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21 Holdings Limited

21 控股有限公司*

(incorporated in Bermuda with limited liability)

(stock code: 1003)

**PROPOSED CAPITAL REORGANISATION INVOLVING
SHARE CONSOLIDATION, CAPITAL REDUCTION AND
SHARE PREMIUM CANCELLATION
AND
PROPOSED CHANGE OF BOARD LOT SIZE**

PROPOSED CAPITAL REORGANISATION

The Board proposes to put forward to the Shareholders the Capital Reorganisation proposal which will comprise:

- (i) the consolidation of every 5 issued Existing Shares of par value HK\$0.01 each into 1 issued Consolidated Share of par value HK\$0.05 each;
- (ii) the reduction of issued share capital whereby the par value of each issued Consolidated Share will be reduced from HK\$0.05 to HK\$0.01 by canceling HK\$0.04 of the paid-up capital on each issued Consolidated Share;
- (iii) the cancellation of the entire amount standing to the credit of the share premium account of the Company;
- (iv) the transfer of the credits arising from the Capital Reduction and the Share Premium Cancellation to the contributed surplus account of the Company; and
- (v) the application of the contributed surplus account of the Company to set off the accumulated loss of the Company as permitted by the laws of Bermuda and the Bye-Laws.

It is expected that the Capital Reorganisation will become effective on Monday, 11 June 2012.

CHANGE IN BOARD LOT SIZE

The Board also proposes to change the board lot size for trading in the shares of the Company from 20,000 Existing Shares to 10,000 Adjusted Shares upon the Capital Reorganisation becoming effective.

* for identification purpose only

GENERAL

The Capital Reorganisation is subject to the approval by the Shareholders on a vote taken by way of poll at the SGM.

A circular containing, among other things, details about the Capital Reorganisation, the Change in Board Lot Size and the notice convening the SGM, will be despatched to the Shareholders on or before 24 May 2012.

PROPOSED CAPITAL REORGANISATION INVOLVING SHARE CONSOLIDATION, CAPITAL REDUCTION AND SHARE PREMIUM CANCELLATION

The Board proposes to put forward to the Shareholders the Capital Reorganisation proposal which will comprise:

- (i) the consolidation of every 5 issued Existing Shares of par value HK\$0.01 each into 1 issued Consolidated Share of par value HK\$0.05 each;
- (ii) the reduction of issued share capital whereby the par value of each issued Consolidated Share will be reduced from HK\$0.05 to HK\$0.01 by canceling HK\$0.04 of the paid-up capital on each issued Consolidated Share;
- (iii) the cancellation of the entire amount standing to the credit of the share premium account of the Company;
- (iv) the transfer of the credits arising from the Capital Reduction and the Share Premium Cancellation to the contributed surplus account of the Company; and
- (v) the application of the contributed surplus account of the Company to set off the accumulated loss of the Company as permitted by the laws of Bermuda and the Bye-Laws.

Effects of the Capital Reorganisation

As at the date of this announcement, the authorised share capital of the Company is HK\$500,000,000 divided into 50,000,000,000 Existing Shares, of which 1,338,796,179 Existing Shares are issued and credited as fully paid. Upon the proposed Share Consolidation becoming effective, the issued share capital of the Company will be 267,759,235 Consolidated Shares of par value of HK\$0.05 each. Any fractional Consolidated Shares in the issued share capital of the Company arising from the Share Consolidation shall be aggregated and sold for the benefit of the Company.

Upon the Capital Reduction becoming effective, the par value of all the Consolidated Shares shall be reduced from HK\$0.05 each to HK\$0.01 each and the issued share capital of the Company shall accordingly be reduced to the extent of HK\$0.04 per Consolidated Share in issue.

The resulting Adjusted Shares of par value of HK\$0.01 each will rank pari passu in all respects with each other in accordance with Bye-Laws. The authorised share capital of the Company will remain unchanged upon the Capital Reduction becoming effective, but the issued share capital will be reduced to approximately HK\$2,677,592.35 divided into 267,759,235 Consolidated Shares of par value of HK\$0.01 each.

