,699
Transfer of share option reserve upon the forfeiture of share options		—	—	—	(1,650)	—	—	—	1,650	—	—	—
At 31 December 2011 and 1 January 2012		190,818	2,256,863*	—	61,102*	6,520*	—*	—*	(435,438)*	2,079,865	3,116	2,082,981
Loss for the year		—	—	—	—	—	—	—	(282,595)	(282,595)	(731)	(283,326)
Other comprehensive income for the year:												
Exchange differences on translation of foreign operations		—	—	—	—	1,696	—	—	—	1,696	17	1,713
Share of other comprehensive income of an associate		—	—	—	—	—	—	—	(96)	(96)	—	(96)
Total comprehensive income/(loss) for the year		—	—	—	—	1,696	—	—	(282,691)	(280,995)	(714)	(281,709)
Issue of shares	32(c)	89,002	609,299	—	—	—	—	—	—	698,301	—	698,301
Shares issue expenses	32(c)	—	(1,358)	—	—	—	—	—	—	(1,358)	—	(1,358)
Acquisition of non-controlling interests		—	—	—	—	—	—	(1,671)	—	(1,671)	288	(1,383)
Issue of perpetual convertible bonds	34	—	—	955,480	—	—	—	—	—	955,480	—	955,480
Equity-settled share option arrangements	33(a)	—	—	—	5,677	—	—	—	—	5,677	—	5,677
Transfer of share option reserve upon the forfeiture of share options		—	—	—	(14,276)	—	—	—	14,276	—	—	—
Transfer to statutory reserve	35(a)(iii)	—	—	—	—	—	1,281	—	(1,281)	—	—	—
At 31 December 2012		279,820	2,864,804*	955,480	52,503*	8,216*	1,281*	(1,671)*	(705,134)*	3,455,299	2,690	3,457,989

* These reserve accounts comprise the consolidated reserves of HK$2,219,999,000 (2011: HK$1,889,047,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax		**(296,088)**	40,511
Adjustments for:			
Finance costs	6	**82**	57
Share of profits and losses of an associate		**49,118**	—
Bank interest income	5	**(18,167)**	(12,192)
Fair value gains on derivative financial assets and liabilities, net	30	**(23,839)**	(41,696)
Fair value loss on investment properties	15	**10,427**	—
Gain on bargain purchase of a subsidiary	36	**—**	(105,498)
Loss on disposal of items of property, plant and equipment	7	**51**	89
Depreciation	14	**4,109**	3,495
Amortisation of prepaid land lease payments	16	**159**	188
Amortisation of other intangible assets	18	**15,298**	16,051
Write-down/(write-back) of inventories to net realisable value	7	**(53)**	1,743
Impairment of goodwill	17	**155,434**	—
Impairment of trade receivables	23	**459**	—
Write-off of other deposits	7	**663**	—
Impairment of items of property, plant and equipment	14	**—**	824
Impairment of other intangible assets	18	**34,296**	—
Write-off of other intangible assets	18	**—**	6
Equity-settled share option expenses	33(a)	**5,677**	36,699
		(62,374)	(59,723)
Decrease in inventories		**2,515**	659
Increase in trade receivables		**(6,954)**	(10,409)
Decrease/(increase) in prepayments, deposits and other receivables		**(3,030)**	6,030
Increase in trade payables		**10,840**	4,340
Decrease in other payables and accruals		**(8,789)**	(3,183)
Increase/(decrease) in receipts in advance		**(1,613)**	10,894
Increase in an amount due to a non-controlling equity holder		**879**	881
Profit guarantee received	30	**16,698**	—
Cash used in operations		**(51,828)**	(50,511)
PRC corporate income tax paid		**(4,349)**	(181)
Net cash flows used in operating activities		**(56,177)**	(50,692)

	Notes	2012 HK$'000	2011 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		16,952	12,192
Purchases of items of property, plant and equipment	14	(2,072)	(6,446)
Proceeds from disposal of items of property, plant and equipment		17	225
Acquisition of subsidiaries	36	—	(92,269)
Share issue expenses	32(c)	(1,358)	—
Direct transaction costs attributable to the acquisition of an associate		(5,843)	—
Direct transaction costs attributable to the issue of perpetual convertible bonds	34	(62)	—
Deposit paid for acquisition of a land use right	19	—	(230,000)
Additions to investment properties		(13,353)	(26,003)
Advance payment paid to an independent third party	24	(124,000)	—
Advance payment received from an independent third party	27	124,000	—
Increase in a pledged deposit	25	(124,000)	—
Net cash flows used in investing activities		(129,719)	(342,301)
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid on other loan	6	(82)	(57)
New loan		—	1,200
Acquisition of non-controlling interests		(1,383)	—
Repayment of other loan		(496)	—
Net cash flows from/(used in) financing activities		(1,961)	1,143
NET DECREASE IN CASH AND CASH EQUIVALENTS		(187,857)	(391,850)
Cash and cash equivalents at beginning of year		1,120,724	1,511,979
Effect of foreign exchange rate changes, net		44	595
CASH AND CASH EQUIVALENTS AT END OF YEAR		932,911	1,120,724
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	25	147,413	93,837
Non-pledged time deposits with original maturity of less than three months when acquired	25	784,996	1,026,887
Cash and bank balance as stated in the statement of financial position	25	932,409	1,120,724
Cash and bank balance attributable to a disposal group classified as held for sale	13	502	—
Cash and cash equivalents as stated in the statement of cash flows		932,911	1,120,724

STATEMENT OF FINANCIAL POSITION

31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**2,013**	2,907
Investments in subsidiaries	20	**2,983,585**	337,960
Deposit paid		**969**	969
Total non-current assets		**2,986,567**	341,836
CURRENT ASSETS			
Due from subsidiaries	20	**863,583**	838,833
Prepayments, deposits and other receivables	24	**1,350**	3,326
Cash and bank balances	25	**595,397**	623,984
Total current assets		**1,460,330**	1,466,143
CURRENT LIABILITIES			
Due to subsidiaries	20	**19,431**	4,011
Accruals	27	**4,679**	4,340
Derivative financial liabilities	30	**62**	62
Total current liabilities		**24,172**	8,413
NET CURRENT ASSETS		**1,436,158**	1,457,730
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,422,725**	1,799,566
NON-CURRENT LIABILITIES			
Derivative financial liabilities	30	**984,000**	—
Net assets		**3,438,725**	1,799,566
EQUITY			
Issued capital	32	**279,820**	190,818
Perpetual convertible bonds	34	**955,480**	—
Reserves	35(b)	**2,203,425**	1,608,748
Total equity		**3,438,725**	1,799,566

Li Ning
Chairman and Executive Director

Chan Ling
Executive Director

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands and the ordinary shares of which are listed on GEM of the Stock Exchange.

During the year, the Group were involved in the following principal activities:

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

The principal activities of the associate which is significant to the financial position of the Group during the year ended 31 December 2012 include brand development, design, manufacture, sale and distribution of sport-related footwear, apparel, equipment and accessories in the PRC.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with HKFRSs (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties and derivative financial instruments, which have been measured at fair value. Disposal group held for sale is stated at the lower of its carrying amount and fair value less costs to sell as further explained in note 2.4. These financial statements are presented in HK$ and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2012. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

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

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

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

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

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

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

Other than further explained below regarding the impact of amendments of HKAS 12, the adoption of the revised HKFRSs has had no significant effect on these financial statements.

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

The presumption that deferred tax on investment property measured at fair value should be determined on the basis that its carrying amount will be recovered through sale has been rebutted by the Group as the Group's investment properties are held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Accordingly deferred tax has been determined on the basis of recovery through use. The adoption of the amendments did not have any impact on the financial position or performance of the Group.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards — Government Loans* [2]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures — Offsetting Financial Assets and Financial Liabilities* [2]
HKFRS 9	*Financial Instruments* [4]
HKFRS 10	*Consolidated Financial Statements* [2]
HKFRS 11	*Joint Arrangements* [2]
HKFRS 12	*Disclosure of Interests in Other Entities* [2]
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 — *Transition Guidance* [2]
HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) — *Investment Entities* [3]
HKFRS 13	*Fair Value Measurement* [2]
HKAS 1 Amendments	Amendments to HKAS 1 *Presentation of Financial Statements — Presentation of Items of Other Comprehensive Income* [1]
HKAS 19 (2011)	*Employee Benefits* [2]
HKAS 27 (2011)	*Separate Financial Statements* [2]
HKAS 28 (2011)	*Investments in Associates and Joint Ventures* [2]
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities* [3]
HK(IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine* [2]
Annual Improvements 2009–2011 Cycle	Amendments to a number of HKFRSs issued in June 2012 [2]

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

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

Further information about those HKFRSs that are expected to be applicable to the Group is as follows:

The HKFRS 7 Amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with HKAS 32 *Financial Instruments: Presentation*. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with HKAS 32. The Group expects to adopt the amendments from 1 January 2013.

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

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

HKAS 39 is aimed to be replaced by HKFRS 9 in its entirety. Before this entire replacement, the guidance in HKAS 39 on hedge accounting and impairment of financial assets continues to apply. The Group expects to adopt HKFRS 9 from 1 January 2015. The Group will quantify the effect in conjunction with other phases, when the final standard including all phases is issued.

HKFRS 10 establishes a single control model that applies to all entities including special purpose entities or structured entities. It includes a new definition of control which is used to determine which entities are consolidated. The changes introduced by HKFRS 10 require management of the Group to exercise significant judgement to determine which entities are controlled, compared with the requirements in HKAS 27 and HK(SIC)-Int 12 Consolidation — *Special Purpose Entities*. HKFRS 10 replaces the portion of HKAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also addresses the issues raised in HK(SIC)-Int 12. Based on the preliminary analyses performed, HKFRS 10 is not expected to have any impact on the currently held investments of the Group.

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

In July 2012, the HKICPA issued amendments to HKFRS 10, HKFRS 11 and HKFRS 12 which clarify the transition guidance in HKFRS 10 and provide further relief from full retrospective application of these standards, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. The amendments clarify that retrospective adjustments are only required if the consolidation conclusion as to which entities are controlled by the Group is different between HKFRS 10 and HKAS 27 or HK(SIC)-Int 12 at the beginning of the annual period in which HKFRS 10 is applied for the first time. Furthermore, for disclosures related to unconsolidated structured entities, the amendments will remove the requirement to present comparative information for periods before HKFRS 12 is first applied.

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

The amendments to HKFRS 10 issued in December 2012 include a definition of an investment entity and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. Investment entities are required to account for subsidiaries at fair value through profit or loss in accordance with HKFRS 9 rather than consolidate them. Consequential amendments were made to HKFRS 12 and HKAS 27 (2011). The amendments to HKFRS 12 also set out the disclosure requirements for investment entities. The Group expects that these amendments will not have any impact on the Group as the Company is not an investment entity as defined in HKFRS 10.

Consequential amendments were made to HKAS 27 and HKAS 28 as a result of the issuance of HKFRS 10, HKFRS 11 and HKFRS 12. The Group expects to adopt HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (2011), HKAS 28 (2011), and the subsequent amendments to these standards issued in July and December 2012 from 1 January 2013.

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

The HKAS 1 Amendments change the grouping of items presented in OCI. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, net gain on hedge of a net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) would be presented separately from items which will never be reclassified (for example, actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendments will affect presentation only and have no impact on the financial position or performance. The Group expects to adopt the amendments from 1 January 2013.

