



*Third Quarterly 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

## **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.*

# MANAGEMENT DISCUSSION AND ANALYSIS

## RESULTS

During the nine months ended 30 September 2014, the Group's consolidated revenue increased slightly by 2.4% to HK\$85.0 million from HK\$83.0 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"). Gross profit amounted to HK\$10.4 million for the nine months ended 30 September 2014 (the corresponding period in 2013: HK\$16.1 million), representing a decline of 35.4%. 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 for the nine months ended 30 September 2014 amounted to HK\$17.0 million (the corresponding period in 2013: HK\$86.3 million). Interest income and gains on disposal of subsidiaries were the main contributors to the other income and gains for the nine months ended 30 September 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\$54.1 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 nine months ended 30 September 2014 amounted to HK\$27.8 million (the corresponding period in 2013: HK\$19.6 million), representing an increase of 41.8%. The increase was attributable to the expenditures incurred to improve the publicity of basketball leagues.

Administrative expenses and other operating expenses ("Administrative Expenses") incurred for the nine months ended 30 September 2014 amounted to HK\$118.6 million (the corresponding period in 2013: HK\$89.7 million), representing an increase of 32.2%. The increase was due primarily to non-cash items in Administrative Expenses, which amounted to HK\$57.0 million (the corresponding period in 2013: HK\$30.8 million), mainly included share options expenses, foreign exchange losses and depreciation of fixed assets, etc. Excluding these major non-cash items, Administrative Expenses for the nine months ended 30 September 2014 would have been HK\$61.6 million (the corresponding period in 2013: HK\$58.9 million). The increase 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 the 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. For the nine months ended 30 September 2014, the Group shared the loss of an associate amounting to HK\$260.2 million (the corresponding period in 2013: HK\$167.5 million) based on its adjusted financial results for the nine months ended 30 June 2014 adjusted by any significant events or transactions for the period from 1 July 2014 to 30 September 2014.

During the nine months ended 30 September 2014, the Group recorded a net loss amounted to HK\$380.0 million (the corresponding period in 2013: HK\$233.4 million), representing an increase of 62.8 %, contributed by certain substantial non-cash items. Major non-cash items for the nine months ended 30 September 2014 include the share of loss of an associate of HK\$260.2 million, share option expenses of HK\$44.7 million and net exchange losses of HK\$7.1 million, together with other non-cash items, with a net impact to the Group's results of HK\$317.1 million, whereas major non-cash items for the same period in 2013 include the fair value loss on derivative financial liabilities of HK\$60.0 million, share of loss of an associate of HK\$167.5 million, share option expenses of HK\$22.1 million, fair value gain on profit guarantee of HK\$54.1 million, together with other non-cash items, with an aggregate impact to the Group's results of HK\$190.4 million. In the absence of such significant non-cash items, the Group would have recorded a net loss of HK\$62.9 million for the nine months ended 30 September 2014 (the corresponding period in 2013: HK\$43.0 million).

## SEGMENT

### Sports

The Sports segment encompasses sports talent management, sports and athletic related consulting, event production and organisation of sports competitions. For the nine months ended 30 September 2014, the Group generated revenue of an aggregate amount of HK\$68.0 million (the corresponding period in 2013: HK\$50.5 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), Li-Ning BWF Thomas & Uber Cup Finals 2014 held in India and Li-Ning BWF World Championships 2014 held in Denmark, which are both world-class badminton tournaments.

For the nine months ended 30 September of 2014, our Sports segment generated revenue of HK\$74.0 million (the corresponding period in 2013: HK\$62.5 million), representing an increase of 18.4%. The revenue increase was mainly driven by the aforementioned commercial rights to CUBA and CUBS. The segment recorded an operating loss of HK\$19.8 million (the corresponding period in 2013: HK\$10.0 million) due to lower gross profit margin for sports talent management income, higher operating expenses as well as exchange losses incurred for the nine months ended 30 September 2014. 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\$9.9 million (the corresponding period in 2013: HK\$18.6 million) during the nine months ended 30 September 2014. 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. This segment reported an operating loss of HK\$21.3 million (the corresponding period in 2013: HK\$15.2 million), due to the costs incurred in achieving business transformation and a slowdown in the production and sale of precast concrete products and glass-fiber reinforced concrete products. 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 growth in demand of the segment's products. The management also expects potential contribution of these construction techniques to the success of the sports-themed Community Development segment.

