



Interim Report
2014



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

(Incorporated In The Cayman Islands With Limited Liability)
Stock Code: 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 (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.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

During the six months ended 30 June 2014, the Group's consolidated revenue increased by 28.8% to HK\$54.6 million from HK\$42.4 million year-on-year. The increase in revenue was mainly driven by revenue derived from the commercial rights secured by the Group in relation to certain basketball leagues in the People's Republic of China (the "PRC") and Li-Ning BWF Thomas & Uber Cup Finals 2014 held in India. The production and marketing of precast concrete products and glass-fiber reinforced concrete products by a subsidiary of the Group also contributed to the increase in revenue during the reporting period. Gross profit amounted to HK\$5.8 million in the period under review (the corresponding period in 2013: HK\$6.1 million), representing a slight decline of 4.9%. The decline in gross profit was mainly caused by a drop in the gross profit margin for the Sports segment.

The Group's other income and gains in the first half of 2014 amounted to HK\$12.4 million (the corresponding period in 2013: HK\$51.2 million). Gains on disposal of subsidiaries and interest income were the main contributors to the other income and gains for the first half of 2014, whereas the net underwriting commission fee of HK\$13.0 million for acting as one of the underwriters of the open offer of convertible securities by Li Ning Company Limited ("Li Ning Co"), together with a fair value gain on derivative financial assets in the amount of HK\$28.0 million in relation to the profit guarantees (the "Profit Guarantees") given by the vendors at the time the Group acquired the sports business segment contributed to the Group's other income and gains during the corresponding period. Details of Profit Guarantees were set out in the section "Profit Guarantees".

Selling and distribution expenses for the first half of 2014 amounted to HK\$24.1 million (the corresponding period in 2013: HK\$14.2 million), representing an increase of 69.7%. The increase was attributed to the expenditures incurred to improve the publicity of basketball leagues.

Administrative expenses and other operating expenses ("Administrative Expenses") incurred in the reporting period amounted to HK\$95.5 million (the corresponding period in 2013: HK\$44.9 million), representing an increase of 112.7%. The increase was due primarily to non-cash items in Administrative Expenses, which amounted to HK\$54.2 million (the corresponding period in 2013: HK\$8.1 million), mainly included share options expenses, foreign exchange losses and depreciation of fixed assets, etc. Excluding these major non-cash items, Administrative Expenses in the period under review would have been HK\$41.3 million (the corresponding period in 2013: HK\$36.8 million). The change was mainly attributable to the increase in staff and related costs as more staff were hired to cope with the expansion of the sports segment and the transformation of business of Shenyang industrial plant, under the Community Development segment, from the leasing to the manufacturing of precast concrete products and glass-fiber reinforced concrete products.

MANAGEMENT DISCUSSION AND ANALYSIS

Li Ning Co is accounted for as an associate of the Group. The Group has adopted the provision contained in HKAS 28 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\$194.8 million (the corresponding period in 2013: HK\$145.6 million) based on its adjusted financial results for the six months ended 31 March 2014 adjusted by any significant events or transactions for the period from 1 April 2014 to 30 June 2014.

During the six months ended 30 June 2014, the Group recorded a net loss amounted to HK\$296.6 million (the corresponding period in 2013: HK\$182.7 million), representing an increase of 62.4%, contributed by certain substantial non-cash items. Major non-cash items for the six months ended 30 June 2014 included the share of loss of an associate of HK\$194.8 million, share option expenses of HK\$39.0 million and net exchange losses of HK\$12.6 million, together with other non-cash items, with a net impact to the Group's results of HK\$250.0 million, whereas major non-cash items for the same period in 2013 included the fair value loss on derivative financial liabilities of HK\$36.0 million, share of loss of an associate of HK\$145.6 million, the fair value gain on profit guarantee of HK\$28.0 million, together with other non-cash items, with a net impact to the Group's results of HK\$154.3 million.

SEGMENT

Sports

The Sports segment encompasses sports talent management, sports and athletic related consulting, event production and organisation of sports competitions. During the period under review, the Group generated revenue of an aggregate amount of HK\$42.9 million (the corresponding period in 2013: HK\$26.6 million) from the commercial rights secured in 2013 to certain basketball leagues in the PRC, namely, Chinese University Basketball Association (CUBA), Chinese University Basketball Super League (CUBS), Chinese High School Basketball League (CHBL) and Chinese Junior School Basketball League (CJBL), and Li-Ning BWF Thomas & Uber Cup Finals 2014, a world-class badminton tournament held in India.

During the first half of 2014, our Sports segment generated revenue of HK\$45.7 million (the corresponding period in 2013: HK\$37.3 million), representing an increase of 22.5%. The revenue surge was mainly driven by the aforementioned commercial rights to the basketball leagues and badminton tournament. The segment recorded an operating loss of HK\$19.1 million (the corresponding period in 2013: HK\$12.7 million) due to lower gross profit margin for sports talent management income, higher operating expenses as well as exchange losses incurred during the period. It is the Group's strategy to establish an integrated sports platform leveraging the existing resources of this segment. By investing in Li Ning Co and utilising its sports resources and portfolios, the Group can create synergies and reap crossover benefits for this business segment. It also indicated the Group's devotion to obtain, enhance and develop its sports resources, and to explore potential commercial values for the Sports segment.

MANAGEMENT DISCUSSION AND ANALYSIS

Community Development

The Community Development segment generated revenue of HK\$7.8 million (the corresponding period in 2013: HK\$5.0 million) during the six months ended 30 June 2014. The increase in revenue was mainly attributable to the production and sale of precast concrete products and glass-fiber reinforced concrete products. Since the second quarter of 2013, this segment's major business has been transformed from the leasing of industrial plants located in Shenyang, the PRC, to the manufacturing of precast concrete products and glass-fiber reinforced concrete products. Despite the growth in revenue, this segment reported an operating loss of HK\$15.5 million (the corresponding period in 2013: HK\$11.2 million), due to the costs incurred to achieve the business transformation. With the mastering of production techniques and streamlining of workflows, the management expects to achieve lower operating costs in the near future hence improve profitability of this segment. In addition, with the local government's intention to promote environmentally-friendly construction techniques, we expect a continuous increase in demand of the segment's products. The management also expects potential contribution of these construction techniques to the success of sports-themed community development.