The HKAS 32 Amendments clarify the meaning of "currently has a legally enforceable right to setoff" for offsetting financial assets and financial liabilities. The amendments also clarify the application of the offsetting criteria in HKAS 32 to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2014.

The *Annual Improvements to HKFRSs 2009–2011 Cycle* issued in June 2012 sets out amendments to a number of HKFRSs. The Group expects to adopt the amendments from 1 January 2013. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments are expected to have a significant financial impact on the Group. Those amendments that are expected to have a significant impact on the Group's policies are as follows:

(a) HKAS 1 *Presentation of Financial Statements:* Clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative period is the previous period. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the previous period. The additional comparative information does not need to contain a complete set of financial statements.

    In addition, the amendment clarifies that the opening statement of financial position as at the beginning of the preceding period must be presented when an entity changes its accounting policies; makes retrospective restatements or makes reclassifications, and that change has a material effect on the statement of financial position. However, the related notes to the opening statement of financial position as at the beginning of the preceding period are not required to be presented.

(b) HKAS 32 *Financial Instruments: Presentation:* Clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with HKAS 12 *Income Taxes*. The amendment removes existing income tax requirements from HKAS 32 and requires entities to apply the requirements in HKAS 12 to any income tax arising from distributions to equity holders.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

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

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

Joint ventures

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

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

A joint venture is treated as:

(a) a subsidiary, if the Group/Company, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board of directors; or over which the Company has a contractual right to exercise a dominant influence with respect to the joint venture's financial and operating policies;

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

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

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

Associates

An associate is an entity, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's investment in an associate is stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist. In addition, when the most recently available financial statements of an associate is different from the Group's reporting date, the Group may take advantage of the provision contained in HKAS 28 *Investments in Associates* whereby it is permitted to include the attributable share of associate's results based on the financial statements drawn up to a non-coterminous period end where the difference must be no greater than three months. Adjustments shall be made for the effects of significant transactions or events that occur between that date and the date of the Group's consolidated financial statements.

The Group's share of the post-acquisition results and reserves of an associate is included in the consolidated profit or loss and consolidated reserves, respectively. Unrealised gains and losses resulting from transactions between the Group and its associate are eliminated to the extent of the Group's investment in an associate, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associate is included as part of the Group's investment in an associate and is not individually tested for impairment.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Associates (Continued)

The results of an associate are included in the Company's profit or loss to the extent of dividends received and receivable. The Company's investment in an associate is treated as a non-current asset and is stated at cost less any impairment losses.

When an investment in an associate is classified as held for sale, it is accounted for in accordance with HKFRS 5 *Non-Current Assets Held for Sale and Discontinued Operations*.

Business combinations and goodwill

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

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

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of HKAS 39 is measured at fair value with changes in fair value either recognised in profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of HKAS 39, it is measured in accordance with the appropriate HKFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

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

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

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

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed in these circumstances is measured based on the relative value of the disposed operation and the portion of the cash-generating unit retained.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of non-financial assets

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

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

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

Related parties

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

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

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

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

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5, as further explained in the accounting policy for "Non-current assets and disposed groups held for sale". The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

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

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

Buildings	2.5% to 5%
Leasehold improvements	Over the lease terms
Machinery and office equipment	7.5% to $33^{1/3}$%
Furniture and fixtures	9% to $33^{1/3}$%
Motor vehicles	9% to 25%

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

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

Investment properties

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

Property under construction or development for future use as an investment property is classified as investment property under construction. If the fair value cannot be reliably determined, the investment property under construction will be measured at cost until such time as fair value can be determined or construction is completed.

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Non-current assets and disposal groups held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the asset or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets or disposal groups and its sale must be highly probable. All assets and liabilities of a subsidiary classified as a disposal group are reclassified as held for sale regardless of whether the Group retains a non-controlling interest in its former subsidiary after the sale.

Non-current assets and disposal groups (other than investment properties and financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell. Property, plant and equipment and intangible assets classified as held for sale are not depreciated or amortised.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. The principal annual rates used for the amortisation are as follows:

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

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Leases

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

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

Investments and other financial assets

Initial recognition and measurement

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets (Continued)

Subsequent measurement

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by HKAS 39.

Financial assets at fair value through profit or loss are carried in statement of financial position at fair value with positive net changes in fair value presented as other income and gains and negative net changes in fair value presented as finance costs in profit or loss. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

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

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

Loans and receivables

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

Held-to-maturity investments

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets (Continued)

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in profit or loss in other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to profit or loss in other income. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in profit or loss as other income in accordance with the policies set out for "Revenue recognition" below.

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to profit or loss.

Derecognition of financial assets

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets

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

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

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

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

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

Financial liabilities

Initial recognition and measurement
Financial liabilities within the scope of HKAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated or hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

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

The Group's financial liabilities include trade payables, other payables and accruals, other loan, an amount due to a non-controlling equity holder and derivative financial instruments.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial liabilities (Continued)

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

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

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

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

Loans and borrowings

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

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

Perpetual Convertible bonds

Perpetual convertible bonds issued by the Group gives the right to the holders to convert these bonds into a fixed number of the Company's ordinary shares at any time at a fixed exercise price per share, subject to adjustment as provided in the terms and conditions of the bonds. The perpetual convertible bonds have no maturity date and are not redeemable. These bonds are treated as equity instruments and are not remeasured in subsequent years.

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

Fair value of financial instruments

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Derivative financial instruments

Derivative financial instruments of the Group include contingent consideration in connection with the acquisition of subsidiaries and an associate and share warrants issued by the Company. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Any gains or losses arising from changes in fair value of derivatives are taken directly to profit or loss.

Current versus non-current classification

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

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

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

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

Inventories

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

Cash and cash equivalents

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

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

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

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

A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of (i) the amount that would be recognised in accordance with the general guidance for provisions above; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the guidance for revenue recognition.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax

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

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

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

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

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

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to profit or loss by way of a reduced depreciation charge.

Revenue recognition

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

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

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

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

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

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

Share-based payments

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

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 33 to the financial statements.

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share-based payments (Continued)

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

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

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

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

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

Other employee benefits

Pension scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund.

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

Borrowing costs

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates prevailing at the end of the reporting period and their profits or losses are translated into Hong Kong dollars at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

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

(i) Operating lease commitments — Group as lessor

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

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

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

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

Estimation uncertainty

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

(i) Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. In the process of estimating expected future cash flow, management makes assumptions about future revenues and profits. These assumption relate to future events and circumstances. The actual results may vary and may cause a material adjustment to the carrying amount of goodwill within the next financial year. Determining the appropriate discount rate involves estimating the appropriate adjustments for market risk and for asset specific risk factor. The carrying amount of goodwill at 31 December 2012 was HK$269,758,000 (2011: HK$425,192,000). Further details are given in note 17.

(ii) Estimation of fair value of investment properties

The fair values of the Group's investment properties are assessed by management based on the property valuation performed by independent professionally qualified valuers on an open market, existing use basis. The assumptions adopted in the property valuation are based on market conditions existing at each reporting date, with reference to comparable sales transactions and where appropriate, on the basis of capitalisation of the net income after allowances for outgoings and in some cases provisions for reversionary income potential. The carrying amount of investment properties at 31 December 2012 was HK$285,200,000 (2011: HK$284,430,000).

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

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

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The calculation of the fair value less costs to sell is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. In estimating the recoverable amounts of assets, various assumptions, including future cash flows to be associated with the non-current assets and discount rates, are made. If future events do not correspond to such assumptions, the recoverable amounts will need to be revised, and this may have an impact on the Group's results of operations or financial position.

(iv) Current tax and deferred tax assets

The Group is subject to income taxes in Hong Kong and Mainland China. The Group carefully evaluates tax implications of transactions in accordance with the prevailing tax regulations and makes tax provision accordingly. However, judgement is required in determining the Group's provision for income taxes as there are many transactions and calculations of which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact on the income tax and deferred tax provision in the periods in which such determination is made. The carrying amount of income tax payable, carried as a liability in the consolidated statement of financial position as at 31 December 2012 was HK$47,472,000 (2011: HK$51,567,000).

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. There was no deferred tax recognised with respect to tax losses at 31 December 2012 (2011: Nil). The amount of unrecognised tax losses at 31 December 2012 was HK$270,345,000 (2011: HK$205,615,000). The amount of deferred tax assets, which was acquired upon acquisition of a subsidiary in respect of revaluation of investment properties, carried as a non-current asset in the consolidation statement of financial position as at 31 December 2012 was HK$7,273,000 (2011: HK$7,214,000). Further details are contained in note 31 to the financial statements.

(v) Estimated impairment on receivables

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

(vi) Depreciation

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

The Group depreciates the property, plant and equipment in accordance with the accounting policies stated in note 2.4 to the financial statements. The carrying amount of property, plant and equipment is disclosed in note 14 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

(vii) Share of results of an associate

These consolidated financial statements for the year ended 31 December 2012 include the attributable share of the results and reserves of Li Ning Co from the date on which it becomes an associate, which is in arrears in order to meet the Group's reporting timetable. Management carefully evaluates by taking into consideration the effect of significant transactions or events that occured up to the Group's reporting period that and whether such transactions or events have material effects on the Group's results.

(viii) Fair value of contingent consideration arising from business combination

Contingent consideration arising from the issue of the earn-out convertible bonds in relation to the acquisition of approximately 25.23% equity interest of Li Ning Co on 4 December 2012, is determined based on an estimation of the post-acquisition operating performance of Li Ning Co for the financial periods between 2013 and 2017. Judgement is required to determine key assumptions (such as growth rate, margins and discounts rate) adopted in the estimation of post-acquisition performance of Li Ning Co. Should there be significant changes in these assumptions or prevailing market condition, the contingent consideration shall be re-measured at their fair value resulting from events or factors emerge after the acquisition date, with any resulting gain or loss recognised in profit or loss in accordance with HKFRS 3 (Revised) *Business Combinations*.

4. OPERATING SEGMENT INFORMATION

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

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

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

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

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

4. OPERATING SEGMENT INFORMATION (Continued)

Year ended 31 December 2012	Sports-related business HK$'000	Sports community business HK$'000	Green energy business HK$'000	Total HK$'000
Segment revenue:				
External	52,498	10,366	5,327	68,191
Other revenue	566	3,231	788	4,585
	53,064	13,597	6,115	72,776
Segment results	(4,042)	(16,834)	(9,871)	(30,747)
Reconciliation:				
Bank interest income				18,167
Fair value gain on a derivative financial asset				23,839
Impairment of goodwill				(155,434)
Impairment of other intangible assets				(34,296)
Fair value loss on investment properties				(10,427)
Amortisation of other intangible assets				(15,298)
Equity-settled share option expenses				(5,677)
Corporate and other unallocated income				2,403
Corporate and other unallocated expenses				(39,418)
Share of profits and losses of an associate				(49,118)
Finance costs				(82)
Loss before tax				(296,088)
Other segment information:				
Depreciation	2,071	835	313	3,219
Add: Depreciation related to corporate				890
				4,109
Amortisation of prepaid land lease payments	—	—	159	159
Write-back of inventories to net realisable value	—	—	(53)	(53)
Impairment of trade receivables	—	—	459	459
Write-off of other deposits	—	614	49	663
Capital expenditure*	13	10,891	—	10,904
Add: Capital expenditure related to corporate*				17
				10,921

4. OPERATING SEGMENT INFORMATION (Continued)

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

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

4. OPERATING SEGMENT INFORMATION (Continued)

Information about two major customers

Revenue of approximately HK$22,284,000 and HK$13,937,000 were derived from two individual customers of the sports-related business segment for the year ended 31 December 2012.

