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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 2012

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 2012. 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 2012

| | Notes | Six months ended 30 June | |
|---|-------|---------------------------------|---------------------------------|
| | | 2012 HK\$'000 (Unaudited) | 2011 HK\$'000 (Unaudited) |
| Revenue | 3 | 85,552 | 98,974 |
| Cost of sales | | <u>(66,974)</u> | <u>(82,847)</u> |
| Gross profit | | 18,578 | 16,127 |
| Other income | | 2,899 | 544 |
| Other gains (losses) | 4 | 3,522 | (11,591) |
| Selling and distribution costs | | (1,343) | (3,186) |
| Administrative expenses | | (21,224) | (21,728) |
| Amortisation of intangible assets | 11 | (8,808) | (5,320) |
| Impairment loss on intangible assets | 11 | (5,072) | — |
| Impairment loss on goodwill | 10 | (19,850) | (28,000) |
| Finance costs | 5 | (6) | (256) |
| Loss before tax | | (31,304) | (53,410) |
| Income tax credit | 6 | <u>2,615</u> | <u>1,103</u> |
| Loss for the period | 7 | (28,689) | (52,307) |
| Other comprehensive (expense) income | | | |
| Exchange differences arising on translation | | <u>(667)</u> | <u>103</u> |
| Total comprehensive expense for the period | | <u><u>(29,356)</u></u> | <u><u>(52,204)</u></u> |

* for identification purpose only

| | | Six months ended 30 June | |
|---|--------------|---------------------------------|--------------------|
| | | 2012 | 2011 |
| | <i>Notes</i> | HK\$'000 | HK\$'000 |
| | | (Unaudited) | (Unaudited) |
| Loss for the period attributable to: | | | |
| Owners of the Company | | (28,373) | (52,307) |
| Non-controlling interests | | (316) | — |
| | | <u>(28,689)</u> | <u>—</u> |
| | | <u>(28,689)</u> | <u>(52,307)</u> |
| | | | |
| Total comprehensive expense for the period attributable to: | | | |
| Owners of the Company | | (29,040) | (52,204) |
| Non-controlling interests | | (316) | — |
| | | <u>(29,356)</u> | <u>—</u> |
| | | <u>(29,356)</u> | <u>(52,204)</u> |
| | | | (restated) |
| | | | |
| Loss per share (<i>HK dollar</i>) | | | |
| — Basic and diluted | 9 | <u>(0.11)</u> | <u>(0.87)</u> |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2012

| | | 30 June 2012 <i>HK\$'000</i> (Unaudited) | 31 December 2011 <i>HK\$'000</i> (Audited) |
|--|----|---|---|
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | | 3,159 | 3,607 |
| Note receivable | | 8,825 | — |
| Goodwill | 10 | 38,000 | 57,944 |
| Intangible assets | 11 | 56,232 | 70,791 |
| | | 106,216 | 132,342 |
| CURRENT ASSETS | | | |
| Trade and other receivables | 12 | 61,574 | 100,029 |
| Investments held for trading | | 50,107 | 52,177 |
| Bank balances and cash | | 134,186 | 84,655 |
| | | 245,867 | 236,861 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 13 | 153,939 | 138,825 |
| Tax payable | | 1,790 | 936 |
| Obligations under a finance lease | | 192 | 187 |
| | | 155,921 | 139,948 |
| NET CURRENT ASSETS | | 89,946 | 96,913 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 196,162 | 229,255 |
| NON-CURRENT LIABILITIES | | | |
| Obligations under a finance lease | | 16 | 113 |
| Deferred tax liabilities | | 14,058 | 17,698 |
| | | 14,074 | 17,811 |
| | | 182,088 | 211,444 |
| CAPITAL AND RESERVES | | | |
| Share capital | | 2,678 | 13,388 |
| Reserves | | 184,418 | 202,748 |
| Equity attributable to owners of the Company | | 187,096 | 216,136 |
| Non-controlling interests | | (5,008) | (4,692) |
| | | 182,088 | 211,444 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2012

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 (“HKAS 34”) “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants as well as 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”).

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, as appropriate.