The Board will continue its efforts in identifying profitable community development opportunities in different cities in the PRC. With continuous urbanisation and commercialisation of the 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 the 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

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\$1.1 million during the nine months ended 30 September 2014 (the corresponding period in 2013: HK\$1.5 million). Excluding the gain on disposal of the subsidiary, this segment would have recorded an operating loss of HK\$7.4 million for the nine months ended 30 September 2014 (the corresponding period in 2013: HK\$5.1 million).

## Charge on Deposit

As at the reporting date, a charge over bank deposit amounted to RMB15.0 million (equivalent to approximately HK\$18.9 million) had been given by the Group to secure banking facilities of a PRC subsidiary.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Profit Guarantees

In October 2010, the Company acquired the entire 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 for 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 during the nine months ended 30 September 2014.

## Material Transactions

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 were accounted for as a reclassification within equity.
- (b) On 21 February 2013, the Company entered into a subscription agreement with Atlantis Investment Management (Hong Kong) Limited, an independent third party, pursuant to which the Company would issue 480,000,000 ordinary shares of the Company at the cash subscription price of HK\$0.50 per share, which was completed on 8 March 2013. The closing price was HK\$0.40 per share on 21 February 2013, being the date on which the terms of the issue were fixed. The net subscription price, after deduction of relevant expenses, was approximately HK\$0.499 per share. The net proceeds of such issue amounted to approximately HK\$240.0 million which had been applied towards general working capital of the Group.
- (c) 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 was completed on 11 June 2014 and 700,000,000 warrants were 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 have been utilised by the Group as general working capital.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Outlook

Followed by Chinese Premier Li Keqiang's speech in stressing the importance in accelerating the sports industry development and promoting nationwide physical fitness in a Meeting of the State Council of the PRC in September 2014, the State Council announced "Guidance on Acceleration of the Development of Sport Industry in Stimulating Sports Consumption" (the "Guidance") (《關於加快發展體育產業促進體育消費的若干意見》) in late October 2014, aiming to boost the growth of the sports industry in the PRC. The reform plan unveiled sound measures to widely promote physical fitness in the country, which is now regarded as one of the PRC Government's national strategies. Supported by favorable guiding initiatives such as reducing red tapes for sporting events approval, encouraging the involvement of private investments and adopting various financing alternatives in supporting the sports sector development, preferential tax policies for certain sports corporates and sports-themed land usage, and encouraging nationwide construction of new sporting arenas and infrastructure, the reform guidance is well-placed to give impetus to drive the development of the sports industry, and ultimately transform the sports sector to become a major driver of sustainable social and economic development for the PRC. The Guidance clearly laid out goals of per capita area of sport grounds to reach 2 square meters and people that exercise regularly to reach 500 million in the PRC. It targets to grow the sports sector into a RMB5-trillion industry by 2025 to further facilitate employment and domestic consumption in the country. The Group believed that the sports industry value chain will be thrived followed by the implementation of the steadfast government reform plan, particularly in areas such as the management of sporting events and sportive venue/communities. The Guidance will also help unleash the potential of the sports market and vigor of social capital towards the sports sector, enable public sports services to be made accessible to the mass population, hence promoting national physical fitness and auguring significant potential growth of various segments of the sports industry. The Group is optimistic on the sports industry outlook backed by the strong and supportive government reform plans, which are expected to drive the medium to long term growth of the principal business of the Group.

To deploy its strategy to promote and develop sportive and healthy lifestyle communities, the Company has entered into a non-legally binding Memorandum of Strategic Cooperation and Understanding on 19 September 2014 to inaugurate a strategic partnership with CITIC Private Equity Funds Management Co., Ltd. ("CITIC PE") to carry out strategic cooperation in areas, including but not limited to the planning, design, construction, development, operation and management of cooperation projects (the "Projects") in respect of the sports industry in the PRC. The Company intends to provide professional advice and sports resources for the sports facilities in the Projects and CITIC PE intends to provide favourable terms of cooperation to any of the Company's possible investment in the Projects. Pursuant to such strategic cooperation, the parties will collaborate in the Projects and share platforms, resources, information and advice. The Group is also in discussions with different prospective parties in relation to various business developments in sports communities and sports-related operation in the PRC. The Group will continue its efforts to cautiously expand the scale and scope of its existing sports-themed businesses, and leverage its resources to aid its investment, participation and diversification in sports-themed property development projects in the PRC. The Group is well-positioned to capture the arising opportunities in the sports industry with a view to enhancing value for its shareholders.