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

5. REVENUE, OTHER INCOME AND GAINS, NET

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

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

	Notes	2012 HK$'000	2011 HK$'000
Revenue			
Sports content production and distribution income		**33,446**	28,974
Sports talent management income		**19,052**	8,840
Consultancy service income		**1,189**	34,587
Gross rental income		**9,177**	3,266
Sale of air-conditioners and ventilation systems		**5,327**	4,463
		68,191	80,130
Other income			
Bank interest income		**18,167**	12,192
Others		**3,860**	1,535
		22,027	13,727
Gains, net			
Gain on bargain purchase of a subsidiary	36	**—**	105,498
Fair value gains on derivative financial asset and liabilities, net	30	**23,839**	41,696
Foreign exchange gains, net		**3,128**	985
		26,967	148,179
		48,994	161,906

6. FINANCE COSTS

		Group	
	Note	2012 HK$'000	2011 HK$'000
Interest on other loan repayable on demand	28	**82**	57

7. PROFIT/(LOSS) BEFORE TAX

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

	Notes	2012 HK$'000	2011 HK$'000
Cost of inventories sold		**4,824**	4,248
Cost of services provided		**26,492**	34,757
Depreciation	14	**4,109**	3,495
Amortisation of prepaid land lease payments	16	**159**	188
Amortisation of other intangible assets*	18	**15,298**	16,051
Minimum lease payments under operating leases of land and buildings		**7,180**	6,506
Auditors' remuneration		**1,380**	960
Employee benefit expense (including directors' remuneration (note 8)):			
Wages and salaries		**45,599**	45,687
Equity-settled share option expenses		**3,121**	30,031
Pension scheme contributions (defined contribution scheme)		**3,145**	2,473
		51,865	78,191
Impairment of items of property, plant and equipment**	14	**—**	824
Loss on disposal of items of property, plant and equipment**		**51**	89
Fair value loss on investment properties**	15	**10,427**	—
Impairment of goodwill	17	**155,434**	—
Impairment of other intangible assets**	18	**34,296**	—
Write-off of other intangible assets**	18	**—**	6
Write-down/(write-back) of inventories to net realisable value		**(53)**	1,743
Impairment of trade receivables**	23	**459**	—
Write-off of other deposits**		**663**	—

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

** These expenses are included in "Other expenses" on the face of the consolidated statement of comprehensive income.

8. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to GEM Listing Rules and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Group	
	2012 HK$'000	2011 HK$'000
Fees	**1,600**	1,650
Other emoluments:		
Salaries, allowances and benefits in kind	**10,138**	11,085
Equity-settled share option expense	**(944)**	23,508
Pension scheme contributions	**50**	48
	9,244	34,641
	10,844	36,291

During the prior years, certain directors were granted share options, in respect of their services to the Group, under the share option schemes of the Company, further details of which are set out in note 33 to the financial statements. The fair values of such options, which have been recognised in profit or loss over the relevant vesting period, were determined as at the respective dates of grant and the amount included in the financial statements for the current year are included in the above directors' remuneration disclosures.

8. DIRECTORS' REMUNERATION (Continued)

An analysis of the directors' remuneration is as follows:

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Equity-settled share option expense HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2012					
Executive directors:					
Mr. Li Ning	150	5,000	—	14	5,164
Mr. Li Chunyang	150	1,294	2,121	14	3,579
Mr. Chan Ling	150	1,000	2,121	14	3,285
Mr. Lee Wa Lun, Warren	150	—	342	—	492
Mr. Ng Chi Man, Michael (Note 1)	100	2,844	(7,238)	8	(4,286)
	700	10,138	(2,654)	50	8,234
Non-executive directors:					
Mr. Li Chun	150	—	342	—	492
Mr. Ma Wing Man	150	—	342	—	492
	300	—	684	—	984
Independent non-executive directors:					
Mr. Ng Sau Kei, Wilfred	200	—	342	—	542
Mr. Ip Shu Kwan, Stephen	200	—	342	—	542
Mr. Chen Johnny	200	—	342	—	542
	600	—	1,026	—	1,626
	1,600	10,138	(944)	50	10,844

8. DIRECTORS' REMUNERATION (Continued)

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

Note 1: Mr. Ng Chi Man, Michael resigned with effect from 31 August 2012, the net amount of HK$7,238,000 credited to equity-settled share option expense represented the reversal of share option value unvested recognised in prior year over the share option value recognised during the year.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2011: Nil).

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three Directors (2011: four Directors), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining two (2011: one) highest paid employee who are neither a director nor chief executive of the Company are as follows:

	Group	
	2012 **HK$'000**	2011 HK$'000
Salaries, allowances and benefits in kind	**2,436**	1,081
Equity-settled share option expense	**4,140**	3,311
Pension scheme contributions	**14**	12
	6,590	4,404

The number of the non-director and non-chief executive highest paid employee whose remuneration fell within the following bands is as follows:

	Number of employees	
	2012	2011
HK$3,000,001 to HK$3,500,000	**1**	—
HK$3,500,001 to HK$4,000,000	**1**	—
HK$4,000,001 to HK$4,500,000	**—**	1
	2	1

In prior year, share options were granted to the non-director and non-chief executive highest paid employee in respect of his services to the Group, further details of which are set out in note 33 to the financial statements. The fair value of such options, which has been recognised in profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above non-director and non-chief executive highest paid employees' remuneration disclosures.

10. INCOME TAX

No provision for Hong Kong profits tax has been made for the year ended 31 December 2012 as the Group did not generate any assessable profits arising in Hong Kong during the year (2011: Nil). The PRC corporate income tax provision in respect of operations in Mainland China is calculated at the applicable tax rates on the estimated assessable profits for the year based on existing legislation, interpretations and practices in respect thereof.

	Group	
	2012 **HK$'000**	2011 HK$'000
Current — Mainland China		
Charge for the year	**—**	4,544
Overprovision in prior years	**(363)**	—
Deferred (note 31)	**(12,399)**	(3,212)
	(12,762)	1,332

10. INCOME TAX (Continued)

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

Group

	2012 HK$'000	2011 HK$'000
Profit/(loss) before tax	**(296,088)**	40,511
At the statutory/applicable income tax rates of difference jurisdictions	**(54,855)**	15,035
Effect of withholding tax at 5% on the distributable profits of the Group's PRC subsidiaries	**—**	801
Adjustments in respect of current tax of previous periods	**(363)**	—
Profits and losses attributable to associate	**8,104**	—
Income not subject to tax	**(7,023)**	(35,315)
Expenses not deductible for tax	**29,755**	8,741
Tax losses not recognised	**11,498**	12,002
Others	**122**	68
Tax charge/(credit) at the Group's effective rate	**(12,762)**	1,332

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

The consolidated profit/(loss) attributable to shareholders of the Company for the year ended 31 December 2012 includes a loss of HK$13,140,000 (2011: HK$72,065,000) which has been dealt with in the financial statements of the Company.

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

The calculation of basic loss (2011: earnings) per Share amounts is based on loss (2011: profit) for the year attributable to Shareholders of the Company, and the weighted average number of ordinary shares of 3,947,685,112 (2011: 3,816,371,957, as restated) in issue during the year, as adjusted to reflect the Share Consolidation during the year.

No adjustment has been made to the basic earnings/(loss) per Share amounts presented for the years ended 31 December 2012 and 2011 in respect of a dilution as the impact of the share warrants, perpetual convertible bonds and share options of the Company outstanding during these years either had anti-dilutive effect or no dilutive effect on the basic earnings/(loss) per share amounts presented.

13. ASSETS OF A DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE, LIABILITIES DIRECTLY ASSOCIATED WITH THE ASSETS CLASSIFIED AS HELD FOR SALE

In December 2012, the board of directors decided to dispose of a subsidiary that engages in the research and development of energy-saving equipment. The disposal of the subsidiary is expected to be completed in second half of 2013. The Group has decided to dispose the subsidiary as a result of the continuing losses in recent years. As at 31 December 2012, negotiations for the sale were in progress and the assets and liabilities of the subsidiary to be disposed was classified as a disposal group held for sale.

Subsequent to the end of the reporting date, the Group entered into a letter of intent with a non-controlling equity holder of the subsidiary to be disposed of, for the disposal of the Group's equity interest in that subsidiary. No binding sale and purchase agreement has been entered into by the Group at date of this report.

The major classes of assets and liabilities of the subsidiary to be disposed of classified as held for sale as at 31 December 2012 are as follows:

	2012 HK$'000
Assets	
Property	**1,950**
Prepaid land lease payments	**4,903**
Trade receivables	**105**
Cash and bank balances	**502**
Assets classified as held for sale	**7,460**
Liabilities	
Other payables and accruals	**269**
Due to a non-controlling equity holder	**2,244**
Liabilities directly associated with the assets classified as held for sale	**2,513**
Net assets directly associated with the disposal group	**4,947**

14. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings HK$'000	Leasehold improvements HK$'000	Machinery and office equipment HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Total HK$'000
31 December 2012						
At 31 December 2011 and at 1 January 2012:						
Cost	**2,816**	**6,245**	**11,995**	**2,028**	**2,795**	**25,879**
Accumulated depreciation and impairment	**(580)**	**(1,599)**	**(8,756)**	**(430)**	**(899)**	**(12,264)**
Net carrying amount	**2,236**	**4,646**	**3,239**	**1,598**	**1,896**	**13,615**
At 1 January 2012, net of accumulated depreciation and impairment:	**2,236**	**4,646**	**3,239**	**1,598**	**1,896**	**13,615**
Additions	**—**	**—**	**14**	**16**	**2,042**	**2,072**
Assets included as held for sale (note 13)	**(1,950)**	**—**	**—**	**—**	**—**	**(1,950)**
Depreciation provided during the year	**(300)**	**(1,754)**	**(973)**	**(374)**	**(708)**	**(4,109)**
Disposals	**—**	**—**	**(68)**	**—**	**—**	**(68)**
Exchange realignment	**14**	**12**	**28**	**8**	**26**	**88**
At 31 December 2012, net of accumulated depreciation and impairment	**—**	**2,904**	**2,240**	**1,248**	**3,256**	**9,648**
At 31 December 2012:						
Cost	**—**	**6,276**	**4,010**	**1,996**	**4,557**	**16,839**
Accumulated depreciation and impairment	**—**	**(3,372)**	**(1,770)**	**(748)**	**(1,301)**	**(7,191)**
Net carrying amount	**—**	**2,904**	**2,240**	**1,248**	**3,256**	**9,648**
31 December 2011						
At 1 January 2011:						
Cost	2,702	2,487	9,317	1,212	319	16,037
Accumulated depreciation and impairment	(269)	(170)	(7,331)	(72)	(70)	(7,912)
Net carrying amount	2,433	2,317	1,986	1,140	249	8,125
At 1 January 2011, net of accumulated depreciation and impairment	2,433	2,317	1,986	1,140	249	8,125
Additions	—	3,657	1,606	808	375	6,446
Acquisition of a subsidiary (note 36)	—	—	1,117	—	2,034	3,151
Depreciation provided during the year	(294)	(1,424)	(824)	(353)	(600)	(3,495)
Impairment (note)	—	—	(598)	(11)	(215)	(824)
Disposals	—	(39)	(236)	(39)	—	(314)
Exchange realignment	97	135	188	53	53	526
At 31 December 2011, net of accumulated depreciation and impairment	2,236	4,646	3,239	1,598	1,896	13,615
At 31 December 2011:						
Cost	2,816	6,245	11,995	2,028	2,795	25,879
Accumulated depreciation and impairment	(580)	(1,599)	(8,756)	(430)	(899)	(12,264)
Net carrying amount	2,236	4,646	3,239	1,598	1,896	13,615

Note:

As a result of the change in business focus and mode of operations in respect of the Group's green energy business, certain items of property, plant and equipment of the green energy business would have minimal use in future and accordingly, impairment losses of an aggregate amount of HK$824,000 were recognised in profit or loss during the year ended 31 December 2011 after an impairment assessment carried out by the Group's management.

