21 Holdings Limited
21 控股有限公司*
(incorporated in Bermuda with limited liability)
(stock code: 1003)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2011

The board of directors (the "Board") of 21 Holdings Limited (the "Company") is pleased to present the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2011, together with comparative figures for the year ended 31 December 2010, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
Revenue	3	**264,565**	219,960
Cost of sales and service rendered		**(235,258)**	(190,890)
Gross profit		**29,307**	29,070
Other income		**2,160**	2,962
Other (losses) gains	5	**(8,875)**	19,184
Selling and distribution costs		**(6,100)**	(7,200)
Administrative expenses		**(46,967)**	(34,627)
Amortisation of intangible assets		**(17,296)**	–
Provision for losses on litigation	12	**(3,000)**	(83,500)
Impairment loss on goodwill		**(147,309)**	(164,000)
Gain on disposal of investment properties		**–**	4,084
Finance costs		**(264)**	(5,854)
Loss before tax		**(198,344)**	(239,881)
Income tax credit (expense)	6	**4,141**	(2,624)
Loss for the year	7	**(194,203)**	(242,505)
Other comprehensive income			
Exchange differences arising on translation		**5,639**	–
Total comprehensive expense for the year		**(188,564)**	(242,505)
Loss for the year attributable to:			
Owners of the Company		**(189,511)**	(242,505)
Non-controlling interests		**(4,692)**	–
		(194,203)	(242,505)

* *for identification purpose only*

	Notes	**2011**	2010
		HK$'000	*HK$'000*
Total comprehensive expense attributable to:			
Owners of the Company		**(183,872)**	(242,505)
Non-controlling interests		**(4,692)**	–
		(188,564)	(242,505)
Loss per share (HK dollar)			
– Basic and diluted	*8*	**(0.25)**	(4.02)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**3,607**	1,173
Goodwill		**57,944**	92,000
Intangible assets		**70,791**	–
		132,342	93,173
CURRENT ASSETS			
Trade and other receivables	*10*	**100,029**	42,892
Investments held for trading		**52,177**	56,009
Convertible notes designated as at fair value through profit or loss		**–**	16,153
Bank balances and cash		**84,655**	43,041
		236,861	158,095
CURRENT LIABILITIES			
Trade and other payables	*11*	**138,825**	130,627
Tax payable		**936**	1,639
Convertible notes		**–**	68,411
Obligations under a finance lease		**187**	179
		139,948	200,856
NET CURRENT ASSETS (LIABILITIES)		**96,913**	(42,761)
TOTAL ASSETS LESS CURRENT LIABILITIES		**229,255**	50,412
NON-CURRENT LIABILITIES			
Obligations under a finance lease		**113**	301
Deferred tax liabilities		**17,698**	–
		17,811	301
		211,444	50,111
CAPITAL AND RESERVES			
Share capital		**13,388**	1,127
Reserves		**202,748**	48,984
Equity attributable to owners of the Company		**216,136**	50,111
Non-controlling interests		**(4,692)**	–
		211,444	50,111

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

In the current year, the Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

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

The application of the new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

3. REVENUE

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

	2011	2010
	HK$'000	*HK$'000*
Property agency commission and service income in Hong Kong	**51,263**	88,078
Property agency commission and service income in the People's Republic of China (the "PRC")	**9,436**	–
Franchise income	**6,489**	5,317
Sales of goods	**196,111**	126,565
Leasing management income	**1,266**	–
	264,565	219,960

4. SEGMENT INFORMATION

The following is an analysis of the Group's revenue and results by operating and reportable segments, based on information provided to the chief operating decision maker ("CODM") representing the executive directors of the Company, for the purpose of resource allocation and assessment of segment performance on types of services provided and goods sold. This is also the basis upon which the Group is arranged and organised.

During the year, the Group acquired subsidiaries which are engaged in the property agency in the PRC, which resulted in a new operating segment. The results of these subsidiaries are presented as a new operating and reportable segment separate from to the property agency operated in Hong Kong.

