THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

This circular is for information purpose only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities of the Company.

21 Holdings Limited
21 控股有限公司*

(incorporated in Bermuda with limited liability)

(stock code: 1003)

(1) PROPOSED RIGHTS ISSUE ON THE BASIS OF FOUR RIGHTS SHARES FOR EVERY SHARE HELD ON THE RECORD DATE AND (2) NOTICE OF SPECIAL GENERAL MEETING

Financial Adviser

結好融資有限公司
GET NICE CAPITAL LIMITED

Underwriters of the Rights Issue

結好證券有限公司
GET NICE SECURITIES LIMITED

英皇證券(香港)有限公司
Emperor Securities Limited

Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders

MENLO CAPITAL

Menlo Capital Limited

It should be noted that the Shares will be dealt in on an ex-rights basis from Monday, 16 November 2009. Dealings in the Rights Shares in the nil-paid form will take place from Thursday, 26 November 2009 to Friday, 4 December 2009 (both dates inclusive). If the conditions of the Rights Issue are not fulfilled or waived (as applicable) or the Underwriting Agreement is terminated by the Underwriters, the Rights Issue will not proceed. Any dealing in the nil-paid Rights Shares during the period from Thursday, 26 November 2009 to Friday, 4 December 2009 (both dates inclusive) will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed.

It should be noted that the Underwriting Agreement in respect of the Rights Issue contains provisions entitling the Underwriters by notice in writing to the Company at any time prior to 4:00 p.m. on the Settlement Date to terminate the obligations of the Underwriters thereunder on the occurrence of certain events including force majeure. These events are set out under the paragraph headed "Termination of the Underwriting Agreement" on pages 14 to 15 of this circular. If the Underwriters terminate the Underwriting Agreement in accordance with the terms thereof, the Rights Issue will not proceed. In addition, the Rights Issue is conditional on all conditions set out on page 13 of this circular being fulfilled or waived (as applicable). In the event that the above conditions have not been satisfied and/or waived in whole or in part by the Underwriters on or before 4.00 p.m. on 9 January 2010 (or such later date as the Underwriters and the Company may agree), the Underwriting Agreement shall terminate and no party shall have any claim against the other party for costs, damages, compensation or otherwise and the Rights Issue will not proceed.

A letter of advice from Menlo Capital Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders is set out on pages 22 to 34 of this circular and a letter of recommendation from the Independent Board Committee to the Independent Shareholders is set out on page 21 of this circular.

A notice convening a special general meeting of the Company to be held at 10:00 a.m. on Monday, 23 November 2009 at Room 1101, 11/F., 88 Gloucester Road, Wanchai, Hong Kong is set out on pages 126 to 127 of this circular. Whether or not you are able to attend the meeting in person, you are requested to 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 1806-1807, 18/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event not later than 48 hours before the time appointed for holding the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so wish.

4 November 2009

** for identification purpose only*

CONTENTS

EXPECTED TIMETABLE

The expected timetable for the Rights Issue is set out below:

Last day of dealings in Shares on a cum-rights basis	Friday, 13 November 2009
First day of dealings in Shares on an ex-rights basis	Monday, 16 November 2009
Latest time for lodging transfers of Shares in order to qualify for the Rights Issue	4:30 p.m. on Tuesday, 17 November 2009
Register of members to be closed	Wednesday, 18 November 2009 to Monday, 23 November 2009 (both dates inclusive)
Latest time for return of proxy form of SGM (not less than 48 hours before the appointed time of the SGM)	10:00 a.m., Saturday, 21 November 2009
Record Date	Monday, 23 November 2009
Expected date and time of the SGM	10:00 a.m., Monday, 23 November 2009
Announcement of results of the SGM	Monday, 23 November 2009
Register of members to be re-opened	Tuesday, 24 November 2009
Prospectus Documents to be posted	Tuesday, 24 November 2009
First day of dealings in nil-paid Rights Shares	Thursday, 26 November 2009
Latest time for splitting of nil-paid Rights Shares	4:30 p.m. on Tuesday, 1 December 2009
Last day of dealings in nil-paid Rights Shares	Friday, 4 December 2009
Latest time for acceptance of and payment for Rights Shares and for application and payment for excess Rights Shares	4:00 p.m. on Wednesday, 9 December 2009
Rights Issue expected to become unconditional	after 4:00 p.m. on Monday, 14 December 2009
Announcement of results of acceptance and excess application of the Rights Issue	Friday, 18 December 2009
Refund cheques for wholly and partially unsuccessful applications for excess Rights Shares expected to be posted on or before	Monday, 21 December 2009

Certificates for fully-paid Rights Shares expected
to be despatched on or before .... Monday, 21 December 2009

First day of dealings in the fully-paid Rights Shares .... Wednesday, 23 December 2009

All times and dates in this circular refer to Hong Kong times and dates.

Dates or deadlines specified in this circular are indicative only and may be varied by agreement between the Company and the Underwriters. Any consequential changes to the expected timetable will be published or notified to the Shareholders as and when appropriate.

EFFECT OF BAD WEATHER ON THE LATEST TIME FOR ACCEPTANCE OF AND PAYMENT FOR THE RIGHTS SHARES AND FOR APPLICATION AND PAYMENT FOR EXCESS RIGHTS SHARES

The latest time for acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares will not take place if there is:

1. a tropical cyclone warning signal number 8 or above, or

2. a "black" rainstorm warning

   (i) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on the Acceptance Date. Instead, the latest time for acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares will be extended to 5:00 p.m. on the same Business Day; or

   (ii) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the Acceptance Date. Instead the latest time for acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force in Hong Kong at any time between 9:00 a.m. and 4:00 p.m.

If the latest time for acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares does not take place on the Acceptance Date, the dates mentioned in this section may be affected. An announcement will be made by the Company in such event.

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

"Acceptance Date"	9 December 2009 (or such other date as the Underwriters may agree in writing with the Company as the latest date for acceptance of, and payment for, Rights Shares)
"Announcement"	the announcement of the Company dated 12 October 2009 relating to, inter alia, the Rights Issue
"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Board"	the board of Directors
"Business Day"	a day on which banks are generally open for business (other than a Saturday and Sunday) in Hong Kong
"Bye-laws"	the bye-laws of the Company from time to time
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"Companies Ordinance"	the Companies Ordinance, Chapter 32 of the Laws of Hong Kong
"Company"	21 Holdings Limited, a company incorporated under the laws of Bermuda with limited liability and the shares of which are listed on the main board of the Stock Exchange (Stock Code: 1003)
"connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"Convertible Note"	the 2% coupon convertible note due July 2011 in the aggregate principal amount of HK$130,000,000 issued by the Company on 23 July 2008 to Mr. Ng, all of which remains outstanding as at the Latest Practicable Date
"Director(s)"	director(s) of the Company
"EAF(s)"	the excess application form(s) to be issued in connection with the Rights Issue
"Emperor"	Emperor Securities Limited, a corporation licensed to carry on type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO

"Get Nice"	Get Nice Securities Limited, a corporation licensed to carry on type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance), and type 9 (asset management) regulated activities under the SFO
"Group"	the Company and its subsidiaries
"HKSCC"	Hong Kong Securities Clearing Company Limited
"HK$"	Hong Kong dollar, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Independent Board Committee"	a committee of the Board comprising all the independent non-executive Directors formed for the purpose of advising the Independent Shareholders in relation to the Rights Issue
"Independent Shareholder(s)"	any Shareholder other than controlling Shareholders of the Company 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
"Last Trading Day"	9 October 2009, being the last trading day before the suspension of the trading of Shares on the Stock Exchange, pending the release of the Announcement
"Latest Practicable Date"	29 October 2009, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
"Listing Committee"	has the meaning ascribed thereto under the Listing Rules
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Menlo Capital"	Menlo Capital Limited, a corporation licensed to carry on type 6 (advising on corporate finance) regulated activities under the SFO and the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the Rights Issue
"Mr. Ng"	Mr. Ng Kai Man, the Chairman of the Company and an executive Director

"Non-Qualifying Shareholder(s)"	those Overseas Shareholder(s) whom the Directors, based on legal opinions provided by the Company's legal advisers, consider it necessary or expedient not to offer the Rights Issue to such Shareholders on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place
"Overseas Shareholder(s)"	Shareholder(s) whose name(s) appear(s) on the register of members of the Company at the close of business on the Record Date and whose address(es) as shown on such register is outside Hong Kong
"PAL(s)"	the provisional allotment letter(s) in respect of the Rights Issue proposed to be issued to the Qualifying Shareholders in connection with the Rights Issue
"Posting Date"	24 November 2009 or such other date as the Underwriters may agree in writing with the Company, as the date of despatch of the Prospectus Documents to the Qualifying Shareholders or the Prospectus for information only (as the case may be) to the Non-Qualifying Shareholders
"PRC"	the People's Republic of China
"Promissory Note"	the promissory note issued by Kingbox Investments Limited, a wholly-owned subsidiary of the Company, to Mr. Ng as part of the consideration for the acquisition of the property agency business in July 2008, details of which are set out in the circular of the Company dated 28 June 2008
"Prospectus"	the prospectus to be despatched to the Shareholders in relation to the Rights Issue
"Prospectus Documents"	the Prospectus, PAL and EAF
"Qualifying Shareholder(s)"	Shareholders, other than the Non-Qualifying Shareholders
"Record Date"	23 November 2009 or such other date as the Underwriters may agree in writing with the Company as the date by reference to which entitlements to the Rights Issue are to be determined
"Registrar"	the branch share registrar of the Company in Hong Kong, being Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong
"Rights Issue"	the proposed issue by way of rights of four Rights Shares for every one Share in issue and held on the Record Date at the Subscription Price on the terms and subject to the conditions set out in the Underwriting Agreement and the Prospectus Documents

"Rights Shares"	Shares to be issued and allotted under the Rights Issue, being 1,445,529,192 Shares
"Settlement Date"	14 December 2009, being the third Business Day following the Acceptance Date (or such other time or date as the Underwriters and the Company may agree in writing)
"SFC"	Securities and Futures Commission of Hong Kong
"SFO"	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"SGM"	the special general meeting of the Company to be convened and held at 10:00 a.m. on Monday, 23 November 2009 at Room 1101, 11/F., 88 Gloucester Road, Wanchai, Hong Kong to consider and, if thought fit, approve the Rights Issue
"Share(s)"	the ordinary share(s) of HK$0.01 each in the share capital of the Company
"Shareholder(s)"	holder(s) of Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscription Price"	HK$0.10 per Rights Share
"Takeovers Code"	The Hong Kong Code on Takeovers and Mergers
"Undertaking Letter"	the irrevocable undertaking given by Mr. Ng in favour of the Company and the Underwriters on 9 October 2009, as more particularly set out in the sub-paragraph headed "Undertaking by Mr. Ng" in this circular
"Underwriters"	Get Nice and Emperor
"Underwriting Agreement"	the underwriting agreement dated 9 October 2009 entered into between the Company and the Underwriters in relation to the underwriting arrangement in respect of the Rights Issue
"Underwritten Shares"	1,445,529,192 Rights Shares underwritten by the Underwriters pursuant to the terms of the Underwriting Agreement
"%" or "per cent."	percentage or per centum

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

4 November 2009

To the Shareholders, and for information only, holder of the Convertible Note

Dear Sir or Madam,

PROPOSED RIGHTS ISSUE ON THE BASIS OF FOUR RIGHTS SHARES FOR EVERY SHARE HELD ON THE RECORD DATE

INTRODUCTION

On 12 October 2009, the Board announced that the Company proposed to raise approximately HK$144.55 million before expenses by way of the Rights Issue of issuing 1,445,529,192 Rights Shares on the basis of four Rights Shares for every Share held on the Record Date at a price of HK$0.10 per Rights Share payable in full on acceptance.

The Independent Board Committee has been formed to advise the Independent Shareholders in respect of the Rights Issue. Menlo Capital has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

* *for identification purpose only*

The purpose of this circular is to provide you with, among others, (i) further details about the Rights Issue; (ii) the recommendation of the Independent Board Committee to the Independent Shareholders in relation to the Rights Issue; (iii) the advice of Menlo Capital to the Independent Board Committee and the Independent Shareholders in relation to the Rights Issue; (iv) financial information of the Group; and (v) a notice of the SGM at which resolution will be proposed to consider and, if though fit, to approve the Rights Issue.

PROPOSED RIGHTS ISSUE

Issue statistics

Basis of the Rights Issue	:	Four Rights Shares for every Share held at the close of business on the Record Date
Subscription Price	:	HK$0.10 per Rights Share with nominal value of HK$0.01 each
Number of Shares in issue as at the Latest Practicable Date	:	361,382,298 Shares
Number of Rights Shares	:	1,445,529,192 Rights Shares *(Note)*

Note:

As at the Latest Practicable Date, Mr. Ng is holding the Convertible Note with an aggregate principal amount of HK$130,000,000 convertible into 134,436,401 Shares at the conversion price of HK$0.967 per Share (subject to adjustments). Mr. Ng has given an irrevocable undertaking, inter alia, not to transfer or deal with the Convertible Note and not to exercise the conversion rights attaching to the Convertible Note until the close of business on the Record Date pursuant and subject to the terms of the Undertaking Letter.

Save for the above outstanding Convertible Note, the Company had no other outstanding convertible securities, options or warrants in issue or other similar rights which confer any right to convert into or subscribe for Shares as at the Latest Practicable Date.

The 1,445,529,192 nil-paid Rights Shares proposed to be provisionally allotted represent 400% of the Company's issued share capital as at the Latest Practicable Date and 80% of the Company's issued share capital as enlarged by the issue of the Rights Shares.

Qualifying Shareholders

The Company will send the Prospectus Documents to Qualifying Shareholders only.

To qualify for the Rights Issue, a Shareholder must:

1. be registered as a member of the Company at the close of business on the Record Date; and

2. be a Qualifying Shareholder.

In order to be registered as members of the Company at the close of business on the Record Date, owners of Shares must lodge any transfers of Shares (together with the relevant share certificates) with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on 17 November 2009.

Closure of register of members

The register of members of the Company will be closed from 18 November 2009 to 23 November 2009, both dates inclusive. No transfers of Shares will be registered during this period.

Rights of Overseas Shareholders

The Prospectus Documents are not intended to be registered under the applicable securities legislation of any jurisdiction other than Hong Kong and Bermuda.

According to the register of members of the Company as at the Latest Practicable Date, there were two Overseas Shareholders with registered address in Macau and Australia respectively. The Company will make enquiries pursuant to Rule 13.36(2) of the Listing Rules regarding the feasibility of extending the Rights Issue to the Overseas Shareholders. If, based on legal opinions, the Directors consider that it is necessary or expedient not to offer the Rights Shares to the Overseas Shareholders on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place, the Rights Issue will not be available to such Overseas Shareholders. Further information in this connection will be set out in the Prospectus. The Company will send copies of the Prospectus to the Non-Qualifying Shareholders for their information only, but will not send any PAL and EAF to them.

Arrangements will be made for Rights Shares which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders to be sold in the market in their nil-paid form as soon as practicable after dealings in the nil-paid Rights Shares commence, if a premium (net of expenses) can be obtained. The proceeds of such sale, less expenses, of more than HK$100 will be paid pro rata to the Non-Qualifying Shareholders. The Company will retain individual amounts of HK$100 or less for the benefits of the Company. Any unsold entitlement of the Non-Qualifying Shareholders, together with any Rights Shares provisionally allotted but not accepted, will be made available for excess application on EAFs by the Qualifying Shareholders.

Basis of provisional allotment

The basis of the provisional allotment shall be four Rights Shares for every Share in issue and held as at the close of business on the Record Date. Application for all or any part of a Qualifying Shareholder's provisional allotment should be made by completing the PAL and lodging the same with a remittance for the Rights Shares being applied for.

Subscription Price

The Subscription Price for the Rights Shares is HK$0.10 per Rights Share, payable in full upon acceptance of the relevant provisional allotment of Rights Shares and, where applicable, application for excess Rights Shares under the Rights Issue or when a transferee of nil-paid Rights Shares applies for the Rights Shares.

The Subscription Price represents:

(i) a discount of about 71.01% to the closing price of HK$0.345 per Share as quoted on the Stock Exchange on the Last Trading Day;

(ii) a discount of about 32.89 % to the theoretical ex-rights price of approximately HK$0.149 based on the closing price of HK$0.345 per Share as quoted on the Stock Exchange on the Last Trading Day;

(iii) a discount of about 69.70% to the average closing price of approximately HK$0.33 per Share for the five trading days ended on the Last Trading Day; and

(iv) a discount of about 60.78% to the closing price of HK$0.255 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The Subscription Price for the Rights Shares was determined after arm's length negotiations between the Company and the Underwriters with reference to the market price of the Shares prior to the Last Trading Day. The Directors consider the terms of the Rights Issue, including the Subscription Price, to be fair and reasonable and in the best interests of the Company and the Shareholders as a whole. The net price per Rights Share upon full acceptance of the relevant provisional allotment of Rights Shares will be approximately HK$0.097.

Status of the Rights Shares

The Rights Shares, when allotted and fully paid, will rank pari passu in all respects with Shares then in issue. Holders of fully-paid Rights Shares will be entitled to receive all future dividends and distributions which are declared, made or paid after the date of allotment of the Rights Shares.

Share certificates and refund cheques for Rights Issue

Subject to the fulfillment of the conditions of the Rights Issue and the Underwriting Agreement not being terminated by the Underwriters, certificates for all fully-paid Rights Shares are expected to be posted to those entitled thereto by ordinary post at their own risk on or before 21 December 2009. Refund cheques in respect of wholly or partially unsuccessful applications for excess Rights Shares (if any) are expected to be posted on or before 21 December 2009 by ordinary post to the applicants at their own risk.

The first day of dealings in the Rights Shares in their fully-paid form is expected to commence on Wednesday, 23 December 2009.

Application for excess Rights Shares

Qualifying Shareholders may apply, by way of excess application, for any unsold entitlements of the Non-Qualifying Shareholders and for any Rights Shares provisionally allotted but not accepted by the Qualifying Shareholders.

Applications for excess Rights Shares may be made by completing the EAFs and lodging the same with a separate remittance for the excess Rights Shares being applied for. The Directors will allocate the excess Rights Shares at their discretion on a fair and equitable basis on the following principles:

(1) preference will be given to applications for less than a board lot of Rights Shares where they appear to the Directors that such applications are made to round up odd-lot holdings to whole-lot holdings and that such applications are not made with intention to abuse this mechanism; and

(2) subject to availability of excess Rights Shares after allocation under principle (1) above, the excess Rights Shares will be allocated to the Qualifying Shareholders based on a sliding scale with reference to the number of the excess Rights Shares applied by them (i.e. Qualifying Shareholders applying for a smaller number of Rights Shares are allocated with a higher percentage of successful application but will receive a lesser number of Rights Shares; whereas Qualifying Shareholders applying for a larger number of Rights Shares are allocated with a smaller percentage of successful application but will receive a higher number of Rights Shares) and with board lot allocations to be made on a best effort basis.

