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 2010

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2010

	Notes	**2010** **HK$'000**	2009 *HK$'000*
Revenue	*4*	**219,960**	179,550
Cost of sales		**(190,890)**	(148,600)
Gross profit		**29,070**	30,950
Other income		**2,962**	1,223
Other gains		**19,184**	—
Distribution costs		**(7,200)**	(5,832)
Administrative expenses		**(34,627)**	(32,769)
Provision for losses on litigation	*13*	**(83,500)**	—
Impairment loss on goodwill		**(164,000)**	—
Fair value loss on derivative component of convertible notes		**—**	(127,262)
Gain on disposal of non-current assets classified as held for sale	*12*	**4,084**	—
Finance costs	*6*	**(5,854)**	(10,039)
Loss before tax		**(239,881)**	(143,729)
Income tax expense	*7*	**(2,624)**	(559)
Loss and total comprehensive expense for the year	*8*	**(242,505)**	(144,288)
Loss per share (2009: As restated) — Basic and diluted	*9*	**(HK$2.3)**	(HK$5.5)

* *for identification purpose only*

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**1,173**	183
Goodwill		**92,000**	256,000
		93,173	256,183
CURRENT ASSETS			
Trade and other receivables	*11*	**42,892**	42,260
Investments held for trading		**56,009**	—
Convertible notes designated as at fair value through profit or loss		**16,153**	—
Bank balances and cash		**43,041**	97,154
		158,095	139,414
Non-current assets classified as held for sale	*12*	**—**	14,106
		158,095	153,520
CURRENT LIABILITIES			
Trade and other payables	*13*	**130,627**	47,469
Tax payable		**1,639**	531
Convertible notes		**68,411**	—
Obligations under a finance lease		**179**	—
		200,856	48,000
NET CURRENT (LIABILITIES) ASSETS		**(42,761)**	105,520
TOTAL ASSET LESS CURRENT LIABILITIES		**50,412**	361,703
NON-CURRENT LIABILITIES			
Convertible notes		**—**	122,054
Obligations under a finance lease		**301**	—
		301	122,054
		50,111	239,649
CAPITAL AND RESERVES			
Share capital		**1,127**	18,069
Reserves		**48,984**	221,580
Equity attributable to owners of the Company		**50,111**	239,649

Notes:

1. BASIS OF PREPARATION

In preparing the consolidated financial statements of the Group, the directors of the Company have given careful consideration to the liquidity position of the Group in light of the fact that the Group incurred a net loss of HK$242,505,000 for the year ended 31 December 2010 and, as of that date, the Group's current liabilities exceeded its current assets by approximately HK$42,761,000. The following circumstances may affect the Group's financial position:

(a) A statutory demand under Section 178(1)(a) of the Hong Kong Companies Ordinance was served on the Company on 10 March 2011 demanding for the payment of HK$44,500,000 (the "Debt") to Kwok Chin Wing ("Mr. Kwok") pursuant to the judgment by the Court of First Instance of the High Court on 2 March 2011 awarded in favor of Mr. Kwok regarding a writ of summons dated 8 October 2004 filed by Mr. Kwok against the Company in respect of the loans due from two former subsidiaries of the Company for a sum of approximately HK$44,500,000 together with accrued interests thereof ("Judgment"), details of which are set out in note 14 and the details of the liability are set out in note 13. Under the statutory demand, the Company is required to settle the Debt before 31 March 2011 and should the Company fail to make the settlement, Mr. Kwok shall take out actions against the Company to recover the Debt (including interest and costs);

(b) Consideration of HK$180,000,000 in connection with the acquisition of entire interest of Vigour Well Limited has to be paid upon the completion of such acquisition on 18 January 2011; and

(c) July 2011 Convertible Notes payable with an aggregate carrying amount of approximately HK$68,411,000 as at 31 December 2010 which will mature on 23 July 2011. The Group is required to redeem the July 2011 Convertible Notes at their principal amount of approximately HK$70,000,000 upon maturity. The July 2011 Convertible Notes have been early redeemed in January 2011.

