

非凡中國控股有限公司2013第一季度業績報告

VIVA CHINA HOLDINGS LIMITED

FIRST QUARTERLY REPORT 2013



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

RESULTS

For the first quarter ended 31 March 2013, the Group recorded a consolidated revenue of HK\$18.8 million (2012: HK\$7.7 million), representing a substantial increase of 144% as compared to the same period in prior year. The upsurge in this quarter was attributable to the revenue derived from the commercial rights the Group secured in relation to certain basketball leagues in the People's Republic of China (the "PRC"). Gross profit in the period under review was HK\$4.3 million (2012: HK\$6.0 million). The decline in gross profit was mainly caused by the significant drop in the rental income generated from leases of industrial plants in Shenyang, the PRC.

Other income and gains in the first quarter ended 31 March 2013 amounted to HK\$5.0 million as compared to HK\$5.5 million as recorded in the same period in 2012. This was the net result of the drop in bank interest income and the increase in foreign exchange gain. Shorter tenors of bank deposits were incepted during the period under review for the sake of funds to be utilised in subscribing and possible underwriting of the convertible securities under the open offer of convertible securities by Li Ning Company Limited ("Li Ning Co"), a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 2331), in the principal amount of HK\$3.50 for every two existing ordinary shares held by the qualifying shareholders of Li Ning Co ("Li Ning Open Offer") (details of the Li Ning Open Offer were set out in the Company's circular dated 25 February 2013). On the other hand, the increase in foreign exchange gain was due to the appreciation of Renminbi ("RMB") in which certain monetary assets of the Group were denominated at the reporting date.

Selling and distribution expenses of this quarter amounted to HK\$6.0 million (2012: HK\$5.3 million) as compared to the same period in prior year. The increase was in tandem with the increase in revenue. Administrative expenses and other operating expenses ("Administrative Expenses") incurred in this quarter totaling HK\$20.8 million (2012: HK\$32.1 million). The non-cash items in Administrative Expenses, which amounted to HK\$4.6 million (2012: HK\$12.8 million), mainly included share options expenses, amortisation of intangible assets and depreciation of fixed assets etc. Excluding these major non-cash items, Administrative Expenses in the period under review amounted to HK\$16.2 million, representing a reduction of 16.1% as compared to that in prior year of HK\$19.3 million with the same basis which was attributed to the drop in employee benefits expense and other related expenses as a result of reduction in head count.

Apart from the abovementioned non-cash items, the Group also recorded a loss arising from the change in fair value of derivative financial liabilities amounted to HK\$96.0 million (2012: Nil). The derivative financial liabilities were related to 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. The fair values of the contingent consideration were determined by the management after taking into consideration of the factors such as the Company's share price at the reporting period date and any other possible changes during the period from the most recent valuations performed by American Appraisal China Limited, an independent professionally qualified valuer for the purpose of preparing the Company's 2012 annual report. The change in fair value was mainly due to the rise in share price of the Company at the end of the reporting period as compared to the share price at the beginning of the reporting period.

Li Ning Co is treated as an associate of the Group. The Group has adopted 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. During the period under review, the Group shared the loss of an associate amounting to HK\$91.8 million (2012: Nil).

Among other matters, the fair value loss of derivative financial liabilities together with the share of loss of an associate lead to a substantial increase in net loss for the first quarter ended 31 March 2013 of HK\$204.9 million (2012: HK\$24.9 million).

SEGMENT

Sports

The sports segment continued its business which encompasses sports talent management, sports and athletic related consulting, event production and organisation of sports competitions. During the period under review, the Group secured commercial rights to a series of world-class badminton tournaments both in China and overseas. The Group also secured commercial rights to certain basketball leagues in the PRC namely, the Chinese High School Basketball League (CHBL) and the Chinese Junior School Basketball League (CJBL). During the period, the Group's sports talent fleet continued to expand. The Group entered into new contracts with certain athletes who are Olympics medal-winners and became their exclusive agents globally. With the success in the event — "*Viva Fiesta*" held at the National Aquatics Centre (Water Cube) in Beijing in 2011, "*Viva Fiesta*" was staged in Macau in March 2013. Again, the Group produced this sports crossover entertainment event which featured the National Diving Team and certain Hong Kong and PRC pop artists with great success. The Group also entered into a co-operation agreement with a renowned television broadcasting company in the PRC for the production of a sports-entertainment program series namely, "*Celebrity Splash*". Revenue derived from this contract is expected to be posted in the forthcoming periods.

