21 Holdings Limited
21 控股有限公司*
(incorporated in Bermuda with limited liability)
(stock code: 1003)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2012

The board of directors (the "Board") of 21 Holdings Limited (the "Company") is pleased to present the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2012, together with comparative figures for the year ended 31 December 2011, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

	Notes	**2012** *HK$'000*	2011 *HK$'000*
Revenue	*3*	**136,613**	264,565
Cost of sales and service rendered		**(103,749)**	(235,258)
Gross profit		**32,864**	29,307
Investment and other income		**6,847**	2,160
Other gains (losses)	*5*	**3,156**	(8,935)
Selling and distribution costs		**(2,415)**	(6,100)
Administrative expenses		**(39,497)**	(46,907)
Amortisation of intangible assets		**(16,927)**	(17,296)
Provision for losses on litigation	*12*	**-**	(3,000)
Impairment loss on intangible assets		**(19,986)**	-
Impairment loss on goodwill		**(29,893)**	(147,309)
Finance costs		**(9)**	(264)
Loss before tax		**(65,860)**	(198,344)
Income tax credit	*6*	**8,801**	4,141
Loss for the year	*7*	**(57,059)**	(194,203)
Other comprehensive income			
Exchange differences arising on translation		**98**	5,639
Total comprehensive expense for the year		**(56,961)**	(188,564)
Loss for the year attributable to:			
Owners of the Company		**(56,500)**	(189,511)
Non-controlling interests		**(559)**	(4,692)
		(57,059)	(194,203)

* *for identification purpose only*

	Notes	**2012** **HK$'000**	2011 *HK$'000*
Total comprehensive expense attributable to:			
Owners of the Company		**(56,402)**	(183,872)
Non-controlling interests		**(559)**	(4,692)
		(56,961)	(188,564)
			(restated)
Loss per share (HK dollar)			
- Basic and diluted	*8*	**(0.21)**	(1.24)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**3,095**	3,607
Note receivable		**9,136**	-
Goodwill		**28,000**	57,944
Intangible assets		**34,055**	70,791
		74,286	132,342
CURRENT ASSETS			
Trade and other receivables	*10*	**42,408**	100,029
Investments held for trading		**76,715**	52,177
Bank balances and cash		**108,112**	84,655
		227,235	236,861
CURRENT LIABILITIES			
Trade and other payables	*11*	**136,527**	138,825
Tax payable		**1,884**	936
Obligations under a finance lease		**113**	187
		138,524	139,948
NET CURRENT ASSETS		**88,711**	96,913
TOTAL ASSETS LESS CURRENT LIABILITIES		**162,997**	229,255
NON-CURRENT LIABILITIES			
Obligations under a finance lease		**-**	113
Deferred tax liabilities		**8,514**	17,698
		8,514	17,811
NET ASSETS		**154,483**	211,444
CAPITAL AND RESERVES			
Share capital		**2,678**	13,388
Reserves		**157,056**	202,748
Equity attributable to owners of the Company		**159,734**	216,136
Non-controlling interests		**(5,251)**	(4,692)
TOTAL EQUITY		**154,483**	211,444

1. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Amendments to HKAS 12	Deferred tax: Recovery of Underlying Assets
Amendments to HKFRS 7	Financial Instruments: Disclosures - Transfers of Financial Assets

The application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

3. REVENUE

An analysis of the Group's revenue for the year is as follows:

	2012	2011
	HK$'000	*HK$'000*
Property agency commission and service income in Hong Kong	**94,730**	51,263
Property agency commission and service income in the People's Republic of China ("PRC")	**9,857**	9,436
Franchise income	**5,996**	6,489
Sales of goods	**23,902**	196,111
Leasing management income	**2,128**	1,266
	136,613	264,565

4. SEGMENT INFORMATION

The following is an analysis of the Group's revenue and results by operating and reportable segments, based on information provided to the chief operating decision maker ("CODM") representing the executive directors of the Company, for the purpose of resource allocation and assessment of segment performance on types of services provided and goods sold. This is also the basis upon which the Group is arranged and organised.