The credit of approximately HK\$10,710,369.40 arising from the Capital Reduction and the credit arising from the Share Premium Cancellation will be transferred to the contributed surplus account of the Company and applied to set off against the accumulated loss of the Company as permitted by the laws of Bermuda and the Bye-Laws and the balance after such set off will remain at the contributed surplus account of the Company.

Other than the relevant expenses incurred, the implementation of the Capital Reorganisation will have no effect on the consolidated net asset value of the Group, nor will it alter the underlying assets, business, operations, management or financial position of the Company or the interests of the Company and the Shareholders as a whole.

The Capital Reorganisation will not involve any diminution of any liability in respect of any unpaid capital of the Company or the repayment to the Shareholders of any unpaid capital of the Company nor will it result in any change in the relative rights of the Shareholders.

Reasons for the Capital Reorganisation

The Board considers that (i) the Capital Reorganisation will give greater flexibility to the Company to raise funds through the issue of new Adjusted Shares in the future since the Company is not permitted to issue new Shares below their nominal value under the laws of Bermuda and its Bye-Laws; (ii) the Share Consolidation will reduce the transaction costs for dealing in the Shares, including those fees which are charged with reference to the number of board lots; and (iii) the elimination of the Company's accumulated loss will allow greater flexibility for the Company to pay dividends in the future.

As such, the Board is of the view that the Capital Reorganisation is in the interests of the Company and the Shareholders as a whole.

Conditions of the Capital Reorganisation

The Capital Reorganisation (which will be effected in accordance with the Bye-Laws and the Companies Act) is conditional upon:

- (a) the passing of the necessary resolution(s) on a vote taken by way of poll at the SGM to approve the Capital Reorganisation by the Shareholders;
- (b) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Adjusted Shares; and
- (c) the compliance with the relevant procedures and requirements under the Listing Rules and the requirements of section 46(2) of the Companies Act to effect the Capital Reorganisation, including (i) publication of a notice in relation to the Capital Reorganisation in an appointed newspaper in Bermuda on a date not more than thirty days and not less than fifteen days before the date on which the Capital Reorganisation is to take effect; and (ii) that on the date of the Capital Reorganisation is to be effected, there are no reasonable grounds for believing that the Company is, or after the Capital Reorganisation, would be unable to pay its liabilities as they become due.

Subject to the fulfillment of the conditions of the Capital Reorganisation, the effective date of the Capital Reorganisation is expected to be on Monday, 11 June 2012.

Listing and dealings

Application will be made to the Listing Committee of the Stock Exchange for the granting of the listing of, and permission to deal in, the Adjusted Shares.

The Adjusted Shares will be identical in all respects and rank pari passu in all respects with each other. Subject to the granting of the listing of, and permission to deal in, the Adjusted Shares on the Stock Exchange, the Adjusted Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Adjusted Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Fractional shares and odd lot trading arrangements

Fractional Adjusted Shares will not be issued by the Company to the Shareholders. Any fractional entitlements of the Adjusted Shares will be aggregated and sold for the benefit of the Company.

In order to facilitate the trading of odd lots (if any) of the Adjusted Shares arising from the Capital Reorganisation, a designated broker will be appointed to match the purchase and sale of odd lots of the Adjusted Shares at the relevant market price per Adjusted Share for the period from Monday, 25 June 2012 to Monday, 16 July 2012 (both dates inclusive). Holders of odd lots of the Adjusted Shares should note that successful matching of the sale and purchase of odd lots of the Adjusted Shares is not guaranteed. Any Shareholder who is in any doubt about the odd lot arrangement is recommended to consult his/her/its own professional advisers. Details of the matching service will be provided in the circular to be despatched to the Shareholders in relation to, inter alia, the Capital Reorganisation and the Change in Board Lot Size.