The Board will continue its efforts in identifying profitable community development opportunities in different cities in the PRC. With continuous 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 seeking opportunities and studying the feasibility of various potential projects in cities with huge growth prospects, with an aim to invest and participate in commercial development of sports-themed communities in the PRC. Together with our existing sports talents and resources, the Board believes that the expected expansion in this segment will create synergies and deliver long-term benefits to our shareholders.

Green Energy

The disposal of 76.9% equity interests in a subsidiary of the Group in Zhongshan, the PRC was completed in March 2014, and a gain of HK\$5.7 million was recorded as a result. Revenue of this segment amounted to HK\$1.0 million during the period under review whereas an insignificant amount was recorded for the same period in 2013. Excluding the gain on disposal of the subsidiary, this segment recorded an operating loss of HK\$5.1 million (the corresponding period in 2013: HK\$2.2 million) for the first half of 2014.

Financial Position

Net assets of the Group as at 30 June 2014 was HK\$3,996.3 million compared to HK\$4,325.3 million as at 31 December 2013. The decrease was mainly attributed to the total comprehensive loss of HK\$296.6 million together with the depreciation of certain assets denominated in Renminbi ("RMB") during the period.

The total non-current assets of the Group decreased from HK\$3,338.9 million as at 31 December 2013 to HK\$3,071.0 million as at 30 June 2014. The decline was mainly brought about by the increase in share of losses of an associate by HK\$194.8 million and remeasurement of certain non-current assets which are denominated in RMB.

MANAGEMENT DISCUSSION AND ANALYSIS

Net current assets of the Group as at 30 June 2014 decreased by HK\$61.0 million as compared to that as at 31 December 2013. This was due to the operating loss and exchange losses incurred during the period under review. As at 30 June 2014, the Group had cash and bank deposits (including pledged deposits) of HK\$832.0 million (As at 31 December 2013: HK\$846.7 million).

Liquidity and Financial Resources

During the first half of 2014, the Group's net cash used in operating activities decreased to HK\$33.9 million from HK\$64.2 million during the corresponding period in 2013. Decrease in operating cash outflow was mainly due to the receipt of Profit Guarantee for the year of 2013 during the period. The above cash outflows have been partially offset by the net cash inflow generated from investing activities, which were mainly attributable to the interest income received and gain on disposal of subsidiaries during the period, together with financing activities, which were mainly attributable to the issue of 700,000,000 warrants of the Company for net proceeds of HK\$6.0 million and drawdown of new bank loan during the period.

The gross cash and bank balances as at the reporting date was HK\$832.0 million (As at 31 December 2013: HK\$846.7 million), of which RMB15.0 million, equivalent to approximately HK\$18.7 million (As at 31 December 2013: RMB15.0 million, equivalent to approximately HK\$19.2 million) had been pledged to secure RMB15.0 million banking facilities of a PRC subsidiary. The Group has obtained bank facilities of approximately HK\$93.5 million (As at 31 December 2013: HK\$96.0 million), of which approximately HK\$74.9 million remained unutilised as at 30 June 2014 (As at 31 December 2013: HK\$84.1 million). The Group had no gearing as at the reporting date and as at 31 December 2013. 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 7.8 (As at 31 December 2013: 8.3). 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 the PRC, 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Charge on Deposit

As at the reporting date, a charge over bank deposit amounted to RMB15.0 million (equivalent to approximately HK\$18.7 million) had been given by the Group to secure RMB15.0 million banking facilities of a PRC subsidiary.

Profit Guarantees

In October 2010, the Company acquired the entire equity interest of Viva China Sports Holding Limited and its subsidiary (the "Target Group") at a consideration of HK\$332.0 million (the "Acquisition"). Under the Acquisition, the vendors of the Target Group (the "Vendors") guaranteed the Company that the consolidated attributable net profit after taxation (net of minority interests) of the Target Group as ascertained from the audited financial statements of the Target Group prepared under Hong Kong Financial Reporting Standards ("HKFRSs") a guarantee period of three financial years (i.e. for the three consecutive financial years ended 31 December 2011, 2012 and 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 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 2013, which was derived from its ordinary course of business, recorded a shortfall amounted to approximately HK\$61.3 million. The Vendors compensated the Company for the shortfall amount by cash and the amount has been received in full in the period.

Material Transactions

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

- (a) In December 2012, the Company issued initial perpetual convertible bonds with a principal amount of HK\$780.0 million for the acquisition of approximately 25.2% equity interest in Li Ning Co. The initial perpetual convertible bonds which had a carrying value of HK\$955.5 million are convertible at the option of the bondholders into shares anytime at a conversion price of HK\$0.325 per share. On 6 June 2014, all initial perpetual convertible bonds were converted into 2,400,000,000 ordinary shares of the Company and was accounted for as a reclassification within equity.
- (b) On 26 May 2014, the Company entered into a warrant placing agreement (the "Warrant Placing Agreement") with RHB OSK Securities Hong Kong Limited (the "Placing Agent"), an independent third party. Pursuant to the Warrant Placing Agreement, the Placing Agent agreed to place up to 700,000,000 warrants at a consideration of HK\$0.01 each, the warrants conferring rights to subscribe for up to 700,000,000 ordinary shares of the Company at an exercise price of HK\$0.55 per share (subject to adjustment) to the warrant placees who and their respective ultimate beneficial owners are independent third parties. The warrants have an exercise period of 18 months. The warrant placing has been completed on 11 June 2014 and 700,000,000 warrants have been issued to six placees in accordance with the terms and conditions of the Warrant Placing Agreement. An aggregated net proceeds of approximately HK\$6.0 million has been raised by the warrant placing and will be utilised by the Group as general working capital.

MANAGEMENT DISCUSSION AND ANALYSIS

Outlook

The introduction of state policies and nationwide program on sustainable development of the sports industry, such as “12th Five-Year Plan of Sport” and “Nationwide Physical Fitness Program”, is expected to prompt imminent growth of the China sports industry and professional sports enterprises, and enhance awareness and popularity of physical activities among the general public. Moreover, the latest “National New Urbanisation Plan” launched by the State Council in March 2014 outlined the implementation of the new Residence Permit System to convert rural population into urban residents. Transformation and renovation of shantytowns and “old villages within city” will be also accelerated. The new urbanisation plan is expected to boost urban residencies, hence unlock huge potential on domestic demand, recreational services and sports-themed facilities in the neighborhood. The Group is optimistic on the sport industry outlook backed by strong and supportive government policies.