Investors with their Shares held by a nominee company should note that the Board will regard the nominee company as a single Shareholder according to the register of members of the Company. Accordingly, investors should note that the aforesaid arrangement in relation to the allocation of the excess Rights Shares will not be extended to beneficial owners individually. Investors with their Shares held by a nominee company are advised to consider whether they would like to arrange for the registration of the relevant Shares in the name of the beneficial owner(s) prior to the Record Date.

Investors whose Shares are held by their nominee(s) and who would like to have their names registered on the register of members of the Company must lodge all necessary documents with the Registrar for completion of the relevant registration by 4:30 p.m. on 17 November 2009.

Application for listing

The Company will apply to the Listing Committee for the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms.

Subject to the granting of the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Rights Shares in both their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement dates of dealings in the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange or such other dates as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Dealings in the Rights Shares in both their nil-paid and fully-paid forms (both in board lots of 20,000), which are registered in the branch register of members of the Company in Hong Kong will be subject to the payment of stamp duty, Stock Exchange trading fee, transaction levy, investor compensation levy and any other applicable fees and charges in Hong Kong.

Undertakings by Mr. Ng

As at the Latest Practicable Date, Mr. Ng is holding the Convertible Note with an aggregate principal amount of HK$130,000,000 convertible into 134,436,401 Shares at the conversion price of HK$0.967 per Share (subject to adjustments).

Mr. Ng has given an irrevocable undertaking, inter alia, not to transfer or deal with the Convertible Note and not to exercise the conversion rights attaching to the Convertible Note until the close of business on the Record Date.

Conditions of the Rights Issue

The Rights Issue is conditional upon the following conditions being fulfilled or waived (as appropriate):

(i) the Company despatching this circular to the Shareholders containing, among other matters, details of the Rights Issue together with proxy form and notice of SGM;

(ii) the passing by the Shareholders (or, where appropriate, Independent Shareholders) at the SGM of ordinary resolutions to approve the Underwriting Agreement and the Rights Issue (including, but not limited to, the exclusion of the offer of the Rights Issue to the Non-Qualifying Shareholders) and the transactions contemplated thereby by no later than the Posting Date;

(iii) the Listing Committee granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked listing of and permission to deal in all the Rights Shares (in their nil-paid and fully-paid forms) by no later than the Posting Date;

(iv) the Bermuda Monetary Authority granting consent to (if required) the issue of the Rights Shares by no later than the Posting Date;

(v) compliance with and performance of all the undertakings and obligations of the Company under the terms of the Underwriting Agreement;

(vi) the filing and registration of all relevant documents with the Registrar of Companies in Hong Kong; and

(vii) there being no breach of the Undertaking Letter by Mr. Ng.

Neither the Company nor the Underwriters may waive the above conditions (i) to (iv) (both inclusive), (vi) and (vii). The Underwriters may waive the condition (v) in whole or in part by written notice to the Company. In the event that the above conditions have not been satisfied and/or waived in whole or in part by the Underwriters on or before 4.00 p.m. on 9 January 2010 (or such later date as the Underwriters and the Company may agree), the Underwriting Agreement shall terminate and no party shall have any claim against the other party for costs, damages, compensation or otherwise and the Rights Issue will not proceed.

The Underwriting Agreement

Date	:	9 October 2009
Underwriters	:	Get Nice and Emperor. To the best of the Directors' knowledge and information, Get Nice and Emperor and their respective ultimate beneficial owners are third parties independent of and not connected with the Company and its connected persons

Total number of Rights Shares being underwritten by the Underwriters	:	The Underwriters have conditionally agreed pursuant to the Underwriting Agreement to underwrite the Rights Shares not subscribed by the Shareholders on a fully underwritten basis, being 1,445,529,192 Rights Shares (to be shared equally between Get Nice and Emperor), subject to the terms and conditions of the Underwriting Agreement
Commission	:	The commission payable by the Company in respect of the Rights Issue is 2% of the aggregate subscription price in respect of the Underwritten Shares

The Board considers the terms of the Underwriting Agreement including the commission rate accord with the market practice and are fair and reasonable so far as the Company and the Shareholders are concerned.

Termination of the Underwriting Agreement

The Underwriters may terminate the arrangements set out in the Underwriting Agreement by notice in writing issued to the Company by Emperor (on behalf of the Underwriters) at any time prior to 4:00 p.m. on the Settlement Date if:—

(a) in the absolute opinion of the Underwriters, the success of the Rights Issue would be materially and adversely affected by:—

1. the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the absolute opinion of the Underwriters materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or

2. the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date of the Underwriting Agreement) of a political, financial, economic or currency, market, or other nature (whether or not ejusdem generis with any of the foregoing) or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities market which may, in the absolute opinion of the Underwriters materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or

3. any material adverse change in the business or in the financial or trading position or prospects of the Group as a whole; or

4. any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out which would, in the absolute opinion of the Underwriters materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or

5. there occurs or comes into effect the imposition of any moratorium, suspension or material restriction on trading in the Shares generally on the Stock Exchange due to exceptional financial circumstances or otherwise; or

6. the commencement by any third party of any litigation or claim against any member of the Group which is or might be material to the Group taken as a whole; or

(b) any material adverse change in market conditions (including, without limitation, a change in fiscal or monetary policy or foreign exchange or currency markets, suspension or restriction of trading in securities, imposition of economic sanctions, on Hong Kong, the PRC or other jurisdiction relevant to the Group or any member of the Group and a change in currency conditions for the purpose of this clause includes a change in the system under which the value of the Hong Kong currency is pegged with that of the currency of the United States of America) occurs which in the absolute opinion of the Underwriters makes it inexpedient or inadvisable to proceed with the Rights Issue; or

(c) this circular or the Prospectus when published contain information (either as to business prospects or the condition of the Group or as to its compliance with any laws or the Listing Rules or any applicable regulations) which has not prior to the date of the Underwriting Agreement been publicly announced or published by the Company and which in the absolute opinion of the Underwriters is material to the Group as a whole and is likely to affect materially and adversely the success of the Rights Issue or might cause a prudent investor not to accept the Rights Shares provisionally allotted to it.

If, at or prior to 4:00 p.m. on the Settlement Date:

(i) any material breach of any of the warranties or undertakings of the Company contained under the Underwriting Agreement comes to the knowledge of the Underwriters; or

(ii) any event occurring or matter arising on or after the date of the Underwriting Agreement and prior to the Settlement Date which if it had occurred or arisen before the date of the Underwriting Agreement would have rendered any of the warranties of the Company contained under the Underwriting Agreement untrue or incorrect in any material respect comes to the knowledge of the Underwriters,

the Underwriters shall be entitled by joint notice in writing issued by the Underwriters to the Company prior to 4:00 p.m. on the Settlement Date to elect to rescind the Underwriting Agreement.

Upon the giving of such notice, all obligations of the Underwriters under the Underwriting Agreement shall cease and determine and the Company shall not be liable to pay to the Underwriters any fees under the Underwriting Agreement. Recission or termination of the Underwriting Agreement shall be without prejudice to any rights of any party in respect of any breach by the other prior to such rescission or termination of the Underwriting Agreement. If the Underwriters exercise such right, the Rights Issue will not proceed.

WARNING OF THE RISKS OF DEALING IN SHARES AND RIGHTS SHARES

Shares will be dealt in on an ex-rights basis from 16 November 2009. Dealings in the Rights Shares in the nil-paid form will take place from 26 November 2009 to 4 December 2009 (both dates inclusive). If the conditions of the Underwriting Agreement are not fulfilled or the Underwriting Agreement is terminated by the Underwriters, the Rights Issue will not proceed.

Any Shareholders or other persons contemplating selling or purchasing Rights Shares in their nil-paid form during the period from 26 November 2009 to 4 December 2009 (both dates inclusive) who are in any doubt about their position are recommended to consult their professional advisers. Any Shareholders or other persons dealing in Shares up to the date on which all the conditions to which the Rights Issue is subject are fulfilled (and the date on which the Underwriters' right of termination of the Underwriting Agreement ceases) and any persons dealing in the nil-paid Rights Shares during the above period will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed.

REASONS FOR THE RIGHTS ISSUE AND USE OF PROCEEDS

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.

The Board considers that the Rights Issue will enable the Group to strengthen its capital base and to enhance its financial position for future strategic investments as and when opportunities arise. The Rights Issue will give the Qualifying Shareholders the opportunity to maintain their respective pro-rata shareholding interests in the Company and, hence the Board considers that fund raising through the Rights Issue is in the interests of the Company and the Shareholders as a whole.

The gross proceeds from the Rights Issue will be approximately HK$144.55 million and the estimated net proceeds of the Rights Issue will be approximately HK$140.20 million. 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).

FUND RAISING EXERCISE OF THE COMPANY

Date of announcement	Capital raising activity	Net proceeds raised *(approximately)*	Proposed use of the net proceeds	Actual use of the net proceeds
22 December 2008	Placing of 220,000,000 new Shares and issue of convertible notes with aggregate principal amount of up to HK$120,000,000 on best effort basis	HK$40.32 million	To be used for repayment of the Promissory Note; and the remaining of the net proceeds to be used for general working capital	(i) approximately HK$30 million was used to repay the Promissory Note; and (ii) approximately HK$10.32 million was used as general working capital
21 September 2009	Placing of 43,500,000 new Shares	HK$17.7 million	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 has been used for repayment of the Promissory Note and the balance of approximately HK$1.7 million remain unused and placed with bank as short-term deposit

Save as abovementioned, the Company has not conducted any fund raising exercise in the past 12 months before the Latest Practicable Date.

CHANGES IN THE SHAREHOLDING STRUCTURE OF THE COMPANY ARISING FROM THE RIGHTS ISSUE

Assuming that there is no change in the shareholding structure of the Company from the Latest Practicable Date to immediately before completion of the Rights Issue, the shareholding structure of the Company as at the Latest Practicable Date and immediately after completion of the Rights Issue is as follows:

Shareholders	**As at the Latest Practicable Date**		**Immediately after completion of the Rights Issue assuming all Qualifying Shareholders take up their respective allotment of Rights Shares in full**		**Immediately after completion of the Rights Issue assuming no Qualifying Shareholders takes up any of the Rights Shares and the Underwriters take up the Rights Shares to the maximum extent**	
	Number of Shares	*%*	*Number of Shares*	*%*	*Number of Shares*	*%*
Underwriters *(Note 1)*	—	—	—	—	1,445,529,192	80.00
Public *(Note 2)*	361,382,298	100.00	1,806,911,490	100.00	361,382,298	20.00
Total	**361,382,298**	**100.00**	**1,806,911,490**	**100.00**	**1,806,911,490**	**100.00**

Notes:

1. The Underwriters have sub-underwritten their underwriting obligations under the Underwriting Agreement to sub-underwriters such that each of the Underwriters and the sub-underwriters together with their respective parties acting in concert (as defined in the Takeovers Code) with any of them will not own 29.9% or more of the issued share capital of the Company immediately after completion of the Rights Issue. Each of the Underwriters and the sub-underwriters (and their respective ultimate beneficial owners) is not a party acting in concert with each other. Each of the Underwriters and the sub-underwriters and their respective ultimate beneficial owners do not have any shareholding in the Company and are not connected persons of the Company.

2. The Underwriters shall and shall cause the sub-underwriters to procure independent placees to take up such number of Rights Shares as necessary to ensure that the public float requirements under Rule 8.08 of the Listing Rules are complied with.

POSSIBLE ADJUSTMENTS TO THE CONVERTIBLE NOTE

The Rights Issue may lead to adjustments to the conversion price and/or the number of Shares to be issued upon exercise of the conversion rights attached to the Convertible Note. Any adjustments to the conversion price and/or the number of Shares to be issued upon exercise of the conversion rights attached to the Convertible Note will be published or notified to the Shareholders as and when appropriate.

TAXATION

Qualifying Shareholders are recommended to consult their professional advisers if they are in any doubt as to the tax implications of the subscription for, holding or disposal of, or dealing in the Rights Shares in both their nil-paid and fully-paid forms, and as regards the Non-Qualifying Shareholders, their receipt of the net proceeds of sale of the Rights Shares otherwise falling to be issued to them under the Rights Issue. It is emphasised that none of the Company, its Directors or any other parties involved in the Rights Issue accepts responsibility for any tax effects on, or liabilities of, holders of the Rights Shares resulting from the subscription for, holding or disposal of, or dealing in the Rights Shares or the exercise of any rights attaching thereto or otherwise in both their nil-paid and fully-paid forms.

SGM

The Rights Issue will increase the existing issued share capital of the Company by more than 50%. Pursuant to Rules 7.19(6)(a) and 13.39(4) of the Listing Rules, the Rights Issue must be made conditional on approval by the Shareholders in general meeting by way of poll of a resolution on which any controlling Shareholders and their associates or, where there are no controlling Shareholders, the Directors (excluding the independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the Rights Issue.

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 Share. Accordingly, no Shareholder is required to abstain from voting in favour of the Rights Issue at the SGM.

After the passing of the resolution approving the Rights Issue by the Independent Shareholders at the SGM, the Prospectus Documents will be despatched to the Qualifying Shareholders, and the Prospectus will be despatched to the Non-Qualifying Shareholders for information only, on the Posting Date.

The notice convening the SGM is set out on pages 126 to 127 of this circular. The SGM will be held at 10:00 a.m. on Monday, 23 November 2009 at Room 1101, 11/F., 88 Gloucester Road, Wanchai, Hong Kong for the purpose of considering and, if thought fit, approving the Rights Issue.

A form of proxy for use at the SGM is enclosed. Whether or not you are able to attend the SGM in person, please complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Registrar, Computershare Hong Kong Investor Services Limited at Rooms 1806-1807, 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 the holding of the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish.

WAIVER FROM STRICT COMPLIANCE WITH RULES 19.10(2) AND 19.10(3) OF THE LISTING RULES

Rules 19.10(2) and 19.10(3) of the Listing Rules require the inclusion in this circular of summaries of: (a) the provisions of the constitutive documents of the Company ("Constitutive Documents") in so far as they may affect Shareholders' rights and protections and Directors' powers; and (b) the relevant regulatory provisions of the jurisdiction in which the Company is incorporated ("Regulatory Provisions").

Given that both the Constitutive Documents and the Regulatory Provisions is publicly available and that the relevant provisions of the Constitutive Documents and the Regulatory Provisions are not relevant to the Rights Issue, the Company considers that it will be unduly burdensome to prepare summaries of the Constitutive Documents and the Regulatory Provisions for inclusion in this circular. The Company has applied for, and the Stock Exchange has granted, a waiver from strict compliance with Rules 19.10(2) and 19.10(3) of the Listing Rules.

RECOMMENDATION

You are advised to read carefully the letter from the Independent Board Committee and the letter from Menlo Capital set out on page 21 and pages 22 to 34 respectively of this circular. The Independent Board Committee, having taken into account the advice of Menlo Capital, considers that the terms of the Rights Issue are fair and reasonable so far as the Independent Shareholders are concerned and the Rights Issue is in the interests of the Group and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the proposed resolution approving the Rights Issue at the SGM.

The Directors believe that the terms of the Rights Issue are fair and reasonable and in the interests of the Group and the Shareholders as a whole, and accordingly, the Directors recommend the Shareholders to vote in favour of the proposed resolution approving the Rights Issue at the SGM.

ADDITIONAL INFORMATION

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

Yours faithfully,
On behalf of the Board
21 Holdings Limited
Ng Kai Man
Chairman

The following is the text of the letter of recommendation, prepared for the purpose of incorporation in this circular, from the Independent Board Committee to the Independent Shareholders regarding the Rights Issue:

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

4 November 2009

To the Independent Shareholders

Dear Sir or Madam,

PROPOSED RIGHTS ISSUE ON THE BASIS OF FOUR RIGHTS SHARES FOR EVERY SHARE HELD ON THE RECORD DATE

We refer to the circular of the Company dated 4 November 2009 (the "Circular") of which this letter forms part. Unless the context specifies otherwise, capitalised terms used herein have the same meanings as defined in the Circular.

We have been appointed by the Board to advise the Independent Shareholders as to whether the terms of the Rights Issue are fair and reasonable insofar as the Independent Shareholders are concerned. Menlo Capital has been appointed as the independent financial adviser to advise you and us in this respect.

Having taken into account the principal reasons and factors considered by, and the advice of, Menlo Capital as set out in its letter of advice to you and us on pages 22 to 34 of the Circular, we are of the opinion that the Rights Issue is in the interests of the Group and the Independent Shareholders as a whole and the terms of which are fair and reasonable insofar as the Company and the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Rights Issue.

Yours faithfully,
For and on behalf of
Independent Board Committee
Cheng Yuk Wo, Chui Chi Yun, Robert and Lui Siu Tsuen, Richard
independent non-executive Directors

** for identification purpose only*

The following is the letter of advice from Menlo Capital to advise the Independent Board Committee and the Independent Shareholders in connection with the proposed Rights Issue which has been prepared for the purpose of inclusion in this circular:

MENLO CAPITAL

Menlo Capital Limited
17/F., Asia Standard Tower
59-65 Queen's Road Central, Hong Kong

4 November 2009

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

Dear Sirs,

PROPOSED RIGHTS ISSUE ON THE BASIS OF FOUR RIGHTS SHARES FOR EVERY SHARE HELD ON THE RECORD DATE

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders whether the Rights Issue is in the interests of the Company and the Independent Shareholders as a whole and the terms of which are fair and reasonable insofar as the Company and the Independent Shareholders are concerned, details of which are set out in the letter from the Board (the "Board Letter") contained in this circular of the Company dated 4 November 2009 (the "Circular") of which this letter forms part. Terms defined in the Circular shall have the same meanings in this letter unless the context of this letter otherwise requires.

The Board proposes to raise approximately HK$144.55 million before expenses by way of the Rights Issue of issuing 1,445,529,192 Rights Shares at a price of HK$0.10 per Rights Share payable in full on acceptance. The Company will provisionally allot four Rights Shares in nil-paid form for every Share in issue and held on the Record Date. The Rights Issue is not available to the Non-Qualifying Shareholders. The estimated net proceeds of the Rights Issue will be approximately HK$140.20 million. 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).

Pursuant to the requirements of the Listing Rules, the proposed Rights Issue is conditional on the approval by the Shareholders at the SGM, where the controlling Shareholder, or in the case that the Company has no controlling Shareholders, 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 Rights Issue. As at the Latest Practicable Date, the Company has no controlling Shareholder and none of the Directors and the chief executive of the Company and their respective associates held any Share. Accordingly, no Shareholder will be required to abstain from voting on the resolution to approve the Rights Issue at the SGM.