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

Company

	Leasehold improvements HK$'000	Office equipment HK$'000	Furniture and fixtures HK$'000	Total HK$'000
31 December 2012				
At 31 December 2011 and at 1 January 2012:				
Cost	2,443	1,048	571	4,062
Accumulated depreciation	(648)	(357)	(150)	(1,155)
Net carrying amount	1,795	691	421	2,907
At 1 January 2012, net of accumulated depreciation	1,795	691	421	2,907
Additions	—	2	11	13
Depreciation provided during the year	(489)	(287)	(114)	(890)
Disposals	—	(17)	—	(17)
At 31 December 2012, net of accumulated depreciation	1,306	389	318	2,013
At 31 December 2012:				
Cost	2,443	1,017	582	4,042
Accumulated depreciation	(1,137)	(628)	(264)	(2,029)
Net carrying amount	1,306	389	318	2,013
31 December 2011				
At 1 January 2011:				
Cost	2,434	956	561	3,951
Accumulated depreciation	(160)	(83)	(37)	(280)
Net carrying amount	2,274	873	524	3,671
At 1 January 2011, net of accumulated depreciation	2,274	873	524	3,671
Additions	9	123	10	142
Depreciation provided during the year	(488)	(280)	(113)	(881)
Disposals	—	(25)	—	(25)
At 31 December 2011, net of accumulated depreciation	1,795	691	421	2,907
At 31 December 2011 and at 1 January 2012:				
Cost	2,443	1,048	571	4,062
Accumulated depreciation	(648)	(357)	(150)	(1,155)
Net carrying amount	1,795	691	421	2,907

15. INVESTMENT PROPERTIES

	Completed HK$'000	Under construction HK$'000	Land use rights held for future development of industrial buildings HK$'000 (note (b))	Total HK$'000
Carrying amount at 1 January 2011	—	—	—	—
Acquisition of a subsidiary (note 36)	8,044	24,474	196,682	229,200
Additions	—	49,019	—	49,019
Transfers	74,888	(73,493)	(1,395)	—
Exchange realignment	1,294	—	4,917	6,211
Carrying amount at 31 December 2011 and 1 January 2012	**84,226**	**—**	**200,204**	**284,430**
Additions	**4,483**	**4,366**	**—**	**8,849**
Net loss from a fair value adjustment	**(10,427)**	**—**	**—**	**(10,427)**
Transfers	**—**	**6,748**	**(6,748)**	**—**
Exchange realignment	**703**	**45**	**1,600**	**2,348**
Carrying amount at 31 December 2012	**78,985**	**11,159**	**195,056**	**285,200**

Notes:

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

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

(c) The Group's investment properties were revalued on 31 December 2012 by Savills Valuation and Professional Services Limited, independent professionally qualified valuers, at HK$285,200,000 (2011: HK$284,430,000) on an open market, existing use basis. For the year ended 31 December 2011, the investment properties were leased to third parties under operating leases, further summary details of which are included in note 38(a) to the financial statements.

(d) As at 31 December 2012, certain portion of the investment properties has been completed, of which the completion and acceptance certificates for construction works and the real estate title certificates have not yet been obtained by the Group. Accordingly, additional construction costs and any other associated charges may be incurred and payable to contractors and/or the relevant government authorities for the fulfillment of the completion and acceptance for construction works.

(e) Further particulars of the Group's investment properties are included on page 125.

16. PREPAID LAND LEASE PAYMENTS

	Group	
	2012 HK$'000	2011 HK$'000
Carrying amount at 1 January	**5,022**	5,002
Amortisation provided during the year	**(159)**	(188)
Assets included as held for sale (note 13)	**(4,903)**	—
Exchange realignment	**40**	208
Carrying amount at 31 December	**—**	5,022

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

17. GOODWILL

Group

	2012 HK$'000	2011 HK$'000
At 1 January:		
Cost	**458,192**	458,192
Accumulated impairment	**(33,000)**	(33,000)
Net carrying amount	**425,192**	425,192
Cost at 1 January, net of accumulated impairment	**425,192**	425,192
Impairment during the year	**(155,434)**	—
At 31 December	**269,758**	425,192
At 31 December:		
Cost	**458,192**	458,192
Accumulated impairment	**(188,434)**	(33,000)
Net carrying amount	**269,758**	425,192

Impairment testing of goodwill

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

	Notes	**2012 HK$'000**	2011 HK$'000
Green energy business	(a)	**—**	155,434
Sports-related business	(b)	**269,758**	269,758
		269,758	425,192

17. GOODWILL (Continued)

Impairment testing of goodwill (Continued)

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

Notes:

(a) Green energy business cash-generating unit

For the year ended 31 December 2011, value in use of the cash-generating unit in the green energy business was determined by reference to a business valuation performed by the Group's management using a value in use calculation by discounting the expected future cash flow projection at a 15% discount rate in 2011. The discount rate used reflects specific risks relating to the relevant segment. The Group's management has assumed zero growth rate for the first three years and estimated decline rates ranging from 4.76% to 10% for the remaining forecast period in 2011 in its budget revenues which reflect the product life cycle of the cash-generating unit. For the year ended 31 December 2012, no expected future cash inflow is projected.

The recoverable amount of green energy business cash-generating unit has been solely determined based on the anticipated profitability derived from the patented technology of the Group and the supply of certain parts to an independent third party to produce energy saving air-conditioning products under licensing and supply agreements between the two parties.

Based on the latest discussion during the year between the Group and the independent third party, 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 HK$155,434,000 was recognised in profit or loss for the year ended 31 December 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.

(b) Sports-related business cash-generating unit

Value in use of the cash-generating unit in the sports-related business was determined by reference to a business valuation performed by American Appraisal China Limited ("American Appraisal"), an independent professional qualified valuer, using a value in use calculation by discounting the expected future cash flow projection at a 22% discount rate (2011: 16.4%). The growth rate used to extrapolate the cash flow of the sports-related business beyond the five-year period is 0% (2011: 3%).

Assumptions were used in the value in use calculation of the cash-generating unit in the sports-related business for 31 December 2012 and 31 December 2011. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Revenue — The basis used to determine the value assigned to the budgeted revenue for the year ending 31 December 2013 is based on contracts which have been concluded or under negotiation and are expected to finalise in the coming year, and revenue growth rates ranging from 15% to 17% in the forecasted revenues in its five-year budget plan from 2014 to 2017 are adopted.

Budgeted gross margins – The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budget year, increased for expected efficiency improvements and expected market development.

Discount rates – The discount rates used are before tax and reflect specific risks relating to the relevant segment.

Based on the impairment testing result, no impairment loss against the goodwill attributable to the sports-related business cash-generating unit was considered necessary as at 31 December 2012 (2011: Nil).

18. OTHER INTANGIBLE ASSETS

Group

31 December 2012

	Sport-related business contracts HK$'000 (Note)
Cost at 1 January 2012, net of accumulated amortisation	**64,028**
Amortisation provided during the year	**(15,298)**
Impairment during the year	**(34,296)**
At 31 December 2012	**14,434**
At 31 December 2012:	
Cost	**83,423**
Accumulated amortisation and impairment	**(68,989)**
Net carrying amount	**14,434**

31 December 2011

	Sport-related business contracts HK$'000 (Note)	Trademarks HK$'000	Total HK$'000
At 1 January 2011:			
Cost	83,423	6	83,429
Accumulated amortisation	(3,344)	—	(3,344)
Net carrying amount	80,079	6	80,085
Cost at 1 January 2011, net of accumulated amortisation	80,079	6	80,085
Amortisation provided during the year	(16,051)	—	(16,051)
Write-off during the year	—	(6)	(6)
At 31 December 2011	64,028	—	64,028
At 31 December 2011 and at 1 January 2012:			
Cost	83,423	—	83,423
Accumulated amortisation	(19,395)	—	(19,395)
Net carrying amount	64,028	—	64,028

18. OTHER INTANGIBLE ASSETS (Continued)

Group (Continued)

Note: Sports-related business contracts of the Group represented certain sports talent management contracts, sport event and competition contracts acquired upon the Group's acquisition of 100% equity interest in Viva China Sports Holding Limited ("Viva China Sports") in October 2010. These contracts were initially recognised at their respective fair values at the date of acquisition, as determined by reference to valuations performed by American Appraisal and are subsequently amortised on the straight-line basis over their then respective remaining terms. During the year ended 31 December 2012, an impairment loss of HK$34,296,000, (2011: Nil) was recognised in profit or loss, which was driven by the decrease in anticipated profitability derived from the aforesaid sports talent management contracts.

At 31 December 2012, certain contracts have expired and the remaining contracts have unexpired terms ranging from approximately two years to five years.

19. DEPOSIT PAID FOR ACQUISITION OF A LAND USE RIGHT

The balances as at 31 December 2012 and 31 December 2011 represented a deposit of HK$230.0 million paid to SY PLR Bureau for the acquisition of the Changbai Land, at a consideration of approximately RMB1,006.3 million (equivalent to approximately HK$1,247.8 million), for the development of a residential and commercial complex. The deposit was to be applied as part of the consideration payment.

On 24 December 2012, the Group announced that it has entered into a termination agreement with SY PLR Bureau to terminate the corresponding Bidding Confirmation in respect of the Changbai Land. Pursuant to the termination agreement, the SY PLR Bureau has relieved the Group from all liabilities and obligations under the Bidding Confirmation, and shall repay the aforesaid deposit to the Group, and accordingly, the deposit was reclassified as a current asset in the consolidated statement of financial position as at 31 December 2012. As at the date of this report, the return of the deposit is being processed by local authorities.

20. INVESTMENTS IN SUBSIDIARIES

		Company	
	Notes	**2012 HK$'000**	2011 HK$'000
Investments in subsidiaries, included in non-current assets:			
Unlisted shares, at cost		**337,960**	337,960
Less: Impairment	(a)	**(35,631)**	—
Due from a subsidiary	(b)	**2,681,256**	—
		2,983,585	**337,960**
Due from subsidiaries, included in current assets	(b)	**1,216,035**	1,183,543
Less: Impairment	(c)	**(352,452)**	(344,710)
		863,583	**838,833**
Due to subsidiaries, included in current liabilities	(b)	**(19,431)**	(4,011)

20. INVESTMENTS IN SUBSIDIARIES (Continued)

Notes:

(a) An impairment of HK$35,631,000 (2011: Nil) was recognised for unlisted investments with a cost of HK$337,960,000 because of the decrease in anticipated profitability from a wholly-owned subsidiary of the Group for the year ended 31 December 2012.

