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21 Holdings Limited

21 控股有限公司*

(incorporated in Bermuda with limited liability)

(stock code: 1003)

- (1) SUBSCRIPTION OF NEW SHARES;**
- (2) THE SERVICE AGREEMENTS —**
- CONTINUING CONNECTED TRANSACTIONS;**
- (3) APPLICATION FOR WHITEWASH WAIVER;**
- (4) CHANGE OF COMPANY NAME;**
- (5) APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER;**
- AND**
- (6) RESUMPTION OF TRADING**

Financial adviser to the Company



REORIENT Financial Markets Limited

Reference is made to the announcement of the Company dated 13 April 2015 relating to its discussions with independent third parties in respect of a possible subscription of new Shares.

* For identification purposes only

THE SUBSCRIPTION AGREEMENT

On 14 April 2015 (after trading hours), the Company and the Subscribers entered into the Subscription Agreement, which was subsequently amended by the Amendment Agreement dated 13 May 2015, pursuant to which, the Company has conditionally agreed to allot and issue, and the Subscribers have conditionally agreed to subscribe for, a total of 1,701,416,556 Subscription Shares at an issue price of HK\$0.4 per Subscription Share. The Subscription Shares represent approximately 294.8% of the existing issued share capital of the Company and approximately 73.7% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares and the Fee Shares. The Subscription Price of HK\$0.4 per Subscription Share represents (i) a discount of approximately 79.17% to the closing price of HK\$1.92 per Share as quoted on the Stock Exchange on the Last Trading Day; and (ii) a discount of approximately 67.97% to the average closing price of approximately HK\$1.249 per Share for the last 10 consecutive trading days up to and including the Last Trading Day. The aggregate Subscription Price amounts to approximately HK\$680.6 million. The Subscription Shares will be issued pursuant to the specific mandate to be obtained at the SGM.

THE SERVICE AGREEMENTS — CONTINUING CONNECTED TRANSACTIONS

On 14 April 2015 (after trading hours), the Company entered into the Service Agreement 1 with Director Shareholder 1 and the Service Agreement 2 with Director Shareholder 2. Pursuant to the Service Agreements, the Director Shareholders have agreed to provide certain services and rights to the Company on an exclusive basis for the Service Period in respect of, among others, the Director Shareholders' Productions and the Non-Director Shareholders' Productions. Director Shareholder 1 is the ultimate beneficial owner of Pacific Wits (one of the Subscribers) and Director Shareholder 2 is the ultimate beneficial owner of Tairong (one of the Subscribers).

No service fee shall be payable by the Company to the Director Shareholders in consideration of entering into the Service Agreements or the transactions contemplated thereunder, subject to the Director Shareholders' rights to the following benefits and rewards:

- (a) each of the Director Shareholders shall be entitled to receive film director fees or creative member fees with reference to the prevailing market rates in respect of the Director Shareholders' Productions and the Non-Director Shareholders' Productions that the Company invests in, subject to a maximum amount of HK\$30 million per annum; and
- (b) the Director Shareholders shall be entitled to receive dividends in respect of any Shares held by them, if any, to be declared by the Company.

The Company proposes to set annual caps for the film director fees or creative member fees payable to the Director Shareholders under the Service Agreements of HK\$30 million for each Director Shareholder for each of the years ending 31 December 2015, 2016, 2017, 2018, 2019 and 2020.

The Service Agreements shall become effective upon Completion for the Initial Service Period, subject to the requirements under Chapter 14A of the Listing Rules.

IMPLICATIONS UNDER THE LISTING RULES

The Subscription Shares and the Fee Shares will be allotted and issued pursuant to the specific mandate, which is subject to the approval of the Independent Shareholders at the SGM. Any Shareholder and its associates who has an interest in the Subscription and the allotment and issue of the Fee Shares other than its interest as a Shareholder shall abstain from voting on the resolutions to be proposed at the SGM to approve the Subscription and the allotment and issue of the Fee Shares. None of the Shareholders had an interest in the Subscription and the allotment and issue of the Fee Shares other than its interest as a Shareholder as at the date of this announcement.

Upon Completion and the allotment and issue of the Fee Shares, each of Pacific Wits and Tairong will become a substantial Shareholder and thus a connected person of the Company. Director Shareholder 1 and Director Shareholder 2 are the ultimate beneficial owners of Pacific Wits and Tairong, respectively, and thus the Service Agreements and the transactions contemplated thereunder constitute continuing connected transactions of the Company under the Listing Rules. As the proposed annual caps of the Service Agreements exceed HK\$10,000,000 and the applicable percentage ratios based on the proposed annual caps of the Service Agreements exceed 5%, the Service Agreements and the transactions contemplated thereunder are non-exempt continuing connected transactions and are subject to the requirements under Chapter 14A of the Listing Rules, in particular, the Independent Financial Adviser will explain why the Service Agreements require a longer period and to confirm that it is normal business practice for agreements of this type to be of such duration pursuant to Rule 14A.52 of the Listing Rules, and, if necessary, obtaining independent shareholders' approval to renew the Service Agreements every three years pursuant to Rule 14A.54 of the Listing Rules.

IMPLICATIONS UNDER THE TAKEOVERS CODE AND APPLICATION FOR WHITEWASH WAIVER

Upon Completion and the allotment and issue of the Fee Shares, Newwood (being one of the Subscribers) will be interested in 461,711,082 Shares, representing approximately 80.0% of the issued share capital of the Company as at the date of this announcement or approximately 20.0% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares and the Fee Shares.

Numerous Joy, Pacific Wits, Tairong, Wise Dragon, Gold Shine, Dayunmony, Concept Best and RGL, who are also the Subscribers, and RFML, a fellow subsidiary of RGL, are parties acting in concert with Newwood. Upon Completion and the allotment and issue of the Fee Shares, the Subscribers and parties acting in concert with them will in aggregate be interested in 1,731,416,556 Shares, representing 300.0% of the issued share capital of the Company as at the date of this announcement and 75.0% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares and the Fee Shares. Under Rule 26.1 of the Takeovers Code, the Subscribers would be obliged to make a mandatory general offer to the Shareholders for all the issued Shares and other securities of the Company not already owned or agreed to be acquired by the Subscribers and parties acting in concert with the Subscribers, unless the Whitewash Waiver is obtained from the Executive. In this regard, Newwood (on its behalf and on behalf of the other Subscribers) will make an application to the Executive for the Whitewash Waiver in respect of the allotment and issue of the Subscription Shares and the Fee Shares. The Whitewash Waiver, if granted by the Executive, will be subject to, among other things, approval of the Subscription (which is conditional upon satisfaction (if applicable, waiver) of the conditions precedent set out in the section headed “Conditions of the Subscription”), the allotment and issue of the Fee Shares, the Service Agreements and the Whitewash Waiver by the Independent Shareholders at the SGM by way of poll. Completion is conditional upon, among other things, the Whitewash Waiver being granted by the Executive and the Subscription, the allotment and issue of the Fee Shares, the Service Agreements and the Whitewash Waiver being approved by the Independent Shareholders.

CHANGE OF COMPANY NAME

The Board proposes to change the English name of the Company from “21 Holdings Limited” to “Huanxi Media Group Limited” and to adopt a Chinese name “歡喜傳媒集團有限公司” for identification purpose after Completion.

APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER

Somerley Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Subscription, the allotment and issue of the Fee Shares, the Service Agreements (including the proposed annual caps) and the Whitewash Waiver are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole, and to make a recommendation to the Independent Shareholders as to their voting on the proposed resolutions approving the Subscription, the allotment and issue of the Fee Shares, the Service Agreements (including the proposed annual caps) and the Whitewash Waiver at the SGM.

GENERAL

A circular containing, among other things, (i) information on the Subscription, the Whitewash Waiver and the allotment and issue of the Fee Shares; (ii) information on the Service Agreements; (iii) information on the Change of Company Name; (iv) the recommendation of the Independent Board Committee to the Independent Shareholders in relation to the Subscription, the allotment and issue of the Fee Shares, the Service Agreements (including the proposed annual caps) and the Whitewash Waiver; (v) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Subscription, the allotment and issue of the Fee Shares, the Service Agreements (including the proposed annual caps) and the Whitewash Waiver; (vi) certain financial information and general information of the Group; and (vii) a notice convening the SGM will be despatched to the Shareholders in compliance with the requirements of the Listing Rules and the Takeovers Code, and is expected to be despatched on or before 3 June 2015.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares has been suspended with effect from 9:00 a.m. on 15 April 2015. An application has been made by the Company for the resumption of trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on 14 May 2015.