Except as described below, the accounting policies and methods of computations used in the condensed consolidated financial statements for the six months ended 30 June 2012 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2011.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

| | |
|-----------------------|---|
| Amendments to HKFRS 7 | Disclosures — Transfers of Financial Assets |
| Amendments to HKAS 12 | Deferred tax: Recovery of Underlying Assets |

The application of the above amendments to 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.

3. 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 based on types of services provided and goods sold. This is also the basis upon which the Group is arranged and organised.

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

| | | |
|---|---|---|
| Property agency in Hong Kong | — | Provision of property agency and related services, and franchise services in Hong Kong |
| Property agency in the People’s Republic of China (the “PRC”) | — | Provision of property agency and related services, and leasing management services 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:

Six months ended 30 June 2012 (Unaudited)

| | Property agency | | Toy | Securities | Consolidated |
|--|-----------------|-----------------|---------------|--------------|-----------------|
| | Hong Kong | PRC | products | trading and | |
| | HK\$'000 | HK\$'000 | trading | investments | HK\$'000 |
| | | | HK\$'000 | HK\$'000 | |
| Segment revenue | | | | | |
| — External sales | <u>55,317</u> | <u>8,501</u> | <u>21,734</u> | <u>—</u> | <u>85,552</u> |
| Segment profit (loss) | <u>2,716</u> | <u>(36,359)</u> | <u>(873)</u> | <u>5,893</u> | <u>(28,623)</u> |
| Other information (included in measure of segment profit (loss)) | | | | | |
| Other income | 216 | 32 | — | 2,435 | 2,683 |
| Depreciation of property, plant and equipment | 203 | 293 | 3 | — | 499 |
| Impairment loss on trade receivables | — | — | 183 | — | 183 |
| Amortisation of intangible assets | — | 8,808 | — | — | 8,808 |
| Impairment loss on intangible assets | — | 5,072 | — | — | 5,072 |
| Impairment loss on goodwill | — | 19,850 | — | — | 19,850 |
| Additions to non-current segment assets during the period | <u>56</u> | <u>17</u> | <u>—</u> | <u>8,587</u> | <u>8,660</u> |

Six months ended 30 June 2011 (Unaudited)

| | Property agency | | Toy | Securities | Consolidated |
|---|-----------------|----------------|----------------|----------------|-----------------|
| | Hong Kong | PRC | products | trading and | |
| | HK\$'000 | HK\$'000 | trading | investments | HK\$'000 |
| | | | HK\$'000 | HK\$'000 | |
| Segment revenue | | | | | |
| — External sales | <u>29,460</u> | <u>5,162</u> | <u>64,352</u> | <u>—</u> | <u>98,974</u> |
| Segment loss | <u>(26,843)</u> | <u>(7,545)</u> | <u>(3,384)</u> | <u>(9,389)</u> | <u>(47,161)</u> |
| 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 | <u>713</u> | <u>1,873</u> | <u>4</u> | <u>—</u> | <u>2,590</u> |

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:

| | Six months ended 30 June | |
|--------------------------------|---------------------------------|------------------------|
| | 2012 | 2011 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | (Unaudited) | (Unaudited) |
| Aggregate of segments' loss | (28,623) | (47,161) |
| Unallocated corporate income | 216 | 836 |
| Unallocated corporate expenses | (2,891) | (6,829) |
| Finance costs | (6) | (256) |
| | <u> </u> | <u> </u> |
| Consolidated loss before tax | <u>(31,304)</u> | <u>(53,410)</u> |

All of the segment revenue reported above are from external customers.

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

4. OTHER GAINS (LOSSES)

| | Six months ended 30 June | |
|--|---------------------------------|------------------------|
| | 2012 | 2011 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | (Unaudited) | (Unaudited) |
| Net gains (losses) on investments held for trading | 3,522 | (9,773) |
| Provision for losses on litigation | — | (3,000) |
| Gain on convertible notes designated as at fair value through profit or loss | — | 347 |
| Gain on redemption of convertible notes | — | 835 |
| | <u> </u> | <u> </u> |
| | <u>3,522</u> | <u>(11,591)</u> |

5. FINANCE COSTS

| | Six months ended 30 June | |
|---|---------------------------------|-------------------|
| | 2012 | 2011 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | (Unaudited) | (Unaudited) |
| Interest charges on: | | |
| Bank overdraft wholly repayable within five years | — | 1 |
| Convertible notes | — | 245 |
| Finance lease | 6 | 10 |
| | <u> </u> | <u> </u> |
| | <u>6</u> | <u>256</u> |

