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21 Holdings Limited
21 控股有限公司*

(incorporated in Bermuda with limited liability)

(stock code: 1003)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2011

The board of directors (the "Board") of 21 Holdings Limited (the "Company") is pleased to present the unaudited condensed consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2011. The consolidated interim financial statements of the Group have not been audited, but have been reviewed by the Company's auditor, Deloitte Touche Tohmatsu and the Company's Audit Committee.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2011

		Six months ended 30 June	
		2011	2010
	Notes	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
Revenue	*3*	**98,974**	105,876
Cost of sales		**(82,847)**	(90,807)
Gross profit		**16,127**	15,069
Other income		**544**	375
Other losses	*4*	**(11,591)**	(516)
Selling and distribution costs		**(3,186)**	(3,088)
Administrative expenses		**(21,728)**	(14,438)
Amortisation of intangible assets		**(5,320)**	–
Impairment loss on goodwill	*10*	**(28,000)**	–
Gain on disposal of investment properties		**–**	4,084
Finance costs	*5*	**(256)**	(3,770)
Loss before tax		**(53,410)**	(2,284)
Income tax credit (expense)	*6*	**1,103**	(418)
Loss for the period	*7*	**(52,307)**	(2,702)
Other comprehensive income			
Exchange differences arising on translation		**103**	–
Total comprehensive expense for the period		**(52,204)**	(2,702)

* *for identification purpose only*

	Notes	Six months ended 30 June	
		2011	2010
		HK$'000	*HK$'000*
		(Unaudited)	(Unaudited)
Loss for the period attributable to owners of the Company		**(52,307)**	(2,702)
Total comprehensive expenses attributable to owners of the Company		**(52,204)**	(2,702)
Loss per share *(HK dollar)*	*9*		
– Basic and diluted		**(0.40)**	(0.11)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2011

	Notes	**30 June 2011 HK$'000 (Unaudited)**	31 December 2010 HK$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**3,384**	1,173
Goodwill	*10*	**174,152**	92,000
Intangible assets	*11*	**79,808**	–
		257,344	93,173
CURRENT ASSETS			
Trade and other receivables	*12*	**49,058**	42,892
Investments held for trading		**34,410**	56,009
Convertible notes designated as at fair value through profit or loss	*13*	**–**	16,153
Restricted cash	*14*	**25,000**	–
Bank balances and cash		**27,069**	43,041
		135,537	158,095
CURRENT LIABILITIES			
Trade and other payables	*15*	**137,581**	130,627
Tax payable		**1,861**	1,639
Convertible notes		**–**	68,411
Obligations under a finance lease		**183**	179
		139,625	200,856
NET CURRENT LIABILITIES		**(4,088)**	(42,761)
TOTAL ASSETS LESS CURRENT LIABILITIES		**253,256**	50,412
NON-CURRENT LIABILITIES			
Obligations under a finance lease		**208**	301
Deferred tax liabilities		**19,952**	–
		20,160	301
		233,096	50,111
CAPITAL AND RESERVES			
Share capital		**1,488**	1,127
Reserves		**231,608**	48,984
		233,096	50,111

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2011

1. BASIS OF PREPARATION

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

In preparing the condensed consolidated financial statements of the Group, the directors of the Company have given careful consideration to the future liquidity of the Group in light of the fact that the Group incurred a net loss of approximately HK$52,307,000 for the six months ended 30 June 2011 and, as of that date, the Group's current liabilities exceeded its current assets by approximately HK$4,088,000. After considering the Group's internal financial resources, cash flows to be generated from the operating activities and the net proceeds of the rights issue approved by the shareholders of the Company on 21 June 2011 and completed on 22 July 2011, the directors are of the opinion that the Group will have sufficient working capital to meet its financial obligations as they fall due in the next twelve months from the end of the reporting period. Accordingly, the condensed consolidated financial statements have been prepared on a going concern basis.

2. SIGNIFICANT ACCOUNTING POLICIES

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

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2010. In addition, the Group has applied the following accounting policies for intangible assets acquired in a business combination and translation of foreign operations during the current interim period.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives.

