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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 2014

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 2014, together with comparative figures for the year ended 31 December 2013, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2014

	Notes	**2014** *HK$'000*	2013 *HK$'000*
Continuing operations			
Revenue	*3*	**203,803**	98,763
Cost of sales and service rendered		**(173,732)**	(72,515)
Gross profit		**30,071**	26,248
Investment and other income	*5*	**1,712**	18,887
Other losses and gains	*6*	**(2,322)**	942
Reversal of provision for losses on litigation		**–**	86,500
Selling and distribution costs		**(4,170)**	(1,041)
Administrative expenses		**(34,756)**	(48,247)
Impairment loss on goodwill	*12*	**(1,219)**	(20,941)
Amortisation of intangible assets		**–**	(9,652)
Impairment loss on intangible assets		**–**	(24,932)
Finance costs		**(2,112)**	(2)
(Loss) profit before tax from continuing operations		**(12,796)**	27,762
Income tax (expense) credit	*7*	**(348)**	8,552
(Loss) profit for the year from continuing operations	*8*	**(13,144)**	36,314
Discontinued operation			
Loss for the year from discontinued operation		**–**	(1,120)
(Loss) profit for the year		**(13,144)**	35,194

* *For identification purposes only*

	Notes	**2014** *HK$'000*	2013 *HK$'000*
Other comprehensive (expense) income			
Item that may be reclassified subsequently to profit or loss			
Exchange differences arising on translation of foreign operation		**(1,055)**	359
Total comprehensive (expense) income for the year		**(14,199)**	35,553
(Loss) profit attributable to owners of the Company			
— from continuing operations		**(13,144)**	36,314
— from discontinued operation		**–**	(672)
(Loss) profit for the year attributable to owners of the Company		**(13,144)**	35,642
Loss attributable to non-controlling interests			
— from continuing operations		**–**	–
— from discontinued operation		**–**	(448)
Loss for the year attributable to non-controlling interests		**–**	(448)
		(13,144)	35,194
Total comprehensive (expense) income for the year attributable to:			
Owners of the Company		**(14,199)**	36,001
Non-controlling interests		**–**	(448)
		(14,199)	35,553
			(Restated)
(Loss) earnings per share			
From continuing and discontinued operations			
— Basic *(HK dollar)*	*10*	**(0.03)**	0.10
From continuing operations			
— Basic *(HK dollar)*	*10*	**(0.03)**	0.10

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**910**	1,845
Note receivable		**–**	9,827
Loan receivable	*11*	**80,000**	–
Goodwill	*12*	**4,395**	7,059
		85,305	18,731
CURRENT ASSETS			
Trade and other receivables	*13*	**155,759**	75,771
Investments held for trading		**–**	41,639
Financial assets at fair value through profit or loss		**–**	9,150
Bank balances and cash		**231,917**	120,238
		387,676	246,798
CURRENT LIABILITIES			
Trade and other payables	*14*	**129,399**	56,666
Loan payable		**6,000**	–
Tax payable		**1,472**	1,180
		136,871	57,846
NET CURRENT ASSETS		**250,805**	188,952
TOTAL ASSETS LESS CURRENT LIABILITIES		**336,110**	207,683
NET ASSETS		**336,110**	207,683
CAPITAL AND RESERVES			
Share capital		**5,771**	3,208
Reserves		**330,339**	204,475
TOTAL EQUITY		**336,110**	207,683

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

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

In the current year, the Group has applied, for the first time, the following new interpretation and amendments to HKFRSs (hereinafter collectively referred to as the "new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and a new interpretation.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment entities
Amendments to HKAS 32	Offsetting financial assets and financial liabilities
Amendments to HKAS 36	Recoverable amount disclosures for non-financial assets
Amendments to HKAS 39	Novation of derivatives and continuation of hedge accounting
HK(IFRIC)-INT 21	Levies

Except as described below, the application of the new and revised 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.

Amendments to HKAS 32 "Offsetting financial assets and financial liabilities"

The Group has applied the amendments to HKAS 32 "Offsetting financial assets and financial liabilities" for the first time in the current year. The amendments to HKAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement'.

As the Group does not have any financial assets and financial liabilities that qualify for offset, the application of the amendments has had no impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.

Amendments to HKAS 36 "Recoverable amount disclosures for non-financial assets"

The Group has applied the amendments to HKAS 36 "Recoverable amount disclosures for non-financial assets" for the first time in the current year. The amendments to HKAS 36 remove the requirement to disclose the recoverable amount of a cash generating unit ("CGU") to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements applicable to when the recoverable amount of an asset or a CGU is measured at fair value less costs of disposal. These new disclosures include the fair value hierarchy, key assumptions and valuation techniques used which are in line with the disclosure required by HKFRS 13 "Fair value measurements".

