

非凡中國控股有限公司2013年中期報告  
**VIVA CHINA HOLDINGS LIMITED**  
**INTERIM 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

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

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

## RESULTS

For the first six months period ended 30 June 2013, the Group's consolidated revenue soared from HK\$16.3 million in the same period in prior year to HK\$42.4 million this year representing an encouraging increase of HK\$26.1 million or 160%. The increase in revenue was mainly driven by revenue derived from the commercial rights the Group secured in relation to certain basketball leagues in the People's Republic of China (the "PRC") and the 2013 Li Ning BWF Sudirman Cup held in Malaysia. The commencement of production and marketing of precast concrete products that were manufactured by a subsidiary of the Group in the second quarter 2013 also contributed to the upsurge of revenue. Gross profit in the period under review was HK\$6.1 million (2012: HK\$11.9 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.

The Group also recorded other income and gains in the first half of 2013 amounted to HK\$51.2 million as compared to HK\$15.8 million in the same period in 2012. The increase was mainly attributable to the underwriting commission fee received of HK\$13.0 million recognised in the period for acting as one of the underwriters in relation to 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). In addition, a fair value gain on derivative financial assets was recorded at the reporting date amounted to HK\$28.0 million (2012: HK\$5.5 million) in relation to the profit guarantees (the "Profit Guarantees") given by the vendors at the time the Group acquired the sports business segment. Details of Profit Guarantees were set out in the section "Profit Guarantees".

Selling and distribution expenses for the first half of 2013 amounted to HK\$14.2 million (2012: HK\$9.1 million) represented an increase of HK\$5.1 million as compared to the same period in prior year. The increase was attributable to the expenditures incurred in relation to the basketball leagues and badminton tournament in the period under review. Administrative expenses and other operating expenses (the "Administrative Expenses") incurred for the period amounted to HK\$44.9 million (2012: HK\$79.3 million). The non-cash items in Administrative Expenses, which amounted to HK\$8.1 million (2012: HK\$29.6 million), mainly included share options expenses, amortisation and impairment 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\$36.8 million, representing a reduction of nearly 26% as compared to that in prior year of HK\$49.7 million with the same basis. The reduction was mainly attributed to the drop in staff costs; feasibility study costs and the tightening of controls over entertainment and conference expenditures together with a vanished exchange loss from the same period in 2012.

During the period under review, the Group also recorded a loss arising from the change in fair value of derivative financial liabilities amounted to HK\$36.0 million (2012: Nil) from the fair value of these financial liabilities as at 31 December 2012. The derivative financial liabilities were related to the contingent consideration arose by the possible issuance 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 at the date of the reporting period were determined with reference to valuations performed by American Appraisal China Limited ("American Appraisal"), independent professional valuers for the purpose of preparing this report and the valuation methodology adopted was similar to that 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\$145.6 million (2012: Nil) based on its unaudited adjusted results for the six months ended 31 March 2013 adjusted by any significant events or transactions for the period from 1 April 2013 to 30 June 2013.

For the first six months period ended 30 June 2013, the Group has recorded a net loss amounted to HK\$182.7 million comparing to a net loss of HK\$212.4 million for the corresponding period in 2012. The major reasons for such performance of this first half year were mainly due to the share of loss of an associate of HK\$145.6 million and loss in change in fair value of derivative financial liabilities of HK\$36.0 million together with other non-cash items with an aggregate negative impact to the Group's results of HK\$190.5 million whereas the substantial loss in 2012 first half was due to the impairment of the Group's green energy's goodwill of HK\$155.4 million, share option expenses of HK\$13.2 million and impairment of intangible assets of HK\$6.4 million together with other non-cash items with an aggregate negative impact of HK\$190.4 million. With the exclusion of such significant non-cash negative impacts, the Group would have recorded a net profit of HK\$7.8 million for the period under review (2012: net loss of HK\$22.0 million on the same basis).

## 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 the PRC and overseas. One of these tournaments, namely, the 2013 Li Ning BWF Sudirman Cup, was successfully held in May 2013 with 30 member associations represented. Apart from the badminton sector, the Group also secured commercial rights to certain basketball leagues in the PRC, namely, Chinese High School Basketball League (CHBL) and Chinese Junior School Basketball League (CJBL). The abovementioned commercial rights generated revenue of an aggregate amount of HK\$26.6 million representing a significant contribution to the Group's overall revenue during the period under review. During the period, the Group has produced another "sports crossover entertainment" event, namely, "Viva Fiesta" which was staged in Macau. The event featured the PRC National Diving Team and certain Hong Kong and PRC pop artists performing a great show to the audiences.

In the first half of 2013, our sports segment generated HK\$37.3 million (2012: HK\$8.4 million) in revenue achieving a growth of more than threefold of that in the corresponding period in 2012. The upsurge in revenue was driven by the revenue derived from the aforementioned commercial rights to the basketball leagues and badminton tournaments as well as from the "Viva Fiesta" held in Macau. Despite of the strong growth in revenue, the segment still recorded an operating loss of HK\$12.7 million (2012: HK\$6.2 million) indicating the Group's continued investment in this segment to obtain, enhance and develop sports resources. Nevertheless, 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. The Group is dedicated to continue to explore the commercial values of this business segment.

### Sports Community Development

In 2012, this segment's major business activity was the leasing of industrial plants located in Shenyang, the PRC to a tenant for manufacture of precast concrete products. The tenancy agreement was terminated near year end of 2012. The segment commenced its own production and sale of such precast concrete products and glass-fiber reinforced concrete products in the second quarter of the year. The total revenue generated from such business operation amounted to HK\$4.8 million whereas the revenue from leasing operating in the same period in 2012 amounted to HK\$5.1 million. The segment reported an operating loss of HK\$11.2 million (2012: HK\$9.3 million) mainly due to the transition period from leasing operation to manufacture operation during which revenue dropped to minimal. With the entering of various products supply contracts, we expect a continuing growth in revenue and with the mastering of the production techniques and streamlining the workflows, the management expects a lowered cost can be achieved which in turn boosting the profitability of this segment in future. In addition, with the local government's intention to promote environmental-friendly building techniques, we expect there will be a continuing growth in demand of the segment's products. Management also expects these building techniques can contribute to the success of sports parks and sports-themed communities development.

It is the Board's intention to continue in identifying profitable community development opportunities in different cities in the PRC. 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. As such, the Group is actively looking for and studying the feasibility of various potential projects in those 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 period (2012: HK\$2.2 million). This segment recorded an operating loss of HK\$2.2 million (2012: HK\$9.1 million) for the first half of 2013.

### Financial Position

Net assets of the Group as at 30 June 2013 was HK\$3,570.1 million compared to HK\$3,458.0 million as at 31 December 2012. The increase was mainly attributed to the net result of a new issue of 480.0 million ordinary shares of the Company at the cash price of HK\$0.50 per share generating a net cash proceeds of HK\$239.7 million and partially offset by the total comprehensive loss for the period of HK\$132.4 million.

