



First 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

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

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

For the first quarter ended 31 March 2014, the Group's consolidated revenue increased from HK\$18.8 million in the same period in prior year to HK\$22.8 million this year representing an increase of HK\$4.0 million or 21.3%. The growth in revenue was mainly driven by revenue derived from the commercial rights the Group secured in relation to certain basketball leagues in the People's Republic of China (the "PRC"). The production and marketing of precast concrete products and glass-fiber reinforced concrete products that were manufactured by a subsidiary of the Group in the current period also contributed to the increase in revenue. Gross profit in the period under review was HK\$1.3 million (2013: HK\$4.3 million). The decline in gross profit was mainly caused by the lower gross profit margin for sports talent management income.

The Group also recorded other income and gains for the first quarter ended 31 March 2014 amounted to HK\$8.8 million as compared to HK\$5.0 million in the same period in 2013. The significant increase was mainly attributable to the gain on disposal of subsidiaries as well as increase in bank interest income due to cash being deposited into longer term deposits during the period under review.

Selling and distribution expenses for the first quarter ended 31 March 2014 amounted to HK\$11.1 million (2013: HK\$6.0 million) represented an increase of HK\$5.1 million as compared to the same period in prior year. The increase was attributable to the expenditures incurred in relation to the basketball leagues during the period in view of more revenue generated.

Administrative expenses and other operating expenses (the "Administrative Expenses") incurred for the period amounted to HK\$46.6 million (2013: HK\$20.8 million). The non-cash items in Administrative Expenses, which amounted to HK\$25.5 million (2013: HK\$4.6 million), mainly included exchange loss, share option expenses and depreciation of fixed assets etc. The increase in exchange loss was due primarily to depreciation of Renminbi during the period while the increase in share option expenses was as a result of share option granted in July 2013. Excluding these major non-cash items, Administrative Expenses in the period under review amounted to HK\$21.1 million (2013: HK\$16.2 million). The change was due primarily to the increase in staff and related costs as additional staff were hired for the development of sports segment and in view of the transition from leasing operation to manufacturing operation of the Shenyang industrial plant under the community development business segment after the first quarter of 2013.

Li Ning Company Limited ("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\$64.8 million (2013: HK\$91.8 million) based on its adjusted financial results for the three months ended 31 December 2013 adjusted for any significant events or transactions for the period from 1 January 2014 to 31 March 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

For the first quarter ended 31 March 2014, the Group has recorded a net loss amounted to HK\$112.6 million comparing to a net loss of HK\$204.9 million for the corresponding period in 2013. The net loss for the period was mainly due to the share of loss of an associate of HK\$64.8 million, net exchange loss of HK\$16.7 million together with other non-cash items with an aggregate negative impact to the Group's results of HK\$90.6 million whereas the substantial loss in the same period in 2013 was due to the fair value loss on derivative financial liabilities of HK\$96.0 million, share of loss of an associate of HK\$91.8 million together with other non-cash items with an aggregate negative impact of HK\$192.0 million. In the absence of such significant non-cash negative impacts, the Group would have recorded a net loss of HK\$22.0 million for the period under review (2013: net loss of HK\$12.9 million on the same basis). The increase was resulted from a drop in gross profit margin and increase in staff and related costs during the period.

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\$17.2 million (2013: 15.2 million) in view of 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), representing a significant contribution to the Group's overall revenue.

In the first quarter of 2014, our sports segment generated HK\$18.6 million (2013: HK\$18.7 million) in revenue which was almost the same compared with that in the corresponding period in 2013. The revenue was mainly derived from the aforementioned commercial rights to the basketball leagues. It is expected that more revenue from this segment will be generated in the year of 2014 due to revenue derived not only from the aforementioned commercial rights to the basketball leagues but also the commercial rights to a series of world-class badminton tournaments. The segment recorded an operating loss of HK\$16.6 million (2013: HK\$2.0 million) due to the lower gross profit margin for sports talent management income, increase in operating expenses for the development of this segment as well as exchange loss incurred during the period. It also indicates the Group's continued investment in this segment to obtain, enhance and develop its sports resources. Nevertheless, it is the Group's strategy to build an integrated platform based on this segment and the Group's investment in Li Ning Co in order to create synergies and reap crossover benefits by utilising the sports resources portfolios. The Group is dedicated to continue to explore the commercial values of this business segment.