In order to improve the Group's operating and financial position, the directors have been implementing various measures as follows:

(a) On 13 January 2011, a rights issue on the basis of ten rights share for every one share held on the record date was effected at a subscription price of HK$0.19 per rights share. A total of 1,126,955,740 rights shares were issued resulting in gross proceeds of approximately HK$214,000,000. The net proceeds of rights issue was approximately HK$208,600,000, of which HK$170,000,000 has been used for the payment of the consideration for acquisition of the entire equity interest of Vigour Well Limited and approximately HK$10,000,000 has been set aside and placed in bank accounts for final payment of consideration, and the remaining balance of approximately HK$28,600,000 has been used for the partial payment of early redemption of July 2011 Convertible Notes;

(b) On 25 March 2011, the Company entered into a placing agreement with a placing agent whereby the placing agent agreed to procure on a best effort basis subscription for maximum of 247,900,000 shares at a price of HK$0.11 per placing share with estimated gross proceeds of HK$27,270,000;

    The proceeds are expected to be received after the date of the consolidated financial statements after approval from the Stock Exchange of Hong Kong Limited (the "Stock Exchange") is granted. The net proceeds of HK$26,700,000 will be used to finance the payment of the Debt and the accrued interest thereof;

(c) The Group negotiated and obtained an offer letter for facility line of HK$40,000,000 from a financier to finance the settlement of the Debt and the accrued interest thereof as well as operation of the Group. As at the date of the consolidated financial statements, the Group is still considering options including accepting the offer from the financier or to explore other financing options; and

(d) The Group launched an appeal against the Judgment, details of which are set out in note 14, and decided to apply for stay of execution of the Judgment pending appeal. As at the date of the consolidated financial statements, such application has not yet been dealt with by the trial judge.

The directors are of the opinion that, taking into account the measures as above, the Group will have sufficient working capital to meet its financial obligations as they fall due in the next twelve months from the date of the consolidated financial statements. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

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

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

HKFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (as revised in 2008)	Business Combinations
HKAS 27 (as revised in 2008)	Consolidated and Separate Financial Statements
HKAS 39 (Amendments)	Eligible Hedged Items
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009
HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs issued in 2008
HK(IFRIC) — Int 17	Distributions of Non-cash Assets to Owners
HK — Int 5	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

The application of the new and revised Standards and Interpretations in the current year has had no material effect on the amounts reported in these consolidated financial statements and/or disclosures set out in these consolidated financial statements.

3. 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 (the "Listing Rules") and by the Hong Kong Companies Ordinance.

4. REVENUE

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

	2010	2009
	HK$'000	*HK$'000*
Franchise income	**5,317**	4,533
Property agency commission and service income	**88,078**	87,099
Sales of goods	**126,565**	87,918
	219,960	179,550

5. SEGMENT INFORMATION

Information reported to the Board, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of services provided and goods sold.

The Group is organised into three business divisions including property agency, toy products trading, and securities trading and investments which form the Group's three operating segments.

An analysis of the Group's revenue and results by operating segment is as follows:

	Property agency		Toy products trading		Securities trading and investments		Consolidated	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue								
— External sales	**93,395**	91,632	**126,565**	87,918	**—**	—	**219,960**	179,550
Segment profit/(loss)	**(158,200)**	6,792	**(11,888)**	(5,131)	**13,163**	—	**(156,925)**	1,661
Other information (included in measure of segment profit/(loss))								
Other income	**699**	1,071	**10**	31	**160**	—	**869**	1,102
Depreciation of property, plant and equipment	**116**	75	**5**	16	**—**	—	**121**	91
(Gain)/loss on disposal of property, plant and equipment	**(23)**	294	**—**	—	**—**	—	**(23)**	294
Impairment loss on trade receivables	**77**	399	**—**	—	**—**	—	**77**	399
Reversal of impairment loss on trade receivables	**—**	(12)	**(820)**	(664)	**—**	—	**(820)**	(676)
Additions to non-current segment assets during the year	**1,137**	74	**4**	8	**—**	—	**1,141**	82
Impairment loss on goodwill	**164,000**	—	**—**	—	**—**	—	**164,000**	—