## MANAGEMENT DISCUSSION AND ANALYSIS (continued)

The total non-current assets of the Group increased from HK\$3,219.3 million at the beginning of the period under review to HK\$3,667.9 million as at the end of the period under review. The rise was mainly brought about by the increase in interest in Li Ning Co from the carrying value of HK\$2,594.5 million as at 31 December 2012 to HK\$3,007.8 million as a consequence of subscription of convertible securities issued by Li Ning Co in relation to Li Ning Open Offer and share of the results of Li Ning Co, together with the increase in derivative financial assets in relation to the Profit Guarantees of HK\$28.6 million. During the period under review, certain portions of properties previously held as investment properties have been used by the Group for the production of precast concrete products and glass-fiber reinforced concrete products. Accordingly, these portions of properties with an aggregate fair value of HK\$73.1 million as at the date of commencement of owner-occupation were transferred to prepaid land lease payments and property, plant and equipment. The remaining portion of investment properties was stated at fair value at the reporting date of HK\$221.4 million (At 31 December 2012: HK\$285.2 million). Among the non-current assets at the reporting date, there was also goodwill and intangible assets of aggregate carrying value of HK\$281.0 million arising from acquisitions of the sports businesses.

Net current assets of the Group at the end of the reporting period reduced by HK\$301.2 million as compared to that at the beginning of the period. The main reason was the utilisation of the Group's cash in subscribing the convertible securities of Li Ning Co under the Li Ning Open Offer. As at the reporting date, the Group had cash and bank deposits (including pledged deposits) of HK\$943.3 million (As at 31 December 2012: HK\$1,056.4 million). The decline in the Group's cash and bank deposits balance was mainly due to the abovementioned subscription of convertible securities of Li Ning Co and the cash outflow used in the Group's operating activities during the period under review which to certain extent had been offset by the return of a land deposit of HK\$230.0 million and the issue of ordinary shares by the Company.

### Liquidity and Financial Resources

During the first half of 2013, the Group's net cash outflow in operating activities increase by HK\$22.0 million as compared to the corresponding period in 2012 whereas a substantial net cash outflow has been used in investing activities amounted to HK\$288.0 million for the increased investment in Li Ning Co. The above cash outflows have partially been met by the net cash inflow generated from financing activities, which was mainly attributable to the issue of 480.0 million ordinary shares of the Company in the period.

The Group has no bank borrowing or any committed bank borrowing facility during the period under review and as at the reporting date. The gross cash and bank balances as at the reporting date was HK\$943.3 million (As at 31 December 2012: HK\$1,056.4 million), of which RMB100.0 million (As at 31 December 2012: RMB100.0 million) (equivalent to approximately HK\$126.0 million (As 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\$") at the reporting date amounted to approximately HK\$454.4 million and HK\$488.9 million, respectively (As at 31 December 2012: HK\$294.9 million and HK\$761.5 million, respectively). The Group has no gearing as at the reporting date and as at 31 December 2012. 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 reporting date, the current ratio (ratio of current assets to current liabilities) of the Group was about 4.9 (As at 31 December 2012: 6.3). The Group's gearing level and liquidity position were very healthy as at the reporting date.

### 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 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.

### Charge on Deposit

As at the reporting date, a charge over bank deposit amounting to RMB100.0 million (equivalent to approximately HK\$126.0 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

As at 30 June 2013, the Group had capital commitments of HK\$1.7 million in respect of acquisition of machinery which were contracted but not provided for. As at 31 December 2012, HK\$1.6 million in respect of construction works in the PRC.

### 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 Hong Kong Financial Reporting Standards ("HKFRSs") 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 2012, which was derived from its ordinary course of business, has a shortfall amounted to approximately HK\$39.7 million. The Vendors compensated the Company for the shortfall amount by cash and the amount has been received in full as at the date of this report.

## 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. The Group received an underwriting fee amounted to approximately HK\$18.6 million in respect of acting as one of the underwriters in the Li Ning Open Offer. The underwriting fee has been recorded by the Group as other income. The Group's share of profit resulting from this transaction was only recorded to the extent of interest unrelated to the Group.

## Subsequent Event

- (a) On 2 July 2013, the Company granted share options (the "Options") to certain individuals (the "Grantees") to subscribe for a total of 380,700,000 ordinary shares of HK\$0.05 each of the Company (the "Shares"), under the share option scheme adopted pursuant to an ordinary resolution passed at the extraordinary general meeting of the Company held on 29 June 2010 (the "Share Option Scheme"). The Options shall entitle the Grantees to subscribe for the Shares at an exercise price of HK\$0.50 per Share. Among the Options granted, (i) 43,500,000 of them are subject to a vesting schedule in tranches of one-third each on 2 July 2014, 2 July 2015 and 2 July 2016, respectively; and (ii) 337,200,000 of them are subject to a vesting schedule in tranches of one-fourth each on 2 July 2013, 2 July 2014, 2 July 2015 and 2 July 2016, respectively. All of the Options shall be exercisable for a period of three years after vested according to the respective vesting schedules. Among the Options granted, a total of 163,000,000 of them were granted to directors of the Company. Details of the grant of Options are set out in the Company's announcement dated 2 July 2013. At the date of this report, the Company is in the course of assessing the fair values of the Options granted and the financial effect of such Options.



# UNAUDITED CONDENSED CONSOLIDATED INTERIM RESULTS

The board of directors (the "Board") announces the unaudited condensed consolidated results of the Company and its subsidiaries (the "Group") for the periods from 1 April 2013 to 30 June 2013 and from 1 January 2013 to 30 June 2013 together with the comparative unaudited condensed consolidated interim results for the corresponding periods in 2012 as follows:

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three and six months ended 30 June 2013

	Note	For the three months ended 30 June		For the six months ended 30 June	
		2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
<b>Revenue</b>	4	23,577	8,598	42,388	16,252
Cost of sales		(21,735)	(2,734)	(36,252)	(4,374)
<b>Gross profit</b>		1,842	5,864	6,136	11,878
Other income and gains, net	4	46,160	10,483	51,188	15,839
Selling and distribution costs		(8,176)	(3,796)	(14,184)	(9,120)
Administrative and other operating expenses		(24,122)	(47,418)	(44,940)	(79,320)
Fair value gain/(loss) on derivative financial liabilities	6	60,000	–	(36,000)	–
Impairment of goodwill		–	(155,433)	–	(155,433)
Finance costs		(6)	(24)	(16)	(49)
Share of profits and losses of an associate	7	(53,794)	–	(145,626)	–
<b>Profit/(Loss) before tax</b>	8	21,904	(190,324)	(183,442)	(216,205)
Income tax	9	346	2,780	789	3,783
<b>Profit/(Loss) for the period</b>		22,250	(187,544)	(182,653)	(212,422)
<b>Other comprehensive income/(loss):</b>					
Other comprehensive income/(loss) for the period, may be reclassified subsequently to profit or loss, net of income tax of nil					
– Share of other comprehensive income of an associate		69	–	60	–
– Exchange differences on translation of foreign operations		27,767	(2,067)	49,998	(2,247)

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (continued)**

For the three and six months ended 30 June 2013

Note	For the three months ended 30 June		For the six months ended 30 June	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Other comprehensive income/(loss) for the period, may be reclassified subsequently to profit or loss, net of income tax of nil	27,836	(2,067)	50,058	(2,247)
<b>Total comprehensive income/(loss) for the period</b>	<b>50,086</b>	<b>(189,611)</b>	<b>(132,595)</b>	<b>(214,669)</b>
<b>Profit/(Loss) attributable to:</b>				
Equity shareholders of the Company	22,383	(187,633)	(182,456)	(212,434)
Non-controlling interests	(133)	89	(197)	12
	22,250	(187,544)	(182,653)	(212,422)
<b>Total comprehensive income/(loss) attributable to:</b>				
Equity shareholders of the Company	50,230	(189,676)	(132,404)	(214,657)
Non-controlling interests	(144)	65	(191)	(12)
	50,086	(189,611)	(132,595)	(214,669)
<b>Profit/(Loss) per share attributable to equity shareholders of the Company</b>				
Basic and diluted (HK cents)	10	(Restated) 0.26 (4.92)	(Restated) (3.1)	(Restated) (5.57)

The accompany notes form part of these unaudited interim financial statements.