We have not considered the taxation implications on the Shareholders in relation to the subscription for, holding or disposal of the Rights Shares (in nil-paid form or fully paid) or exercise of any rights attaching to them, since these are particular to their individual circumstances. It is emphasised that we will not accept responsibility for any tax effects on, or liabilities of any person resulting from the subscription for, holding or disposal of the Rights Shares (in nil-paid form or fully paid) or exercise of any rights attaching to them or otherwise. In particular, the Shareholders subject to overseas or Hong Kong taxation on securities dealings should consider their own tax position and, if in any doubt, should consult their own professional advisers.

We consider that we have received sufficient information to enable us to reach an informed view and to justify our reliance on the accuracy of the information and representations contained in the Circular and to provide a reasonable basis for our view and recommendation. We have taken all reasonable steps pursuant to rule 13.80 (including notes) of the Listing Rules which include the following:

(a) obtaining all the information and documents relevant to an assessment of the fairness and reasonableness of the terms of the Rights Issue, including but not limited to, the Announcement, the Board Letter, the terms of the Rights Issue, the annual report of the Company for the year ended 31 December 2008 and the interim report of the Company for the six months ended 30 June 2009;

(b) researching the relevant market and the other conditions relevant to the rights issues;

(c) reviewing the fairness, reasonableness and completeness of any assumptions or projections relevant to the Rights Issue, the performance and financial situation of the Company as well as the reasons and background of the Rights Issue;

(d) confirming we have not relied on any third party expert opinion or advise in forming our opinion; and

(e) reviewing and assessing other alternatives of fund raising and the reasons given by the management for rejecting these alternatives.

PRINCIPAL FACTORS TAKEN INTO ACCOUNT

In arriving at our advice to the Independent Board Committee and the Independent Shareholders in respect of the terms of the Rights Issue, we have taken the following principal factors and reasons into consideration:

(I) Background

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. As set out in the interim report 2009 of the Company, the Company recorded an unaudited condensed consolidated net loss after tax of approximately HK$112.7 million for the six months ended 30 June 2009 and an unaudited condensed consolidated net current liabilities of approximately HK$170.2 million as at 30 June 2009.

(II) Reasons for the Rights Issue

The net proceeds of the Rights Issue will be approximately HK$140.20 million. 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 at the close of business on 30 September 2009, being the latest practicable date for the purpose of preparing the statement of indebtedness of the Group prior to the printing of the Circular, the outstanding amounts of indebtedness of the Group were as follows: (i) the Promissory Note of HK$70.0 million; (ii) the convertible note with an principal amount of HK$130.0 million (the carrying amount of the liability component of the convertible note as at 30 September 2009 being approximately HK$120.9 million); and (iii) the amount due to a minority shareholder of approximately HK$6.0 million. As at the Latest Practicable Date, the outstanding balance of the Promissory Note was HK$54.0 million.

The Board considers that the Rights Issue will enable the Group to strengthen its capital base and to enhance its financial position for future strategic investments as and when opportunities arise. The Rights Issue will give the Qualifying Shareholders the opportunity to maintain their respective pro-rata shareholding interests in the Company and, hence the Board considers that fund raising through the Rights Issue is in the interests of the Company and the Shareholders as a whole.

We have discussed with the Directors and are advised by the Directors that they had considered other alternatives of fund raising, including bank borrowing and placing of new Shares and concluded that bank borrowings, if required by the new investments or projects, will incur interest costs while placing of new Shares will result in dilution of the interests of Shareholders. The Directors are of the view that the Rights Issue will enhance the capital base of the Group while allowing the Qualifying Shareholders to maintain their respective pro rata shareholdings in the Company. We are of the view that for long term financial planning it is reasonable for the Company to raise funds under the proposed Rights Issue rather than the other alternatives in order to avoid the interest burden under debt financing and the shareholding dilution under placing of new Shares.

The Rights Issue is effected on a pro-rata basis and we are of the view that the Rights Issue offers all the Qualifying Shareholders an equal opportunity to participate in the enlargement of the capital base of the Company and enables the Qualifying Shareholders to maintain their proportionate interest in the Company and to continue to participate in the future development of the Group. The nil-paid Rights Shares will be traded on the Stock Exchange. Shareholders who do not take up their entitlements in full will have the opportunity to realise their nil-paid Rights Shares on the market, subject to market conditions. On this basis, we consider the Rights Issue is fair and reasonable to the Qualifying Shareholders.

As set out above, the Company recorded an unaudited condensed consolidated net loss after tax for the six months ended 30 June 2009 and an unaudited condensed consolidated net current liabilities as at 30 June 2009. In order to strengthen its capital base and to enhance its financial position for future strategic investments as and when opportunities arise, it is appropriate for the Company to raise funds by the Rights Issue as it can raise substantial amount of funding which will be more than the aggregated amount the fund raising activities in the past twelve months. Based on the above, we consider that the Rights Issue is in the interests of the Company and the Shareholders as a whole.

(III) Use of proceeds of the Rights Issue

The gross proceeds from the Rights Issue will be approximately HK$144.55 million and the estimated net proceeds of the Rights Issue will be approximately HK$140.20 million. 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).

The investments opportunities may be identified in the future. In the event that the Group identifies suitable investment opportunities but does not have sufficient cash resources on hand or it cannot find other alternatives to finance the acquisition of such investment opportunities in a timely manner, the Group may lose the opportunities to invest in an otherwise favourable investment. On this basis, we consider that the timing for the Rights Issue being proposed before the happening of immediate need of cash for the possible investments opportunities, including but not limited to the above mentioned situation, is appropriate.

Based on the above, we are of the view that the proceeds from the Rights Issue could improve the cash and working capital position of the Group while giving the Group the flexibility to make future possible investments if opportunities arise. Moreover, the overall improvement of the financial position as a results of the proceeds from the Rights Issue could place the Group in a better position to secure future bank borrowings, if required, for funding future investments, which is beneficial to the future development of the Group and therefore is in the interests of the Company and the Shareholders as a whole.

Fund raising exercise of the Company

Date of announcement	Capital raising activity	Net proceeds raised (approximately)	Proposed use of the net proceeds	Actual use of the net proceeds
22 December 2008	Placing of 220,000,000 new Shares and issue of convertible notes with aggregate principal amount of up to HK$120,000,000 on best effort basis	HK$40.32 million	To be used for repayment of the Promissory Note; and the remaining of the net proceeds to be used for general working capital	(i) approximately HK$30 million was used to repay the Promissory Note; and (ii) approximately HK$10.32 million was used as general working capital
21 September 2009	Placing of 43,500,000 new Shares	HK$17.7 million	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 has been used for repayment of the Promissory Note and the balance of approximately HK$1.7 million remain unused and placed with bank as short-term deposit

Save as abovementioned, the Company had not conducted any fund raising exercise in the past 12 months prior to the Latest Practicable Date.

(IV) The major terms of the Rights Issue

Basis of Rights Issue	:	four Rights Shares for every Share held on the Record Date
Number of Shares in issue as at the Latest Practicable Date	:	361,382,298 Shares
Number of Rights Shares	:	1,445,529,192 Rights Shares *(Note)*
Subscription Price per Rights Share	:	HK$0.10 per Rights Share with nominal value of HK$0.01 each

Note:

As at the Latest Practicable Date, Mr. Ng is holding the Convertible Note with an aggregate principal amount of HK$130,000,000 convertible into 134,436,401 Shares at the conversion price of HK$0.967 per Share (subject to adjustments). Mr. Ng has given an irrevocable undertaking, inter alia, not to transfer or deal with the Convertible Note and not to exercise the conversion rights attaching to the Convertible Note until the close of business on the Record Date pursuant to and subject to the terms of the Undertaking Letter.

Save for the above outstanding Convertible Note, the Company has no other outstanding convertible securities, options or warrants in issue or other similar rights which confer any right to subscribe for, convert or exchange into Shares as at the Latest Practicable Date.

The 1,445,529,192 nil-paid Rights Shares proposed to be provisionally allotted represent 400% of the Company's issued share capital as at the Latest Practicable Date and 80% of the Company's issued share capital as enlarged by the issue of the Rights Shares.

Subscription Price

The Subscription Price for the Rights Shares is HK$0.10 per Rights Share, payable in full upon acceptance of the relevant provisional allotment of Rights Shares and, where applicable, application for excess Rights Shares under the Rights Issue or when a transferee of nil-paid Rights Shares applies for the Rights Shares.

The Subscription Price for the Rights Shares represents:

(a) a discount of about 71.01% to the closing price of HK$0.345 per Share as quoted on the Stock Exchange on the Last Trading Day;

(b) a discount of about 32.89% to the theoretical ex-rights price of approximately HK$0.149 based on the closing price of HK$0.345 per Share as quoted on the Stock Exchange on the Last Trading Day;

(c) a discount of about 69.70% to the average closing price of approximately HK$0.33 per Share for the five trading days ended on the Last Trading Day; and

(d) a discount of approximately 60.78% to the closing price of HK$0.255 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The net price per Rights Share upon full acceptance of the relevant provisional allotment of Rights Shares will be approximately HK$0.097.

The Subscription Price of the Rights Shares and the size of Rights Issue are arrived at after taking into account of (1) the amount of funds that the Company wishes to raise and (2) the prevailing market conditions and the agreed terms accepted by the Company and the Underwriters. The Directors consider that discount to the Subscription Price of the Rights Shares will encourage existing Shareholders to take up their entitlements as well as providing sufficient attractiveness to the Underwriters.

We have reviewed all the rights issues announced during the last 12 months prior to the date of the Announcement (the "Relevant Period") by the companies listed on the main board of the Stock Exchange. So far as we are aware, 26 main board listed companies have announced the rights issues during the Relevant Period. The pricing of the rights issues of these companies may vary under different business sectors, different financial standings and different business performances. Having considered that none of these 26 companies are identical to the Company in terms of the business, the financial standing and the business situation, we are of the view that the inclusion of all the 26 rights issues, instead of only some of the rights issues, can provide a general reference. We also consider that the comparison of the rights issues announced over a full year prior to the date of the Announcement can avoid the short term market fluctuation affecting the terms of the individual rights issue, and accordingly, could provide a more appropriate reference for the reasonableness of the pricing of the Rights Issue. The relevant terms of all the rights issues announced during the Relevant Period by these 26 listed companies (the "Comparables") are summarized as below:

Company name (Stock Code)	Date of announcement	Offer Ratio	Discount of subscription price over/to the closing price on the last trading day *(%)*	Discount of subscription price over/to the theoretical ex-right price *(%)*	Underwriting commission *(%)*
Easyknit enterprises Holdings Limited (616)	12/11/2008	10 for 1	57.14	11.76	1.0
Standard Chartered PLC (2888)	24/11/2008	30 for 91	48.7	41.6	2.75
Hycomm Wireless Limited (499)	1/12/2008	7 for 1	72.31	24.61	2.5
COL Capital Limited (383)	1/12/2008	1 for 1	48.05	31.62	0
Victory City International Holdings Limited (539)	3/12/2008	1 for 2	53.79	43.72	2.0
Freeman Corporation Limited (279)	12/1/2009	1 for 1	28.57	16.67	2.5
Unity Investment Holdings Limited (913)	2/2/2009	1 for 1	23.66	13.42	2.5
Fortuna International Holdings Limited (530)	12/2/2009	9 for 1	20.24	2.47	2.5
Franshion Properties (China) Limited (817)	13/2/2009	23 for 100	5.60	4.60	0
Yu Ming Investments Limited (666)	14/2/2009	1 for 1	0	0	2.5
CASH Financial Services Group Limited (510)	20/2/2009	1 for 2	34.80	26.20	2.5
China Sci-Tech Holdings Limited (985)	23/2/2009	5 for 1	87.76	54.55	2.5
HSBC Holdings plc (005)	2/3/2009	5 for 12	50.20	41.53	2.75
Singamas Container Holdings Limited (716)	3/3/2009	2 for 1	53.90	28.60	4.0
ITC Corporation Limited (372)	17/3/2009	1 for 4	82.76	48.98	2.5
Kantone Holdings Limited (1059)	23/3/2009	1 for 4	35.48	30.56	2.5
Harbour Centre Development Limited (051)	2/4/2009	1 for 2	34.00	26.00	2.25
Junfield Department Store Group Limited (758)	15/4/2009	1 for 2	33.33	24.81	fixed fee
Champion Technology Holdings Limited (092)	17/4/2009	1 for 1	67.20	50.70	2.5
China Resources Microelectronics Limited (597)	26/6/2009	1 for 2	26.10	18.9	0
United Pacific Industries Limited (176)	26/6/2009	1 for 5	33.30	29.40	4.0
China State Construction International Holdings Limited (3311)	16/7/2009	1 for 5	10.00	8.52	2.5
Forefront Group Limited (885)	12/8/2009	5 for 2	68.89	38.73	2.5
Easyknit Enterprises Holdings Limited (616)	25/8/2009	4 for 1	69.60	30.90	1.0
Goldin Financial Holdings Limited (530)	23/9/2009	5 for 2	14.40	4.55	2.5
New World China Land Limited (917)	9/10/2009	1 for 2	38.11	29.17	not available
	Lowest Discount		**0**	**0**	**0**
	Highest Discount		**87.76**	**54.55**	**4.0**
	mean		**42.23**	**26.25**	**2.18**
	median		**36.80**	**27.40**	**2.5**
	The Company	**4 for 1**	**71.01**	**32.89**	**2.0**

Source: The Stock Exchange website, the respective announcements and circulars of the Comparables

As noted from the above table,

1. the subscription price to the closing prices on the last trading day prior to the dates of announcements of the Comparables ranged from nil discount to a discount of 87.76% (the "First Relevant Range"), with the mean and median at discounts of approximately 42.23% and 36.80% respectively. The discount of the Subscription Price of the Rights Issue to the closing price of the Shares on the Last Trading Day is approximately 71.01%, which is deeper than mean and median but falls within the First Relevant Range of the Comparables;

2. the subscription price to the theoretical ex-rights prices per share based on the last trading day prior to the dates of the announcements in relation to the Comparables ranged from nil discount to a discount of 54.55% (the "Second Relevant Range"), with the mean and median at discounts of approximately 26.25% and 27.40% respectively. The discount of the Subscription Price of the Rights Issue to the theoretical ex-rights price per Share of approximately 32.89%, based on the closing price of the Shares on the Last Trading Day, which is deeper the mean and the median and falls within the Second Relevant Range of the Comparables; and

We note that (i) it is common to offer substantial discount rates for the rights issues involved heavy calls (i.e. higher offer ratio) on shareholders in order to enhance the attractiveness to the shareholders as well as the underwriters; (ii) the discount of the Subscription Price of the Rights Issue to the closing price of the Shares on the Last Trading Day falls within the First Relevant Range of the Comparables; and (iii) the discount of the Subscription Price of the Rights Issue to the theoretical ex-rights price per Share falls within the Second Relevant Range of the Comparables. Accordingly, we are of the view the Subscription Price is fair and reasonable so far as the Independent Shareholders are concern.

The substantial discount of the Subscription Price for the Rights Shares to the closing price of the Share on the Last Trading Day as well as the theoretical ex-right price of the Shares provides an opportunity for the Qualifying Shareholders to take up the Rights Shares at a more attractive price while providing the Company with the funding which is in the interest of the Company and the Shareholders as a whole of concern.

The underwriting commission rates of the Comparables ranged from 0% to 4.0% (the "Third Relevant Range"), with the mean and median of approximately 2.18% and 2.5% respectively. The underwriting commission of the Rights Issue, being 2.0%, is lower than the mean and the median and falls within the Third Relevant Range of the Comparables. We consider that the Subscription Price and the underwriting commission of the Rights Issue are generally in line with that of the Comparables and are fair and reasonable so far as the Independent Shareholders are concerned.

(V) Other terms of the Rights Issue and the underwriting arrangements

The other terms of the Rights Issue, being set out under the sub-sections headed "PROPOSED RIGHTS ISSUE" in the Board Letter, include the detailed terms related to:

- the Qualifying Shareholders;
- the closure of register of members;
- the rights of Overseas Shareholders;
- the basis of provisional allotments;
- the status of the Rights Shares;
- the application for excess Rights Shares;
- the share certificates and refund cheques for Rights Issue;
- the application for listing;
- the undertaking by Mr. Ng;
- the conditions of the Rights Issue.
- the Underwriting Agreement; and
- the termination of the Underwriting Agreement.

Other than the Subscription Price and the underwriting commission of the Rights Issue, we have also reviewed the other terms of the Rights Issue together with the terms of the Underwriting Agreement as listed above, we are of the view that the terms of the Rights Issue together with the terms of the Underwriting Agreement are on normal commercial basis and no extraordinary terms being noted.

(VI) Effect on shareholding interests of the Shareholders

Assuming that there is no change in the shareholding structure of the Company from the Latest Practicable Date to immediately before completion of the Rights Issue, the shareholding structure of the Company as at the Latest Practicable Date to immediately after completion of the Rights Issue is as follows:

Shareholders	As at the Latest Practicable Date		Immediately after completion of the Rights Issue assuming all Qualifying Shareholders take up their respective allotment of Rights Shares in full		Immediately after completion of the Rights Issue assuming no Qualifying Shareholders takes up any of the Rights Shares and the Underwriters take up the Rights Shares to the maximum extent	
	Number of Shares	*%*	*Number of Shares*	*%*	*Number of Shares*	*%*
Underwriters *(Note 1)*	—	—	—	—	1,445,529,192	80.00
Public *(Note 2)*	361,382,298	100.00	1,806,911,490	100.00	361,382,298	20.00
Total	361,382,298	100.00	1,806,911,490	100.00	1,806,911,490	100.00

Notes:

1. The Underwriters have sub-underwritten their underwriting obligations under the Underwriting Agreement to sub-underwriters such that each of the Underwriters and the sub-underwriters together with their respective parties acting in concert (as defined in the Takeovers Code) with any of them will not own 29.9% or more of the issued share capital of the Company immediately after completion of the Rights Issue. Each of the Underwriters and the sub-underwriters (and their respective ultimate beneficial owners) is not a party acting in concert with each other. Each of the Underwriters and the sub-underwriters and their respective ultimate beneficial owners do not have any shareholding in the Company and are not connected persons of the Company.

2. The Underwriters shall and shall cause the sub-underwriters to procure independent placees to take up such number of Rights Shares as necessary to ensure that the public float requirements under Rule 8.08 of the Listing Rules are complied with.

As set out above, immediately after completion of the Rights Issue, the shareholding of the existing public Shareholders may be substantially diluted from 100% to 20% assuming no change in the shareholding structure of the Company between the Latest Practicable Date and immediately before completion of the Rights Issue and that the Underwriters take up the Rights Shares to the maximum extent. For those Qualifying Shareholders who take up their entitlements in full under the Rights Issue, their respective pro rata shareholding interests in the Company will remain unchanged after the Rights Issue.

