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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in 21 Holdings Limited, you should at once hand this circular with the accompanying form of proxy to the purchaser or transferee or to the bank or licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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**21 Holdings Limited**

**21 控股有限公司\***

*(incorporated in Bermuda with limited liability)*

*(stock code: 1003)*

### **PROPOSED REFRESHMENT OF GENERAL MANDATES TO ISSUE NEW SHARES AND REPURCHASE SHARES AND ELECTION OF DIRECTOR**

**Independent financial adviser to the Independent Board Committee  
and the Independent Shareholders**

**VEDA | CAPITAL**  
**智略資本**

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A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on page 8 of this circular. A letter from Veda Capital containing its advice to the Independent Board Committee and Independent Shareholders is set out on pages 9 to 13 of this circular.

A notice convening the special general meeting of 21 Holdings Limited to be held at Room 1101, 11/F., 88 Gloucester Road, Wanchai, Hong Kong at 9:30 a.m. on Friday, 13 November 2009 is set out on pages 17 to 19 of this circular. Whether or not you are able to attend the meeting in person, please complete and return the accompanying form of proxy in accordance with the instructions printed thereon and return it to the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at Rooms 1806-07, 18/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for holding the meeting. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting should you so wish.

28 October 2009

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## DEFINITIONS

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*In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:*

“associate”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Bye-laws”	the bye-laws of the Company from time to time
“Company”	21 Holdings Limited, a company incorporated in Bermuda with limited liabilities, the shares of which are listed on the Stock Exchange
“Director(s)”	director(s) of the Company
“General Mandates”	the Issue Mandate and the Repurchase Mandate
“Group”	the Company and its subsidiaries
“Independent Board Committee”	the independent board committee formed by the independent non-executive Directors to advise the Independent Shareholders on the refreshment of the Previous Issue Mandate
“Independent Shareholders”	any Shareholder other than controlling Shareholders and their associates or, where there are no controlling Shareholders, any Shareholder other than Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates
“Issue Mandate”	the general mandate proposed to be granted to the Directors to issue further securities not exceeding 20% of the issued share capital of the Company as at the date of passing such resolution
“Latest Practicable Date”	27 October 2009, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained therein
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Placing”	the placing of 43,500,000 Placing Shares pursuant to the Placing Agreement
“Placing Agent”	Emperor Securities Limited
“Placing Agreement”	the placing agreement dated 21 September 2009 entered into between the Company and the Placing Agent in relation to the placing of 43,500,000 Shares at a placing price of HK\$0.42 per Share

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## DEFINITIONS

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“Placing Shares”	43,500,000 Shares placed pursuant to the Placing
“Previous Issue Mandate”	the general mandate granted to the Directors at the annual general meeting of the Company held on 23 June 2009 to issue new Shares not exceeding 20% of the then issued share capital of the Company
“Repurchase Mandate”	the general mandate proposed to be granted to the Directors to repurchase securities not exceeding 10% of the issued share capital of the Company as at the date of passing such resolution
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company to be held for the purpose of approving the ordinary resolutions in relation to the General Mandates and the election of Director
“Shares”	ordinary shares of HK\$0.01 each of the Company
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Veda Capital”	Veda Capital Limited, a licensed corporation to carry out type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the refreshment of the Previous Issue Mandate
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent

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## LETTER FROM THE BOARD

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**21 Holdings Limited**

**21 控股有限公司\***

*(incorporated in Bermuda with limited liability)*

(stock code: 1003)

*Executive Directors:*

Mr. Ng Kai Man (*Chairman*)  
Mr. Ha Kee Choy, Eugene  
Ms. Ma Wai Man, Catherine

*Independent non-executive Directors:*

Mr. Cheng Yuk Wo  
Mr. Chui Chi Yun, Robert  
Mr. Lui Siu Tsuen, Richard

*Registered office:*

Canon's Court, 22 Victoria Street  
Hamilton HM 12, Bermuda

*Head office and principal place of  
business in Hong Kong*

10th Floor  
88 Gloucester Road  
Wanchai  
Hong Kong

28 October 2009

*To the Shareholders, and for information only,  
holder of the convertible note*

Dear Sir/Madam,

**PROPOSED REFRESHMENT OF GENERAL MANDATES TO  
ISSUE NEW SHARES AND REPURCHASE SHARES  
AND  
ELECTION OF DIRECTOR**

**INTRODUCTION**

The purpose of this circular is to provide the Shareholders with information regarding the refreshment of the general mandates to issue new Shares and repurchase Shares and the election of retiring Director and to set out the recommendation of the Independent Board Committee and the letter of advice from Veda Capital so as to enable the Independent Shareholders to make an informed decision as to whether to vote for or against the resolutions in relation to the refreshment of the general mandates to issue new shares.