The application of these amendments has had no material impact on the disclosures in the Group's 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 (the "Stock Exchange") and by the Hong Kong Companies Ordinance.

3. REVENUE

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

	2014	2013
	HK$'000	*HK$'000*
Property agency commission and service income in Hong Kong	**198,793**	89,051
Property agency commission and service income in the People's Republic of China (the "PRC")	**33**	1,673
Franchise income	**4,977**	5,642
Leasing management income	**–**	2,397
	203,803	98,763

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.

Following the acquisition of the entire equity interest in Sinofocus Media (Holdings) Limited ("Sinofocus Media") (details are set out in note 15), the Group also engages in advertising agency services and 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 in the PRC

Advertising agency in the PRC – Provision of advertising agency services in the PRC

Securities trading and investments – Securities trading and investments

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

Continuing operations

	Property agency				Advertising agency		Securities trading and investments		Consolidated	
	Hong Kong		PRC							
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue										
— External sales	**203,770**	94,693	**33**	4,070	**–**	–	**–**	–	**203,803**	98,763
Segment (loss) profit	**(3,997)**	(22,814)	**(1,890)**	(40,293)	**49**	–	**865**	7,095	**(4,973)**	(56,012)
Unallocated corporate income									**48**	98,983
Unallocated corporate expenses									**(7,871)**	(15,207)
Finance costs on finance lease									**–**	(2)
Consolidated (loss) profit before tax									**(12,796)**	27,762
Other information (included in measure of segment (loss) profit)										
Net (loss) profit on investments held for trading	**–**	–	**–**	–	**–**	–	**(1,280)**	1,151	**(1,280)**	1,151
Investment and other income	**468**	186	**2**	1,062	**329**	–	**865**	5,156	**1,664**	6,404
Depreciation of property, plant and equipment	**441**	460	**369**	529	**2**	–	**18**	–	**830**	989
Loss on disposal of property, plant and equipment	**–**	–	**–**	120	**–**	–	**–**	–	**–**	120
Impairment loss on trade receivables	**1,121**	76	**–**	1,083	**–**	–	**–**	–	**1,121**	1,159
Impairment loss on other receivables	**–**	–	**–**	2,807	**–**	–	**–**	–	**–**	2,807
Write-back of trade payables	**–**	–	**–**	(887)	**–**	–	**–**	–	**–**	(887)
Impairment loss on goodwill	**1,219**	20,941	**–**	–	**–**	–	**–**	–	**1,219**	20,941
Impairment loss on intangible assets	**–**	–	**–**	24,932	**–**	–	**–**	–	**–**	24,932
Amortisation of intangible assets	**–**	–	**–**	9,652	**–**	–	**–**	–	**–**	9,652

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 loan interest income and bank interest income), unallocated corporate expenses (which mainly include loss on disposals of subsidiaries and administrative expenses) and finance costs on finance lease. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

5. INVESTMENT AND OTHER INCOME

	2014	2013
	HK$'000	*HK$'000*
Continuing operations		
Interest on bank deposits	**550**	907
Interest on debt securities	**490**	3,400
Imputed interest on note receivable	**128**	691
Interest on loan receivable	**35**	–
Refund of litigation cost	**–**	7,376
Gain on disposals of subsidiaries	**–**	5,122
Write-back of trade payables	**–**	887
Dividends from equity securities	**–**	156
Sundry income	**509**	348
	1,712	18,887

6. OTHER LOSSES AND GAINS

	2014	2013
	HK$'000	*HK$'000*
Continuing operations		
Net (loss) profit on investments held for trading	**(1,280)**	1,151
Gain on fair value change of financial assets at fair value through profit or loss	**570**	950
Gain on disposal of note receivable	**813**	–
Impairment loss on trade receivables	**(1,121)**	(1,159)
Loss on disposals of subsidiaries	**(1,304)**	–
	(2,322)	942

7. INCOME TAX EXPENSE (CREDIT)

	2014	2013
	HK$'000	*HK$'000*
The tax charge (credit) comprises:		
Continuing operations		
Hong Kong Profits Tax		
— Provision for the year	**348**	94
Deferred tax — current year *(Note)*	**–**	(8,646)
	348	(8,552)

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.

