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21 Holdings Limited
21 控股有限公司*

(incorporated in Bermuda with limited liability)
(stock code: 1003)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2013

The board of directors (the "Board") of 21 Holdings Limited (the "Company") is pleased to present the unaudited condensed consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2013. The consolidated interim financial statements of the Group have not been audited, but have been reviewed by the Company's auditor, Deloitte Touche Tohmatsu and the Company's Audit Committee.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2013

		Six months ended 30 June	
	Notes	**2013** **HK$'000** **(Unaudited)**	2012 HK$'000 (Unaudited and restated)
Continuing operations			
Revenue	3	**27,343**	63,818
Cost of sales and service rendered		**(17,134)**	(45,989)
Gross profit		**10,209**	17,829
Investment and other income		**8,634**	2,899
Other (losses) gains	4	**(2,046)**	3,522
Selling and distribution costs		**(414)**	(553)
Administrative expenses		**(20,152)**	(20,476)
Amortisation of intangible assets	12	**(5,727)**	(8,808)
Impairment loss on intangible assets	12	**(9,321)**	(5,072)
Impairment loss on goodwill	11	**(12,252)**	(19,850)
Finance costs	5	**(2)**	(6)
Loss before tax		**(31,071)**	(30,515)
Income tax credit	6	**3,761**	2,615
Loss for the period from continuing operations	7	**(27,310)**	(27,900)
Discontinued operation			
Loss for the period from discontinued operation	8	**(1,055)**	(789)
Loss for the period		**(28,365)**	(28,689)

* *for identification purpose only*

	Notes	Six months ended 30 June **2013** ***HK$'000*** **(Unaudited)**	 2012 *HK$'000* (Unaudited and restated)
Other comprehensive income (expense)			
Item that may be reclassified subsequently to profit or loss			
Exchange differences arising on translation of foreign operation		**395**	(667)
Total comprehensive expense for the period		**(27,970)**	(29,356)
Loss attributable to owners of the Company			
— from continuing operations		**(27,310)**	(27,900)
— from discontinued operation	*8*	**(633)**	(473)
Loss for the period attributable to owners of the Company		**(27,943)**	(28,373)
Loss attributable to non-controlling interests			
— from continuing operations		**–**	–
— from discontinued operation	*8*	**(422)**	(316)
Loss for the period attributable to non-controlling interests		**(422)**	(316)
		(28,365)	(28,689)
Total comprehensive expense for the period attributable to:			
Owners of the Company		**(27,548)**	(29,040)
Non-controlling interests		**(422)**	(316)
		(27,970)	(29,356)
Loss per share			
From continuing and discontinued operations			
— Basic *(HK dollar)*	*10*	**(0.09)**	(0.11)
From continuing operations			
— Basic *(HK dollar)*	*10*	**(0.09)**	(0.10)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 June 2013

	Notes	30 June 2013 HK$'000 (Unaudited)	31 December 2012 HK$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**2,593**	3,095
Note receivable		**9,479**	9,136
Financial assets at fair value through profit or loss		**8,890**	–
Goodwill	*11*	**15,748**	28,000
Intangible assets	*12*	**19,449**	34,055
		56,159	74,286
CURRENT ASSETS			
Trade and other receivables	*13*	**31,194**	42,408
Investments held for trading		**37,916**	76,715
Bank balances and cash		**142,525**	108,112
		211,635	227,235
Assets classified as held for sale	*15*	**1,463**	–
		213,098	227,235
CURRENT LIABILITIES			
Trade and other payables	*14*	**112,015**	136,527
Tax payable		**1,885**	1,884
Obligations under a finance lease		**16**	113
		113,916	138,524
Liabilities associated with assets classified as held for sale	*15*	**12,018**	–
		125,934	138,524
NET CURRENT ASSETS		**87,164**	88,711
TOTAL ASSETS LESS CURRENT LIABILITIES		**143,323**	162,997
NON-CURRENT LIABILITY			
Deferred tax liabilities		**4,862**	8,514
NET ASSETS		**138,461**	154,483
CAPITAL AND RESERVES			
Share capital		**3,208**	2,678
Reserves		**140,926**	157,056
Equity attributable to owners of the Company		**144,134**	159,734
Non-controlling interests		**(5,673)**	(5,251)
TOTAL EQUITY		**138,461**	154,483

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 ("HKAS 34") "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments, which are measured at fair values, as appropriate.