Warning: The Subscription and the transactions contemplated thereunder are subject to the fulfilment or waiver (as the case may be) of a number of conditions precedent which are set out under the section headed “Conditions of the Subscription” in this announcement, including approval at the SGM by the Independent Shareholders of the Subscription, the allotment and issue of the Fee Shares, the Service Agreements and the Whitewash Waiver, and the grant of the Whitewash Waiver by the Executive. The Service Agreements will only take effect upon Completion. As such, the Subscription, the Service Agreements and the transactions contemplated thereunder may or may not proceed.

Shareholders and potential investors are advised to exercise caution when dealing in the Shares, and are recommended to consult their professional advisers if they are in any doubt about their position and as to actions that they should take.

INTRODUCTION

Reference is made to the announcement of the Company dated 13 April 2015 relating to its discussions with independent third parties in respect of a possible subscription of new Shares.

On 14 April 2015 (after trading hours), the Company and the Subscribers entered into the Subscription Agreement pursuant to which, the Company has conditionally agreed to allot and issue, and the Subscribers have conditionally agreed to subscribe for, a total of 1,701,416,556 Subscription Shares at an issue price of HK\$0.4 per Subscription Share.

On 13 May 2015, the Company and the Subscribers entered into the Amendment Agreement to amend (i) the conditions precedent set forth in paragraphs (c), (d), (e), (g) and (h) under the section “Conditions of the Subscription” below; and (ii) the definition of the Completion Date, under the Subscription Agreement. All other terms of the Subscription Agreement remain the same.

THE SUBSCRIPTION AGREEMENT

Date : 14 April 2015 (after trading hours)

Issuer : The Company

Subscribers : (i) Newwood
(ii) Numerous Joy
(iii) Pacific Wits
(iv) Tairong
(v) Wise Dragon
(vi) Gold Shine
(vii) Dayunmony
(viii) Concept Best
(ix) RGL

As at the date of this announcement, a company controlled by Mr. Lei Hong Wai (an executive Director and the Chairman of the Board) and Mr. Cheung Kwok Fan (an executive Director and the substantial Shareholder) is a substantial shareholder of Eternity. Eternity indirectly holds approximately 2.85% of the issued share capital of REORIENT Group Limited, the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 376). RGL is a wholly-owned subsidiary of REORIENT Group Limited. Save for the aforesaid, the Subscribers and their respective ultimate beneficial owners are third parties independent of the Company and its connected persons. Please refer to the section headed “Information on the Subscribers” for more information on the Subscribers.

The Subscription Shares

The total number of the Subscription Shares is 1,701,416,556, representing (i) approximately 294.8% of the existing issued share capital of the Company; and (ii) approximately 73.7% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares and the Fee Shares. The following sets out a summary as to the number of the Subscription Shares, the percentage of the Subscription Shares on the issued share capital of the Company as enlarged by the Subscription Shares and the Fee Shares and the consideration with regard to the Subscription:

	Number of Subscription Shares	% of the Subscription Shares on the issued share capital of the Company as enlarged by the Subscription Shares and the Fee Shares	Consideration <i>HK\$ million</i>
Newwood	461,711,082	20.00%	184.68
Numerous Joy	92,342,216	4.00%	36.94
Pacific Wits	438,625,528	19.00%	175.45
Tairong	438,625,528	19.00%	175.45
Wise Dragon	69,256,662	3.00%	27.70
Gold Shine	69,256,662	3.00%	27.70
Dayunmony	46,171,108	2.00%	18.47
Concept Best	46,171,108	2.00%	18.47
RGL	39,256,662	1.70%	15.70
	<u>1,701,416,556</u>	<u>73.70%</u>	<u>680.56</u>

As at the date of the Subscription Agreement and up to the date of this announcement, the Subscribers did not hold any Shares.

The Subscription Price

The Subscription Price of HK\$0.4 per Subscription Share represents (i) a discount of approximately 79.17% to the closing price of HK\$1.92 per Share as quoted on the Stock Exchange on the Last Trading Day; and (ii) a discount of approximately 67.97% to the average closing price of approximately HK\$1.249 per Share for the last 10 consecutive trading days up to and including the Last Trading Day.

The aggregate Subscription Price amounts to approximately HK\$680,566,622. The aggregate nominal amount of the Subscription Shares is HK\$17,014,165.56.

The Subscription Price was arrived at after arm's length negotiations between the Company and the Subscribers after taking into account the prevailing market price of the Shares, the average trading volume of the Shares, the audited consolidated net asset value per Share of approximately HK\$0.58 as at 31 December 2014 and the prospect of the Group's existing business, as well as the anticipated strategic value to be brought to the Company by the Subscribers, including certain services and rights to be provided by the Director

Shareholders to the Company on an exclusive basis for the Service Period pursuant to the Service Agreements. Please refer to the section headed “The Service Agreements — Continuing Connected Transaction” below for further information about the Service Agreements.

The Fee Shares

RFML is acting as financial adviser to the Company in respect of the Subscription. The Company has agreed to allot and issue 30,000,000 new Shares at HK\$0.4 each credited as fully paid to settle RFML advisory fees in respect of the financial advisory services which it receives from RFML with regard to the Subscription. The Fee Shares represented approximately 5.2% of the issued share capital of the Company as at the date of this announcement and approximately 1.3% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares and the Fee Shares.

As at the date of this announcement, a company controlled by Mr. Lei Hong Wai (an executive Director and the Chairman of the Board) and Mr. Cheung Kwok Fan (an executive Director and the substantial Shareholder) is the substantial shareholder of Eternity. Eternity indirectly holds approximately 2.85% of the issued share capital of REORIENT Group Limited, the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 376). RFML is a wholly-owned subsidiary of REORIENT Group Limited. Save for the aforesaid, RFML and its ultimate beneficial owner are third parties independent of the Company and its connected persons. The aggregate nominal amount of the Fee Shares is HK\$300,000.

Mandate, Ranking and Listing Application for the issue of the Subscription Shares and the Fee Shares

The Subscription Shares and the Fee Shares will be allotted and issued pursuant to the specific mandate to be sought from the Shareholders at the SGM.

The Subscription Shares and the Fee Shares will rank *pari passu* in all respects with the Shares in issue as at the date of allotment and issue of the Subscription Shares and the Fee Shares.

An application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares and the Fee Shares.

Conditions of the Subscription

The Subscription is conditional upon satisfaction (if applicable, waiver) of the following conditions:

(a) the passing of all necessary resolutions by the Shareholders (other than those who are required by the Listing Rules and the Takeovers Code to abstain from voting) in general meeting of the Company approving the terms and conditions of the Subscription Agreement and transactions contemplated thereunder, including:

(i) the allotment and issue of the Subscription Shares; and

- (ii) the Service Agreements and the transactions contemplated thereunder;
- (b) the Company having obtained approval of its Independent Shareholders in general meeting for the Whitewash Waiver by way of poll;
- (c) from the date of the Subscription Agreement (or such other period as the Subscribers may agree), the Shares continuing to be listed and traded on the Stock Exchange (except for temporary suspension of trading pending the issue of an announcement or a circular in connection with the Subscription Agreement and the transactions contemplated thereunder) and neither the Stock Exchange nor the SFC having indicated at any time on or before Completion that it will or may revoke or object the listing of the issued Shares on the Stock Exchange;
- (d) the Stock Exchange having granted the listing of and permission to deal in the Subscription Shares and such approval not having been withdrawn, and any necessary conditions, if any, attached to such approval having been fulfilled prior to the Long Stop Date;
- (e) the Executive having granted the Whitewash Waiver to the Subscribers (and such grant not having been withdrawn), and any necessary conditions, if any, attached to the Whitewash Waiver having been fulfilled prior to the Long Stop Date;
- (f) all necessary authorisations, consents, approvals and exemptions required for the terms and conditions of the Subscription Agreement and the transactions contemplated thereunder in accordance with all applicable laws or any contractual relationship having been obtained;
- (g) from the date of the Subscription Agreement, the warranties given by the Subscribers under the Subscription Agreement remaining true, accurate and not misleading in all material respects and that no facts and circumstances occur which may result in such warranties having been violated; and
- (h) from the date of the Subscription Agreement, the warranties given by the Company under the Subscription Agreement remaining true, accurate and not misleading in all material respects and that no facts and circumstances occur which may result in such warranties having been violated.

The Subscribers may in their absolute discretion waive the conditions precedent set out in paragraphs (c) and (h) at any time in writing. The Company may in its absolute discretion waive the condition precedent set out in paragraph (g) at any time in writing. Other conditions precedent are not waivable.

If any of the conditions precedent have not been fulfilled, satisfied or, if applicable, waived on or before the Long Stop Date, none of the Company nor the Subscribers shall be bound to proceed with the transactions contemplated under the Subscription Agreement and the Subscription Agreement shall cease to be of any effect save as to any antecedent breach of the Subscription Agreement. Hence, among other things, if the Whitewash Waiver is not granted by the Executive or approved by the Independent Shareholders at the SGM, the Subscription will not proceed.