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2013

	Note	30 June 2013 (Unaudited) HK\$'000	31 December 2012 (Audited) HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	11	60,670	9,648
Investment properties	12	221,382	285,200
Prepaid land lease payments	13	21,883	–
Goodwill	14	269,758	269,758
Other intangible assets	15	11,279	14,434
Investment in an associate	16	3,007,751	2,594,471
Other non-current deposits		1,617	969
Derivative financial assets	17	66,150	37,572
Deferred tax assets		7,390	7,273
<b>Total non-current assets</b>		<b>3,667,880</b>	<b>3,219,325</b>
<b>CURRENT ASSETS</b>			
Prepayments, deposits and other receivables	18	165,071	146,222
Deposit paid for acquisition of a land use right	19	–	230,000
Inventories		5,161	–
Trade receivables	20	44,794	17,926
Pledged deposit		126,000	124,000
Cash and bank balances		817,340	932,409
		1,158,366	1,450,557
Assets of a disposal group classified as held for sale		7,126	7,460
<b>TOTAL CURRENT ASSETS</b>		<b>1,165,492</b>	<b>1,458,017</b>
<b>CURRENT LIABILITIES</b>			
Trade payables	21	19,018	15,417
Other payables and accruals		158,977	153,963
Receipts in advance		10,344	10,737
Other loan	22	–	744
Derivative financial liabilities		–	62
Income tax payables		48,239	47,472
		236,578	228,395
Liabilities of a disposal group classified as held for sale		2,960	2,513
<b>Total current liabilities</b>		<b>239,538</b>	<b>230,908</b>

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

As at 30 June 2013

Note	30 June 2013 (Unaudited) HK\$'000	31 December 2012 (Audited) HK\$'000
<b>NET CURRENT ASSETS</b>	<b>925,954</b>	1,227,109
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<b>4,593,834</b>	4,446,434
<b>NON-CURRENT LIABILITIES</b>		
Deferred tax liabilities	3,704	4,445
Derivative financial liabilities	1,020,000	984,000
Total non-current liabilities	1,023,704	988,445
<b>NET ASSETS</b>	<b>3,570,130</b>	3,457,989
<b>EQUITY</b>		
<b>Equity attributable to shareholders of the Company</b>		
Issued capital	23 303,820	279,820
Perpetual convertible bonds	955,480	955,480
Reserves	2,308,331	2,219,999
<b>Non-controlling interests</b>	<b>3,567,631</b>	3,455,299
	2,499	2,690
<b>TOTAL EQUITY</b>	<b>3,570,130</b>	3,457,989

The accompanying notes form part of these unaudited interim financial statements.

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2013

	Attributable to equity 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	Non-controlling interests (Unaudited) HK\$'000	Total equity (Unaudited) HK\$'000
At 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 period	-	-	-	-	-	-	-	(212,434)	(212,434)	12	(212,422)
Other comprehensive income/ (loss) for the period:											
Exchange differences on translation of foreign operations	-	-	-	-	(2,223)	-	-	-	(2,223)	(24)	(2,247)
Total comprehensive income/(loss) for the period	-	-	-	-	(2,223)	-	-	(212,434)	(214,657)	(12)	(214,669)
Acquisition of non-controlling interests	-	-	-	-	-	-	(1,671)	-	(1,671)	288	(1,383)
Equity-settled share option arrangements	-	-	-	13,196	-	-	-	-	13,196	-	13,196
Forfeiture of share options	-	-	-	(48)	-	-	-	48	-	-	-
At 30 June 2012	190,818	2,256,863	-	74,250	4,297	-	(1,671)	(647,824)	1,876,733	3,392	1,880,125
At 1 January 2013	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
Loss for the period	-	-	-	-	-	-	-	(182,456)	(182,456)	(197)	(182,653)
Other comprehensive income/ (loss) for the period:											
Exchange differences on translation of foreign operations	-	-	-	-	49,992	-	-	-	49,992	6	49,998
Share of other comprehensive income of an associate	-	-	-	-	60	-	-	-	60	-	60
Total comprehensive income/(loss) for the period	-	-	-	-	50,052	-	-	(182,456)	(132,404)	(191)	(132,595)
Issue of shares	24,000	216,000	-	-	-	-	-	-	240,000	-	240,000
Share issue expenses	-	(324)	-	-	-	-	-	-	(324)	-	(324)
Equity-settled share option arrangements	-	-	-	2,821	-	-	-	-	2,821	-	2,821
Forfeiture of share options	-	-	-	(816)	-	-	-	816	-	-	-
Share of associate's reserve	-	-	-	2,239	-	-	-	-	2,239	-	2,239
At 30 June 2013	303,820	3,080,480*	955,480	56,747*	58,268*	1,281*	(1,671)*	(886,774)*	3,567,631	2,499	3,570,130

These reserve accounts comprise the unaudited consolidated reserves of HK\$2,308,331,000 (31 December 2012: HK\$2,219,999,000) in the condensed consolidated statement of financial position.

The accompany notes form part of these unaudited interim financial statements.

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

*For the six months ended 30 June 2013*

	For the six months ended 30 June	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Net cash flows used in operating activities	(64,246)	(42,247)
Net cash flows used in investing activities	(287,955)	(183,946)
Net cash flows generated from/(used in) financing activities	239,256	(197)
Decrease in cash and cash equivalents	(112,945)	(226,390)
Effect of foreign exchange rate changes, net	(2,124)	(305)
Cash and cash equivalents at the beginning of period	932,409	1,120,724
Cash and cash equivalents at the end of period	817,340	894,029

The accompany notes form part of these unaudited interim financial statements.

## 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.

### Principal activities

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 service;
- development of properties for generating rental income and/or for capital appreciation potential, research and development, manufacturing and marketing of construction materials, development of sports communities and provision of consultancy and subcontracting services; and
- 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 30 June 2013 include brand development, design, manufacture, sale and distribution of sport-related footwear, apparel, equipment and accessories in the People's Republic of China (the "PRC").