# UNAUDITED CONSOLIDATED RESULTS

The board of directors (the "Board") announces the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the periods from 1 July 2014 to 30 September 2014 and from 1 January 2014 to 30 September 2014 together with the comparative unaudited consolidated results for the corresponding periods in 2013 as follows:

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

For the three and nine months ended 30 September 2014

	Note	For the three months ended 30 September		For the nine months ended 30 September	
		2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
<b>Revenue</b>	3	<b>30,432</b>	40,594	<b>85,001</b>	82,982
Cost of sales		<b>(25,877)</b>	(30,599)	<b>(74,600)</b>	(66,851)
<b>Gross profit</b>		<b>4,555</b>	9,995	<b>10,401</b>	16,131
Other income and gains, net	3	<b>4,575</b>	35,066	<b>16,964</b>	86,254
Selling and distribution costs		<b>(3,686)</b>	(5,382)	<b>(27,767)</b>	(19,566)
Administrative and other operating expenses		<b>(23,120)</b>	(44,793)	<b>(118,581)</b>	(89,733)
Fair value loss on derivative financial liabilities		–	(24,000)	–	(60,000)
Finance costs		<b>(274)</b>	(36)	<b>(810)</b>	(52)
Share of losses of an associate	4	<b>(65,451)</b>	(21,842)	<b>(260,227)</b>	(167,468)
<b>Loss before income tax</b>	5	<b>(83,401)</b>	(50,992)	<b>(380,020)</b>	(234,434)
Income tax	6	–	218	–	1,007
<b>Loss for the period</b>		<b>(83,401)</b>	(50,774)	<b>(380,020)</b>	(233,427)
<b>Other comprehensive income/(loss):</b>					
<b>Items that may be reclassified subsequently to profit or loss, net of income tax of nil</b>					
– Share of other comprehensive income/ (loss) of an associate		<b>(4)</b>	(199)	<b>1</b>	(139)
– Exchange differences released upon disposal of a subsidiary		–	–	<b>(404)</b>	–
– Exchange differences on translation of foreign operations		<b>37,751</b>	24,761	<b>(49,440)</b>	74,759

# UNAUDITED CONSOLIDATED RESULTS

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

For the three and nine months ended 30 September 2014

	Note	For the three months ended 30 September		For the nine months ended 30 September	
		2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
<b>Other comprehensive income/ (loss) for the period, net of income tax of nil</b>		<b>37,747</b>	24,562	<b>(49,843)</b>	74,620
Total comprehensive loss for the period		<b>(45,654)</b>	(26,212)	<b>(429,863)</b>	(158,807)
<b>Loss attributable to:</b>					
Equity shareholders of the Company		<b>(83,400)</b>	(50,711)	<b>(379,952)</b>	(233,167)
Non-controlling interests		<b>(1)</b>	(63)	<b>(68)</b>	(260)
		<b>(83,401)</b>	(50,774)	<b>(380,020)</b>	(233,427)
<b>Total comprehensive loss attributable to:</b>					
Equity shareholders of the Company		<b>(45,653)</b>	(26,164)	<b>(429,751)</b>	(158,568)
Non-controlling interests		<b>(1)</b>	(48)	<b>(112)</b>	(239)
		<b>(45,654)</b>	(26,212)	<b>(429,863)</b>	(158,807)
<b>Loss per share attributable to equity shareholders of the Company:</b>					
Basic and diluted (HK cents)	7	<b>(0.98)</b>	(0.84)	<b>(5.35)</b>	(3.91)

The accompanying notes form part of these unaudited consolidation results.

# NOTES TO THE UNAUDITED CONSOLIDATED RESULTS

## 1. GENERAL INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands and the ordinary shares of 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 consolidated results have been prepared to comply with the disclosure requirements of the GEM Listing Rules.