As at the date of this announcement, none of the conditions precedent has been fulfilled.

Completion

Completion shall take place after all the conditions precedent of the Subscription Agreement have been fulfilled or waived (if applicable). At Completion, the Subscribers shall subscribe for, and the Company shall allot and issue to the Subscribers, the Subscription Shares. On the Completion Date, among other things, the Subscribers shall effect payment of the aggregate Subscription Price in full and the Company shall allot and issue the Subscription Shares to the Subscribers.

THE SERVICE AGREEMENTS — CONTINUING CONNECTED TRANSACTIONS

On 14 April 2015 (after trading hours), the Company entered into the Service Agreement 1 with Director Shareholder 1 and the Service Agreement 2 with Director Shareholder 2. Pursuant to the Service Agreements, the Director Shareholders have agreed to provide certain services and rights to the Company on an exclusive basis for the Service Period, in particular:

- (a) the Company shall have exclusive investment and production rights to any Director Shareholders' Productions;
- (b) the Company shall have priority distribution rights (including cinema screenings, audio-visual products, television broadcasting, network dissemination, etc.) to the Director Shareholders' Productions in the PRC, Hong Kong, Taiwan and Macau Special Administrative Region of the PRC;
- (c) each of the Director Shareholders shall direct one to two films (being films that shall be public released) every three years in respect of which the Company shall have the exclusive investment and production rights, and the priority distribution rights set out in paragraphs (a) and (b) above. For the avoidance of doubt, the Company shall not have such rights in any Director Shareholders' Productions in which the Company decides not to invest;
- (d) the Director Shareholders shall use their best endeavours to provide the Company with the priority investment, production and distribution rights for the Non-Director Shareholders' Productions; and
- (e) the Director Shareholders shall actively participate in the promotional activities of other films and programmes invested or produced by the Company according to the requirements of the Company.

Service fees

No service fee shall be payable by the Company to the Director Shareholders in consideration of entering into the Service Agreements or the transactions contemplated thereunder, subject to the Director Shareholders' rights to the following benefits and rewards:

- (a) each of the Director Shareholders shall be entitled to receive film director fees or creative member fees with reference to the prevailing market rates in respect of the Director Shareholders' Productions and the Non-Director Shareholders' Productions that the Company invests in with reference to the prevailing market rates for similar productions, in each case subject to a maximum amount of HK\$30 million per annum; and
- (b) the Director Shareholders shall be entitled to receive dividends in respect of any Shares held by them, if any, to be declared by the Company.

When determining the film director fees or creative member fees payable to the Director Shareholders in respect of the Director Shareholders' Productions and the Non-Director Shareholders' Productions that the Company invests in, the Company expects to take into account (i) the projected cost of the relevant production, (ii) the lead actors or actresses who will participate in the relevant production, (iii) the projected length of film shooting of the relevant production, (iv) the estimated box office and popularity of the relevant production, and (v) any other fair and reasonable considerations as may be discussed among the parties at the time of consideration of the relevant production.

The Company is of the view that the foregoing considerations would allow the Company to compare the relevant film director fees or creative member fees payable to the Director Shareholders with the prevailing market rates payable to independent third party film directors who are of similar background and caliber as the Director Shareholders and who produce productions similar to the Director Shareholders' Productions and the Non-Director Shareholders' Productions, so as to ensure that the relevant fees payable by the Company to the Director Shareholders would be comparable to and/or not less favourable than those offered by comparable film directors.

Proposed annual caps

The Company proposes to set annual caps for the film director fees or creative member fees payable to the Director Shareholders under the Service Agreements of HK\$30 million for each Director Shareholder for each of the years ending 31 December 2015, 2016, 2017, 2018, 2019 and 2020.

The proposed annual caps were determined after arm's length negotiations between the Company and the Director Shareholders, after taking into account the prevailing service fees payable to movie and other media production directors and producers who are of similar calibre, status, standing and reputation, and who have similar track records of successful and profitable movies and other media production experiences.

The Directors (excluding the independent non-executive Directors whose views will be given after taking into account the opinion of the Independent Financial Adviser appointed by the Independent Board Committee) are of the view that the annual caps above are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Non-Compete

During the Service Period, save for the activities and transactions contemplated under the Service Agreements, unless with the written consent of the Company, the Director Shareholders shall not, directly or indirectly entrust or authorise any third party to undertake any of the following activities:

- (a) directly or indirectly (regardless of whether acting in the capacity of a shareholder, director, employee, partner, consultant or agent) undertake or participate or benefit from any business which is the same as, similar or competes with the business of the Company, including providing any services that are the same as or similar to the services to be provided under the Service Agreements;
- (b) seizing any business opportunity of the Company or soliciting any clients or potential clients of the Company, or interfere or damage any relationship or contracts between the Company and any clients or potential clients of the Company; or
- (c) assist or support any third person to undertake the activities set forth in paragraphs (a) and (b) above.

Notwithstanding the above non-compete obligations of the Director Shareholders, the Director Shareholders shall, through companies controlled by them, have the right to:

- (a) contract to produce the Director Shareholders' Productions which the Company invests in;
- (b) operate the Non-Director Shareholders' Productions;
- (c) operate the Director Shareholders' Productions that the Company does not invest in;
- (d) operate projects that have already commenced operations by the companies controlled by the Director Shareholders as at the date of the Service Agreements,

in each case, subject to compliance with any applicable connected transaction requirements under Chapter 14A of the Listing Rules.

Term and Termination

The Service Agreements shall become effective upon Completion for the Initial Service Period. Starting from 12 months before the expiry of the Initial Service Period and ending 6 months before the expiry of the Initial Service Period, the Director Shareholders shall provide the Company with the right of first negotiation in relation to the extension of the Initial Service Period for a further term of six years; provided that, the Service Agreements shall be subject to independent shareholders' approval to renew the Service Agreements

every three years in accordance with the requirements of Chapter 14A of the Listing Rules in relation to continuing connected transactions (unless the necessary waiver from compliance with such requirements is obtained by the Company).

The Service Agreements shall automatically terminate upon the occurrence of the following events:

- (a) the expiry of the Initial Service Period (and the Company determines not to extend the service period of the Service Agreements);
- (b) the expiry of the extension to the Initial Service Period; or
- (c) at any time prior to the expiry of the Initial Service Period or any extension thereof, if the Company fails to obtain the necessary approval of the Independent Shareholders as required by Chapter 14A of the Listing Rules in relation to continuing connected transactions (unless the necessary waiver from compliance with such requirements is obtained by the Company).

In the event of termination of the Service Agreements, the Service Agreements shall be of no further force and effect, save as to any antecedent breach of the Service Agreements. Notwithstanding the foregoing, the Company's priority investment, production and distributions rights with respect to the Director Shareholders' Productions, and the non-compete obligations of the Director Shareholders shall continue to be of full force and effect until the expiry of the Initial Service Period and any extension thereof.

The Service Agreements will only take effect upon Completion, which are subject to a number of conditions as set forth in the paragraph headed "Conditions of the Subscription". As such, the Service Agreements and the transactions contemplated thereunder may or may not proceed.

REASONS FOR AND BENEFITS OF THE SUBSCRIPTION AND THE SERVICE AGREEMENTS

The Group is currently principally engaged in the provision of property agency and related services, securities trading and investment and advertising agency business.

As set out in the annual report of the Company for the year ended 31 December 2014, the property agency segment in Hong Kong reported a revenue increase of approximately 115.2% for the year ended 31 December 2014 as compared with the year ended 31 December 2013, due to higher commissions that had to be paid to property agents, together with incentives and rebates to buyers, the Group's property agency business in Hong Kong suffered operating losses (before impairment losses on goodwill) of approximately HK\$1.9 million and HK\$2.8 million respectively for the 2013 and 2014 financial years. With respect to the Group's property agency business in the PRC, the Group has re-sized that business in the face of a slow-down in the PRC property market. As a result of those actions, the Group's operating losses (before amortisation of intangible assets and impairment losses on intangible assets) in the property agency segment in the PRC, which amounted to approximately HK\$5.7 million in the 2013 financial year, were reduced to approximately HK\$1.9 million for the year ended 31 December 2014.

As for the mortgage financing business which the Directors had recently considered, given the possible interest rate increases in the United States, further tightening measures launched by the Hong Kong government in relation to the provision of mortgage financing and an expected correction in home prices (especially in the small to medium-sized home segment), the Directors now foresee higher mortgage-default risks on second-mortgage loans. As such, the Directors have decided to adopt a wait-and-see approach in 2015 with respect to commencing this line of business.