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

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

	Company	
	2012 **HK$'000**	2011 HK$'000
At 1 January	**344,710**	344,759
Impairment/(reversal of impairment) recognised in profit or loss during the year	**7,742**	(49)
At 31 December	**352,452**	344,710

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

Company name	Place of incorporation/ registration and operations	Nominal value of issued ordinary shares/registered and paid-up capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Viva China Holdings Ltd	BVI	US$1	100	—	Investment holding
Winner Rich Investment Limited	Hong Kong	HK$1	100	—	Investment holding
Viva China Sports Holding Limited	Hong Kong	HK$100,000	100	—	Investment holding and sports talent management
Viva China Community Development Holdings Limited	BVI	US$1	100	—	Investment holding
Viva China Community Development (Shenyang Changbai) Holdings Limited	BVI	US$1	—	100	Investment holding
Viva China Nanyang Community Development Holdings Limited	Hong Kong	HK$10,000	—	100	Investment holding
Coolpoint Energy (Hong Kong) Limited	BVI/Hong Kong	US$1	100	—	Investment holding
Coolpoint Equipment (HK) Limited	Hong Kong	HK$1	—	100	Sale and marketing of energy-saving equipment
Coolpoint Ventilation Equipment Limited	Hong Kong	HK$42,232,017	—	100	Investment holding and sale of energy-saving equipment
Fully Link Company Limited	BVI	US$1	—	100	Holding of trademarks and patents
非凡領越體育發展(北京)有限公司 ("Viva Beijing")	PRC/Mainland China	HK$80,000,000**	—	100	Sports talent management, competition and event production and management, and sports consultancy service
瀋陽兆環現代建築產業園有限公司 ("Shenyang Zhaohuan")*	PRC/Mainland China	RMB100,000,000	—	100	Properties holding and leasing of investment properties
中山市快意空調設備有限公司 ("Coolpoint Zhongshan")#	PRC/Mainland China	HK$33,473,906	—	74.37	Research and development of energy-saving equipment
快意節能設備(深圳)有限公司 ("Coolpoint SZ")*	PRC/Mainland China	HK$4,480,000**	—	100	Installation and sale of energy-saving equipment
北京非凡領越房地產諮詢有限公司	PRC/Mainland China	HK$3,000,000	—	100	Provision of development consultancy services

20. INVESTMENTS IN SUBSIDIARIES (Continued)

Notes: (Continued)

(c) (Continued)

\# This entity is registered as a Sino-foreign joint ventures under PRC Law.

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

** The registered capital of Viva Beijing and Coolpoint SZ is HK$100,000,000 and HK$20,000,000, respectively.

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

21. INVESTMENT IN AN ASSOCIATE

Group

	2012 HK$'000	2011 HK$'000
Share of net assets	1,066,983	—
Provisional goodwill on acquisition	1,527,488	—
	2,594,471	—
Market value of listed shares	1,342,525	—

Particular of the associate is as follows:

Name	Particulars of issued shares held	Place of incorporation/ registration	Percentage of ownership interest attributable to the Group	Principal activities
Li Ning Co*	Ordinary shares of HK$0.1 each	Cayman Islands	25.23	Brand development, design, manufacture, sale and distribution of sport-related footwear, apparel, equipment and accessories in Mainland China

* Not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network; Li Ning Co is listed on the Main Board of the Stock Exchange.

21. INVESTMENT IN AN ASSOCIATE (Continued)

Group (Continued)

Note:

On 12 October 2012, the Group entered into a sale and purchase agreement with two entities which are held by trusts and the beneficiaries of which included family members of Mr. Li Ning and Mr. Li Chun, his brother, for the acquisition of 266,374,000 LN Shares, representing approximately 25.23% equity interest in Li Ning Co as at the date of acquisition.

The purchase consideration for the acquisition was satisfied by (i) the issue of 1,780,220,769 Shares credited as fully paid at issuance; (ii) the issue of Initial Convertible Bonds with a principal amount of HK$780 million; and (iii) the possible issuance of Earn-Out Convertible Bonds based on the operating performance of Li Ning Co for the financial periods between 2013 and 2017, subject to a maximum principal amount of HK$780.0 million (the "Contingent Consideration"). Further details of the sale and purchase agreement were set out in the Company's announcement dated 12 October 2012 and the Company's circular dated 7 November 2012. The acquisition was completed on 4 December 2012 and provisional goodwill amounting to HK$1,527 million, which arose from the excess of the purchase consideration over the Group's interests in the fair value of identifiable net assets of Li Ning Group attributable to shareholders of Li Ning Co at the date of acquisition was recognised for the year ended 31 December 2012, and included in "Investment in an associate" in the consolidated statement of financial position.

The Company's voting power held and profit sharing entitlement in relation to Li Ning Co is approximately 25.23%.

The Group's shareholdings in Li Ning Co are held through a wholly-owned subsidiary of the Company.

The following table illustrates the summarised financial information of the Group's associate extracted from its financial statements, and has been adjusted to reflect the fair values of identifiable assets and liabilities of the associate at the completion date of acquisition of the associate by the Group:

	2012 HK$'000
Assets	**9,728,500**
Liabilities	**5,209,890**
Revenues	**763,679**
Loss	**(194,703)**

22. INVENTORIES

	Group	
	2012 HK$'000	2011 HK$'000
Raw materials	**—**	858
Finished goods	**—**	1,604
	—	2,462

23. TRADE RECEIVABLES

	Group	
	2012 HK$'000	2011 HK$'000
Trade receivables	**18,385**	11,536
Impairment	**(459)**	—
	17,926	11,536

23. TRADE RECEIVABLES (Continued)

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

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

	Group	
	2012 HK$'000	2011 HK$'000
Neither past due nor impaired	**9,966**	7,141
Less than 3 months past due	**3,604**	3,107
3 to 6 months past due	**4,349**	1,288
More than 6 months and less than a year past due	**7**	—
	17,926	11,536

The movement in the provision for impairment of trade receivables is as follows:

	Group	
	2012 HK$'000	2011 HK$'000
At 1 January	**—**	—
Impairment losses recognised	**459**	—
At 31 December	**459**	—

Included in the above provision for impairment for trade receivables is a provision for individually impaired trade receivables of HK$459,000 with a carrying amount before provision of HK$459,000.

The individually impaired trade receivables related to customers that were in financial difficulties or were in default in both interest and/or principal payments and no receivable is expected to be recovered.

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

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

Included in the Group's trade receivables as at 31 December 2011 was an amount of HK$850,000 due from a related company, which is repayable on similar credit terms to those offered by the Group to the major customers.

24. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2012 HK$'000	2011 HK$'000	**2012 HK$'000**	2011 HK$'000
Prepayments	**6,590**	6,971	**553**	553
Deposits and other receivables (Note)	**139,632**	11,668	**797**	2,773
	146,222	18,639	**1,350**	3,326

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

Note: The deposits as at 31 December 2012 included an advance payment amounting to HK$124,000,000 paid to an independent third party in the PRC, in respect of a potential project, which is refundable to the Group within 12 months from the reporting date.

25. PLEDGED DEPOSITS, CASH AND BANK BALANCES

		Group		Company	
	Note	**2012 HK$'000**	2011 HK$'000	**2012 HK$'000**	2011 HK$'000
Cash and bank balances other than time deposits		**147,413**	93,837	**80,397**	23,984
Time deposits, unpledged		**784,996**	1,026,887	**515,000**	600,000
Cash and bank balances		**932,409**	1,120,724	**595,397**	623,984
Pledged time deposit:					
Secured for an advance payment from an independent third party in respect of a potential project	27	**124,000**	—	**—**	—

At the end of the reporting period, the cash and bank balances of the Group denominated in RMB amounted to approximately HK$294,909,000 (2011: HK$87,697,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

26. TRADE PAYABLES

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

27. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2012 **HK$'000**	2011 HK$'000	**2012** **HK$'000**	2011 HK$'000
Accruals	**7,157**	15,907	**4,679**	4,340
Other payables	**146,806**	27,415	**—**	—
	153,963	43,322	**4,679**	4,340

Other payables are non-interest-bearing and are normally settled on an average term of three months, except for an advance payment from an independent third party in respect of a potential project, in the amount of HK$124,000,000 as at 31 December 2012 (2011: Nil), which is repayable within 12 months from the end of the reporting date and secured by a charge over the Group's deposit amounting to HK$124,000,000 (note 25).

28. OTHER LOAN

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

29. DUE TO A NON-CONTROLLING EQUITY HOLDER

The balance as at 31 December 2011 was unsecured, interest-free and had no fixed terms of repayment. The balance included in a disposal group (note 13) of HK$2,244,000 as at 31 December 2012 was unsecured, interest-free and had no fixed term of repayment.

30. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial asset

The derivative financial asset as at 31 December 2012 represented the profit guarantee (the "Profit Guarantee") provided by the vendors to the Company in respect of the acquisition of Viva China Sports Holdings Limited and its subsidiaries (collectively the "Viva China Sports Group") in 2010. The vendors undertake that the audited consolidated net profit of the Viva China Sports Group shall not be less than HK$30,000,000, HK$40,000,000 and HK$50,000,000 for the years ended 31 December 2011 and 2012, and the year ending 2013, respectively, and will compensate the Company for any shortfall between the guaranteed profits and the actual profits for the relevant years on a dollar-to-dollar basis. The Profit Guarantee represents a right to the return of previously transferred consideration for the acquisition of the Viva China Sports Group when the specified conditions are met and hence constitutes a kind of contingent consideration arrangement to be accounted for as a financial asset at fair value through profit or loss in accordance with HKFRS 3 (Revised) *Business Combinations* and HKAS 39 *Financial Instruments: Recognition and Measurement*. The Profit Guarantee was initially recognised in the consolidated statement of financial position at the acquisition-date fair value of HK$5,877,000, as determined by reference to a valuation performed by American Appraisal. For the purpose of the preparation of these consolidated financial statements, the fair value of the Profit Guarantee was determined to be HK$37,572,000 by American Appraisal as at 31 December 2012 (2011: HK$30,431,000 as determined by the directors of the Company), based on the unaudited consolidated net profit of the Viva China Sports Group for the year ended 31 December 2012 and its financial budget plans for 2013. Accordingly, a fair value gain on the derivative financial asset of HK$23,839,000 (2011: HK$24,554,000) was recognised in profit or loss during the year ended 31 December 2012.

The shortfall between the guaranteed profits and the actual profits of the Viva China Sports 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 HK$16,698,000. The vendors have compensated the Company for such shortfall amount in accordance with the terms stipulated in the agreement of the acquisition. The audited consolidated results of the Viva China Sports Group for the year ended 31 December 2012 indicated that there will be shortfall for the current year as well. The shortfall between the guaranteed profits and the actual profits of the Viva China Sports Group for the year ended 31 December 2012 would be confirmed upon the issue of the audited financial statements of Viva China Sports Group for the year ended 31 December 2012.

30. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

Derivative financial asset (Continued)

The directors of the Company are of the opinion that no provision for impairment is necessary in respect of the Profit Guarantee as, pursuant to the relevant acquisition agreement, the balance has not become due as at 31 December 2012 and the date of approval of these financial statements. Moreover, the directors of the Company have assessed the recoverability of the balance, based on their knowledge and on-going communications with the vendors as well as their payment history and determined that nothing has come to their attention that there has been a significant deterioration in the credit quality of the vendors. As a result, the balance is considered fully recoverable.

Derivative financial liabilities

	Group and Company	
	2012 HK$'000	2011 HK$'000
Share Warrants (note (a))	**62**	62
Contingent Consideration (note (b))	**984,000**	—
	984,062	62

Notes:

(a) Share Warrants

The Share Warrants in issue as at 31 December 2012 represented 314,519,000 (2011: 314,519,000) warrants of the Company (the "Share Warrants") issued by the Company to certain independent third parties in the prior years.

The movements of the number of the Share Warrants and their corresponding carrying amounts during the years ended 31 December 2012 and 2011 are as follows:

	Group and Company	
	Number of share warrants	Carrying amount HK$'000
At 1 January 2011	314,519,000	17,204
Fair value gain on revaluation recognised in profit or loss	—	(17,142)
At 31 December 2011, 1 January 2012 and 31 December 2012	**314,519,000**	**62**

Every five Share Warrant carries the right to subscribe for one ordinary share of the Company at HK$2.0789 per Share (2011: HK$4.0 per Share adjusted for share consolidation), which was adjusted for the Share Consolidation and the issuance of the new Shares and the Initial Convertible Bonds to vendors in relation to acquisition of approximately 25.23% of LN Shares during the year ended 31 December 2012, as further detailed in note 32(b) to the financial statements. The Share Warrants was subject to adjustments in certain events, at any time within 30 months from the date of issue. Subsequent to the reporting date, the exercise price for the right of every five Share Warrants to subscribe for one ordinary share of the Company was further adjusted to HK$1.9542 as a result of the issue of 480,000,000 Shares. Details of which are set out in note 43(a) to the financial statements.

Based on the terms and conditions of the Share Warrants, the Share Warrants are classified as derivative financial instruments (financial liabilities at fair value through profit or loss) in these financial statements and recognised in the statements of financial position at fair value. The fair values of the Share Warrants as at 31 December 2012 were determined by reference to valuations performed by American Appraisal while their fair values as at their respective dates of issue and 31 December 2011 were estimated by the directors of the Company.

(b) Contingent Consideration

The Contingent Consideration arose by the issue of earn-out convertible bonds in relation to the acquisition of approximately 25.23% equity interest of Li Ning Co in December 2012, as further detailed in note 21 to the financial statements.

The Contingent Consideration is classified as a derivative financial instrument (financial liability at fair value through profit or loss) in these financial statements and recognised in the statement of financial position at fair value. The fair values of the Contingent Consideration as at 31 December 2012 and at the date of issuance were HK$984,000,000. The fair values of the Contingent Consideration were determined with reference to valuations performed by American Appraisal.

31. DEFERRED TAX

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

Group

	2012 HK$'000	2011 HK$'000
Deferred tax assets	**7,273**	7,214
Deferred tax liabilities	**(4,445)**	(16,808)
	2,828	(9,594)

The movements in deferred tax assets/liabilities during the year are as follows:

Group

	Notes	**Fair value adjustments arising from acquisition of subsidiaries** HK$'000	**Withholding taxes** HK$'000	**Total** HK$'000
At 1 January 2011		(20,020)	—	(20,020)
Acquisition of a subsidiary	36	7,214	—	7,214
Deferred tax credited/(charged) to profit or loss during the year	10	4,013	(801)	3,212
At 31 December 2011 and 1 January 2012		**(8,793)**	**(801)**	**(9,594)**
Deferred tax credited to profit or loss during the year	10	**12,399**	**—**	**12,399**
Exchange realignment		**23**	**—**	**23**
At 31 December 2012		**3,629**	**(801)**	**2,828**

Notes:

(a) At 31 December 2012, the Group had tax losses arising in Hong Kong of approximately HK$242,452,000 (2011: HK$187,335,000), subject to the confirmation of tax losses from the Hong Kong Inland Revenue Department. These tax losses are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. The Group also has tax losses arising in the Mainland China of HK$27,893,000 (2011: HK$18,280,000) that will expire within five years to offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses as they have arisen in companies that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

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

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

32. SHARE CAPITAL

Shares

	Notes	2012 No. of shares	2012 Nominal value HK$'000	2011 No. of shares	2011 Nominal value HK$'000
Authorised:					
Ordinary shares of HK$0.05 (2011: HK$0.01) each ("Ordinary Shares")		**20,000,000,000**	**1,000,000**	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	(a, b)	**26,000,000,000**	**1,060,000**	51,000,000,000	510,000
Issued and fully paid:					
Ordinary Shares		**5,596,394,726**	**279,820**	19,081,859,785	190,818

A summary of the movements in the Company's issued share capital during the years ended 31 December 2012 and 2011 is as follows:

Ordinary Shares

	Notes	Number of Ordinary Shares in issue	Issued capital HK$'000	Share premium account HK$'000	Total HK$'000
At 1 January 2011, 31 December 2011 and 1 January 2012		**19,081,859,785**	**190,818**	**2,256,863**	**2,447,681**
Consolidation of every five issued ordinary shares of nominal value of HK$0.01 each into one consolidated Share	(a)	**(15,265,487,828)**	**—**	**—**	**—**
Issue of Shares	(c)	**1,780,022,769**	**89,002**	**609,299**	**698,301**
Share issue expenses	(c)	**—**	**—**	**(1,358)**	**(1,358)**
At 31 December 2012		**5,596,394,726**	**279,820**	**2,864,804**	**3,144,624**

Notes:

(a) Pursuant to an ordinary resolution passed on 23 November 2012, every five issued ordinary shares of the Company of HK$0.01 each were consolidated into one issued share of HK$0.05 each which became effective on 26 November 2012.

(b) Pursuant to an ordinary resolution passed on 23 November 2012, with effect from 26 November 2012, the authorised share capital of the Company has increased from HK$510,000,000 to HK$1,060,000,000 by the creation of 11,000,000,000 Shares as detailed in note (a) above, ranking pari passu in all respects with the existing shares of the Company.

(c) On 12 October 2012, the Group entered into an acquisition agreement with two entities which are held by trusts and the beneficiaries of which included members of Mr. Li Ning and his brother, for the acquisition of approximately 25.23% equity interest in Li Ning Co, as further detailed in note 37 to the financial statements. Pursuant to the acquisition agreement, 1,780,022,769 Shares were issued in December 2012 as part of the consideration for the aforesaid acquisition. The fair value of these Shares at the date of acquisition, as determined by reference to a valuation performed by American Appraisal, amounted to approximately HK$698,301,000. The related transaction costs amounting to HK$1,358,000 have been netted against the share premium.

32. SHARE CAPITAL (Continued)

Share Options

Details of the Company's share option schemes and the share options issued under the schemes are included in note 33 to the financial statements.

Share Warrants

Details of the Company's Share Warrants are included in note 30 to the financial statements.

33. SHARE OPTION SCHEME

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

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

As at the date of this report, the total number of shares available for issue under the Scheme is 502,633,861 representing 8.3% of the existing issued share capital of the Company. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue as at the proposed date of grant. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

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

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

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

33. SHARE OPTION SCHEME (Continued)

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

	Notes	Weighted average exercise price (HK$ per share)	Number of options '000
At 1 January 2011		0.794	374,150
Granted during the year	(a)	0.150	656,250
Forfeited during the year	(b)	0.772	(73,700)
At 31 December 2011 and 1 January 2012		**0.354**	**956,700**
Forfeited during the year	(b)	**0.547**	**(264,150)**
Adjustment arising from Share Consolidation		**—**	**(570,600)**
At 31 December 2012	(c)	**1.592**	**121,950**

Notes:

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

	2011
Dividend yield (%)	—
Expected volatility (%)	47
Expected life of options (years)	2
Risk-free interest rate (%)	0.17
Weighted average share price (HK$ per share)	0.09

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

Equity-settled share option expenses of HK$5,677,000 (2011: HK$36,699,000) was recognised in profit or loss during the year ended 31 December 2012 in respect of the share options granted under the Scheme.

(b) 264,150,000 (2011: 73,700,000) share options granted under the Scheme were forfeited during the year ended 31 December 2012 upon the resignation of certain grantees during the year.

(c) As at 31 December 2012 and at the date of approval of these financial statements, the Company had 121,950,000 share options outstanding under the Scheme, which represented approximately 2.2% and 2.0% of the Shares in issue as at 31 December 2012 and at the date of approval of these financial statements respectively.

33. SHARE OPTION SCHEME (Continued)

Notes: (Continued)

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

2012

Number of options ('000)	Exercise price* (HK$ per Share)	Exercise period
7,133	3.90	2 Jul 2011 to 1 Jul 2016
7,133	3.90	2 Jul 2012 to 1 Jul 2017
7,134	3.90	2 Jul 2013 to 1 Jul 2018
2,320	4.15	6 Sep 2011 to 5 Sep 2016
2,320	4.15	6 Sep 2012 to 5 Sep 2017
2,320	4.15	6 Sep 2013 to 5 Sep 2018
2,200	4.15	6 Sep 2014 to 5 Sep 2019
1,200	4.15	6 Sep 2015 to 5 Sep 2020
34,800	0.75	20 Sep 2011 to 19 Sep 2015
55,390	0.75	20 Sep 2011 to 19 Sep 2017
121,950		

2011

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

* The exercise prices of the share options are subject to adjustment in the event of any capitalisation issue, rights issue, consolidation, sub-division or reduction of the share capital of the Company (other than issuance of shares as consideration in respect of a transaction).

\# the exercise prices presented for the share options outstanding as at the end of 31 December 2011 have not adjusted for the Share Consolidation.

At the end of the reporting period, the exercise in full of the outstanding share options under the Scheme would, under the present capital structure of the Company, result in the issue of 121,950,000 additional shares and additional share capital of HK$6,098,000 and share premium of HK$187,999,000, before taking into account any transfer of share option reserve to the share premium account.

34. PERPETUAL CONVERTIBLE BONDS

In December 2012, the Company issued Initial Convertible Bonds with a principal amount of HK$780,000,000 for the acquisition of approximately 25.23% equity interest in Li Ning Co, as further detailed in note 37 to the financial statements, which are convertible at the option of the bondholders into Shares anytime at a conversion price of HK$0.325 per Share. There was no movement in the number of these perpetual convertible bonds during the year. The perpetual convertible bonds are non-redeemable, non-interest bearing and have no maturity period, save that they will become due and payable upon the liquidation of the Company. The distribution on the perpetual convertible bonds will be equal to the distribution or dividend that would otherwise have been paid on the conversion shares into which the convertible bonds are convertible had the relevant right of conversion been exercised prior to the record date applicable to the distribution or dividend declaration, and shall be paid at the same time as the Company pays the relevant distribution or dividends to its shareholders. As the Company has no contractual obligations to repay its principal nor to pay any distributions, and deliver a variable number of its ordinary shares to the bondholders, the perpetual convertible bonds are accounted for as equity instruments and are included in the shareholders' equity, and respective distributions if and when declared are treated as equity dividends.