*\* for identification purpose only*

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## LETTER FROM THE BOARD

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### GENERAL MANDATES TO ISSUE NEW SHARES

#### Proposed refreshment of the Issue Mandate

On 21 September 2009 (after trading hours), the Directors announced that the Company entered into the Placing Agreement with the Placing Agent to place 43,500,000 Shares at HK\$0.42 per Share. All the Placing Shares have been placed under the Placing Agreement and completion of the Placing took place on 29 September 2009.

43,500,000 new Shares were issued and allotted pursuant to the Placing, which utilized 99.82% of the Previous Issue Mandate. As at the Latest Practicable Date, the Company had 361,382,298 Shares in issue. Subject to the passing of the ordinary resolution for the grant of the Issue Mandate and assuming that no Shares are issued and/or repurchased by the Company between the Latest Practicable Date and the date of the SGM, the Company would be allowed under the Issue Mandate to allot and issue up to 72,276,459 Shares, representing 20% of the total number of Shares in issue as at the date of the SGM. As the majority of the Previous Issue Mandate has been utilized and in connection with the enlarged share capital of the Company as a result of the Placing, the Directors would like to refresh the Previous Issue Mandate in order to allow a flexibility for the Company to issue Shares under the refreshed limit in the future as speedily as possible when necessary. As at the Latest Practicable Date, only a further 76,460 new Shares can be issued under the Previous Issue Mandate and should any investment opportunities arise that require the issue of new Shares, a specific mandate would have to be sought and there would be no certainty as to whether the requisite Shareholders' approval could be obtained in a timely manner. The Directors will seek the approval of the Independent Shareholders to grant the Directors the Issue Mandate at the SGM.

As at the Latest Practicable Date, the Company has not made any refreshment of Previous Issue Mandate since the annual general meeting held on 23 June 2009.

#### Utilization of the Previous Issue Mandate

The Previous Issue Mandate was utilized as to 99.82% in the Placing. The net proceeds raised amounted to approximately HK\$17.7 million and were intended to be used for general working capital (including but not limited to repayment of the promissory note and other indebtedness of the Group). HK\$16.0 million of such net proceeds was used for repayment of a promissory note which had been issued by a subsidiary of the Company as part of consideration for the acquisition of a property agency business in July 2008 and the remaining balance of approximately HK\$1.7 million remain unused as at the Latest Practicable Date and were deposited in an interest bearing account maintained with a licensed bank in Hong Kong.

According to Rule 13.36(4) of the Listing Rules, any refreshment of the Issue Mandate before the next annual general meeting shall be subject to the approval by the Independent Shareholders where the controlling Shareholders, or in the case that the Company has no controlling Shareholder the Directors (excluding independent non-executive Directors), the chief executive of the Company, and their respective associates are required to abstain from voting in favour of the relevant resolutions at the SGM. As at the Latest Practicable Date, the Company has no controlling Shareholder and none of the Directors, the chief executive of the Company and their respective associates holds any Shares. Accordingly, no Shareholder is required to abstain from voting in favour of the relevant resolutions at the SGM. Voting on the said resolution will be taken by way of poll at the SGM.

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## LETTER FROM THE BOARD

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### **PROPOSED REFRESHMENT OF THE REPURCHASE MANDATE**

Due to the increase in the issued share capital of the Company as a result of the Placing, an ordinary resolution will also be proposed at the SGM for the Shareholders' approval to refresh the Repurchase Mandate.

Under the Listing Rules, the Company is required to provide its Shareholders with all information which is reasonably necessary to enable the Shareholders to make an informed decision as to whether to vote for or against the resolution to grant to the Directors the Repurchase Mandate. The explanatory statement required by the Listing Rules to be included in this circular is set out in the Appendix.

### **ELECTION OF RETIRING DIRECTOR**

According to Bye-law 102(B), the Board have the power from time to time and at any time to appoint any person as a Director either to fill a causal vacancy on the Board or as an addition to the Board.

Pursuant to Code Provision A.4.2 in Appendix 14 to the Listing Rules, any Director so appointed by the Board shall hold office only until the next general meeting of the Company and shall then be eligible for election.