Given the performance of the property agency segment of the Group has been adversely affected by the Hong Kong Government's demand curb measures in recent years, the Directors have been exploring possible strategies to stabilise and maintain the Group's property agency business, as well as suitable investment or business projects to diversify the business of the Group. The Directors considered that such diversification and broadening of the Group's income source would help reduce fluctuations in the financial results of the Group resulting from the cyclical nature of the property market. The acquisition of an advertising agency business in the PRC in October 2014 represented the first step in the diversification of the Group's businesses. As set out in the announcement of the Company dated 7 October 2014, that acquisition was made because the Directors believed at the time (and continue to believe) that the advertising and media industry was one of the fastest growing industries in the PRC.

The Directors are of the view that the Transactions would provide the Group with:

- (a) additional financial resources to help stabilise and maintain its property agency business; and
- (b) an opportunity to leverage on the extensive experience, expertise and business connection of the Subscribers, particularly Mr. Dong, Mr. Ning and Mr. Xu to develop existing and new business in the advertising, media and entertainment industry.

If the Transactions proceed, they would represent a significant step forward, following the Group's recent but relatively modest diversification into the PRC advertising agency business, in the implementation of the Group's two-pronged strategy of stabilising and maintaining its current base whilst diversifying its businesses. Mr. Dong, Mr. Ning and Mr. Xu have extensive experience, strong expertise and a wide business network in the media and entertainment industry. Mr. Dong, the ultimate owner of two of the Subscribers, has extensive experience, knowledge and connection in investment and operation of Chinese media, advertisement, satellite TV, film productions and media fields and was the former Chairman of Alibaba Pictures Group Limited (previously named China Vision Media Group Limited), the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 1060) (for more information on the background and achievements of Mr. Dong, please refer to the paragraphs headed "Information on the Subscribers" below).

In addition to the Subscription, Mr. Ning and Mr. Xu have entered into the Service Agreements with the Company, on an exclusive basis, for a service period of six years from Completion (subject to compliance with the Listing Rules requirements relating to continuing connected transactions). Mr. Ning and Mr. Xu are prestigious and successful directors and actors in the PRC movie industry (for more information on the background and achievements of Mr. Ning and Mr. Xu, please refer to the section headed "Information on the Subscribers" below). The Directors are of the view that the participation of Mr. Ning

and Mr. Xu in the Company and through the services they would provide under the Service Agreements would be instrumental in the Company's success in the advertising, media and entertainment industry.

The Directors (excluding the independent non-executive Directors whose views will be given after considering the advice of the Independent Financial Adviser as to the fairness and reasonableness of the terms of the Subscription, the allotment and issue of the Fee Shares, the Service Agreements (including the proposed annual caps) and the Whitewash Waiver) consider that the terms of the Subscription Agreement, the allotment and issue of the Fee Shares and the Service Agreements are fair and reasonable and the Subscription, the allotment and issue of the Fee Shares and the Service Agreements (including the proposed annual caps) are in the interests of the Company and the Shareholders as a whole.

EFFECT ON SHAREHOLDING STRUCTURE

As at the date of this announcement, the Company had 577,138,852 Shares in issue. The Company had no outstanding convertible securities, options, warrants or derivatives in issue which are convertible or exchangeable into Shares as at the date of this announcement.

The table below sets out the effect of the Subscription and the allotment and issue of the Fee Shares on the shareholding structure of the Company immediately upon Completion and the allotment and issue of the Fee Shares, assuming no Shares will be issued or repurchased between the date of this announcement and Completion:

	As at the date of this announcement		Immediately after the allotment and issue of the Subscription Shares and the Fee Shares	
	Number of Shares	%	Number of Shares	%
Thought Diamond International Limited (<i>Notes 1 and 3</i>)	143,850,000	24.92%	143,850,000	6.23%
The Subscribers and their respective concert parties				
Newwood	—	—	461,711,082	20.00%
Numerous Joy	—	—	92,342,216	4.00%
Pacific Wits	—	—	438,625,528	19.00%
Tairong	—	—	438,625,528	19.00%
Wise Dragon (<i>Note 3</i>)	—	—	69,256,662	3.00%
Gold Shine (<i>Note 3</i>)	—	—	69,256,662	3.00%
Dayunmony (<i>Note 3</i>)	—	—	46,171,108	2.00%
Concept Best (<i>Note 3</i>)	—	—	46,171,108	2.00%
RGL (<i>Note 3</i>)	—	—	39,256,662	1.70%
RFML (<i>Notes 2 and 3</i>)	—	—	30,000,000	1.30%
<i>Subtotal</i>	—	—	1,731,416,556	75.00%
Existing public Shareholders	<u>433,288,852</u>	<u>75.08%</u>	<u>433,288,852</u>	<u>18.77%</u>
Total	<u><u>577,138,852</u></u>	<u><u>100.00%</u></u>	<u><u>2,308,555,408</u></u>	<u><u>100.00%</u></u>

Notes:

1. These Shares were held by Thought Diamond International Limited, the entire issued share capital of which is wholly and beneficially owned by Mr. Cheung Kwok Fan, an executive Director. Upon Completion, Mr. Cheung will resign as an executive Director and these Shares shall be counted as held in public hands for the purposes of Rule 8.08(1) of the Listing Rules.
2. RFML is the financial adviser to the Company which will receive 30,000,000 Fee Shares as settlement for RFML financial advisory services in respect of the Subscription.
3. Upon Completion, these Shares shall be counted as held in public hands for the purposes of Rule 8.08(1) of the Listing Rules as (i) none of Wise Dragon, Gold Shine, Dayunmony, Concept Best, RGL nor RFML will become a core connected person of the Company; (ii) none of Wise Dragon's, Gold Shine's, Dayunmony's, Concept Best's nor RGL's acquisition of the Subscription Shares will be financed directly or indirectly by a core connected person of the Company; and (iii) none of Wise Dragon, Gold Shine, Dayunmony, Concept Best, RGL nor RFML is accustomed to take instructions from a core connected person of the Company in relation to the acquisition, disposal, voting or other disposition of the Subscription Shares or the Fee Shares registered in their names or otherwise held by them.

INFORMATION ON THE GROUP

The Group is principally engaged in the provision of property agency and related services, securities trading and investment and advertising agency business.

INFORMATION ON THE SUBSCRIBERS

Each of Newwood and Numerous Joy is an investment holding company incorporated in the British Virgin Islands with limited liability and is ultimately wholly owned by Mr. Dong. Mr. Dong has extensive experience, knowledge and connection in investment and operation of Chinese media, advertisement, satellite TV, film productions and media fields and was the former Chairman of Alibaba Pictures Group Limited (previously named ChinaVision Media Group Limited), a company listed on the Main Board of the Stock Exchange (stock code: 1060). According to Mr. Dong, (i) he has been the principal investor, producer and co-producer of various internationally renowned films, including Crouching Tiger Hidden Dragon 《臥虎藏龍》 (directed by Mr. Ang Lee (李安)), Devils on the Doorstep 《鬼子來了》 (directed by Mr. Jiang Wen (姜文)), Peacock 《孔雀》 (directed by Mr. Gu Changwei (顧長衛)), Let the Bullets Fly 《讓子彈飛》 (directed by Mr. Jiang Wen (姜文)), Journey to the West 《西游降魔》 (directed by Mr. Stephen Chow (周星馳)), Dearest 《親愛的》 (directed by Mr. Chan Ho-sun (陳可辛)) and Breakup Buddies 《心花路放》 (directed by Mr. Ning); (ii) some of these films have won numerous major awards in both domestic and overseas film festival; (iii) from August 2003 to April 2005, he was the president of Asian Union Film and Media; and (iv) between 31 May 2005 and 11 January 2008, he was appointed as an executive director of Media China Corporation Limited (華億媒體有限公司), and was the chairman of the board of directors from 12 May 2006 to 11 January 2008.

Pacific Wits is an investment holding company incorporated in the British Virgin Islands with limited liability and ultimately wholly-owned by Mr. Ning, a Chinese film director and screenwriter. According to Mr. Ning, (i) he has directed seven films between 2003 and 2014, which were engraved with his unique personal style and won international acclaim; (ii) all of his films have achieved strong investment returns; (iii) his directorial debut Incense 《香火》 and his second film Mongolian Ping Pong 《綠草地》 were nominated in more than 50 international film festivals including the Berlin Film Festival, Locarno Film

Festival and the Hong Kong Film Festival; (iv) among these, Incense 《香火》 won the Grand Prize at the 4th Tokyo FILMeX Festival in 2003 and the Golden Prize (Asian Digital Films) at the 28th Hong Kong International Film Festival in 2004; (v) in 2006, he directed his small budget film Crazy Stone 《瘋狂的石頭》, which won the Taiwan Golden Horse Award (臺灣金馬獎) for the Best Original Screenplay; (vi) in 2009, Crazy Racer 《瘋狂的賽車》, which he wrote and directed and was produced for an investment of only RMB10 million, achieved over RMB100 million at the box office; (vii) in 2013, he directed No Man's Land 《無人區》, which won the Annual Tribute Movie by One Hundred Media (百家傳媒年度致敬電影) at the 14th Chinese Film Media Awards (華語電影傳媒大獎); and (viii) he also directed the huge box office hit Breakup Buddies 《心花路放》(2014) which grossed RMB1,169 million (US\$187 million) at the PRC box office and became the highest grossing-domestic Chinese film of the year.