Except as described below, the accounting policies and methods of computations used in the condensed consolidated financial statements for the six months ended 30 June 2013 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2012.

In the current interim period, the Group has applied, for the first time, the following new or revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"):

HKFRS 10	Consolidated Financial Statements;
HKFRS 11	Joint Arrangements;
HKFRS 12	Disclosure of Interests in Other Entities;
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interest in Other Entities: Transition Guidance;
HKFRS 13	Fair Value Measurement;
HKAS 19 (as revised in 2011)	Employee Benefits;
HKAS 27 (as revised in 2011)	Separate Financial Statements;
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures;
Amendments to HKFRS 7	Disclosures Offsetting Financial Assets and Financial Liabilities;
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income;
Amendments to HKFRSs	Annual Improvements to HKFRSs 2009-2011 Cycle; and
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine.

The application of the above amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

3. 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 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 People's Republic of China (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

As set out in note 8, the toy products trading under Yanyan Force Limited ("Yanyan Force") has been classified as discontinued operation. The comparative figures in consolidated statement of profit or loss and other comprehensive income for the period ended 30 June 2012 have been restated accordingly.

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

Six months ended 30 June 2013 (Unaudited)

	Property agency		**Securities trading and investments**	**Consolidated**
	Hong Kong	**PRC**		
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue				
— External sales	**24,795**	**2,548**	**–**	**27,343**
Segment (loss) profit	**(13,812)**	**(16,845)**	**39**	**(30,618)**
Unallocated corporate income				**5,337**
Unallocated corporate expenses				**(5,788)**
Finance costs				**(2)**
Consolidated loss before tax				**(31,071)**
Other information (included in measure of segment profit (loss))				
Investment and other income	**109**	**961**	**2,227**	**3,297**
Depreciation of property, plant and equipment	**230**	**283**	**–**	**513**
Impairment loss on trade receivables	**–**	**91**	**–**	**91**
Impairment loss on goodwill	**12,252**	**–**	**–**	**12,252**
Impairment loss on intangible assets	**–**	**9,321**	**–**	**9,321**
Amortisation of intangible assets	**–**	**5,727**	**–**	**5,727**

Six months ended 30 June 2012 (Unaudited and restated)

	Property agency		Securities trading and investments	Consolidated
	Hong Kong	PRC		
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue				
— External sales	55,317	8,501	–	63,818
Segment profit (loss)	2,716	(36,359)	5,893	(27,750)
Unallocated corporate income				216
Unallocated corporate expenses				(2,975)
Finance costs				(6)
Consolidated loss before tax				(30,515)
Other information (included in measure of segment profit (loss))				
Investment and other income	216	32	2,435	2,683
Depreciation of property, plant and equipment	203	293	–	496
Impairment loss on goodwill	–	19,850	–	19,850
Impairment loss on intangible assets	–	5,072	–	5,072
Amortisation of intangible assets	–	8,808	–	8,808

All of the segment revenue reported above are from external customers.

Segment (loss) profit represents the (loss) profit from each segment without allocation of unallocated corporate income (which mainly includes refund of litigation cost as set out in note 16 and bank interest income), unallocated corporate expenses (which mainly include administration expenses) and finance costs. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

4. OTHER (LOSSES) GAINS

	Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Continuing operations:		
Net (losses) gains on investments held for trading	**(2,736)**	3,522
Gain on fair value changes of financial assets at fair value through profit or loss	**690**	–
	(2,046)	3,522

5. FINANCE COSTS

	Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Continuing operations:		
Interest charges on finance lease	**2**	6

6. INCOME TAX CREDIT

	Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
The tax charge (credit) comprises:		
Continuing operations:		
Hong Kong Profits Tax		
— Provision for the period	**1**	855
Deferred tax	**(3,762)**	(3,470)
	(3,761)	(2,615)

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

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%.