The Group's operations are currently organised into four operating and reportable segments as follows:

Property agency in Hong Kong	-	Provision of property agency and related services, and franchise services in Hong Kong
Property agency in the PRC	-	Provision of property agency and related services, and leasing management services in the PRC
Toy products trading	-	Trading of toy, gift and premium products
Securities trading and investments	-	Securities trading and investments

The following is an analysis of the Group's revenue and results by operating and reportable segments:

	Property agency						**Securities trading and**			
	Hong Kong		**PRC**		**Toy products trading**		**investments**		**Consolidated**	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue										
- External sales	**100,726**	57,752	**11,985**	10,702	**23,902**	196,111	**-**	-	**136,613**	264,565
Segment (loss) profit	**(6,340)**	(53,792)	**(64,667)**	(118,760)	**(1,490)**	(5,495)	**12,880**	(9,069)	**(59,617)**	(187,116)
Unallocated corporate income									**258**	974
Unallocated corporate expenses									**(6,492)**	(8,938)
Provision for losses on litigation									**-**	(3,000)
Finance costs									**(9)**	(264)
Loss before tax									**(65,860)**	(198,344)
Other information (included in measure of segment profit (loss))										
Net gain (loss) on investments held for trading	**-**	-	**-**	-	**-**	-	**7,166**	(10,057)	**7,166**	(10,057)
Investment and other income (expense)	**715**	1,112	**91**	19	**(30)**	18	**5,813**	924	**6,589**	2,073
Depreciation of property, plant and equipment	**415**	386	**495**	352	**5**	6	**-**	-	**915**	744
Loss on disposal of property, plant and equipment	**4**	-	**-**	-	**2**	-	**-**	-	**6**	-
Impairment loss on trade receivables	**91**	60	**3,703**	-	**216**	-	**-**	-	**4,010**	60
Reversal of impairment loss on trade receivables	**-**	(18)	**-**	-	**-**	-	**-**	-	**-**	(18)
Additions to non-current assets during the year	**325**	718	**26**	1,289	**-**	4	**55**	5	**406**	2,016
Impairment loss on goodwill	**10,000**	54,000	**19,893**	93,309	**-**	-	**-**	-	**29,893**	147,309
Impairment loss on intangible assets	**-**	-	**19,986**	-	**-**	-	**-**	-	**19,986**	-
Amortisation of intangible assets	**-**	-	**16,927**	17,296	**-**	-	**-**	-	**16,927**	17,296

Segment (loss) profit represents the (loss) profit from each segment without allocation of unallocated corporate income, unallocated corporate expenses (which mainly include administrative expenses) and finance costs. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

5. OTHER GAINS (LOSSES)

	2012	2011
	HK$'000	*HK$'000*
Net gain (loss) on investments held for trading	**7,166**	(10,057)
Impairment loss on trade receivables	**(4,010)**	(60)
Gain on convertible notes designated as at fair value through profit or loss	**-**	347
Gain on redemption of convertible notes	**-**	835
	3,156	(8,935)

6. INCOME TAX CREDIT

	2012	2011
	HK$'000	*HK$'000*
The (credit) charge comprises:		
Hong Kong Profits Tax	**427**	183
Deferred tax - current year (*Note*)	**(9,228)**	(4,324)
	(8,801)	(4,141)

Note: The deferred tax credit arises from the release of deferred tax liabilities upon the amortisation of and impairment on intangible assets which arose from the acquisition of subsidiaries.

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

7. LOSS FOR THE YEAR

	2012	2011
	HK$'000	*HK$'000*
Loss for the year has been arrived at after charging (crediting):		
Directors' remuneration, including retirement benefits scheme contributions	**1,528**	1,719
Other staff costs	**17,231**	19,104
Other retirement benefits scheme contributions	**603**	556
Total staff costs	**19,362**	21,379
Auditor's remuneration	**1,120**	1,030
Legal and professional fee on acquisition of subsidiaries	**-**	858
Depreciation of property, plant and equipment	**927**	749
Impairment loss on trade receivables	**4,010**	60
Reversal of impairment loss on trade receivables	**-**	(18)
Loss on disposal of property, plant and equipment	**6**	-
Gain on disposal of a subsidiary	**-**	(50)
Operating lease payments for office premises, shops and photocopying machines	**7,772**	8,596
Cost of inventories recognised as expense	**22,560**	188,308
Commission expense on property agency	**78,576**	39,286
Interest income	**(5,595)**	(723)

8. LOSS PER SHARE

The calculation of basic and diluted loss per share attributable to the owners of the Company is based on the following data:

	2012	2011
	HK$'000	*HK$'000*
Loss for the year attributable to owners of the Company for the purposes of basic and diluted loss per share	**(56,500)**	(189,511)

	Number of ordinary shares	
	2012	2011
	'000	*'000*
		(restated)
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share (*Note*)	**267,759**	153,324

Note: The weighted average number of ordinary shares for the purposes of calculating basic and diluted loss per share for both years have been retrospectively adjusted for the effects of the share consolidation in June 2012 and June 2011, and the bonus elements of rights issue completed in July 2011 and January 2011 respectively.