## 2. BASIS OF PRESENTATION AND PREPARATION

### Basis of preparation

The condensed consolidated interim financial statements for the six months ended 30 June 2013 have been prepared to comply with the disclosure requirements of the GEM Listing Rules and Hong Kong Accounting Standard ("HKAS") 34 Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants. The condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2012, which have been prepared in accordance with HKFRSs.

The accounting policies used in the preparation of the unaudited interim condensed consolidated financial statements are consistent with those adopted in preparing the annual audited financial statements for the year ended 31 December 2012, except for the following accounting policy changes that are expected to be reflected in the 2013 annual financial statements.

### 3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

During the six months ended 30 June 2013, the Group has adopted the new and revised HKFRSs that are relevant to its operations and effective for the first time for this interim period 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. Of these, the following developments are relevant to the Group's financial statements:

#### **Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income**

The amendments to HKAS 1 require entities to present the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met separately from those that would never be reclassified to profit or loss. The Group's presentation of other comprehensive income in these condensed consolidated financial statements has been modified accordingly.

#### **HKFRS 12 Disclosure of Interests in Other Entities**

HKFRS 12 brings together into a single standard all the disclosure requirements relevant to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The disclosures required by HKFRS 12 are generally more extensive than those previously required by the respective standards. Since those disclosure requirements only apply to a full set of financial statements, the Group has not made substantial disclosures in this interim financial report as a result of adopting HKFRS 12.

#### **HKFRS 13 Fair value measurement**

HKFRS 13 replaces existing guidance in individual HKFRSs with a single source of fair value measurement guidance. HKFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments. Some of the disclosures are specifically required for financial instruments in the interim financial reports. The adoption of HKFRS 13 does not have any material impact on the fair value measurements of the Group's assets and liabilities.

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.



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

	For the three months ended 30 June		For the six months ended 30 June	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
<b>Revenue</b>				
Sports content production and distribution income	15,002	–	30,221	–
Sports talent management income	3,597	4,083	7,090	8,358
Sale of construction materials	4,761	–	4,761	–
Gross rental income	201	2,568	277	5,136
Consultancy service income	–	291	–	581
Sale of air-conditioners and ventilation systems	16	1,656	39	2,177
	<b>23,577</b>	<b>8,598</b>	<b>42,388</b>	<b>16,252</b>
<b>Other income</b>				
Bank interest income	857	4,945	2,339	10,190
Underwriting commission fee received (Note 24(ii))	12,961	–	12,961	–
Others	–	47	–	158
	<b>13,818</b>	<b>4,992</b>	<b>15,300</b>	<b>10,348</b>
<b>Gains, net</b>				
Fair value gain on derivative financial assets	27,972	5,491	27,972	5,491
Fair value gain on investment properties	3,823	–	3,823	–
Foreign exchange gains, net	386	–	3,631	–
Others	161	–	462	–
	<b>32,342</b>	<b>5,491</b>	<b>35,888</b>	<b>5,491</b>
Other income and gains, net	<b>46,160</b>	<b>10,483</b>	<b>51,188</b>	<b>15,839</b>

## 5. 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:

- the sports-related business segment engages in the production and distribution of sports content, management and marketing of sport talents and provision of sports consultancy service;
- the sports community development segment engages in development of properties for generating rental income and/or for capital appreciation potential, research and development, manufacturing and marketing of construction materials, development of sports communities and provision of consultancy and subcontracting services; and
- the green energy business segment engages in the development, manufacturing, marketing and installation of energy-saving air conditioning systems and water heating equipment.

For the six months ended 30 June

	Sports-related business		Sports community development		Green energy business		Total	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
<b>Segment Revenue</b>								
External	37,311	8,358	5,038	5,717	39	2,177	42,388	16,252
<b>Segment Results</b>	(12,683)	(6,241)	(11,243)	(9,302)	(2,159)	(9,127)	(26,085)	(24,670)
<i>Reconciliation:</i>								
Bank interest income							2,339	10,190
Fair value gain on derivative financial assets							27,972	5,491
Fair value loss on derivative financial liabilities							(36,000)	–
Fair value gain on investment properties							3,823	–
Equity-settled share option expense							(2,821)	(13,196)
Impairment of goodwill							–	(155,433)
Impairment of other intangible assets							–	(6,419)
Amortisation of other intangible assets							(3,155)	(8,025)
Corporate and other unallocated income							15,883	89
Corporate and other unallocated expenses							(19,756)	(24,183)
Share of profits and losses of an associate							(145,626)	–
Finance costs							(16)	(49)
Loss before tax							(183,442)	(216,205)

## 6. FAIR VALUE GAIN/(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 Company Limited ("Li Ning Co") in December 2012, which was determined by reference to the valuations performed by American Appraisal China Limited ("American Appraisal"), independent professional valuers 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.

## 7. SHARE OF PROFITS AND LOSSES OF AN ASSOCIATE

The share of profits and losses of an associate was based on the unaudited adjusted results of the associate for the six months ended 31 March 2013 and adjusted for any significant events or transactions for the period from 1 April 2013 to 30 June 2013. The Group has adopted the provision contained in HKAS 28 "Investments in Associates" whereby it is permitted to include the attributable share of associates' results based on accounts drawn up to a non-continuous period and where the difference must be no greater than three months.

## 8. PROFIT/(LOSS) BEFORE TAX

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

	For the three months ended 30 June		For the six months ended 30 June	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Cost of inventories sold	3,942	778	4,027	1,273
Cost of services provided	17,793	1,955	32,225	3,100
Depreciation	1,723	1,025	2,803	2,054
Amortisation of prepaid land lease payments	78	36	78	80
Amortisation of other intangible assets	1,382	4,012	3,155	8,025
Minimum lease payments under operating leases of land and buildings	2,122	1,943	4,019	3,458
Employee benefits expense including directors' remuneration:				
Wages and salaries	13,823	11,962	22,758	24,848
Equity-settled share option expenses	741	5,413	2,117	12,409
Contributions to defined contribution retirement plan	1,130	758	1,932	1,542
	<b>15,694</b>	<b>18,133</b>	<b>26,807</b>	<b>38,799</b>
Impairment of goodwill	–	155,433	–	155,433
Impairment of other intangible assets	–	6,419	–	6,419
Write-down of inventories to net realisable value	–	3,080	–	3,080

9. INCOME TAX

	For the three months ended 30 June		For the six months ended 30 June	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Current – Mainland China				
Overprovision in prior year	–	172	–	172
Deferred tax credit	346	2,608	789	3,611
	<b>346</b>	<b>2,780</b>	<b>789</b>	<b>3,783</b>

No provision for Hong Kong profits tax and PRC corporate income tax have been provided for the six months ended 30 June 2013 as the Group did not generate any assessable profits arising in Hong Kong and Mainland China, respectively, during the period (2012: Nil).

Deferred tax credit for the six months ended 30 June 2013 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\$8,331,000 (2012: Nil) is included in "Share of profits and losses of an associate" in the unaudited consolidated results.