In the first quarter of 2013, our sports segment generated HK\$18.7 million (2012: HK\$4.3 million) and HK\$4.3 million (2012: HK\$3.4 million) in revenue and gross profit, respectively. The growth in revenue was attributed to the revenue derived from the aforementioned commercial rights to the basketball leagues and also from the "*Viva Fiesta*" held in Macau. The segment recorded an operating loss of HK\$2.0 million (2012: HK\$3.3 million) evidencing continued improvement in its overall performance. It is the Group's strategy to build an integrated platform based on this segment and the Group's investment in Li Ning Co in order to create synergies and reap crossover benefits by utilising the growing sports resources. Therefore we expect to continue to invest in human resources, sports talents and tournaments in order to enhance the commercial values of these assets and resources.

Sports Community Development

In 2012, this segment's major revenue stream was mainly from the lease of industrial plants located in Shenyang, the PRC. As a result of the tenant's business decision, the tenancy agreements of industrial plants previously leased out were early terminated near year end of 2012. Consequentially, revenue generated during the first quarter from this segment dropped to an insignificant amount as compared to HK\$2.9 million in the corresponding period last year. In the period, the segment reported an operating loss of HK\$5.8 million (2012: HK\$3.7 million) mainly due to the abovementioned factor whereas operating expenses recorded a mild reduction in the period as compared to the same period in 2012. In response to the latest development and market situation, the Group readjusted its business strategy in relation to the industrial plants held in Shenyang. Apart from the ongoing negotiation with new tenants, we also decided to utilise certain plants in manufacturing pre-fabricated cement blocks and other new generation pre-fabricated partition walls. Production has commenced in April 2013 and it is expected that the segment will generate new revenue stream in the near future.

In December 2012, the Group terminated the acquisition of the land use rights of a parcel of land situated in Shenyang, the PRC. The deposit amounted to HK\$230.0 million previously paid for the acquisition was fully returned to the Group in the period.

With the continuous process of urbanisation and commercialisation of sports industry in the PRC, the Board is confident about the medium and long term development of sports parks and sports-themed communities in the PRC and will closely follow the changes in the trend of the macro economy and the regulatory environment in the PRC property sector in order to properly address such changes in optimising and adjusting the development strategy in this segment. The Group is actively looking for and studying the feasibility of various potential projects in cities with large growth prospects with an aim to invest and participate in commercial development of sports parks and sports-themed communities in the PRC. Together with the existing sports talents and sports resources, the Board believes that the Group's expected expansion in this segment will create synergies and deliver long-term benefits to shareholders.

Green Energy

During the period under review, the green energy segment is still undergoing an internal restructuring. The Group is discussing with a potential buyer to dispose of its interests in a subsidiary in Zhongshan, the PRC. The process is still on-going at the date of this report. An insignificant amount of revenue was recorded for the first quarter of 2013 (2012: HK\$0.5 million). This segment recorded an operating loss of HK\$0.6 million (2012: HK\$2.0 million) for the first quarter of 2013.

Financial Resources

The Group has no bank borrowing or any committed bank borrowing facility during the period under review and as at the reporting date. The Group has other borrowings of HK\$0.5 million as at the end of the reporting period (At 31 December 2012: HK\$0.7 million). The gross cash and bank balances as at the reporting date was HK\$1,497.1 million (At 31 December 2012: HK\$1,065.4 million), of which RMB100.0 million (At 31 December 2012: RMB100.0 million) (equivalent to approximately HK\$125.0 million (At 31 December 2012: HK\$124.0 million)) had been pledged to secure an advance payment from an independent third party in respect of a potential project. The gross cash and bank balances denominated in RMB and Hong Kong Dollar ("HK\$") amounted to approximately HK\$196.7 million and HK\$1,300.4 million, respectively.

Foreign Currency Risk

As the Group operates primarily in Hong Kong and Mainland China, most revenue and trading transactions of the Group 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 for several years and are considered to be effective with the current foreign currency risk still manageable. The Group will review the policies in place on a timely manner and has assessed its foreign exchange rate risk exposure and has not entered into any foreign exchange hedging arrangement during the period under review and as at the reporting date.

Material Transactions

During the period under review, the Group entered into the following material transactions:

- (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 ordinary shares of the Company (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) On 25 January 2013, Li Ning Co announced the Li Ning Open Offer. On 13 March 2013, the Company's shareholders approved the Group's proposed acceptance of the assured entitlements and the application for excess entitlements of the convertible securities by the Group in the Li Ning Open Offer and the entering into of an underwriting agreement dated 23 January 2013 by the Group with Li Ning Co, in the conditional Li Ning Open Offer (details of Li Ning Open Offer were set out in announcement dated 25 January 2013 published by Li Ning Co) and the transactions contemplated thereunder. Pursuant to the above, the Group has (i) undertaken to subscribe 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) underwritten a principal amount of not more than approximately HK\$744.7 million, whether in excess applications of convertible securities by the Group under the Li Ning Open Offer or in underwriting commitment pursuant to the conditional underwriting agreement, pursuant to which the Group 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 the Group 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.