Tairong is an investment holding company incorporated in the British Virgin Islands with limited liability and ultimately wholly-owned by Mr. Xu, a Chinese actor, director, screenwriter and producer. According to Mr. Xu, (i) he started his career as an actor in the 1990s; (ii) in 2012, his directorial debut Lost in Thailand 《人在囧途之泰囧》 (a road trip comedy) which he also wrote, produced and starred in, earned over US\$200 million and became the highest-grossing domestic Chinese film ever; (iii) in 2014, he produced and starred in “The Great Hypnotist” 《催眠大師》 (a suspense thriller film), which achieved groundbreaking box-office success and a great reputation in the Chinese suspense thriller film market; and (iv) as an actor, he has appeared in four of his films, including No Man's Land 《無人區》(2013) (for which he was awarded the best lead actor by the Chinese Film Director Association (中國電影導演協會) in 2014) and the huge box office hit Breakup Buddies 《心花路放》(2014).

Wise Dragon is an investment holding company incorporated in the British Virgin Islands with limited liability and is ultimately wholly owned by Mr. Yeung Ning. Mr. Yeung Ning is a private investor.

Gold Shine is an investment holding company incorporated in the British Virgin Islands with limited liability and is ultimately wholly owned by Mr. Tse Yiu Lam. Mr. Tse Yiu Lam is a private investor.

Dayunmony is an investment holding company incorporated in the British Virgin Islands with limited liability and is ultimately wholly owned by Mr. Gao Zhikai. Mr. Gao Zhikai is a private investor.

Concept Best is an investment holding company incorporated in the British Virgin Islands with limited liability and is ultimately wholly owned by Mr. So Chak Kwong. Mr. So Chak Kwong is a private investor. Mr. So was the Chairman of the Hong Kong Trade Development Council and he also served as the Chairman of the Hong Kong Film Development Council. Mr. So has been a member of the Chinese People's Political Consultative Conference since 2008.

RGL, a company incorporated in Hong Kong with limited liability, is principally engaged in provision of administrative services and is a fellow subsidiary of RFML, the financial adviser to the Company in relation to the Subscription. Both RGL and RFML are wholly-owned by REORIENT Group Limited, a company incorporated in Hong Kong with limited

liability and the issued shares of which are listed on the Main Board of the Stock Exchange. REORIENT Group Limited is principally engaged in securities broking, placing and underwriting, and provision of consultancy and advisory services.

The Shareholders Agreement

On 14 April 2015 (after trading hours), Mr. Dong, Newwood and the Director Subscribers entered into the Shareholders Agreement, which sets forth certain rights and obligations of each of the parties in respect of the governance of the Company following Completion, as follows:

Corporate governance

Director nomination rights

Subject to compliance with applicable laws and the bye-laws of the Company, for as long as:

- (a) Director Subscriber 1 holds, directly or indirectly, at least 5% of the issued share capital of the Company, it shall be entitled to nominate one non-executive Director to the Board;
- (b) Director Subscriber 2 holds, directly or indirectly, at least 5% of the issued share capital of the Company, it shall be entitled to nominate one non-executive Director to the Board; and
- (c) Mr. Dong holds, directly or indirectly, at least 15% of the issued share capital of the Company, he shall be entitled to nominate at least five Directors to the Board, including executive, non-executive and independent non-executive Directors.

Voting Rights

Each of the Director Subscribers undertakes, unless it/he is required to abstain from voting on such matters pursuant to the applicable laws, it/he will exercise, or use its/his best endeavors to cause the exercise of, the voting rights attaching to the Shares held by it/him, in accordance with the directions of Mr. Dong in respect of the matters set forth below:

- (a) any amendment, modification or waiver of any provision of the bye-laws or any charter document of the Company;
- (b) any creation, authorisation or issuance of (or undertaking of any obligation to issue) any equity securities or debt securities of the Company;
- (c) any merger, consolidation, other corporate reorganisation or alternation of the capital structure of the Company, including any reduction of the share capital of the Company;
- (d) any liquidation or winding up of the Company;
- (e) any repurchase or redemption of any Shares;

- (f) any increase or decrease in the size of the Board, any change to the manner in which the Director is appointed or the composition of the Board;
- (g) any transaction or a series of related transactions that would constitute a notifiable transaction under the Listing Rules;
- (h) any transaction or a series of related transactions that would constitute a connected transaction or a continuing connected transaction under the Listing Rules;
- (i) any transaction or a series of related transactions governed by the Takeovers Code, including any general offers, mandatory offers, scheme of arrangements, share repurchases or any similar transactions involving the Company;
- (j) any dividend or distribution;
- (k) any change of the name of the Company;
- (l) any purchase or acquisition of securities of other companies;
- (m) any matter which is required to be approved by a special resolution of the Company; and
- (n) any transaction or a series of related transactions which would have, or may have, the effect of diluting or reducing the effective shareholding of Mr. Dong in the Company.

Mr. Dong undertakes that, if he or the Director Subscriber(s) is/are of the view that the exercise by the Director Subscriber(s) of the Voting Rights would have a material adverse effect on such Director Subscriber, Mr. Dong and such Director Subscriber shall enter into consultations and use their best endeavours to reach an agreement within five business days, prior to the Director Subscriber(s) exercising his/their Voting Rights.

Mr. Dong further undertakes that, if the exercise by the Director Subscriber(s) of his/their Voting Rights would cause a dilution to the direct or indirect shareholding of the Director Subscriber(s) in the Company (including any shareholding such Director Subscriber may acquire following Completion), the Director Subscriber(s) shall be entitled to exercise the voting rights attaching to the Shares held by him/them in respect of any such matters or transactions at its own discretion. Mr. Dong and such Director Subscriber shall not exercise their voting rights in respect of the relevant matter until they have reached an agreement.

Right of first refusal

No transfer (save for any transfer to a wholly-owned holding company or a family trust) of Shares held directly or indirectly by the Director Subscriber(s) shall be permitted unless an offer is first made to Mr. Dong to purchase the relevant Shares on the same terms and conditions as the proposed transfer.

Tag-along

If Mr. Dong proposes to transfer any Shares directly or indirectly held by him through a placing agent or an off-market transfer, each of the Director Subscribers shall be entitled to participate in such transfer, on the same terms and conditions as those available to Mr. Dong

in respect of his proposed transfer, by offering a pro-rata number of Shares held by each of them in relation to the total number of Shares proposed to be transferred by Mr. Dong. If the Director Subscriber(s) elect to exercise his/their tag-along rights, the number of Shares which Mr. Dong shall be entitled to transfer shall be reduced accordingly.

The Subscribers Agreement

On 14 April 2015 (after trading hours), the Subscribers (other than Numerous Joy, Concept Best and RGL) entered into the Subscribers Agreement, pursuant to which (i) Newwood undertakes to pay, or arrange for payment, of the subscription price payable by each of Pacific Wits and Tairong under the Subscription Agreement, and (ii) each of the parties to the Subscribers Agreement agreed to do all necessary acts and things to facilitate Completion in accordance with the terms and conditions of the Subscription Agreement.

DEALING AND INTEREST OF THE SUBSCRIBERS AND PARTIES ACTING IN CONCERT WITH THE SUBSCRIBERS IN THE SECURITIES OF THE COMPANY

Save for the Subscription, the Subscribers confirmed that as at the date of this announcement, neither they, nor, to the best knowledge of them having made all reasonable inquiries, any parties acting in concert with them:

- (a) owned, controlled or had direction over any outstanding options, warrants, or any securities that are convertible into Shares or any derivatives or outstanding derivatives in respect of securities in the Company, or held any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company;
- (b) had received an irrevocable commitment to vote for the Subscription and/or the Whitewash Waiver;
- (c) had borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company;
- (d) had any arrangement referred to in Note 8 to Rule 22 of the Takeovers Code (whether by way of option, indemnity or otherwise) in relation to the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company or the Subscriber, which might be material to the Subscription and/or the Whitewash Waiver, with any other persons;
- (e) had any agreement or arrangement to which it is a party which relates to the circumstances in which it might or might not invoke or sought to invoke a pre-condition or a condition to the Subscription and/or the Whitewash Waiver; or
- (f) had dealt in Shares, outstanding options, derivatives, warrants or other securities convertible or exchangeable into Shares, during the six months prior to the date of the announcement of the Company dated 13 April 2015.