8. (LOSS) PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS

	2014	2013
	HK$'000	*HK$'000*
(Loss) profit for the year from continuing operations has been arrived at after charging (crediting):		
Directors' remuneration, including retirement benefits scheme contributions	**1,350**	6,222
Other staff costs	**12,070**	16,954
Other retirement benefits scheme contributions	**595**	568
Total staff costs	**14,015**	23,744
Auditor's remuneration	**1,278**	1,276
Depreciation of property, plant and equipment	**830**	1,014
Impairment loss on trade receivables	**1,121**	1,159
Impairment loss on other receivables	**382**	2,807
Loss on disposal of property, plant and equipment	**–**	120
Operating lease payments for office premises, shops and photocopying machines	**4,569**	4,368
Commission expense on property agency	**173,602**	70,501
Loss (gain) on disposals of subsidiaries	**1,304**	(5,122)
Interest income	**(1,203)**	(4,998)

9. DIVIDENDS

No dividends were paid, declared or proposed for the years ended 31 December 2014 and 2013, nor has any dividend been proposed since the end of both reporting periods.

10. (LOSS) EARNINGS PER SHARE

From continuing and discontinued operations

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

	2014	2013
	HK$'000	*HK$'000*
(Loss) earnings for the year attributable to owners of the Company for the purposes of basic (loss) earnings per share	**(13,144)**	35,642

	Number of ordinary shares	
	2014	2013
	'000	'000
		(Restated)
Weighted average number of ordinary shares for the purposes of basic (loss) earnings per share *(Note)*	**485,699**	349,709

Note: The weighted average number of shares for the purposes of calculating basic (loss) earnings per share for the year ended 31 December 2013 was adjusted to reflect the effects of open offer of shares in June 2014.

No diluted (loss) earnings per share is presented in both years, as there were no potential ordinary shares outstanding during the years ended 31 December 2014 and 2013.

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

	2014	2013
	HK$'000	*HK$'000*
(Loss) earnings for the year attributable to owners of the Company	**(13,144)**	35,642
Less: Loss for the year from discontinued operation	**–**	672
(Loss) earnings for the purposes of basic (loss) earnings per share from continuing operations	**(13,144)**	36,314

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

From discontinued operation

Basic loss per share from discontinued operation was HK$0.002 per share for the year ended 31 December 2013, based on the loss for the period ended 6 August 2013 attributable to the owners of the Company from discontinued operation of approximately HK$672,000 and the denominators detailed above.

11. LOAN RECEIVABLE

On 30 December 2014, the Group granted a loan with the principal amount of HK$80,000,000 to Mastermind Capital Limited, a company with its shares listed on the Stock Exchange, for a term of two years. The interest rate is 8.00% per annum, payable monthly and the default interest rate is 16.00% per annum on the default payment from the date of default until the sum is paid.

At initial recognition, the fair value of the loan receivable was measured at present value of contractual future cash flows discounted at effective interest rate of 8.00%, taking into account the remaining time to maturity. The loan receivable carries fixed interest rate at 8.00% per annum with maturity on 29 December 2016.

As at 31 December 2014, the carrying amount of loan receivable was measured at amortised cost of HK$80,000,000. The interest of HK$35,000 is included in investment and other income during the year.

12. GOODWILL

	Property agency Hong Kong	Property agency PRC	Toy products trading	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
COST				
At 1 January 2013	429,960	116,343	4,201	550,504
Exchange realignment	–	3,457	–	3,457
Disposal of a subsidiary	–	–	(4,201)	(4,201)
At 31 December 2013	429,960	119,800	–	549,760
Exchange realignment	–	(2,933)	–	(2,933)
Disposal of subsidiaries (note 16(a))	(1,445)	–	–	(1,445)
At 31 December 2014	428,515	116,867	–	545,382
IMPAIRMENT				
At 1 January 2013	401,960	116,343	4,201	522,504
Impairment loss recognised in the year	20,941	–	–	20,941
Exchange realignment	–	3,457	–	3,457
Eliminated on disposal of a subsidiary	–	–	(4,201)	(4,201)
At 31 December 2013	422,901	119,800	–	542,701
Impairment loss recognised in the year	1,219	–	–	1,219
Exchange realignment	–	(2,933)	–	(2,933)
At 31 December 2014	424,120	116,867	–	540,987
NET CARRYING AMOUNT				
At 31 December 2014	4,395	–	–	4,395
At 31 December 2013	7,059	–	–	7,059

Goodwill is allocated to the groups of cash generating units ("CGUs") identified according to operating segment. The entire net carrying amount of goodwill as at 31 December 2014 has been allocated to the property agency segment in Hong Kong. The goodwill allocated to the property agency segment in the PRC has been fully impaired in 2012. The goodwill allocated to the toy products trading segment located in Hong Kong has been fully impaired in 2007 and eliminated on disposal during the year ended 31 December 2013.