Shareholders who do not take up their entitlements in full will have the opportunity to realise their nil-paid Rights Shares on the market, subject to market conditions. The nil-paid Rights Shares will be traded on the Stock Exchange.

The Underwriters have sub-underwritten their underwriting obligations under the Underwriting Agreement to sub-underwriters such that each of the Underwriters and the sub-underwriters together with their respective parties acting in concert (as defined in the Takeovers Code) with any of them will not own 29.9% or more of the issued share capital of the Company immediately after completion of the Rights Issue. Each of the Underwriters and the sub-underwriters (and their respective ultimate beneficial owners) is not a party acting in concert with each other. Each of the Underwriters and the sub-underwriters and their respective ultimate beneficial owners do not have any shareholding in the Company and are not connected persons of the Company.

Taking into consideration the foregoing, we consider that as the Qualifying Shareholders can choose to participate in the Rights Issue or, if they are unwilling or unable to do so, to dispose of their entitlements nil-paid in the market at a premium if one can be obtained, the Rights Issue is an equitable method for all the Qualifying Shareholders to raise new equity capital for the Company. The Rights Issue is a fair and reasonable method to raise funds, as the Rights Issue will allow the Qualifying Shareholders to maintain their respective pro rata shareholdings in the Company.

As compared with other method of fund raising, such as placing of new shares, the Rights Issue would be a preferred method which will allow all the Qualifying Shareholders to maintain their proportionate interests in the Company and to participate in the future growth of the Group.

(VII) Financial effects of the Rights Issue

(a) Net tangible assets

The effect on the unaudited pro forma consolidated net tangible liabilities of the Group immediately after completion of the Rights Issue are set out in Appendix II in the Circular.

The net proceeds of the Rights Issue will be approximately HK$140.20 million. 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). The net tangible liabilities will be improved by the same amount of such net proceeds accordingly.

We are of the view that the improvement of the net liabilities of the Group is in the interest of the Company and Shareholders, including both the Qualifying Shareholders and the Non-Qualifying Shareholders, as a whole.

(b) Gearing ratio and working capital

The Rights Issue can raise a net amount of capital of approximately HK$140.20 million. The cash position and working capital before any specific investments made of the Group immediately after the Rights Issue will be increased by the same amount of the net proceeds of the Rights Issue.

We are also of the view that the working capital and the gearing ratio of the Group to be improved immediately after the Rights Issue which is in the interest of the Company and Shareholders, including both the Qualifying Shareholders and the Non-Qualifying Shareholders, as a whole.

RECOMMENDATION

We have taken into consideration of the above principal factors and reasons, in particular:

- the net proceeds from the Rights Issue will improve the working capital position of the Group and provide the Company sufficient cash for future possible investments, if opportunities arise;
- the Rights Issue would enlarge the capital base of the Company;
- the Rights Issue would be a preferred method of equity financing as it will allow all the Qualifying Shareholders to maintain their proportionate interests in the Company and to participate in the future growth and development of the Group;
- the Rights Issue is on normal commercial terms; and
- the discounts represented by the Subscription Price of the Rights Issue to the closing price of the Shares and the theoretical ex-rights price of the Shares fall within the First Relevant Range and the Second Relevant Range respectively.

We are of the view that the Rights Issue is in the interests of the Company and the Shareholders as a whole and the terms of Rights Issue are fair and reasonable so far as the Company and the Independent Shareholders, including both the Qualifying Shareholders and the Non-Qualifying Shareholders, are concerned. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Rights Issue.

Yours faithfully,
For and on behalf of
Menlo Capital Limited
Michael Leung
Director

1. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP

Set out below is a summary of the audited consolidated results and financial position of the Group for the three years ended 31 December 2008 as extracted from the annual report of the Company for the year ended 31 December 2008.

RESULTS

	For the year ended 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Revenue	132,632	132,987	119,586
(Loss) before income tax	(36,457)	(74,799)	(205,937)
Income tax (expenses)/credit	(76)	(171)	77
(Loss) for the year	(36,533)	(74,970)	(205,860)
Attributable to:			
Equity holders of the Company	(36,610)	(73,579)	(205,860)
Minority interests	77	(1,391)	—
	(36,533)	(74,970)	(205,860)

ASSETS AND LIABILITIES

	At 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Total assets	126,653	262,708	309,911
Total liabilities	(57,039)	(15,074)	(253,458)
Net Assets	69,614	247,634	56,453
Equity attributable to equity holders of the Company	68,152	247,634	56,453
Minority interests	1,462	—	—
Total Equity	69,614	247,634	56,453

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS

Set out below is the audited consolidation financial statements of the Group for the financial years ended 31 December 2007 and 31 December 2008 together with the relevant notes to the accounts, which is extracted from the annual report of the Company for the year ended 31 December 2008. The auditors of the Company have not issued any qualified opinion on the Group's financial statements for the financial years ended 31 December 2007 and 31 December 2008.

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
Revenue	5	119,586	132,987
Cost of sales		(108,072)	(129,977)
Gross profit		11,514	3,010
Other income	6	2,093	2,061
Gain on disposal of subsidiaries	30	—	20,413
Distribution costs		(6,762)	(3,379)
Administrative expenses		(26,176)	(21,985)
Loss on assignment of an amount due from a subsidiary upon disposal		—	(68,559)
Provision for impairment loss on goodwill		(173,960)	(4,201)
Provision for impairment loss on investment properties		(3,656)	—
Other operating expenses		(4,464)	(1,219)
Finance costs	8	(4,526)	(940)
Loss before income tax	9	(205,937)	(74,799)
Income tax credit/(expense)	10	77	(171)
Loss for the year		(205,860)	(74,970)
Attributable to:			
Equity holders of the Company	11	(205,860)	(73,579)
Minority interests		—	(1,391)
Loss for the year		(205,860)	(74,970)
		HK$	HK$ (restated)
Loss per share for loss attributable to the equity holders of the Company during the year	12		
Basic		(3.29)	(3.30)
Diluted		N/A	N/A

CONSOLIDATED BALANCE SHEET

As at 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	*14*	533	155
Investment properties	*15*	14,482	—
Goodwill	*17*	256,000	—
		271,015	155
Current assets			
Trade and other receivables	*18*	27,008	15,546
Financial assets at fair value through profit or loss	*19*	—	11,339
Bank balances and cash	*20*	11,888	235,437
Tax recoverable		—	231
		38,896	262,553
Current liabilities			
Trade and other payables	*21*	31,149	15,074
Amount due to a director	*22*	862	—
Provision for tax		4,095	—
		36,106	15,074
Net current assets		2,790	247,479
Total assets less current liabilities		273,805	247,634
Non-current liabilities			
Promissory note	*23*	100,000	—
Convertible notes	*24*	117,352	—
		217,352	—
Net assets		56,453	247,634
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	*26*	156,456	156,456
Reserves		(100,003)	91,178
Total equity		56,453	247,634

BALANCE SHEET
As at 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
ASSETS AND LIABILITIES			
Non-current asset			
Interest in subsidiaries	*16*	1	1
Current assets			
Amounts due from subsidiaries	*16*	170,733	242,361
Other receivables	*18*	226	627
Bank balances and cash	*20*	5,105	19,307
		176,064	262,295
Current liability			
Other payables	*21*	2,046	1,745
Net current assets		174,018	260,550
Total assets less current liability		174,019	260,551
Non-current liability			
Convertible notes	*24*	117,352	—
Net assets		56,667	260,551
EQUITY			
Share capital	*26*	156,456	156,456
Reserves	*27*	(99,789)	104,095
Total equity		56,667	260,551

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2008

	Equity attributable to equity holders of the Company									
	Share capital	Share premium*	Capital reserve*	Share options reserve*	Convertible notes equity reserve*	Translation reserve*	Accumulated losses*	Sub-total	Minority interest	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2007	19,536	48,848	2,099	—	—	3,109	(5,440)	68,152	1,462	69,614
Released on disposal of subsidiaries	—	—	—	—	—	(3,109)	—	(3,109)	(71)	(3,180)
Loss for the year	—	—	—	—	—	—	(73,579)	(73,579)	(1,391)	(74,970)
Total recognised income and expenses for the year	—	—	—	—	—	(3,109)	(73,579)	(76,688)	(1,462)	(78,150)
Issue of shares upon placement of shares	10,250	32,710	—	—	—	—	—	42,960	—	42,960
Equity settled share-based payment transactions	—	—	—	2,282	—	—	—	2,282	—	2,282
Issue of shares upon exercise of share options	828	6,086	—	(2,282)	—	—	—	4,632	—	4,632
Issue of the 2009 Convertible Notes *(Note 24)*	—	—	—	—	4,361	—	—	4,361	—	4,361
Issue of shares upon conversion of the 2009 Convertible Notes	8,500	26,032	—	—	(4,361)	—	—	30,171	—	30,171
Rights issue	117,342	61,017	—	—	—	—	—	178,359	—	178,359
Share issue expense	—	(6,595)	—	—	—	—	—	(6,595)	—	(6,595)
At 31 December 2007 and 1 January 2008	156,456	168,098	2,099	—	—	—	(79,019)	247,634	—	247,634
Loss for the year	—	—	—	—	—	—	(205,860)	(205,860)	—	(205,860)
Total recognised income and expenses for the year	—	—	—	—	—	—	(205,860)	(205,860)	—	(205,860)
Issue of the 2011 Convertible Notes *(Note 24)*	—	—	—	—	14,679	—	—	14,679	—	14,679
At 31 December 2008	156,456	168,098	2,099	—	14,679	—	(284,879)	56,453	—	56,453

* These reserve accounts comprise the Group's reserves of HK$100,003,000 in deficit (2007: HK$91,178,000 in surplus) in the consolidated balance sheet.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
Cash flows from operating activities			
Loss before income tax		(205,937)	(74,799)
Adjustments for:			
Depreciation of property, plant and equipment		617	1,901
Provision for impairment loss on trade receivables		1,685	—
Provision for impairment loss on goodwill		173,960	4,201
Provision for impairment loss on investment properties		3,656	—
Loss on assignment of an amount due from a subsidiary upon disposal		—	68,559
Equity settled share-based transactions		—	2,282
Loss on disposal of financial assets at fair value through profit or loss		4,464	—
Loss on disposal of property, plant and equipment		21	62
Gain on disposal of subsidiaries		—	(20,413)
Amortisation of prepaid lease payments		—	63
Interest expenses		4,526	940
Interest income		(1,990)	(1,470)
Operating loss before working capital changes		(18,998)	(18,674)
Increase in inventories		—	(2,289)
Decrease/(Increase) in financial assets at fair value through profit or loss		6,875	(11,339)
Decrease in trade and other receivables		3,406	3,285
Increase in amount due to a director		862	—
(Decrease)/Increase in trade and other payables		(4,202)	1,082
Cash used in operations		(12,057)	(27,935)
Income taxes refund		231	114
Interest paid		(10)	(314)
Net cash used in operating activities		(11,836)	(28,135)

	Notes	2008 HK$'000	2007 HK$'000
Cash flows from investing activities			
Interest received		1,990	1,470
Purchase of property, plant and equipment		(15,961)	(44)
Deposit paid for acquisition of property, plant and equipment		—	(2,657)
Acquisition of subsidiaries, net of cash and cash equivalents acquired	*29*	(197,742)	—
Net cash outflow from disposal of subsidiaries	*30*	—	(4,279)
Net cash used in investing activities		(211,713)	(5,510)
Cash flows from financing activities			
Net proceeds from issue of new shares		—	221,319
Issue of shares on exercise of share options		—	4,632
Proceeds from issue of convertible notes		—	34,000
Share issue expenses		—	(6,595)
Proceeds from new interest-bearing borrowings		—	9,200
Interest element paid on obligations under finance leases		—	(94)
Repayment of obligations under finance leases		—	(587)
Net cash from financing activities		—	261,875
Net (decrease)/increase in cash and cash equivalents		(223,549)	228,230
Cash and cash equivalents at beginning of year		235,437	7,207
Cash and cash equivalents at end of year, represented by bank balances and cash		11,888	235,437

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

1. GENERAL INFORMATION

21 Holdings Limited (the "Company") is a limited liability company incorporated in Bermuda and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the Company's registered office is Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda and its principal place of business is 10/F, 88 Gloucester Road, Wanchai, Hong Kong.

Pursuant to a special resolution passed by the shareholders of the Company on 11 February 2009, the Company's name was changed from "GFT Holdings Limited" to "21 Holdings Limited" with effect from 24 February 2009.

The principal activities of the Company and its subsidiaries (the "Group") are trading of toy, gift and premiums products, securities trading and investments and provision of property agency and related services.

These financial statements on pages 30 to 119 have been prepared in accordance Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards ("HKFRS"), Hong Kong Accounting Standards ("HKAS") and Interpretations ("Int") issued by Hong Kong Institute of Certified Public Accountants ("HKICPA"). The financial statements also include the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

The financial statements for the year ended 31 December 2008 were approved for issue by the board of directors on 22 April 2009.

2. ADOPTION OF NEW OR AMENDED HKFRSs

In the current year, the Group has adopted and applied all the new standards, amendments and interpretations (the "New HKFRSs") issued by the HKICPA, which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 January 2008.

The adoption of the New HKFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented. Accordingly, no prior period adjustment is required.

At the date of authorisation of these financial statements, the following new and amended HKFRSs have been published but are not yet effective, and have not been adopted early by the Group.

2. ADOPTION OF NEW OR AMENDED HKFRSs *(Continued)*

HKAS 1 (Revised)	Presentation of Financial Statements [1]
HKAS 23 (Revised)	Borrowing Costs [1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements [2]
HKAS 32, HKAS 39 & HKFRS 7 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation [1]
HKAS 39 (Amendment)	Eligible Hedge Items [2]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or an Associate [1]
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards [2]
HKFRS 2 (Amendment)	Share-based Payment — Vesting Conditions and Cancellations [1]
HKFRS 3 (Revised)	Business Combinations [2]
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments [1]
HKFRS 8	Operating Segments [1]
HK(IFRIC) — Int 2 (Amendment)	Members' Shares in Co-operative Entities and Similar Instruments [1]
HK(IFRIC) — Int 9 and HKAS 39 (Amendments)	Reassessment of Embedded Derivatives [5]
HK(IFRIC) — Int 13	Customer Loyalty Programmes [3]
HK(IFRIC) — Int 15	Agreements for the Construction of Real Estate [1]
HK(IFRIC) — Int 16	Hedges of a Net Investment in a Foreign Operation [4]
HK(IFRIC) — Int 17	Distributions of Non-cash Assets to Owners [2]
HK(IFRIC) — Int 18	Transfer of Assets from Customers [6]
Various	Annual Improvements to HKFRS 2008 [7]

[1] Effective for annual periods beginning on or after 1 January 2009

[2] Effective for annual periods beginning on or after 1 July 2009

[3] Effective for annual periods beginning on or after 1 July 2008

[4] Effective for annual periods beginning on or after 1 October 2008

[5] Effective for annual periods ending on or after 30 June 2009

[6] Effective for transfers of assets from customers received on or after 1 July 2009

[7] Generally effective for annual periods beginning on or after 1 January 2009 unless otherwise stated in the specific HKFRS

The directors of the Company anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement.

Among these new standards and interpretations, HKAS 1 (Revised) "Presentation of Financial Statements" is expected to materially change the presentation of the Group's financial statements. The amendments affect the presentation of owner changes in equity and introduce a statement of comprehensive income. The Group will have the option of presenting items of income and expenses and components of other comprehensive income either in a single statement of comprehensive income with subtotals, or in two separate statements (a separate income statement followed by a statement of comprehensive income). The amendment does not affect the financial position or results of the Group but will give rise to additional disclosures.

In addition, HKFRS 8 "Operating Segments" may result in new or amended disclosures. The directors of the Company are in the process of identifying reportable operating segments as defined in HKFRS 8.

The directors of the Company are currently assessing the impact of other new and amended HKFRSs upon initial application. So far, the directors of the Company have preliminarily concluded that the initial application of these HKFRSs is unlikely to have a significant impact on the Group's results and financial position.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

The significant accounting policies that have been used in the preparation of these financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated.

The financial statements have been prepared on the historical cost basis except for financial assets at fair value through profit or loss which are stated at fair values. The measurement bases are fully described in the accounting policies below.

It should be noted that accounting estimates and assumptions are used in preparation of the financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

3.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries (see note 3.3 below) made up to 31 December each year.

3.3 Subsidiaries

Subsidiaries are entities over which the Group has the power to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are excluded from consolidation from the date that control ceases.

Business combinations (other than for combining entities under common control) are accounted for by applying the purchase method. This involves the estimation of fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. On initial recognition, the assets and liabilities of the subsidiary are included in the consolidated balance sheet at their fair values, which are also used as the bases for subsequent measurement in accordance with the Group's accounting policies.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

In the Company's balance sheet, subsidiaries are carried at cost less any impairment loss. The results of the subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the balance sheet date.

Minority interest represents the portion of the profit or loss and net assets of a subsidiary attributable to equity interests that are not owned by the Group and are not the Group's financial liabilities.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.3 Subsidiaries *(Continued)*

Minority interest presents in the consolidated balance sheet within equity, separately from the equity attributable to the equity holders of the Company. Profit or loss attributable to the minority interests are presented separately in the consolidated income statement as an allocation of the Group's results. Where losses applicable to the minority exceeds the minority interests in the subsidiary's equity, the excess and further losses applicable to the minority are allocated against the minority interest to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses. Otherwise, the losses are charged against the Group's interests. If the subsidiary subsequently reports profits, such profits are allocated to the minority interest only after the minority's share of losses previously absorbed by the Group has been recovered.

3.4 Foreign currency translation

The financial statements are presented in Hong Kong dollars (HK$), which is also the functional currency of the Company.

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At balance sheet date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the balance sheet date retranslation of monetary assets and liabilities are recognised in the income statement.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined and are reported as part of the fair value gain or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

In the consolidated financial statements, all individual financial statements of foreign operations, originally presented in a currency different from the Group's presentation currency, have been converted into Hong Kong dollars. Assets and liabilities have been translated into Hong Kong dollars at the closing rates at the balance sheet date. Income and expenses have been converted into Hong Kong dollars at the exchange rates ruling at the transaction dates, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been dealt with separately in the translation reserve in equity. Goodwill and fair value adjustments arising on the acquisition of a foreign operation on or after 1 January 2005 have been treated as assets and liabilities of the foreign operation and translated into Hong Kong dollars at the closing rates.

3.5 Revenue recognition

Revenue comprises the fair value for the sale of goods and rendering of services, net of rebates and discounts. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised as follows:

Sales of goods are recognised upon transfer of the significant risks and rewards of ownership to the customer. This is usually taken as the time when the goods are delivered and the customer has accepted the goods.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.5 Revenue recognition *(Continued)*

Property agency commission and service income is recognised in the accounting period in which the services are rendered. This is usually taken as the time when the relevant agreement becomes unconditional or irrevocable.