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.

7. LOSS FOR THE PERIOD

Loss for the period has been arrived at after charging (crediting):

	Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited and restated)
Continuing operations:		
Impairment loss on trade receivables	**91**	–
Amortisation of intangible assets	**5,727**	8,808
Depreciation of property, plant and equipment	**525**	499
Net exchange (gains) losses	**(9)**	77
Interest income	**(2,222)**	(2,647)

8. DISCONTINUED OPERATION

During the current interim period, the Group has entered into negotiation with potential buyer to dispose of its entire 60% equity interest and the shareholder's loan in Yanyan Force. The operation of Yanyan Force is toy products trading and representing the Group's toy products trading segment for segment reporting purposes.

Subsequent to period ended 30 June 2013, the Group through its wholly-owned subsidiary, Prosper Overseas Limited ("Prosper Overseas"), entered into a sale and purchase agreement with Mr. Ng Kai Lok, Paul (the "Purchaser"), a minority shareholder of Yanyan Force and a close family member of a director of the Company, to dispose of its entire 60% equity interest and the shareholder's loan in Yanyan Force at a consideration of HK$100,000. The net proceeds of disposal exceed the net carrying amount of the relevant assets and liabilities and accordingly, no impairment loss has been recognised.

The loss from the discontinued operation for the current and preceding periods is analysed as follows:

	Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
Revenue	**529**	21,734
Cost of sales	**(511)**	(20,985)
Selling and distribution expenses	**(122)**	(790)
Administrative expenses	**(355)**	(748)
Loss before taxation	**(459)**	(789)
Taxation	**(596)**	–
Loss for the period	**(1,055)**	(789)
Loss for the period attributable to:		
Owners of the Company	**(633)**	(473)
Non-controlling interests	**(422)**	(316)
	(1,055)	(789)

Loss before tax from discontinued operation has been arrived at after charging (crediting):

	Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
Directors' emoluments	**–**	–
Other staff costs:		
— Salaries and other benefits	**8**	276
— Retirement benefits scheme contributions	**1**	13
Total staff costs	**9**	289
Depreciation of property, plant and equipment	**1**	3
Cost of inventories recognised as expenses	**492**	20,157

The cash flow of the discontinued operation were as follows:

	Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
Net cash inflow (outflow) from operating activities	**168**	(323)
Net cash inflow from investing activities	**–**	140
Net cash outflow from financing activities	**(1,500)**	(3,571)

9. DIVIDENDS

No dividends were paid, declared or proposed for the period ended 30 June 2013 and 2012, nor has any dividend been proposed since the end of both reporting periods.

10. LOSS PER SHARE

For continuing and discontinued operations

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

	Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Loss for the period attributable to owners of the Company for the purposes of basic loss per share	**(27,943)**	(28,373)

	Number of ordinary shares	
	2013	2012
	'000	*'000*
Weighted average number of ordinary shares for the purposes of basic loss per share *(Note)*	**311,975**	267,759

Note: The weighted average number of shares for the purposes of calculating basic loss per share for the six months ended 30 June 2012 was adjusted to reflect the effects of share consolidation in June 2012.

No diluted loss per share is presented in both periods, as there were no potential ordinary shares outstanding during the six months ended 30 June 2013 and 2012.

The calculation of the basic loss per share from continuing operations attributable to the owners of the Company is based on the following data:

	Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Loss for the period attributable to owners to the Company	**(27,943)**	(28,373)
Less: Loss for the period from discontinued operation	**633**	473
Loss for the purposes of basic loss per share from continuing operations	**(27,310)**	(27,900)

The denominators used in calculation of the basic loss per share attributable to owners of the Company from continuing operations are the same as those for loss per share for the period from continuing and discontinued operations.