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

	2010	2009
	HK$'000	*HK$'000*
Aggregate of segments' (loss)/profit	**(156,925)**	1,661
Unallocated corporate income	**12,169**	121
Unallocated corporate expenses	**(5,771)**	(8,210)
Provision for losses on litigation	**(83,500)**	—
Fair value loss on derivative component of convertible notes	**—**	(127,262)
Finance costs	**(5,854)**	(10,039)
Loss before tax	**(239,881)**	(143,729)

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by operating segments:

	Property agency		Toy products trading		Securities trading and investments		Unallocated		Consolidated	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
ASSETS										
Segment assets	**125,965**	293,699	**16,202**	14,212	**72,470**	—	**—**	—	**214,637**	307,911
Unallocated corporate assets	**—**	—	**—**	—	**—**	—	**36,631**	101,792	**36,631**	101,792
Consolidated total assets									**251,268**	409,703
LIABILITIES										
Segment liabilities	**25,499**	27,265	**19,157**	15,219	**—**	—	**—**	—	**44,656**	42,484
Unallocated corporate liabilities	**—**	—	**—**	—	**—**	—	**156,501**	127,570	**156,501**	127,570
Consolidated total liabilities									**201,157**	170,054

For the purposes of monitoring segment performances and allocating resources between segments:

— all assets are allocated to operating segments other than certain property, plant and equipment, other receivables and bank balances and cash; and

— all liabilities are allocated to operating segments other than other payables, convertible notes, tax payable and obligations under a finance lease.

Entity-wide disclosures

Geographical information

The Group's revenues from external customers and its non-current assets are divided into the following geographical areas:

	Revenue from external customers		Non-current assets	
	2010	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**152,826**	146,128	**93,173**	256,183
Japan	**39,659**	29,741	**—**	—
The People's Republic of China	**5,444**	2,431	**—**	—
Others	**22,031**	1,250	**—**	—
	219,960	179,550	**93,173**	256,183

The geographical location of customers is based on the location of customers, irrespective of the origin of the goods and services. The geographical location of the non-current assets is based on the physical location of the assets.

6. FINANCE COSTS

	2010 *HK$'000*	2009 *HK$'000*
Interest charges on:		
Bank overdraft wholly repayable within five years	**2**	7
Convertible notes	**5,847**	7,810
Finance lease	**5**	—
Promissory note	**—**	2,222
	5,854	10,039

7. INCOME TAX EXPENSE

	2010 *HK$'000*	2009 *HK$'000*
The charge comprises:		
Hong Kong Profits Tax	**2,608**	547
Underprovision in respect of prior years	**16**	12
	2,624	559

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

8. LOSS AND TOTAL COMPREHENSIVE EXPENSE FOR THE YEAR

	2010 *HK$'000*	2009 *HK$'000*
Loss and total comprehensive expense for the year has been arrived at after charging/(crediting):		
Directors' remuneration, including retirement benefits scheme contributions	**2,275**	3,224
Other staff costs	**10,413**	10,527
Other retirement benefits scheme contributions	**530**	604
Total staff costs	**13,218**	14,355
Auditor's remuneration	**708**	760
Depreciation of property, plant and equipment	**127**	97
Impairment loss on trade receivables	**77**	399
Reversal of impairment loss on trade receivables	**(820)**	(676)
(Gain)/loss on disposal of property, plant and equipment	**(23)**	294
Operating lease payments for premises	**4,237**	3,921
Cost of inventories recognised as expense	**122,804**	83,290
Gain on disposal of non-current assets classified as held for sale	**(4,084)**	—
Dividend income	**(1,535)**	—
Interest income	**(11)**	(1)

9. LOSS PER SHARE

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

	2010	2009
	HK$'000	*HK$'000*
Loss for the year attributable to owners of the Company for the purposes of basic loss per share	**(242,505)**	(144,288)

	Number of ordinary share	
	2010	2009
	'000	*'000*
		(As restated)
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share *(note)*	**106,320**	26,251

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 February 2009 and December 2010.