FUTURE INTENTIONS OF NEWWOOD AND PARTIES ACTING IN CONCERT WITH THE SUBSCRIBERS REGARDING THE GROUP

The Company and Newwood will explore future business opportunities in the entertainment and media-related areas, including planning, production, publication, investment, distribution of television drama series, films and advertising. As at the date of this announcement, save for the transactions contemplated under the Shareholders Agreement and the Service Agreements, no definitive proposals, terms or timetable have been determined for any such possible future transaction or arrangement and, at this stage, the Company, Newwood, the other Subscribers and the parties acting in concert with them have only held exploratory discussions. Save for the transactions contemplated under the Shareholders Agreement and the Service Agreements, no agreements for any such possible future transactions or arrangements have been entered into.

USE OF PROCEEDS

The gross proceeds and the net proceeds from the Subscription are approximately HK\$680.6 million and approximately HK\$676.7 million (after deduction of professional fees and estimated expenses of approximately HK\$3.9 million (excluding the financial advisory fees in respect of the Subscription to be settled by the Fee Shares) payable by the Group in connection with the Subscription) respectively. The Directors expect to use the net proceeds from the Subscription for the followings:

- (i) approximately HK\$520.0 million for the development of six movies, including three from the Director Shareholders' Productions and three from independent film directors;
- (ii) approximately HK\$150.0 million for the development of three to four television drama series for the broadcasting in television and/or internet platforms; and
- (iii) approximately HK\$6.7 million for general working capital.

The net proceeds raised per Subscription Share upon Completion and payment in full of the Subscription Price will represent a net price of approximately HK\$0.398 per Subscription Share.

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

Set out below are the equity fund raising activities of the Company in the past 12 months immediately preceding the date of this announcement:

Date of announcement	Description	Net amount raised	Intended use of proceeds as announced	Actual use of proceeds
25 April 2014	Placing of new Shares under general mandate and open offer on the basis of one offer Share for every two existing Shares	Approximately HK\$142.6 million	Expansion into a new business relating to provision of mortgage financing	(i) HK\$80.0 million was utilised for financing the granting of loan to an independent third party for a term of two years; and (ii) approximately HK\$62.6 million has remained unused and placed with licensed banks in Hong Kong

IMPLICATIONS UNDER THE LISTING RULES

The Subscription Shares and the Fee Shares will be allotted and issued pursuant to the specific mandate, which is subject to the approval of the Independent Shareholders at the SGM. Any Shareholders and its associates who has an interest in the Subscription and the allotment and issue of the Fee Shares other than its interest as a Shareholder shall abstain from voting on the resolutions to be proposed at the SGM to approve the Subscription and the allotment and issue of the Fee Shares. None of the Shareholders had an interest in the Subscription and the allotment and issue of the Fee Shares other than its interest as a Shareholder as at the date of this announcement.

Upon Completion and the allotment and issue of the Fee Shares, each of Pacific Wits and Tairong will become a substantial Shareholder and thus a connected person of the Company. Director Shareholder 1 and Director Shareholder 2 are the ultimate beneficial owners of Pacific Wits and Tairong, respectively, and thus the Service Agreements and the transactions contemplated thereunder constitute continuing connected transactions of the Company under the Listing Rules. As the proposed annual caps of the Service Agreements exceed HK\$10,000,000 and the applicable percentage ratios based on the proposed annual caps of the Service Agreements exceed 5%, the Service Agreements and the transactions contemplated thereunder are non-exempt continuing connected transactions and are subject to the requirements under Chapter 14A of the Listing Rules, in particular, the Independent Financial Adviser will explain why the Service Agreements require a longer period and to confirm that it is normal business practice for agreements of this type to be of such duration

pursuant to Rule 14A.52 of the Listing Rules, and, if necessary, obtaining independent shareholders' approval to renew the Service Agreements every three years pursuant to Rule 14A.54 of the Listing Rules.

IMPLICATIONS UNDER THE TAKEOVERS CODE AND APPLICATION FOR WHITEWASH WAIVER

Upon Completion and the allotment and issue of the Fee Shares, Newwood (being one of the Subscribers) will be interested in 461,711,082 Shares, representing approximately 80.0% of the issued share capital of the Company as at the date of this announcement or approximately 20.0% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares and the Fee Shares.

Numerous Joy, Pacific Wits, Tairong, Wise Dragon, Gold Shine, Dayunmony, Concept Best and RGL, who are also the Subscribers, and RFML, a fellow subsidiary of RGL, are parties acting in concert with Newwood. Upon Completion and the allotment and issue of the Fee Shares, the Subscribers and parties acting in concert with them will in aggregate be interested in 1,731,416,556 Shares, representing 300.0% of the issued share capital of the Company as at the date of this announcement and 75.0% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares and the Fee Shares. Under Rule 26.1 of the Takeovers Code, the Subscribers would be obliged to make a mandatory general offer to the Shareholders for all the issued Shares and other securities of the Company not already owned or agreed to be acquired by the Subscribers and parties acting in concert with the Subscribers, unless the Whitewash Waiver is obtained from the Executive. In this regard, Newwood (on its behalf and on behalf of the other Subscribers) will make an application to the Executive for the Whitewash Waiver in respect of the allotment and issue of the Subscription Shares and the Fee Shares. The Whitewash Waiver, if granted by the Executive, will be subject to, among other things, approval of the Subscription (which is conditional upon satisfaction (if applicable, waiver) of the conditions precedent set out in the section headed "Conditions of the Subscription"), the allotment and issue of the Fee Shares, the Service Agreements and the Whitewash Waiver by the Independent Shareholders at the SGM by way of poll. Completion is conditional upon, among other things, the Whitewash Waiver being granted by the Executive and the Subscription, the allotment and issue of the Fee Shares, the Service Agreements and the Whitewash Waiver being approved by the Independent Shareholders.

If the Whitewash Waiver is granted by the Executive and approved by the Independent Shareholders and the Subscription becomes unconditional, the aggregate shareholding of the Subscribers and parties acting in concert with the Subscribers in the Company will exceed 50% upon Completion.

CHANGE OF COMPANY NAME

The Board proposes to change the English name of the Company from "21 Holdings Limited" to "Huanxi Media Group Limited" and to adopt a Chinese name "歡喜傳媒集團有限公司" for identification purpose after Completion. Following the Change of Company Name becoming effective, the Company will cease to use its existing Chinese name "21控股有限公司" for identification purposes.

Conditions for the Change of Company Name

The Change of Company Name is subject to the following events having been carried out:

- (a) the passing of a special resolution by the Shareholders at the SGM approving the Change of Company Name;
- (b) completion of the Subscription in accordance with the terms and conditions of the Subscription Agreement; and
- (c) the Registrar of Companies in Bermuda approving the Change of Company Name.

The relevant filing with the Registrar of Companies in Bermuda will be made after the passing of the special resolutions at the SGM. Subject to the satisfaction of the conditions set out above, the Change of Company Name will take effect from the date of entry of the new English and Chinese names of the Company on the register maintained by the Registrar of Companies in Bermuda. The Company will then carry out all necessary filing procedures with the Companies Registry in Hong Kong.

Reasons for the Change of Company Name

Upon Completion, each of Newwood, Pacific Wits and Tairong will become a substantial shareholder (as defined in the Listing Rules) of the Company. The Board believes that the new English and Chinese names of the Company will provide the Company with a fresh corporate image, which will benefit the Company's future business development. The Directors are of the view that the Change of Company Name is in the interests of the Company and the Shareholders as a whole.

Effects of the Change of Company Name

The Change of Company Name will not affect any rights of the existing Shareholders. All existing share certificates of the Company in issue bearing the present name of the Company shall, after the Change of Company Name becoming effective, continue to be evidence of title to such Shares and valid for trading, settlement, registration and delivery purposes. Accordingly, there will not be any arrangement for the exchange of the existing share certificates for new certificates bearing the new English and Chinese names of the Company.

Once the Change of Company Name becomes effective, any issue of share certificates thereafter will be in the new English and Chinese names of the Company. Subject to the confirmation by the Stock Exchange, the English and Chinese stock short names of the Company for trading in the Shares on the Stock Exchange will also be changed after the Change of Company Name becomes effective.

Further announcement(s) will be made by the Company to inform the Shareholders of the effective date of the Change of Company Name, the new English and Chinese stock short names of the Company for trading in the Shares on the Stock Exchange and the new website address of the Company as and when appropriate.

APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER

Somerley Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Subscription, the allotment and issue of the Fee Shares, the Service Agreements (including the proposed annual caps) and the Whitewash Waiver are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole, and to make a recommendation to the Independent Shareholders as to their voting on the proposed resolutions approving the Subscription, the allotment and issue of the Fee Shares, the Service Agreements (including the proposed annual caps) and the Whitewash Waiver at the SGM. The appointment of Somerley Capital Limited as the Independent Financial Adviser has been approved by the Independent Board Committee.

GENERAL

The Independent Board Committee has been formed to make a recommendation to the Independent Shareholders in relation to the Subscription, the allotment and issue of the Fee Shares, the Service Agreements (including the proposed annual caps) and the Whitewash Waiver.