From discontinued operation

Basic loss per share from discontinued operation is HK$0.002 per share (for the period ended 30 June 2012: loss per share of HK$0.002), based on the loss for the period from discontinued operation of approximately HK$633,000 (for the period ended 30 June 2012: loss of HK$473,000) and the denominators detailed above for both basic loss per share.

11. GOODWILL

	Property agency		Toy products	
	Hong Kong	**PRC**	**trading**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
COST				
At 1 January 2013 (audited)	429,960	116,343	4,201	550,504
Exchange realignment	–	1,868	–	1,868
At 30 June 2013 (unaudited)	429,960	118,211	4,201	552,372
IMPAIRMENT				
At 1 January 2013 (audited)	401,960	116,343	4,201	522,504
Impairment loss recognised in the period	12,252	–	–	12,252
Exchange realignment	–	1,868	–	1,868
At 30 June 2013 (unaudited)	414,212	118,211	4,201	536,624
CARRYING VALUES				
At 30 June 2013 (unaudited)	15,748	–	–	15,748
At 31 December 2012 (audited)	28,000	–	–	28,000

Property agency in Hong Kong

The recoverable amount of the cash generating units ("CGUs") of property agency segment in Hong Kong was based on its value-in-use which is higher than its fair value less cost to sell, both of which were determined with reference to the valuation performed by an independent professional qualified valuer not connected with the Group. The value-in-use calculation uses cash flow projections based on financial budgets approved by management covering a five-year period, and at a discount rate of 20.50% (31 December 2012: 19.90%). Cash flows beyond the five-year period were extrapolated using a 3.35% (31 December 2012: 3%) growth rate in considering the economic conditions of the market.

The estimated growth rates used are comparable to the growth rate for the industry. Other key assumptions for the value-in-use calculations relate to the estimation of cash inflows which include budgeted sales and gross margin. Such estimation is based on the unit's past performance and management's expectations for market development including deteriorating sentiment as a result of global economic turmoil and property cooling measures, such as introduction of the Buyer's Stamp Duty and enhanced Special Stamp Duty in October 2012 and certain demand-side management measures in February 2013, which adversely affected the potential profitability in the property agency market in Hong Kong. The management of the Company therefore was of the opinion that their previous expectation on the potential profitability could not be met and as a result, goodwill was impaired accordingly.

The carrying amount of the unit was determined to be higher than its recoverable amount and an impairment loss of HK$12,252,000 (for the six months ended 30 June 2012: HK$Nil) was recognised. The impairment loss was allocated fully to goodwill and is presented on the face of condensed consolidated statement of profit or loss and other comprehensive income.

12. INTANGIBLE ASSETS

The contracted and uncontracted customer relationship has an estimated useful life of five years and is amortised on a straight-line basis.

	HK$'000
COST	
At 1 January 2013 (audited)	89,198
Exchange realignment	1,431
At 30 June 2013 (unaudited)	90,629
AMORTISATION AND IMPAIRMENT	
At 1 January 2013 (audited)	55,143
Impairment loss recognised in the period	9,321
Amortisation provided for the period	5,727
Exchange realignment	989
At 30 June 2013 (unaudited)	71,180
CARRYING VALUE	
At 30 June 2013 (unaudited)	19,449
At 31 December 2012 (audited)	34,055

Property agency in the PRC

The recoverable amount of the CGUs of property agency in the PRC was based on its value-in-use which is higher than its fair value less cost to sell, both of which were determined with reference to the valuation performed by an independent professional qualified valuer not connected with the Group. The value-in-use calculation uses cash flow projections based on financial budgets approved by management covering a five-year period, and at discount rate of 20.77% (31 December 2012: 20.70%). Cash flows beyond the five-year period were extrapolated using 3.25% (31 December 2012: 3.62%) growth rate in considering the economic conditions of the market.