Pursuant to Code Provision A.4.2 in Appendix 14 to the Listing Rules, Mr. Lui Siu Tsuen, Richard, ("Mr. Lui") an independent non-executive Director, was appointed by the Board during the year who shall hold the office only until the SGM. Mr. Lui, being eligible, will offer himself for election at the SGM. Brief biographies of Mr. Lui is set out below.

Mr. Lui, aged 53, holds a Master of Business Administration degree from the University of Adelaide in Australia. Mr. Lui is a member of the Institute of Chartered Accountants in England and Wales, the CPA Australia, the Hong Kong Institute of Certified Public Accountants and the Chartered Institute of Management Accountants in the United Kingdom. He has 30 years of experience in accounting, financial and corporate management and has held senior financial position in an international accounting firm and various private and public listed companies. Currently, Mr. Lui is the proprietor of a certified public accountant firm in Hong Kong.

In the past three years, Mr. Lui was an executive director of Hanny Holdings Limited and Wing On Travel (Holdings) Limited, both are public companies listed on the Stock Exchange. Mr. Lui was also an executive director of PSC Corporation Ltd, a company whose shares are listed on the Singapore Exchange Limited, and a director of MRI Holdings Limited, a company whose shares are listed on the Australian Securities Exchange.

Mr. Lui has not entered into any service contract with the Company and does not hold any position with other members of the Group. There is no specific term or proposed length of services for Mr. Lui's appointment but he is subject to retirement by rotation and be eligible for re-election at annual general meeting of the Company in accordance with the Listing Rules and the Bye-Laws. Mr. Lui will receive director's fee of HK\$100,000 per annum which is determined by the Board with reference to his experience and responsibilities in the Company. Mr. Lui does not hold any other positions with the Company or other members of the Group.

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## LETTER FROM THE BOARD

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Mr. Lui does not have any interest in the Shares within the meaning of Part XV of the SFO and does not have any relationship with any other directors, senior management, substantial or controlling shareholders of the Company.

Save as disclosed above, there is no other information relating to the re-appointment of Mr. Lui as the independent non-executive Director that is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules nor any matters that need to be brought to the attention of the Shareholders.

### **SPECIAL GENERAL MEETING**

The notice convening the SGM is set out on pages 17 to 19 of this circular. Resolutions in respect of the Issue Mandate, the Repurchase Mandate and the election of Director will be proposed at the SGM.

A form of proxy for the SGM is enclosed with this circular. Whether or not you are able to attend the SGM in person, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return it to the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at Rooms 1806-07, 18/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible but in any event not less than 48 hours before the time appointed for holding the SGM. Completion and return of the form of proxy will not preclude you from attending and voting at the SGM in person should you so wish.

### **RECOMMENDATION**

An Independent Board Committee has been formed to advise the Independent Shareholders in connection with the refreshment of the Previous Issue Mandate and Veda Capital has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the same. Veda Capital considers the terms of the refreshment of the Previous Issue Mandate fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole. The text of the letter of advice from Veda Capital containing its recommendation in respect of the refreshment of the Previous Issue Mandate is set out on pages 9 to 13 of this circular.

The Independent Board Committee, having taken into account the advice of Veda Capital, considers the refreshment of the Previous Issue Mandate fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends that the Independent Shareholders to vote in favour of the relevant resolution to be proposed at the SGM to approve the refreshment of the Previous Issue Mandate. The full text of the letter from the Independent Board Committee is set out on page 8 of this circular.



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## LETTER FROM THE BOARD

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Based on the reason mentioned above, the Directors consider the ordinary resolutions in relation to the General Mandates and the election of Mr. Lui as an independent non-executive Director are in the interests of the Company and the Shareholders as a whole and, accordingly, the Directors recommend the Shareholders to vote in favour of the relevant resolutions to be proposed at the SGM.

### ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the Appendix to this circular.

Yours faithfully,  
By order of the Board  
**21 Holdings Limited**  
**Ng Kai Man**  
*Chairman*

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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**21 Holdings Limited**

**21 控股有限公司\***

*(incorporated in Bermuda with limited liability)*

*(stock code: 1003)*

28 October 2009

*To the Independent Shareholders*

Dear Sir or Madam,

### **PROPOSED REFRESHMENT OF GENERAL MANDATE TO ISSUE NEW SHARES**

We have been appointed as members of the Independent Board Committee to advise you in connection with the refreshment of the Previous Issue Mandate, details of which are set out in the letter from the Board in a circular dated 28 October 2009 to the Shareholders (the “Circular”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

Veda Capital has been appointed to advise us and the Independent Shareholders on whether the refreshment of the Previous Issue Mandate is fair and reasonable so far as the Independent Shareholders are concerned and is in the best interests of the Company and the Shareholders as a whole. Details of its advice is set out on pages 9 to 13 of the Circular.