The Group's operations are currently organised into four operating and reportable segments as follows:

Property agency in Hong Kong	–	Provision of property agency and related service in Hong Kong
Property agency in the PRC	–	Provision of property agency and related service in the PRC
Toy products trading	–	Trading of toy, gift and premium products
Securities trading and investments	–	Securities trading and investments

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

	Property agency									
	Hong Kong		PRC		Toy products trading		Securities trading and investments		Consolidated	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue										
– External sales	**57,752**	93,395	**10,702**	–	**196,111**	126,565	**–**	–	**264,565**	219,960
Segment (loss) profit	**(53,792)**	(158,200)	**(118,760)**	–	**(5,495)**	(11,888)	**(9,069)**	13,163	**(187,116)**	(156,925)
Other information (included in measure of segment profit (loss))										
Net (loss) profit on investments held for trading	**–**	–	**–**	–	**–**	–	**(10,057)**	2,506	**(10,057)**	2,506
Other income	**1,112**	699	**19**	–	**18**	10	**924**	1,695	**2,073**	2,404
Depreciation of property, plant and equipment	**386**	116	**352**		**6**	5	**–**	–	**744**	121
Gain on disposal of property, plant and equipment	**–**	(23)	**–**	–	**–**	–	**–**	–	**–**	(23)
Impairment loss on trade receivables	**60**	77	**–**	–	**–**	–	**–**	–	**60**	77
Reversal of impairment loss on trade receivables	**(18)**	–	**–**	–	**–**	(820)	**–**	–	**(18)**	(820)
Additions to non-current assets during the year	**718**	1,137	**1,289**	–	**4**	4	**5**	–	**2,016**	1,141
Impairment loss on goodwill	**54,000**	164,000	**93,309**	–	**–**	–	**–**	–	**147,309**	164,000
Amortisation of intangible assets	**–**	–	**17,296**	–	**–**	–	**–**	–	**17,296**	–

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

	2011	2010
	HK$'000	*HK$'000*
Aggregate of segments loss	**(187,116)**	(156,925)
Unallocated corporate income	**974**	12,169
Unallocated corporate expenses	**(8,938)**	(5,771)
Provision for losses on litigation	**(3,000)**	(83,500)
Finance costs	**(264)**	(5,854)
Consolidated loss before tax	**(198,344)**	(239,881)

Segment (loss) profit represents the loss from each segment without allocation of unallocated corporate income (which mainly includes gain on redemption of convertible notes), unallocated corporate expenses (which mainly include administrative expenses) and finance costs. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

5. OTHER (LOSSES) GAINS

	2011	2010
	HK$'000	*HK$'000*
Net (loss) profit on investments held for trading	**(10,057)**	2,506
Gain on convertible notes designated as at fair value through profit or loss	**347**	8,619
Gain on redemption of convertible notes	**835**	8,059
	(8,875)	19,184

6. INCOME TAX (CREDIT) EXPENSE

	2011	2010
	HK$'000	*HK$'000*
The (credit) charge comprises:		
Hong Kong Profits Tax:		
– Current year	**183**	2,608
– Underprovision in respect of prior years	**–**	16
	183	2,624
Deferred tax – current period *(Note)*	**(4,324)**	–
	(4,141)	2,624

Note: The deferred tax credit arises from the release of deferred tax liabilities upon the amortisation of intangible assets which arose from the acquisition of subsidiaries.

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

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

7. LOSS FOR THE YEAR

	2011	2010
	HK$'000	*HK$'000*
Loss for the year has been arrived at after charging (crediting):		
Directors' remuneration, including retirement benefits scheme contributions	**1,719**	2,275
Other staff costs	**19,104**	10,413
Other retirement benefits scheme contributions	**556**	530
Total staff costs	**21,379**	13,218
Auditor's remuneration	**1,030**	708
Legal and professional fee on acquisition of subsidiaries	**858**	–
Depreciation of property, plant and equipment	**749**	127
Impairment loss on trade receivables	**60**	77
Reversal of impairment loss on trade receivables	**(18)**	(820)
Gain on disposal of property, plant and equipment	**–**	(23)
Gain on disposal of a subsidiary	**(50)**	–
Operating lease payments for office premises, shops and photocopying machines	**8,596**	4,237
Cost of inventories recognised as expense	**188,308**	122,804
Gain on disposal of investment properties	**–**	(4,084)
Dividend income from equity securities	**(240)**	(1,535)
Interest income	**(723)**	(11)

8. LOSS PER SHARE

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

	2011	2010
	HK$'000	*HK$'000*
Loss for the year attributable to owners of the Company for the purposes of basic and diluted loss per share	**(189,511)**	(242,505)

	Number of ordinary share	
	2011	2010
	'000	*'000*
		(restated)
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share *(Note)*	**766,618**	60,393

Note: The weighted average number of ordinary shares for the purposes of calculating basic and diluted loss per share for both years have been retrospectively adjusted for the effects of the share consolidation in December 2010 and May 2011, and the bonus elements of rights issue completed in January 2011 and July 2011, respectively.