The estimated growth rates used are comparable to the growth rate for the industry. Other key assumptions for value-in-use calculations relate to the estimation of cash inflows which include budgeted sales and gross margin. Such estimation is based on the unit's past performance and management's expectations for the PRC property market development including continuously deteriorated sentiment for property sales due to certain on-going regulatory policies being implemented and enforced in the first half of year 2013 by the PRC government limiting the property purchase to curb the overheated PRC real estate market, which cast doubt on the potential profitability in the property agency in the PRC. The management of the Company therefore was of the opinion that their previous expectation as at 31 December 2012 on expected revenue growth and market development of the property agency business in the PRC could not be met and as a result, intangible assets was impaired accordingly.

The carrying amount of the unit was determined to be higher than its recoverable amount and an impairment loss of HK$9,321,000 (for the six months ended 30 June 2012: HK$24,922,000) was made on intangible assets (for the six months ended 30 June 2012: goodwill of HK$19,850,000 and intangible assets of HK$5,072,000).

13. TRADE AND OTHER RECEIVABLES

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.

Included in trade and other receivables are trade receivables of approximately HK$22,739,000 (31 December 2012: HK$34,253,000) and an aged analysis presented based on the invoice date approximate respective revenue recognition date at the end of reporting period is as follows:

	30 June 2013 *HK$'000* **(Unaudited)**	31 December 2012 *HK$'000* (Audited)
0 – 30 days	**1,458**	2,913
31 – 60 days	**1,941**	2,474
61 – 90 days	**3,672**	8,242
Over 90 days	**15,668**	20,624
	22,739	34,253

14. TRADE AND OTHER PAYABLES

Included in trade and other payables are commissions payable of approximately HK$20,265,000 (31 December 2012: HK$31,336,000) mainly for 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.

Included in the Group's trade and other payables was provision for losses on litigation of approximately HK$86,500,000 (31 December 2012: HK$86,500,000) made in accordance with the judgment, details of which are set out in note 16.

15. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE

(a) As set out in note 8, the Group has entered into negotiation with potential buyer to dispose of its entire 60% equity interest and the shareholder's loan in Yanyan Force. The assets and liabilities attributable to Yanyan Force that are expected to be sold within twelve months have been classified as disposal group held for sale and are separately presented in the condensed consolidated statement of financial position.

The net proceeds of disposal are expected to exceed the net carrying amount of the relevant consolidated assets and liabilities and, accordingly, no impairment loss has been recognised during the period ended 30 June 2013.

Subsequent to 30 June 2013, the Group completed the disposal and details are disclosed in note 17.

The major classes of assets and liabilities of the disposal group are as follows:

	Yanyan Force At 30 June 2013 *HK$'000*
Property, plant and equipments	**5**
Trade and other receivables	**538**
Bank balances and cash	**511**
Total assets classified as held for sale	**1,054**
Other payables *(Note)*	**(10,979)**
Tax payable	**(596)**
Total liabilities associated with assets classified as held for sale	**(11,575)**

Note: Included in other payables is the amount due to a non-controlling shareholder of the disposal group of HK$10,933,000 which is unsecured, non-interest bearing, non-trade nature and repayable on demand. The non-controlling shareholder of disposal group is a close family member of Mr. Ng Kai Man, a director of the Company.

(b) On 28 June 2013, New Leader Limited ("New Leader"), a wholly-owned subsidiary of the Group entered into an agreement with two independent third parties of the Group for transfer all the rights, risk and reward arising from daily operations of Guangzhou MAG Real Estate Investment Consultants Limited ("GZ MAG") to the contractors for 5 years commencing from 1 July 2013 to 30 June 2018 with no consideration. The contractors in return will pay 2% of the total revenue arising from GZ MAG to the Group.

The Group expected to lose its control on GZ MAG after 1 July 2013. Accordingly, the assets and liabilities attributable to GZ MAG within twelve months have been classified as disposal group held for sale and are separately presented in the condensed consolidated statement of financial position.

No discontinued operation was shown in the condensed consolidated financial statements since the directors of the Company considered the financial results contributed by GZ MAG was insignificant to the PRC property agency segment and no material impact to the PRC property agency segment. The operation of GZ MAG is included in the Group's property agency in the PRC for segment reporting purposes.