The Li Ning Open Offer was completed in April 2013 and apart from its assured entitlement of approximately 133,187,000 units of convertible securities being allotted, an additional of approximately 13,572,000 units of convertible securities were also allotted under the excess application. Details of the transaction are set out in the 'Subsequent Events' section below. Subsequent to the reporting date, the Group received an underwriting fee amounted to approximately HK\$18.6 million in respect of acting as one of the an underwriters in the Li Ning Open Offer. The underwriting fee will be recorded by the Group as other income. The Group's share of profit resulting from this transaction will only be to the extent of interest unrelated to the Group.

Subsequent Events

- (a) Under the Li Ning Open Offer, the Group exercised its rights for subscription and excess application for the convertible securities in the principal amount of HK\$3.50 per unit of convertible securities. Approximately 146,759,000 units of convertible securities were allotted to the Group at the total consideration of approximately HK\$513.7 million. The obligation of the Group's underwriting in the Li Ning Open Offer had ceased forthwith. In this connection, the Group's equity interests in Li Ning Co has increased from approximately 25.23% to approximately 26.10%, assuming all holders of the convertible securities convert the convertible securities in full upon completion of the Li Ning Open Offer.
- (b) The Company has share warrants in issue as at 31 March 2013 of 314,519,000 units of warrants of the Company (the "Share Warrants") issued to certain independent third parties in the prior years. They were classified as derivative financial liabilities at fair value in the financial statements. Further details of the Share Warrants were set out in the Company's 2012 annual report dated 26 March 2013. None of the holders of the Share Warrants have exercised the right under the Share Warrants to subscribe for ordinary shares of the Company up to the respective expiry dates of the Share Warrants in May 2013 and accordingly, all the Share Warrants were lapsed by the date of this report.

UNAUDITED CONSOLIDATED RESULTS

The board of Directors (the "Board") of the Company announces the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the period from 1 January 2013 to 31 March 2013 together with the comparative unaudited consolidated results for the corresponding period in 2012 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | | For the three months ended 31 March | |
|---|-------|--|---------------------------------|
| | Notes | 2013 (Unaudited) HK\$'000 | 2012 (Unaudited) HK\$'000 |
| Revenue | 3 | 18,811 | 7,654 |
| Cost of sales | | (14,517) | (1,640) |
| Gross profit | | 4,294 | 6,014 |
| Other income and gains, net | 3 | 5,028 | 5,543 |
| Selling and distribution expenses | | (6,008) | (5,324) |
| Administrative and other operating expenses | | (20,818) | (32,089) |
| Fair value loss on derivative financial liabilities | 4 | (96,000) | — |
| Finance costs | | (10) | (25) |
| Share of profits and losses of an associate | 5 | (91,832) | — |
| Loss before tax | 6 | (205,346) | (25,881) |
| Income tax | 7 | 443 | 1,003 |
| Loss for the period | | (204,903) | (24,878) |
| Other comprehensive income/(loss) for the period, to be reclassified to profit or loss in subsequent periods, net of income tax of nil | | | |
| — Share of other comprehensive loss of an associate | | (9) | — |
| — Exchange differences on translation of foreign operations | | 22,231 | (180) |
| Other comprehensive income/(loss) for the period, to be reclassified to profit or loss in subsequent periods, net of tax | | 22,222 | (180) |
| Total comprehensive loss for the period | | (182,681) | (25,058) |

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (continued)

| | Notes | For the three months ended 31 March | |
|--|-------|--|---------------------------------|
| | | 2013 (Unaudited) HK\$'000 | 2012 (Unaudited) HK\$'000 |
| Loss for the period attributable to: | | | |
| Shareholders of the Company | | (204,839) | (24,801) |
| Non-controlling interests | | (64) | (77) |
| | | (204,903) | (24,878) |
| Total comprehensive loss attributable to: | | | |
| Shareholders of the Company | | (182,634) | (24,981) |
| Non-controlling interests | | (47) | (77) |
| | | (182,681) | (25,058) |
| Loss per share attributable to ordinary shareholders of the Company | | | (Restated) |
| Basic and diluted (HK cents) | 8 | (3.58) | (0.65) |

The accompany notes form part of these consolidated results.

1. GENERAL INFORMATION

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

During the period, the Group was involved in the following principal activities:

- production and distribution of sports content, management and marketing of sports talents and provision of sports consultancy 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 period ended 31 March 2013 include brand development, design, manufacture, sale and distribution of sport-related footwear, apparel, equipment and accessories in the PRC.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

Basis of preparation

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

The accounting policies used in the preparation of the unaudited consolidated results are consistent with those adopted in preparing the annual audited financial statements for the year ended 31 December 2012.

In the current period, the Group has adopted the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") that are relevant to its operations and effective for its accounting year beginning on 1 January 2013. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current and prior periods.