The computation of diluted loss per share for the year ended 31 December 2010 and 2011 does not assume the conversion of the Company's outstanding convertible notes up to the date of redemption since their exercise would result in a decrease in loss per share.

9. DIVIDENDS

No dividends were paid, declared or proposed for the year ended 31 December 2011 and 2010, nor has any dividend been proposed since the end of both reporting periods.

10. TRADE AND OTHER RECEIVABLES

	2011	2010
	HK$'000	*HK$'000*
Trade receivables	**40,025**	37,156
Less: allowance for doubtful debts	**(935)**	(1,073)
	39,090	36,083
Deposits paid	**2,960**	2,963
Prepayments	**5,355**	3,418
Other receivables	**2,624**	428
Security paid	**50,000**	–
	100,029	42,892

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 in Hong Kong, the Group allows an average credit period of 60 to 90 days to property developers whilst the individual customers are obliged to settle the amounts upon completion of the relevant agreements and generally no credit terms are granted. For franchise income, the Group allows an average credit period of 7 days to its franchisee. For property agency segment in the PRC, the Group allows an average credit period of 30 to 60 days to property developers.

The aged analysis of accounts receivables net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period is as follows:

	2011	2010
	HK$'000	*HK$'000*
Accounts receivables		
0 – 30 days	**15,816**	10,486
31 – 60 days	**9,143**	5,459
61 – 90 days	**4,094**	5,107
91 – 180 days	**5,332**	7,915
Over 180 days	**4,705**	7,116
	39,090	36,083

Included in the Group's trade and other receivables is a security of HK$50,000,000 which was paid to the High Court during the year for the stay of execution and enforcement of judgment. On 8 December 2011, the Court of Appeal ordered that the appeal be allowed and such security was released to the Company on 5 January 2012. Details of which are set out in note 12.

11. TRADE AND OTHER PAYABLES

	2011	2010
	HK$'000	*HK$'000*
Trade payables	**26,383**	24,393
Other payables	**12,609**	14,492
Amount due to a non-controlling shareholder of a subsidiary	**13,333**	8,242
Provision for losses on litigaion	**86,500**	83,500
	138,825	130,627

The following is an analysis of trade payables by age presented based on invoice date.

	2011	2010
	HK$'000	*HK$'000*
0 – 30 days	**8,031**	5,006
31 – 60 days	**5,791**	1,701
61 – 90 days	**3,584**	4,353
91 – 180 days	**3,511**	6,657
Over 180 days	**5,466**	6,676
	26,383	24,393

The average credit period on purchases of goods is 90 to 120 days.

Other payables mainly comprise of deposits received, receipts in advance, accrued staff costs and other sundry creditors.

The amount due to a non-controlling shareholder of a subsidiary is unsecured, non-interest bearing, non-trade nature and repayable on demand. The non-controlling shareholder of a subsidiary is a close family member of Mr. Ng Kai Man, a director of the Company.

At 31 December 2011, included in the Group's trade and other payables was provision for losses on litigation of approximately HK$86.5 million (2010: HK$83.5 million) made in accordance with the judgment, details of which are set out in note 12.

12. LITIGATION

On 8 October 2004, a writ of summons was filed by a former director of the Company (the "Plaintiff"), against the Company in respect of the loans due from two former subsidiaries of the Company namely, Rockapetta Industrial Company Limited and Grand Extend Investment Limited, for a sum of approximately HK$44.5 million (the "Principal Sum") together with accrued interests thereof (the "Action").