MANAGEMENT DISCUSSION AND ANALYSIS

Community Development

The community development segment generated revenue of HK\$3.3 million for the period compared with the insignificant revenue in the corresponding period of 2013. The revenue for the period was mainly attributed to the production and sale of precast concrete products and glass-fiber reinforced concrete products. In the second quarter of 2013, this segment's major business has been changed from the leasing of industrial plants located in Shenyang, the PRC, to manufacturing of precast concrete products and glass-fiber reinforced concrete products. Despite the growth in revenue, this segment recorded an operating loss of HK\$7.4 million (2013: HK\$5.8 million) during the period which was mainly due to the transition from leasing operation to manufacturing operation and revenue generated from leasing operation dropped to minimal. With the mastering of the production techniques and streamlining the workflows, the management expects a lowered cost can be achieved which in turn would improve the profitability of this segment in the future. In addition, with the local government's intention to promote environmental-friendly construction techniques, we expect there will be a continuing growth in demand of the segment's products. Management also expects these construction techniques can contribute to the success of sports-themed community development.

It is the Board's intention to continue in identifying profitable community development opportunities in different cities in the PRC. With the continuous process of urbanisation and commercialisation of sports industry in the PRC, the Board is confident about the medium and long term development of sports-themed communities in the PRC. As such, the Group is actively looking for and studying the feasibility of various potential projects in those cities with large growth prospects with an aim to invest and participate in commercial development of sports-themed communities in the PRC. Together with the existing sports talents and sports resources, the Board believes that the Group's expected expansion in this segment will create synergies and deliver long-term benefits to shareholders of the Company.

Green Energy

In January 2014, an indirect wholly-owned subsidiary of the Company entered into a sale and purchase agreement with the purchaser to dispose of its entire 76.9% equity interests in a subsidiary in Zhongshan, the PRC and the transaction was completed in late March 2014. A gain of HK\$5.7 million was recorded as a result. Revenue of HK\$0.9 million from this segment was recorded for the period (2013: HK\$0.1 million). Excluding the gain on disposal of a subsidiary, this segment recorded an operating loss of HK\$3.0 million (2013: HK\$0.6 million) for the period.

Charge on Deposit

As at 31 March 2014, a charge over bank deposit amounting to RMB15.0 million (equivalent to approximately HK\$19.1 million) had been given by the Group to secure RMB15.0 million 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 the consideration of HK\$332.0 million (the "Acquisition"). Under the Acquisition, the vendors of the Target Group (the "Vendors") guaranteed the Company that the consolidated attributable net profit after taxation (net of minority interests) of the Target Group as ascertained from the audited consolidated financial statements of the Target Group prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") over a guarantee period of three financial years (i.e. for the three financial years ended 31 December 2013 ("Profit Guarantee Period") shall not be less than HK\$30.0 million, HK\$40.0 million and HK\$50.0 million for the years ended/ending 31 December 2011, 2012 and 2013 respectively (the "Profit Guarantee"). Under the agreement of the Acquisition, the Vendors shall compensate the shortfall to the Company on a dollar-to-dollar basis where the guaranteed profit for a financial year during the Profit Guarantee Period is not met.

The unaudited consolidated results of the Target Group for the year ended 31 December 2013, which was derived from its ordinary course of business, indicated that there will be shortfall for 2013 as well. The shortfall between the guaranteed profits and the actual results of the Target Group for the year ended 31 December 2013 would be confirmed upon the issue of the audited consolidated financial statements of Target Group for the year ended 31 December 2013. The fair value of the Profit Guarantee is determined to be HK\$61,000,000 by American Appraisal China Limited, an independent professional qualified valuer as at 31 December 2013 (2012: HK\$37,572,000 as determined by the directors of the Company), based on the unaudited consolidated results of the Target Group for the year ended 31 December 2013.

The directors of the Company have assessed the recoverability of the balance, based on their knowledge of the financial position of the Vendors as at the end of the reporting period, nothing has come to their attention that there has been a significant deterioration in the credit quality of the Vendors. As a result, the balance is considered fully recoverable.

Outlook

The Group will continue to expand the scale and scope of our current sports related businesses and will strive to leverage on its existing sports resources as well as resources that may be secured in the future to aid our investment, participation and diversification in property development projects with sports and/or other commercial elements in the PRC.

With aims to increase the business revenue while striving to maintain steady growth of profit margin, the Group grabs chances to explore new business opportunities to create new driver and sources of profits and to maintain sound and sustainable development of the Group. The Group will seek with a view to generate additional values for the shareholders of the Company through our management and operation expertise.