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

3. REVENUE, OTHER INCOME AND GAINS, NET

| | For the three months ended 31 March | |
|---|--|---------------------------------|
| | 2013 (Unaudited) HK\$'000 | 2012 (Unaudited) HK\$'000 |
| Revenue | | |
| Sports content production and distribution income | 15,219 | — |
| Sports talent management income | 3,493 | 4,275 |
| Gross rental income | 76 | 2,568 |
| Consultancy service income | — | 290 |
| Sale of air-conditioners and ventilation systems | 23 | 521 |
| | 18,811 | 7,654 |
| Other income | | |
| Bank interest income | 1,482 | 5,246 |
| Others | — | 111 |
| | 1,482 | 5,357 |
| Gains, net | | |
| Foreign exchange gains, net | 3,245 | 107 |
| Others | 301 | 79 |
| | 3,546 | 186 |
| Other income and gains, net | 5,028 | 5,543 |

4. FAIR VALUE LOSS ON DERIVATIVE FINANCIAL LIABILITIES

The fair value loss on derivative financial liabilities was the change in fair value of the earn-out convertible bonds issued in relation to the acquisition of approximately 25.23% equity interest of Li Ning Co in December 2012, which was determined with reference to the same valuation basis used in preparing the financial statements for the year ended 31 December 2012. Further details of the earn-out convertible bonds were set out in the Company's annual report for the year ended 31 December 2012.

5. SHARE OF PROFITS AND LOSSES OF AN ASSOCIATE

The share of profits and losses of an associate was based on the unaudited results of the associate drawn up to a non-coterminous period end where the difference is no greater than three months. The unaudited results of the associate are adjusted for the significant transactions or events that occur between that date and the financial period end date of the Group's unaudited consolidated results.

6. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging:

| | For the three months ended 31 March | |
|---|--|---------------------------------|
| | 2013 (Unaudited) HK\$'000 | 2012 (Unaudited) HK\$'000 |
| Cost of inventories sold | 85 | 495 |
| Cost of services provided | 14,432 | 1,145 |
| Depreciation | 1,080 | 1,029 |
| Amortisation of prepaid land lease payments | — | 44 |
| Amortisation of other intangible assets | 1,773 | 4,013 |
| Minimum lease payments under operating leases of land and buildings | 1,897 | 1,515 |
| Employee benefits expense including directors' remuneration: | | |
| Wages and salaries | 8,935 | 13,048 |
| Equity-settled share option expenses | 1,376 | 6,996 |
| Contributions to defined contribution retirement plan | 802 | 784 |
| | 11,113 | 20,828 |

7. INCOME TAX

No provision for Hong Kong profits tax and PRC corporate income tax have been provided for the three months ended 31 March 2013 as the Group did not generate any assessable profits arising in Hong Kong and Mainland China, respectively during the period (2012: Nil).

Income tax credit for the three months ended 31 March 2013 of HK\$443,000 (2012: HK\$1,003,000) represents release of deferred tax liabilities of the Group during the period, which arose from the fair value adjustment in connection with acquisition of subsidiaries in 2010.

The share of tax credit attributable to an associate amounting to HK\$22,199,000 (2012: Nil) is included in "Share of profits and losses of an associate" in the unaudited consolidated results.

8. LOSS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The calculation of basic loss per share amounts is based on the loss attributable to shareholders of the Company for the three months ended 31 March 2013 of HK\$204,839,000 (2012: HK\$24,801,000) and the weighted average number of ordinary shares of 5,724,394,726 (2012: 3,816,371,957, as adjusted to reflect the share consolidation in 2012) in issue during the three months ended 31 March 2013.

No adjustment has been made to the basic loss per share amounts presented for the three months ended 31 March 2013 and the corresponding period in 2012 in respect of a dilution as the impact of the share warrants, perpetual convertible bonds and share options of the Company outstanding during these periods either had anti-dilutive effect or no diluting effect on the basic loss per share amounts presented.

9. EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

| | Issued capital (Unaudited) HK\$'000 | Share premium account (Unaudited) HK\$'000 | Perpetual convertible bonds (Unaudited) HK\$'000 | Share option reserve (Unaudited) HK\$'000 | Exchange fluctuation reserve (Unaudited) HK\$'000 | Reserve funds (Unaudited) HK\$'000 | Other reserve (Unaudited) HK\$'000 | Accumulated losses (Unaudited) HK\$'000 | Total (Unaudited) HK\$'000 |
|---|--|--|--|--|---|---|---|--|----------------------------------|
| For the three months ended 31 March 2013 | | | | | | | | | |
| Balance at 1 January 2013 | 279,820 | 2,864,804 | 955,480 | 52,503 | 8,216 | 1,281 | (1,671) | (705,134) | 3,455,299 |
| Loss for the period | — | — | — | — | — | — | — | (204,839) | (204,839) |
| Other comprehensive income/(loss) for the period: | | | | | | | | | |
| Exchange differences on translation of foreign operations | — | — | — | — | 22,214 | — | — | — | 22,214 |
| Share of other comprehensive loss of an associate | — | — | — | — | (9) | — | — | — | (9) |
| Total comprehensive loss for the period | — | — | — | — | 22,205 | — | — | (204,839) | (182,634) |
| Issue of shares | 24,000 | 216,000 | — | — | — | — | — | — | 240,000 |
| Share issue expenses | — | (242) | — | — | — | — | — | — | (242) |
| Equity-settled share option arrangements | — | — | — | 1,726 | — | — | — | — | 1,726 |
| Share of associate's reserve | — | — | — | 397 | — | — | — | — | 397 |
| Balance at 31 March 2013 | 303,820 | 3,080,562 | 955,480 | 54,626 | 30,421 | 1,281 | (1,671) | (909,973) | 3,514,546 |
| For the three months ended 31 March 2012 | | | | | | | | | |
| Balance at 1 January 2012 | 190,818 | 2,256,863 | — | 61,102 | 6,520 | — | — | (435,438) | 2,079,865 |
| Loss for the period | — | — | — | — | — | — | — | (24,801) | (24,801) |
| Other comprehensive loss for the period: | | | | | | | | | |
| Exchange differences on translation of foreign operations | — | — | — | — | (180) | — | — | — | (180) |
| Total comprehensive loss for the period | — | — | — | — | (180) | — | — | (24,801) | (24,981) |
| Equity-settled share option arrangements | — | — | — | 7,783 | — | — | — | — | 7,783 |
| Transfer of share option reserve upon forfeiture of share options | — | — | — | (149) | — | — | — | 149 | — |
| Balance at 31 March 2012 | 190,818 | 2,256,863 | — | 68,736 | 6,340 | — | — | (460,090) | 2,062,667 |

10. SHARE CAPITAL

On 8 March 2013, 480,000,000 ordinary shares of the Company have been allotted and issued by the Company at the subscription price of HK\$0.50 per share in accordance with the terms and conditions of the subscription agreement dated 21 February 2013. The net proceeds of the subscription of approximately HK\$239,758,000 (net of related transaction costs of approximately HK\$242,000) will be applied towards general working capital of the Group as well as business development and/or investment opportunities identified by the Group from time to time.

11. SUBSEQUENT EVENTS AFTER THE REPORTING PERIOD

- (a) Under the Li Ning Open Offer, the Group exercised its rights for subscription and excess application for the convertible securities in the principal amount of HK\$3.50 per unit of convertible securities. Approximately 146,759,000 units of convertible securities were allotted to the Group at the total consideration of approximately HK\$513,656,000. The obligation of the Group's underwriting in the Li Ning Open Offer had ceased forthwith. In this connection, the Group's equity interests in Li Ning Co has increased from approximately 25.23% to approximately 26.10%, assuming all holders of the convertible securities convert the convertible securities in full upon completion of the Li Ning Open Offer.
- (b) The Company has Share Warrants in issue as at 31 March 2013 of 314,519,000 units Share Warrants held by certain independent third parties. They were classified as derivative financial liabilities at fair value in the financial statements. Further details of the Share Warrants were set out in the Company's 2012 annual report. None of the holders of the Share Warrants have exercised the right under the Share Warrants to subscribe for ordinary shares of the Company up to the respective expiry dates of the Share Warrants in May 2013 and accordingly, all the Share Warrants were lapsed by the date of this report.

12. DIVIDEND

The Directors do not recommend the payment of any dividend in respect of the three months ended 31 March 2013 (2012: Nil).

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the three months ended 31 March 2013.

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

As at 31 March 2013, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and chief executive of the Company were deemed or taken to have under such provisions of the SFO), or which were required to be and are recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise required to be notified to the Company and the Stock Exchange pursuant to the required standard of dealings by Directors as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules were as follows:

Long positions in the ordinary shares (the "Shares"), underlying Shares and debenture of the Company

| Name of Director | Capacity | Number of Shares/ underlying Shares held | | Number of share options held ⁽⁴⁾ | Total interests | Approximate percentage of shareholding as at 31 March 2013 |
|----------------------------|------------------------------------|---|------------------------------|---|-----------------|--|
| | | Personal interests | Corporate interests | | | |
| Mr. LI Ning ⁽³⁾ | Interest of controlled corporation | — | 8,712,443,151 ⁽¹⁾ | — | 8,712,443,151 | 143.38% |
| Mr. LI Chunyang | Beneficial owner | 9,995,669 | — | 18,000,000 | 27,995,669 | 0.46% |
| Mr. CHAN Ling | Beneficial owner | 9,995,669 | — | 18,000,000 | 27,995,669 | 0.46% |
| Mr. LEE Wa Lun, Warren | Beneficial owner | — | — | 2,800,000 | 2,800,000 | 0.05% |
| Mr. LI Chun | Interest of controlled corporation | — | 8,712,443,151 ⁽²⁾ | — | | |
| | Beneficial owner | — | — | 2,800,000 | 8,715,243,151 | 143.43% |
| Mr. MA Wing Man | Beneficial owner | — | — | 2,800,000 | 2,800,000 | 0.05% |
| Mr. CHEN Johnny | Beneficial owner | — | — | 2,800,000 | 2,800,000 | 0.05% |
| Mr. NG Sau Kei, Wilfred | Beneficial owner | 3,400,000 | — | 2,800,000 | 6,200,000 | 0.10% |