On 2 March 2011, judgment was handed down by the Court of First Instance of the High Court and was awarded in favour of the Plaintiff (the "Judgment"). It was adjudged that the Company shall pay the Plaintiff the sum of HK$44.5 million together with interest thereon and that there will be an order nisi for costs against the Company on a party and party basis. Provision for losses on litigation of approximately HK$83.5 million was made as at 31 December 2010.

After seeking advice from its solicitors and counsel, the directors considered that the Company has good grounds for appeal, and has instructed its solicitors to launch an appeal against the Judgment. On 28 March 2011, the Company filed a Notice of Appeal against the Judgment with the Court of Appeal and served on the parties concerned ("CA Appeal").

A separate hearing was held on 11 April 2011 on the issues of interest and costs payable by the Company under the Judgment. Pending the hearing of CA Appeal, the Company's exposure on the costs of the action and the appeal payable to the Plaintiff would be approximately HK$86.5 million which is estimated based on the Principal Sum of HK$44.5 million together with accrued interest calculated up to the date of hearing of the CA Appeal as well as the costs of the Action and the cost of CA Appeal payable to the Plaintiff. In addition, on 18 April 2011, the Company and the Plaintiff had agreed that execution of the Judgment be stayed until the determination or other disposal of the CA Appeal or further order from the Court of Appeal subject to the conditions that the Company shall pay into the High Court a sum of HK$25.0 million as security on or before 25 April 2011 and another sum of HK$25.0 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, in compliance with which the Company has paid an aggregate amount of HK$50.0 million into the High Court on 21 April 2011 and 16 August 2011 respectively and such amount was classified as other receivables as at 31 December 2011.

The CA Appeal was heard by the Court of Appeal on 8 and 9 December 2011 and the Court of Appeal unanimously ordered that (a) the CA Appeal be allowed; (b) the Judgment be set aside and the Action be dismissed; and (c) the Plaintiff do pay the Company the costs of the CA Appeal and the costs at the court below to be taxed, if not agreed (the "CA Order"). The Court of Appeal further ordered that the security in the sum of HK$50.0 million paid by the Company into the High Court be released to the Company. The said security together with interest earned were released by the High Court to the Company on 5 January 2012.

On 22 December 2011, the Plaintiff launched an appeal to the Court of Final Appeal as of right under sections 22(1)(a) and 24 of the Hong Kong Court of Final Appeal Ordinance, Cap. 484. A Notice of Motion was filed by the Plaintiff with the Court of Appeal on 5 January 2012 for leave to appeal to the Court of Final Appeal and the Notice of Motion was fixed for hearing before the Court of Appeal on 10 May 2012.

After seeking advice of the counsels and solicitors acting for the Company, the directors of the Company formed the opinion that the Plaintiff did not have any valid claim against the Company, and therefore it is unlikely to have any adverse financial impact to the Company. Therefore, no further provision for any losses on litigation was made in the consolidated financial statements as at 31 December 2011. However, there are still uncertainties on the outcome of the Plaintiff's appeal to the Court of Final Appeal and the directors are of the opinion that the provision for losses on litigation previously made of HK$86.5 million (2010: HK$83.5 million) is adequate and not excessive.

13. EVENT AFTER THE REPORTING PERIOD

On 5 January 2012, a security of HK$50,000,000 was released and refunded to the Company by the High Court. Details of which are set out in note 12.

MANAGEMENT DISCUSSION AND ANALYSIS

Business and Operation Review

Property Agency in Hong Kong

Given the deteriorating market sentiment as a result of global economic turmoil and continued credit problems in the eurozone, the property market and the property agency business in Hong Kong was adversely affected. The property agency segment in Hong Kong reported revenue of HK$57.8 million for the year ended 31 December 2011, a decline of about 38.2% as compared with HK$93.4 million for last year. Operating profits from the property agency segment in Hong Kong for the year amounted to HK$0.2 million (excluding any provision for impairment loss on goodwill of HK$54.0 million) whilst the operating profit for last year was HK$5.8 million.

Toy Products Trading

Toy products trading segment remained weak in 2012. Revenue from the toy products trading segment for the year ended 31 December 2011 was HK$196.1 million, representing an increase of HK$69.5 million or 54.9%.