Franchise income is recognised on an accrual basis in accordance with the terms of the relevant franchise agreement and when the Group's entitlement to payment has been established.

3.6 Goodwill

Set out below are the accounting policies on goodwill arising on acquisition of subsidiaries.

Goodwill represents the excess of the cost of a business combination or an investment over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. The cost of the business combination is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group, plus any costs directly attributable to the business combination.

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment (see note 3.9).

Any excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of a business combination is recognised immediately in profit or loss.

On subsequent disposal of a subsidiary, the attributable amount of goodwill capitalised is included in the determination of the amount of gain or loss on disposal.

3.7 Property, plant and equipment

Property, plant and equipment, including land held under operating leases and buildings thereon, (where the fair value of the leasehold interest in the land and buildings cannot be measured separately at the inception of the lease and the building is not clearly held under an operating lease), are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Depreciation is provided to write off the cost of property, plant and equipment over their estimated useful lives, using the straight-line method, at the following rates per annum:

Leasehold land and buildings	Over the shorter of the term of the prepaid land lease or 50 years
Leasehold improvements	Over the shorter of the term of the prepaid land lease or 5 years
Plant and machinery	20%
Furniture, fixtures and equipment	20%
Motor vehicles	20%

The assets' residual values, depreciation method and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

The gain or loss arising on retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income statement.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.7 Property, plant and equipment *(Continued)*

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other costs, such as repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

3.8 Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use.

On initial recognition, investment property is measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment property is stated at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is provided so as to write off the cost of investment property using the straight-line method over their expected useful lives of 50 years or over the lease term, if shorter.

For a transfer of property, plant and equipment carried at cost less accumulated depreciation and accumulated impairment losses to investment properties, there are no changes to the carrying amount of the property transferred and the cost of that property for measurement and disclosure purposes.

Gains or losses arising from the sale of an investment property are included in the profit or loss for the period in which they arise.

3.9 Impairment of non-financial assets

Goodwill arising on an acquisition of subsidiary, property, plant and equipment, investment properties measured under the cost model and interest in subsidiaries are subject to impairment testing.

Goodwill with an indefinite useful life or those not yet available for use are tested for impairment at least annually, irrespective of whether there is any indication that they are impaired. All other assets are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill in particular is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which the goodwill is monitored for internal management purpose.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.9 Impairment of non-financial assets *(Continued)*

Impairment losses recognised for cash-generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash generating unit, except that the carrying value of an asset will not be reduced below its individual fair value less cost to sell, or value in use, if determinable.

An impairment loss on goodwill is not reversed in subsequent periods (including impairment losses recognised in an interim period). In respect of other assets, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation if no impairment loss had been recognised.

3.10 Leases

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, with the following exceptions.

— land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon, at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease (see note 3.7). For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee.

(ii) Operating lease charges as the lessee

Where the Group has the right to use the assets held under operating leases, payments made under the leases are charged to the income statement on a straight-line basis over the lease terms except where an alternative basis is more representative of the pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in the income statement as an integral part of the aggregate net lease payments made. Contingent rental are charged to the income statement in the accounting period in which they are incurred.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.11 Financial assets

The Group's accounting policies for financial assets other than investments in subsidiaries are set out below.

The Group's financial assets other than hedging instruments are classified into the following categories: financial assets at fair value through profit or loss and loans and receivables.

Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at every reporting date.

All financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. Regular way purchases of financial assets are recognised on trade date. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Derecognition of financial assets occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

At each balance sheet date, financial assets are reviewed to assess whether there is objective evidence of impairment. If any such evidence exists, impairment loss is determined and recognised based on the classification of the financial asset.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss includes financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss.

Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term, or it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent pattern of short-term profit-taking. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments or financial guarantee contracts.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial asset at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial assets may be designated at initial recognition as at fair value through profit or loss if the following criteria are met:

— the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognising gains or losses on them on a different basis; or

3. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

3.11 Financial assets *(Continued)*

(i) Financial assets at fair value through profit or loss (Continued)

— the assets are part of a group of financial assets which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy and information about the group of financial assets is provided internally on that basis to the key management personnel; or

— the financial asset contains an embedded derivative that would need to be separately recorded.

Subsequent to initial recognition, the financial assets included in this category are measured at fair value with changes in fair value recognised in income statement. Fair value is determined by reference to active market transactions or using a valuation technique where no active market exists. Fair value gain or loss does not include any dividend or interest earned on these financial assets. Interest income is recognised on a time-proportion basis using effective interest method.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are subsequently measured at amortised cost using the effective interest method, less any impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost.

Impairment of financial assets

At each balance sheet date, financial assets other than at fair value through profit or loss are reviewed to determine whether there is any objective evidence of impairment.

Objective evidence of impairment of individual financial assets includes observable data that comes to the attention of the Group about one or more of the following loss events:

— significant financial difficulty of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

— a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

Loss events in respect of a group of financial assets include observable data indicating that there is a measurable decrease in the estimated future cash flows from the group of financial assets. Such observable data includes but not limited to adverse changes in the payment status of debtors in the Group and, national or local economic conditions that correlate with defaults on the assets in the Group.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.11 Financial assets *(Continued)*

Impairment of financial assets (Continued)

If any such evidence exists, the impairment loss is measured and recognised as follows:

Financial assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of the loss is recognised in profit or loss of the period in which the impairment occurs.

If, in subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss of the period in which the reversal occurs.

Impairment loss of financial assets other than financial assets at fair value through profit or loss and trade receivables that are stated at amortised cost, are written off against the corresponding assets directly. Where the recovery of trade receivables is considered doubtful but not remote, the impairment losses for doubtful receivables are recorded using an allowance account. When the Group is satisfied that recovery of trade receivables is remote, the amount considered irrecoverable is written off against trade receivables directly and any amounts held in the allowance account in respect of that receivable are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

3.12 Accounting for income taxes

Income tax comprises current and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the balance sheet date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of tax expense in the income statement.

Deferred tax is calculated using the liability method on temporary differences at the balance sheet date between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit, including existing taxable temporary differences, will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.12 Accounting for income taxes *(Continued)*

Deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the balance sheet date.

Changes in deferred tax assets or liabilities are recognised in the income statement, or in equity if they relate to items that are charged or credited directly to equity.

3.13 Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand, demand deposits with banks and short term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. For the purpose of cash flow statement presentation, cash and cash equivalents include bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

3.14 Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued.

Any transaction costs associated with the issuing of shares are deducted from share premium (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction.

3.15 Retirement benefit costs and short-term employee benefits

Retirement benefits to employees are provided through a defined contribution plan.

Defined contribution plan

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance, for all of its employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.15 Retirement benefit costs and short-term employee benefits *(Continued)*

Short-term employee benefits

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

3.16 Share-based employee compensation

The Group operates equity-settled share-based compensation plans for remuneration of its employees.

All employee services received in exchange for the grant of any share-based compensation are measured at their fair values. These are indirectly determined by reference to the share options awarded. Their value is appraised at the grant date and excludes the impact of any non-market vesting conditions.

All share-based compensation is ultimately recognised as an expense in income statement unless it qualifies for recognition as asset, with a corresponding increase in equity (share options reserve). If vesting periods or other vesting conditions apply, the expense is recognised over the vesting period, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised, if there is any indication that the number of share options expected to vest differs from previous estimates. No adjustment to expense recognised in prior periods is made if fewer share options ultimately are exercised than originally vested.

At the time when the share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to accumulated profits/losses.

Share-based payment transactions in which the Company grants share options to subsidiaries' employees are accounted for as an increase in value of investments in subsidiaries in the Company's balance sheet which is eliminated on consolidation.

3.17 Financial liabilities

The Group's financial liabilities include trade and other payables, amount due to a director, promissory note and convertible notes.

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised as an expense in finance costs in the income statement.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in the income statement.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.17 Financial liabilities *(Continued)*

Amount due to a director, trade and other payables and promissory note

Amount due to a director, trade and other payables and promissory note are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

Convertible notes that contain an equity component

Convertible notes that can be converted to equity share capital at the option of the holder, where the number of shares that would be issued on conversion and the value of the consideration that would be received at that time do not vary, are accounted for as compound financial instruments which contain both a liability component and an equity component.

Convertible notes issued by the Company that contain both financial liability and equity components are classified separately into respective liability and equity components on initial recognition. On initial recognition, the fair value of the liability component is determined using the prevailing market interest rate for similar non-convertible debts. The difference between the proceeds of the issue of the convertible note and the fair value assigned to the liability component, representing the call option for conversion of the note into equity, is included in equity as convertible notes equity reserve.

The liability component is subsequently carried at amortised cost using the effective interest method. The equity component will remain in equity until conversion or redemption of the note.

When the note is converted, the convertible notes equity reserve and the carrying value of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued. If the note is redeemed, the convertible notes equity reserve is released directly to accumulated profits/losses.

3.18 Provisions, contingent liabilities and contingent assets

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

All provision are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future uncertain events not wholly within the control of the Group are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Contingent liabilities are recognised in the course of the allocation of purchase price to the assets and liabilities acquired in a business combination. They are initially measured at fair value at the date of acquisition and subsequently measured at the higher of the amount that would be recognised in a comparable provision as described above and the amount initially recognised less any accumulated amortisation, if appropriate.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.19 Segment reporting

In accordance with the Group's internal financial reporting, the Group has determined that business segment be presented as the primary reporting format and geographical segment as the secondary reporting format.

In respect of business segment reporting, unallocated costs include corporate expenses and other expenses that cannot be allocated on a reasonable basis to the reportable segments. Segment assets consist primarily of intangible assets, property, plant and equipment, receivables and operating cash and mainly exclude corporate assets and investment properties. Segment liabilities comprise operating liabilities and exclude items such as taxation and certain corporate borrowings.

Capital expenditure comprises additions to intangible assets and property, plant and equipment including additions resulting from acquisitions through purchases of subsidiaries.

In respect of geographical segment reporting, revenue is based on the country in which the customer is located and total assets and capital expenditure are where the assets are located.

3.20 Related parties

For the purposes of these financial statements, a party is considered to be related to the Group if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

(ii) the Group and the party are subject to common control;

(iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;

(iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

(vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in note 3.6. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

If the actual growth rate had been higher or the pre-tax discounted rate lower than management's estimates, the Group would not be able to reverse any impairment losses that arose on goodwill.

Depreciation of property, plant and equipment and investment properties

The Group depreciates the property, plant and equipment and investment properties in accordance with the accounting policies stated in note 3.7 and note 3.8 respectively. The estimated useful lives reflect the directors' estimates of the periods that the Group intends to derive future economic benefits from the use of these assets.

Estimated impairment of trade and other receivables

The policy for the impairment of trade and other receivables of the Group is based on, where appropriate, the evaluation and ageing analysis of accounts. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history for each debtor. If the financial conditions of debtors of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional provision for impairment may be required.

Valuation of convertible notes

The directors use their judgement in selecting an appropriate valuation technique for the Group's convertible notes which are not quoted in the active market. Valuation techniques commonly used by market practitioners are applied. The fair value of convertible notes is estimated by independent professional valuer based on actual transactions of the financial instruments in the market or transactions of similar financial instruments which generally represent the best estimate of the market value. Details of the key inputs into the model are disclosed in note 24. The fair value of convertible notes varies with different variables of certain subjective assumptions. Any change in these variables so adopted may materially affect the estimation of the fair value of convertible notes.

5. REVENUE

Revenue, which is also the Group's turnover, represents the invoiced value of goods supplied and income from provision of services. Revenue recognised during the year is as follows:

	2008	**2007**
	HK$'000	*HK$'000*
Franchise income	1,977	—
Property agency commission and service income	13,738	—
Sale of goods	103,871	132,987
	119,586	132,987

6. OTHER INCOME

	2008	**2007**
	HK$'000	*HK$'000*
Interest income on financial assets not at fair value through profit and loss	1,990	1,631
Sundry income	103	430
	2,093	2,061

7. SEGMENT INFORMATION

Primary reporting format — business segments

The Group is organised into three main business segments:

Business Segment	**Nature of business activities**
1. Toy products trading and manufacturing#	Sourcing, manufacturing and distribution of toy, gift and premium products
2. Securities trading and investments	Trading and investing of marketable securities
3. Property agency*	Provision of property agency and related services

\# Toy products manufacturing business had been ceased since June 2007

* Property agency segment commences in July 2008

7. SEGMENT INFORMATION *(Continued)*

Primary reporting format — business segments *(Continued)*

2008

	Toy products trading *HK$'000*	Securities trading and investments *HK$'000*	Property agency *HK$'000*	Group *HK$'000*
Revenue				
External sales	103,871	—	15,715	119,586
Segment results	(8,274)	(3,695)	(176,932)	(188,901)
Unallocated operating income and expenses				(12,510)
Finance costs				(4,526)
Loss before income tax				(205,937)
Income tax credit				77
Loss for the year				(205,860)
Assets				
Segment assets	13,389	6	276,521	289,916
Unallocated assets				19,995
Total assets				309,911
Liabilities				
Segment liabilities	11,329	—	17,292	28,621
Unallocated liabilities				224,837
Total liabilities				253,458
Other information				
Capital expenditure				
Business segments	2	—	582	584
Unallocated items				18,570
Depreciation				
Business segments	103	—	76	179
Unallocated items				438
Provision for impairment loss on goodwill	—	—	173,960	173,960
Provision for impairment loss on trade receivables	1,509	—	176	1,685
Provision for impairment loss on investment properties				3,656

7. SEGMENT INFORMATION *(Continued)*

Primary reporting format — business segments *(Continued)*

2007

	Toy products trading and manufacturing *HK$'000*	Securities trading and investments *HK$'000*	Property agency *HK$'000*	Group *HK$'000*
Revenue				
External sales	132,987	—	—	132,987
Segment results	(14,343)	(746)	—	(15,089)
Unallocated operating income and expenses				(10,624)
Loss on assignment of an amount due from a subsidiary upon disposal				(68,559)
Gain on disposal of subsidiaries				20,413
Finance costs				(940)
Loss before income tax				(74,799)
Income tax expense				(171)
Loss for the year				(74,970)
Assets				
Segment assets	15,606	26,574	—	42,180
Unallocated assets				220,528
Total assets				262,708
Liabilities				
Segment liabilities	13,269	—	—	13,269
Unallocated liabilities				1,805
Total liabilities				15,074
Other information				
Capital expenditure				
Business segments	12	—	—	12
Unallocated items				32
Depreciation				
Business segments	1,878	—	—	1,878
Unallocated items				23
Amortisation on prepaid lease payments	63	—	—	63
Provision for impairment loss on goodwill	4,201	—	—	4,201
Other significant non-cash expenses	2,344	1,218	—	3,562

7. SEGMENT INFORMATION *(Continued)*

Secondary reporting format — geographical segments

The following table provides an analysis of the Group's sales by location of customers, irrespective of the origin of the goods and services.

Revenue by geographical markets:

	2008	**2007**
	HK$'000	*HK$'000*
Canada	—	7,589
Europe	32,603	2,376
Hong Kong	17,023	11,081
Japan	51,716	84,570
The People's Republic of China ("PRC")	4,404	22,043
Singapore	1,175	1,631
Taiwan	887	2,304
USA	11,745	1,393
Others	33	—
	119,586	132,987

The following is an analysis of the carrying amount of segment assets, and additions to property, plant and equipment and investment properties, analysed by the geographical area in which the assets are located.

	Total assets		**Capital expenditure**	
	2008	**2007**	**2008**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Canada	—	313	—	—
Europe	101	325	—	—
Hong Kong	299,774	235,175	19,154	44
Japan	1,374	3,189	—	—
PRC	6,123	1,568	—	—
Singapore	227	19,646	—	—
Taiwan	62	1,104	—	—
USA	2,205	1,388	—	
Others	45	—	—	—
	309,911	262,708	19,154	44

8. FINANCE COSTS

	2008	2007
	HK$'000	*HK$'000*
Interest charges on:		
Bank loans and other borrowings wholly repayable within five years	10	314
Finance charges on obligations under finance leases	—	94
Convertible notes	3,185	532
Promissory note	1,331	—
Total interest expenses on financial liabilities not at fair value through profit or loss	4,526	940

9. LOSS BEFORE INCOME TAX

Loss before income tax is arrived at after charging/(crediting):

	2008	2007
	HK$'000	*HK$'000*
Staff costs (include directors' emoluments)		
Salaries, wages and other benefits	9,405	9,144
Share-based payment in respect of share options granted	—	1,369
Contribution to defined contribution plans	353	135
	9,758	10,648
Operating lease payments for premises	2,086	185
Cost of inventories recognised as expense	99,535	127,924
Auditors' remuneration		
Current year	730	475
Underprovision in prior year	16	—
Depreciation on property, plant and equipment [1]	617	1,901
Amortisation on prepaid lease payments	—	63
Provision for impairment loss on trade receivables [1]	1,685	—
Loss on change in fair value of financial assets at fair value through profit or loss [2]	—	1,218
Loss on disposal of financial assets at fair value through profit or loss [2]	4,464	—
Net exchange (gain)/loss	(81)	1,834
Loss on disposal of property, plant and equipment	21	62

1 Expensed in administrative expenses

2 Expensed in other operating expenses

10. INCOME TAX (CREDIT)/EXPENSE

Hong Kong Profits Tax has been provided at the rate of 16.5% (2007: 17.5%) on the estimated assessable profit for the year.

	2008	2007
	HK$'000	*HK$'000*
Current tax — Hong Kong		
(Over)/Underprovision in respect of prior years	(77)	171

Reconciliation between tax expense and accounting loss at applicable tax rates:

	2008	2007
	HK$'000	*HK$'000*
Loss before income tax	(205,937)	(74,799)
Tax at Hong Kong profits tax rate of 16.5% (2007: 17.5%)	(33,979)	(13,090)
Tax effect of non-deductible expenses	31,807	12,150
Tax effect of non-taxable revenue	(160)	(420)
Tax effect of unused tax losses not recognised	2,470	1,344
Tax effect of unrecognised temporary differences	(138)	16
(Over)/Underprovision in prior years	(77)	171
Income tax (credit)/expense	(77)	171

The Hong Kong SAR Government enacted a reduction in the profits tax rate from 17.5% to 16.5% with effect from the year of assessment 2008/2009. Accordingly, the relevant current and deferred tax liabilities have been calculated using the new tax rate of 16.5%.

11. LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

Of the consolidated loss attributable to the equity holders of the Company of HK$205,860,000 (2007: HK$73,579,000), a loss of HK$218,563,000 (2007: HK$64,230,000) has been dealt with in the financial statements of the Company.