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

10. DIVIDENDS

The Board does not recommend payment of final dividend for the year ended 31 December 2010 (2009: Nil).

11. TRADE AND OTHER RECEIVABLES

	2010	2009
	HK$'000	*HK$'000*
Trade receivables	**37,156**	36,820
Allowance for doubtful debts	**(1,073)**	(1,816)
	36,083	35,004
Deposits, prepayments, and other receivables	**6,809**	7,256
	42,892	42,260

For toy products trading segment, the Group allows an average credit period ranging from 30 to 90 days to its trade customers. For property agency segment, the customers are obliged to settle the amounts upon completion of the relevant agreements and generally no credit facilities are granted.

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:

	2010	2009
	HK$'000	*HK$'000*
Accounts receivables		
0-30 days	**10,486**	18,077
31-60 days	**5,459**	4,959
61-90 days	**5,107**	3,431
91-180 days	**7,915**	4,196
Over 180 days	**7,116**	4,341
	36,083	35,004

12. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

	HK$'000
At 1 January 2009	—
Transferred from investment properties	14,106
At 31 December 2009	14,106
Disposal	(14,106)
At 31 December 2010	**—**

On 15 December 2009, the Group entered into an agreement with an independent third party for the disposal of the Group's investment properties at a consideration of HK$18,200,000. Accordingly, the carrying amount of investment properties was reclassified as non-current assets held for sale and presented separately in the consolidated statement of financial position as at 31 December 2009.

The transaction was completed on 25 February 2010 and a gain on disposal of non-current assets classified as held for sale of HK$4,084,000 was recognised in the consolidated statement of comprehensive income.

13. TRADE AND OTHER PAYABLES

	2010	2009
	HK$'000	*HK$'000*
Trade payables	**24,393**	22,673
Other payables	**106,234**	24,796
	130,627	47,469

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

	2010	2009
	HK$'000	*HK$'000*
0-30 days	**5,006**	8,528
31-60 days	**1,701**	3,319
61-90 days	**4,353**	2,179
91-180 days	**6,657**	3,713
Over 180 days	**6,676**	4,934
	24,393	22,673

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

The payables and accruals mainly comprise of the deposits received, receipts in advance, accrued salary and other sundry creditors.

At 31 December 2010, included in the Group's trade and other payables was provision for losses on litigation of approximately HK$83,500,000 made in accordance with the Judgment, details of which are set out in note 14.

In preparing the consolidated financial statements of the Group for the year ended 31 December 2010, the directors of the Company, after taking advice from its solicitors, have determined that provision for losses on litigation be recognised and estimated to include (a) the Debt and the interest thereon; and (b) plaintiff costs and the interest thereon. As set out in note 14, there will be a hearing on 11 April 2011 before the trial judge to deal with the application for such cost and interest.

14. LITIGATION

On 8 October 2004, Mr. Kwok, a former director of the Company, commenced legal proceedings ("the Action") 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 and accrued interest thereof.

As at 31 December 2009, the Action was pending trial at High Court with trial date of the Action fixed in January 2011. The solicitors and counsel acting for the Company had received the pleadings and all evidence disclosed in the Action and they held good of their advice previously delivered to the Company. With the advices of solicitors and counsel, the directors were of the opinion that Mr. Kwok did not have a valid claim against the Company and it was unlikely to have any material adverse financial impact on the Company. Therefore, no provision for any liability that may result was made in the consolidated financial statements as of 31 December 2009.