Property agency in Hong Kong

The recoverable amount of the 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 19.10% (2013: 20.74%). Cash flows beyond the five-year period were extrapolated using a 3.42% (2013: 3.35%) 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 related to the estimation of cash inflows which include budgeted sales and gross margin. Such estimation is based on the unit's past performance, management's expectations for market development as well as the potential profitability in the property agency market in Hong Kong, which is adversely affected by the deteriorating market sentiment as a result of property cooling measures, such as introduction of Buyer's Stamp Duty and enhanced Special Stamp Duty in October 2012, certain demand-side management measures in February 2013, certain regulations on selling first-hand properties in April 2013 and new mortgage-tightening measures in February 2015. The management of the Company therefore was of the opinion that their previous expectation as at 31 December 2013 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$1,219,000 (2013: HK$20,941,000) was recognised. The impairment loss was allocated fully to goodwill and is presented on the face of consolidated statement of profit or loss and other comprehensive income.

The key assumptions used in the value-in-use calculations are as follows:

Budgeted commission income

Budgeted commission income is based on the forecasted number of first-hand properties launched to the market in the next five years. The values assigned to the key assumption are consistent with external sources of information. It reflects past experience and is consistent with the directors' plans for focusing operations in this market. The directors believe that the budgeted commission income for the next five years is reasonably achievable.

13. TRADE AND OTHER RECEIVABLES

	2014	2013
	HK$'000	*HK$'000*
Trade receivables	**126,050**	62,453
Less: Allowance for doubtful debts	**(6,551)**	(5,968)
	119,499	56,485
Deposits paid	**2,588**	2,794
Prepayments	**213**	338
Other receivables	**33,459**	16,154
	155,759	75,771

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:

	2014	2013
	HK$'000	*HK$'000*
Trade receivables		
0–30 days	**14,276**	14,585
31–60 days	**13,381**	16,208
61–90 days	**19,354**	10,865
91–180 days	**40,755**	7,736
Over 180 days	**31,733**	7,091
	119,499	56,485

Included in other receivables at 31 December 2014 were deposits paid to the property developer of HK$24,518,000 (2013: HK$12,450,000) for purchasing the first-hand properties on behalf of its customers and legal claim receivable of HK$8,352,000 (2013: nil) during the year, as set out in note 17.

14. TRADE AND OTHER PAYABLES

	2014	2013
	HK$'000	*HK$'000*
Trade payables	**109,340**	50,002
Other payables	**8,055**	6,664
Provision for losses on litigation (note 17)	**12,004**	–
	129,399	56,666

Commissions payables of HK$109,340,000 (2013: HK$50,002,000) 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 receipts in advance, accrued staff costs and other sundry creditors.

15. ACQUISITION OF ASSETS THROUGH ACQUISITION OF SUBSIDIARIES

During the year ended 31 December 2014, the Company entered into a sale and purchase agreement with an independent third party, Frontier Services Group Limited ("Frontier Services"), to acquire of the entire equity interest and the shareholder's loan in Sinofocus Media at a consideration of HK$97,000,000. The operation of Sinofocus Media and its subsidiaries is provision of advertising agency services in the PRC and represents the Group's advertising agency segment for segment reporting purposes. The acquisition was completed on 10 November 2014, on which date control of Sinofocus Media passed to the Group. The acquisition has been accounted for as an acquisition of assets and liabilities. The effect of the acquisition is summarised as follows:

	2014 ***HK$'000***
Net assets acquired:	
Property, plant and equipment	**7**
Other receivables	**9,056**
Bank balances and cash	**101,400**
Other payables	**(13,335)**
Shareholder's loan	**(73,308)**
	23,820
Sale of shareholder's loan	**73,308**
	97,128
Consideration paid	**97,000**
Transaction costs	**128**
Total consideration	**97,128**

Net cash inflow arising on acquisition of assets through acquisition of subsidiaries:

Bank balances and cash acquired	**101,400**
Cash consideration paid	**(97,128)**
Net cash inflow	**4,272**

16. DISPOSALS OF SUBSIDIARIES

(a) During the year ended 31 December 2014, the Company through its wholly-owned subsidiary, Century 21 (HK) Group Limited, entered into a sale and purchase agreement with Menkin Limited ("Menkin"), which is wholly owned by Mr. Ng Kai Man, a director of the Company, in relation to the disposal of the entire equity interest in Century 21 Hong Kong Limited and its subsidiary ("Century 21 Hong Kong Group") at a consideration of HK$4,500,000. Century 21 Hong Kong Group is principally engaged in the provision of franchise services in Hong Kong and Macau. The disposal was completed on 12 December 2014, on which date control of Century 21 Hong Kong Limited passed to Menkin.