12. LOSS PER SHARE

The calculation of the basic loss per share is based on the following data:

Loss

	2008	**2007**
	HK$'000	*HK$'000*
Loss attributable to equity holders of the Company for the purpose of basic loss per share	(205,860)	(73,579)

Number of shares

	2008	**2007**
	'000	*'000*
		(As restated)
Weighted average number of ordinary shares for the purpose of basic loss per share	62,582	22,302

Note:

The weighted average number of shares for the purpose of basic loss per share in 2008 and 2007 were adjusted to reflect the following events:

i) share consolidation of every five shares of HK$0.025 each of the Company into one share of HK$0.125 each with effect from 15 July 2008 (Note 26(g)); and

ii) share consolidation of every twenty shares of HK$0.125 each of the Company into one share of HK$2.50 each, which became effective on 12 February 2009 (Note 38(a)).

Diluted loss per share for the years ended 31 December 2008 and 2007 have not been presented because the impact of the exercise of share options and conversion of convertible notes were anti-dilutive.

13. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS

13.1 Directors' emoluments

	Directors' fees *HK$'000*	Salaries, allowances and benefits in kinds *HK$'000*	Retirement scheme contribution *HK$'000*	Total *HK$'000*
2008				
Executive directors:				
Ha Kee Choy, Eugene	200	—	—	200
Ma Wai Man, Catherine	—	1,820	12	1,832
Ng Kai Man (appointed on 23 July 2008)	—	—	—	—
Non-executive directors:				
Cheng Yuk Wo	100	—	—	100
Chui Chi Yun, Robert	125	—	—	125
Leung Sau Fan, Sylvia (appointed on 1 February 2008)	92	—	—	92
Lai Wing Leung, Peter (resigned on 31 January 2008)	15	—	—	15
	532	1,820	12	2,364

	Directors' fees *HK$'000*	Salaries, allowances and benefits in kinds *HK$'000*	Retirement scheme contribution *HK$'000*	Total *HK$'000*
2007				
Executive directors:				
Ha Kee Choy, Eugene	200	—	—	200
Leung Wai Ho (resigned on 1 October 2007)	—	300	6	306
Wong Chung Shun (resigned on 1 October 2007)	—	270	6	276
Ma Wai Man, Catherine (appointed on 1 October 2007)	—	455	3	458
Non-executive directors:				
Chui Chi Yun, Robert	120	—	—	120
Lam Kwok Cheong (resigned on 12 October 2007)	100	—	—	100
Lai Wing Leung, Peter	120	—	—	120
Cheng Yuk Wo (appointed on 1 October 2007)	25	—	—	25
	565	1,025	15	1,605

13. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS *(Continued)*

13.1 Directors' emoluments *(Continued)*

There was no arrangement under which a director waived or agreed to waive any remuneration during the years ended 31 December 2008 and 2007.

No emolument was paid by the Group to the directors or any of the five highest paid individual as an inducement to join or upon joining the Group, or as compensation for loss of office.

13.2 Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included one (2007: one) director whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining four (2007: four) individuals during the year are as follows:

	2008	**2007**
	HK$'000	*HK$'000*
Salaries, allowances and benefits in kinds	1,830	1,687
Retirement schemes contributions	52	40
Share-based payments	—	1,369
	1,882	3,096

The emoluments fell within the following bands:

	Number of individuals	
	2008	**2007**
Emolument bands		
Nil — HK$1,000,000	4	4

14. PROPERTY, PLANT AND EQUIPMENT — THE GROUP

	Leasehold land and buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
COST							
At 1 January 2007	39,406	53	20,438	2,231	489	34	62,651
Additions	—	—	—	44	—	—	44
Disposals	—	(53)	—	(246)	—	—	(299)
Eliminated on disposal of subsidiaries	(39,406)	—	(20,438)	(1,816)	(71)	(34)	(61,765)
At 31 December 2007 and 1 January 2008	—	—	—	213	418	—	631
Additions	18,570	43	—	5	—	—	18,618
Addition through acquisition of subsidiaries *(note 29)*	—	392	—	74	70	—	536
Transfer to investment properties upon change of use *(note 15)*	(18,570)	—	—	—	—	—	(18,570)
Disposals	—	(26)	—	—	—	—	(26)
At 31 December 2008	—	409	—	292	488	—	1,189
DEPRECIATION							
At 1 January 2007	1,414	36	7,383	969	298	—	10,100
Charge for the year	268	4	1,364	175	90	—	1,901
Disposals	—	(40)	—	(195)	—	—	(235)
Eliminated on disposal of subsidiaries	(1,682)	—	(8,747)	(821)	(40)	—	(11,290)
At 31 December 2007 and 1 January 2008	—	—	—	128	348	—	476
Charge for the year	432	38	—	51	96	—	617
Transfer to investment properties upon change of use *(note 15)*	(432)	—	—	—	—	—	(432)
Disposals	—	(5)	—	—	—	—	(5)
At 31 December 2008	—	33	—	179	444	—	656
NET CARRYING AMOUNT							
At 31 December 2008	—	376	—	113	44	—	533
At 31 December 2007	—	—	—	85	70	—	155

15. INVESTMENT PROPERTIES — THE GROUP

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the cost model and are classified and accounted for as investment properties.

	2008	2007
	HK$'000	*HK$'000*
COST		
At 1 January	—	—
Transfer from property, plant and equipment upon change of use *(note 14)*	18,570	—
At 31 December	18,570	—
DEPRECIATION AND IMPAIRMENT		
At 1 January	—	—
Transfer from property, plant and equipment upon change of use *(note 14)*	432	—
Impairment losses recognised	3,656	—
At 31 December	4,088	—
NET CARRYING AMOUNT		
At 31 December	14,482	—

All investment properties are situated in Hong Kong and held under medium term lease. The fair value of the investment properties as at 31 December 2008 was approximately HK$14,482,000 (2007: HK$Nil). The fair value was determined by the directors by reference to recent market price of similar properties. No valuation has been performed by independent professional qualified valuers. Therefore, impairment losses of HK$3,656,000 (2007: HK$Nil) has been identified and recognised in the consolidated income statement.

16. INTEREST IN AND AMOUNTS DUE FROM SUBSIDIARIES — THE COMPANY

	2008 *HK$'000*	2007 *HK$'000*
Unlisted shares, at cost	1	1
Equity share-based payment in subsidiaries	3,215	3,215
	3,216	3,216
Less: Impairment losses	(3,215)	(3,215)
	1	1

In accordance with HKFRS 2 Share-based payment, share-based payment transactions in which an entity receives services from its employees as consideration for equity instruments of the entity are accounted for as equity-settled transactions (see note 3.16). The Company recognises the grant of equity instruments to its subsidiaries' employees and eligible participants amounted to HK$Nil (2007: HK$2,282,000) as capital contributions to its subsidiaries.

Amounts due from subsidiaries were previously disclosed in the trade and other receivables. They are currently reclassified and disclosed in the face of balance sheet to conform to the current year presentation. The amounts due are unsecured, interest-free and repayable on demand.

Particulars of the principal subsidiaries at 31 December 2008 are as follows:

Name of company	Place/country of incorporation/ operation	Particulars of issued capital	Percentage of issued capital held by the Company	Principal activities
Century 21 Hong Kong Limited	Hong Kong	3,880,000 ordinary shares of HK$1 each	100%	Provision of franchise, property agency and related services in Hong Kong and Macau
Century 21 Property Agency Limited	Hong Kong	2 ordinary shares of HK$1 each	100%	Provision of property agency and related services in Hong Kong
Century 21 Surveyors Limited	Hong Kong	100 ordinary shares of HK$1 each	100%	Provision of property project consulting, property agency and related services
Jet Fame Limited	Hong Kong	1 ordinary share of HK$1 each	100%	Trading of toy, gift and premium products
Kennex Investments Limited	Hong Kong	1 ordinary share of HK$1 each	100%	Property holding

16. INTEREST IN AND AMOUNTS DUE FROM SUBSIDIARIES — THE COMPANY *(Continued)*

Name of company	Place/country of incorporation/ operation	Particulars of issued capital	Percentage of issued capital held by the Company	Principal activities
Kingbox Investments Limited	British Virgin Islands/ Hong Kong	1 ordinary share of US$1 each	100%#	Investment holding
Prosper Overseas Limited	Hong Kong	2 ordinary shares of HK$1 each	100%#	Investment holding
Smart Arrow Limited	Hong Kong	1 ordinary share of HK$1 each	100%	Security trading and investment
Wiz Investments Limited	Hong Kong	1 ordinary share of HK$1 each	100%#	Security trading and investment
Wiz Limited	Hong Kong	1 ordinary share of HK$1 each	100%#	Provision of management services to the Group
Yanyan Force Limited	Hong Kong	100 ordinary shares of HK$1 each	60%	Trading of toy, gift and premium products

Issued capital held directly by the Company

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

17. GOODWILL — THE GROUP

The main changes in the carrying amounts of goodwill result from the acquisition of Consecutive Profits Limited, Pacific Pointer Limited, Real Clever Profits Limited, Century 21 Hong Kong Limited, Century 21 Limited and their subsidiaries (collectively, "C21 Group") as detailed in note 29 to the financial statements, and the impairment provided for the year.

	HK$'000
COST	
At 1 January 2007	5,337
Eliminated on disposal of subsidiaries	(1,136)
At 31 December 2007 and 1 January 2008	4,201
Acquisition of subsidiaries *(note 29)*	429,960
At 31 December 2008	434,161
IMPAIRMENT	
At 1 January 2007	1,136
Eliminated on disposal of subsidiaries	(1,136)
Provided for the year	4,201
At 31 December 2007 and 1 January 2008	4,201
Provided for the year	173,960
At 31 December 2008	178,161
NET CARRYING AMOUNT	
At 31 December 2008	256,000
At 31 December 2007	—

Goodwill is allocated to the Group's cash generating units ("CGU") identified according to business segment. The entire amount of goodwill as at 31 December 2008 has been allocated to the property agency segment. The entire amount of goodwill as at 31 December 2007 was allocated to the toy products trading segment located in Hong Kong and has been fully impaired in 2007.

Property agency

The carrying amount of goodwill has been allocated to the CGU for impairment testing. The recoverable amount of the property agency CGU was based on its value-in-use and was determined with the assistance of BMI Appraisals Limited, an independent professional qualified valuer. These calculation uses cash flow projections based on financial budgets approved by management covering a five-year period, and at a discount rate of 6.27%. Cash flows for the five-year period were extrapolated using a 5% to 20% growth rate in considering the economic conditions of the market. Cash flows beyond the five-year period are assumed to remain constant. The estimated growth rates used are comparable to the growth rate for the industry.

The carrying amount of the unit was determined to be higher than its recoverable amount and an impairment loss of HK$173,960,000 was recognised. The impairment loss was allocated fully to goodwill and is presented on the face of consolidated income statement.

The values assigned to the key assumptions represent management's assessment of future trends in the property market and are based on both external and internal sources (historical data).

17. GOODWILL — THE GROUP *(Continued)*

Toy products trading

The recoverable amount of the toy products trading CGU was based on its value-in-use calculation and an impairment loss of HK$4,201,000 was recognised in 2007. These calculations used cash flow projections based on financial budgets approved by management covering a five-year period, and at a discount rate of 7.8%. Cash flows for the five-year period were extrapolated using a 4% growth rate in considering the economic conditions of the market.

18. TRADE AND OTHER RECEIVABLES — THE GROUP AND THE COMPANY

	Group		Company	
	2008	**2007**	**2008**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade receivables				
From third parties	20,513	8,895	—	—
Less: provision for impairment of receivables	(2,101)	—	—	—
	18,412	8,895	—	—
Other receivables				
Deposits, prepayments and other receivables	8,596	6,651	226	627
	27,008	15,546	226	627

The directors of the Group considered that the fair values of trade and other receivables are not materially different from their carrying amounts because these amounts have short maturity periods on their inception.

For the 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 no general credit facilities are available. Based on the invoice dates and relevant agreements, the ageing analysis of trade receivables (net of impairment losses for bad and doubtful debts) as of the balance sheet date is as follows:

	Group	
	2008	**2007**
	HK$'000	*HK$'000*
0 to 30 days	7,533	6,391
31 to 60 days	2,422	983
61 to 90 days	797	535
Over 90 days	7,660	986
	18,412	8,895

18. TRADE AND OTHER RECEIVABLES — THE GROUP AND THE COMPANY *(Continued)*

The movement in the provision for impairment of trade receivables is as follows:

	Group	
	2008	**2007**
	HK$'000	*HK$'000*
At 1 January	—	1,451
Addition through acquisition of subsidiaries	416	—
Impairment loss charged to income statement	1,685	—
Amounts written off	—	(899)
Eliminated on disposal of a subsidiary	—	(552)
At 31 December	2,101	—

At each balance sheet date, the Group reviews trade receivables for evidence of impairment on both an individual and collective basis. As at 31 December 2008, impairment loss of HK$1,685,000 has been recognised (2007: HK$Nil). The impaired trade receivables are due from customers experiencing financial difficulties that were in default or delinquency of payments.

The Group did not hold any collateral as security or other credit enhancements over the impaired trade receivables, whether determined on an individual or collective basis.

The ageing analysis of the Group's trade receivables that were past due as at the balance sheet date but not impaired, based on due date is as follows:

	Group	
	2008	**2007**
	HK$'000	*HK$'000*
1 to 90 days past due	2,745	1,837
91 to 180 days past due	1,442	294
Over 180 days past due	583	368
	4,770	2,499

As at 31 December 2008, trade receivables of HK$13,642,000 (2007: HK$6,396,000) were neither past due nor impaired. These related to a large number of diversified customers for whom there was no recent history of default.

Trade receivables that were past due but not impaired related to a large number of diversified customers that had a good track record of credit with the Group. Based on past credit history, management believe that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered to be fully recoverable. The Group did not hold any collateral in respect of trade receivables past due but not impaired.

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS — THE GROUP

	2008	2007
	HK$'000	*HK$'000*
Held for trading, at market value		
Equity securities listed in Hong Kong	—	7,308
Derivative financial instruments		
Equity linked investments	—	4,031
	—	11,339

The Group's held for trading investments were disposed of during the year.

As at 31 December 2007, the fair value of the Group's held for trading investments were determined at their open market value.

20. BANK BALANCES AND CASH — THE GROUP AND THE COMPANY

	Group		Company	
	2008	2007	2008	2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cash at bank and in hand	7,038	6,270	255	2,912
Short-term bank deposits	4,850	229,167	4,850	16,395
	11,888	235,437	5,105	19,307

The short-term bank deposits earn interest ranging from 0.05% to 2.85% (2007: 1.35% to 3.95%) per annum. They have maturity of 1 to 14 days and are eligible for immediate cancellation without receiving any interest for the last deposit period.

The directors of the Group considered that the fair value of the short-term bank deposits is not materially different from its carrying amount because of the short maturity period on its inception.

21. TRADE AND OTHER PAYABLES — THE GROUP AND THE COMPANY

	Group		Company	
	2008	2007	2008	2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade payables	11,891	3,900	—	—
Other payables				
Accrued charges and other creditors	19,258	11,174	2,046	1,745
	31,149	15,074	2,046	1,745

21. TRADE AND OTHER PAYABLES — THE GROUP AND THE COMPANY *(Continued)*

For toy products trading segment, the Group was granted by its suppliers credit periods ranging from 30 to 60 days. For property agency segment, the commission payable was due for settlement only upon the receipt of corresponding agency fees received from customers. The ageing analysis of trade payables were as follows:

	Group	
	2008	**2007**
	HK$'000	*HK$'000*
0 to 30 days	2,413	3,392
31 to 60 days	1,734	508
61 to 90 days	490	—
Over 90 days	7,254	—
	11,891	3,900

All amounts are short-term and hence the carrying values of trade payables, accrued charges and other creditors are approximate their fair values.

At 31 December 2008, accrued charges and other creditors include an amount due to a minority shareholder of a subsidiary, who is also a family member of an executive director of the Company, amounted to HK$6,401,000 (2007: HK$4,418,000).

22. AMOUNT DUE TO A DIRECTOR — THE GROUP

The amount due is unsecured, interest-free and repayable on demand. The carrying amount approximates its fair value.

23. PROMISSORY NOTE — THE GROUP

The promissory note was issued to Mr. Ng Kai Man ("Mr. Ng"), an executive director of the Group, as part of the consideration for the acquisition of C21 Group during the year (note 29). The amount is unsecured, bears interest at 3% per annum and is wholly repayable on 23 January 2010. The carrying amount of the promissory note approximates its fair value.

24. CONVERTIBLE NOTES — THE GROUP AND THE COMPANY

The carrying values of the liability and equity component of the convertible notes of the Group and the Company are as follows:

Liability component

	2009 Convertible Notes *(note 24(a))* *HK$'000*	**2011 Convertible Notes** *(note 24(b))* *HK$'000*	**Total** *HK$'000*
At 1 January 2007	—	—	—
Net carrying amounts on initial recognition	29,639	—	29,639
Imputed interest expenses	532	—	532
Exercise of conversion rights	(30,171)	—	(30,171)
Net carrying amounts at 31 December 2007 and 1 January 2008	—	—	—
Net carrying amounts on initial recognition	—	115,321	115,321
Imputed interest expenses	—	3,185	3,185
Interest on convertible notes accrued	—	(1,154)	(1,154)
Net carrying amounts at 31 December 2008	—	117,352	117,352

Equity component

	2009 Convertible Notes *(note 24(a))* *HK$'000*	**2011 Convertible Notes** *(note 24(b))* *HK$'000*	**Total** *HK$'000*
At 1 January 2007	—	—	—
Net carrying amounts on initial recognition	4,361	—	4,361
Exercise of conversion rights	(4,361)	—	(4,361)
Net carrying amounts at 31 December 2007 and 1 January 2008	—	—	—
Net carrying amounts on initial recognition	—	14,679	14,679
Net carrying amounts at 31 December 2008	—	14,679	14,679

24(a) 2009 Convertible Notes

On 23 July 2007, the Company issued convertible notes with aggregate principal amount of HK$34,000,000 (the "2009 Convertible Notes"), which were non-interest bearing and would mature on 23 July 2009. The 2009 Convertible Notes were convertible into shares of the Company at conversion price of HK$0.10 per share (subject to anti-dilutive adjustments). Unless previously redeemed or converted, the Company would redeem the 2009 Convertible Notes on their maturity date at 105% of the outstanding principal amount.

24. CONVERTIBLE NOTES — THE GROUP AND THE COMPANY *(Continued)*

24(a) 2009 Convertible Notes *(Continued)*

The fair value of the liability component, included in the 2009 Convertible Notes, was calculated using a market interest rate for an equivalent non-convertible note. The residual amount representing the value of the equity conversion component, is included in shareholders' equity in convertible notes equity reserve.

During the year ended 31 December 2007, all the 2009 Convertible Notes were converted into ordinary shares of the Company. Total number of ordinary shares of HK$0.025 each converted was approximately 340,000,000 (note 26).

Interest expenses on the 2009 Convertible Notes are calculated using the effective interest method by applying the effective interest rate of 9.75% to the adjusted liability component.