The property market in China has been showing signs of increasing stress in the first half of 2014 as a result of excess property supply and slower economic growth. Some cities have begun rolling out fine-tuning measures to ease the curbs on multiple home purchases and property regulations in the first half of 2014 to stabilise property sales. The property market is expected to undergo a dynamic adjustment process, with property sales and investment in new constructions gradually picking up in the second half of the year. In view of this, the Group will continue its efforts to cautiously expand the scale and scope of our existing sports-themed businesses, and leverage its resources to aid our investment, participation and diversification in sports-themed property development projects in the PRC. The Group is devoted to engage in sound and sustainable sports-themed community businesses through our well-experienced management and operation expertise, and keep its momentum to explore opportunities on creating new growth drivers and income streams for the business, hence providing additional values to our shareholders.

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 2014 to 30 June 2014 and from 1 January 2014 to 30 June 2014 together with the comparative unaudited condensed consolidated results for the corresponding periods in 2013 as follows:

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

For the three and six months ended 30 June 2014

	Note	For the three months ended 30 June		For the six months ended 30 June	
		2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Revenue	3	31,740	23,577	54,569	42,388
Cost of sales		(27,237)	(21,735)	(48,723)	(36,252)
Gross profit		4,503	1,842	5,846	6,136
Other income and gains, net	3	7,653	46,160	12,389	51,188
Selling and distribution costs		(13,008)	(8,176)	(24,081)	(14,184)
Administrative and other operating expenses		(52,902)	(24,122)	(95,461)	(44,940)
Fair value gain/(loss) on derivative financial liabilities	5	–	60,000	–	(36,000)
Finance costs		(285)	(6)	(536)	(16)
Share of losses of an associate	6	(129,968)	(53,794)	(194,776)	(145,626)
Profit/(Loss) before income tax	7	(184,007)	21,904	(296,619)	(183,442)
Income tax	8	–	346	–	789
Profit/(Loss) for the period		(184,007)	22,250	(296,619)	(182,653)
Other comprehensive income/(loss):					
Items that may be reclassified subsequently to profit or loss, net of income tax of nil					
– Share of other comprehensive income/(loss) of an associate		(79)	69	5	60
– Exchange differences released upon disposal of a subsidiary		–	–	(404)	–
– Exchange differences on translation of foreign operations		(13,200)	27,767	(87,191)	49,998

UNAUDITED CONDENSED CONSOLIDATED INTERIM RESULTS

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

For the three and six months ended 30 June 2014

	Note	For the three months ended 30 June		For the six months ended 30 June	
		2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Other comprehensive income/(loss) for the period, net of income tax of nil		(13,279)	27,836	(87,590)	50,058
Total comprehensive income/(loss) for the period		(197,286)	50,086	(384,209)	(132,595)
Profit/(Loss) attributable to:					
Equity shareholders of the Company		(184,002)	22,383	(296,552)	(182,456)
Non-controlling interests		(5)	(133)	(67)	(197)
		(184,007)	22,250	(296,619)	(182,653)
Total comprehensive income/(loss) attributable to:					
Equity shareholders of the Company		(197,281)	50,230	(384,098)	(132,404)
Non-controlling interests		(5)	(144)	(111)	(191)
		(197,286)	50,086	(384,209)	(132,595)
Profit/(Loss) per share attributable to equity shareholders of the Company:					
Basic and diluted (HK cents)	9	(2.73)	0.26	(4.63)	(3.10)

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

UNAUDITED CONDENSED CONSOLIDATED INTERIM RESULTS

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2014

	Note	30 June 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	10	61,090	63,532
Investment properties	11	220,594	226,176
Prepaid land lease payments		21,195	21,993
Investment in an associate	12	2,759,191	3,018,078
Deposits paid		1,617	1,617
Deferred tax assets		7,314	7,507
Total non-current assets		3,071,001	3,338,903
CURRENT ASSETS			
Prepayments, deposits and other receivables	13	153,450	157,805
Inventories	14	16,115	14,419
Trade receivables	15	60,176	34,425
Derivative financial asset	16	–	61,000
Pledged deposit		18,705	19,200
Cash and bank balances		813,298	827,530
		1,061,744	1,114,379
Assets of a disposal group classified as held for sale		–	7,278
TOTAL CURRENT ASSETS		1,061,744	1,121,657
CURRENT LIABILITIES			
Trade payables	17	20,126	21,232
Other payables and accruals		48,875	36,874
Receipts in advance		1,106	11,987
Bank and other loans	18	18,663	12,929
Income tax payables		47,649	48,910
		136,419	131,932
Liabilities of a disposal group classified as held for sale		–	3,370
Total current liabilities		136,419	135,302
NET CURRENT ASSETS		925,325	986,355
TOTAL ASSETS LESS CURRENT LIABILITIES		3,996,326	4,325,258
NET ASSETS		3,996,326	4,325,258

UNAUDITED CONDENSED CONSOLIDATED INTERIM RESULTS

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

As at 30 June 2014

	Note	30 June 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
EQUITY			
Equity attributable to equity shareholders of the Company			
Share capital	19	423,820	303,820
Perpetual convertible bonds	20	1,139,046	2,094,526
Reserves		2,433,464	1,924,456
		3,996,330	4,322,802
Non-controlling interests		(4)	2,456
TOTAL EQUITY		3,996,326	4,325,258