The net assets of Century 21 Hong Kong Group at the date of disposal were as follows:

Consideration received:

	2014
	HK$'000
Consideration received in cash and cash equivalents	**4,500**
Less: Transaction cost	**(315)**
	4,185

Analysis of assets and liabilities over which control was lost:

	2014
	HK$'000
Goodwill *(Note)*	**1,445**
Property, plant and equipment	**98**
Cash and cash equivalents	**5,799**
Trade and other receivables	**1,034**
Trade and other payables	**(2,842)**
Tax payables	**(45)**
Net assets disposed of	**5,489**

Note: The recoverable amount of the CGUs of Century 21 Hong Kong Limited 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 19.37%. Cash flows beyond the five-year period were extrapolated using a 3.42% 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 related to the estimation of cash flows which include budgeted sales and gross margin. Such estimation is based on the unit's past performance, management's expectations for market development as well as the potential profitability in the property agency market in Hong Kong, which is adversely affected by the deteriorating market sentiment as a result of property cooling measures, such as introduction of Buyer's Stamp Duty and enhanced Special Stamp Duty in October 2012, certain demand-side management measures in February 2013, certain regulations on selling first-hand properties in April 2013 and new mortgage-tightening measures in February 2015. The recoverable amount of the unit as at 12 December 2014 is HK$1,445,000.

Loss on disposal of subsidiaries:

	2014
	HK$'000
Net assets disposed of	**5,489**
Transaction costs	**315**
Loss on disposal	**(1,304)**
Total consideration	**4,500**

Net cash outflow on disposal of subsidiaries:

	2014
	HK$'000
Consideration received in cash and cash equivalents	**4,185**
Less: Cash and cash equivalents disposed of	**(5,799)**
	(1,614)

(b) During the year ended 31 December 2014, the Company entered into a sale and purchase agreement with EDS Wellness Holdings Limited ("EDS") to dispose of the entire equity interest in Century Capital Holdings Limited ("Century Capital") and the shareholder's loan due by Century Capital of HK$747,000 at a consideration of HK$1. Mr. Lei Hong Wai, Mr. Cheung Kwok Fan and Mr. Wong Tak Chuen, the directors of the Company, are also the directors of Eternity Investment Limited, a major shareholder of EDS. Century Capital is an investment holding company and its subsidiaries are inactive. The disposal was completed on 18 December 2014, on which date control of Century Capital passed to EDS.

The net liabilities of Century Capital and its subsidiaries at the date of disposal were as follows:

Consideration received:

	2014
	HK$'000
Consideration received in cash and cash equivalents	**–**

Analysis of liabilities over which control was lost:

	2014
	HK$'000
Shareholder's loan	**(747)**
Net liabilities disposed of	**(747)**

Gain on disposal of subsidiaries:

	2014
	HK$'000
Net liabilities disposed of	**(747)**
Sales of shareholder's loan	**747**
Gain on disposal	**–**
Total consideration	**–**

Net cash inflow on disposal of subsidiaries:

	2014
	HK$'000
Consideration received in cash and cash equivalents	**–**

17. LITIGATION

During the year, the Group's subsidiaries, Sinofocus Media and 廣東中觀傳媒有限公司 ("Guangdong Sinofocus") initiated a legal claim against 遼寧廣播電視廣告有限公司 ("Liaoning Radio") for recovering a prepayment of advertisement of approximately RMB9,611,000 (approximately HK$12,004,000) (the "Prepayment"), which the amount was settled by a third party namely 上海龍韵廣告傳播股份有限公司 ("Shanghai Longyun") on behalf of Guangdong Sinofocus.

After seeking legal advice, the Group considered the amount of claim to be able to recover from Liaoning Radio is RMB6,687,000 (approximately HK$8,352,000) (which amount is also guaranteed by Frontier Services pursuant to the terms of sale and purchase of the interest in Sinofocus Media by the Group during the year). Accordingly, the amount of RMB6,687,000 (approximately HK$8,352,000) was recognised as other receivable as at 31 December 2014.