6. INCOME TAX CREDIT

| Six months ended 30 June | |
|--------------------------|-------------|
| 2012 | 2011 |
| HK\$'000 | HK\$'000 |
| (Unaudited) | (Unaudited) |

The (credit) charge comprises:

| | | |
|---|----------------|----------------|
| Hong Kong Profits Tax | 855 | 227 |
| Deferred tax — current period (<i>Note</i>) | <u>(3,470)</u> | <u>(1,330)</u> |
| | <u>(2,615)</u> | <u>(1,103)</u> |

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

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both 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 has been arrived at after charging (crediting):

| Six months ended 30 June | |
|--------------------------|-------------|
| 2012 | 2011 |
| HK\$'000 | HK\$'000 |
| (Unaudited) | (Unaudited) |

| | | |
|---|----------------|------------|
| Cost of inventories recognised as expenses | 20,157 | 61,448 |
| Legal and professional fee on acquisition of subsidiaries | — | 858 |
| Depreciation of property, plant and equipment | 502 | 384 |
| Impairment loss on trade receivables | 183 | — |
| Amortisation of intangible assets | 8,808 | 5,320 |
| Net exchange losses (gains) | 107 | (89) |
| Interest income | <u>(2,647)</u> | <u>(2)</u> |

8. DIVIDENDS

No dividends were paid, declared or proposed for the period ended 30 June 2012 and 2011, 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 | |
|---|---------------------------------|-----------------|
| | 2012 | 2011 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| Loss for the period attributable to owners of the Company for the purposes of basic and diluted loss per share | <u>(28,373)</u> | <u>(52,307)</u> |
| | Number of ordinary share | |
| | 2012 | 2011 |
| | '000 | '000 |
| | | (restated) |
| Weighted average number of ordinary shares for the purposes of basic and diluted loss per share (<i>Note</i>) | <u>267,759</u> | <u>60,003</u> |

Note: The weighted average number of shares for the purposes of calculating basic and diluted loss per share for the six months ended 30 June 2011 and 2012 was adjusted to reflect the effects of share consolidation in June 2012 and June 2011 and the bonus element of rights issue completed in July 2011 and January 2011.

10. GOODWILL

| | Property agency | | Toy | |
|--|------------------------|-----------------|-----------------|-----------------|
| | Hong Kong | PRC | products | Total |
| | HK\$'000 | HK\$'000 | trading | HK\$'000 |
| | | | HK\$'000 | |
| COST | | | | |
| At 1 January 2012 (audited) | 429,960 | 115,419 | 4,201 | 549,580 |
| Exchange realignment | <u>—</u> | <u>(1,249)</u> | <u>—</u> | <u>(1,249)</u> |
| At 30 June 2012 (unaudited) | <u>429,960</u> | <u>114,170</u> | <u>4,201</u> | <u>548,331</u> |
| IMPAIRMENT | | | | |
| At 1 January 2012 (audited) | 391,960 | 95,475 | 4,201 | 491,636 |
| Impairment loss recognised in the period | <u>—</u> | <u>19,850</u> | <u>—</u> | <u>19,850</u> |
| Exchange realignment | <u>—</u> | <u>(1,155)</u> | <u>—</u> | <u>(1,155)</u> |
| At 30 June 2012 (unaudited) | <u>391,960</u> | <u>114,170</u> | <u>4,201</u> | <u>510,331</u> |
| CARRYING VALUES | | | | |
| At 30 June 2012 (unaudited) | <u>38,000</u> | <u>—</u> | <u>—</u> | <u>38,000</u> |
| At 31 December 2011 (audited) | <u>38,000</u> | <u>19,944</u> | <u>—</u> | <u>57,944</u> |

Property agency in Hong Kong

During the six months ended 30 June 2012, the management assessed that the recoverable amount of the cash generated unit (“CGU”) of property agency segment in Hong Kong is higher than its carrying amount and no impairment loss (for the six months ended 30 June 2011: HK\$28,000,000) is made as at the end of the reporting period.