Trading arrangement for the Adjusted Shares in new board lots

Subject to the Capital Reorganisation becoming effective, the arrangements proposed for dealings in the Adjusted Shares are expected to be as follows:

- (i) from Monday, 11 June 2012, the original counter for trading in the Existing Shares in board lots of 20,000 Existing Shares will be temporarily closed and a temporary counter for trading in the Adjusted Shares in board lots of 4,000 Adjusted Shares will be set up and opened;
- (ii) with effect from Monday, 25 June 2012, the original counter for trading in the Adjusted Shares will be re-opened for trading Adjusted Shares in board lots of 10,000 Adjusted Shares;
- (iii) during the period from Monday, 25 June 2012 to Monday, 16 July 2012 (both dates inclusive), there will be parallel trading at the above two counters; and
- (iv) the temporary counter for trading in the Adjusted Shares in board lots of 4,000 Adjusted Shares will be removed after the close of trading at 4:00 p.m. on Monday, 16 July 2012. Thereafter, trading will only be in board lots of 10,000 Adjusted Shares with new share certificates and the existing share certificates for the Existing Shares will cease to be marketable and will not be acceptable for dealing and settlement purposes. However, such certificates will remain effective as documents of title on the basis of 5 Existing Shares for 1 Adjusted Share.

Free exchange of Share certificates

Subject to the Capital Reorganisation becoming effective, Shareholders may submit existing certificates for the Existing Shares to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for exchange from Monday, 11 June 2012 to Friday, 20 July 2012 (both dates inclusive), at the expense of the Company for certificates in Adjusted Shares. Thereafter, certificates for the Existing Shares will be accepted for exchange only on payment of a fee of HK\$2.50 (or such higher amount as may from time to time be allowed by the Stock Exchange) for each share certificate of the Existing Shares cancelled or each new share certificate issued for the Adjusted Shares, whichever number of certificates cancelled/issued is higher. The existing certificates will be valid for trading and settlement up to Monday, 16 July 2012 (or such other date which may be announced by the Company), but will continue to be good evidence of legal title and may be exchanged for certificates of the Adjusted Shares at any time in accordance with the foregoing.

The new share certificates for the Adjusted Shares will be issued in brown colour in order to distinguish them from the existing purple colour.

CHANGE IN BOARD LOT SIZE

At present, Existing Shares are traded in board lots of 20,000. The Board proposes to change the board lot size for trading of the Adjusted Shares to 10,000 upon the Capital Reorganisation becoming effective.

Based on the closing price of the Existing Shares of HK\$0.08 as at 9 May 2012 and the existing board lot size of 20,000 Existing Shares, the prevailing board lot value is HK\$1,600 (equivalent to HK\$8,000 upon the Capital Reorganisation becoming effective). On the basis of the aforesaid closing price and the new board lot size of 10,000 Adjusted Shares, the new board lot value would be HK\$4,000. The change in board lot size will result in Adjusted Shares being traded in a more reasonable board lot size and value.

EXPECTED TIMETABLE

Expected date of despatch of the circular in relation to, inter alia, the Capital Reorganisation and the Change in Board Lot Size to the Shareholders	Thursday, 24 May 2012
Latest time for lodging proxy forms for the SGM.	9:30 a.m. on Wednesday, 6 June 2012
Expected date of the SGM.	9:30 a.m. on Friday, 8 June 2012
Announcement of the results of the SGM	Friday, 8 June 2012
Effective date of the Capital Reorganisation	Monday, 11 June 2012
Commencement of dealings in the Adjusted Shares	9:00 a.m. on Monday, 11 June 2012
Original counter for trading in the Existing Shares in existing share certificates in board lots of 20,000 Existing Shares temporarily closes	9:00 a.m. on Monday, 11 June 2012

Temporary counter for trading in Adjusted Shares
in board lots of 4,000 (in the form of
existing share certificates) opens 9:00 a.m. on Monday, 11 June 2012

First day of free exchange of certificates
for the Existing Shares into new certificates
for the Adjusted Shares Monday, 11 June 2012