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

# NOTES TO THE UNAUDITED CONSOLIDATED RESULTS

## 2. BASIS OF PREPARATION (Continued)

### Basis of preparation (Continued)

The accounting policies used in the preparation of the unaudited consolidated results are consistent with those adopted in preparing the annual audited financial statements for the year ended 31 December 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"
Amendment to HKFRS 10, 12 and HKAS 27 (2011)	"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 CONSOLIDATED RESULTS

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

	For the three months ended 30 September		For the nine months ended 30 September	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
<b>Revenue</b>				
Sports content production and distribution income	25,325	23,901	68,478	54,122
Sports talent management income	2,949	1,254	5,535	8,344
Sales of construction materials	1,907	13,811	9,377	18,572
Gross rental income	186	203	560	480
Sales of air-conditioning systems	65	1,425	1,051	1,464
	<b>30,432</b>	<b>40,594</b>	<b>85,001</b>	<b>82,982</b>
<b>Other income</b>				
Interest income	4,498	3,330	10,424	5,669
Underwriting commission fee received	–	–	–	12,961
Others	–	202	–	202
	<b>4,498</b>	<b>3,532</b>	<b>10,424</b>	<b>18,832</b>
<b>Gains, net</b>				
Gain on disposal of subsidiaries	41	–	5,793	–
Fair value gain on derivative financial assets	–	26,171	–	54,143
Fair value gain on investment properties	–	–	189	3,823
Foreign exchange gain, net	–	5,332	–	8,963
Others	36	31	558	493
	<b>77</b>	<b>31,534</b>	<b>6,540</b>	<b>67,422</b>
Other income and gains, net	<b>4,575</b>	<b>35,066</b>	<b>16,964</b>	<b>86,254</b>

# NOTES TO THE UNAUDITED CONSOLIDATED RESULTS

## 4. SHARE OF LOSSES OF AN ASSOCIATE

The unaudited consolidated results for the nine months ended 30 September 2014 include the Group's share of the results and reserves of Li Ning Co for the nine months ended 30 June 2014 and adjusted for any significant events or transactions for the period from 1 July 2014 to 30 September 2014. The unaudited consolidated results for the nine months ended 30 September 2013 included the attributable share of the results and reserves of Li Ning Co for the nine months ended 30 June 2013 and adjusted for any significant events or transactions for the period from 1 July 2013 to 30 September 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-continuous period and where the difference must be no greater than three months.

## 5. LOSS BEFORE INCOME TAX

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

	For the three months ended 30 September		For the nine months ended 30 September	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Cost of inventories sold <sup>#</sup>	1,156	13,156	7,855	17,183
Cost of services provided	24,721	17,443	66,745	49,668
Depreciation <sup>#</sup>	1,634	1,861	5,235	4,664
Amortisation of prepaid land lease payments	116	118	350	196
Amortisation of other intangible assets	–	871	–	4,026
Exchange (gains)/losses	(5,455)	(5,332)	7,144	(8,963)
Minimum lease payments under operating leases of land and buildings	3,013	2,312	8,681	6,331
Employee benefits expense (including directors' remuneration):				
Wages and salaries	13,198	13,100	41,160	35,858
Equity-settled share option expenses	4,268	12,509	16,324	14,626
Contributions to defined contribution retirement plan	1,131	753	3,122	2,685
	<b>18,597</b>	<b>26,362</b>	<b>60,606</b>	<b>53,169</b>

# Cost of inventories sold includes depreciation of HK\$1,715,000 (2013: HK\$1,143,000) for the nine months ended 30 September 2014, which amount is also included in the amount disclosed separately above.

# NOTES TO THE UNAUDITED CONSOLIDATED RESULTS

## 6. INCOME TAX

	For the three months ended 30 September		For the nine months ended 30 September	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Deferred tax credit	-	218	-	1,007
	-	218	-	1,007

No provision for Hong Kong profits tax and PRC corporate income tax have been provided for the nine months ended 30 September 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\$12,497,000 (2013: tax credit in the amount of HK\$12,669,000) is included in "Share of losses of an associate" in the unaudited consolidated results.

# NOTES TO THE UNAUDITED CONSOLIDATED RESULTS

## 7. LOSS PER SHARE ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The calculation of basic loss per share amounts is based on 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 September 2014:

	For the three months ended 30 September		For the nine months ended 30 September	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Loss attributable to equity shareholders of the company	<b>(83,400)</b>	(50,711)	<b>(379,952)</b>	(233,167)
Weighted average number of ordinary shares in issue	<b>8,482,727,248</b>	6,076,394,726	<b>7,107,100,191</b>	5,960,350,770
Basic and diluted loss per share (HK cents)	<b>(0.98)</b>	(0.84)	<b>(5.35)</b>	(3.91)

No adjustment has been made to the basic loss per share amounts presented for the periods ended 30 September 2014 and 30 September 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 nine months ended 30 September 2014 and the perpetual convertible bonds and share options of the Company outstanding during the nine months ended 30 September 2013, either had anti-dilutive or no dilutive effect on the basic loss per share amounts presented.