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

UNAUDITED CONDENSED CONSOLIDATED INTERIM RESULTS

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2014

	Attributable to equity shareholders of the Company											
	Issued capital	Share premium account	Perpetual convertible bonds	Unlisted Warrants Reserve	Share option reserve	Exchange fluctuation reserve	Reserve funds	Other reserve	Accumulated losses	Total	Non-controlling interests	Total equity
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
For the six months ended 30 June 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	2,690	3,457,989
Loss for the period	-	-	-	-	-	-	-	-	(182,456)	(182,456)	(197)	(182,653)
Other comprehensive income 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
Transfer of share option reserve upon the forfeiture or expiry of share options	-	-	-	-	(816)	-	-	-	816	-	-	-
Share of an associate's reserve	-	-	-	-	2,239	-	-	-	-	2,239	-	2,239
Balance 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
For the six months ended 30 June 2014												
Balance at 1 January 2014	303,820	3,080,480*	2,094,526	-	84,744*	102,272*	1,281*	(1,671)*	(1,342,650)*	4,322,802	2,456	4,325,258
Loss for the period	-	-	-	-	-	-	-	-	(296,552)	(296,552)	(67)	(296,619)
Other comprehensive income/(loss) for the period:												
Exchange differences on translation of foreign operations	-	-	-	-	-	(87,147)	-	-	-	(87,147)	(44)	(87,191)
Share of other comprehensive income of an associate	-	-	-	-	-	5	-	-	-	5	-	5
Exchange differences released upon disposal of a subsidiary	-	-	-	-	-	(404)	-	-	-	(404)	-	(404)
Total comprehensive loss for the period	-	-	-	-	-	(87,546)	-	-	(296,552)	(384,098)	(111)	(384,209)
Conversion of perpetual convertible bonds (Note 20)	120,000	835,480	(955,480)	-	-	-	-	-	-	-	-	-
Issue of unlisted warrants (Note 21)	-	-	-	5,993	-	-	-	-	-	5,993	-	5,993
Equity-settled share option arrangements	-	-	-	-	39,029	-	-	-	-	39,029	-	39,029
Transfer of share option reserve upon the forfeiture or expiry of share options	-	-	-	-	(793)	-	-	-	793	-	-	-
Share of an associate's reserve	-	-	-	-	12,604	-	-	-	-	12,604	-	12,604
Release of non-controlling interest upon disposal of a subsidiary	-	-	-	-	-	-	-	-	-	-	(2,349)	(2,349)
Balance at 30 June 2014	423,820	3,915,960*	1,139,046	5,993*	135,584*	14,726*	1,281*	(1,671)*	(1,638,409)*	3,996,330	(4)	3,996,326

* These reserve accounts comprise the unaudited consolidated reserves of HK\$2,433,464,000 (December 2013: HK\$1,924,456,000) in the unaudited condensed consolidated statement of financial position.

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

UNAUDITED CONDENSED CONSOLIDATED INTERIM RESULTS

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2014

	For the six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net cash flows used in operating activities	(33,904)	(64,246)
Net cash flows generated from/(used in) investing activities	8,616	(287,955)
Net cash flows generated from financing activities	11,771	239,256
Decrease in cash and cash equivalents	(13,517)	(112,945)
Effect of foreign exchange rate changes, net	(715)	(2,124)
Cash and cash equivalents at the beginning of period	827,530	932,409
Cash and cash equivalents at the end of period	813,298	817,340

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED 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 were involved in the following principal activities:

- production and distribution of sports content, management and marketing of sports talents and provision of sports consultancy service;
- property development and investment, research and development, manufacturing, marketing and sales 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

Li Ning Company Limited, 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) ("Li Ning Co"), is an associated company of the Group, whose principal activities 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").

These financial statements are presented in HK dollars, unless otherwise stated.

2. BASIS OF PREPARATION

Basis of preparation

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2014 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 ("HKICPA").

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

2. BASIS OF PREPARATION (Continued)

Basis of preparation (Continued)

These unaudited condensed consolidated interim financial statements do not include all the information and disclosure required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2013, which have been prepared in accordance with Hong Kong Financial Reporting Standards (the "HKFRSs").

The accounting policies used in the preparation of the unaudited condensed consolidated interim financial statements are consistent with those adopted in preparing the annual audited financial statements for the year ended 31 December 2013.

HKICPA has issued a few amendments to HKFRSs and one new interpretation that are mandatory for the first time for the financial year beginning 1 January 2014:

Amendment to HKAS 32	"Financial instruments: Presentation – Offsetting financial assets and financial liabilities"
Amendment to HKAS 36	"Impairment of assets – Recoverable amount disclosures for non-financial assets"
Amendment to HKAS 39	"Financial Instruments: Recognition and measurement – Novation of derivatives and continuation of hedge accounting"
Amendments to HKFRS 10, 12 and HKAS 27	"Consolidation for investment entities"
HKFRIC 21	"Levies"

The adoption of these amendments 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.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

3. REVENUE, OTHER INCOME AND GAINS, NET

	For the three months ended 30 June		For the six months ended 30 June	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Revenue				
Sports content production and distribution income	25,904	15,002	43,153	30,221
Sports talent management income	1,231	3,597	2,586	7,090
Sale of construction materials	4,359	4,761	7,470	4,761
Gross rental income	184	201	374	277
Sale of air-conditioning systems	62	16	986	39
	31,740	23,577	54,569	42,388
Other income				
Bank interest income	2,919	857	5,926	2,339
Underwriting commission fee received (Note 22)	–	12,961	–	12,961
	2,919	13,818	5,926	15,300
Gains, net				
Gain on disposal of subsidiaries	–	–	5,752	–
Fair value gain on derivative financial assets	–	27,972	–	27,972
Fair value gain on investment properties	189	3,823	189	3,823
Foreign exchange gains, net	4,060	386	–	3,631
Others	485	161	522	462
	4,734	32,342	6,463	35,888
Other income and gains, net	7,653	46,160	12,389	51,188

4. OPERATING SEGMENT INFORMATION

The management is the Group's chief operating decision-maker. The management reviews the Group's internal reports periodically in order to assess performance and allocate resources.

The management considers the business from a product/service perspective. The management separately considers the different products and services offered and the Group is organised into three reportable operating segments as follows:

- (a) the sports-related business segment engages in the production and distribution of sports content, management and marketing of sport talents and provision of sports consultancy service;
- (b) the community development segment engages in property development and investment, research and development, manufacturing and marketing of construction materials, development of communities and provision of consultancy and subcontracting services; and
- (c) the green energy business segment engages in the development, manufacturing, marketing and installation of energy-saving air conditioning systems and water heating equipment.