Original counter for trading in the Adjusted Shares
in board lots of 10,000 (only new certificates
for the Adjusted Shares can be traded at this counter) re-opens 9:00 a.m. on Monday,
25 June 2012

Parallel trading in the Adjusted Shares
(in the form of new and existing share certificates) commences 9:00 a.m. on Monday,
25 June 2012

Designated broker starts to stand in the market
to provide matching services for the sale and
purchase of odd lots of the Adjusted Shares 9:00 a.m. on Monday,
25 June 2012

Temporary counter for trading in Adjusted Shares
in board lots of 4,000 (in the form of
existing share certificates) closes 4:00 p.m. on Monday,
16 July 2012

Designated broker ceases to stand in the market
to provide matching services for the sales and
purchase of odd lots of the Adjusted Shares Monday, 16 July 2012

Parallel trading in the Adjusted Shares
(in the form of new and existing certificates) ends 4:00 p.m. on Monday, 16 July 2012

Last day of free exchange of certificates
for the Existing Shares into new certificates
for the Adjusted Shares Friday, 20 July 2012

Note: All references to time in this announcement are references to Hong Kong time.

As at the date of this announcement, the Company does not have any outstanding share options, convertible notes or securities in issue which are convertible or exchangeable into Shares.

Shareholders and potential investors should be aware of and take note that the Capital Reorganisation is conditional upon satisfaction of the conditions precedent set out in the paragraph headed “Conditions of the Capital Reorganisation” above, and therefore may or may not proceed.

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

GENERAL

The Capital Reorganisation is subject to the approval by the Shareholders on a vote taken by way of poll at the SGM.

A circular containing, among other things, details about the Capital Reorganisation, the Change in Board Lot Size and the notice convening the SGM, will be despatched to the Shareholders on or before 24 May 2012.

DEFINITIONS

The following terms have the following meanings in this announcement unless the context otherwise requires:

“Adjusted Shares”	the ordinary share(s) of HK\$0.01 each in the share capital of the Company immediately upon the Capital Reorganisation becoming effective
“Board”	the board of Directors
“Bye-Laws”	the bye-laws of the Company from time to time
“Capital Reduction”	the proposal for the reduction of the par value of the issued Consolidated Shares from HK\$0.05 each to HK\$0.01 each by canceling HK\$0.04 of the paid-up capital on each issued Consolidated Share
“Capital Reorganisation”	the proposed reorganisation of the capital of the Company by way of (i) the Share Consolidation; (ii) the Capital Reduction; and (iii) the Share Premium Cancellation
“Change in Board Lot Size”	the proposed change in board lot size of the Shares for trading on the Stock Exchange from 20,000 Existing Shares to 10,000 Adjusted Shares
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Companies Act”	The Companies Act 1981 of Bermuda, as amended, modified or supplemented from time to time
“Company”	21 Holdings Limited, a company incorporated under the laws of Bermuda with limited liability and the Shares of which are listed on the Main Board of the Stock Exchange

“Consolidated Share(s)”	the ordinary share(s) of HK\$0.05 each in the capital of the Company immediately after Share Consolidation and prior to the Capital Reduction
“Directors”	directors of the Company
“Existing Share(s)”	the ordinary share(s) of HK\$0.01 each in the existing issued share capital of the Company, before the Capital Reorganisation becoming effective
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“SGM”	a special general meeting of the Company to be convened to consider and, if thought fit, approve the Capital Reorganisation
“Share(s)”	the Existing Share(s), the Consolidated Share(s) and/or the Adjusted Share(s), as the case may be
“Share Consolidation”	the proposed consolidation of every 5 Existing Shares of HK\$0.01 each into 1 Consolidated Share of HK\$0.05 each in the issued share capital of the Company
“Share Premium Cancellation”	the proposed cancellation of the entire amount standing to the credit of the share premium account of the Company
“Shareholder(s)”	holder(s) of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

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

Hong Kong, 9 May 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.