9. DIVIDENDS

No dividends were paid, declared or proposed for the years ended 31 December 2012 and 2011, nor has any dividend been proposed since the end of both reporting periods.

10. TRADE AND OTHER RECEIVABLES

	2012	2011
	HK$'000	*HK$'000*
Trade receivables	**38,950**	40,025
Less: Allowance for doubtful debts	**(4,697)**	(935)
	34,253	39,090
Deposits paid	**3,483**	2,960
Prepayments	**1,389**	5,355
Other receivables	**3,283**	2,624
Security paid	**-**	50,000
	42,408	100,029

For toy products trading segment, the Group allows an average credit period ranging from 30 to 90 days to its trade customers. For property agency segment in Hong Kong, the Group allows an average credit period of 60 to 90 days to property developers whilst the individual customers are obliged to settle the amounts upon completion of the relevant agreements and generally no credit terms are granted. For franchise operation from property agency segment in Hong Kong, the Group allows an average credit period of 7 days to its franchisee. For property agency segment in the PRC, the Group allows an average credit period of 30 to 60 days to property developers.

The aged analysis of trade receivables net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period is as follows:

	2012	2011
	HK$'000	*HK$'000*
Trade receivables		
0 - 30 days	**2,913**	15,816
31 - 60 days	**2,474**	9,143
61 - 90 days	**8,242**	4,094
91 - 180 days	**12,605**	5,332
Over 180 days	**8,019**	4,705
	34,253	39,090

Included in the Group's trade and other receivables is a security of HK$50,000,000 which was paid to the High Court during 2011 for the stay of execution and enforcement of judgment. On 5 January 2012, the security of HK$50,000,000 was released and refunded to the Company by the High Court, details of which are set out in note 12.

11. TRADE AND OTHER PAYABLES

	2012	2011
	HK$'000	*HK$'000*
Trade payables	**31,336**	26,383
Other payables	**7,158**	12,609
Amount due to a non-controlling shareholder of a subsidiary	**11,533**	13,333
Provision for losses on litigation	**86,500**	86,500
	136,527	138,825

An aged analysis of trade payables for toy products trading presented based on the invoice date at the end of reporting period is as follows:

	2012	2011
	HK$'000	*HK$'000*
0 - 30 days	-	2,404
31 - 60 days	-	1,184
61 - 90 days	-	720
91 - 180 days	-	574
	-	4,882

The average credit period on purchases of goods is 90 to 120 days.

Commissions payable of HK$31,336,000 (31 December 2011: HK$21,501,000) include mainly the commissions payable to property consultants and cooperative estate agents, which are due for payment only upon the receipt of corresponding agency fees from customers.

Other payables mainly comprise of deposits received, receipts in advance, accrued staff costs and other sundry creditors.

The amount due to a non-controlling shareholder of a subsidiary is unsecured, non-interest bearing, non-trade nature and repayable on demand. The non-controlling shareholder of a subsidiary is a close family member of Mr. Ng Kai Man, a director of the Company.

At 31 December 2012, included in the Group's trade and other payables was provision for losses on litigation of approximately HK$86,500,000 (2011: HK$86,500,000) made in accordance with the judgment, details of which are set out in note 12.

12. LITIGATION

On 8 October 2004, a writ of summons was filed by a former director of the Company (the "Plaintiff") against the Company in respect of the loans due from two former subsidiaries of the Company namely, Rockapetta Industrial Company Limited and Grand Extend Investment Limited, for a sum of approximately HK$44,500,000 (the "Principal Sum") together with accrued interests thereof (the "Action").

On 2 March 2011, judgement was handed down by the Court of First Instance of the High Court and was awarded in favour of the Plaintiff (the "Judgment"). It was adjudged that the Company shall pay the Plaintiff the sum of HK$44,500,000 together with interest and costs.