# NOTES TO THE UNAUDITED CONSOLIDATED RESULTS

## 8. RESERVES

### Attributable to equity shareholders of the Company

	Share premium account (Unaudited) HK\$'000	Perpetual convertible bonds (Unaudited) HK\$'000	Unlisted Warrants Reserve (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
<b>For the nine months ended</b>									
<b>30 September 2014</b>									
Balance at 1 January 2014	3,080,480	2,094,526	-	84,744	102,272	1,281	(1,671)	(1,342,650)	4,018,982
Loss for the period	-	-	-	-	-	-	-	(379,952)	(379,952)
Other comprehensive income/(loss) for the period:									
Exchange differences on translation of foreign operations	-	-	-	-	(49,396)	-	-	-	(49,396)
Share of other comprehensive income of an associate	-	-	-	-	1	-	-	-	1
Exchange differences released upon disposal of a subsidiary	-	-	-	-	(404)	-	-	-	(404)
Total comprehensive loss for the period	-	-	-	-	(49,799)	-	-	(379,952)	(429,751)
Conversion of perpetual convertible bonds	835,480	(955,480)	-	-	-	-	-	-	(120,000)
Issue of unlisted warrants	-	-	5,993	-	-	-	-	-	5,993
Equity-settled share option arrangements	-	-	-	44,666	-	-	-	-	44,666
Transfer of share option reserve upon the forfeiture or expiry of share options	-	-	-	(1,435)	-	-	-	1,435	-
Shares issued under share option scheme	17,927	-	-	(2,843)	-	-	-	-	15,084
Share of an associate's reserve	-	-	-	14,770	-	-	-	-	14,770
Balance at 30 September 2014	3,933,887	1,139,046	5,993	139,902	52,473	1,281	(1,671)	(1,721,167)	3,549,744
<b>For the nine months ended</b>									
<b>30 September 2013</b>									
Balance at 1 January 2013	2,864,804	955,480	-	52,503	8,216	1,281	(1,671)	(705,134)	3,175,479
Loss for the period	-	-	-	-	-	-	-	(233,167)	(233,167)
Other comprehensive income/(loss) for the period:									
Exchange differences on translation of foreign operations	-	-	-	-	74,738	-	-	-	74,738
Share of other comprehensive loss of an associate	-	-	-	-	(139)	-	-	-	(139)
Total comprehensive income/(loss) for the period	-	-	-	-	74,599	-	-	(233,167)	(158,568)
Issue of shares	216,000	-	-	-	-	-	-	-	216,000
Share issue expenses	(324)	-	-	-	-	-	-	-	(324)
Equity-settled share option arrangements	-	-	-	22,113	-	-	-	-	22,113
Transfer of share option reserve upon the forfeiture or expiry of share options	-	-	-	(3,380)	-	-	-	3,380	-
Share of an associate's reserve	-	-	-	4,156	-	-	-	-	4,156
Balance at 30 September 2013	3,080,480	955,480	-	75,392	82,815	1,281	(1,671)	(934,921)	3,258,856