## 10. PROFIT/(LOSS) PER SHARE ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The basic and diluted profit/(loss) per share is computed as follows:

	For the three months ended 30 June		For the six months ended 30 June	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Profit/(Loss) attributable to owners	22,383	(187,633)	(182,456)	(212,434)
Less: Profit attributable to perpetual convertible bonds holders	(6,338)	–	–	–
Adjusted profit/(loss) attributable to owners	16,045	(187,633)	(182,456)	(212,434)
Weighted average number of ordinary shares in issue	6,076,394,726	3,816,371,957*	5,901,367,102	3,816,371,957*
Basic and diluted profit/(loss) per share (HK cents)	0.26	(4.92)*	(3.10)	(5.57)*

\* Adjusted to reflect the share consolidation in 2012

No adjustment has been made to the basic loss per share amounts presented for the periods ended 30 June 2013 and 30 June 2012 in respect of a dilution as the impact of the perpetual convertible bonds and share options of the Company outstanding during the period ended 30 June 2013 and the share warrants and share options of the Company outstanding during the period ended 30 June 2012, either had anti-dilutive or no dilutive effect on the basic loss per share amounts presented.

## 11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2013, additions to property, plant and equipment amounted to HK\$3,065,000 and certain investment properties amounted to HK\$50,652,000 have been transferred from investment properties upon commencement of owner-occupation. During the six months ended 30 June 2012, the Group did not have any significant acquisition or disposal of property, plant and equipment.

## 12. INVESTMENT PROPERTIES

As at 30 June 2013, the fair value of the Group's investment properties was HK\$221,382,000 (31 December 2012: HK\$285,200,000) as determined by reference to valuations performed by Savills Valuation and Professional Services Limited, independent professional valuers. During the six months ended 30 June 2013, certain investment properties amounted to HK\$73,080,000 have been transferred to prepaid land lease payments and properties upon commencement of owner-occupation.

### 13. PREPAID LAND LEASE PAYMENTS

During the six months ended 30 June 2013, certain prepaid land lease payments amounted to HK\$22,428,000 have been transferred from investment properties upon commencement of owner-occupation. The current portion of the prepaid land lease payments of HK\$467,000 as at 30 June 2013 was included in prepayments, deposits and other receivables. There was no other significant movement in prepaid land lease payments during the six months ended 30 June 2012. The Group's leasehold lands are situated in Mainland China and are held under medium term leases.

### 14. GOODWILL

As at 30 June 2013 and 31 December 2012, the Group had goodwill arising from the acquisitions of subsidiaries operating in the sports-related business in prior years with a net carrying amount of approximately HK\$269,758,000. Value in use of the cash-generating unit in sports-related business as at 30 June 2013 was determined by reference to a business valuation performed by American Appraisal, using a value in use calculation similar to that in the annual report for the year ended 31 December 2012.

### 15. OTHER INTANGIBLE ASSETS

The Group's other intangible assets mainly represent sports-related business contracts acquired in 2010 upon acquisition of subsidiaries. During this interim period, the Group re-assessed the carrying values of these intangible assets and based on the results of the re-assessment, no impairment loss (2012: impairment loss of HKD6,419,000) was recognised in profit or loss. Apart from the amortisation of other intangible assets of HK\$3,155,000 (2012: HK\$8,025,000) and the aforesaid impairment loss in 2012, there was no significant movements in other intangible assets during the six months periods ended 30 June 2013 and 2012.

### 16. INVESTMENT IN AN ASSOCIATE

	30 June 2013 (Unaudited) HK\$'000	31 December 2012 (Audited) HK\$'000
Share of net assets	1,455,626	1,066,983
Provisional goodwill on acquisition	1,552,125	1,527,488
	<b>3,007,751</b>	2,594,471
Market value of listed shares (per unit)*	<b>3.88</b>	5.04

\* Number of ordinary shares held was approximately 266,374,000 as at 30 June 2013 and 31 December 2012 and number of convertible securities held as at 30 June 2013 was approximately 146,759,000.

**16. INVESTMENT IN AN ASSOCIATE (continued)**

Under the proposed open offer of convertible securities by Li Ning Co 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"), 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. In this connection, the Group's equity interests in Li Ning Co has increased from approximately 25.23% to approximately 26.10% with effect from April 2013, assuming all holders of the convertible securities convert the convertible securities in full upon completion of the Li Ning Open Offer. The Group was one of the underwriters of the Li Ning Open Offer and its obligations under the related underwriting agreement had ceased forthwith upon completion of Li Ning Open Offer. The Group received a gross underwriting fee amounted to HK\$18,617,000 (Note 24(ii)).

**17. DERIVATIVE FINANCIAL ASSETS**

The derivative financial asset as at 30 June 2013 represented the Profit Guarantee provided by the vendors to the Company in respect of the acquisition of Viva China Sports Holding Limited and its subsidiaries (collectively the "Viva China Sports Group"). The fair value of the Profit Guarantee was determined to be HK\$66,150,000 (As at 31 December 2012: HK\$37,572,000) by American Appraisal as at 30 June 2013, based on the unaudited consolidated net profit of the Viva China Sports Group for the year ended 31 December 2012 and its management account prepared up to 30 June 2013 together with its financial budget plans for the second half of 2013. Accordingly, a fair value gain on the derivative financial asset of HK\$27,972,000 (net of currency alignment of HK\$606,000) (2012: HK\$5,491,000) was recognised in profit or loss during the period ended 30 June 2013. The audited consolidated attributable net profit after taxation of Viva China Sports Group for the year ended 31 December 2012 which was derived from its ordinary course of business, has a shortfall amounted to approximately HK\$39.7 million. The amount was received in full at the date of this report.

**18. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES**

	<b>30 June 2013 (Unaudited) HK\$'000</b>	31 December 2012 (Audited) HK\$'000
Prepayments	15,773	6,590
Deposits and other receivables	148,831	139,632
Prepaid land lease payments	467	–
	<b>165,071</b>	146,222

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

The balances as at 31 December 2012 represented a deposit of HK\$230.0 million paid to the Heping Branch of the Shenyang Planning and Land and Resources Bureau (the "SY PLR Bureau") for the acquisition of 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 (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 the 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. The deposit amounted to HK\$230.0 million previously paid for the acquisition was fully returned to the Group during the six months ended 30 June 2013.

## 20. TRADE RECEIVABLES

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

	30 June 2013 (Unaudited) HK\$'000	31 December 2012 (Audited) HK\$'000
Neither past due nor impaired	41,122	9,966
Less than 3 months past due	3,663	3,604
3 to 6 months past due	–	4,349
More than 6 months and less than a year past due	9	7
	<b>44,794</b>	<b>17,926</b>

## 21. TRADE PAYABLES

The trade payables of the Group as at 30 June 2013 and 31 December 2012 were all aged within three months, as determined based on the invoice date.