Having taken into account the principal reasons and factors considered by, and the advice and recommendation of, Veda Capital, we are of the opinion that the refreshment of the Previous Issue Mandate is fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole. We, therefore, recommend the Independent Shareholders to vote in favour of the relevant ordinary resolution to be proposed at the SGM to approve the refreshment of the Previous Issue Mandate.

Yours faithfully,

For and on behalf of

**Independent Board Committee**

**Cheng Yuk Wo**

**Chui Chi Yun, Robert**

**Lui Siu Tsuen, Richard**

*Independent non-executive Directors*

*\* for identification purpose only*

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## LETTER FROM VEDA CAPITAL

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*The following is the full text of the letter from Veda Capital setting out the advice to the Independent Board Committee and the Independent Shareholders in respect of the proposed grant of Issue Mandate, which has been prepared for the purpose of inclusion in this circular.*

**VEDA | CAPITAL**  
**智略資本**

**Veda Capital Limited**  
Suite 1302, 13th Floor, Takshing House  
20 Des Voeux Road Central, Hong Kong

28 October 2009

*To the Independent Board Committee and the Independent Shareholders of  
21 Holdings Limited*

Dear Sir or Madam,

### **PROPOSED REFRESHMENT OF GENERAL MANDATE TO ISSUE NEW SHARES**

#### **INTRODUCTION**

We refer to the circular dated 28 October 2009 issued by the Company to the Shareholders of which this letter forms part (the “**Circular**”) and our appointment as independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the proposed grant of Issue Mandate, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the Circular. Capitalised terms used in this letter, unless the context otherwise requires, shall have the same meanings ascribed to them in the Circular.

Pursuant to Rule 13.36(4) of the Listing Rules, the grant of the Issue Mandate is subject to the approval by the Independent Shareholders by way of poll at the SGM. The controlling Shareholders (as defined in the Listing Rules) and their associates or, where there are no controlling Shareholders, Directors (excluding the independent non-executive Directors) and the chief executive and their respective associates shall abstain from voting in favour of the relevant resolution at the SGM. As at the Latest Practicable Date, there is no controlling Shareholders (as defined in the Listing Rules) and none of the Directors (excluding the independent non-executive Directors) and the chief executive and their respective associates have any interest in the Company. Accordingly, no Shareholder is required to abstain from voting in favour of the relevant resolution in the SGM.

The Independent Board Committee (comprising all the independent non-executive Directors, namely Mr. Cheng Yuk Wo, Mr. Chui Chi Yun, Robert and Mr. Lui Siu Tsuen, Richard) has been established to advise the Independent Shareholders on the proposed grant of the Issue Mandate.

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## LETTER FROM VEDA CAPITAL

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### **BASIS OF OUR ADVICE**

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained in the Circular and the information and representations provided to us by the Company, Directors and management of the Company. We have no reason to believe that any information and representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the information provided and the representations made to us untrue, inaccurate or misleading. We have assumed that all information, representations and opinions contained or referred to in the Circular, which have been provided by the Company, Directors and management of the Company and for which they are solely and wholly responsible, were true and accurate at the time when they were made and continue to be true at the date of the SGM.

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, which to the best of their knowledge and belief, there are no other facts the omission of which would make any statement in the Circular misleading. We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, or its subsidiaries or associated companies.

### **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In arriving at our opinion in respect of the proposed grant of Issue Mandate, we have taken into consideration the following principal factors and reasons:

#### **Background and reasons for the grant of the Issue Mandate**

The Group is principally engaged in the provision of property agency and related services, trading of toys, gifts and premium products and securities trading and investments.

At the annual general meeting of the Company held on 23 June 2009, the Previous Issue Mandate was approved by the Shareholders and the Directors were granted, among others, the rights to allot and issue up to 43,576,460 new Shares. As set out in the Company's announcements dated 21 September 2009 and 29 September 2009, the Company has entered into a placing agreement on 21 September 2009, pursuant to which 43,500,000 new Shares were issued under the Previous Issue Mandate, representing approximately 99.82% of the Previous Issue Mandate.