UNAUDITED CONSOLIDATED RESULTS

The board of directors (the "Board") announces the unaudited consolidated results of Viva China Holdings Limited (the "Company") and its subsidiaries (the "Group") for the period from 1 January 2014 to 31 March 2014 (the "Quarterly Period") together with the comparative unaudited consolidated results for the corresponding period in 2013 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months ended 31 March 2014

		For the three months ended 31 March	
		2014	2013
		(Unaudited)	(Unaudited)
	Notes	HK\$'000	HK\$'000
Revenue	3	22,829	18,811
Cost of sales		(21,486)	(14,517)
Gross profit		1,343	4,294
Other income and gains, net	3	8,796	5,028
Selling and distribution expenses		(11,073)	(6,008)
Administrative and other operating expenses		(46,619)	(20,818)
Fair value loss on derivative financial liabilities		–	(96,000)
Finance costs		(251)	(10)
Share of losses of an associate	4	(64,808)	(91,832)
Loss before income tax	5	(112,612)	(205,346)
Income tax	6	–	443
Loss for the period		(112,612)	(204,903)
Other comprehensive income/(loss):			
Items that may be reclassified subsequently to profit or loss			
– Share of other comprehensive income/(loss) of an associate		84	(9)
– Exchange differences released upon disposal of a subsidiary		(404)	–
– Exchange differences on translation of foreign operations		(73,991)	22,231

UNAUDITED CONSOLIDATED RESULTS

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

For the three months ended 31 March 2014

		For the three months ended 31 March	
		2014	2013
		(Unaudited)	(Unaudited)
	Notes	HK\$'000	HK\$'000
Other comprehensive income/(loss), net of tax, may be reclassified subsequently to profit or loss, net of income tax of nil		(74,311)	22,222
Total comprehensive loss for the period		(186,923)	(182,681)
Loss attributable to:			
Equity shareholders of the Company		(112,550)	(204,839)
Non-controlling interests		(62)	(64)
		(112,612)	(204,903)
Total comprehensive loss attributable to:			
Equity shareholders of the Company		(186,817)	(182,634)
Non-controlling interests		(106)	(47)
		(186,923)	(182,681)
Loss per share:			
Basic and diluted (HK cents)	7	(1.85)	(3.58)

The accompanying notes form part of these unaudited consolidated 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 Growth Enterprise Market of The Stock Exchange of Hong Kong Limited ("GEM").

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 services;
- 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 Rules Governing the Listing of Securities on the GEM ("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").

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

NOTES TO THE UNAUDITED CONSOLIDATED RESULTS

2. BASIS OF PREPARATION (Continued)

Basis of preparation (Continued)

During the three months ended 31 March 2014, the Group has adopted the new and revised HKFRSs that are relevant to its operations and effective for the first time for the period beginning on 1 January 2014. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current and prior periods.

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

3. REVENUE, OTHER INCOME AND GAINS, NET

	For the three months ended 31 March	
	2014	2013
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Revenue		
Sports content production and distribution income	17,249	15,219
Sports talent management income	1,355	3,493
Gross rental income	190	76
Sales of construction materials	3,111	–
Sale of air-conditioning systems	924	23
	22,829	18,811
Other income		
Bank interest income	3,007	1,482
	3,007	1,482
Gains, net		
Gain on disposal of subsidiaries	5,752	–
Foreign exchange gains, net	–	3,245
Others	37	301
	5,789	3,546
Other income and gains, net	8,796	5,028

NOTES TO THE UNAUDITED CONSOLIDATED RESULTS

4. SHARE OF LOSSES OF AN ASSOCIATE

The unaudited consolidated results for the period ended 31 March 2014 include the Group's share of the results and reserves of Li Ning Co for the three months ended 31 December 2013 and adjusted for any significant events or transactions for the period from 1 January 2014 to 31 March 2014. The unaudited consolidated results for the period ended 31 March 2013 included the attributable share of the results and reserves of Li Ning Co for the three months ended 31 December 2012 and adjusted for any significant events or transactions for the period from 1 January 2013 to 31 March 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.

5. LOSS BEFORE INCOME TAX

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

	For the three months ended 31 March	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Cost of inventories sold [#]	2,980	85
Cost of services provided	18,506	14,432
Depreciation [#]	1,851	1,080
Amortisation of prepaid land lease payments	118	–
Amortisation of other intangible assets	–	1,773
Minimum lease payments under operating leases of land and buildings	3,386	1,897
Employee benefits expense (including directors' remuneration):		
Wages and salaries	14,460	8,935
Equity-settled share option expenses	5,347	1,376
Contributions to defined contribution retirement plan	1,149	802
	20,956	11,113

[#] Cost of inventories sold includes depreciation of HK\$782,000 (2013: Nil), which amount is also included in the amount disclosed separately above.