As the Prepayment was settled by Shanghai Longyun, Shanghai Longyun also initiated a legal claim against Guangdong Sinofocus for the sum of RMB9,611,000 (approximately HK$12,004,000). The amount of claim was fully provided by Sinofocus Media and included in other payables as at 31 December 2014 and no further liability was recognised by the Group accordingly.

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$203.8 million for the year ended 31 December 2014, an increase of about 115.2% as compared with HK$94.7 million for last year. This increase was due to active launches of new residential projects by the real estate developers and the release of pent-up demand from end-users. In view of the improving labour market, increasing purchase power and continuous growth in household formation in Hong Kong, the demand for small to medium-sized residential properties has showed a remarkable growth in the second half of 2014. Gross profit for the property agency segment in Hong Kong was HK$30.1 million for the year ended 31 December 2014, an increase of about 27.5% as compared with HK$23.6 million for last year. Nevertheless, the gross profit margin did not record a proportionate increase in revenue due to high commission paid to property agents, incentives and rebates offered to buyers to boost the sales. Operating loss from the property agency segment in Hong Kong for the year amounted to HK$2.8 million (excluding provision for impairment loss on goodwill of HK$1.2 million) whilst the operating loss for last year was HK$1.9 million (excluding provision for impairment loss on goodwill of HK$20.9 million).

During the year, in view of the unsatisfactory profitability of the subfranchise business in Century 21 Hong Kong Limited ("Century 21 HK") and its subsidiary in the past few years, the Group as vendor entered into a sale and purchase agreement with a purchaser, which is wholly owned by Mr. Ng Kai Man ("Mr. Ng"), an executive director of the Company, in relation to the disposal of the entire equity interest in Century 21 HK at a consideration of HK$4.5 million. The directors of the Company (the "Directors") consider that the disposal will enable the Group to streamline its businesses, hence the Group can allocate its resource to its core businesses and expand the property agency business in overseas.

Property Agency in the People's Republic of China ("PRC")

The property market in the PRC showed a slump in 2014 amidst the government restrictive measures to cool down property prices. Demand for residential properties has been subdued and home price declined due to oversupply. In face of the gloomy property market in the PRC, the Group has streamlined its operation to minimise the operating costs and focused on the property agency segment in Hong Kong. As a result, the scale of property agency segment in the PRC has significantly curtailed and the sales activities of this segment have plunged to a minimum level. The reported revenue of the property agency segment in the PRC was HK$33,000 for the year ended 31 December 2014, representing a significant decrease of HK$4.0 million or 99.2% when compared with the revenue of HK$4.1 million for last year. The operating loss for the year ended 31 December 2014 was HK$1.9 million, whilst the operating loss for last year was HK$5.7 million (excluding amortisation of intangible assets and provision for impairment loss on intangible assets of HK$9.7 million and HK$24.9 million respectively).

Securities Trading and Investments

In view of the slow global economic growth, the Directors envisaged that the volatility of the Hong Kong equity market would remain high. During the year, the Group disposed of all its securities and investments, including note receivables, investments held for trading and financial assets at fair value through profit or loss. The Group's securities trading and investment segment reported a profit of HK$0.9 million, which mainly consists of interest income of HK$0.9 million, a loss of HK$1.3 million arising from the disposal of Hong Kong equity securities and listed bonds with market value of HK$48.2 million, a gain of HK$0.8 million arising from the disposal of note receivables with market value of HK$10.8 million and a gain of HK$0.6 million arising from the disposal of unlisted convertible bonds with market value of HK$9.7 million.

Provision of Mortgage Financing

Both the home prices and sales volume for the small units rose significantly in the second half of 2014 and the indebtedness of Hong Kong households rose to a historic high. Given the uncertainties over the possible interest rate hikes in the United States, further tightening measures launched by the government and an expected correction in home prices especially the small to medium-sized home, the Directors foresee a high mortgage default risk on second-mortgage loans under the unfavorable market condition. As such, the Directors will adopt a wait-and-see approach towards the commencement of provision of mortgage financing business in 2015.

Material Acquisition of Subsidiaries

On 7 October 2014, the Company entered into a sale and purchase agreement to acquire the entire equity interest in Sinofocus Media (Holdings) Limited ("Sinofocus Media") and the shareholder's loan due by Sinofocus Media at a consideration of HK$97.0 million. Sinofocus Media and its subsidiaries ("Sinofocus Group") are principally engaged in advertising agency business in the PRC. The acquisition constitutes a discloseable transaction of the Company under the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and was announced on 7 October 2014. The acquisition was completed and accounted for as an acquisition of assets and liabilities on 10 November 2014.