The perpetual convertible bonds issued during the year are as follows:

	2012 **HK$'000**
Nominal value of perpetual convertible bonds issued during the year	**955,542**
Direct transaction costs	**(62)**
	955,480

35. RESERVES

(a) Group

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

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

(iii) Pursuant to the relevant laws and regulations for wholly-owned enterprise, a portion of the profits of the Group's wholly-owned-subsidiary which is established in the PRC has been transferred to reserve funds which are restricted as to use.

35. RESERVES (Continued)

(b) Company

	Note	Share premium account HK$'000	Share option reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
Balance at 1 January 2011		2,256,863	26,053	(638,851)	1,644,065
Loss for the year and total comprehensive loss for the year		—	—	(72,016)	(72,016)
Equity-settled share option arrangements	33(a)	—	36,699	—	36,699
Transfer of share option reserve upon the forfeiture of share options		—	(1,650)	1,650	—
At 31 December 2011 and 1 January 2012		**2,256,863**	**61,102**	**(709,217)**	**1,608,748**
Loss for the year and total comprehensive loss for the year		**—**	**—**	**(18,941)**	**(18,941)**
Issue of shares		**609,299**	**—**	**—**	**609,299**
Share issue expenses		**(1,358)**	**—**	**—**	**(1,358)**
Equity-settled share option arrangements	33(a)	**—**	**5,677**	**—**	**5,677**
Transfer of share option reserve upon the forfeiture of share options		**—**	**(14,276)**	**14,276**	**—**
At 31 December 2012		**2,864,804**	**52,503**	**(713,882)**	**2,203,425**

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

36. BUSINESS COMBINATIONS

The fair values of the identifiable assets and liabilities of the subsidiary acquired during the year ended 31 December 2011 as at the date of acquisition were as follows:

	Notes	2011 HK$'000
Property, plant and equipment	14	3,151
Investment properties	15	229,200
Deferred tax assets	31	7,214
Trade receivables		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)
Total identifiable net assets at fair value		202,330
Gain on bargain purchase of a subsidiary	5	(105,498)
		96,832
Satisfied by:		
Cash		96,832

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

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

36. BUSINESS COMBINATIONS (Continued)

Since the acquisition, the subsidiary acquired during the year ended 31 December 2011 contributed HK$3,266,000 to the Group's revenue and had a loss of HK$5,021,000 dealt with in the Group's results for the year ended 31 December 2011.

Had the combination taken place at the beginning of the prior year, the revenue of the Group and the profit of the Group for the year ended 31 December 2011 would have been HK$80,216,000 and HK$38,664,000, respectively.

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

The Group incurred transaction costs of HK$2,360,000 for this acquisition. These transaction costs have been expensed and are included in administrative expenses in profit or loss for the year ended 31 December 2011.

37. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

On 12 October 2012, the Group entered into a sale and purchase agreement with two entities which are held by trusts and the beneficiaries of which included family members of Mr. Li Ning and his brother, for the acquisition of 266,374,000 LN Shares, representing approximately 25.23% equity interest in Li Ning Co as at the date of acquisition.

The purchase consideration for the acquisition was satisfied by the issue of 1,780,220,769 Shares of the Company credited as fully paid at issuance, the issue of Initial Convertible Bonds with a principal amount of HK$780.0 million and the issue of earn-out convertible bonds based on the operating performance of Li Ning Co for the financial periods between 2013 and 2017, subject to a maximum principal amount of HK$780.0 million.

Apart from the above non-cash transaction and the transactions detailed in note 36 to the financial statements, the Group had no major non-cash transactions of investing and financing activities during the years ended 31 December 2012 and 2011.

38. OPERATING LEASE ARRANGEMENT

(a) As lessor

During the year ended 31 December 2011, the Group leased the completed portion of its investment properties (note 15) to an independent third party under operating lease arrangements, with each lease negotiated for a term of 5 years. During the year ended 31 December 2012, the Group and the lessee entered into a termination agreement pursuant to which both parties agreed to early terminate the operating lease arrangements.

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

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

As at 31 December 2012, the Company did not have any significant operating lease commitments as a lessor (2011: Nil).

(b) As lessee

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

At 31 December 2012, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group		Company	
	2012 HK$'000	2011 HK$'000	**2012 HK$'000**	2011 HK$'000
Within one year	**4,726**	6,282	**1,254**	3,345
In the second to fifth years, inclusive	**220**	4,077	**—**	1,241
	4,946	10,359	**1,254**	4,586

39. CAPITAL COMMITMENTS

As at 31 December 2012, the Group had the following capital commitments:

	2012 HK$'000	2011 HK$'000
Contracted, but not provided for:		
Acquisition of a land use right (Note)	—	1,007,719
Construction work	1,592	—
	1,592	1,007,719

Note: The amount represented the unpaid portion of the consideration for the acquisition of the Changbai Land as at 31 December 2011. Further details of the transaction are included in note 19 to the financial statements.

At the end of the reporting period, the Company did not have any significant capital commitments (2011: Nil).

40. RELATED PARTY DISCLOSURES

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

		Group	
	Notes	2012 HK$'000	2011 HK$'000
Sponsorship income received and receivable from a related company	(i)	—	1,830#
Service income received from a related company	(ii)	50	23#

\# These items were continuing connected transactions (as defined in Chapter 20 of the GEM Listing Rules) which fall within the context of an agreement ("Master Agreement") entered into between the Company and Li Ning Co. The Master Agreement has been approved by the independent shareholders on an extraordinary general meeting of the Company held on 27 October 2011. These items were reviewed by the Company's independent non-executive directors details of which were set out in the report of the directors.

Notes:

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

(ii) Service income represented an agency fee for service rendered in relation to the endorsement of brand products of Li Ning Sports, which was charged in accordance with the terms negotiated between the related parties. Mr. Li Ning is the common director of the Company and the ultimate holding company of Li Ning Sports. Pursuant to the relevant agency contract entered with the sports talent appointed by Li Ning Sports 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 Li Ning, over the relevant service period.

On 8 February 2012, the related company ceased to be a connected party of the Group, as Mr. Li Ning, who was previously deemed to be interested in 30.8% of the equity interest in the related party and considered as a connected person of the Company, has decreased his shareholding to approximately 25.40%, and this transaction ceased to constitute a continuing connected transaction from 9 February 2012 onwards. As a result, only the relevant service income recognised by the Group, on a net basis, amounting to HK$8,000 for the period between 1 January 2012 to 8 February 2012 constituted a continuing connected transaction during the year ended 31 December 2012.

40. RELATED PARTY DISCLOSURES (Continued)

(b) Other Transactions with related parties

During the year ended 31 December 2012, the Group acquired approximately 25.23% equity interest in Li Ning Co from two entities which are held by trusts and the beneficiaries of which include family members of Mr. Li Ning and his brother, based on terms mutually agreed between the Group and the related parties, Mr. Li Ning is an executive director of the Company. Further details of the transactions are included in note 21 to the financial assets.

(c) Outstanding balance with a related party

Details of the Group's balance with a related party included in trade receivables are disclosed in note 23 to the financial statements.

(d) Compensation of key management personnel of the Group

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

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group has interest-bearing assets in relation to cash at banks carried at effective interest rates with reference to the market, details of which are disclosed in note 25 to the financial statements. The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group has not used any financial instrument to hedge potential fluctuations in interest rates. The exposure to interest rates for the Group's cash at banks is considered minimal.

Foreign currency risk

Currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group operates in Hong Kong and Mainland China. Most of the sales and trading transactions are settled in RMB. Deposits invested into various bank deposits are mainly denominated in RMB and HK$. As at the end of the reporting period, foreign currencies were translated into HK$ at the closing rate. As at 31 December 2012, cash and bank balances denominated in RMB amounted to HK$294,909,000 (2011: HK$87,697,000) and the remaining balance of HK$637,500,000 (2011: HK$1,033,027,000) was mainly denominated in HK$. The foreign currency exchange rate fluctuations in connection with its bank deposits to the Group are not significant. The Company did not have significant exposure to foreign currency risk at the reporting date. The policies to manage foreign currency risk have been followed by the Group since prior years and are considered to be effective.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk

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

The Group generally has established long-term and stable relationships with its customers. The Group has policies in place to ensure that sales of products are made to customers with an appropriate credit history. The Group generally allows credit period of one month extending up to 4 months to its major trade customers. The Group has no other significant concentration of credit risk in respect of its trade receivables. The Group maintains its cash and cash equivalents with reputable banks in Hong Kong and the PRC, therefore the directors consider that the credit risk for such is minimal. The credit and investment policies have been followed by the Group since prior years and are considered to have been effective in limiting the Group's exposure to credit risk to a desirable level.

Liquidity risk

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

The Group's objective is to maintain an appropriate level of liquid assets and committed lines of funding to meet its liquidity requirements in the short and longer term. The Group manages its liquidity needs on a consolidated basis by carefully monitoring scheduled debt servicing payments for long term financial liabilities as well as forecast cash inflows and outflows due in day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 3-month projection. Long term liquidity needs for 180-day and 365-day lookout periods are identified monthly. Net cash requirements are compared to available funds in order to determine headroom or any shortfalls. This analysis shows if available funds are expected to be sufficient over the lookout period. The Group maintains cash and short-term bank deposits to meet its liquidity requirements for 30 day periods at a minimum. Funding for longer-term liquidity needs is additionally secured by an adequate amount of borrowings and the ability to sell longer-term financial assets. The Group's liquidity is mainly dependent upon the cash received from its trade customers.

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

The maturity of the Group's financial liabilities, except for the non-current derivative financial liabilities, as at the end of the reporting period, based on the contractual undiscounted payments, is within one year or on demand. The non-current derivative financial liabilities represented the Contingent Consideration which will be settled by the issue of earn-out convertible bonds, and further details of which are set out in notes 21 and 30 to the financial statements.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk (Continued)

The contractual undiscounted payments are approximate to their carrying amounts.

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

Fair value risk and disclosures

At 31 December 2012, the Group held certain derivative financial instruments which are carried in the financial statements at fair value, as further detailed in note 30 to the financial statements. In respect of the derivative financial asset and the derivative financial liabilities in relation to the Contingent Consideration, their fair value were measured based on a valuation technique for which any inputs which have a significant effect on the recorded fair value are not based on observable market data (the "Level 3 measurement"). In respect of the derivative financial liabilities in relation to the Share Warrants, their fair values were measured based on a valuation technique for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly (the "Level 2 measurement"). During the year ended 31 December 2012, there were no transfers into or out of Level 3 fair value measurements (2011: Nil).

In respect of the Group's financial assets and liabilities as at 31 December 2012 and 2011 which are carried in the financial statements at other than fair value, in the opinion of the directors of the Company, the carrying amounts of these financial assets and liabilities are reasonable approximation of their respective fair values as these financial instruments are due to be received or settled within one year. Accordingly, no disclosure of the fair values of these financial instruments is made.

Capital management

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

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

To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the year ended 31 December 2012 and 2011.

The Group regards total equity attributable to the shareholders of the Company presented on the face of the consolidated statement of financial position as capital, for capital management purposes. The amount of capital as at 31 December 2012 amounted to approximately HK$3,455,299,000 (2011: HK$2,079,865,000), which the management considers as optimal having considered the projected capital expenditures and the forecast strategic investment opportunities.