Property agency in the PRC

The recoverable amount of the CGUs of property agency in the PRC was based on its value-in-use and was determined with reference to the valuation performed by an independent professional qualified valuer not connected with the Group. These calculation uses cash flow projections based on financial budgets approved by management covering a five-year period, and at discount rate of 19.75%. Cash flows beyond the five-year period were extrapolated using 3.44% growth rate in considering the economic conditions of the market.

The estimated growth rates used are comparable to the growth rate for the industry. Other key assumptions for value in use calculations related to the estimation of cash inflows which include budgeted sales and gross margin. Such estimation is based on the unit’s past performance and management’s expectations for the PRC property market development including continuously deteriorated sentiment for property sales due to certain on-going regulatory policies being implemented and enforced in the first half of 2012 by the PRC government limiting the property purchase to curb the overheated PRC real estate market, which cast doubt on the potential profitability in the property agency in the PRC. The management of the Company therefore was of the opinion that their previous expectation as at 31 December 2011 on expected revenue growth and market development of the property agency business in the PRC could not be met and as a result, goodwill was fully impaired accordingly.

The carrying amount of the unit was determined to be higher than its recoverable amount and an impairment loss of HK\$24,922,000 (for the six months ended 30 June 2011: Nil) was recognised and allocated to goodwill and intangible assets of HK\$19,850,000 and HK\$5,072,000 respectively.

11. INTANGIBLE ASSETS

The contracted and uncontracted customer relationship has an estimated useful life of five years and is amortised on a straight-line basis.

| | <i>HK\$'000</i> |
|--|-----------------|
| COST | |
| At 1 January 2012 (audited) | 88,489 |
| Exchange realignment | (954) |
| | <hr/> |
| At 30 June 2012 (unaudited) | 87,535 |
| | <hr/> |
| AMORTISATION AND IMPAIRMENT | |
| At 1 January 2012 (audited) | 17,698 |
| Impairment loss recognised in the period | 5,072 |
| Amortisation provided for the period | 8,808 |
| Exchange realignment | (275) |
| | <hr/> |
| At 30 June 2012 (unaudited) | 31,303 |
| | <hr/> |
| CARRYING VALUE | |
| At 30 June 2012 (unaudited) | 56,232 |
| | <hr/> <hr/> |
| At 31 December 2011 (audited) | 70,791 |
| | <hr/> <hr/> |

Details of the impairment test on the recoverable amount of the CGUs of property agency in the PRC, which the intangible assets are allocated to, are set out in note 10.

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

Included in trade and other receivables are trade receivables of approximately HK\$52,517,000 (31 December 2011: HK\$39,090,000) and an aged analysis presented based on the invoice date at the end of reporting period is as follows:

| | 30 June 2012 HK\$'000 (Unaudited) | 31 December 2011 HK\$'000 (Audited) |
|--------------|--|--|
| 0 – 30 days | 13,123 | 15,816 |
| 31 – 60 days | 8,623 | 9,143 |
| 61 – 90 days | 4,110 | 4,094 |
| Over 90 days | 26,661 | 10,037 |
| | <u>52,517</u> | <u>39,090</u> |

As at 31 December 2011, 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 2011 for the stay of execution and enforcement of judgment. On 5 January 2012, the 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 14.

13. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables and commission payables of approximately HK\$47,328,000 (31 December 2011: HK\$26,383,000).

An aged analysis of trade payables presented based on the invoice date at the end of reporting period is as follows:

| | 30 June 2012 HK\$'000 (Unaudited) | 31 December 2011 HK\$'000 (Audited) |
|--------------|--|--|
| 0 – 30 days | — | 2,404 |
| 31 – 60 days | — | 1,184 |
| 61 – 90 days | — | 720 |
| Over 90 days | — | 574 |
| | <u>—</u> | <u>4,882</u> |

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

Commissions payable of HK\$47,328,000 (31 December 2011: HK\$21,501,000) include mainly the commissions payable to property consultants and co-operative estate agents, which are due for payment only upon the receipt of corresponding agency fees from customers.

Included in the Group's trade and other payables was the amount due to a non-controlling shareholder of a subsidiary of approximately HK\$11,580,000 (31 December 2011: HK\$13,333,000) which 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.