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 Limited ("Lead Ahead"), Victory Mind Assets Limited ("Victory Mind Assets") and Dragon City Management (PTC) Limited ("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 shares (representing, as at 31 March 2013, approximately 0.17% shareholding interest) in the share capital of 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 March 2013, 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.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS IN THE SHARE CAPITAL OF THE COMPANY

As at 31 March 2013, 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 and underlying Shares

| | Capacity | Number of Shares/ underlying shares | Approximate percentage of shareholding as at 31 March 2013 |
|--|------------------------------------|--|---|
| Substantial Shareholders | | | |
| Lead Ahead ⁽¹⁾ | Beneficial owner | 2,132,420,382 | 35.09% |
| Victory Mind Assets ⁽²⁾ | Beneficial owner | 2,828,582,769 | 46.55% |
| Ace Leader ⁽²⁾ | Interest in controlled corporation | 2,828,582,769 | 46.55% |
| Jumbo Top ⁽²⁾ | Interest in controlled corporation | 2,828,582,769 | 46.55% |
| TMF ⁽²⁾ | Trustee | 2,828,582,769 | 46.55% |
| Dragon City ⁽³⁾ | Trustee | 3,751,440,000 | 61.74% |
| Cititrust ⁽³⁾ | Trustee | 3,751,440,000 | 61.74% |
| Other Persons | | | |
| Atlantis Capital Holdings Limited ⁽⁴⁾ | Investment Manager | 505,000,000 | 8.31% |
| Liu Yang ⁽⁴⁾ | Interest in controlled corporation | 505,000,000 | 8.31% |

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.
4. Each of Atlantis Investment Management (Ireland) Limited ("AIMI") and Atlantis Investment Management Limited ("AIM") is interested in 90,000,000 Shares and Atlantis Investment Management (Hong Kong) Limited ("AIMHK") is interested in 505,000,000 Shares. Atlantis Capital Holdings Limited ("ACH"), being the controlling shareholder of AIMI, AIM and AIMHK, is deemed to be interested in the Shares in which AIMI, AIM and AIMHK have interests. Ms Liu Yang, being controlling shareholder of ACH, is deemed to be interested in the Shares in which ACH has interests. Ms Liu Yang is a director of ACH. In addition, Riverwood Asset Management (Cayman) Ltd ("RAMC") is interested in 10,000,000 Shares. Ms Liu Yang, being controlling shareholder of RAMC, is deemed to be interested in the Shares in which RAMC has interests.

As at 31 March 2013, save as disclosed above, so far as was known to the Directors, no other person (other than the Directors or chief executive of the Company) had any interests or short position in the shares and/or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO, or as otherwise notified to the Company.

SHARE OPTION SCHEME

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

Particulars of the share options under the Share Option Scheme and their movements during the three months ended 31 March 2013 are set out below:

| | | Number of Share Options | | |
|-------------------------------------|---------------|---------------------------|--------------------------------|----------------------------|
| | Date of Grant | Balance as at 1.1.2013 | Cancelled during the period | Balance as at 31.3.2013 |
| Directors | | | | |
| Chan Ling | 02.07.2010 | 6,000,000 | — | 6,000,000 ⁽¹⁾ |
| | 20.09.2011 | 12,000,000 | — | 12,000,000 ⁽²⁾ |
| Li Chunyang | 02.07.2010 | 6,000,000 | — | 6,000,000 ⁽¹⁾ |
| | 20.09.2011 | 12,000,000 | — | 12,000,000 ⁽²⁾ |
| Lee Wa Lun, Warren | 02.07.2010 | 1,000,000 | — | 1,000,000 ⁽¹⁾ |
| | 20.09.2011 | 1,800,000 | — | 1,800,000 ⁽²⁾ |
| Li Chun | 02.07.2010 | 1,000,000 | — | 1,000,000 ⁽¹⁾ |
| | 20.09.2011 | 1,800,000 | — | 1,800,000 ⁽²⁾ |
| Ma Wing Man | 02.07.2010 | 1,000,000 | — | 1,000,000 ⁽¹⁾ |
| | 20.09.2011 | 1,800,000 | — | 1,800,000 ⁽²⁾ |
| Chen Johnny | 02.07.2010 | 1,000,000 | — | 1,000,000 ⁽¹⁾ |
| | 20.09.2011 | 1,800,000 | — | 1,800,000 ⁽²⁾ |
| Ng Sau Kei, Wilfred | 02.07.2010 | 1,000,000 | — | 1,000,000 ⁽¹⁾ |
| | 20.09.2011 | 1,800,000 | — | 1,800,000 ⁽²⁾ |
| Ip Shu Kwan, Stephen ⁽³⁾ | 02.07.2010 | 1,000,000 | (333,334) | 666,666 ⁽¹⁾ |
| | 20.09.2011 | 1,800,000 | (600,000) | 1,200,000 ⁽²⁾ |
| | | 52,800,000 | (933,334) | 51,866,666 |
| Other employees | | | | |
| In aggregate | 02.07.2010 | 3,400,000 | — | 3,400,000 ⁽⁴⁾ |
| In aggregate | 06.09.2010 | 7,960,000 | — | 7,960,000 ⁽⁵⁾ |
| In aggregate | 20.09.2011 | 30,990,000 | (20,000) | 30,970,000 ⁽⁶⁾ |
| | | 42,350,000 | (20,000) | 42,330,000 |
| Other grantees | | | | |
| In aggregate | 06.09.2010 | 2,400,000 | — | 2,400,000 ⁽⁷⁾ |
| In aggregate | 20.09.2011 | 24,400,000 | — | 24,400,000 ⁽⁸⁾ |
| | | 26,800,000 | — | 26,800,000 |
| | | 121,950,000 | (953,334) | 120,996,666 |

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) 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 comprised the following: (i) 1,133,333 share options with exercisable period from 2 July 2011 to 1 July 2016; (ii) 1,133,333 share options with exercisable period from 2 July 2012 to 1 July 2017; and (iii) 1,133,334 share options with exercisable period from 2 July 2013 to 1 July 2018.
- (5) The share options comprised the following: (i) 1,520,000 share options with exercisable period from 6 September 2011 to 5 September 2016; (ii) 1,520,000 share options with exercisable period from 6 September 2012 to 5 September 2017; (iii) 1,520,000 share options with exercisable period from 6 September 2013 to 5 September 2018; (iv) 2,200,000 share options with exercisable period from 6 September 2014 to 5 September 2019; and (v) 1,200,000 share options with exercisable period from 6 September 2015 to 5 September 2020.
- (6) The share options as at 1 January 2013 comprised the following: (i) 4,529,998 share options with exercisable period from 20 September 2011 to 19 September 2013; (ii) 8,496,666 share options with exercisable period from 20 September 2012 to 19 September 2014; (iii) 8,496,669 share options with exercisable period from 20 September 2013 to 19 September 2015; (iv) 5,166,667 share options with exercisable period from 20 September 2014 to 19 September 2016; and (v) 4,300,000 share options with exercisable period from 20 September 2015 to 19 September 2017. Following the cancellation of 20,000 share options, the number of share options under (iii) of this note reduced to 8,476,669 as at 31 March 2013, while the number of share options under each of (i), (ii), (iv) and (v) of this note remained unchanged as at 31 March 2013.
- (7) The share options comprised the following: (i) 800,000 share options with exercisable period from 6 September 2011 to 5 September 2016; (ii) 800,000 share options with exercisable period from 6 September 2012 to 5 September 2017; and (iii) 800,000 share options with exercisable period from 6 September 2013 to 5 September 2018.
- (8) The share options comprised the following: (i) 4,400,000 share options with exercisable period from 20 September 2011 to 19 September 2013; (ii) 6,000,000 share options with exercisable period from 20 September 2012 to 19 September 2014; (iii) 6,000,000 share options with exercisable period from 20 September 2013 to 19 September 2015; (iv) 4,800,000 share options with exercisable period from 20 September 2014 to 19 September 2016; and (v) 3,200,000 share options with exercisable period from 20 September 2015 to 19 September 2017.
- (9) The exercise prices of the share options are as follows:

| Date of Grant | Exercise Price per Share (HK\$) |
|---------------|---------------------------------|
| 02.07.2010 | 3.90 |
| 06.09.2010 | 4.15 |
| 20.09.2011 | 0.75 |

- (10) No share options were granted, exercised or lapsed during the three months ended 31 March 2013.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

For the three months ended 31 March 2013, the Directors are not aware of any business or interest of the Directors, the controlling shareholders and their respective associates (as defined under the GEM Listing Rules) that compete or may compete with the business of the Group and any other conflicts of interests which any such person has or may have with the Group.