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

Foreign currencies

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (the exchange reserve).

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and retranslated at the rate of exchange prevailing at the end of the reporting period. Exchange differences arising are recognised in the exchange reserve.

In addition, the Group has applied, for the first time, the following new or revised standards and interpretations ("new or revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") in the current interim period.

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010
HKAS 24 (as revised in 2009)	Related Party Disclosures
HKAS 32 (Amendments)	Classification of Rights Issues
HK(IFRIC) – Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments

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

The Group has not early applied new or revised standards that have been issued but are not yet effective. The following new or revised standards have been issued after the date the consolidated financial statements for the year ended 31 December 2010 were authorised for issuance and are not yet effective:

HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosures of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[1]
HKAS 19 (as revised in 2011)	Employee Benefits[2]
HKAS 27 (as revised in 2011)	Separate Financial Statements[2]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[2]

1 Effective for annual periods beginning on or after 1 July 2012
2 Effective for annual periods beginning on or after 1 January 2013

The five new or revised standards on consolidation, joint arrangements and disclosures were issued by the HKICPA in June 2011 and are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five new or revised standards are applied early at the same time. The directors of the Company anticipate that these new or revised standards will be applied in the Group's consolidated financial statements for financial year ending 31 December 2013.

The directors of the Company anticipate that the application of the five new or revised standards and interpretations will have no material impact on the results and the financial position of the Group.

3. SEGMENT INFORMATION

During the current period, the Group acquired a subsidiary which is engaged in the property agency in the People's Republic of China (the "PRC") and this acquisition resulted in a new operating segment for the Group.

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 board of directors of the Company, for the purpose of allocating to segments and to assessing their performance.

The Group's operations are currently organised into four operating and reportable segments including property agency – Hong Kong, property agency – PRC, toy products trading and securities trading and investments. In the six months ended 30 June 2010, there were only three operating and reportable segments, namely property agency – Hong Kong, toy products trading and securities trading and investments.

This is also the basis upon which the Group is arranged and organised. The following is an analysis of the Group's revenue and results by operating and reportable segments:

Six months ended 30 June 2011 (Unaudited)

	Property agency		Toy products trading	Securities trading and investments	Total
	Hong Kong	PRC			
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue					
– External sales	**29,460**	**5,162**	**64,352**	**–**	**98,974**
Segment loss	**(26,843)**	**(7,545)**	**(3,384)**	**(9,389)**	**(47,161)**
Other information (included in measure of segment loss)					
Other income	**390**	**2**	**–**	**152**	**544**
Depreciation of property, plant and equipment	**186**	**193**	**3**	**–**	**382**
Amortisation of intangible assets	**–**	**5,320**	**–**	**–**	**5,320**
Impairment loss on goodwill	**28,000**	**–**	**–**	**–**	**28,000**
Additions to non-current segment assets during the period	**713**	**1,873**	**4**	**–**	**2,590**

Six months ended 30 June 2010 (Unaudited)

	Property agency Hong Kong *HK$'000*	Toy products trading *HK$'000*	Securities trading and investments *HK$'000*	Total *HK$'000*
Segment revenue				
– External sales	47,043	58,833	–	105,876
Segment profit (loss)	3,384	(2,536)	(609)	239
Other information (included in measure of segment profit (loss))				
Other income	291	60	–	351
Depreciation of property, plant and equipment	31	3	–	34
Reversal of provision for impairment losses on trade receivables	–	560	–	560
Loss on disposal of property, plant and equipment	(17)	–	–	(17)
Additions to non-current segment assets during the period	365	–	–	365

The totals presented for the Group's operating and reportable segments reconcile to the loss before tax as presented as follows:

	Six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Aggregate of segments (loss) profit	**(47,161)**	239
Unallocated income	**836**	24
Unallocated expenses	**(6,829)**	(2,861)
Gain on disposal of investment properties	**–**	4,084
Finance costs	**(256)**	(3,770)
Loss before tax	**(53,410)**	(2,284)

Segment profit (loss) represents the profit (loss) earned by each segment without allocation of unallocated income (which mainly includes gain on early redemption of convertible notes and bank interest income), unallocated expenses (which mainly include central administration costs, directors' salaries) and finance costs. This is the measure reported to the Board of Directors for the purposes of resource allocation and assessment of segment performance.