As stated in the Board Letter, as the majority of the Previous Issue Mandate has been utilized and in connection with the enlarged share capital of the Company as a result of the Placing, the Directors would like to refresh the Previous Issue Mandate in order to allow a flexibility for the Company to issue new Shares under the refreshed limit in the future as speedily as possible when necessary. As at the Latest Practicable Date, only a further 76,460 new Shares can be issued under the Previous Issue Mandate and should any investment opportunities arise that require the issue of new Shares, a specific mandate would have to be sought and there would be no certainty as to whether the requisite Shareholders' approval could be obtained in a timely manner.

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## LETTER FROM VEDA CAPITAL

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As at the Latest Practicable Date, the Company had 361,382,298 Shares in issue. Subject to the passing of the ordinary resolution for the grant of the Issue Mandate and assuming that no Shares are issued and/or repurchased by the Company between the Latest Practicable Date and the date of the SGM, the Company would be allowed under the Issue Mandate to allot and issue up to 72,276,459 Shares, representing 20% of the total number of Shares in issue as at the date of the SGM.

We were advised by the Company that the net proceeds raised from the Placing was amounted to approximately HK\$17.70 million, of which approximately HK\$16.0 million was used for repayment of a promissory note which had been issued by a subsidiary of the Company as part of consideration for the acquisition of a property agency business in July 2008 (the “**Promissory Note**”) and the remaining balance of approximately HK\$1.70 million remain unused as the Latest Practicable Date. We also noted from the Company’s announcement dated 12 October 2009 (the “**Rights Issue Announcement**”) in respect of the proposed fundraising for approximately HK\$144.55 million (before expense) by way of rights issue (the “**Rights Issue**”) on the basis of four rights shares for every Share held on the record date. As set out in the Rights Issue Announcement, the estimated net proceeds of the Rights Issue will be approximately HK\$140.20 million and the Company intends to utilize the entire net proceeds as the general working capital (including but not limited to repayment of the Promissory Note and other indebtedness of the Group). As advised by the Company, the Rights Issue is expected to be completed by the end of December 2009.

We noted from the interim report 2009 of the Company that the Group has recorded bank balances and cash of approximately HK\$12.42 million as at 30 June 2009 and we noted from the monthly return of the Company for the month ended 30 September 2009, the Company has outstanding convertible note due July 2011 amounted to approximately HK\$130 million. Also as advised by the Company, the outstanding amount of the Promissory Note is approximately HK\$54.0 million as at the Latest Practicable Date.

In view that (i) there is no certainty that existing cash and facility resources will be adequate for any appropriate investment that may be identified by the Company in the future notwithstanding the proceeds raised/to be raised from the Placing and the Rights Issue, additional funding may still be needed in a timely manner when necessary for financing future investments should suitable investment opportunities arise; (ii) the Previous Issue Mandate has almost been fully utilized after the completion of the Placing and the grant of Issue Mandate can enhance the financial flexibility necessary for the Group to raise funds by equity financing for future business development and to strengthen the capital base and financial position of the Company; (iii) most of the net proceeds from the Placing has been utilized; and (iv) the outstanding amount of the Promissory Note, we consider the grant of the Issue Mandate is fair and reasonable and will be in the interests of the Company and the Independent Shareholders as a whole notwithstanding there is no immediate funding need for the Group as at the Latest Practicable Date and the fund to be raised under the Rights Issue.

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## LETTER FROM VEDA CAPITAL

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### Other financing alternatives

As debt financing may incur interest burden to the Group, equity financing such as issuance of new Shares for cash or equity swaps may be an appropriate mean to fund investments and/or acquisitions and provide additional working capital for the future development and expansion of the Group, given the Group's financial position, capital structure, cost of funding and the then financial market condition. Other financing methods such as debt financing or internal cash resources to fund future business development of the Company shall be taken into consideration in appropriate circumstances.

We consider that the grant of the Issue Mandate will provide the Company with an additional alternative and it is reasonable for the Company to have the flexibility in deciding the financing methods for its future development, including equity issuance. As such, we are of the view that the grant of the Issue Mandate will be in the interests of the Company and the Independent Shareholders as a whole.