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

4. OPERATING SEGMENT INFORMATION (Continued)

For the six months ended 30 June

	Sports-related business		Community development		Green energy business		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Segment Revenue								
External	45,739	37,311	7,844	5,038	986	39	54,569	42,388
Segment Results	(19,074)	(12,683)	(15,538)	(11,243)	(5,073)	(2,159)	(39,685)	(26,085)
Reconciliation:								
Bank interest income							5,926	2,339
Gain on disposal of subsidiaries							5,752	–
Fair value gain on derivative financial assets							–	27,972
Fair value loss on derivative financial liabilities							–	(36,000)
Fair value gain on investment properties							189	3,823
Equity-settled share option expense							(39,029)	(2,821)
Amortisation of other intangible assets							–	(3,155)
Corporate and other unallocated income							474	15,883
Corporate and other unallocated expenses							(34,934)	(19,756)
Share of profits and losses of an associate							(194,776)	(145,626)
Finance costs							(536)	(16)
Loss before income tax							(296,619)	(183,442)

5. FAIR VALUE GAIN/(LOSS) ON DERIVATIVE FINANCIAL LIABILITIES

The fair value gain/(loss) on derivative financial liabilities for the three months ended 30 June 2013 and the six months ended 30 June 2013 was the change in fair value of the earn-out perpetual convertible bonds issued in relation to the acquisition of approximately 25.2% equity of Li Ning Co in December 2012, which was determined by reference to the valuations performed by American Appraisal China Limited ("American Appraisal"), independent profession valuers with reference to the same valuation basis used in preparing the financial statements for the year ended 31 December 2013.

The earn-out perpetual convertible bonds were issued in advance in November 2013 based on the deed formed in August 2013. The derivative financial liability in relation to the contingent consideration was derecognised and an equity instrument was recognised upon the advanced issuance of earn-out perpetual convertible bonds, the financial impact of which is based on the fair value of earn-out perpetual convertible bonds upon the deed becoming effective. The Company will continue to assess whether any and how much undertaken convertible bonds might be cancelled in the future and recognise a corresponding derivative financial asset, if any, at its fair value. Subsequent changes of such fair value of the derivative financial asset will be recognised in profit and loss. Details of this were set out in the Company's circular dated 17 October 2013.

6. SHARE OF LOSSES OF AN ASSOCIATE

The unaudited consolidated results for the six months ended 30 June 2014 include the Group's share of the results and reserves of Li Ning Co for the six months ended 31 March 2014 and adjusted for any significant events or transactions for the period from 1 April 2014 to 30 June 2014. The unaudited consolidated results for the six months ended 30 June 2013 included the attributable share of the results and reserves of Li Ning Co 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 whereby it is permitted to include the attributable share of associate's results based on accounts drawn up to a non-coterminous period end where the difference must be no greater than three months.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

7. PROFIT/(LOSS) BEFORE INCOME TAX

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

	For the three months ended 30 June		For the six months ended 30 June	
	2014	2013	2014	2013
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Cost of inventories sold [#]	3,719	3,942	6,699	4,027
Cost of services provided	23,518	17,793	42,024	32,225
Depreciation [#]	1,750	1,723	3,601	2,803
Amortisation of prepaid land lease payments	116	78	234	78
Amortisation of other intangible assets	–	1,382	–	3,155
Exchange (gains)/losses	(4,060)	(386)	12,599	(3,631)
Minimum lease payments under operating leases of land and buildings	2,282	2,122	5,668	4,019
Employee benefits expense (including directors' remuneration):				
Wages and salaries	13,502	13,823	27,962	22,758
Equity-settled share option expenses	6,709	741	12,056	2,117
Contributions to defined contribution retirement plan	842	1,130	1,991	1,932
	21,053	15,694	42,009	26,807

Cost of inventories sold includes depreciation of HK\$981,000 (2013: HK\$685,000) for the six months ended 30 June 2014, which amount is also included in the amount disclosed separately above.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

8. INCOME TAX

	For the three months ended 30 June		For the six months ended 30 June	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
	Current – Mainland China			
Deferred tax credit	–	346	–	789
	–	346	–	789

No provision for Hong Kong profits tax and PRC corporate income tax have been provided for the six months ended 30 June 2014 as the Group did not generate any assessable profits arising in Hong Kong and the PRC, respectively, during the period (2013: Nil).

The share of tax expense attributable to an associate for the period amounting to HK\$100,000 (2013: tax credit in the amount of HK\$8,331,000) is included in "Share of losses of an associate" in the unaudited consolidated results.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

The calculation of basic profit/(loss) per share amounts is based on profit/(loss) for the attributable to equity shareholders of the Company, and the weighted average number of ordinary shares in issue during the respective periods ended 30 June 2014:

	For the three months ended 30 June		For the six months ended 30 June	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Profit/(Loss) attributable to equity shareholders of the company	(184,002)	22,383	(296,552)	(182,456)
Less: Profit attributable to perpetual convertible bonds holders	–	(6,338)	–	–
Adjusted profit/(loss) attributable to equity shareholders of the company	(184,002)	16,045	(296,552)	(182,456)
Weighted average number of ordinary shares in issue	6,735,735,385	6,076,394,726	6,407,886,439	5,901,367,102
Basic and diluted profit/(loss) per share (HK cents)	(2.73)	0.26	(4.63)	(3.10)

No adjustment has been made to the basic loss per share amounts presented for the periods ended 30 June 2014 and 30 June 2013 in respect of a dilution as the impact of the perpetual convertible bonds, share options and unlisted warrants of the Company outstanding during the six months ended 30 June 2014 and the perpetual convertible bonds and share options of the Company outstanding during the six months ended 30 June 2013, either had anti-dilutive or no dilutive effect on the basic loss per share amounts presented.

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2014, additions to property, plant and equipment amounted to HK\$2,681,000. During the six months ended 30 June 2013, additions to property, plant and equipment amounted to HK\$3,065,000 and certain buildings and equipment amounted to HK\$50,652,000 have been transferred from investment properties upon commencement of owner-occupation.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

11. INVESTMENT PROPERTIES

As at 30 June 2014, the fair value of the Group's investment properties was HK\$220,594,000 (31 December 2013: HK\$226,176,000). The fair values of the Group's investment properties are assessed by management based on the property valuation performed by Savills Valuation and Professional Services Limited, independent professionally qualified 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, plant and equipment upon commencement of owner-occupation.