Segment assets

The following is an analysis of the Group's assets by operating and reportable segments.

As at 30 June 2011 (Unaudited)

	Property agency		**Toy products**	**Securities trading and**	
	Hong Kong	**PRC**	**trading**	**investments**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
ASSETS					
Segment assets	**92,215**	**199,055**	**21,433**	**37,946**	**350,649**
Unallocated corporate assets					**42,232**
Consolidated total assets					**392,881**

As at 31 December 2010 (Audited)

	Property agency Hong Kong	Toy products trading	Securities trading and investments	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS				
Segment assets	125,965	16,202	72,470	214,637
Unallocated corporate assets				36,631
Consolidated total assets				251,268

4. OTHER LOSSES

	Six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Net loss on investments held for trading	**(9,773)**	(3,954)
Provision for losses on litigation	**(3,000)**	–
Gain on convertible notes designated as at fair value through profit or loss	**347**	3,438
Gain on early redemption of convertible notes	**835**	–
	(11,591)	(516)

5. FINANCE COSTS

	Six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interest charges on:		
Bank overdraft wholly repayable within five years	**1**	4
Convertible notes	**245**	3,766
Finance lease	**10**	–
	256	3,770

6. INCOME TAX (CREDIT) EXPENSE

	Six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
The (credit) charge comprises:		
Hong Kong Profits Tax	**227**	418
Deferred tax – current period *(note)*	**(1,330)**	–
	(1,103)	418

note: The deferred tax credit arises from the release of deferred tax liabilities of intangible assets from the acquisition of subsidiary disclosed in note 16.

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

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

7. LOSS FOR THE PERIOD

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

	Six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Legal and professional fee on acquisition of a subsidiary	**858**	–
Other legal and professional fees included in administrative expenses	**2,385**	387
Cost of inventories recognised as expenses	**61,448**	56,465
Depreciation of property, plant and equipment	**384**	37
Reversal of provision for impairment losses on trade receivables	**–**	(560)
Net exchange gain	**(89)**	(3)
Loss on disposal of property, plant and equipment	**–**	17

8. DIVIDENDS

No dividends were paid or proposed for the periods ended 30 June 2011 and 2010, nor has any dividend been proposed since the end of both reporting periods.

9. LOSS PER SHARE

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

	Six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Loss		
Loss for the purposes of basic and diluted loss per share	**(52,307)**	(2,702)
		(As restated)
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share (in thousand shares) *(note)*	**129,618**	24,305

note: The weighted average number of shares for the purposes of basic and diluted loss per share for the six months ended 30 June 2010 was adjusted to reflect the share consolidation in December 2010 and May 2011 respectively, and the bonus element of rights issue completed in January 2011.

The computation of diluted loss per share for both periods does not assume the conversion of the Company's outstanding convertible loan notes since their exercise would result in a decrease in loss per share.

10. GOODWILL

During the six months ended 30 June 2011, the management assessed the recoverable amount of goodwill, and determined the goodwill associated with the property agency segment in Hong Kong was impaired by HK$28,000,000 (for the six months ended 30 June 2010: HK$Nil). The main factor contributing to the impairment of goodwill was the revenue and profit generated from property agency segment in Hong Kong did not turn out as budgeted sales and gross margin. Such estimation was based on the past performance and management's expectations for market development including deteriorating sentiment for property sales due to high fluctuation of property price and property transaction volume in Hong Kong since the second half of 2010, which cast more doubt on the potential profitability in the property agency of Hong Kong.