### Potential dilution to shareholdings of the Independent Shareholders

Set out below is a table showing the shareholdings of the Company as at the Latest Practicable Date and, for illustrative purpose, the potential dilution effect on the shareholdings upon full utilisation of the Issue Mandate assuming no Shares are issued or repurchased during the period between the Latest Practicable Date and the date of the SGM:

	As at the Latest Practicable Date		Immediately upon full utilisation of the Issue Mandate	
	<i>Number of Shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>
Independent Shareholders	361,382,298	100.00%	361,382,298	83.33%
Additional Shareholders upon full utilization of the Issue Mandate	—	—	72,276,459	16.67%
Total:	<u>361,382,298</u>	<u>100.00%</u>	<u>433,658,757</u>	<u>100.00%</u>

As illustrated in the table above, the existing aggregate shareholding of the Independent Shareholders will decrease from 100% as at the Latest Practicable Date to approximately 83.33% upon full utilisation of the Issue Mandate. Taking into account that the Issue Mandate (i) will provide an alternative to increase the amount of capital which may be raised under the Issue Mandate; (ii) provides more options of financing to the Group for further development of its business as well as in other potential future investment and/or acquisitions as and when such opportunities arise; and (iii) the fact that the shareholdings of all Shareholders will be diluted proportionately to their respective shareholding upon any utilization of the Issue Mandate, we consider such dilution or potential dilution to shareholdings of the Independent Shareholders to be justifiable.

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## LETTER FROM VEDA CAPITAL

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### RECOMMENDATION

Having considered the factors and reasons as stated above, we are of the view that the grant of the Issue Mandate is in the interests of the Company and Independent Shareholders as a whole, and is fair and reasonable. Accordingly, we recommend the Independent Shareholders and advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the ordinary resolution in relation to the grant of the Issue Mandate to be proposed at the SGM. Independent Shareholders are however advised to take note of the possible dilution effect on their shareholding interests in the Company when and if the Issue Mandate is utilised.

Yours faithfully,

For and on behalf of

**Veda Capital Limited**

**Hans Wong**

*Managing Director*

**Julisa Fong**

*Executive Director*

**LISTING RULES**

The Listing Rules permit a company with a primary listing on the Stock Exchange to repurchase its own securities on the Stock Exchange subject to certain restrictions, the most important of which are summarized below:

**(i) Shareholders' approval**

All proposed repurchases of securities by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution, either by way of general mandate or by specific approval of a particular transaction.

**(ii) Source of funds**

Repurchases must be funded out of funds legally available for the purpose in accordance with a company's constitutive documents and the laws of the jurisdiction in which the company is incorporated or otherwise established.

**(iii) Maximum number of shares to be repurchased**

A maximum of 10 per cent. of the outstanding fully paid share capital at the date of passing the relevant resolution may be repurchased by the Company on the Stock Exchange.

**EXERCISE OF THE REPURCHASE MANDATE**

As at the Latest Practicable Date, the issued and fully paid up share capital of the Company comprised of 361,382,298 Shares. Subject to the passing of the relevant resolution and on the basis that no further Shares are issued or repurchased by the Company prior to the SGM, the Company would be allowed under the Repurchase Mandate to repurchase a maximum of 36,138,229 Shares (representing 10% of the total issued share capital of the Company) during the period from the date of the SGM up to:

- (i) the conclusion of next annual general meeting of the Company; or
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Bye-laws or any applicable laws of Bermuda to be held; or
- (iii) the revocation, variation or renewal of the Repurchase Mandate by ordinary resolution of the Shareholders in general meeting of the Company, whichever occurs first.



**REASONS FOR THE REPURCHASE OF SECURITIES**

The Directors believe that it is in the interests of the Company and its Shareholders for the Directors to have a general authority from the Shareholders to enable the Company to repurchase Shares in the market. Repurchase of Shares will only be made when the Directors believe that such repurchase will benefit the Company and the Shareholders. Such repurchase may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value and/or the earnings per share of the Company.

**FUNDING OF REPURCHASE**

Any repurchase will only be funded out of funds of the Company legally available for the purposes in accordance with memorandum of association of the Company, the Bye-laws and the applicable laws of Bermuda. The Company will not purchase securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

There might be a material adverse impact on the working capital or gearing position of the Company (as compared with the position disclosed in its latest published audited accounts contained in the annual report for the year ended 31 December 2008) in the event that the Repurchase Mandate, if so approved, were to be exercised in full at any time during the proposed repurchase period. However, the Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or the gearing levels which in the opinion of the Directors are from time to time appropriate for the Company.