24(b) 2011 Convertible Notes

On 23 July 2008 (the "Date of Issue"), the Company issued HK$130,000,000 3-years 2% convertible notes (the "2011 Convertible Notes") at 100% of principal amount to Mr. Ng as part of the consideration for the acquisition of C21 Group (note 29).

At the option of the noteholders, the noteholders have the right, subject to restrictions stated below, to convert in whole or any part of the outstanding principal amount of the 2011 Convertible Notes into ordinary shares of the Company of HK$0.125 each at any time from the 15th day after the Date of Issue up to and including the date which is 15 days prior to the maturity date at the initial conversion price of HK$0.1375 per share. The conversion price is subject to adjustment on the occurrence of dilutive or concentrative event. Following the Capital Reorganisation and the Share Placing as disclosed in note 38(a) and 38(b) respectively, the conversion price was adjusted to HK$1.366 per ordinary share of HK$0.01 each with effect from 31 March 2009. Unless previously converted, the Company will redeem the 2011 Convertible Notes at its principal amount outstanding on 23 July 2011.

The noteholders of the 2011 Convertible Notes shall not exercise any conversion right attaching to the 2011 Convertible Notes or to such an extent that results or will result in (i) the noteholder and parties acting in concert with it (within the meaning under the Hong Kong Code on Takeovers and Mergers) beneficially holding more than 29% (or such percentage as may from time to time be specified in the Hong Kong Code on Takeovers and Mergers as being the level for triggering a mandatory general offer) of the then enlarged issued share capital of the Company at the relevant date of conversion of the 2011 Convertible Notes; or (ii) the Company in breach of any provision of the Listing Rules, including the requirement to maintain the prescribed minimum percentage (currently being 25%) of the issued share capital of the Company held by the public (as defined in the Listing Rules), unless prior approval or waiver has been obtained from the Stock Exchange.

Further details of the principal terms and conditions regarding the issue of the 2011 Convertible Notes have been set out in the circular of the Company dated 28 June 2008.

The fair value of the liability component of the 2011 Convertible Notes was calculated using a market interest rate for an equivalent non-convertible bond. The residual amount, which also approximates to the fair value of the equity conversion component, is included in shareholders' equity in convertible notes equity reserve.

24. CONVERTIBLE NOTES — THE GROUP AND THE COMPANY *(Continued)*

24(a) 2009 Convertible Notes *(Continued)*

Interest expense on the 2011 Convertible Notes is calculated using the effective interest method by applying the effective interest rate of 6.25% to the liability component.

During the year ended 31 December 2008, no 2011 Convertible Notes were converted into ordinary shares of the Company.

25. DEFERRED TAXATION

As at 31 December 2008, the Group has unused tax losses of HK$42,732,000 (2007: HK$27,763,000) available for offset against future profits that may be carried forward indefinitely. No deferred tax asset has been recognised in respect of such tax losses due to the unpredictability of future profit streams.

26. SHARE CAPITAL — THE GROUP AND THE COMPANY

	Number of shares	**Share capital**
	'000	*HK$'000*
Authorised:		
Ordinary shares		
At 1 January 2007, at HK$0.01 each	50,000,000	500,000
Share consolidation of 5 ordinary shares of HK$0.01 each into 2 ordinary shares of HK$0.025 each *(note a)*	(30,000,000)	—
At 31 December 2007 and 1 January 2008, at HK$0.025 each	20,000,000	500,000
Share consolidation of 5 ordinary shares of HK$0.025 each into 1 ordinary share of HK$0.125 each *(note g)*	(16,000,000)	—
At 31 December 2008, at HK$0.125 each	4,000,000	500,000
Issued and fully paid:		
Ordinary shares		
At 1 January 2007, at HK$0.01 each	1,953,682	19,536
Share consolidation of 5 ordinary shares of HK$0.01 each into 2 ordinary shares of HK$0.025 each *(note a)*	(1,172,210)	—
Issue of shares upon placing of shares *(note b and c)*	410,000	10,250
Issue of shares upon exercise of share options *(note d)*	33,085	828
Issue of shares upon conversion of the 2009 Convertible Notes *(note e)*	340,000	8,500
Rights issue *(note f)*	4,693,673	117,342
At 31 December 2007 and 1 January 2008, at HK$0.025 each	6,258,230	156,456
Share consolidation of 5 ordinary shares of HK$0.025 each into 1 ordinary share of HK$0.125 each *(note g)*	(5,006,584)	—
At 31 December 2008, at HK$0.125 each	1,251,646	156,456

26. SHARE CAPITAL — THE GROUP AND THE COMPANY *(Continued)*

Notes:

a. Pursuant to an ordinary resolution passed in a special general meeting of the Company on 5 March 2007, every 5 issued and unissued shares of HK$0.01 each in the capital of the Company were consolidated into 2 shares of HK$0.025 each (the "Shares") with effect from 6 March 2007.

b. Pursuant to a placing agreement dated 24 January 2007 (as amended by a supplemental agreement dated 9 February 2007), 220,000,000 Shares and 120,000,000 Shares were issued and allotted at a consideration of HK$0.10 per Share on 14 March 2007 and 11 April 2007 respectively.

c. Pursuant to a placing and subscription agreement dated 14 August 2007, the placing agent agreed to place 70,000,000 Shares held by Charm Management Limited ("Charm") at a placing price of HK$0.128 per Share and the Company agreed to allot and issue 70,000,000 Shares to Charm at a subscription price of HK$0.128 per Share. On 20 August 2007, 70,000,000 Shares were issued and allotted to Charm at a consideration of HK$0.128 per Share.

d. During the year ended 31 December 2007, 33,084,960 Shares were issued and allotted at the exercise price of HK$0.14 per Share pursuant to the options granted under the share option scheme of the Company.

e. On 23 July 2007, the Company issued the 2009 Convertible Notes with aggregate principal amount of HK$34,000,000, details of which is disclosed in note 24(a). Holders of the 2009 Convertible Notes with principal amounts of HK$10,000,000 and HK$24,000,000 exercised their conversion rights on 9 August 2007 and 15 November 2007 respectively. Accordingly, a total of 340,000,000 Shares were issued and allotted in 2007.

f. An ordinary resolution was passed in a special general meeting of the Company on 23 November 2007 to approve a rights issue on the basis of three rights shares for every one Share held by the shareholders on the register of members on 23 November 2007 at a subscription price of HK$0.038 per rights share (the "Rights Issue"). The Rights Issue became unconditional on 12 December 2007 and 4,693,672,800 Shares were issued and allotted on 13 December 2007 for a total cash consideration, before share issue expenses, of approximately HK$178,360,000.

g. Pursuant to an ordinary resolution passed in a special general meeting of the Company on 14 July 2008, every 5 issued and unissued Shares in the capital of the Company were consolidated into 1 share of HK$0.125 each with effect from 15 July 2008.

All the shares issued during the years ended 31 December 2008 and 2007 rank pari passu in all respects with the then existing shares of the Company.

27. RESERVES — THE COMPANY

	Share premium *HK$'000*	Contribution surplus *HK$'000*	Convertible notes equity reserve *HK$'000*	Share options reserve *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*
At 1 January 2007	48,848	49,948	—	—	(49,721)	49,075
Issue of shares upon placement of shares	32,710	—	—	—	—	32,710
Equity settled share-based payment transactions	—	—	—	2,282	—	2,282
Issue of shares upon exercise of share options	6,086	—	—	(2,282)	—	3,804
Issue of the 2009 Convertible Notes	—	—	4,361	—	—	4,361
Issue of shares upon conversion of the 2009 Convertible Notes	26,032	—	(4,361)	—	—	21,671
Rights issue	61,017	—	—	—	—	61,017
Share issue expense	(6,595)	—	—	—	—	(6,595)
Loss for the year	—	—	—	—	(64,230)	(64,230)
At 31 December 2007 and 1 January 2008	168,098	49,948	—	—	(113,951)	104,095
Issue of the 2011 Convertible Notes	—	—	14,679	—	—	14,679
Loss for the year	—	—	—	—	(218,563)	(218,563)
At 31 December 2008	168,098	49,948	14,679	—	(332,514)	(99,789)

Note:

The contribution surplus represented reduction in issued share capital pursuant to a capital restructuring in 2004. Under the Company Law of Bermuda, the contributed surplus of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

a. it is, or would after the payment be, unable to pay its liabilities as they become due; or

b. the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts

28. SHARE OPTIONS

Pursuant to the resolution passed at a special general meeting held on 17 September 2004, the Company adopted a new share option scheme (the "Scheme"). The Company operates the Scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The eligible participants of the Scheme include the Company's or its subsidiaries' executive directors, non-executive directors and employees, and any business consultants, agents, financial or legal advisers and any other persons who the board of director consider, at its sole discretion, will contribute or have contributed to the Group.

The grant of share options should be accepted within 30 days from the date of the grant, at a consideration of HK$1, being payable by the grantee upon the acceptance of grant. The options may be exercised at any time within the period commencing from the date of grant of the options and expiring on the date determined by the directors, but in any event such exercise period shall not exceed a period of ten years commencing on the date the relevant option is deemed to be granted.

The exercise price of the share options was determinable by the directors, but was not able to be less than the higher of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotation sheet for the five business days immediately preceding the date of grant and (iii) the nominal value of the Company's share.

Pursuant to the Scheme, the maximum number of shares in the Company in respect of which options may be granted when aggregated with any other share option scheme of the Company is not permitted to exceed 10% of the issued share capital of the Company as at the date of adoption of the Scheme. Subject to the issue of a circular and the approval of the shareholders of the Company in general meeting and/or such other requirements prescribed under the Listing Rules from time to time, the board may refresh the limit at any time to 10% of the total number of shares in issue as at the date of approval by the shareholders of the Company in general meeting. Notwithstanding the foregoings, the shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option schemes of the Company at any time shall not exceed 30% of the shares in issue from time to time.

No option may be granted to any person if the total number of shares of the Company already issued and issuable to him under all the options granted to him in any 12 month period up to and including the date of grant exceeding 1% of total number of shares in issue as at the date of grant. Any further grant of options in excess of this 1% limit shall be subject to the issue of a circular by the Company and the approval of the shareholders in general meeting. Such participant and his associates (as defined in the Listing Rules) abstaining from voting and/or other requirements prescribed under the Listing Rules from time to time. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital or with a value in excess of HK$5 million must be approved in advance by the Company's shareholders.

At 31 December 2008, there were no outstanding share options and there were no additional share options granted during year ended 31 December 2008.

28. SHARE OPTIONS *(Continued)*

(a) Movements in share options in 2007

The following table discloses movement of the Company's share options during the year ended 31 December 2007:

				Number of share options			
	Date of grant	Exercise period	Exercise price *(note)* *HK$*	At 1 January 2007	Granted during the year *(note)*	Exercised during the year	At 31 December 2007
Employees	13 January 2007	13 January 2007 to 12 January 2009	0.140	—	19,850,976	(19,850,976)	—
Others	13 January 2007	13 January 2007 to 12 January 2009	0.140	—	13,233,984	(13,233,984)	—
				—	33,084,960	(33,084,960)	—
Weighted average exercise prices *(HK$)*				N/A	0.140	0.140	N/A

Notes:

The exercise price and number of share options granted in 2007 were adjusted to reflect the share consolidation of every five shares of HK$0.01 each of the Company into two shares of HK$0.025 each which became effective on 6 March 2007.

At 31 December 2007, there was no weighted average remaining contractual life of the Company's share options.

(b) Share options exercised in 2007

All share options granted in 2007 were immediately exercisable and exercised at the exercise price of HK$0.140 per share. The weighted average closing price of the shares of the Company immediately before the dates on which the options were exercised was HK$0.191 per share.

(c) Fair value of share options granted in 2007 and assumptions

In 2007, the fair value of the share options granted was HK$0.069. The estimate of the fair value of the share options granted is measured based on Black-Scholes pricing model. The inputs into the model were as follows:

Closing price of the shares at the date of grant	HK$0.1450
Exercise price	HK$0.1400
Expected volatility	78.55%
Risk-free interest rate	7.75% per annum
Option life	2 years
Expected dividend yield	0.00%

The expected volatility was determined by using the historical volatility of the share price of the Company over the previous one year.

The Black-Scholes pricing model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

29. BUSINESS COMBINATION

On 23 July 2008, the Group acquired 100% of the equity interest of C21 Group for a total consideration of HK$430,000,000 (the "Consideration"). C21 Group is engaged in the provision of property agency and related services. The transaction had been accounted for using the purchase method of accounting.

Details of the net assets acquired and goodwill are as follows:

	HK$'000
Purchase consideration:	
Cash paid	200,000
Issue of promissory note *(note 23)*	100,000
Issue of the 2011 Convertible Notes, at fair value *(note 24)*	130,000
Total purchase consideration	430,000
Fair value of net assets acquired	(40)
Goodwill *(note 17)*	429,960

The goodwill is attributable to the high profitability of the acquired business and the significant synergies expected to arise after the Group's acquisition of C21 Group.

The assets and liabilities arising from the acquisition are as follows:

	Acquiree's carrying amount *HK$'000*	**Fair value** *HK$'000*
Property, plant and equipment	536	536
Trade and other receivables	19,210	19,210
Cash and cash equivalents	2,258	2,258
Trade and other payables	(17,792)	(17,792)
Provision for tax	(4,172)	(4,172)
Net assets acquired	40	40
Purchase consideration settled in cash		200,000
Cash and cash equivalents in subsidiaries acquired		(2,258)
Cash outflow on acquisition		197,742

C21 Group contributed revenue of HK$15.7 million and loss of HK$3 million (exclude provision for impairment loss on goodwill) to the Group for the period between the date of acquisition and balance sheet date. Had the combination taken place at 1 January 2008, the revenue and the loss of the Group for the year ended 31 December 2008 would have been HK$149.4 million and HK$209.2 million respectively. These pro forma information are for illustrative purposes only and are not necessarily an indication of revenue and result of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2008, nor are they intended to be a projection of future results.

There were no acquisitions in the year ended 31 December 2007.

30. DISPOSAL OF SUBSIDIARIES IN 2007

In 2007, the Group disposed of its entire interests in (i) Good Prosper Trading Limited and its subsidiaries (the "GPTL Group"); (ii) GFT Holding Limited and its subsidiaries (the "GFT Holding Group"); (iii) Capital Prosper Limited; and (iv) Prosper Services Limited. The details of assets and liabilities disposed of, total consideration and an analysis of the net inflow of cash and cash equivalents in respect of the disposals of the above subsidiaries are summarised as follows:

	GPTL Group	**GFT Holding Group**	**Capital Prosper Limited**	**Prosper Services Limited**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note i)	*(Note ii)*	*(Note iii)*	*(Note iv)*	
Net liabilities disposed of by the Group:					
Property, plant and equipment	12,970	50,477	—	—	63,447
Prepaid lease payments	5,561	3,375	—	—	8,936
Club debenture	—	220	—	—	220
Inventories	—	9,463	—	—	9,463
Trade and other receivables	—	34,215	—	28	34,243
Bank balances and cash	69	6,815	—	103	6,987
Bank loans	—	(18,000)	—	—	(18,000)
Obligations under finance leases	—	(3,027)	—	—	(3,027)
Trade and other payables	—	(29,140)	—	(19)	(29,159)
Amount due to group companies	(17,309)	(67,248)	—	—	(84,557)
Amount due to related companies	(2,096)	(877)	(25)	(157)	(3,155)
Tax payable	—	(319)	—	—	(319)
	(805)	(14,046)	(25)	(45)	(14,921)
Minority interests	—	(71)	—	—	(71)
Translation reserve	(1,859)	(1,250)	—	—	(3,109)
Attributable goodwill	396	—	—	—	396
	(2,268)	(15,367)	(25)	(45)	(17,705)
Gain on disposal	4,976	15,367	25	45	20,413
Total consideration satisfied by cash	2,708	—	—	—	2,708
Cash consideration	2,708	—	—	—	2,708
Bank balances and cash disposed of	(69)	(6,815)	—	(103)	(6,987)
Cash inflow/(outflow) on disposal	2,639	(6,815)	—	(103)	(4,279)

30. DISPOSAL OF SUBSIDIARIES IN 2007 *(Continued)*

Note:

(i) The Company entered into an agreement in November 2006 to dispose of its entire equity interest in and the amount due from GPTL Group to the Group (the "Debt") to an independent third party, Sky Hawk International Limited ("Sky Hawk") for an aggregate consideration of HK$20 million. The principal assets of GPTL Group are the land use rights in respect of parcels of adjacent lands situated at Boluo, Huizhou and the infrastructure erected thereon. HK$2 million was paid by Sky Hawk upon signing of the agreement and the balance was to be settled on completion.

Pursuant to the deed of assignment dated 28 June 2007, the Group assigned the Debt to Sky Hawk. GPTL became indebted to Sky Hawk in amount of approximately HK$17 million.

Pursuant to the supplemental agreement dated 28 June 2007, Sky Hawk paid a further sum of HK$2 million and delivered to the Company a promissory note with a principal amount of HK$16 million which was interest free, due on 31 December 2007 and secured by the entire issued share capital of GPTL. Sky Hawk fully settled the amount before the balance sheet date.

(ii) On 16 April 2007, the Company entered into an agreement with Innovative Sonic International Limited ("Innovative Sonic"), a company beneficially owned by Mr. Leung Wai Ho and Mr. Wong Chung Shun, former directors and substantial shareholders of the Company. Pursuant to the agreement, the Company agreed to sell and Innovative Sonic agreed to purchase the entire equity interest of and the amount from GFT Holding Group (the "Loan") at an aggregate consideration of HK$2. GFT Holding Group engages in toy manufacturing and toy trading.

Pursuant to the deed of assignment dated 28 June 2007, the Group assigned the Loan to Innovative Sonic. Great Force Technology Limited, a subsidiary of GFT Holding Limited became indebted to Innovative Sonic in amount of approximately HK$68.6 million.

(iii) On 28 December 2007, the Group disposed of its entire interest in Capital Prosper Limited, which was inactive, to independent third parties for an aggregate consideration of HK$2.

(iv) On 28 December 2007, the Group disposed of its entire interest in Prosper Services Limited, which was principally engaged in the provision of management services to the Group, to independent third parties for an aggregate consideration of HK$2.

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to financial risks through its use of financial instruments in its ordinary course of operations and in its investment activities. The financial risks include market risk (including currency risk, interest risk and other price risk), credit risk and liquidity risk.

Financial risk management is coordinated at the Group's headquarters, in close co-operation with the board of directors. The overall objectives in managing financial risks focus on securing the Group's short to medium term cash flows by mininising its exposure to financial markets. Long term financial investments are managed to generate lasting returns with acceptable risk levels.

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

31.1 Categories of financial assets and liabilities

The carrying amounts presented in the balance sheets relate to the following categories of financial assets and financial liabilities.