In addition, goodwill of HK$110,152,000 is generated arising from the acquisition of the Vigour Well Limited ("Vigour Well") and is initially recognised at its provisional amount at the date of acquisition, details of which are set out in note 16. As at 30 June 2011, the initial accounting for the acquisition of Vigour Well was incomplete and the goodwill was stated at its provisional values.

11. INTANGIBLE ASSETS

The intangible assets were purchased as part of the acquisition of the Vigour Well and are initially recognised at their provisional fair value at the date of acquisition, details of which are set out in note 16. The intangible assets comprise of contracted and uncontracted customer relationship of HK$85,128,000 which is calculated based on discounted cash flow.

The contracted and uncontracted customer relationship has an estimated useful lives of eight years and is amortised on a straight-line basis. During the period, amortisation expense of HK$5,320,000 (for the six months ended 30 June 2010: HK$ Nil) has been recognised.

As at 30 June 2011, the initial accounting for the acquisition of Vigour Well was incomplete and the intangible assets were stated at their provisional values, less accumulated amortisation.

12. TRADE AND OTHER RECEIVABLES

For toy products trading segment, the Group allows an average credit period ranging from 30 to 90 days to its trade customers. For property agency segment, the Company 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.

Included in trade and other receivables are trade receivables of approximately HK$33,934,000 (31 December 2010: HK$36,083,000) and an aged analysis presented based on the invoice date at the end of reporting period is as follows:

	30 June 2011	31 December 2010
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
0 – 30 days	**8,511**	10,486
31 – 60 days	**13,112**	5,459
61 – 90 days	**1,664**	5,107
Over 90 days	**10,647**	15,031
	33,934	36,083

13. CONVERTIBLE NOTES DESIGNATED AS AT FAIR VALUE THROUGH PROFIT OR LOSS

The balance as at 31 December 2010 represented the fair value of the convertible notes with principal amount of HK$16,500,000 issued by Hanny Holdings Limited ("Hanny CN 2011"). Hanny CN 2011 carried interest at 2% per annum with maturity on 15 June 2011 at redemption price of 100% of the principal amount.

During the current interim period, Hanny CN 2011 was redeemed on its maturity date, and therefore a gain on convertible notes designated as at fair value through profit or loss of HK$347,000 (for the six months ended 30 June 2010: HK$3,438,000) was recognised in profit or loss.

14. RESTRICTED CASH

At 30 June 2011, the Company placed cash of HK$25,000,000 into the High Court in connection with the stay of execution of judgment pending appeal for a litigation against the Company, details of which are set out in note 17.

15. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of approximately HK$20,259,000 (31 December 2010: approximately HK$24,393,000) and an aged analysis presented based on the invoice date at the end of reporting period is as follows:

	30 June 2011	31 December 2010
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
0 – 30 days	**4,245**	5,006
31 – 60 days	**3,406**	1,701
61 – 90 days	**1,502**	4,353
Over 90 days	**11,106**	13,333
	20,259	24,393

The average credit period on purchase of goods is 90 – 120 days.

Included in the Group's trade and other payables was provision for losses on litigation of approximately HK$86,500,000 (31 December 2010: HK$83,500,000) made in accordance with the judgment, details of which are set out in note 17.

16. ACQUISITION OF A SUBSIDIARY

On 14 September 2010, the Company through its indirect wholly-owned subsidiary, Asset Expert Limited, (the "Purchaser"), entered into a sale and purchase agreement with Prolific Wise Limited (the "Vendor") for the acquisition of the entire issued share capital of Vigour Well and shareholder's loan due to the Vendor at cash consideration of HK$180,000,000. Vigour Well is engaged in provision of property agency services and related consultancy services to real estate developers on their residential, retail and commercial properties projects in the PRC.

The conditions for the acquisition were fulfilled and the transaction was completed on 18 January 2011 on which date control of the companies acquired is transferred to the Group.

According to the acquisition agreement, the shareholder's loan of the Vendor amounted to approximately HK$4,954,000 was acquired by the Purchaser upon completion of the sales and purchase agreement.