AUDIT COMMITTEE

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

The Audit Committee currently comprises two independent non-executive Directors, namely, Mr. Chen Johnny (the Chairman of the Audit Committee) and Mr. Ng Sau Kei, Wilfred and one non-executive Director, Mr. Ma Wing Man. The unaudited consolidated results of the Group for the three months ended 31 March 2013 have been reviewed by the Audit Committee.

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

Hong Kong, 15 May 2013

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

Executive Directors:

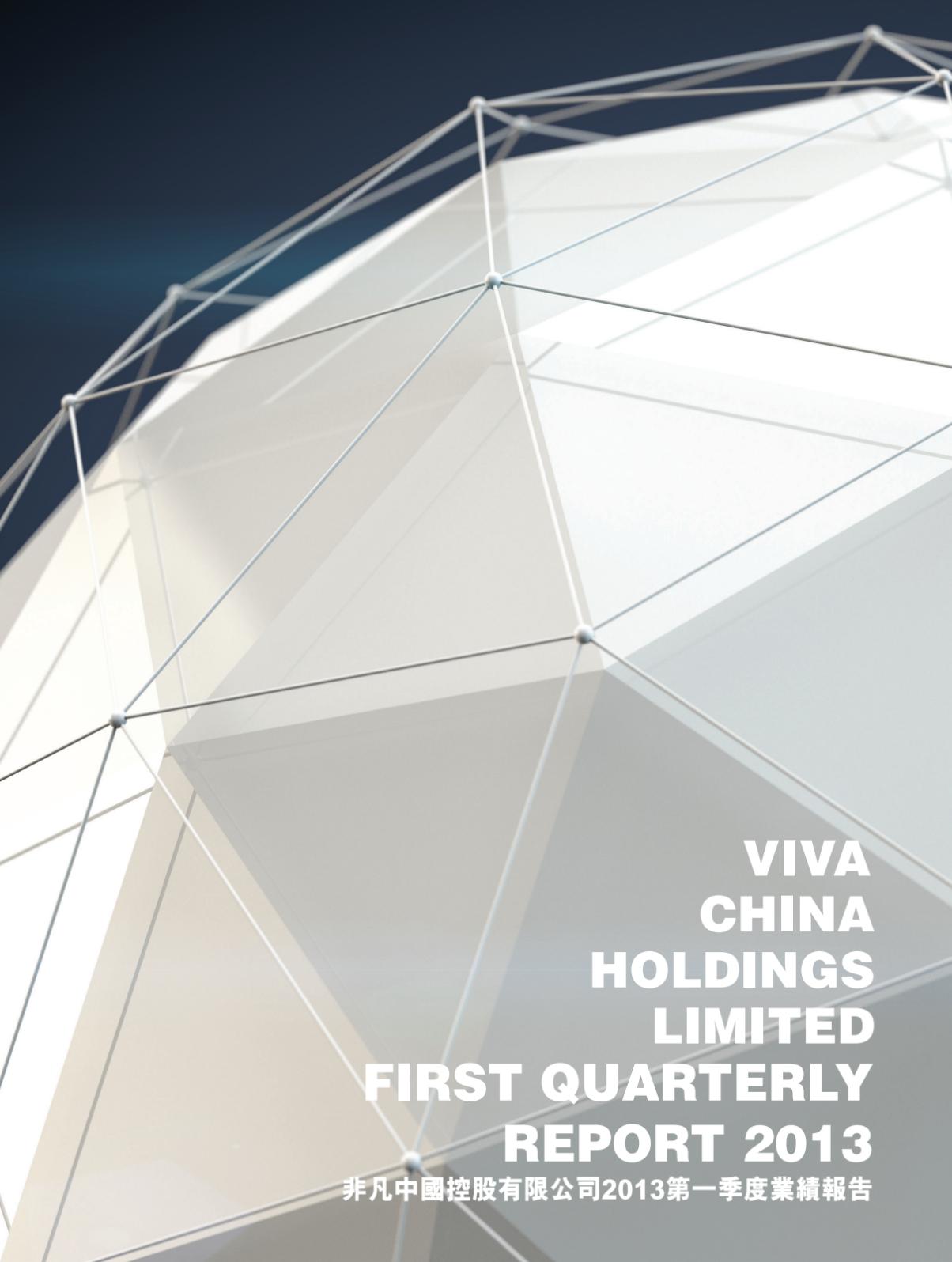
Mr. Li Ning (*Chairman*)
Mr. Chan Ling
Mr. Li Chunyang
Mr. Lee Wa Lun, Warren

Non-executive Directors:

Mr. Li Chun
Mr. Ma Wing Man

Independent Non-executive Directors:

Mr. Chen Johnny
Mr. Ng Sau Kei, Wilfred



**VIVA
CHINA
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LIMITED
FIRST QUARTERLY
REPORT 2013**

非凡中國控股有限公司2013第一季度業績報告