Material Disposal of Subsidiaries

On 5 December 2014, the Group as vendor entered into a sale and purchase agreement with a purchaser, which is wholly owned by Mr. Ng in relation to the disposal of the entire equity interest in Century 21 HK at a consideration of HK$4.5 million. Century 21 HK and its subsidiary are principally engaged in the provision of franchise services in Hong Kong and Macau. The disposal constitutes a discloseable transaction and a connected transaction of the Company under the Listing Rules. As the applicable percentage ratios under the Listing Rules in respect of the disposal are under 25% and the consideration is less than HK$10,000,000, the disposal is only subject to the reporting and announcement requirements, but is exempted from circular (including independent financial advice) and independent shareholders' approval requirements under the Listing Rules. The disposal was completed on 12 December 2014.

Impairment Assessment on Goodwill

The Group performs regular review on the carrying amount of goodwill to determine any potential impairment according to Hong Kong Accounting Standard 36 "Impairment of Assets".

Circumstances leading to impairment loss on goodwill for the year ended 31 December 2014

The entire net carrying amount of goodwill as at 31 December 2014 has been allocated to the property agency segment in Hong Kong. During the year, new mortgage-tightening measures and tighter lending policies were announced by The Hong Kong Monetary Authority in February 2015, including capping the loan-to-value ratio and the maximum debt-service ratio. The management anticipated that the measures would suppress demand in the short term. As a result, an impairment loss of HK$1.2 million was recognised during the year, which is based on the past performance of the property agency segment in Hong Kong, management's expectations for market development as well as the potential profitability in the property agency market in Hong Kong, taking into account the effect of the new mortgage-tightening measures launched in February 2015. The management of the Company therefore was of the opinion that their previous expectation as at 31 December 2013 on potential profitability could not be met and as a result, the valuation assumptions and the cash flow projection have been adjusted to reflect a more conservative expectation, leading to the impairment loss.

Financial Review

On 6 August 2013, the Group disposed of its entire 60% equity interest in Yanyan Force Limited ("Yanyan Force"). The principal activities of Yanyan Force are trading of toy, gift and premium products. Accordingly, the results of Yanyan Force were presented separately as discontinued operation for the year ended 31 December 2013.

Results of continuing operations

For the year ended 31 December 2014, the Group reported a revenue of HK$203.8 million, representing an increase of HK$105.0 million or 106.4% when compared with that of last year. Gross profits increased by HK$3.8 million from HK$26.2 million for the last year to HK$30.1 million, principally due to the increase in property sales transactions of the property agency segment in Hong Kong.

The Group recorded investment and other income of HK$1.7 million for the year ended 31 December 2014, a significant decrease of HK$17.2 million or 90.9% as compared with HK$18.9 million for last year. Such decrease was mainly due to the absence of gain on disposals of subsidiaries of HK$5.1 million and refund of litigation cost of HK$7.4 million recorded in the last year and a decrease in interest on debt securities of HK$2.9 million.

On 30 December 2014, the Group granted a loan in the principal amount of HK$80.0 million to Mastermind Capital Limited ("Mastermind Capital"), a company with its shares listed on the Main Board of the Stock Exchange (stock code: 905), for a term of two years from the date of drawdown and generated interest income of HK$35,000 for the year ended 31 December 2014.

The Group recorded other losses of HK$2.3 million for the year ended 31 December 2014 which was mainly attributable to loss on disposals of subsidiaries of HK$1.3 million and net loss on investments held for trading of HK$1.3 million.

Selling and distribution costs amounted to HK$4.2 million for the year ended 31 December 2014, a 300.6% increase from HK$1.0 million for last year. This increase was mainly due to market research conducted and consultation in relation to the Group's business plan for expanding property agency business in overseas.

Administrative expenses decreased by 28.0% from HK$48.2 million in the year ended 31 December 2013 to HK$34.8 million in the current financial year. This decrease was mainly attributable to the decrease in directors' remuneration, staff costs and legal and professional fees.

Finance costs amounted to HK$2.1 million, representing an increase of HK$2.1 million, primarily attributable to interest expenses of the funding required for purchasing the first-hand properties on behalf of customers.

The Group recorded a loss before interest, tax, depreciation and impairment of HK$7.1 million for the year ended 31 December 2014 as compared to a profit before interest, tax, depreciation, amortisation and impairment of HK$87.7 million for last year. This deterioration is principally attributable to the absence of the reversal of provision for losses on litigation of HK$86.5 million recorded in the year ended 31 December 2013.