**SHARE PRICE**

The highest and lowest prices at which the Shares were traded on the Stock Exchange during each of the previous twelve months prior to the Latest Practicable Date were as follows:

	Price per Shares	
	Highest <i>HK\$</i>	Lowest <i>HK\$</i>
<b>2008</b>		
October	0.940 <sup>A</sup>	0.360 <sup>A</sup>
November	0.620 <sup>A</sup>	0.420 <sup>A</sup>
December	0.680 <sup>A</sup>	0.360 <sup>A</sup>
<b>2009</b>		
January	0.500 <sup>A</sup>	0.320 <sup>A</sup>
February	0.440 <sup>A</sup>	0.265
March	0.620	0.225
April	0.800	0.490
May	1.160	0.580
June	1.860	1.020
July	2.020	1.340
August	2.290	1.830
September	2.060	0.350
October (up to the Latest Practicable Date)	0.390	0.255

A = adjusted for 2009 share consolidation of the Company.

**UNDERTAKING OF THE DIRECTORS**

The Directors have undertaken to the Stock Exchange to exercise the power of the Company to make repurchase of Shares pursuant to the Repurchase Mandate in accordance with the Listing Rules, all applicable laws of Bermuda and the regulations set out in the memorandum of association of the Company and the Bye-laws.

**EFFECT OF TAKEOVERS CODE**

If a Shareholder's proportionate interest in the voting rights of the Company increases as a result of repurchase of Shares pursuant to the Repurchase Mandate, such increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a Shareholder or group of Shareholders acting in concert, depending on the level of increase of the Shareholder's voting right at the time, could obtain or consolidate control of the Company and may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. As at the Latest Practicable Date, the Company has no substantial Shareholder and therefore the Board is not aware of any consequences which would arise under the Takeovers Code as a result of any repurchases of Shares pursuant to the Repurchase Mandate.

**DISCLOSURE OF INTERESTS**

None of the Directors nor, to the best of their knowledge and belief having made all reasonable enquiries, any of their associates has any present intention, in the event that the Repurchase Mandate is approved by the Shareholders, to sell Shares to the Company.

No connected persons of the Company (as defined in Listing Rules) have notified the Company that they have a present intention to sell any Shares (in issue or to be issued) to the Company nor have they undertaken not to sell any of the Shares held by them (in issue or to be issued to them) to the Company in the event that the Repurchase Mandate is approved by the Shareholders.

**REPURCHASES OF SHARES MADE BY THE COMPANY**

No repurchase of Shares has been made by the Company or any of its subsidiaries (whether on the Stock Exchange or otherwise) during the past six months prior to the Latest Practicable Date.

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## NOTICE OF THE SPECIAL GENERAL MEETING

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**21 Holdings Limited**

**21 控股有限公司\***

*(incorporated in Bermuda with limited liability)*

(stock code: 1003)

**NOTICE IS HEREBY GIVEN** that a special general meeting of 21 Holdings Limited (the “Company”) will be held at 9:30 a.m. on Friday, 13 November 2009 at Room 1101, 11/F., 88 Gloucester Road, Wanchai, Hong Kong for the purpose of considering and, if thought fit, passing with or without modification, the following resolutions as ordinary resolutions:

### ORDINARY RESOLUTIONS

1. **“THAT**

- (a) the general mandate granted to the directors of the Company (the “Directors”) to exercise the powers of the Company to allot, issue and deal with shares of the Company (the “Shares”) as approved by the shareholders of the Company (the “Shareholders”) at the annual general meeting of the Company held on 23 June 2009 be and is hereby revoked (without prejudice to any valid exercise of such general mandate prior to the passing of this resolution);
- (b) the exercise by the Directors during the Relevant Period (as defined below) of all the powers of the Company to allot, issue and deal with additional Shares and to make or grant offers, agreements and options (including bonds, warrants, debentures, notes and any other securities which carrying rights to subscribe for and are convertible into Shares) which would or might require the exercise of such powers be and is hereby generally and unconditionally approved;
- (c) the approval in paragraph (b) of this resolution shall authorise the Directors during the Relevant Period to make or grant offers, agreements and options (including bonds, warrants, debentures, notes and any other securities which carrying rights to subscribe for and are convertible into Shares) which would or might require the exercise of such powers after the end of the Relevant Period;
- (d) the aggregate nominal amount of share capital of the Company allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) and issued by the Directors pursuant to the approval in paragraph (b) of this resolution, otherwise than pursuant to (i) a Rights Issue (as defined below), or (ii) an issue of Shares upon the exercise of rights of subscription or conversion under the terms of any securities which are convertible into Shares or (iii) an issue of Shares upon the exercise of options granted under any share option scheme or similar arrangement for the time being adopted for the grant or issue to any eligible grantees to acquire Shares, or (iv) any scrip dividend or similar arrangement of the Company providing for the allotment of Shares in lieu of the whole or part of a dividend on Shares in accordance with the bye-laws of the Company, shall not exceed 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing this resolution and the said approval shall be limited accordingly; and