Included in the Group's trade and other payables was provision for losses on litigation of approximately HK\$86,500,000 (31 December 2011: HK\$86,500,000) made in accordance with the judgment, details of which are set out in note 14.

14. 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\$44,500,000 (the “Principal Sum”) together with accrued interests thereof (the “Action”).

On 2 March 2011, judgement 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\$44,500,000 together with interest and costs.

After seeking advice from its solicitor and counsel, the directors considered that the Company has good grounds for appeal, and has instructed its solicitor 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 (the “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 the CA Appeal, the Company’s exposure on the costs of the action and the appeal payable to the Plaintiff would be approximately HK\$86,500,000 which is estimated based on the Principal Sum of HK\$44,500,000 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 the CA Appeal payable to the Plaintiff. In addition, on 18 April 2011, the Company and the Plaintiff has 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\$25,000,000 as security on or before 25 April 2011 and another sum of HK\$25,000,000 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\$50,000,000 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\$50,000,000 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. On 9 May 2012 final leave was granted by the Court of Appeal to the Plaintiff for appeal to the Court of Final Appeal and a Notice of Appeal entitled FACV 9 OF 2012 (the “CFA Appeal”) was filed and served by the Plaintiff on 16 May 2012. The CFA Appeal will be heard by the Court of Final Appeal on 5 September 2013 (with 6 September 2013 reserved).

Both counsels and solicitor acting for the Company hold the view that there is no merit in the Plaintiff’s claim and in the CFA Appeal. However, 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 under section 22 of the Hong Kong Court of Final Appeal Ordinance and the Company has to deal with the hearing of the unmeritorious CFA Appeal on 5 September 2013 (with 6 September 2013 reserved).

With the benefit of the advice of the counsels and solicitor acting for the Company and the order delivered by the Court of Appeal on 9 December 2011, the Company had also instructed its solicitor to proceed with its claim for costs incurred in the Action and the CA Appeal against the Plaintiff and the taxation thereof.

After seeking the advice of the counsels and solicitor 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 30 June 2012. 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\$86,500,000 (31 December 2011:HK\$86,500,000) is adequate and not excessive.

MANAGEMENT DISCUSSION AND ANALYSIS

Business and Operation Review

The property agency segment in Hong Kong reported revenue of HK\$55.3 million for the six months ended 30 June 2012, an increase of about 87.5% as compared with HK\$29.5 million for the same period last year, which is mainly contributed by launching of a number of larger scale residential projects by the real estate developers and the release of accumulated purchasing power in Hong Kong.

Nonetheless, the revival has not stretched to the property market in the People's Republic of China (the "PRC"). The property agency segment in the PRC recorded a loss of HK\$36.4 million during the period under review. The implementation of series of tightening measures in the real estate market and the macro-economy by the PRC government since 2011 has led to significant decline in the property sales and mounting financial challenges to real estate developers of small and medium size. In view of this unfavorable operating environment, the Group has slowed down the pace of business expansion and re-examined the performance of various projects.

The scale of toy products trading business has significantly curtailed with the adoption of twin line strategies on careful customers' selection and tight control on expenditure. Revenue from the toy products trading segment during the six months ended 30 June 2012 was HK\$21.7 million, representing an decrease of HK\$42.7 million or 66.3% when compared with the corresponding period in 2011. On the other side of the coin, the Group no longer needs to bear a large amount of selling and distribution cost and administrative expenses and the segment recorded a loss of HK\$0.9 million, a mitigation of HK\$2.5 million as compared to a loss of HK\$3.4 million in the last corresponding period.

The securities trading and investments segment reported a profit of HK\$5.9 million mainly due to change in fair value of the Group's investments held for trading.

Prospects

The property agency business in Hong Kong is facing a volatile operating environment influenced by external economic environment, interest rate and government policy. Despite of that, the Group would continue to sharpen its competitive edge by intensifying relationship with property developers and strengthening our task force. The management believes that this business segment will continue to develop steadily in the second half of the year.

The property agency business in the PRC has continued to soften in the third quarter of 2012. The management envisages that the property agency business in the PRC would continue to be restrained until there is significant relieve of the tightening measures by the PRC government and the PRC real estate market could resume its vibrant momentum. Looking forward, the management will prudently manage its financial resources and timely adjust its operation strategies in this business segment.