The SGM will be convened and held for the purposes of considering and, if thought fit, approving, among other things, the Subscription, the allotment and issue of the Fee Shares, the Service Agreements (including the proposed annual caps), the Whitewash Waiver and the Change of Company Name. The voting in relation to the Subscription, the allotment and issue of the Fee Shares, the Service Agreements (including the proposed annual caps), the Whitewash Waiver and the Change of Company Name at the SGM will be conducted by way of a poll.

For the purposes of the Listing Rules, (i) the Subscription Shares and the Fee Shares will be allotted and issued pursuant to the specific mandate, which is subject to the approval of the Independent Shareholders at the SGM; (ii) the Service Agreements (including the proposed annual caps) are subject to the approval of the Independent Shareholders at the SGM; and (iii) the Change of Company Name is subject to the approval of the Shareholders at the SGM. Any Shareholder and its associates who has an interest in the Subscription, the allotment and issue of the Fee Shares, the Service Agreements and the Change of Company Name other than its interest as a Shareholder shall abstain from voting on the relevant resolutions to be proposed at the SGM. None of the Shareholders has an interest in the Subscription, the allotment and issue of the Fee Shares, the Service Agreements and the Change of Company Name other than its interest as a Shareholder as at the date of this announcement and therefore no Shareholder is required to abstain from voting at the SGM in respect of the relevant resolutions.

For the purposes of the Takeovers Code, the Subscribers and parties acting in concert with them and other Shareholders who are interested or involved in the Subscription, the allotment and issue of the Fee Shares, the Service Agreements and/or the Whitewash Waiver shall abstain from voting on the relevant resolutions to be proposed at the SGM. Thought Diamond International Limited (which is wholly and beneficially owned by Mr. Cheung Kwok Fan, an executive Director, who was involved in the negotiation of the Subscription for and on behalf of the Company) holds approximately 24.92% of the issued share capital of the Company and will abstain from voting at the SGM in respect of the resolutions

relating to the Subscription, the allotment and issue of the Fee Shares, the Service Agreements and the Whitewash Waiver. Save as disclosed above, no other Shareholders is interested or involved in the Subscription, the allotment and issue of the Fee Shares, the Service Agreements and/or the Whitewash Waiver as at the date of this announcement, and therefore no other Shareholder, other than Thought Diamond International Limited, is required to abstain from voting at the SGM in respect of the resolutions relating to them.

The Subscribers and parties acting in concert with the Subscribers did not hold any Shares as at the date of this announcement and, accordingly, will not be entitled to vote on any of the resolutions at the SGM.

A circular containing, among other things, (i) information on the Subscription, the Whitewash Waiver and the allotment and issue of the Fee Shares; (ii) information on the Service Agreements; (iii) information on the Change of Company Name; (iv) the recommendation of the Independent Board Committee to the Independent Shareholders in relation to the Subscription, the allotment and issue of the Fee Shares, the Service Agreements (including the proposed annual caps) and the Whitewash Waiver; (v) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Subscription, the allotment and issue of the Fee Shares, the Service Agreements (including the proposed annual caps) and the Whitewash Waiver; (vi) certain financial information and general information of the Group; and (vii) a notice convening the SGM will be despatched to the Shareholders in compliance with the requirements of the Listing Rules and the Takeovers Code, and is expected to be despatched on or before 3 June 2015.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares has been suspended with effect from 9:00 a.m. on 15 April 2015. An application has been made by the Company for the resumption of trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on 14 May 2015.

Warning: The Subscription and the transactions contemplated thereunder are subject to the fulfilment or waiver (as the case may be) of a number of conditions precedent which are set out under the section headed “Conditions of the Subscription” in this announcement, including approval at the SGM by the Independent Shareholders of the Subscription, the allotment and issue of the Fee Shares, the Service Agreements and the Whitewash Waiver, and the grant of the Whitewash Waiver by the Executive. The Service Agreements will only take effect upon Completion. As such, the Subscription, the Service Agreements and the transactions contemplated thereunder may or may not proceed.

Shareholders and potential investors are advised to exercise caution when dealing in the Shares, and are recommended to consult their professional advisers if they are in any doubt about their position and as to actions that they should take.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms have the following meanings:

“acting in concert”	has the same meaning as ascribed to it under the Takeovers Code
“Amendment Agreement”	the amendment agreement entered into among the Company and the Subscribers dated 13 May 2015 to amend certain terms of the Subscription Agreement
“associate(s)”	has the same meaning as ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business Day”	a day (other than Saturday) on which licensed banks in Hong Kong are open for general banking business
“Change of Company Name”	the proposed change of the English name of the Company from “21 Holdings Limited” to “Huanxi Media Group Limited” and the adoption of a Chinese name “歡喜傳媒集團有限公司” for identification purpose
“Company”	21 Holdings Limited (stock code: 1003), a company incorporated in Bermuda with limited liability and the issued Shares of which are listed on the Main Board of the Stock Exchange
“Completion”	completion of the Subscription in accordance with the terms and conditions of the Subscription Agreement
“Completion Date”	the date falling on three Business Days after all of conditions precedent set out in the section headed “Conditions of the Subscription” having been fulfilled (or, if applicable, waived), or any other date as agreed by the parties to the Subscription Agreement prior to Completion
“Concept Best”	Concept Best Limited, a company incorporated in the British Virgin Islands with limited liability and ultimately wholly owned by Mr. So Chak Kwong
“connected person(s)”	has the same meaning as ascribed to it under the Listing Rules
“core connected person(s)”	has the same meaning as ascribed to it under the Listing Rules

“Dayunmony”	Dayunmony Investment Corporation, a company incorporated in the British Virgin Islands with limited liability and ultimately wholly owned by Mr. Gao Zhikai
“Director Shareholder 1” or “Mr. Ning”	Mr. Ning Hao, a resident of Hong Kong, further details of whom are set forth under the paragraph headed “Information on the Subscribers”
“Director Shareholder 2” or “Mr. Xu”	Mr. Xu Zheng, a resident of Hong Kong, further details of whom are set forth under the paragraph headed “Information on the Subscribers”
“Director Shareholders”	the Director Shareholder 1 and the Director Shareholder 2
“Director Shareholders’ Productions”	films and programmes (including films, television drama series, online drama series and other television programmes) developed and directed by any of the Director Shareholders
“Director Subscriber 1”	the Director Shareholder 1 and Pacific Wits
“Director Subscriber 2”	the Director Shareholder 2 and Tairong
“Director Subscribers”	the Director Subscriber 1 and the Director Subscriber 2
“Director(s)”	director(s) of the Company
“Eternity”	Eternity Investment Limited, the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 764)
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
“Fee Shares”	30,000,000 new Shares to be allotted and issued credited as fully paid to RFML as consideration of the financial advisory services which have been and to be provided by RFML to the Company in respect of the Subscription
“Gold Shine”	Gold Shine Investment Company Limited (金耀投資有限公司), a company incorporated in the British Virgin Islands with limited liability and ultimately wholly owned by Mr. Tse Yiu Lam
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“Independent Board Committee”	an independent committee of the Board, comprising all the independent non-executive Directors, namely Ms. Chio Chong Meng, Mr. Wong Tak Chuen and Mr. Man Kong Yui, to advise the Independent Shareholders as to the fairness and reasonableness of the terms of the Subscription Agreement, the Whitewash Waiver, the allotment and issue of the Subscription Shares and the Service Agreements and the transactions contemplated thereunder, and as to voting
“Independent Financial Adviser”	Somerley Capital Limited, a licensed corporation by the SFC to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities in Hong Kong
“Independent Shareholders”	(a) for voting under the Listing Rules, any Shareholders other than any Shareholder and its associates who has an interest in the Subscription, the allotment and issue of the Fee Shares, the Service Agreements and the Change of Company Name other than its interest as a Shareholder; and (b) for voting under the Takeovers Code, any Shareholders other than the Subscribers and parties acting in concert with the Subscribers and any other Shareholders who are interested or involved in the Subscription, the allotment and issue of the Fee Shares, the Service Agreements and/or the Whitewash Waiver
“Initial Service Period”	a term of six years from Completion
“Last Trading Day”	14 April 2015, being the last trading day of the Shares immediately prior to the date of this announcement
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Mr. Dong”	Mr. Dong Ping, a resident of Hong Kong, further details of whom are set forth under the paragraph headed “Information on the Subscribers”
“Long Stop Date”	1 September 2015 (or such other date as may be agreed by the parties to the Subscription Agreement in writing)
“Newwood”	Newwood Investments Limited, a company incorporated in the British Virgin Islands with limited liability and ultimately wholly owned by Mr. Dong