After seeking advice from its solicitor and counsel, the directors considered that the Company has good grounds for appeal, and has instructed its solicitor to launch an appeal against the Judgment. On 28 March 2011, the Company filed a Notice of Appeal against the Judgment with the Court of Appeal and served on the parties concerned (the "CA Appeal").

A separate hearing was held on 11 April 2011 on the issues of interest and costs payable by the Company under the Judgment. Pending the hearing of the CA Appeal, the Company's exposure on the costs of the action and the appeal payable to the Plaintiff would be approximately HK$86,500,000 which is estimated based on the Principal Sum of HK$44,500,000 together with accrued interest calculated up to the date of hearing of the CA Appeal as well as the costs of the Action and the cost of the CA Appeal payable to the Plaintiff. In addition, on 18 April 2011, the Company and the Plaintiff has agreed that execution of the Judgment be stayed until the determination or other disposal of the CA Appeal or further order from the Court of Appeal subject to the conditions that the Company shall pay into the High Court a sum of HK$25,000,000 as security on or before 25 April 2011 and another sum of HK$25,000,000 or provide the Plaintiff with a bank guarantee for the same amount as further security before 17 July 2011 (as extended to 19 August 2011 by a court order dated 15 June 2011). Consent Order was granted by the High Court on the same terms, in compliance with which the Company has paid an aggregate amount of HK$50,000,000 into the High Court on 21 April 2011 and 16 August 2011 respectively and such amount was classified as other receivables as at 31 December 2011.

The CA Appeal was heard by the Court of Appeal on 8 and 9 December 2011 and the Court of Appeal unanimously ordered that (a) the CA Appeal be allowed; (b) the Judgment be set aside and the Action be dismissed; and (c) the Plaintiff do pay the Company the costs of the CA Appeal and the costs at the court below to be taxed, if not agreed (the "CA order"). The Court of Appeal further ordered that the security in the sum of HK$50,000,000 paid by the Company into the High Court be released to the Company. The said security together with interest earned were released by the High Court to the Company on 5 January 2012.

On 22 December 2011, the Plaintiff launched an appeal to the Court of Final Appeal as of right under sections 22(1)(a) and 24 of the Hong Kong Court of Final Appeal Ordinance, Cap. 484. On 9 May 2012 final leave was granted by the Court of Appeal to the Plaintiff for appeal to the Court of Final Appeal and a Notice of Appeal entitled FACV 9 OF 2012 (the "CFA Appeal") was filed and served by the Plaintiff on 16 May 2012. The CFA Appeal will be heard by the Court of Final Appeal on 5 September 2013 (with 6 September 2013 reserved).

Both counsels and solicitor acting for the Company hold the view that there is no merit in the Plaintiff's claim and in the CFA Appeal. However, there is no mechanism built in the Hong Kong Court of Final Appeal Ordinance for dismissal of unmeritorious application for leave to appeal or unmeritorious appeal under section 22 of the Hong Kong Court of Final Appeal Ordinance and the Company has to deal with the hearing of the unmeritorious CFA Appeal on 5 September 2013 (with 6 September 2013 reserved).

With the benefit of the advice of the counsels and solicitor acting for the Company and the order delivered by the Court of Appeal on 9 December 2011, the Company had also instructed its solicitor to proceed with its claim for costs incurred in the Action and the CA Appeal against the Plaintiff and the taxation thereof.

After seeking the advice of the counsels and solicitor acting for the Company, the directors of the Company formed the opinion that the Plaintiff did not have any valid claim against the Company, and therefore it is unlikely to have any adverse financial impact to the Company. Therefore, no further provision for any losses on litigation was made in the consolidated financial statements as at 31 December 2012. However, there are still uncertainties on the outcome of the Plaintiff's appeal to the Court of Final appeal and the directors are of the opinion that the provision for losses on litigation previously made of HK$86,500,000 (31 December 2011: HK$86,500,000) is adequate and not excessive.

13. EVENT AFTER THE REPORTING PERIOD

Pursuant to a placing agreement dated 22 January 2013, 53,000,000 shares were allotted and issued at a placing price of HK$0.23 per share on 31 January 2013.