*\* for identification purpose only*

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## NOTICE OF THE SPECIAL GENERAL MEETING

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- (e) for the purpose of this resolution:

“Relevant Period” means the period from the date of passing of this resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company; or
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the bye-laws of the Company or the Companies Act 1981 of Bermuda or any other applicable laws to be held; or
- (iii) the passing of an ordinary resolution by the Shareholders in general meeting revoking or varying the authority given to the Directors by this resolution; and

“Rights Issue” means an offer of Shares open for a period fixed by the Directors to holders of Shares or any class thereof whose names appear on the register of members of the Company on a fixed record date in proportion to their then holdings of such Shares or class thereof (subject to such exclusion or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory applicable to the Company).”

2. **“THAT**

- (a) the general mandate granted to the Directors to exercise the powers of the Company to repurchase Shares as approved by the Shareholders at the annual general meeting of the Company held on 23 June 2009 be and is hereby revoked (without prejudice to any valid exercise of such general mandate prior to the passing of this resolution);
- (b) the exercise by the Directors during the Relevant Period (as defined below) of all powers of the Company to repurchase the Shares on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) or any other stock exchange on which the Shares may be listed and is recognised by the Securities and Futures Commission of Hong Kong and the Stock Exchange for this purpose, subject to and in accordance with all applicable laws and/or the requirements of the Rules Governing the Listing of Securities on the Stock Exchange as amended from time to time or those of any other stock exchange, be and is hereby generally and unconditionally approved;
- (c) the aggregate nominal amount of Shares which may be repurchased by the Company pursuant to paragraph (b) above during the Relevant Period shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing this resolution and the said approval shall be limited accordingly; and
- (d) for the purposes of this resolution, “Relevant Period” means the period from the date of passing of this resolution until whichever is the earliest of:
  - (i) the conclusion of the next annual general meeting of the Company; or

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## NOTICE OF THE SPECIAL GENERAL MEETING

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- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the bye-laws of the Company or the Companies Act 1981 of Bermuda or any other applicable laws to be held; or
  - (iii) the passing of an ordinary resolution by the Shareholders in general meeting revoking or varying the authority given to the Directors by this resolution.”
3. “**THAT** subject to the passing of ordinary resolutions numbered 1 and 2, the general mandate granted to the Directors and for the time being in force to exercise the powers of the Company to allot, issue and deal with additional Shares pursuant to ordinary resolution numbered 1 be and is hereby extended by the addition to the aggregate nominal amount of the Shares which may be allotted or agreed conditionally or unconditionally to be allotted by the Directors pursuant to such general mandate of an amount representing the aggregate nominal amount of the Shares repurchased by the Company under the authority granted pursuant to ordinary resolution numbered 2, provided that such extended amount shall not exceed 10% of the nominal amount of the share capital of the Company in issue as at the date of passing this resolution.”
4. “**THAT**, Mr. Lui Siu Tsuen, Richard be elected as an independent non-executive Director of the Company and the Board be hereby authorised to fix his remuneration.”

By order of the Board  
**21 Holdings Limited**  
**Lau Siu Mui**  
*Company Secretary*

Hong Kong, 28 October 2009

*Notes:*

- (1) A member of the Company entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote in his stead. A proxy need not be a member of the Company but must be present in person to represent the member. A form of proxy for use at the meeting is enclosed herewith.
- (2) To be valid, the form of proxy together with any power of attorney or other authority under which it is signed or a notarially certified copy of that power of attorney or authority must be deposited with the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at Rooms 1806-07, 18/F, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.
- (3) In the case of joint registered holders of any share in the capital of the Company, any one of such persons may vote at the meeting, either personally or by proxy, in respect of such Shares as if he/she was solely entitled thereto, but if more than one of such joint registered holders is present at the meeting, either personally or by proxy, that one of the said persons so present whose name stands first on the registrar of the members of the Company in respect of such Share shall alone be entitled to vote in respect thereof.
- (4) Completion and return of the form of proxy will not preclude members from attending and voting at the meeting or any adjourned meeting if you so wish. If a member attends the meeting after having deposited the form of proxy, his form of proxy will be deemed to have been revoked.