Based on the sale and purchase agreement, the total consideration of HK$180,000,000 shall be adjusted downward on a dollar for dollar basis if any liabilities as at the date of completion exceeds HK$1,000,000 and the Vendor shall repay any amount over HK$1,000,000 to the Group. Upon completion, each of the liabilities was not exceeded the amount of HK$1,000,000 except the shareholder's loan amounted to approximately HK$4,954,000, and therefore the excess amount of shareholder's loan over HK$1,000,000 amounted to HK$3,954,000. Accordingly, the total consideration which included the assignment of shareholder's loan to the Group of HK$4,954,000, was adjusted downward to HK$176,046,000.

The net assets acquired in the transactions and goodwill arising on the acquisition, are as follows:

	Fair value
	HK$'000
Property, plant and equipment	1,103
Intangible assets (provisional value)	85,128
Trade and other receivables	902
Bank balances and cash	736
Trade and other payables	(676)
Tax payable	(17)
Amount due to shareholder	(4,954)
Deferred tax liabilities (provisional value)	(21,282)
	60,940
Assignment of shareholder's loan to the Group	4,954
Goodwill (provisional value)	110,152
Total consideration	176,046
Consideration satisfied by:	
Cash paid	170,000
Consideration payable	6,046
	176,046
Net cash flow arising on acquisition:	
Cash and cash equivalents acquired	736
Cash consideration paid	(170,000)
	(169,264)

The fair value and gross contractual amounts of trade and other receivables at the date of acquisition amounted to HK$902,000. No expectation of uncollected contractual cash flows at the date of acquisition date.

The initial accounting for the intangible assets (and related deferred tax) of the acquisition has been determined provisionally, awaiting the completion and finalisation of professional valuation. The goodwill is attributable to the difference between the consideration and the fair value or provisional fair value of underlying assets and liabilities acquired. As the fair value of intangible assets (and related deferred tax) are determined provisionally, the goodwill may be subject to further changes upon finalisation of initial accounting.

Goodwill arose on the acquisition of Vigour Well has been determined on a provisional basis. The provisional amount of goodwill has been allocated to those cash generated units which are expected to benefit from the revenue growth and future market development of the PRC property market. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets. The goodwill arising on the acquisition is expected to be non-deductible for tax purposes.

The subsidiary acquired contributed HK$5,162,000 and HK$7,545,000 to the Group's revenue and loss for the period, respectively, between the date of acquisition and 30 June 2011.

Acquisition-related costs amounting to HK$858,000 have been excluded from the consideration transferred and have been recognised as an expense in the current period, within the administrative expense line item in the condensed consolidated statement of comprehensive income.

If the acquisition had been completed on 1 January 2011, the revenue of the Group for the period would have been HK$99,296,000, and loss for the period would have been HK$52,532,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2011, nor is it intended to be a projection of future results.

17. LITIGATION

On 8 October 2004, Mr. Kwok Chin Wing ("Plaintiff"), a former director of the Company, issued legal proceedings against the Company in respect of loans due from two former subsidiaries of the Company, claiming a sum of approximately HK$44.5 million ("Principal Sum") together with interest thereon. Hearing of the case was held in January 2011 and as announced by the Company on 2 March 2011, judgment was awarded in favour of the Plaintiff for the sum of HK$44.5 million together with interest and costs ("Judgment").

After seeking advice from its solicitors and counsel, the Company launched an appeal against the Judgment and decided to apply for stay of execution of the Judgment pending appeal. On 28 March 2011, the Company has filed a Notice of Appeal against the Judgment ("Appeal"). The Appeal has been set down for hearing on 8 and 9 December 2011. Pending the hearing of the Appeal, the Company and the Plaintiff have on 18 April 2011 agreed that execution of the Judgment be stayed until the determination or other disposal of the Appeal or further order of the Court of Appeal subject to the condition that the Company shall pay into the High Court a sum of HK$25 million as security on or before 25 April 2011 and another sum of HK$25 million or provide the Plaintiff with a bank guarantee for the same amount as further security before 17 July 2011 (as extended to 19 August 2011 by a Court Order dated 15 June 2011). Consent Order was granted by the High Court on the same terms for the stay of execution of the Judgment, in compliance with which the Company has paid the first HK$25 million into the High Court.