On 2 March 2011, the Judgment was handed down by the Court of First Instance of the High Court and was awarded in favour of Mr. Kwok. It was adjudged that the Company shall pay Mr. Kwok the sum of HK$44,500,000 together with interest thereon and that there will be an order nisi for costs against the Company on a party and party basis, details of the liability are set out in note 13.

On 10 March 2011, the Company has received a statutory demand for payment of judgment sum of HK$44,500,000 to Mr. Kwok within 21 days. It is stated in the statutory demand that if it is not complied, the Company will be deemed to be unable to pay its debts and Mr. Kwok will take out actions against the Company to recover the judgment sum of HK$44,500,000, the interest thereon and costs, including proceedings under the provisions of Hong Kong Companies Ordinance for the winding up of the Company. 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, a Notice of Appeal was filed with the Court of Appeal and served on the parties concerned. Pending the appeal, the Company has also instructed its solicitors to take appropriate actions in response to the Judgment and the statutory demand, including an application for a stay of execution of the Judgment pending appeal.

Regarding the matter of costs and interest, the Company issued summons returnable before the trial judge on 11 April 2011 seeking variation of the costs order nisi and at the same time Mr. Kwok also issued summons returnable before the trial judge on the same day to deal with the matter of costs and interest.

Regarding the application for stay of execution of the Judgment pending appeal, with the advice from its solicitors, it is expected that such application will be finally disposed of within 1 to 2 months after the date of consolidated financial statements. The Court may order a stay of execution of a Judgment pending appeal on condition. However, the Court may require the payment into the Court of the Judgment sum and interest or its provision of a bank guarantee for the same amount as condition of stay. Should the Company fail in the application for stay of execution to the trial judge, the Company may try to make the application to the Court of Appeal.

Regarding the appeal, it is expected that such appeal would be heard and disposed of by the Court of Appeal within 6 to 12 months from the date of the consolidated financial statements. The solicitors and counsel acting for to the Company hold good of the likelihood of success of such appeal. Should the appeal succeed, the Company is not liable to pay the judgment sum together with interest thereon to Mr. Kwok and the Company is entitled to recover the costs from Mr. Kwok.

MANAGEMENT DISCUSSION AND ANALYSIS

Business and Operation Review

Property Agency

Benefited from the low borrowing rate, influx of buyers from the Mainland China and relaxed monetary policy, the property market in Hong Kong put on a strong performance as both prices and transaction volume. Revenue from property agency segment for the year ended 31 December 2010 was HK$93.4 million whilst the revenue from this segment for year 2009 was HK$91.6 million only. Operating profits from the property agency segment for the year under review amounted to HK$5.8 million (excluding any provision for impairment loss on goodwill of HK$164 million) whilst the operating profit for the year 2009 was HK$6.8 million. Slight decrease in operating profit is contributed by an increase in overall costs of the Group the improvement in economy.

Toy Products Trading

Unlike the property market, the business environment of consumer industry remains challenging. Despite revenue generated from toy trading segment increase this year and amounted to HK$126.6 million, being a surge of HK$38.6 million or 44.0% when compared with last year, the gross margin of the segment decreases by HK$1.0 million or 22.4% was mainly due to (i) price cut in order to counteract the fierce competition from other manufacturers and attract new customers and (ii) growing cost charged by the Group's suppliers. In addition, the distribution costs and administrative expenses hanged at a high level. As a result, toy trading segment recorded operating loss of HK$11.9 million in year 2010.

Securities Trading and Investments

The business of securities trading and investment has been reactivated since January 2010 with primary objective of gaining capital growth. As at 31 December 2010, the Group has investments held for trading and convertible notes designated at fair value through profit or loss of HK$56.0 million and HK$16.2 million, respectively. The segment records operating profit of HK$13.2 million mainly arising from the net profit on investments held for trading and gain on fair value changes in convertible notes designated at fair value through profit or loss of HK$2.5 million and HK$8.6 million, respectively.