## 22. OTHER LOAN

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



23. SHARE CAPITAL

	30 June 2013 (Unaudited)		31 December 2012 (Audited)	
	Number of shares	Nominal amount HK\$'000	Number of shares	Nominal amount HK\$'000
Authorised				
Ordinary shares of HK\$0.05 each ("Ordinary Shares")	20,000,000,000	1,000,000	20,000,000,000	1,000,000
Redeemable convertible preferred shares of HK\$0.01 each ("Preferred Shares")	6,000,000,000	60,000	6,000,000,000	60,000
<b>Total</b>	<b>26,000,000,000</b>	<b>1,060,000</b>	26,000,000,000	1,060,000
Issued and fully paid:				
Ordinary Shares				
At 31 December 2012 and 1 January 2013			5,596,394,726	279,820
Issue of ordinary shares of HK\$0.05 each			480,000,000	24,000
At 30 June 2013			6,076,394,726	303,820

## 24. MATERIAL RELATED PARTY TRANSACTIONS

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

	Note	For the six months ended	
		30 June 2013 (Unaudited) HK\$'000	30 June 2012 (Unaudited) HK\$'000
Gross sponsorship income received and receivable from an associate	(i)	24,616	–
Gross underwriting commission fee received from an associate	(ii)	18,617	–
Service income received from an associate	(iii)	–	37

- (i) Gross sponsorship income received and receivable in relation to some sports event and competition managed by the Group from Li Ning Co and its subsidiaries ("Li Ning Group"), which was 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 Group.
- (ii) Gross underwriting commission fee of HK\$18,617,000 represented 2.5% of the principal amount of convertible securities underwritten by the Group under the Li Ning Open Offer. It is determined after arm's length negotiations between the Group and Li Ning Group with reference to current prevailing market rate. Mr. Li Ning is a common director of the Company and the ultimate holding company of Li Ning Group. The underwriting commission fee, after elimination of the attributable portion of the unrealised transaction with Li Ning Group and net of related expenses, amounted to HK\$12,961,000 was recorded as other income (note 4).
- (iii) Service income represented an agency fee for service rendered in relation to the endorsement of brand products of Li Ning Group, which was 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 Group. Pursuant to the relevant agency contract entered with the sport talent appointed by Li Ning Group 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.

## 25. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

### (a) Fair value hierarchy

The following table presents the Group's financial assets and liabilities that are measured at fair value at 30 June 2013.

	Level 3 HK\$'000
<b>Assets</b>	
Derivative financial assets	66,150
<b>Liabilities</b>	
Derivative financial liabilities	
Contingent consideration	1,020,000

The following table presents the group's financial assets and liabilities that are measured at fair value at 31 December 2012.

	Level 2 HK\$'000	Level 3 HK\$'000
<b>Assets</b>		
Derivative financial assets		37,572
<b>Liabilities</b>		
Derivative financial liabilities		
Share warrant	62	–
Contingent consideration	–	984,000

During the six months ended 30 June 2013, there were no transfers between levels 2 and 3 (2012: nil). There were no changes in valuation techniques during the period, same valuation basis used in preparing the financial statements for the year ended 31 December 2012.

- (b) The fair value of some financial assets and liabilities approximate their carrying amount. They are trade receivables, prepayments, deposits and other receivables and cash and cash balances, and trade payables, other payables and accruals and receipts in advance and assets and liabilities within the held-for-sale disposal group.

## 26. CAPITAL COMMITMENTS

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

	30 June 2013 (Unaudited) HK\$'000	31 December 2012 (Audited) HK\$'000
<b>Contracted, but not provided for:</b>		
Construction work	–	1,592
Acquisition of machinery	1,708	–
	<b>1,708</b>	1,592

## 27. EVENTS AFTER THE REPORTING PERIOD

On 2 July 2013, the Company granted share options (the "Options") to certain individuals (the "Grantees") to subscribe for a total of 380,700,000 ordinary shares of HK\$0.05 each of the Company (the "Shares"), under the share option scheme adopted pursuant to an ordinary resolution passed at the extraordinary general meeting of the Company held on 29 June 2010 (the "Share Option Scheme"). The Options shall entitle the Grantees to subscribe for the Shares at an exercise price of HK\$0.50 per Share. Among the Options granted, (i) 43,500,000 of them are subject to a vesting schedule in tranches of one-third each on 2 July 2014, 2 July 2015 and 2 July 2016, respectively; and (ii) 337,200,000 of them are subject to a vesting schedule in tranches of one-fourth each on 2 July 2013, 2 July 2014, 2 July 2015 and 2 July 2016, respectively. All of the Options shall be exercisable for a period of three years after vested according to the respective vesting schedules. Among the Options granted, a total of 163,000,000 of them were granted to directors of the Company. Details of the grant of Options are set out in the Company's announcement dated 2 July 2013. At the date of this report, the Company is in the course of assessing the fair values of the Options granted and the financial effect of such Options.

## 28. INTERIM DIVIDEND

The Directors do not recommend the payment of any interim dividend in respect of the six months ended 30 June 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 six months ended 30 June 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 30 June 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 <sup>(4)</sup>	Total interests	Approximate percentage of shareholding as at 30 June 2013
		Nature of interest Personal interests	Corporate interests			
Mr. LI Ning <sup>(3)</sup>	Interest of controlled corporation	–	8,212,443,151 <sup>(1)</sup>	–	8,212,443,151	135.15%
Mr. LI Chunyang	Beneficial owner	9,995,669	–	18,000,000	27,995,669	0.46%
Mr. CHAN Ling	Beneficial owner	20,007,669	–	18,000,000	38,007,669	0.63%
Mr. LI Qilin	Beneficiary of trusts	6,080,022,769 <sup>(2)</sup>	–	–	6,080,022,769	100.06%
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 8,212,443,151 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 2,328,582,769 Shares in which Victory Mind Assets is interested in comprise (i) 1,280,022,769 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 2,328,582,769 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. See note 1(b) and note 1(c) under "Interests and short positions of substantial shareholders and other persons in the share capital of the Company" below.
3. Mr. Li Ning was also deemed to be interested in 1,807,850 shares (representing, as at 30 June 2013, approximately 0.13% shareholding interest) in the share capital of Li Ning Company Limited 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 Scheme" in this report.

Save as disclosed above, none of the Directors nor the chief executive of the Company had, as at 30 June 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 30 June 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 30 June 2013
<b>Substantial Shareholders</b>			
Mr. Li Chun	Interest of controlled corporation Beneficial owner	8,212,443,151 1,866,666	
		8,214,309,817 <sup>(1)</sup>	135.18%
Lead Ahead <sup>(2)</sup>	Beneficial owner	2,132,420,382	35.09%
Victory Mind Assets <sup>(3)</sup>	Beneficial owner	2,328,582,769	38.32%
Ace Leader <sup>(3)</sup>	Interest in controlled corporation	2,328,582,769	38.32%
Jumbo Top <sup>(3)</sup>	Interest in controlled corporation	2,328,582,769	38.32%
TMF <sup>(3)</sup>	Trustee	2,328,582,769	38.32%
Dragon City <sup>(4)</sup>	Trustee	3,751,440,000	61.74%
Cititrust <sup>(4)</sup>	Trustee	3,751,440,000	61.74%
<b>Other Persons</b>			
Atlantis Capital Holdings Limited <sup>(5)</sup>	Investment Manager	505,000,000	8.31%
LIU Yang <sup>(5)</sup>	Interest in controlled corporation	505,000,000	8.31%
MA Chi Seng	Beneficial owner	500,000,000	8.23%

Notes:

- Mr. Li Chun is interested in the share options of the Company entitling to subscribe for a total of 1,866,666 Shares and is also deemed to be interested in an aggregate of 8,212,443,151 Shares through his interests in Lead Ahead, Victory Mind Assets and Dragon City, respectively, as follows:

- 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 2,328,582,769 Shares in which Victory Mind Assets is interested in comprise (i) 1,280,022,769 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 2,328,582,769 Shares. Mr. Li Qilin is a beneficiary of the trust and is also therefore deemed to be interested in such 2,328,582,769 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 Qilin is a beneficiary of one of the said separate trusts and is also therefore deemed to be interested in such 3,751,440,000 Shares. 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.
2. 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.
3. See note 1(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" and note 1(b) 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 2,328,582,769 Shares which Victory Mind Assets is interested in.
4. See note 1(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" and note 1(c) above. Cititrust is deemed to be interested in the 3,751,440,000 Shares which Dragon City is interested in.
5. 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 30 June 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 highcalibre 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 six months ended 30 June 2013 are set out below:

	Date of Grant	Number of Share Options		
		Balance as at 1.1.2013	Cancelled during the period	Balance as at 30.6.2013
<b>Directors</b>				
Chan Ling	02.07.2010	6,000,000	–	6,000,000 <sup>(1)</sup>
	20.09.2011	12,000,000	–	12,000,000 <sup>(2)</sup>
Li Chunyang	02.07.2010	6,000,000	–	6,000,000 <sup>(1)</sup>
	20.09.2011	12,000,000	–	12,000,000 <sup>(2)</sup>
Ma Wing Man	02.07.2010	1,000,000	–	1,000,000 <sup>(1)</sup>
	20.09.2011	1,800,000	–	1,800,000 <sup>(2)</sup>
Chen Johnny	02.07.2010	1,000,000	–	1,000,000 <sup>(1)</sup>
	20.09.2011	1,800,000	–	1,800,000 <sup>(2)</sup>
Ng Sau Kei, Wilfred	02.07.2010	1,000,000	–	1,000,000 <sup>(1)</sup>
	20.09.2011	1,800,000	–	1,800,000 <sup>(2)</sup>
Lee Wa Lun, Warren <sup>(3(iii))</sup>	02.07.2010	1,000,000 <sup>(1)</sup>	(333,334)	666,666 <sup>(3(iii))</sup>
	20.09.2011	1,800,000 <sup>(2)</sup>	(600,000)	1,200,000 <sup>(3(iii))</sup>
Li Chun <sup>(3(i))</sup>	02.07.2010	1,000,000 <sup>(1)</sup>	(333,334)	666,666 <sup>(3(i))</sup>
	20.09.2011	1,800,000 <sup>(2)</sup>	(600,000)	1,200,000 <sup>(3(i))</sup>
Ip Shu Kwan, Stephen <sup>(3(i))</sup>	02.07.2010	1,000,000	(1,000,000) <sup>(1)</sup>	–
	20.09.2011	1,800,000	(1,800,000) <sup>(2)</sup>	–
		52,800,000	(4,666,668)	48,133,332

	Date of Grant	Number of Share Options		
		Balance as at 1.1.2013	Cancelled during the period	Balance as at 30.6.2013
<b>Other employees</b>				
In aggregate	02.07.2010	3,400,000	—	3,400,000 <sup>(4)</sup>
In aggregate	06.09.2010	7,960,000	—	7,960,000 <sup>(5)</sup>
In aggregate	20.09.2011	30,990,000	(470,000)	30,520,000 <sup>(6)</sup>
		42,350,000	(470,000)	41,880,000
<b>Other grantees</b>				
In aggregate	06.09.2010	2,400,000	—	2,400,000 <sup>(7)</sup>
In aggregate	20.09.2011	24,400,000	—	24,400,000 <sup>(8)</sup>
		26,800,000	—	26,800,000
		121,950,000	(5,136,668)	116,813,332

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. Ip Shu Kwan, Stephen resigned as an independent non-executive Director with effect from 15 March 2013.
  - (ii) Mr. Li Chun retired as a non-executive Director with effect from 6 June 2013. Below is the information in relation to the balance share options granted to him as at 30 June 2013:
    - (a) as at 30 June 2013, the balance of share options granted on 2 July 2010 comprised the following: (i) 333,333 share options with exercisable period from 2 July 2011 to 1 July 2016; and (ii) 333,333 share options with exercisable period from 2 July 2012 to 1 July 2017.
    - (b) as at 30 June 2013, the balance of share options granted on 20 September 2011 comprised the following: (i) 600,000 share options with exercisable period from 20 September 2011 to 19 September 2013; and (ii) 600,000 share options with exercisable period from 20 September 2012 to 19 September 2014.



(iii) Mr. Lee Wa Lun, Warren retired as an executive Director with effect from 25 June 2013. Below is the information in relation to the balance share options granted to him as at 30 June 2013:

(a) as at 30 June 2013, the balance of share options granted on 2 July 2010 comprised the following: (i) 333,333 share options with exercisable period from 2 July 2011 to 1 July 2016; and (ii) 333,333 share options with exercisable period from 2 July 2012 to 1 July 2017.

(b) as at 30 June 2013, the balance of share options granted on 20 September 2011 comprised the following: (i) 600,000 share options with exercisable period from 20 September 2011 to 19 September 2013; and (ii) 600,000 share options with exercisable period from 20 September 2012 to 19 September 2014.

(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 470,000 share options, the number of share options under (i), (ii), (iii) and (iv) of this note reduced to 4,509,998, 8,476,666, 8,266,669 and 4,966,667 as at 30 June 2013, while the number of share options under (v) of this note remained unchanged as at 30 June 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 six months ended 30 June 2013.

## DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the rules set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the "Required Standard") as the code for dealing in securities of the Company by the Directors. The Company has made specific enquiry with all Directors, and the Directors have confirmed compliance with the Required Standard throughout the six months ended 30 June 2013.

## DIRECTORS' INTERESTS IN A COMPETING BUSINESS

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

## DISCLOSURE ON CHANGES OF INFORMATION OF DIRECTORS

Pursuant to the Rule 17.50A(1) of the GEM Listing Rules, the changes in details of the Directors' information subsequent to the date of the annual report of the Company for the year ended 31 December 2012 are set out below:

### *Biographical details*

Name	Details of Changes
Mr. Li Ning*	appointed as the chief executive officer of the Company (the "Chief Executive Officer") with effect from 22 May 2013
Mr. Chan Ling	appointed as the chief operating officer of the Company (the "Chief Operating Officer") with effect from 22 May 2013
Mr. Li Qilin*	appointed as a non-executive Director with effect from 6 June 2013
Mr. Lien Jown Jing, Vincent	appointed as an independent non-executive Director and a member of each of the remuneration committee and the audit committee of the Company with effect from 6 June 2013
Mr. Chan James	appointed as a non-executive Director with effect from 28 June 2013
Mr. Li Chun*	retired as a non-executive Director with effect from 6 June 2013
Mr. Lee Wa Lun, Warren	retired as an executive Director with effect from 25 June 2013

\* *Mr. Li Qilin is the son of Mr. Li Chun, a retired Director and the nephew of Mr. Li Ning, an executive Director, the Chief Executive Officer and the chairman of the Company (the "Chairman").*

### *Directors' emoluments*

Mr. Li Ning has entered into a new service agreement with the Company as an executive Director and the Chief Executive Officer for a contractual term of three years commencing on 1 April 2013. He will be subject to retirement by rotation and re-election at the general meetings of the Company in accordance with the articles of association of the Company (the "Articles"). Under the new service agreement, Mr. Li is entitled to receive a fixed annual salary of HK\$9,600,000, an annual director's fee of HK\$150,000 and a discretionary bonus and he will also be entitled to additional remuneration or fees as determined by the Company from time to time having regard to the services provided by him.