NOTES TO THE UNAUDITED CONSOLIDATED RESULTS

6. INCOME TAX

No provision for Hong Kong profits tax and PRC corporate income tax have been provided for the three months ended 31 March 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 credit attributable to an associate for the period amounting to HK\$4,184,000 (2013: HK\$22,199,000) is included in "Share of losses of an associate" in 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 three months ended 31 March 2014:

	2014 (Unaudited)	2013 (Unaudited)
Loss attributable to equity shareholders of the company (HK\$'000)	(112,550)	(204,839)
Weighted average number of ordinary shares in issue ('000)	6,076,395	5,724,395
Basic and diluted loss per share (HK cents)	(1.85)	(3.58)

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. Diluted loss per share for the period ended 31 March 2014 and 2013 are the same as basis loss per share as the Company was loss making and the inclusion of potential ordinary shares would be anti-dilutive. For the period ended 31 March 2014, the Company has two categories of dilutive potential ordinary share, i.e. the perpetual convertible bonds and share options.

NOTES TO THE UNAUDITED CONSOLIDATED RESULTS

8. EQUITY ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

	Issued capital (Unaudited) HK\$'000	Share premium account (Unaudited) HK\$'000	Perpetual convertible bonds (Unaudited) HK\$'000	Share option reserve (Unaudited) HK\$'000	Exchange fluctuation reserve (Unaudited) HK\$'000	Reverse funds (Unaudited) HK\$'000	Other reserve (Unaudited) HK\$'000	Accumulated losses (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
For the three months ended									
31 March 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
Loss for the period	-	-	-	-	-	-	-	(112,550)	(112,550)
Other comprehensive income/(loss) for the period:									
Exchange differences on translation of foreign operations	-	-	-	-	(73,947)	-	-	-	(73,947)
Share of other comprehensive income of an associate	-	-	-	-	84	-	-	-	84
Exchange differences released upon disposal of a subsidiary	-	-	-	-	(404)	-	-	-	(404)
Total comprehensive loss for the period	-	-	-	-	(74,267)	-	-	(112,550)	(186,817)
Equity-settled share option arrangements	-	-	-	7,815	-	-	-	-	7,815
Transfer of share option reserve upon the forfeiture or expiry of share options	-	-	-	(711)	-	-	-	711	-
Share of an associate's reserve	-	-	-	1,683	-	-	-	-	1,683
Balance at 31 March 2014	303,820	3,080,480	2,094,526	93,531	28,005	1,281	(1,671)	(1,454,489)	4,145,483
For the three months ended									
31 March 2013									
Balance at 1 January 2013	279,820	2,864,804	955,480	52,503	8,216	1,281	(1,671)	(705,134)	3,455,299
Loss for the period	-	-	-	-	-	-	-	(204,839)	(204,839)
Other comprehensive income/(loss) for the period:									
Exchange differences on translation of foreign operations	-	-	-	-	22,214	-	-	-	22,214
Share of other comprehensive loss of an associate	-	-	-	-	(9)	-	-	-	(9)
Total comprehensive income/(loss) for the period	-	-	-	-	22,205	-	-	(204,839)	(182,634)
Issue of shares	24,000	216,000	-	-	-	-	-	-	240,000
Share issue expense	-	(242)	-	-	-	-	-	-	(242)
Equity-settled share option arrangements	-	-	-	1,726	-	-	-	-	1,726
Share of an associate's reserve	-	-	-	397	-	-	-	-	397
Balance at 31 March 2013	303,820	3,080,562	955,480	54,626	30,421	1,281	(1,671)	(909,973)	3,514,546

9. DIVIDEND

The Directors do not recommend the payment of any dividend in respect of the three months ended 31 March 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 three months ended 31 March 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 31 March 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 ⁽⁴⁾	Total interests	Approximate percentage of shareholding as at 31 March 2014
		Nature of Interest Personal interests	Corporate interests			
Mr. LI Ning ⁽³⁾	Interest of controlled corporation	–	8,212,443,151 ⁽¹⁾	–		
	Beneficial owner	–	–	6,000,000	8,218,443,151	135.25%
Mr. CHAN Ling	Beneficial owner	28,479,669	–	74,000,000	102,479,669	1.69%
Mr. LI Chunyang	Beneficial owner	9,995,669	–	66,000,000	75,995,669	1.25%
Mr. CHAN James	Beneficial owner	–	–	15,000,000	15,000,000	0.25%
Mr. LI Qilin	Beneficiary of trusts	6,080,022,769 ⁽²⁾	–	–		
	Beneficial owner	–	–	6,000,000	6,086,022,769	100.16%
Mr. MA Wing Man	Beneficial owner	–	–	8,200,000	8,200,000	0.13%
Mr. CHEN Johnny	Beneficial owner	–	–	8,200,000	8,200,000	0.13%
Mr. LIEN Jown Jing, Vincent	Beneficial owner	–	–	6,000,000	6,000,000	0.10%
Mr. NG Sau Kei, Wilfred	Beneficial owner	3,400,000	–	8,200,000	11,600,000	0.19%