A separate hearing was held on 11 April 2011 on the issues of interest and costs payable by the Company under the Judgment. The Plaintiff claimed for enhanced interest on the Principal Sum and adverse costs order against the Company and the Company vigorously contested such claim. On 20 May 2011, the trial judge handed down his decision on the issues of interest and costs and denied the Plaintiff's claims for enhanced interest and adverse costs order. It is ordered by the trial judge that the Company should only be liable for the Plaintiff under the Judgment for: (i) the Principal Sum HK$44.5 million; (ii) interest in the sum of HK$6.5 million for the period from 1 April 1999 to 31 December 2000; (iii) interest on the Principal Sum at the prime lending rate from 1 January 2001 to 2 March 2011 amounting to approximately HK$26.7 million; (iv) interest on the Principal Sum at the judgment rate (currently 8% per annum) as from 3 March 2011 until payment; and (v) costs on party and party basis to be taxed. As at the date of Judgment, 2 March 2011, the Principal Sum and interest due amounted to approximately HK$77.7 million, and based on the advice of the Company's legal advisors, the board of directors assessed that the total costs payable on party and party basis would not exceed approximately HK$4 million.

Interest continues to accrue on the Principal Sum as from 3 March 2011 until payment at the judgment rate. Therefore, if the Company loses the Appeal, the Company shall bear further interest on the Principal Sum as from 3 March 2011 until payment. The further interest payable on the Principal Sum as from 3 March 2011 to the date of hearing of the Appeal on 9 December 2011 calculated on the judgment rate of 8% per annum would be approximately HK$2.8 million. If the Company loses the Appeal, the Company may also be liable for the Plaintiff's legal costs incurred for the Appeal. Based on the assessment of the Company's legal advisers, such costs are estimated not to exceed approximately HK$2 million. Therefore, subject to the parties' right to appeal, the Company's exposure under the Judgment for the Principal Sum, interest calculated up to the date of hearing of the Appeal on 9 December 2011 as well as the costs of the action and the appeal payable to the Plaintiff would be approximately HK$86.5 million. Based on the opinion of the Company's legal advisors, the directors of the Company had made a provision of HK$83.5 million in accordance with the Judgment in the financial results of the Company for the year ended 31 December 2010. For the six months ended 30 June 2011, an additional provision of HK$3 million have been made in connection with the interest calculated up to the date of hearing of the Appeal.

MANAGEMENT DISCUSSION AND ANALYSIS

Business and Operation Review

The property agency segment in Hong Kong reported revenue of HK$29.5 million for the six months ended 30 June 2011, a decline of about 37.2% as compared with HK$47.0 million for the same period last year, which is mainly contributed by deteriorating market sentiments in the first half of 2011. There was a decrease in both first-hand and second-hand property transactions in the later part of the first half of 2011 in Hong Kong. Facing with worsening operating environment, an impairment loss on goodwill amounted to HK$28.0 million was provided during the period. Therefore, the property agency segment recorded a substantial loss of HK$26.8 million.

On 22 September 2010, the Company together with one of its wholly-owned subsidiary entered into an agreement to acquire the equity interest in Vigour Well Limited ("Vigour Well") at a consideration of HK$180.0 million (the "Acquisition"). Vigour Well and its subsidiaries ("Vigour Well Group") are principally engaged in provision of services including primary property agency and related consultancy services to real estate developers on their primary residential, retail and commercial real estate projects in the People's Republic of China (the "PRC"). Revenue for the property agency segment in the PRC for five months was HK$5.2 million, whilst the operating loss was HK$7.5 million.

Toy products trading segment remained weak in the first half of 2011. Revenue from the toy products trading segment during the six months ended 30 June 2011 was HK$64.4 million, representing an increase of HK$5.6 million or 9.5% when compared with the corresponding period in 2010. However, such increased revenue hardly covered the distribution costs and the administrative expenses and, the toy products trading segment reported a loss of HK$3.4 million.