MANAGEMENT DISCUSSION AND ANALYSIS

Business and Operation Review

Property Agency in Hong Kong

The property agency segment in Hong Kong reported a revenue of HK$100.7 million for the year ended 31 December 2012, an increase of about 74.2% as compared with HK$57.8 million for last year, which is mainly contributed by launching of a number of larger scale residential projects by the real estate developers and the release of accumulated purchasing power in Hong Kong. Operating profits from the property agency segment in Hong Kong for the year amounted to HK$3.7 million (excluding any provision for impairment loss on goodwill of HK$10.0 million) whilst the operating profit for last year was HK$0.2 million (excluding any provision for impairment loss on goodwill of HK$54.0 million).

Property Agency in the PRC

The performance of this segment was continuously affected by the PRC government's continued restrictive policies and credit tightening since the second half of 2011. Revenue generate from this segment for the year ended 31 December 2012 was HK$12.0 million, an increase of about 12.1% as compared with HK$10.7 million for last year. The operating loss was HK$7.9 million (excluding amortisation of intangible assets, provisions for impairment loss on intangible assets and goodwill of HK$16.9 million, HK$20.0 million and HK$19.9 million respectively), whilst the operating loss for last year was HK$8.2 million (excluding amortisation of intangible assets and provision for impairment loss on goodwill of HK$17.3 million and HK$93.3 million respectively).

The management observed that the unfavorable operating environment had continued in the year 2012 causing prolonged delays in property projects and sluggish land and property transactions in the PRC. Accordingly, the property agency business in the PRC had been reengineered to cope with this poor market sentiment and business plan had been conservatively revised to reflect the dampened revenue growth in the following years as compared to those previously expected.

Toy Products Trading

During the year, the scale of toy products trading business has significantly curtailed with the adoption of twin line strategies on careful customers' selection and tight control on expenditure. Revenue from the toy products trading segment for the year ended 31 December 2012 was HK$23.9 million (2011: HK$196.1 million), representing an decrease of HK$172.2 million or 87.8% from last year. As a result of further reduction in selling and distribution cost and administrative expenses, this segment recorded a loss of HK$1.5 million in year 2012, a mitigation of HK$4.0 million compared to a loss of HK$5.5 million in last corresponding year.

Securities Trading and Investments

The segment reported a profit of HK$12.9 million mainly due to an overall appreciation in fair value of the Group's investments held for trading of HK$7.2 million.

As at 31 December 2012, the Group has investments held for trading amounting to HK$76.7 million (as at 31 December 2011: HK$52.2 million).

Prospect

Following the implementation of new measures in the property market in Hong Kong in October 2012 and February 2013 by the government, the property transaction volume has significantly reduced. We shall continue to monitor the effects of these measures on our business and adjust timely our operation to keep up our market niche.

The property market in mainland China has showed signs of improvement in the beginning of 2013. Though the price of residential property remained stable as a result of the continued suppressing measures of the central and provincial governments in mainland China, the market picked up gradually in transaction volume in major cities. In the midst of the continuation of the tightening measures in the real estate market of mainland China, we believe that the real estate industry in mainland China would continue to be subdued in the foreseeable future.

2013 is a challenging year for our property agency business in both Hong Kong and mainland China. Our existing business network and established operation systems are legacy for the Group to remain competitive in the property agency market. We shall actively integrate our resources in different business segments to weather any unexpected economic and market changes. We are committed to effectively manage our resources to create shareholder value and foster high profit potential business opportunities for the Group.

Financial Review

Review of Results

The Group reported a consolidated revenue of HK$136.6 million for the year ended 31 December 2012, being a decline of HK$128.0 million or 48.4% when compared with that of last year. Gross profit was HK$32.9 million, an increase of 12.3% from HK$29.3 million for 2011. Decrease in revenue with improvement in gross profit was principally due to tightening in cost control and improved resources application in toys trading business and property agency business. Moreover, selling and distribution costs and administrative expenses of the Group decreased by HK$3.7 million and HK$7.4 million, respectively.

The Group recorded other gains of HK$3.2 million for the year ended 31 December 2012 (for the year ended 31 December 2011: other losses of HK$8.9 million), which was mainly attributed to net gain on investments held for trading of HK$7.2 million and impairment loss on trade receivables of HK$4.0 million.