12. INVESTMENT IN AN ASSOCIATE

	30 June 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
Share of net assets	1,223,080	1,441,316
Goodwill	1,536,111	1,576,762
	2,759,191	3,018,078
Market value of listed shares (per unit)*	6.20	6.12

* Number of ordinary shares held was approximately 266,374,000 and number of convertible securities held was approximately 146,759,000 as at 30 June 2014 and 31 December 2013.

13. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
Prepayments	5,917	8,706
Deposits and other receivables	147,071	148,624
Prepaid land lease payments	462	475
	153,450	157,805

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

14. INVENTORIES

	30 June 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
Raw materials	1,409	1,430
Finished Goods	14,706	12,989
	16,115	14,419

15. 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 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
Neither past due nor impaired	17,690	16,179
Less than 3 months past due	9,065	14,106
3 to 6 months past due	9,196	4,131
More than 6 months and less than a year past due	24,216	–
Over 1 year past due	9	9
	60,176	34,425

16. DERIVATIVE FINANCIAL ASSET

The derivative financial asset as at 31 December 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") in 2010. The fair value of the profit guarantee was determined to be HK\$61,000,000 by American Appraisal as at 31 December 2013, based on the unaudited consolidated net profit of the Viva China Sports Group for the year ended 31 December 2013. The audited consolidated attributable net profit after taxation of Viva China Sports Group for the year ended 31 December 2013 which was derived from its ordinary course of business, has a shortfall amounted to approximately HK\$61,342,000. The amount was received in full in the period.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

17. TRADE PAYABLES

The trade payables of the Group as at 30 June 2014 and 31 December 2013 were all aged within three months, as determined based on the invoice date.

18. BANK AND OTHER LOANS

Bank loans outstanding as at 30 June 2014 amounted to HK\$18,663,000 (31 December 2013: HK\$11,905,000), which will be matured within one year, are secured by pledge deposits of the Group of RMB15,000,000, equivalent to HK\$18,705,000 (31 December 2013: RMB15,000,000, equivalent to HK\$19,200,000).

The Group has obtained bank facilities of approximately HK\$93,525,000 (31 December 2013: HK\$96,000,000), of which, approximately HK\$74,862,000 remained unutilised at 30 June 2014.

The other loan outstanding as at 31 December 2013 amounted to HK\$1,024,000 was unsecured, bore interest at 8% per annum and was repayable on demand. The other loan has been fully repaid during the six months ended 30 June 2014.

The carrying amounts of bank and other loans approximate their fair values.

19. SHARE CAPITAL

	30 June 2014 (Unaudited)		31 December 2013 (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
Total	26,000,000,000	1,060,000	26,000,000,000	1,060,000
Issued and fully paid:				
Ordinary Shares				
At 31 December 2013 and 1 January 2014			6,076,394,726	303,820
Issue of ordinary shares (Note 20)			2,400,000,000	120,000
At 30 June 2014			8,476,394,726	423,820

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

20. PERPETUAL CONVERTIBLE BONDS

	As at 30 June
	HK\$'000
At 31 December 2013 and 1 January 2014	2,094,526
Conversion of initial perpetual convertible bonds into ordinary shares	
– Ordinary Share (HK\$0.05 per share) (Note 19)	(120,000)
– Share premium	(835,480)
At 30 June 2014	1,139,046

In December 2012, the Company issued initial perpetual convertible bonds with a principal amount of HK\$780,000,000 for the acquisition of approximately 25.2% equity interest in Li Ning Co. The initial perpetual convertible bonds which had a carrying value of HK\$955,480,000 are convertible at the option of the bondholders into shares anytime at a conversion price of HK\$0.325 per share. On 6 June 2014, all initial perpetual convertible bonds were converted into 2,400,000,000 ordinary shares of the Company and was accounted for as a reclassification within equity.

The balance as at 30 June 2014 represents the carrying value of earn out perpetual convertible bonds issued in advance in November 2013. The holders are subject to certain undertakings, under which a portion of perpetual convertible bonds may have to be returned to the Company in the event that certain performance targets of Li Ning Co and its subsidiaries ("LN Group") are not met.

21. UNLISTED WARRANTS

On 26 May 2014, the Company entered into a warrant placing agreement (the "Warrant Placing Agreement") with RHB OSK Securities Hong Kong Limited (the "Placing Agent"), an independent third party. Pursuant to the Warrant Placing Agreement, the Placing Agent agreed to place up to 700,000,000 warrants at a consideration of HK\$0.01 each, the warrants conferring rights to subscribe for up to 700,000,000 ordinary shares of the Company at an exercise price of HK\$0.55 per share (subject to adjustment) to the warrant placees who and their respective ultimate beneficial owners are independent third parties. The warrants have an exercise period of 18 months. The warrant placing has been completed on 11 June 2014 and 700,000,000 warrants have been issued to six placees in accordance with the terms and conditions of the Warrant Placing Agreement. An aggregated net proceeds of approximately HK\$5,993,000 has been raised by the warrant placing and the same will be utilised by the Group as general working capital.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

22. MATERIAL RELATED PARTY TRANSACTIONS

In addition to the transactions detailed elsewhere in these unaudited interim financial statements, the Group had the following material transactions with related parties during the period:

	Note	For the six months ended	
		30 June 2014 (Unaudited) HK\$'000	30 June 2013 (Unaudited) HK\$'000
Sponsorship income received and receivable from an associate	(i)	43,152	24,616
Gross underwriting commission fee received from an associate	(ii)	–	18,617
Office and car-park rental paid and payable to an associate	(iii)	265	–
Sports talent management income received from an associate	(iv)	117	–

- (i) Sponsorship income received and receivable in relation to some sports event and competition managed by the Group from LN 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 Li Ning Co.
- (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 LN Group with reference to current prevailing market rate. 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, 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 25.2% to approximately 26.1% 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 during the six months ended 30 June 2013.

Mr. Li Ning is a common director of the Company and Li Ning Co. The underwriting commission fee, after elimination of the attributable portion of the unrealised transaction with LN Group and net of related expenses, amounted to HK\$12,961,000 was recorded as other income (note 3).