The securities trading and investments segment reported a loss of HK$9.4 million as a result of change in fair value of the Group's securities investments held for trading owing to fluctuation of the global financial market.

Prospects

The performance of the property agency segment in the later part of the first half of 2011 was badly hampered by the deteriorating market sentiment. The management expected that the challenging macro environment will continue to pressure the net profit in short term. Facing the adversity, the management will implement measures to streamline manpower and reposition marketing strategies for improving the performance of the segment.

The Group has stretched its presence in the PRC property agency market through the Acquisition. Vigour Well Group brings new sources of revenue to the Group and reduces the risk of over-reliance on property agency market in Hong Kong. In addition, the Group is expected to enjoy synergy effect and economies of scale in managing the property agency projects. There was delay in the real estate sales for some development projects due to the implementation of government policies, which included tightening grip on mortgage loans and limiting the property purchase to curb the overheated the PRC real estate market. Therefore, the commission income under the business agreements was adversely affected.

Despite of the challenging business environment, Vigour Well Group has entered into 5 new business agreements during 2011. In addition, there are 6 new business agreements under negotiation. The management expected that higher revenue would be recorded in the last few months of the year. The attractiveness of the comprehensive consultancy services provided by Vigour Well Group was enhanced. More property developers are willing to engage Vigour Well for preparing feasibility study and formulating marketing and sales plans in order to boost sales.

The Group's toy products trading segment has been suffering loss since 2006 and relied heavily on the financial support from the Company. The management has implemented cost control policy to improve the performance and the board would keep in review the effectiveness of the policy. The Directors considered that the toy products trading is not the core business of the Group and more resources should be directed to expansion of property agency business.

Searching for promising opportunities to enhance the performance and value of the Group is always the key task of the management. The Board will continue to search for good and promising investments for healthy growth of the Group and better return to the shareholders of the Company.

FINANCIAL REVIEW

Review of Results

For the six months ended 30 June 2011, the Group reported revenue of HK$99.0 million, representing a decrease of HK$6.9 million or 6.5% when compared with that of the last corresponding period. Gross profits increased mildly by HK$1.1 million from HK$15.1 million for the last corresponding period to HK$16.1 million. Increased gross profit was mainly due to the acquisition of Vigour Well Group during the period, which exposed to a different market and cost structure, and enhanced the gross profit margin of the Group.

Other losses of HK$11.6 million for the period was mainly composed of net loss on investments held for trading of HK$9.8 million and an additional provision for losses on litigation of HK$3.0 million in connection with the interest calculated up to the date of hearing of the appeal.

Administrative expenses of the Group increased by HK$7.3 million was mainly contributed by Vigour Well Group. Finance cost, which basically comprised of interest charge for the convertible notes issued by the Group, reduced by HK$3.5 million with the full redemption of the convertible notes during the period.

In combination of the above factors, together with impairment of goodwill of HK$28.0 million and amortisation of intangible assets of HK$5.3 million, the Group recorded a loss of HK$52.3 million for the six months ended 30 June 2011.

Liquidity and Financial Resources

The Group maintained sufficient working capital as at 30 June 2011 with bank balances and cash of HK$27.1 million (31 December 2010: HK$43.0 million).

As at 30 June 2011, the Group has obligations under a finance lease of HK$0.4 million (31 December 2010: HK$0.5 million). The convertible notes with principal amount of HK$70.0 million issued as part of the consideration for acquiring C21 Group in year 2008 has been early redeemed in January 2011.

Gearing ratio, expressed as the percentage of total borrowings over total capital, of the Group as at 30 June 2011 was 0.2% (31 December 2010: 57.9%). Total capital is calculated as total equity plus total borrowings. The improvement in the gearing ratio is caused by, on one hand, the redemption of the convertible notes and, on the other hand, the issue of new shares through rights issue and placing during the review period which substantially build up equity.