The management anticipates toys trading business would become fully curtailed in the second half of 2012 due to adoption of twin line strategies on customer selection and expenditure. The management considered that the toy products trading is not the core business of the Group and more resources are directed to property agency business.

The Board will continue to search for promising investments for healthy growth and enhancement in value of the Group as well as better return to the shareholders of the Company (the "Shareholders").

FINANCIAL REVIEW

Review of Results

For the six months ended 30 June 2012, the Group reported revenue of HK\$85.6 million, representing a decrease of HK\$13.4 million or 13.5% when compared with that of the last corresponding period. Gross profits improved by HK\$2.5 million from HK\$16.1 million for the last corresponding period to HK\$18.6 million, principally due to change in sales mix where more resources are directed from toys trading business to property agency business.

The Group recorded other gains of HK\$3.5 million for the period which was attributable to the net gains on investments held for trading (for the six months ended 30 June 2011: other losses of HK\$11.6 million).

Selling and distribution costs decreased by HK\$1.9 million, while administrative expenses decreased by HK\$0.5 million.

The profit before interest, tax, depreciation, amortization and impairment for the period amounted to HK\$0.3 million (for the six months ended 30 June 2011: loss of HK\$19.5 million). After taking into account, among others, amortisation of intangible assets of HK\$8.8 million, impairment loss on intangible assets of HK\$5.1 million and impairment loss on goodwill of HK\$19.9 million, the Group recorded a loss of HK\$28.7 million for the six months ended 30 June 2012, a decrease of HK\$23.6 million or 45.1% as compared with HK\$52.3 million for the last corresponding period.

Liquidity and Financial Resources

The Group maintained sufficient working capital as at 30 June 2012 with bank balances and cash of HK\$134.2 million (31 December 2011: HK\$84.7 million).

As at 30 June 2012, the Group has obligations under a finance lease of HK\$0.2 million (31 December 2011: HK\$0.3 million).

Gearing ratio, expressed as the percentage of total borrowings over total capital, of the Group as at 30 June 2012 was 0.1% (31 December 2011: 0.1%). Total capital is calculated as total equity plus total borrowings.

Capital Structure

As at 30 June 2012, the Company has 267,759,235 shares of HK\$0.01 each (the “Shares”) in issue.

On 22 June 2012, the Company effected a capital reorganisation, which included:

- (i) share consolidation of every five issued shares of par value HK\$0.01 each into one issued consolidated share of par value HK\$0.05 each;
- (ii) capital reduction of the par value of each issued consolidated share from HK\$0.05 to HK\$0.01 by cancellation of HK\$0.04 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.

A total credit of approximately HK\$113.5 million arisen from the capital reorganization was credited to the contributed surplus account of the Company and will be applied for setting off the accumulated loss of the Company.

Charges on Assets

As at 30 June 2012, certain property, plant and machinery with carrying values of approximately HK\$0.4 million (31 December 2011: HK\$0.4 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 and Pound Sterling. Presently, the Group does not have any currency hedging policy but will closely monitor the exchange rate of Renminbi and Pound Sterling and take appropriate measures to minimise any adverse impact that may be caused by its fluctuation.

Contingent Liabilities

As at 30 June 2012, the Group had no significant contingent liabilities.

Litigation

Details of the litigation are set out in note 14 to the condensed consolidated financial statements.

Employees

As at 30 June 2012, the Group had 62 employees and 300 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

Corporate Governance Code

The Company complied with the Code on Corporate Governance Practices (the "CG Code") in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules"), from 1 January 2012 until its amendment on 1 April 2012 and with the amended CG Code from 1 April 2012 to 30 June 2012, 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.

Pursuant to Code A.6.7 of the Revised CG Code, independent non-executive directors and other non-executive directors should attend the general meetings of the Company. Mr. Lui Siu Tsuen, the independent non-executive Directors, was unable to attend the annual general meeting of the Company held on 25 May 2012 due to other prior business engagement.

Code for Securities Transactions

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 2012, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

Review of Interim Results

The Audit Committee of the Company has reviewed with the management and the independent auditor of the Company the accounting principles and practices adopted by the Group and the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2012.

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

Hong Kong, 31 August 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.