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**21 Holdings Limited**

**21 控股有限公司\***

*(incorporated in Bermuda with limited liability)*

**(stock code: 1003)**

**CLARIFICATION ANNOUNCEMENT ON  
DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION  
TO THE DISPOSAL OF THE 60% INTEREST IN  
YANYAN FORCE**

Reference is made to the announcement of 21 Holdings Limited (the “**Company**”) dated 6 August 2013 (the “**Announcement**”).

The Board wishes to provide additional information on the Disposal. Unless the context otherwise requires, capitalized terms used herein shall have the same meaning as those defined in the Announcement.

**BASIS FOR DETERMINATION OF THE CONSIDERATION**

It was stated in the Announcement that the Consideration was determined with reference to the latest market statistics and prospects of the toy products trading industry. In determining the Consideration, the Board has also taken into account (i) sustained losses incurred by Yanyan Force since 2007 and audited net loss for years ended 31 December 2012 and 2011; (ii) net liabilities of Yanyan Force as at 31 December 2012 and 2011; (iii) unaudited loss of approximately HK\$1,055,000 for the six months ended 30 June 2013; (iv) decrease in gross profit margin of Yanyan Force since 2010 due to the appreciation in Renminbi and increase in labour cost, raw material and other related costs; (v) the scale of toy products trading business of the Group has significantly curtailed since 2011; (vi) adverse market conditions and poor prospect of toy products trading industry with particular reference to depreciation of the Yen and the implementation of the new toy safety legislation requirements of the European Union in July 2013, as customers of Yanyan Force are mainly from Japan and Europe; (vii) the intention of the Board to retain the Group’s resource for the development of its core property agency and related business; (viii) the Sale Loan was provided to Yanyan Force to support its operation and the recoverability of the Sale Loan is low; and (ix) further working capital requirement for the operation of toy products trading business.

\* *for identification purpose only*

Additional financial information of Yanyan Force is set out as below:

	<b>Year ended 31 December 2012</b>	<b>Year ended 31 December 2011</b>
Audited net loss (before and after taxation and extraordinary items)	HK\$1,397,635	HK\$5,602,284
Audited net liabilities	HK\$25,863,453	HK\$24,465,818

As for the apportionment of the Consideration between the consideration for the Sale Shares and the Sale Loan, since Yanyan Force is a net liability company, only a nominal amount was attributed to the Sale Share and the remaining of the Consideration was attributed to the Sale Loan.

Having considered the factors described above, the Board is of the view that (i) the Disposal is desirable and in the interest of the Company and its Shareholders as a whole; and (ii) the terms of the Disposal Agreement, including the aggregate consideration of HK\$100,000 are on normal commercial terms and are fair and reasonable.

The Company would like to clarify that in the English version of the Announcement, under the section “REASONS FOR AND BENEFITS OF THE DISPOSAL”, it should read as “It is estimated that an unaudited loss of approximately HK\$181,000 will arise from the Disposal, which is calculated with reference to the net proceeds from the Disposal of approximately HK\$65,000 less the carrying value attributable to the Sale Shares and the Sale Loan as at 30 June 2013.”. The Chinese version of the Announcement is correct.

#### **VOTING AT THE BOARD MEETING**

As disclosed in the Announcement, the Purchaser is the brother of the Company’s Chairman Mr. Ng Kai Man (“**Mr. Ng**”). Accordingly, Mr. Ng is considered to have a material interest in the Disposal and has abstained from voting on the Board resolutions approving the Disposal. Other than Mr. Ng, no Director has a material interest in the Disposal.

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

Hong Kong, 15 August 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.*