	GZ MAG At 30 June 2013 *HK$'000*
Property, plant and equipments	**9**
Other receivables	**38**
Bank balances and cash	**362**
Total assets classified as held for sale	**409**
Trade and other payables	**(443)**
Liabilities associates with assets classified as held for sale	**(443)**

16. 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 solicitors and counsel, the directors considered that the Company has good grounds for appeal, and has instructed its solicitors 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 claims 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.

Pending the hearing of the CFA Appeal, the Company enforced the costs order awarded in its favour against the Plaintiff. By agreement the Company received a sum of HK$5,332,000 from the Plaintiff in full and final settlement of its costs of the Action and the CA Appeal inclusive of interest.

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 condensed consolidated financial statements as at 30 June 2013. 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 2012: HK$86,500,000) is adequate and not excessive.

17. EVENTS AFTER THE REPORTING PERIOD

(a) As set out in note 8, Prosper Overseas entered into a sale and purchase agreement with the Purchaser, a minority shareholder of Yanyan Force, for the disposal of its entire 60% equity interest in Yanyan Force and the loan provided to Yanyan Force of HK$16,397,000, at a consideration of HK$100,000. The net proceeds of disposal exceed the net carrying amount of the relevant assets and liabilities and accordingly, no impairment loss has been recognised.

The Group completed the disposal of Yanyan Force on 6 August 2013 and the consideration has been received in full after the end of reporting period.

(b) As set out in note 15(b), New Leader entered into a contractor agreement with two independent third parties of the Group for transfer all the rights, risk and reward arising from daily operations of GZ MAG to the contractors. The Group lost control on GZ MAG since 1 July 2013. The net proceeds of disposal exceed the net carrying amount of the relevant assets and liabilities and accordingly, no impairment loss has been recognised.

MANAGEMENT DISCUSSION AND ANALYSIS

Business and Operation Review

The property agency segment in Hong Kong under Century 21 (HK) Group Limited and its subsidiaries ("Century 21 Group") reported a revenue of HK$24.8 million for the six months ended 30 June 2013, a decrease of about 55.2% as compared with HK$55.3 million for the same period last year, which is mainly due to significant reduction in property transaction volume as a result of the implementation of new measures in Hong Kong property market in October 2012, February and April 2013 by the Government of Hong Kong Special Administrative Region. Operating loss from the property agency segment in Hong Kong for the six months ended 30 June 2013 amounted to HK$1.6 million (excluding provision for impairment loss on goodwill of HK$12.3 million) whilst the operating profit for the corresponding period in 2012 was HK$2.7 million (no provision for impairment loss on goodwill for the correspondence period in 2012).

The property market in the People's Republic of China (the "PRC") was continuously cuffed by series of government regulating measures and recorded a significant decline in property sales for the six months ended 30 June 2013. As a result, the reported revenue of the property agency segment in the PRC under Vigour Well Limited and its subsidiaries ("Vigour Well Group") was HK$2.5 million for the six months ended 30 June 2013, representing a decrease of HK$6.0 million or 70.0% when compared with the corresponding period in 2012. The operating loss was HK$1.8 million (excluding amortisation of intangible assets and provision for impairment loss on intangible assets of HK$5.7 million and HK$9.3 million respectively), whilst the operating loss for the corresponding period in 2012 was HK$2.6 million (excluding amortisation of intangible assets, provisions for impairment loss on intangible assets and goodwill of HK$8.8 million, HK$5.1 million and HK$19.9 million respectively).

During the six months ended 30 June 2013, the Group has streamlined its operations and the scale of toy products trading business has been significantly curtailed. Revenue from the toy products trading segment was HK$0.5 million, representing a decrease of HK$21.2 million or 97.6% when compared with the corresponding period in 2012. Meanwhile, this segment recorded a significant decrease in selling and distribution cost and administrative expenses. This segment recorded a loss of HK$0.5 million during the six months ended 30 June 2013, a mitigation of HK$0.3 million compared to a loss of HK$0.8 million in last corresponding period.