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

22. MATERIAL RELATED PARTY TRANSACTIONS (Continued)

- (iii) During the six months ended 30 June 2014, the Group leased an office and certain car-parking spaces from LN Group. The lease rates were determined after arm's length negotiations between the Group and LN Group with reference to current prevailing market rate. Mr. Li Ning is a common director of the Company and Li Ning Co.
- (iv) Sports talent management income represented an agency fee for service rendered in relation to the endorsement of brand products of LN Group. It was charged in accordance with the terms negotiated between the Group and LN Group. Mr. Li Ning is a common director of the Company and Li Ning Co. Pursuant to the relevant agency contract entered with the sport talent appointed by LN 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 appointment basis in accordance with the service agreement entered into with LN Group, over the relevant service period.

23. 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 31 December 2013.

	Level 3 HK\$'000
Assets	
Derivative financial assets	61,000

During the six months ended 30 June 2014, there were no transfers between levels 2 and 3 (2013: nil). The derivative financial assets were settled in full at the date of this report (note 16).

- (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.

24. INTERIM DIVIDEND

The Directors do not recommend the payment of any interim dividend in respect of the six months ended 30 June 2014 (2013: 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 2014.

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 2014, 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 Directors	Capacity	Number of Shares/ underlying Shares held		Number of share options held ⁽³⁾	Total interests	Approximate percentage of shareholding as at 30 June 2014
		Nature of Interest Personal interests	Corporate interests			
Mr. LI Ning	Interest of controlled corporation	–	8,212,443,151 ⁽¹⁾	–		
	Beneficial owner	–	–	6,000,000	8,218,443,151	96.96%
Mr. CHAN Ling	Beneficial owner	28,479,669	–	74,000,000	102,479,669	1.21%
Mr. LI Chunyang	Beneficial owner	9,995,669	–	66,000,000	75,995,669	0.90%
Mr. CHAN James	Beneficial owner	–	–	15,000,000	15,000,000	0.18%
Mr. LI Qilin	Beneficiary of trusts	6,080,022,769 ⁽²⁾	–	–		
	Beneficial owner	–	–	6,000,000	6,086,022,769	71.80%
Mr. MA Wing Man	Beneficial owner	–	–	8,200,000	8,200,000	0.10%
Mr. CHEN Johnny	Beneficial owner	–	–	8,200,000	8,200,000	0.10%
Mr. LIEN Jown Jing, Vincent	Beneficial owner	–	–	6,000,000	6,000,000	0.07%
Mr. NG Sau Kei, Wilfred	Beneficial owner	3,400,000	–	8,200,000	11,600,000	0.14%

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 issued to Victory Mind Assets by the Company in November 2013. 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 issued to Dragon City in June 2014 following conversion of 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 issued to Dragon City by the Company in November 2013. 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. 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 2014, 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 2014, 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 held	Approximate percentage of shareholdings as at 30 June 2014
Substantial Shareholders			
Mr. Li Chun	Interest of controlled corporation	8,212,443,151 ⁽¹⁾	96.89%
Lead Ahead ⁽²⁾	Beneficial owner	2,132,420,382	25.16%
Victory Mind Assets ⁽³⁾	Beneficial owner	2,328,582,769	27.47%
Ace Leader ⁽³⁾	Interest of controlled corporation	2,328,582,769	27.47%
Jumbo Top ⁽³⁾	Interest of controlled corporation	2,328,582,769	27.47%
TMF ⁽³⁾	Trustee	2,328,582,769	27.47%
Dragon City ⁽⁴⁾	Trustee	3,751,440,000	44.26%
Cititrust ⁽⁴⁾	Trustee	3,751,440,000	44.26%
Other Persons			
Mr. MA Chi Seng	Beneficial owner	560,000,000 ⁽⁵⁾	6.61%

Notes:

- Mr. Li Chun is 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;
 - 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 issued to Victory Mind Assets by the Company in November 2013. 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 issued to Dragon City in June 2014 following conversion of 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 issued to Dragon City by the Company in November 2013. 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. Mr. Ma Chi Seng is interested in 500,000,000 Shares and the share options of the Company entitling to subscribe for a total of 60,000,000 Shares.

As at 30 June 2014, 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 six months ended 30 June 2014 are set out below:

	Date of Grant	Number of Share Options			
		Balance as at 1.1.2014	Granted during the period	Cancelled/lapsed during the period	Balance as at 30.6.2014
Directors					
LI Ning	02.07.2013	6,000,000	–	–	6,000,000 ⁽⁴⁾
CHAN Ling	02.07.2010	6,000,000	–	–	6,000,000 ⁽¹⁾
	20.09.2011	8,000,000	–	–	8,000,000 ⁽²⁾
	02.07.2013	60,000,000	–	–	60,000,000 ⁽⁴⁾
LI Chunyang	02.07.2010	6,000,000	–	–	6,000,000 ⁽¹⁾
	20.09.2011	8,000,000	–	–	8,000,000 ⁽²⁾
	02.07.2013	52,000,000	–	–	52,000,000 ⁽⁴⁾
CHAN James	02.07.2013	15,000,000	–	–	15,000,000 ⁽⁵⁾
LI Qilin	02.07.2013	6,000,000	–	–	6,000,000 ⁽⁵⁾
MA Wing Man	02.07.2010	1,000,000	–	–	1,000,000 ⁽¹⁾
	20.09.2011	1,200,000	–	–	1,200,000 ⁽²⁾
	02.07.2013	6,000,000	–	–	6,000,000 ⁽⁴⁾
CHEN Johnny	02.07.2010	1,000,000	–	–	1,000,000 ⁽¹⁾
	20.09.2011	1,200,000	–	–	1,200,000 ⁽²⁾
	02.07.2013	6,000,000	–	–	6,000,000 ⁽⁴⁾
LIEN Jown Jing, Vincent	02.07.2013	6,000,000	–	–	6,000,000 ⁽⁵⁾