During the year, the Group implemented a number of cost control measures which had successfully reduced administrative expenses by HK$6.7 million comparing with previous year. However, high safety standards in oversea markets and fierce competition in the toy trading industry continued to pose downward pressure on prices and profit margins. The toy products trading segment reported a loss of HK$5.5 million in year 2011, representing a mitigation of HK$6.4 million when compared with loss of HK$11.9 million in the last year. In the year to come, we would adopt twin-line strategies, i.e. careful customers' selection and tight control on expenditure, to seek profit potential.

Securities Trading and Investments

The robust performance of the stock market could no longer be sustainable in 2010 because Europe's sovereign debt crisis triggered worries about another tide of credit crunch. The segment recorded operating loss of HK$9.1 million mainly due to net loss on investments held for trading of HK$10.1 million.

As at 31 December 2011, the Group has investments held for trading amounting to HK$52.2 million (as at 31 December 2010: HK$56.0 million).

Property Agency in the PRC – Material Acquisition of Subsidiaries

On 14 September 2010, the Company together with one of its wholly-owned subsidiary entered into an agreement to acquire the entire equity interest in Vigour Well Limited at a consideration of HK$180.0 million (the "Acquisition"). The transaction was approved by shareholders of the Company (the "Shareholders") on 6 December 2010 and completed on 18 January 2011. Vigour Well Limited and its subsidiaries operating under the brand of "Kingstar Strategic" ("Kingstar Strategic Group") are principally engaged in provision of services including primary real estate agency and related consultancy services to property developers on their first-hand residential, retail and commercial real estate projects in the People's Republic of China (the "PRC").

Property Agency in the PRC

The performance of this newly acquired segment was badly hampered by the PRC government's continued restrictive policies and continuous credit tightening. Revenue generated from this segment after completion of the Acquisition was HK$10.7 million, whilst the operating loss was HK$8.2 million (excluding amortisation of intangible assets and provision for impairment loss on goodwill of HK$17.3 million and HK$93.3 million respectively).

Given the government's repeatedly stated commitment to curb rapid home price increases, the real estate market in the PRC showed sign of further slowdown in the second half of 2011. The Company believes that the poor market sentiment has and will continue to adversely affect the performance of its property agency business in the PRC and thus, the growth rate of revenue of this business sector in the following years was revised downward as compared to those previously expected. Inclusive of an impairment loss on goodwill of HK$93.3 million, the property agency segment recorded a substantial loss of HK$118.8 million for the year.

Prospect

During the year, the Group has stretched its presence in the PRC property agency business through acquisition of Kingstar Strategic Group. The PRC property agency business brings new sources of revenue to the Group and reduces risk of over-reliance on property agency business in Hong Kong.

In the coming year, we will focus on fostering and strengthening relationship with property developers and expanding our presence in additional tier-three cities in the PRC.

Despite the current poor market conditions, we remain confident in the long-term prospects of China's real estate industry as we believe that income growth and urbanization will continue to fuel strong demand of Chinese consumers for home, commercial and retail property purchases. The Group will continue to adjust its strategies and cost structures proactively and we are confident that the Group will be able to respond promptly to the ever changing environment in Hong Kong and in mainland China.

Financial Review

Review of Results

The Group reported a consolidated revenue of HK$264.6 million for the year ended 31 December 2011, being a surge of HK$44.6 million or 20.3% when compared with that of last year. Gross profit was HK$29.3 million, an increase of 0.8% from HK$29.1 million for 2010. Increases in revenue and gross profit were principally due to the acquisition of Kingstar Strategic Group and more order received by the toy products trading segment.

Selling and distribution costs slightly decreased by HK$1.1 million or 15.3% while administrative expenses increased by HK$12.3 million or 35.6%.

The Group reported other losses of HK$8.9 million for the year ended 31 December 2011 (for the year ended 31 December 2010: other gains of HK$19.2 million) which was mainly attributed to net loss on investments held for trading of HK$10.1 million.

Finance cost was HK$0.3 million, a decrease of HK$5.6 million, primarily due to redemption of the convertible notes of aggregate principal amount of HK$70.0 million in January 2011.

In combination of the above factors, together with provision for impairment loss on goodwill of HK$147.3 million and amortisation of intangible assets of HK$17.3 million, the Group recorded a loss of HK$194.2 million for this reporting year.

Liquidity and Financial Resources

The Group maintained sufficient working capital as at 31 December 2011 with bank balances and cash of HK$84.7 million (31 December 2010: HK$43.0 million).