The securities trading and investments segment reported a gain of HK$39,000 which was mainly attributable to overall decline in fair value of the Group's investments held for trading and financial assets at fair value through profit or loss of HK$2.0 million and interest income of HK$2.2 million.

Prospects

The property market in Hong Kong in the second half of 2013 is expected to be adversely affected by measures regulating Hong Kong property market, which includes the implementation of Residential Properties (First-hand Sales) Ordinance (Chapter 621 of the Laws of Hong Kong) in April 2013 and across-the-block rise in Ad Valorem Stamp Duty rates in late February 2013. The management considers that these discouraging measures would continue to hinder the property agency business in Hong Kong for a considerable period of time.

In view of possible further property curbs in the PRC cities to carry out central government policy, New Leader Limited, a wholly-owned subsidiary of the Group entered into an agreement with two independent third parties of the Group for transfer all the rights, risk and reward arising from daily operations of Guangzhou MAG Real Estate Investment Consultants Limited** ("GZ MAG") to the contractors for 5 years commencing from 1 July 2013 to 30 June 2018 with no consideration. The contractors in return will pay 2% of the total revenue arising from GZ MAG to the Group. GZ MAG is one of the operation arms of Vigour Well Group, and is principally engaged in provision of property project consulting, property agency and related services in the PRC. This arrangement provides the Group with an option to unload fixed operation cost and to leverage on the diligence of the contractors for a reasonable share of the revenue of GZ MAG. The management would continuously evaluate the performance of this arrangement for future operation strategy.

The Group expected to lose its control on GZ MAG after 1 July 2013. Accordingly, the assets and liabilities attributable to GZ MAG within twelve months have been classified as disposal group held for sale and are separately presented in the condensed consolidated statement of financial position.

Amidst the unfavourable operating environment in the local and mainland property agency business, the Group is pulling together its resources and though its international business network to promote and organise sales events in Hong Kong on selected property projects from the PRC and overseas. The management believes that this joint-force strategy will improve the performance of property agency business of the Group as a whole.

The directors do not foresee the toy products trading business can turnaround in the near future, therefore, Yanyan Force Limited ("Yanyan Force"), representing the Group's toy products trading segment for segment reporting purposes, was disposed of on 6 August 2013. The directors consider that the disposal aligned with the Group's strategy to focus on its core property agency and related services business. The toy products trading has been classified as discontinued operation as set out in note 8 to the condensed consolidated financial statements. The assets and liabilities attributable to Yanyan Force that are expected to be sold within twelve months have been classified as disposal group held for sale and are separately presented in the condensed consolidated statement of financial position.

The global and local economies have been under the macro-economic challenges including the US currency policy, the Euro crisis and credit crunch in the PRC. The securities and monetary markets have remained volatile, leading to an overall decline in fair value of the Group's investment held for trading at the period end. The management is working to balance the investment portfolio of the Group in order to achieve a reasonable return.

The property market across the region would remain in a shadow cast by various discouraging measures and economic uncertainty in the second half of 2013. Barring unexpected adverse circumstances, the Board believes that taking conservative steps to operate its property agency business would weather the hardship. Moreover, the Group will explore new opportunities relating to its core business to create new value for the shareholders of the Company.

** *The English name of the PRC company is translation of its respective Chinese name included for information only and is not its official name.*

FINANCIAL REVIEW

Review of Results

For the six months ended 30 June 2013, the Group reported revenue of HK$27.3 million from continuing operations, representing a decrease of HK$36.5 million or 57.2% when compared with that of the last corresponding period. Gross profits from continuing operations decreased by HK$7.6 million from HK$17.8 million for the last corresponding period to HK$10.2 million, principally due to tightening measures curbing real estate sales in Hong Kong and the PRC.

The Group recorded other losses of HK$2.0 million for the period which was attributable to the net losses on investments held for trading (for the six months ended 30 June 2012: other gains of HK$3.5 million).