Property Agency in PRC — Material Acquisition of Subsidiaries subsequent to the end of reporting period

On 14 September 2010, the Company through its wholly-owned subsidiary entered into a sales and purchase agreement to acquire 100% equity interest in Vigour Well Limited at a consideration of HK$180.0 million. 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 are principally engaged in provision of services including primary property agency and related consultancy services to property developers in the PRC on their first-hand residential, retail and commercial real estate projects (the "PRC Property Agency Business").

Prospect

In the years to come, it is expected that the PRC Property Agency Business will bring new sources of revenue to the Group and reduce risk of over-reliance on property agency market in the Hong Kong. We shall continue to ride on the Century 21 name to attract high caliber talents to our ranks, expand the franchising network, adding branches in prime location and promote the customers royalty. Despite rising competition in the property market, we are confident that the Group will able to respond promptly to the market changes.

We shall also endeavor to maintain a balance and best mix business of the Group and continue to search for good and promising investments which will enhance the performance and value of the Group.

Financial Review

Review of Results

The Group reported revenue of 220.0 million for the year ended 31 December 2010, being a surge of HK$40.4 million or 22.5% when compared with that of last year. Gross profit slightly declined from HK$31.0 million for the last year to HK$29.1 million. Increases in revenue with mild decline in gross profit were principally due to more order received for the toy trading segment which has a lower gross margin.

Distribution costs and administrative expenses of the Group increased by HK$1.4 million and HK$1.9 million, respectively. When compared with year 2009, the finance cost in current year decreased by HK$4.2 million with full repayment of the promissory note in December 2009 and the redemption of the convertible notes of aggregate principal amount of HK$60.0 million in July 2010.

Loss for this reporting year was HK$242.5 million, substantially attributable to the noteworthy provision for impairment loss on goodwill of HK$164.0 million arising from the acquisition of the equity interest of Century 21 Hong Kong Limited and its associated companies in previous year and provision for losses on litigation of HK$83.5 million. The provision for losses on litigation after taking advice from solicitors acting for the Company was estimated and included (a) the judgment sum of HK$44.5 million and the interest thereon; and (b) plaintiff costs and interest thereon.

Liquidity and Financial Resources

The Group maintained sufficient working capital as at 31 December 2010 with bank balances and cash of HK$43.0 million (31 December 2009: HK$97.2 million).

As at 31 December 2010, the Group has obligations under a finance lease of HK$0.5 million (31 December 2009: Nil). In addition, convertible note with principal amount of HK$70.0 million (the "CN") remained outstanding as at 31 December 2010. The CN bear interest of 2% per annum, mature on 23 July 2011 and carry rights to convert the outstanding principal amount into shares of the Company. The CN has been early redeemed in January 2011.

Gearing ratio, express as the percentage of total borrowings over total capital, of the Group as at 31 December 2010 was 57.9% (31 December 2009: 33.7%). Total capital is calculated as total equity plus total borrowings. The upsurge in gearing ratio is caused by the substantial loss incurred by the Company which resulted in reduction in equity.

Capital Structure

As at 31 December 2010, the Company has 112,695,574 shares of HK$0.01 each (the "Shares") in issue and the CN with principal amount of HK$70 million are convertible into 8,373,205 Shares at a conversion price of HK$8.36 per Share (subject to adjustments).

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

a. Pursuant to the general mandates granted by the Shareholders on 13 November 2009, the Company has allotted and issued a total of 72 million Shares at a placing price of HK$0.15 per Share to not less than six independent institutional, professional and/or individual investors.

   The net proceeds from the placing amounted to HK$10.6 million have been utilised as general working capital of the Group.

b. The Company has, pursuant to the general mandate granted by the Shareholders in the special general meeting held on 15 April 2010 and a placing agreement dated 26 April 2010, allotted and issued 375 million Shares at a placing price of HK$0.133 per Share to not less than six independent institutional, professional and/or individual investors.