As at 31 December 2011, the Group has obligations under a finance lease of HK$0.3 million (31 December 2010: HK$0.5 million). Convertible notes with principal amount of HK$70.0 million issued as part of the consideration for acquiring Century 21 Hong Kong Limited and its associated companies in 2008 was early redeemed in January 2011 at HK$67.9 million. There were no outstanding convertible notes as at 31 December 2011.

Gearing ratio, expressed as the percentage of total borrowings over total capital, of the Group as at 31 December 2011 was 0.1% (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 issues and a placing during the year which substantially built up equity.

Capital Structure

As at 31 December 2011, the Company has 1,338,796,179 shares of HK$0.01 each (the "Shares") in issue. Convertible notes of aggregate principal amount of HK$70.0 million were early redeemed by the Company on 21 January 2011.

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

a. On 13 January 2011, the Company allotted and issued 1,126,955,740 rights shares on the basis of ten rights shares for every share held on 17 December 2010 at a price of HK$0.19 per share, which was proposed by the Company on 22 September 2010 and approved by the Shareholders on 6 December 2010.

   The aggregate net proceeds 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/or administrative expenses; 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 to not less than six independent, professional and/or individual investors (the "Placing") 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 placing price of HK$0.11 per share equal to the closing price of HK$0.11 per share as quoted on The Stock Exchange of Hong Kong Limited on 25 March 2011, being the date on which the terms of the Placing were fixed. The net placing price, after deducting the relevant expenses, was approximately HK$0.1078 per share and the aggregate nominal value of the shares issued was HK$2,479,000.

The aggregate net proceeds from the Placing amounted to HK$26.7 million of which HK$25.0 million has been utilised for the first payment into an interest bearing account of the High Court of the Hong Kong Special Administrative Region (the "High Court") under consent order as a condition for stay of execution of the judgment pending appeal (such security together with interest earned were released by the High Court to the Company on 5 January 2012 and placed in bank accounts) and the remaining balance of approximately HK$1.7 million has been utilised as general working capital.

c. On 22 June 2011, pursuant to a special resolution passed by the Shareholders, 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.

d. Furthermore, 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 was approved by the Shareholders on 21 June 2011 and completed on 22 July 2011. Accordingly, 1,190,041,048 Shares were allotted and issued by the Company and net proceeds of HK$114.7 million was raised. From this proceeds, HK$25.0 million has been utilised for the second payment into an interest bearing account of the High Court under consent order as a condition for stay of execution of the judgment pending appeal (such security together with interest earned were released by the High Court to the Company on 5 January 2012 and placed in bank accounts), approximately HK$2.0 million has been utilised as general working capital, approximately HK$2.0 million has been utilised as legal and professional fee for launching appeal against judgment, approximately HK$7.3 million has been used for business development in the PRC, approximately HK$31.0 million has been utilised in treasury activities and approximately HK$47.4 million remains unused and placed in bank accounts.

Charges on Assets

As at 31 December 2011, certain property, plant and machinery with carrying values of HK$0.4 million (31 December 2010: HK$0.5 million) represented assets held under finance leases.

Litigation

A writ of summons dated 8 October 2004 was filed by a former director of the Company (the "Plaintiff"), against the Company in respect of the loans due from two former subsidiaries of the Company namely, Rockapetta Industrial Company Limited and Grand Extend Investment Limited, for a sum of approximately HK$44.5 million (the "Principal Sum") together with accrued interests thereof (the "Action").

On 2 March 2011, judgment was handed down by the Court of First Instance of the High Court and was awarded in favour of the Plaintiff (the "Judgment"). It was adjudged that the Company shall pay the Plaintiff the sum of HK$44.5 million together with interest and cost.

On 28 March 2011, the Company filed a Notice of Appeal against the Judgment with the Court of Appeal and served on the parties concerned ("CA Appeal").

Pending the hearing of CA Appeal, the Company made a provision of losses of litigation of HK$86.5 million and caused an aggregate sum of HK$50.0 million as security being paid into the High Court on 21 April 2011 and 16 August 2011 respectively for stay of execution and enforcement of the Judgment.