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 which may be issued on the basis of a full exercise of conversion rights attaching to the convertible bonds issued to Dragon City by the Company in December 2012 and (ii) 1,351,440,000 Shares which may be issued on the basis of a full exercise of conversion rights attaching to the convertible bonds 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. Mr. Li Ning was also deemed to be interested in 1,807,850 shares (representing, as at 31 March 2014, approximately 0.13% shareholding interest in the share capital of Li Ning Co (which is, at the date of the relevant SFO filing, an associated corporation of the Company (within the meaning of Part XV of the SFO)) held by Alpha Talent Management Limited (a company wholly-owned by Mr. Li Ning) for the purpose of a share purchase scheme.
4. These represented the share options granted by the Company to the respective Directors, the details of which are provided in the section headed "Share Option Scheme" in this report.

Save as disclosed above, none of the Directors nor the chief executive of the Company had, as at 31 March 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 31 March 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 31 March 2014
Substantial Shareholders			
Mr. Li Chun	Interest of controlled corporation	8,212,443,151 ⁽¹⁾	135.15%
Lead Ahead ⁽²⁾	Beneficial owner	2,132,420,382	35.09%
Victory Mind Assets ⁽³⁾	Beneficial owner	2,328,582,769	38.32%
Ace Leader ⁽³⁾	Interest in controlled corporation	2,328,582,769	38.32%
Jumbo Top ⁽³⁾	Interest in controlled corporation	2,328,582,769	38.32%
TMF ⁽³⁾	Trustee	2,328,582,769	38.32%
Dragon City ⁽⁴⁾	Trustee	3,751,440,000	61.74%
Cititrust ⁽⁴⁾	Trustee	3,751,440,000	61.74%
Other Persons			
Mr. MA Chi Seng	Beneficial owner	560,000,000 ⁽⁵⁾	9.22%

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 which may be issued on the basis of a full exercise of conversion rights attaching to the convertible bonds issued to Dragon City by the Company in December 2012 and (ii) 1,351,440,000 Shares which may be issued on the basis of a full exercise of conversion rights attaching to the convertible bonds 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 31 March 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 three months ended 31 March 2014 are set out below:

	Date of Grant	Number of Share Options		
		Balance as at 1.1.2014	Cancelled during the period	Balance as at 31.3.2014
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 ⁽³⁾
	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 ⁽³⁾
	02.07.2013	6,000,000	–	6,000,000 ⁽⁴⁾
LIEN Jown Jing, Vincent	02.07.2013	6,000,000	–	6,000,000 ⁽⁵⁾
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	(1,466,667)	22,933,335 ⁽⁸⁾
In aggregate	02.07.2013	99,300,000	(2,800,000)	96,500,000 ⁽⁹⁾
		135,060,002	(4,566,667)	130,493,335
Other grantees				
In aggregate	06.09.2010	2,400,000	–	2,400,000 ⁽¹⁰⁾
In aggregate	20.09.2011	20,000,000	–	20,000,000 ⁽¹¹⁾
In aggregate	02.07.2013	114,500,000	–	114,500,000 ⁽¹²⁾
		136,900,000	–	136,900,000
		469,560,002	(4,566,667)	464,993,335

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. Following the cancellation of certain share options during the period, 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 31 March 2014 while the number of share options under (iv) and (v) of this note remained unchanged as at 31 March 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. Following the cancellation of certain share options during the period, the number of share options under (i), (ii), (iii) and (iv) of this note reduced to 7,433,333, 7,433,335, 4,166,667 and 3,900,000 respectively as at 31 March 2014.
- (9) The share options as at 1 January 2014 comprise 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. Following the cancellation of certain share options during the period, the number of share options under (i), (ii), (iii) and (iv) of this note reduced to 23,000,000, 24,500,000, 24,500,000 and 24,500,000 respectively as at 31 March 2014.

- (10) 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.
- (11) 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.
- (12) The share options granted comprise 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.
- (13) 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

- (14) No share options were granted, exercised or lapsed during the three months ended 31 March 2014.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

For the three months ended 31 March 2014, the Directors are not aware of any business or interest of the Directors, the controlling shareholders and their respective associates (as defined under the GEM Listing Rules) that compete or may compete with the business of the Group and any other conflicts of interests which any such person has or may have with the Group.

AUDIT COMMITTEE

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

The Audit Committee currently comprises 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 three months ended 31 March 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, 9 May 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