   The placing price of HK$0.133 represented a discount of approximately 11.33% to the closing price of HK$0.15 per Share as quoted on The Stock Exchange of Hong Kong Limited on 26 April 2010, being the date on which the terms of the placing were fixed. The net placing price, after deducting the relevant expenses, was approximately HK$0.13 per Share and the aggregate nominal value of the Shares issued was HK$3,750,000.

   The net proceeds from the placing was approximately HK$48.8 million, out of which approximately HK$39.3 million has been applied for redemption of the CN and approximately HK$9.5 million have been utilised as the general working capital comprising (a) professional fee of HK$3.5 million; (b) administrative expenses of HK$4.6 million; and (c) interest payment of HK$1.4 million for CN with principal amount of HK$70.0 million.

c. On 7 December 2010, pursuant to a special resolution passed by the Shareholders, the Company effected a capital reorganisation, which included (i) share consolidation of every twenty shares of par value HK$0.01 each into one consolidated share of par value HK$0.20 each; (ii) capital reduction of the par value of each issued consolidated share from HK$0.20 to HK$0.01 by cancellation of HK$0.19 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 of credit of approximately HK$364.97 million was arisen from the capital reorganisation and HK$105.24 million was applied to eliminate the accumulated losses of the Company.

Subsequent to the year ended date, a rights issue on the basis of ten rights Shares for every Share held on 17 December 2010 at a price of HK$0.19 per Share approved by the Shareholders on 6 December 2010 became unconditional on 13 January 2011. Accordingly, 1,126,955,740 Shares were allotted and issued by the Company and net proceeds of HK$208.6 million was raised of which approximately HK$170.0 million has been utilised for payment of consideration for acquisition of Vigour Well Limited and its subsidiaries, approximately HK$10.0 million has been set aside and placed in bank accounts for final payment of consideration of after adjustments relating to the completion account and approximately HK$28.6 million has been utilised for redemption of the CN.

Charges on Assets

As at 31 December 2010, certain property, plant and machinery with carrying values of HK$0.5 million represented assets held under finance leases. None of the assets of the Group was under charge as at 31 December 2009.

Litigation

On 2 March 2011, judgment regarding a writ of summons dated 8 October 2004 filed by Mr. Kwok Chin Wing against the Company in respect of the loans due from two former subsidiaries of the Company for a sum of approximately HK$44,500,000 together with accrued interest thereof was awarded in favor of Mr. Kwok Chin Wing. Details of which are set out in note 14 and the details of the liability are set out in note 13 to the consolidated financial statements.

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 Listing Rules throughout the year ended 31 December 2010 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 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.

During 1 May 2010 to 8 September 2010, the Company was not in compliance with Rule 3.10(1) and 3.21 of the Listing Rules regarding the minimum number of independent non-executive Directors and audit committee members. Following the appointment of Mr. Lam Kwok Cheong as an independent non-executive director as well as a member of the audit committee, the Company has complied with the requirement of a minimum number of independent non-executive directors and audit committee members under Rules 3.10(1) and 3.21 of the Listing Rules.

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 2010.

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 2010 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 the Preliminary Announcement.

Extract from the independent auditor's report:

The following is the extraction from the independent auditor's report on the Group's audited consolidated financial statements for the year ended 31 December 2010.

"**Opinion**

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2010 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Without qualifying our opinion, we draw attention to note 1 to the financial statements which indicates that the Group incurred a net loss of HK$242,505,000 for the year ended 31 December 2010 and, as of that date, the Group's current liabilities exceeded its current assets by HK$42,761,000. The directors have been implementing various measures as disclosed in note 1 to consolidated financial statements to improve the Group's financial position. The director of the Company consider that after taking into account these steps, the Group will have sufficient working capital to finance its operations and its financial obligations as and when they fall due. However, certain of these measures have not yet been successfully completed and accordingly, these conditions, along with other matters set forth in note 1 to the consolidated financial statement, indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern."

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

Hong Kong, 30 March 2011

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