In combination of the above factors, together with provision for impairment loss on goodwill of HK$29.9 million, impairment loss on intangible assets of HK$20.0 million and amortisation of intangible assets of HK$16.9 million, the Group recorded a loss of HK$57.1 million for this reporting year, a decrease of HK$137.1 million or 70.6% when compared with that of last year.

Liquidity and Financial Resources

The Group maintained sufficient working capital as at 31 December 2012 with bank balances and cash of HK$108.1 million (31 December 2011: HK$84.7 million).

As at 31 December 2012, the Group has obligations under a finance lease of HK$0.1 million (31 December 2011: HK$0.3 million).

Gearing ratio, expressed as the percentage of total borrowings over total capital, of the Group as at 31 December 2012 was 0.1% (31 December 2011: 0.1%). Total capital is calculated as total equity plus total borrowings.

Capital Structure

As at 31 December 2012, the Company has 267,759,235 shares of HK$0.01 each (the “Shares”) in issue.

On 18 June 2012, the Company effected a capital reorganisation, which included (i) share consolidation of every five issued shares of par value HK$0.01 each into one issued consolidated share of par value HK$0.05 each; (ii) capital reduction of the par value of each issued consolidated share from HK$0.05 to HK$0.01 by cancellation of HK$0.04 of the paid-up capital on each issued consolidated share; and (iii) cancellation of the entire amount standing to the credit of the share premium account of the Company.

A total of credit of approximately HK$113.5 million arisen from the capital reorganisation was credited to the contributed surplus account of the Company and will be applied for setting off the accumulated losses of the Company.

On 31 January 2013, the Company had completed a placing of 53 million new Shares and received a net proceed of HK$11.9 million for general working capital.

Charges on Assets

As at 31 December 2012, certain property, plant and machinery with carrying values of HK$0.3 million (31 December 2011: HK$0.4 million) represented assets held under finance leases.

Litigation

Details of the litigation are set out in note 12 to this announcement.

OTHER INFORMATION

Purchase, Sale or Redemption of the Company's Listed Securities

During the year, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

Corporate Governance

On 1 April 2012, the Code on Corporate Governance Practice as listed out in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Former CG Code") was amended and renamed as Corporate Governance Code and Corporate Governance Report (the "New CG Code"). The current practices of the Company will be reviewed and updated regularly to follow the latest practices in corporate governance.

The Company has complied with the code provisions set out in the Former CG Code and the New CG Code contained in Appendix 14 to the Listing Rules throughout the year ended 31 December 2012 except for the following deviations:

Pursuant to Code A.2.1 of the Former CG Code and the New CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Ng Kai Man ("Mr. Ng") has been designated as the Chairman of the Company with effect from 1 July 2009 and takes up the leadership role to ensure that the Board works effectively in discharging its responsibilities and that all key and appropriate issues are discussed by the Board in a timely manner. Mr. Ng, who is the founder of the property agency business of the Group and has considerable experience in real estate industry, also carries out the function of chief executive officer of the Group. Taken into account that there is a strong and independent non-executive element on the Board and a clear division of responsibility in running the business of the Group, the Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Group.

None of the non-executive directors of the Company is appointed for specific term which is deviated from Code A.4.1 of the Former CG Code and the New CG Code. However, as the directors are subject to retirement by rotation provisions under the bye-laws of the Company, the Board considers that sufficient measures have been in place to ensure that the Company's corporate governance practices are no less exacting than the New CG Code.

Code A.6.7 of the New CG Code provides that independent non-executive directors and other non-executive directors should attend the general meetings of the Company. An independent non-executive director was unable to attend the annual general meeting of the Company held on 25 May 2012 due to other engagement.

Scope of work of Messrs. Deloitte Touche Tohmatsu

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2012 as set out in this Preliminary Announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on this Preliminary Announcement.

Review of the Results

The audit committee of the Company has reviewed with the management the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including the consolidated financial statements for the year ended 31 December 2012.

By Order of the Board
21 Holdings Limited
Ng Kai Man
Chairman

Hong Kong, 26 March 2013

As at the date of this announcement, the Board comprises Mr. Ng Kai Man (Chairman) and Mr. Cheng Yuk Wo as executive Directors and Mr. Lui Siu Tsuen, Richard, Mr. Ding Chung Keung and Ms. Cheung Sze Man as independent non-executive Directors.