The CA Appeal was heard by the Court of Appeal on 8 and 9 December 2011 and the Court of Appeal unanimously ordered that (a) the CA Appeal be allowed; (b) the Judgment be set aside and the Action be dismissed; and (c) the Plaintiff do pay the Company the costs of the CA Appeal and the costs at the court below to be taxed, if not agreed (the "CA Order"). The Court of Appeal further ordered that the security in the sum of HK$50.0 million so paid by the Company into the High Court be released to the Company. The said security together with interest earned were released by the High Court to the Company on 5 January 2012.

The Plaintiff dissatisfied with the CA Order and launched an appeal to the Court of Final Appeal as of right under sections 22(1)(a) and 24 of the Hong Kong Court of Final Appeal Ordinance, Cap. 484. A Notice of Motion was filed by the Plaintiff with the Court of Appeal on 5 January 2012 for leave to appeal to the Court of Final Appeal and the Notice of Motion was fixed for hearing before the Court of Appeal on 10 May 2012.

Since the amount at stake in the Plaintiff's appeal to the Court of Final Appeal exceeds the value of $1.0 million and the Plaintiff does have the statutory/constitutional right of appeal to the Court of Final Appeal by virtue of section 22 of the Hong Kong Court of Final Appeal Ordinance, the Notice of Motion for leave to appeal to the Court of Final Appeal will in normal course of event be granted at the hearing on 10 May 2012 with the imposition of usual condition of the Plaintiff's payment of security for costs of HK$0.4 million irrespective whether there is any merit or reasonable ground in the Plaintiff's appeal or not.

Although there is no mechanism built in the Hong Kong Court of Final Appeal Ordinance for dismissal of unmeritorious application for leave to appeal or unmeritorious appeal made under section 22 of the Hong Kong Court of Final Appeal Ordinance, both counsels and solicitors acting for the Company hold the firm view that the Plaintiff did not have any valid claim against the Company and there is no merit and reasonable ground in the Plaintiff's appeal to the Court of Final Appeal at all and the same is doomed to fail at the end of the day.

With the benefit of the advice of the counsels and solicitors acting for the Company and the order delivered by the Court of Appeal on 9 December 2011, the High Court had already refunded the security in the sum of HK$50.0 million aforesaid to the Company and the Company had also instructed its solicitors to proceed with its claim for costs incurred in the Action and the CA Appeal against the Plaintiff and the taxation thereof notwithstanding the Plaintiff's unmeritorious appeal to the Court of Final Appeal. The directors of the Company have also thoroughly considered the advice of the counsels and solicitors acting for the Company and formed the opinion that the Plaintiff did not have any valid claim against the Company and that his unmeritorious appeal to the Court of Final Appeal was unlikely to have any material adverse financial impact on the Group at all so that no further provision of litigation is required to be made for the Plaintiff's unmeritorious appeal to the Court of Final Appeal.

OTHER INFORMATION

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

During the year, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

Corporate Governance

The Company has complied with the code provisions set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 31 December 2011 except for the following deviations:

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

None of the non-executive directors of the Company is appointed for specific term which is deviated from Code A.4.1 of the CG Code. However, as the directors are subject to retirement by rotation provisions under the bye-laws of the Company, the Board considers that sufficient measures have been in place to ensure that the Company's corporate governance practices are no less exacting than the CG Code.

During 2 October 2011 to 10 November 2011, the Company was not in compliance with Rules 3.10(1) and 3.21 of the Listing Rules regarding the minimum number of independent non-executive directors and the minimum number of audit committee members. Following the appointment of Ms. Cheung Sze Man as an independent non-executive director, the Company has complied with Rules 3.10(1) and 3.21 of the Listing Rules.

Scope of work of Messrs. Deloitte Touche Tohmatsu

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2011 as set out in this Preliminary Announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on this Preliminary Announcement.

Review of the Results

The audit committee of the Company has reviewed with the management the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including the consolidated financial statements for the year ended 31 December 2011.

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

Hong Kong, 30 March 2012

As at the date of this announcement, the Board comprises Mr. Ng Kai Man (Chairman) and Mr. Cheng Yuk Wo as executive Directors and Mr. Lui Siu Tsuen, Richard, Mr. Ding Chung Keung and Ms. Cheung Sze Man as independent non-executive Directors.