42. FINANCIAL INSTRUMENTS BY CATEGORY

Other than derivative financial instruments being classified as financial asset/liabilities at fair value through profit or loss as disclosed in note 30 to the financial statements, all financial assets and liabilities of the Group and the Company as at 31 December 2012 and 2011 were loans and receivables, and financial liabilities stated at amortised cost, respectively.

43. EVENTS AFTER THE REPORTING PERIOD

(a) On 21 February 2013, the Company entered into a subscription agreement with Atlantis Investment Management (Hong Kong) Limited, an independent third party, pursuant to which the Company would issue 480,000,000 Shares (representing approximately 7.90% of the entire issued share capital of the Company as enlarged by such issue) at the cash subscription price of HK$0.50 per Share, which was completed on 8 March 2013. The net proceeds of such issue amounted to approximately HK$240 million.

(b) The Shareholders had on 13 March 2013 approved the Group's proposed Subscription and Underwriting, through VCHL, in the conditional Li Ning Open Offer (details of which were set out in Li Ning Co Announcement):

(i) a principal amount of approximately HK$466.2 million convertible securities, being all the assured entitlements of the Group in the Li Ning Open Offer; and

(ii) a principal amount of not more than approximately HK$744.7 million, whether in excess applications of convertible securities by VCHL under the Li Ning Open Offer or in underwriting commitment pursuant to the conditional VCHL Underwriting Agreement, pursuant to which VCHL would act as one of the underwriters to underwrite 60% of all the convertible securities to be issued in the Li Ning Open Offer (other than those in the aggregate principal amount of approximately HK$627.4 million undertaken to be applied for by VCHL and two institutional shareholders of Li Ning Co, and before taking into account any assured entitlements which may be taken up and excess application which may be made by the other shareholders of Li Ning Co).

Further details of the above were set out in the announcement and circular of the Company dated 25 January 2013 and 25 February 2013 respectively.

44. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 26 March 2013.

PARTICULARS OF INVESTMENT PROPERTIES

31 December 2012

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

FIVE YEAR FINANCIAL SUMMARY

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

RESULTS

	Year ended 31 December			Period from 1 August 2008 to 31 December	Year ended
	2012	2011	2010	2009	31 July 2008
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
REVENUE	**68,191**	80,130	11,419	10,887	11,799
PROFIT/(LOSS) BEFORE TAX	**(296,088)**	40,511	(64,105)	(52,646)	(30,521)
PROFIT/(LOSS) FOR THE YEAR ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY	**(282,595)**	39,452	(62,957)	(52,006)	(30,521)

ASSETS AND LIABILITIES

	31 December				31 July
	2012	2011	2010	2009	2008
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
NON-CURRENT ASSETS	**3,219,325**	1,060,901	525,441	204,031	83,230
CURRENT ASSETS	**1,458,017**	1,153,361	1,521,540	42,730	7,830
CURRENT LIABILITIES	**230,908**	114,473	26,192	5,306	15,596
NET CURRENT ASSETS/(LIABILITIES)	**1,227,109**	1,038,888	1,495,348	37,424	(7,766)
TOTAL ASSETS	**4,677,342**	2,214,262	2,046,981	246,761	91,060
TOTAL ASSETS LESS CURRENT LIABILITIES	**4,446,434**	2,099,789	2,020,789	241,455	75,464
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY	**3,455,299**	2,079,865	1,997,508	237,599	75,401

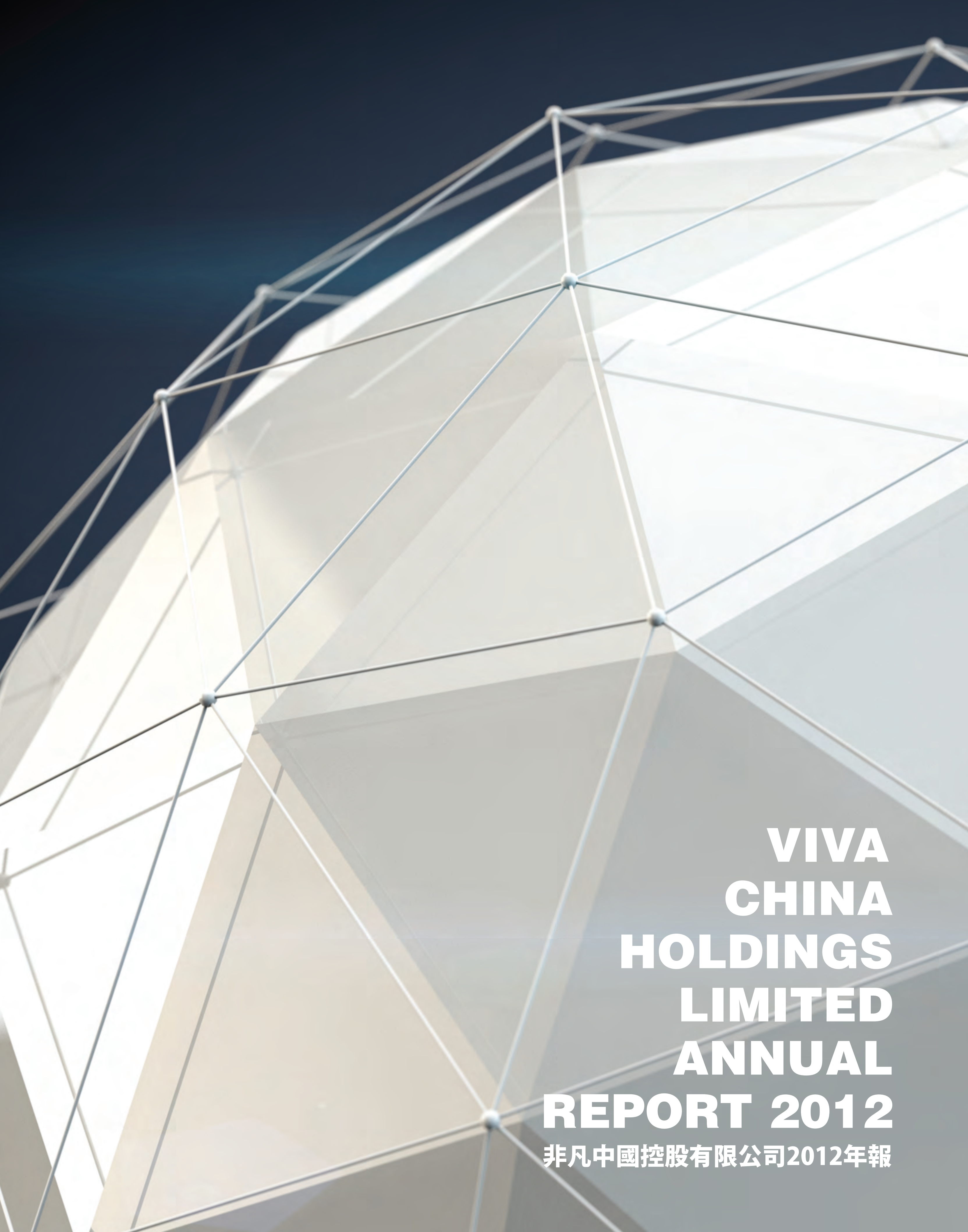
GLOSSARY

In this annual report, unless the context requires otherwise, the following expressions shall have the following meanings:

"associate(s)"	has the meaning ascribed thereto under the GEM Listing Rules
"Authorised Capital Increase"	the increase in the authorised share capital of the Company from HK$510,000,000 divided into 45,000,000,000 Shares of HK$0.01 each and 6,000,000,000 unissued Preferred Shares of HK$0.01 each to HK$1,060,000,000 divided into 20,000,000,000 Shares of HK$0.05 each and 6,000,000,000 unissued Preferred Shares pursuant to an ordinary resolution passed by the Shareholders on 23 November 2012
"Bidding Confirmation"	Bidding confirmation for Changbai Land
"Board"	the board of Directors
"BVI"	the British Virgin Islands
"Changbai Land"	the land use right of a parcel of land of approximately 117,200 sq. m., situated within the region east to Three Changbai Street, south to Guihua Road, west to Two Changbai Street and north to South Binhe Road in Changbai Dao of Heping District, Shenyang, Liaoning Province, the PRC (中國遼寧省瀋陽市和平區長白島，東至長白三街，南至規劃道路，西至長白二街，北至濱河南路)
"Company" or "Viva China"	Viva China Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the GEM of the Stock Exchange (stock code: 8032)
"connected person(s)"	has the meaning ascribed to it in Rule 1.01 of the GEM Listing Rules and as expanded by Rule 20.11 of the GEM Listing Rules
"Directors"	the directors of the Company
"Dragon City"	Dragon City Management (PTC) Limited, a company incorporated in BVI
"GEM"	the Growth Enterprise Market of the Stock Exchange
"GEM Listing Rules"	the Rules Governing the Listing of Securities on the GEM
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of the Hong Kong
"HKICPA"	The Hong Kong institute of Certified Public Accountants
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"HKFRSs"	Hong Kong Financial Reporting Standards
"Lead Ahead"	Lead Ahead Limited, a company incorporated in the BVI
"Li Ning Co"	Li Ning Company Limited, a company incorporated in the Cayman Islands with limited liability, the issued LN Shares of which are listed on the Main Board of the Stock Exchange (stock code: 2331)
"Li Ning Co Announcement"	the announcement of Li Ning Co dated 25 January 2013 in relation to, inter alia, the Li Ning Open Offer

"Li Ning Open Offer"	the proposed open offer of convertible securities by Li Ning Co in the principal amount of HK$3.50 for every two existing LN Shares held by the qualifying shareholders of Li Ning Co
"LN Group"	Li Ning Co and its subsidiaries
"LN Share(s)"	the share(s) of HK$0.10 each in the share capital of Li Ning Co
"PRC"	the People's Republic of China which, for the purpose of this annual report, excludes Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan
"RMB"	Renminbi, the lawful currency of the PRC
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share Consolidation"	the consolidation of every five ordinary shares of the Company of nominal value of HK$0.01 each into one ordinary share of the Company of nominal value of HK$0.05 each pursuant to an ordinary resolution passed by the Shareholders on 23 November 2012
"Share(s)"	ordinary shares of nominal value of HK$0.05 each in the share capital of the Company
"Shareholder(s)"	holder(s) of Share(s)
"Shenyang Zhaohuan"	瀋陽兆寰投資管理有限公司 (Shenyang Zhaohuan Investment Management Company Limited*)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscription"	the proposed acceptance of the assured entitlements and the application for excess entitlements of convertible securities by VCHL in the Li Ning Open Offer
"SY PLR Bureau"	瀋陽市規劃和國土資源局和平分局 (The Heping Branch of the Shenyang Planning and Land and Resources Bureau*)
"Takeovers Code"	the Code on Takeovers and Mergers
"VCHL"	Viva China Holdings Ltd, a company incorporated under the laws of the BVI and a wholly owned subsidiary of the Company
"VCHL Underwriting Agreement"	the underwriting agreement dated 23 January 2013 entered into between the Company and Li Ning Co in relation to the Li Ning Open Offer
"Victory Mind Assets"	Victory Mind Assets Limited, a company incorporated in BVI
"Underwriting"	the entering into of the VCHL Underwriting Agreement by VCHL and the transactions contemplated thereunder
"%"	per cent.

* For identification purpose only



VIVA CHINA HOLDINGS LIMITED ANNUAL REPORT 2012

非凡中國控股有限公司2012年報