		Number of Share Options			
	Date of Grant	Balance as at 1.1.2014	Granted during the period	Cancelled/ lapsed during the period	Balance as at 30.6.2014
NG Sau Kei, Wilfred	02.07.2010	1,000,000	–	–	1,000,000 ⁽¹⁾
	20.09.2011	1,200,000	–	–	1,200,000 ⁽³⁾
	02.07.2013	6,000,000	–	–	6,000,000 ⁽⁴⁾
		197,600,000	–	–	197,600,000
Other employees					
In aggregate	02.07.2010	3,400,000	–	–	3,400,000 ⁽⁶⁾
In aggregate	06.09.2010	7,960,000	–	(300,000)	7,660,000 ⁽⁷⁾
In aggregate	20.09.2011	24,400,002	–	(1,666,667)	22,733,335 ⁽⁸⁾
In aggregate	02.07.2013	99,300,000	–	(3,300,000)	96,000,000 ⁽⁹⁾
In aggregate	20.06.2014	–	33,650,000	–	33,650,000 ⁽¹⁰⁾
		135,060,002	33,650,000	(5,266,667)	163,443,335
Other grantees					
In aggregate	06.09.2010	2,400,000	–	–	2,400,000 ⁽¹¹⁾
In aggregate	20.09.2011	20,000,000	–	–	20,000,000 ⁽¹²⁾
In aggregate	02.07.2013	114,500,000	–	–	114,500,000 ⁽¹³⁾
In aggregate	20.06.2014	–	204,000,000	–	204,000,000 ⁽¹⁴⁾
		136,900,000	204,000,000	–	340,900,000
		469,560,002	237,650,000	(5,266,667)	701,943,335

Notes:

- (1) The share options are exercisable for a period of 5 years after vested subject to the vesting schedule in tranches of one-third each on the first, second and third anniversaries of the date of grant respectively.
- (2) The share options comprised the following: (i) 4,000,000 share options with exercisable period from 20 September 2012 to 19 September 2014 and (ii) 4,000,000 share options with exercisable period from 20 September 2013 to 19 September 2015.
- (3) The share options comprised the following: (i) 600,000 share options with exercisable period from 20 September 2012 to 19 September 2014 and (ii) 600,000 share options with exercisable period from 20 September 2013 to 19 September 2015.

- (4) The share options are exercisable for a period of 3 years after vested subject to the vesting schedule in tranches of one-fourth each on 2 July 2013, 2 July 2014, 2 July 2015 and 2 July 2016 respectively.
- (5) The share options are exercisable for a period of 3 years after vested subject to the vesting schedule in tranches of one-third each on 2 July 2014, 2 July 2015 and 2 July 2016 respectively.
- (6) 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.
- (7) The share options as at 1 January 2014 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. The number of share options under (i), (ii) and (iii) of this note reduced to 1,420,000, 1,420,000 and 1,420,000 respectively as at 30 June 2014 while the number of share options under (iv) and (v) of this note remained unchanged as at 30 June 2014.
- (8) The share options as at 1 January 2014 comprised the following: (i) 8,066,666 share options with exercisable period from 20 September 2012 to 19 September 2014; (ii) 8,066,669 share options with exercisable period from 20 September 2013 to 19 September 2015; (iii) 4,266,667 share options with exercisable period from 20 September 2014 to 19 September 2016; and (iv) 4,000,000 share options with exercisable period from 20 September 2015 to 19 September 2017. The number of share options under (i), (ii), (iii) and (iv) of this note reduced to 7,333,333, 7,333,335, 4,166,667 and 3,900,000 respectively as at 30 June 2014.
- (9) The share options as at 1 January 2014 comprised the following: (i) 24,300,000 share options with exercisable period from 2 July 2013 to 1 July 2016; (ii) 25,000,000 share options with exercisable period from 2 July 2014 to 1 July 2017; (iii) 25,000,000 share options with exercisable period from 2 July 2015 to 1 July 2018; and (iv) 25,000,000 share options with exercisable period from 2 July 2016 to 1 July 2019. The number of share options under (i), (ii), (iii) and (iv) of this note reduced to 22,500,000, 24,500,000, 24,500,000 and 24,500,000 respectively as at 30 June 2014.
- (10) The share options comprised the following: (i) 5,300,000 share options with exercisable period from 20 June 2014 to 19 June 2017; (ii) 9,449,998 share options with exercisable period from 20 June 2015 to 19 June 2018; (iii) 9,450,001 share options with exercisable period from 20 June 2016 to 19 June 2019; and (iv) 9,450,001 share options with exercisable period from 20 June 2017 to 19 June 2020.
- (11) 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.
- (12) The share options comprised the following: (i) 6,000,000 share options with exercisable period from 20 September 2012 to 19 September 2014; (ii) 6,000,000 share options with exercisable period from 20 September 2013 to 19 September 2015; (iii) 4,800,000 share options with exercisable period from 20 September 2014 to 19 September 2016; and (iv) 3,200,000 share options with exercisable period from 20 September 2015 to 19 September 2017.

- (13) The share options comprised the following: (i) 26,000,000 share options with exercisable period from 2 July 2013 to 1 July 2016; (ii) 29,500,000 share options with exercisable period from 2 July 2014 to 1 July 2017; (iii) 29,500,000 share options with exercisable period from 2 July 2015 to 1 July 2018; and (iv) 29,500,000 share options with exercisable period from 2 July 2016 to 1 July 2019.
- (14) The share options comprised the following: (i) 200,000,000 share options with exercisable period from 20 June 2014 to 19 June 2015; (ii) 1,000,000 share options with exercisable period from 20 June 2014 to 19 June 2017; (iii) 1,000,000 share options with exercisable period from 20 June 2015 to 19 June 2018; (iv) 1,000,000 share options with exercisable period from 20 June 2016 to 19 June 2019; and (v) 1,000,000 share options with exercisable period from 20 June 2017 to 19 June 2020.
- (15) 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
02.07.2013	0.50
20.06.2014	0.80

- (16) On 20 June 2014, the Company granted share options entitling subscription of a total of 237,650,000 Shares pursuant to the Share Option Scheme and the closing price of the Shares immediately before the date on which the aforesaid share options were granted was HK\$0.7500. No share options were exercised during the six months ended 30 June 2014.

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 2014.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

For the six months ended 30 June 2014, the Directors are not aware of any business or interest of the Directors, the controlling shareholders and their respective close 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 2013 are set out below:

Name	Details of Changes
Mr. Lien Jown Jing, Vincent	appointed as an independent non-executive director of CT Environmental Group Limited, the shares of which are listed on the Stock Exchange with stock code 1363, with effect from 15 April 2014

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 2014 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 of the Company. 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.

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 2014 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, 14 August 2014

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