“Non-Director Shareholders’ Productions”	films and programmes (including films, television drama series, online drama series and other television programmes) of which the Director Shareholders are either producer, screenwriter, lead actor or other creative member
“Numerous Joy”	Numerous Joy Limited (多樂有限公司), a company incorporated in the British Virgin Islands with limited liability and ultimately wholly owned by Mr. Dong
“Pacific Wits”	Pacific Wits Limited (泰穎有限公司), a company incorporated in the British Virgin Islands with limited liability and ultimately wholly owned by Mr. Ning
“PRC”	the People’s Republic of China (which for the purpose of the Subscription Agreement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan)
“RFML”	REORIENT Financial Markets Limited (瑞東金融市場有限公司), a company incorporated in Hong Kong with limited liability and ultimately wholly owned by REORIENT Group Limited and a licensed corporation by the SFC to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities in Hong Kong
“RGL”	REORIENT Global Limited (瑞東環球有限公司), a company incorporated in Hong Kong with limited liability and ultimately wholly owned by REORIENT Group Limited
“RMB”	Renminbi, the lawful currency of the PRC
“Service Agreement 1”	the service agreement entered into between the Company and the Director Shareholder 1 dated 14 April 2015 in respect of provision of media production services to the Company by the Director Shareholder 1
“Service Agreement 2”	the service agreement entered into between the Company and the Director Shareholder 2 dated 14 April 2015 in respect of provision of media production services to the Company by the Director Shareholder 2
“Service Agreements”	the Service Agreement 1 and the Service Agreement 2
“Service Period”	the Initial Service Period together with any extension periods as agreed between the Company and the Director Shareholders
“SFC”	the Securities and Futures Commission of Hong Kong

“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	a special general meeting of the Company to be convened and held for the Shareholders to consider and, if thought fit, approve, among others, the Subscription, the allotment and issue of the Fee Shares, the Service Agreements (including the proposed annual caps) and the Whitewash Waiver
“Share(s)”	the ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Shareholders Agreement”	the shareholders agreement among Mr. Dong Ping, Newwood and the Director Subscribers dated 14 April 2015 in respect of, among others, their respective rights and obligations with respect to the governance of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber(s)”	Newwood, Numerous Joy, Pacific Wits, Tairong, Wise Dragon, Gold Shine, Dayunmony, Concept Best and RGL, or any one of them as the context may require
“Subscribers Agreement”	the subscribers agreement among Newwood, Pacific Wits, Tairong, Wise Dragon, Gold Shine and Dayunmony dated 14 April 2015 in respect of, among others, their respective rights and obligations of the parties in relation to facilitating the Completion
“Subscription”	the subscription of the Subscription Shares under the Subscription Agreement
“Subscription Agreement”	the subscription agreement entered into among the Company and the Subscribers dated 14 April 2015 in respect of the Subscription, as amended by the Amendment Agreement
“Subscription Price”	HK\$0.4 per Subscription Share
“Subscription Shares”	1,701,416,556 new Shares to be subscribed by the Subscribers and issued by the Company under the Subscription Agreement
“Tairong”	Tairong Holdings Limited (泰嶸控股有限公司), a company incorporated in the British Virgin Islands with limited liability and ultimately wholly owned by Mr. Xu
“Takeovers Code”	the Code on Takeovers and Mergers issued by the SFC as amended from time to time

“Transactions”	the transactions contemplated under the Subscription Agreement and the Service Agreements
“Voting Rights”	the voting rights in respect of the Shares held directly or indirectly by the Director Subscribers exercised pursuant to the directions of Mr. Dong, as described in the paragraph headed “Voting Rights”
“Whitewash Waiver”	a waiver from the Executive pursuant to Note 1 on Dispensations from Rule 26 of the Takeovers Code in respect of the obligations of the Subscribers to make a mandatory general offer for all of the Shares and other securities of the Company not already owned or agreed to be acquired by the Subscribers and parties acting in concert with the Subscribers which would otherwise arise as a result of Completion
“Wise Dragon”	Wise Dragon International Limited (騰龍國際有限公司), a company incorporated in the British Virgin Islands with limited liability and ultimately wholly owned by Mr. Yeung Ning
“%”	percentage

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

Hong Kong, 13 May 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.

The Directors jointly and severally accept full responsibility for the accuracy of the information (other than that relating to the Subscribers) contained in this announcement and confirm having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this announcement (other than those expressed by the Subscribers) have been arrived at after due and careful consideration and there are no other facts not contained in this announcement the omission of which would make any statement in this announcement misleading.

The director of Newwood Investments Limited, namely Mr. Dong Ping, accepts full responsibility for the accuracy of the information relating to him and Newwood Investments Limited contained in this announcement and confirms, having made all reasonable inquiries, that to the best of his knowledge, opinions expressed by him and Newwood Investments

Limited have been arrived at after due and careful consideration, and there are no other facts not contained in this announcement the omission of which would make any statement in this announcement misleading.

The director of Numerous Joy Limited, namely Mr. Dong Ping, accepts full responsibility for the accuracy of the information relating to him and Numerous Joy Limited contained in this announcement and confirms, having made all reasonable inquiries, that to the best of his knowledge, opinions expressed by him and Numerous Joy Limited have been arrived at after due and careful consideration, and there are no other facts not contained in this announcement the omission of which would make any statement in this announcement misleading.

The director of Pacific Wits Limited, namely Mr. Ning Hao, accepts full responsibility for the accuracy of the information relating to him and Pacific Wits Limited contained in this announcement and confirms, having made all reasonable inquiries, that to the best of his knowledge, opinions expressed by him and Pacific Wits Limited have been arrived at after due and careful consideration, and there are no other facts not contained in this announcement the omission of which would make any statement in this announcement misleading.

The director of Tairong Holdings Limited, namely Mr. Xu Zheng, accepts full responsibility for the accuracy of the information relating to him and Tairong Holdings Limited contained in this announcement and confirms, having made all reasonable inquiries, that to the best of his knowledge, opinions expressed by him and Tairong Holdings Limited have been arrived at after due and careful consideration, and there are no other facts not contained in this announcement the omission of which would make any statement in this announcement misleading.

The director of Wise Dragon International Limited, namely Mr. Yeung Ning, accepts full responsibility for the accuracy of the information relating to him and Wise Dragon International Limited contained in this announcement and confirms, having made all reasonable inquiries, that to the best of his knowledge, opinions expressed by him and Wise Dragon International Limited have been arrived at after due and careful consideration, and there are no other facts not contained in this announcement the omission of which would make any statement in this announcement misleading.

The director of Gold Shine Investment Company Limited, namely Mr. Tse Yiu Lam, accepts full responsibility for the accuracy of the information relating to him and Gold Shine Investment Company Limited contained in this announcement and confirms, having made all reasonable inquiries, that to the best of his knowledge, opinions expressed by him and Gold Shine Investment Company Limited have been arrived at after due and careful consideration, and there are no other facts not contained in this announcement the omission of which would make any statement in this announcement misleading.

The director of Dayunmony Investment Corporation, namely Mr. Gao Zhikai, accepts full responsibility for the accuracy of the information relating to him and Dayunmony Investment Corporation contained in this announcement and confirms, having made all reasonable inquiries, that to the best of his knowledge, opinions expressed by him and

Dayunmony Investment Corporation have been arrived at after due and careful consideration, and there are no other facts not contained in this announcement the omission of which would make any statement in this announcement misleading.

The director of Concept Best Limited, namely Mr. So Chak Kwong, accepts full responsibility for the accuracy of the information relating to him and Concept Best Limited contained in this announcement and confirms, having made all reasonable inquiries, that to the best of his knowledge, opinions expressed by him and Concept Best Limited have been arrived at after due and careful consideration, and there are no other facts not contained in this announcement the omission of which would make any statement in this announcement misleading.

The directors of REORIENT Global Limited, namely Mr. Cecil Te-hwai Ho and Mr. Bryan C. Zolad, jointly and severally accept full responsibility for the accuracy of the information relating to REORIENT Global Limited contained in this announcement and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed by them and REORIENT Global Limited have been arrived at after due and careful consideration, and there are no other facts not contained in this announcement the omission of which would make any statement in this announcement misleading. The directors of REORIENT Group Limited (the ultimate holding company of REORIENT Global Limited), namely Mr. Ko Chun Shun, Johnson, Mr. Brett McGonegal, Mr. Chen Shengjie, Mr. Tsoi Tong Hoo, Tony, Ms. Ko Wing Yan, Samantha, Mr. Dorian M. Barak, Mr. Liu Zhengui, Mr. Chu Chung Yue, Howard and Dr. Wong Yau Kar, David, BBS, JP, jointly and severally accept full responsibility for the accuracy of the information relating to REORIENT Group Limited contained in this announcement and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed by them and REORIENT Group Limited have been arrived at after due and careful consideration, and there are no other facts not contained in this announcement the omission of which would make any statement in this announcement misleading.