In view of uncertainties in the global economy and subsisting property-cooling measures in Hong Kong and the PRC real estate market. The Group carried out review of the recoverable amounts of cash generating units ("CGUs") of property agency segments in Hong Kong and the PRC at the period end.

The recoverable amounts of the CGUs were based on their value-in-use which are higher than their fair value less cost to sell, both of which were determined with reference to the valuation performed by an independent professional qualified valuer not connected with the Group as at 30 June 2013. The value-in-use calculation of property agency in Hong Kong and the PRC use cash flow projections based on financial budgets approved by management covering a five-year period, and at discount rates of 20.50% and 20.77% for property agency segment in Hong Kong and the PRC respectively. Cash flows beyond the five-year period were extrapolated using 3.35% and 3.25% growth rates for the property agency segment in Hong Kong and the PRC respectively in considering the economic conditions of the market. The management of the Company therefore was of the opinion that their previous expectation on the potential profitability could not be met and as a result, goodwill and intangible assets were impaired accordingly.

In combination of the above factors, together with provision for impairment loss on goodwill of HK$12.3 million, impairment loss on intangible assets of HK$9.3 million and amortisation of intangible assets of HK$5.7 million, the Group recorded a loss of HK$28.4 million for this reporting period, a decrease of HK$0.3 million or 1.1% when compared with that of last year.

Liquidity and Financial Resources

The Group maintained sufficient working capital as at 30 June 2013 with bank balances and cash of HK$142.5 million (31 December 2012: HK$108.1 million).

As at 30 June 2013, the Group has obligations under a finance lease of HK$16,000 (31 December 2012: HK$0.1 million).

Gearing ratio, expressed as the percentage of total borrowings over total capital, of the Group as at 30 June 2013 was less than 0.1% (31 December 2012: 0.1%). Total capital is calculated as total equity plus total borrowings.

Capital Structure

As at 30 June 2013, the Company has 320,759,235 shares of HK$0.01 each (the "Shares") in issue.

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

Charges on Assets

As at 30 June 2013, certain property, plant and machinery with carrying values of approximately HK$0.3 million (31 December 2012: HK$0.3 million) represented assets held under finance leases.

Exposure to Exchange Rates

Most of the Group's business transactions, assets and liabilities are denominated in Hong Kong dollars, United States dollars and Renminbi. The Group's exposure to United States dollars currency risk is minimal as Hong Kong dollars is pegged to United States dollars. Nevertheless, operations and performances of the Group might be affected by the fluctuation of Renminbi and Pound Sterling. Presently, the Group does not have any currency hedging policy but will closely monitor Renminbi and Pound Sterling exchange rate and take appropriate measures to minimise any adverse impact that may be caused by its fluctuation.

Contingent Liabilities

As at 30 June 2013, the Group had no significant contingent liabilities.

Litigation

Details of the litigation are set out in note 16 to the condensed consolidated financial statements.

Employees

As at 30 June 2013, the Group had 38 employees and 229 agents. To attract, retain and motivate its employees, the Group has developed effective remuneration policies that are subject to review on regular basis. The Group's employees are remunerated with competitive packages which are in line with prevailing industry practice and individual performance. Furthermore, share option and performance-based bonus scheme are also in place to recognise the outstanding employees.

CORPORATE GOVERNANCE

Corporate Governance Code and Corporate Governance Report

The Company complied with the Corporate Governance Code and Corporate Governance Report (the "CG Code") as set out in Appendix 14 to the Rules Governing The Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the six months ended 30 June 2013, except for the following deviations:

Pursuant to Code A.2.1 of the 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 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 CG Code.

Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding the directors' securities transaction. Having made specific enquiry, all directors confirmed that they fully complied with the Model Code throughout the review period.

OTHER INFORMATION

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

During the six months ended 30 June 2013, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

Review of Interim Results

The Audit Committee of the Company has reviewed with the management and the independent auditor of the Company the accounting principles and practices adopted by the Group and the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2013.

By Order of the Board
Ng Kai Man
Chairman

Hong Kong, 27 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.