In combination of above factors, together with provision for impairment loss on goodwill of HK$1.2 million, the Group recorded a loss of HK$13.1 million for this reporting year, as compared to a profit of HK$35.2 million for the corresponding year in 2013.

Liquidity and Financial Resources

The Group maintained a sufficient working capital amounting to HK$250.8 million as at 31 December 2014 (31 December 2013: HK$189.0 million) with bank balances and cash of HK$231.9 million (31 December 2013: HK$120.2 million).

As at 31 December 2014, the Group had loan payable of HK$6.0 million (31 December 2013: nil) which is denominated in Hong Kong dollars and would be due within one year. The loan payable carries fixed interest rate of 15% per annum and is secured by an undated share charge over the entire issued share capital of Kingbox Investments Limited ("Kingbox"), a wholly-owned subsidiary of the Company, and the shareholder's loan due by Kingbox to the Company.

Gearing ratio, express as the percentage of total borrowings over total capital, of the Group as at 31 December 2014 was 1.8% (31 December 2013: nil). Total capital is calculated as total equity plus total borrowings. The increase in gearing ratio was attributable to the increase in loan payable.

Capital Structure

As at 31 December 2014, the Company has 577,138,852 ordinary shares of HK$0.01 each (the "Shares") in issue.

During the year, the share capital of the Company had the following changes:

a. On 5 May 2014, the Company allotted and issued 64,000,000 Shares at a placing price of HK$0.81 per Share (the "Placing") to not less than six individual investors, whose ultimate beneficial owners are independent third parties, pursuant to the general mandate granted to the Directors at the annual general meeting held on 24 May 2013 and a placing agreement dated 25 April 2014. The placing price of HK$0.81 per Share represented a discount of approximately 18.18% to the closing price of HK$0.99 per Share as quoted on the Stock Exchange on 25 April 2014, being the date on which the terms of the Placing were fixed. The net placing price, after deducting the relevant expenses, was approximately HK$0.78 per Share and the aggregate nominal value of the Shares issued was HK$640,000. The aggregate net proceeds from the Placing of approximately HK$50.0 million are intended to use for expansion of the new business, namely provision of mortgage financing. As at 31 December 2014, the net proceeds from the Placing were remained unused and placed with licensed banks in Hong Kong.

b. On 16 June 2014, the Company further allotted and issued 192,379,617 Shares at a subscription price of HK$0.50 per Share by way of open offer to the qualifying shareholders of the Company on the basis of one new share for every two existing shares held on 21 May 2014 (the "Open Offer"). The aggregate net proceeds from the Open Offer of HK$92.7 million are intended to use for expansion of the new business, namely the provision of mortgage financing. As at 31 December 2014, the net proceeds from the Open Offer of HK$92.7 million were applied as to (i) HK$80.0 million for financing the granting of loan to Mastermind Capital for a term of 2 years and (ii) HK$12.7 million was remained unused and placed with licensed banks in Hong Kong.

Charges on Assets

As at 31 December 2014, the Group had an undated share charge over the entire issued share capital of Kingbox and the shareholder's loan due by Kingbox to the Company as a security for a loan payable of HK$6.0 million. The consolidated net asset values of Kingbox and its subsidiaries and the shareholder's loan as at 31 December 2014 were HK$42.4 million and HK$18.3 million respectively.

Litigation

Details of the litigation are set out in note 17 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 Practices

Throughout the year ended 31 December 2014, the Company has applied the principles and complied with the code provisions set out in the Corporate Governance Code and Corporate Governance Report (the "CG Code") 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 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. Following the resignation of Mr. Ng Kai Man as the Chairman of the Company on 10 April 2014. Mr. Lei Hong Wai ("Mr. Lei") has taken up the roles of the Chairman and chief executive officer of the Company. Mr. Lei possesses essential leadership skills and has extensive experience in corporate management and business development. The Board is of the view that currently vesting the roles of the chairman and chief executive officer in the same person provides the Group with strong and consistent leadership and allows for more effective and efficient business planning and decisions as well as execution of long term business strategies.

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.

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 2014.

By Order of the Board
21 Holdings Limited
Lei Hong Wai
Chairman

Hong Kong, 27 March 2015

As at the date of this announcement, the Board comprises Mr. Lei Hong Wai (Chairman), Mr. Ng Kai Man and Mr. Cheung Kwok Fan as executive directors and Ms. Chio Chong Meng, Mr. Wong Tak Chuen and Mr. Man Kong Yui as independent non-executive directors.