Capital Structure

As at 30 June 2011, the Company has 148,755,131 shares of HK$0.01 each (the "Shares") in issue. Convertible notes of aggregate principal amount of HK$70.0 million was early redeemed by the Company on 21 January 2011.

During the period, the share capital of the Company has the following changes:

a. On 13 January 2011, the Company issued and allotted 1,126,955,740 rights Shares on the basis of ten rights Shares for every Shares held on at a price of HK$0.19 per Shares, which was proposed by the Company on 22 September 2010 and approved by the shareholders of the Company (the "Shareholders") on 6 December 2010.

   The aggregate net proceed from the rights issue amounted to HK$208.6 million of which approximately HK$176.0 million has been used for payment of consideration for the Acquisition, approximately HK$4.0 million was set aside for adjustments relating to the completion account in respect of the Acquisition; and the balance of approximately HK$28.6 million has been used for the early redemption of convertible notes.

b. On 4 April 2011, the Company further allotted and issued 247.9 million Shares at a placing price of HK$0.11 per Share pursuant to the general mandate granted by the Shareholders in the special general meeting held on 4 March 2011 and a placing agreement dated 25 March 2011.

   The aggregate net proceed from the share placings amounted to HK$26.7 million of which HK$25.0 million has been utilised for first payment into an interest bearing account of the Court under consent order as a condition for stay of execution of the judgment pending appeal and the remaining balance of approximately HK$1.7 million has been used as general working capital.

c. On 22 June 2011, the Company effected a capital reorganisation, which included (i) share consolidation of every ten issued shares of par value HK$0.01 each into one consolidated share of par value HK$0.10 each; (ii) capital reduction of the par value of each issued consolidated share from HK$0.10 to HK$0.01 by cancellation of HK$0.09 of the paid-up capital on each issued consolidated share; and (iii) cancellation of the entire amount standing to the credit of the share premium account of the Company.

Subsequent to the year ended date, a rights issue on the basis of eight rights Shares for every Share held on 29 June 2011 at a price of HK$0.10 per Share approved by the Shareholders on 21 June 2011 was completed on 22 July 2011. Accordingly, 1,190,041,048 Shares were allotted and issued by the Company and net proceeds of HK$115.1 million was raised of which HK$25.0 million has been utilised for second payment into an interest bearing account of the Court under consent order as a condition for stay of execution of the judgment pending appeal and approximately HK$90.1 million has been remains unused, placed in bank accounts.

Charges on Assets

As at 30 June 2011, certain property, plant and machinery with carrying values of approximately HK$0.5 million (31 December 2010: HK$0.5 million) represented assets held under finance leases.

Exposure to Exchange Rates

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

Litigation

Details of the litigation are set out in note 17 to the condensed consolidated financial statements.

Employees

As at 30 June 2011, the Group had 62 employees and 265 agents. To attract, retain and motivate its employees and agencies, the Group has developed effective remuneration policies that are subject to review on regular basis. The Group's employees and agencies are remunerated with competitive packages which are in line with prevailing industry practice and individual performance. Furthermore, share option and performance-based bonus scheme are also in place to recognise the outstanding employees.

CORPORATE GOVERNANCE

The Company has complied with the code provision set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the six months ended 30 June 2011 except for the following deviation:

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

None of the non-executive directors of the Company is appointed for specific term which is deviated from Code A.4.1 of the CG Code. However, as the directors are subject to the 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.

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

OTHER INFORMATION

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

During the six months ended 30 June 2011, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

Audit Committee

The Audit Committee of the Company has reviewed with the management the accounting principles and practices adopted by the Group and the unaudited condensed financial information of the Group for the six months ended 30 June 2011.

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

Hong Kong, 30 August 2011

As at the date of this announcement, the Board comprises Mr. Ng Kai Man (Chairman), Mr. Cheng Yuk Wo and Mr. Ha Kee Choy, Eugene as executive directors and Mr. Chui Chi Yun, Robert, Mr. Lam Kwok Cheong and Mr. Lui Siu Tsuen, Richard as independent non-executive directors.