Mr. Chan Ling has entered into a new service agreement with the Company as an executive Director and the Chief Operating Officer for a contractual term of three years commencing on 1 April 2013. He will be subject to retirement by rotation and re-election at the general meetings of the Company in accordance with the Articles. Under the new service agreement, Mr. Chan is entitled to receive a fixed annual salary of HK\$1,800,000, an annual director's fee of HK\$150,000 and a discretionary bonus and he will also be entitled to additional remuneration or fees as determined by the Company from time to time having regard to the services provided by him.

Mr. Li Chunyang has entered into a new service agreement with the Company as an executive Director for a contractual term of three years commencing on 1 April 2013. He will be subject to retirement by rotation and re-election at the general meetings of the Company in accordance with the Articles. Under the new service agreement, Mr. Li is entitled to receive a fixed annual salary of HK\$840,000, an annual director's fee of HK\$150,000 and a discretionary bonus and he will also be entitled to additional remuneration or fees as determined by the Company from time to time having regard to the services provided by him.

The Company entered into new service agreement with each of Mr. Chen Johnny, Mr. Ng Sau Kei, Wilfred and Mr. Ma Wing Man for a term of three years with effect from 2 June 2013 and each of them will be subject to retirement by rotation and re-election at the general meetings of the Company in accordance with the Articles. Pursuant to the terms of the respective service agreements with the Company, each of Mr. Chen and Mr. Ng is entitled to an annual director's fee of HK\$200,000 which was determined by the Board with reference to his responsibilities to be undertaken and such additional fees or other remuneration in respect of any special services agreed by the parties to be rendered by each of them as the parties may from time to time agree. Pursuant to the terms of Mr. Ma's service agreement with the Company, Mr. Ma is entitled to an annual director's fee of HK\$150,000 which was determined by the Board with reference to his responsibilities to be undertaken and such additional fees or other remuneration in respect of any special services agreed by the parties to be rendered by him as the parties may from time to time agree.

In relation to the appointment of Mr. Li Qilin and Mr. Lien Jown Jing, Vincent as a non-executive Director and an independent non-executive Director respectively effective 6 June 2013, the Company entered into a service agreement with each of Mr. Li and Mr. Lien for a term of three years with effect from 6 June 2013 and each of them will be subject to retirement by rotation and re-election at the general meetings of the Company in accordance with the Articles. Pursuant to the terms of Mr. Li's service agreement with the Company, Mr. Li is entitled to an annual director's fee of HK\$150,000 which was determined by the Board with reference to his responsibilities to be undertaken and such additional fees or other remuneration in respect of any special services agreed by the parties to be rendered by him as the parties may from time to time agree. Pursuant to the terms of Mr. Lien's service agreements with the Company, Mr. Lien is entitled to an annual director's fee of HK\$200,000 which was determined by the Board with reference to his responsibilities to be undertaken and such additional fees or other remuneration in respect of any special services agreed by the parties to be rendered by him as the parties may from time to time agree.

The Company also entered into a service agreement with Mr. Chan James in relation to his appointment as a non-executive Director for a term of three years with effect from 28 June 2013 and he will be subject to retirement by rotation and re-election at the general meetings of the Company in accordance with the Articles. Pursuant to the terms of Mr. Chan's service agreement with the Company, Mr. Chan is entitled to an annual director's fee of HK\$150,000 which was determined by the Board with reference to his responsibilities to be undertaken and such additional fees or other remuneration in respect of any special services agreed by the parties to be rendered by him as the parties may from time to time agree.

## MINIMUM NUMBER OF INDEPENDENT NON-EXECUTIVE DIRECTORS

Following the resignation of Mr. Ip Shu Kwan, Stephen with effect from 15 March 2013, the number of independent non-executive Directors had fallen below the minimum number required under Rules 5.05(1) and 5.05A of the GEM Listing Rules. On 6 June 2013, Mr. Lien Jown Jing, Vincent was appointed as an independent non-executive Director of the Company. Upon the appointment of Mr. Lien, the Company has three independent non-executive Directors, representing at least one-third of the Board, which is in full compliance with the requirements under Rules 5.05(1) and Rule 5.05A of the GEM Listing Rules.

## CORPORATE GOVERNANCE

The Company is committed to achieving and maintaining high standard of corporate governance. The Company had complied with the code provisions the Corporate Governance Code (the "CG Code") during the six months ended 30 June 2013 as set out in Appendix 15 of the GEM Listing Rules, save for the disclosure below.

The code provision A2.1 of the CG Code stipulates that the role of the chairman and the chief executive officer should be separated and should not be performed by the same individual. Mr. Li Ning holds both the positions of the Chairman and the Chief Executive Officer. Taking into account of Mr. Li's expertise and insight of the sports field, having these two roles performed by Mr. Li enables more effective and efficient overall business planning and implementation of business decisions and strategies of the Group. The Board believes that the balance of power and authority is ensured by the operations of the Board, which comprises experienced and high caliber individuals and adequate independent element in the composition of the Board, with one-third of them being independent non-executive Directors.

In respect of the code provision A6.7 of the CG Code, independent non-executive Directors and other non-executive Directors should attend the general meetings of the Company. One of the independent non-executive Directors of the Company was unable to present at the extraordinary general meeting of the Company held on 13 March 2013 as he had overseas engagement and another independent non-executive Director was unable to attend the annual general meeting of the Company on 25 June 2013 due to illness.

## AUDIT COMMITTEE

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

The Audit Committee currently comprises three independent non-executive Directors, namely, Mr. Chen Johnny (the Chairman of the Audit Committee), Mr. Lien Jown Jing, Vincent and Mr. Ng Sau Kei, Wilfred and one non-executive Director, Mr. Ma Wing Man. The unaudited consolidated results of the Group for the six months ended 30 June 2013 have been reviewed by the Audit Committee.

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

Hong Kong, 12 August 2013

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

*Executive Directors:*

Mr. Li Ning (*Chairman and Chief Executive Officer*)

Mr. Chan Ling (*Chief Operating Officer*)

Mr. Li Chunyang

*Non-executive Directors:*

Mr. Chan James

Mr. Li Qilin

Mr. Ma Wing Man

*Independent Non-executive Directors:*

Mr. Chen Johnny

Mr. Lien Jown Jing, Vincent

Mr. Ng Sau Kei, Wilfred



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CHINA  
HOLDINGS  
LIMITED  
INTERIM  
REPORT 2013**

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