# NOTES TO THE UNAUDITED CONSOLIDATED RESULTS

## 8. RESERVES (Continued)

	Attributable to shareholders of the Company								
	Share premium account	Perpetual convertible bonds	Unlisted Warrants Reserve	Share option reserve	Exchange fluctuation reserve	Reserve funds	Other reserve	Accumulated losses	Total
	(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
<b>For the three months ended</b>									
<b>30 September 2014</b>									
Balance at 1 July 2014	3,915,960	1,139,046	5,993	135,584	14,726	1,281	(1,671)	(1,638,409)	3,572,510
Loss for the period	-	-	-	-	-	-	-	(83,400)	(83,400)
Other comprehensive income/(loss) for the period:									
Exchange differences on translation of foreign operations	-	-	-	-	37,751	-	-	-	37,751
Share of other comprehensive income of an associate	-	-	-	-	(4)	-	-	-	(4)
Total comprehensive income/(loss) for the period	-	-	-	-	37,747	-	-	(83,400)	(45,653)
Equity-settled share option arrangements	-	-	-	5,637	-	-	-	-	5,637
Transfer of share option reserve upon the forfeiture or expiry of share options	-	-	-	(642)	-	-	-	642	-
Share issued under share option scheme	17,927	-	-	(2,843)	-	-	-	-	15,084
Share of associate's reserve	-	-	-	2,166	-	-	-	-	2,166
Balance at 30 September 2014	3,933,887	1,139,046	5,993	139,902	52,473	1,281	(1,671)	(1,721,167)	3,549,744
<b>For the three months ended</b>									
<b>30 September 2013</b>									
Balance at 1 July 2013	3,080,480	955,480	-	56,747	58,268	1,281	(1,671)	(886,774)	3,263,811
Loss for the period	-	-	-	-	-	-	-	(50,711)	(50,711)
Other comprehensive income/(loss) for the period:									
Exchange differences on translation of foreign operations	-	-	-	-	24,746	-	-	-	24,746
Share of other comprehensive loss of an associate	-	-	-	-	(199)	-	-	-	(199)
Total comprehensive income/(loss) for the period	-	-	-	-	24,547	-	-	(50,711)	(26,164)
Equity-settled share option arrangement	-	-	-	19,292	-	-	-	-	19,292
Transfer of share option reserve upon the forfeiture or expiry of share options	-	-	-	(2,564)	-	-	-	2,564	-
Share of an associate's reserve	-	-	-	1,917	-	-	-	-	1,917
Balance at 30 September 2013	3,080,480	955,480	-	75,392	82,815	1,281	(1,671)	(934,921)	3,258,856

## 9. DIVIDEND

The Directors do not recommend the payment of any dividend in respect of the nine months ended 30 September 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 nine months ended 30 September 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 September 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 <sup>(3)</sup>	Total interests	Approximate percentage of shareholdings as at 30 September 2014
		Nature of Interest Personal interests	Corporate interests			
Mr. LI Ning	Interest of controlled corporation	–	8,212,443,151 <sup>(1)</sup>	–		
	Beneficial owner	–	–	6,000,000	8,218,443,151	96.70%
Mr. CHAN Ling	Beneficial owner	32,479,669	–	70,000,000	102,479,669	1.21%
Mr. LI Chunyang	Beneficial owner	13,995,669	–	62,000,000	75,995,669	0.89%
Mr. CHAN James	Beneficial owner	–	–	15,000,000	15,000,000	0.18%
Mr. LI Qilin	Beneficiary of trusts	6,080,022,769 <sup>(2)</sup>	–	–		
	Beneficial owner	–	–	6,000,000	6,086,022,769	71.61%
Mr. MA Wing Man	Beneficial owner	600,000	–	7,600,000	8,200,000	0.10%
Mr. CHEN Johnny	Beneficial owner	600,000	–	7,600,000	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	–	7,600,000	11,000,000	0.13%

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 held by Dragon City 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 September 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 September 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 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 September 2014
<b>Substantial Shareholders</b>			
Mr. Li Chun	Interest of controlled corporation	8,212,443,151 <sup>(1)</sup>	96.63%
Lead Ahead <sup>(2)</sup>	Beneficial owner	2,132,420,382	25.09%
Victory Mind Assets <sup>(3)</sup>	Beneficial owner	2,328,582,769	27.40%
Ace Leader <sup>(3)</sup>	Interest of controlled corporation	2,328,582,769	27.40%
Jumbo Top <sup>(3)</sup>	Interest of controlled corporation	2,328,582,769	27.40%
TMF <sup>(3)</sup>	Trustee	2,328,582,769	27.40%
Dragon City <sup>(4)</sup>	Trustee	3,751,440,000	44.14%
Cititrust <sup>(4)</sup>	Trustee	3,751,440,000	44.14%
<b>Other Persons</b>			
Mr. MA Chi Seng	Beneficial owner	560,000,000 <sup>(5)</sup>	6.59%

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 held by Dragon City 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 September 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 nine months ended 30 September 2014 are set out below:

	Date of Grant	Number of Share Options				Balance as at 30.9.2014
		Balance as at 1.1.2014	Granted during the period	Exercised during the period	Cancelled/lapsed during the period	
<b>Directors</b>						
LI Ning	02.07.2013	6,000,000	–	–	–	6,000,000 <sup>(6)</sup>
CHAN Ling	02.07.2010	6,000,000	–	–	–	6,000,000 <sup>(1)</sup>
	20.09.2011	8,000,000	–	(4,000,000)	–	4,000,000 <sup>(2)</sup>
	02.07.2013	60,000,000	–	–	–	60,000,000 <sup>(4)</sup>
LI Chunyang	02.07.2010	6,000,000	–	–	–	6,000,000 <sup>(1)</sup>
	20.09.2011	8,000,000	–	(4,000,000)	–	4,000,000 <sup>(2)</sup>
	02.07.2013	52,000,000	–	–	–	52,000,000 <sup>(4)</sup>
CHAN James	02.07.2013	15,000,000	–	–	–	15,000,000 <sup>(5)</sup>
LI Qilin	02.07.2013	6,000,000	–	–	–	6,000,000 <sup>(5)</sup>
MA Wing Man	02.07.2010	1,000,000	–	–	–	1,000,000 <sup>(1)</sup>
	20.09.2011	1,200,000	–	(600,000)	–	600,000 <sup>(3)</sup>
	02.07.2013	6,000,000	–	–	–	6,000,000 <sup>(4)</sup>
CHEN Johnny	02.07.2010	1,000,000	–	–	–	1,000,000 <sup>(1)</sup>
	20.09.2011	1,200,000	–	(600,000)	–	600,000 <sup>(3)</sup>
	02.07.2013	6,000,000	–	–	–	6,000,000 <sup>(4)</sup>
LIEN Jown Jing, Vincent	02.07.2013	6,000,000	–	–	–	6,000,000 <sup>(5)</sup>
NG Sau Kei, Wilfred	02.07.2010	1,000,000	–	–	–	1,000,000 <sup>(1)</sup>
	20.09.2011	1,200,000	–	–	(600,000)	600,000 <sup>(3)</sup>
	02.07.2013	6,000,000	–	–	–	6,000,000 <sup>(4)</sup>
		197,600,000	–	(9,200,000)	(600,000)	187,800,000
<b>Other employees</b>						
In aggregate	02.07.2010	3,400,000	–	–	–	3,400,000 <sup>(6)</sup>
In aggregate	06.09.2010	7,960,000	–	–	(360,000)	7,600,000 <sup>(7)</sup>
In aggregate	20.09.2011	24,400,002	–	(7,758,000)	(2,436,000)	14,206,002 <sup>(8)</sup>
In aggregate	02.07.2013	99,300,000	–	(2,112,000)	(3,300,000)	93,888,000 <sup>(9)</sup>
In aggregate	20.06.2014	–	33,650,000	–	–	33,650,000 <sup>(10)</sup>
		135,060,002	33,650,000	(9,870,000)	(6,096,000)	152,744,002
<b>Other grantees</b>						
In aggregate	06.09.2010	2,400,000	–	–	–	2,400,000 <sup>(11)</sup>
In aggregate	20.09.2011	20,000,000	–	(3,232,000)	(3,568,000)	13,200,000 <sup>(12)</sup>
In aggregate	02.07.2013	114,500,000	–	–	–	114,500,000 <sup>(13)</sup>
In aggregate	20.06.2014	–	204,000,000	–	–	204,000,000 <sup>(14)</sup>
		136,900,000	204,000,000	(3,232,000)	(3,568,000)	334,100,000
		469,560,002	237,650,000	(22,302,000)	(10,264,000)	674,644,002

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 as at 1 January 2014 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. The number of options under (i) of this note reduced to 0 as at 30 September 2014.
- (3) The share options as at 1 January 2014 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. The number of options under (i) of this note reduced to 0 as at 30 September 2014.
- (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 1,400,000, 1,400,000 and 1,400,000 respectively as at 30 September 2014 while the number of share options under (iv) and (v) of this note remained unchanged as at 30 September 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 0, 6,139,335, 4,166,667 and 3,900,000 respectively as at 30 September 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 21,388,000, 23,500,000, 24,500,000 and 24,500,000 respectively as at 30 September 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 as at 1 January 2014 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. The number of share options under (i) and (iv) of this note reduced to 0 and 2,400,000 respectively as at 30 September 2014 while the number of share options under (ii) and (iii) of this note remained unchanged as at 30 September 2014.
- (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.

## DIRECTORS' INTERESTS IN A COMPETING BUSINESS

For the nine months ended 30 September 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.

## 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 nine months ended 30 September 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, 12 November 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 Qiin  
Mr. Ma Wing Man

*Independent Non-executive Directors:*

Mr. Chen Johnny  
Mr. Lien Jown Jing, Vincent  
Mr. Ng Sau Kei, Wilfred