	Group		Company	
	2008	**2007**	**2008**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets				
Loans and receivables:				
Trade and other receivables	24,294	12,889	—	1
Amounts due from subsidiaries	—	—	170,733	242,361
Bank balances and cash	11,888	235,437	5,105	19,307
	36,182	248,326	175,838	261,669
Financial assets at fair value through profit or loss	—	11,339	—	—
	36,182	259,665	175,838	261,669
Financial liabilities				
At amortised cost:				
Trade and other payables	31,149	15,074	2,046	1,745
Amount due to a director	862	—	—	—
Promissory note	100,000	—	—	—
Convertible notes	117,352	—	117,352	—
	249,363	15,074	119,398	1,745

31.2 Foreign currency risk

Currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposures to currency risk arise from its sales and purchases from the toys products trading business, which are primarily denominated in Renminbi ("RMB") and United Stated dollars ("US$"). These are not the functional currencies of the Group entities to which these transactions relate.

Foreign exchange risk arises when future commercial transactions or recognised assets and liabilities are denominated in a currency that is not the Group entity's functional currency. The Group has not entered into any derivative instruments to hedge the foreign exchange exposures.

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

31.2 Foreign currency risk *(Continued)*

The following table provides details of the Group's exposure at the balance sheet date to foreign exchange risk arising from recognised assets and liabilities denominated in a currency other than the functional currency of the entity to which they relate are shown below:

	US$	RMB
	'000	*'000*
At 31 December 2008		
Trade and other receivables	344	1,386
Bank balances and cash	221	—
Trade and other payables	(202)	(468)
Overall net exposure	363	918
At 31 December 2007		
Trade and other receivables	782	4,462
Bank balances and cash	136	—
Trade and other payables	(553)	(3,919)
Overall net exposure	365	543

The Group considers its foreign currency exposure is mainly arising from the exposure of RMB and the US$.

The Group does not hedge its foreign currency risks with US$ as Hong Kong dollars is pegged to US$ and thus foreign exchange exposure is considered as minimal.

As at 31 December 2008, if Hong Kong dollar had weakened/strengthened by 10% (2007: 5%) against RMB, with all other variables held constant, loss after income tax for the year and accumulated losses would have been HK$92,000 (2007: HK$27,000) lower/higher, mainly as a result of foreign exchange gains/losses on translation of RMB denominated trade and other receivables and trade and other payables. The Group does not hedge its foreign currency risks with RMB. However, management monitors the foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The foreign currency risk exposed to the Company at the balance sheet date is immaterial.

31.3 Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises primarily from promissory note, convertible notes and bank deposits. Borrowings bearing variable rates and fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group's promissory note and convertible notes mainly pay fixed interest rates. The Group has not used any interest rate swaps to hedge its exposure to interest rate risk.

At 31 December 2008, it is estimated that a general increase/decrease of 50 basis points in interest rates, with all other variables held constant, would decrease/increase the Group's loss after income tax and accumulated losses by approximately HK$59,000 (2007: HK$1,177,000). The 50 basis point increase/decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual balance sheet date.

The cash flow and fair value interest rate risk exposed to the Company at the balance sheet dates are immaterial.

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

31.4 Equity price risk

Equity price risk relates to the risk that the fair values or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than changes in interest rates and foreign exchange rates). The Group is exposed to change in market prices of listed equity and debt securities in respect of its investments in listed equity and debt securities classified as financial assets at fair value through profit or loss.

As at 31 December 2008, the Group and the Company does not hold any investments in equity and debt securities. As at 31 December 2007, if equity prices had been 5% higher/lower, with all other variables held constant, the Group's loss after income tax for the year ended 31 December 2007 would have been HK$567,000 lower/higher. There will be no impact on other components of equity.

31.5 Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligations under the terms of the financial instrument and cause a financial loss to the Group. The Group's exposure to credit risk mainly arises from granting credit to customers in the ordinary course of its operation and its investing activities.

The Group has adopted procedures in extending credit terms to customers and in monitoring its credit risk. The Group's credit policy and practices include assessment and valuation of customer's credit reliability and periodic review of their financial status to determine the credit limits to be granted.

As at the balance sheet date, the Group has no significant concentration of credit risk, with exposure spread over a number of customers and counter parties.

The credit risk in relation to the Group's cash and cash equivalents is considered negligible as with the counterparties are reputable banks and financial institutions with good credit ratings.

The maximum exposure to credit risk at the balance date is the carrying amount of each class of financial assets. The Group does not provide any other guarantees which would expose the Group to credit risk.

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

31.6 Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities. The Group is exposed to liquidity risk in respect of settlement of trade payables and its financing obligations, and also in respect of its cash flow management. The Group's objective is to maintain an appropriate level of liquid assets in the short and longer term. The Group finances its working capital requirements mainly by funds generated from operations and from fund raising activities such as placement and rights issue.

The table below analyses the undiscounted cash flows of the Group's and the Company's financial liabilities that will be settled into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date and at the earliest date the Group and the Company can be required to pay. The amounts disclosed in the table include both interest and principal cash flows.

Group

	Within 1 year	**Between 1 and 2 years**	**Between 2 and 5 years**
	HK$'000	*HK$'000*	*HK$'000*
At 31 December 2008			
Trade and other payables	28,664	—	—
Amount due to a director	862	—	—
Promissory note	3,000	101,500	—
Convertible notes	2,600	2,600	132,600
	35,126	104,100	132,600
At 31 December 2007			
Trade and other payables	15,074	—	—

Company

	Within 1 year	**Between 1 and 2 years**	**Between 2 and 5 years**
	HK$'000	*HK$'000*	*HK$'000*
At 31 December 2008			
Trade and other payables	892	—	—
Convertible notes	2,600	2,600	132,600
	3,492	2,600	132,600
At 31 December 2007			
Trade and other payables	1,745	—	—

31.7 Fair value risk

All significant financial instruments are carried at amounts not materially different from their fair values as at 31 December 2008 and 2007.

32. CAPITAL MANAGEMENT

The Group's objectives when managing capital are:

- to safeguard the Group's ability to continue as a going concern, so that it continues to provide returns for shareholders and benefits for other stakeholders;
- to support the Group's stability and growth; and
- to provide capital for the purpose of strengthening the Group's risk management capability.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability and projected operating cash flows. The Group currently has not adopted any formal dividend policy.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total borrowings divided by total capital. For this purpose, the Group defines total borrowings as convertible notes and promissory note. Total capital is calculated as total equity, as shown in the consolidated balance sheet, plus total borrowings.

The gearing ratios at 31 December 2008 and 2007 were as follows:

	Group	
	2008	**2007**
	HK$'000	*HK$'000*
Promissory note	100,000	—
Convertible notes	117,352	—
Total borrowings	217,352	—
Total equity	56,453	247,634
Total capital	273,805	247,634
Gearing ratio	79.4%	Nil

33. RELATED PARTY TRANSACTIONS

In addition to the transactions/information disclosed elsewhere in these financial statements, during the year, the Group had the following transactions with related parties.

Related party relationship	**2008**	**2007**
	HK$'000	*HK$'000*
Key management personnel, including directors *(note)*		
Salaries and allowances	2,920	2,991
Contribution to defined contribution plan	33	31
Companies under common control by executive directors and shareholders of the Company		
Referral income received	65	—
Administrative expenses paid:		
Security	—	155
Staff welfare	—	128
Transportation	—	52

Note:

The remuneration of directors and key executives is determined by the board of directors having regard to the performance of individuals and market trends.

34. CAPITAL COMMITMENTS

Group

The Group did not have any significant capital commitments as at 31 December 2008.

As at 31 December 2007, the Group had capital commitments in respect of acquisition of property, plant and equipment of approximately HK$15,056,000 contracted but not provided for in the financial statements.

Company

The Company did not have any significant commitments as at 31 December 2008 and 2007.

35. OPERATING LEASE COMMITMENTS

Group

At 31 December 2008, the total future minimum lease payments under non-cancellable operating leases payable by the Group are as follows:

	2008	**2007**
	HK$'000	*HK$'000*
Within one year	2,909	466
In the second to fifth year inclusive	1,925	403
	4,834	869

The Group leases certain of its office premises and photocopying machines. The leases run for an initial period of one to five years, with options to renew the lease and renegotiated the terms at the expiry date or at dates as mutually agreed between the Group and respective landlords/lessors. None of the leases include contingent rentals.

Company

The Company did not have significant operating lease commitments as at 31 December 2008 and 2007.

36. BANKING FACILITIES

At 31 December 2008, no banking facilities were granted to the Group.

At 31 December 2007, the banking facilities granted to a subsidiary amounted to US$7,000,000 which had not been utilised were secured by cash deposits and marketable securities with aggregate net book value of HK$19,103,000.

37. CONTINGENT LIABILITIES

On 8 October 2004, Mr. Kwok Chin Wing ("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$44.5 million and accrued interest thereof.

The Action is still pending in the High Court of Hong Kong SAR. The Company had already completed discovery of all documentary evidence and exchange of witness statements as to the fact pursuant to the directions of the Court and also obtained Counsel's advice on the pleadings, evidence and merit of defence in the Action. The Company was ready to proceed with the trial of the Action since early 2006.

However, Kwok took out applications in the Action in July 2006 for substantial amendments to his Re-Re-Amended Statement of Claim ("the Amendment Application") and joinder of party to the Action ("the Joinder Application"). The Amendment Application and the Joinder Application had substantially delayed the setting down of the Action for trial.

The Amendment Application and the Joinder Application were granted by the Court on 19 April 2007. The newly joined defendant had filed his defence and the Company had also properly dealt with all consequential amendments to the pleadings. Discovery and inspection of documentary evidence between Kwok and the newly joined defendant were completed. Kwok has filed and served his Supplemental Witness Statement but the newly joined defendant has not yet made ready his witness statement. Recently, Kwok indicated that further amendment to his Statement of Claim would be required. It is foreseeable that the trial of the Action would be further delayed.

Notwithstanding the contemplated amendments to the Re-Re-Re-Amended Statement of Claim, the Solicitors and Counsel acting for the Company still hold good of their advice previously delivered to the Company. With the benefit of the advice of Solicitors and Counsel acting for the Company, the directors of the Company formed the opinion that Kwok does not have a valid claim against the Company and therefore it is unlikely to have any material adverse financial impact on the Group.

38. POST BALANCE SHEET EVENTS

(a) On 22 December 2008, the Company has proposed Capital Reorganisation as follows:

(i) Share Consolidation: every twenty shares of HK$0.125 each in both the issued and unissued share capital of the Company would be consolidated into one consolidated share of HK$2.50;

(ii) Capital Reduction: upon the Share Consolidation becoming effective, the par value of each issued consolidated share would be reduced from HK$2.50 to HK$0.01 by the cancellation of HK$2.49 of the paid-up capital on each consolidated share;

(iii) Share Subdivision: upon the Share Consolidation and Capital Reduction becoming effective, each of the authorised but unissued consolidated share in the capital of the Company of par value of HK$2.50 should be subdivided into 250 new shares of par value of HK$0.01 each; and

(iv) Share Premium Reduction: upon the Share Consolidation, the Capital Reduction and the Share Subdivision becoming effective, the entire amount of the share premium account of the Company would be cancelled.

Pursuant to a special resolution passed in a special general meeting on 11 February 2009, the Capital Reorganisation becomes effective from 12 February 2009.

38. POST BALANCE SHEET EVENTS *(Continued)*

(b) On 17 December 2008, the Company, as the issuer, and Hani Securities (H.K.) Limited ("Hani"), as the placing agent, entered into the share placing agreement (the "Share Placing"), pursuant to which Hani shall, on a best effort basis, procure not less than six placees to subscribe for up to a maximum of 220,000,000 placing shares of HK$0.01 each ("Placing Share") by one tranche or multiple tranches at HK$0.15 per Placing Share.

On 11 February 2009, pursuant to an ordinary resolution passed in the special general meeting, the Share Placing was approved by the shareholders. On 31 March 2009, the first tranche of the Share Placing was completed and 130,000,000 Placing Shares were issued and allotted to not less than six placees at a consideration of HK$0.15 per Placing Share.

(c) On 17 December 2008, the Company, as the issuer, and Get Nice Securities Limited ("Get Nice"), as the placing agent, entered into the convertible notes ("CNs") placing agreement, pursuant to which Get Nice shall, on a best effort basis, procure not less than six subscribers to subscribe for the CNs with an aggregate principal amount of up to HK$120,000,000 by one tranche or multiple tranches. The CNs carry rights to convert into shares of the Company at the lower of (i) the initial conversion price of HK$0.18 (subject to adjustments); and (ii) the average closing price of the shares of the Company for five trading days ending on the day immediately preceding the date of a relevant conversion notice, subject to a limit of not less than HK$0.15 (subject to adjustments).

The fund raising activities stated in (b) and (c) above were still in progress and did not have material impact to the financial statements for the year ended 31 December 2008.

3. UNAUDITED INTERIM RESULTS

Set out below is the summary of the unaudited consolidated financial statements of the Group together with the relevant notes to the accounts, as extracted from the interim report of the Company for the six months ended 30 June 2009.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2009

		Six months ended 30 June	
		2009	**2008**
	Notes	*HK$'000*	*HK$'000*
		(unaudited)	(unaudited)
Revenue	*3*	85,272	66,507
Cost of sales		(68,557)	(64,136)
Gross profit		16,715	2,371
Other income		372	1,782
Distribution costs		(2,168)	(1,866)
Administrative expenses		(15,581)	(8,845)
Fair value loss on derivative component of convertible notes	*13*	(106,441)	—
Other operating expenses		—	(4,754)
Finance costs	*4*	(5,268)	—
Loss before income tax	*5*	(112,371)	(11,312)
Income tax	*6*	(308)	—
Loss for the period		(112,679)	(11,312)
Other comprehensive income		—	—
Total comprehensive income for the period		(112,679)	(11,312)
Loss and total comprehensive income for the period attributable to:			
Equity holders of the Company		(112,679)	(11,312)
Minority interests		—	—
		(112,679)	(11,312)
		HK$	*HK$*
			(restated)
Loss per share for loss attributable to the equity holders of the Company during the period	*8*		
Basic		(0.83)	(0.18)
Diluted		N/A	N/A

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2009

	Notes	30 June 2009 HK$'000 (unaudited)	31 December 2008 HK$'000 (audited)
Non-current assets			
Property, plant and equipment	9	139	533
Investment properties		14,294	14,482
Goodwill		256,000	256,000
		270,433	271,015
Current assets			
Trade and other receivables	10	55,411	27,008
Bank balances and cash		12,419	11,888
		67,830	38,896
Current liabilities			
Trade and other payables	11	57,013	31,149
Amount due to a director		—	862
Promissory note	12	70,000	—
Convertible notes — derivative component	13	110,915	—
Provision for tax		72	4,095
		238,000	36,106
Net current (liabilities)/assets		(170,170)	2,790
Total assets less current liabilities		100,263	273,805
Non-current liabilities			
Promissory note	12	—	100,000
Convertible notes — liability component	13	133,294	117,352
		133,294	217,352
NET (LIABILITIES)/ASSETS		(33,031)	56,453
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	14	2,179	156,456
Reserves		(35,210)	(100,003)
(CAPITAL DEFICIENCIES)/ TOTAL EQUITY		(33,031)	56,453

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2009

	(unaudited) Attributable to equity holders of the Company					
	Share capital *HK$'000*	**Share premium** *HK$'000*	**Capital reserve** *HK$'000*	**Convertible notes equity reserve** *HK$'000*	**Accumulated losses** *HK$'000*	**Total** *HK$'000*
At 1 January 2008	156,456	168,098	2,099	—	(79,019)	247,634
Loss for the period (Total recognised income and expenses for the period)	—	—	—	—	(11,312)	(11,312)
At 30 June 2008	156,456	168,098	2,099	—	(90,331)	236,322
At 1 January 2009	156,456	168,098	2,099	14,679	(284,879)	56,453
Loss for the period (Total recognised income and expenses for the period)	—	—	—	—	(112,679)	(112,679)
Elimination of accumulated losses of the Company *(note 14a)*	(155,830)	(168,098)	—	—	323,928	—
Issue of shares upon placement of shares	1,553	21,642	—	—	—	23,195
At 30 June 2009	2,179	21,642	2,099	14,679	(73,630)	(33,031)

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
For the six months ended 30 June 2009

	Six months ended 30 June	
	2009	**2008**
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Net cash used in operating activities	(10,509)	(53,764)
Net cash from/(used in) investing activities	25	(24,134)
Net cash from financing activities	11,015	—
Net increase/(decrease) in cash and cash equivalents	531	(77,898)
Cash and cash equivalents at beginning of the period	11,888	235,437
Cash and cash equivalents at end of the period, represented by bank balances and cash	12,419	157,539

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2009

1. BASIS OF PREPARATION

These condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and include 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").

These condensed consolidated financial statements should be read in conjunction with the annual financial statements of the Group for the year ended 31 December 2008.

At 30 June 2009, the Group had net current liabilities of approximately HK$170,170,000 and net liabilities of approximately HK$33,031,000. The Group's current liabilities as at 30 June 2009 included a promissory note of HK$70,000,000 due to Mr. Ng Kai Man, the Chairman of the Company, ("Mr. Ng") and the derivative component of convertible notes issued by the Company of approximately HK$110,915,000. Taking into account that Mr. Ng has confirmed not to demand repayment of the promissory note until the Group has sufficient fund for its operations and such repayment and that the derivative component of the convertible notes has been transferred to and recorded as share premium upon the conversion of the convertible notes in July 2009 (as disclosed in note 17(a)), the directors of the Company (the "Directors") are in the opinion that the Group will be able to meet its financial obligations when they fall due in the foreseeable future. Accordingly, the interim financial information has been prepared on a going concern basis.

2. PRINCIPAL ACCOUNTING POLICIES

The accounting policies adopted in preparing these condensed consolidated financial statements are consistent with those used in the annual financial statements of the Group for the year ended 31 December 2008 except for the adoption of a number of new and revised standards, amendments and interpretations issued by the HKICPA (the "New HKFRSs") which are relevant to and effective for the Group's financial year beginning on 1 January 2009.

HKAS 1 (Revised) "Presentation of Financial Statements" has resulted in certain changes to the format and titles of the financial statements and to the presentation of some items within these statements. It also gives rise to additional disclosures. HKFRS 8 "Operating Segments" requires the reportable segment information to be based on internal management reporting information that is regularly reviewed by the chief operating decision marker. It replaces the requirement under the predecessor standard, HKAS 14, to determine two set of segments (business and geographical). The application of HKFRS 8 has not resulted in redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14 *(see note 3)*. The adoption of the New HKFRSs has no material impact on how the results and financial position of the Group for the current and prior periods have been prepared. Accordingly, no prior period adjustment is required.

3. SEGMENT INFORMATION

The Group is organised into three reportable segments:

Business segment	Nature of business activities
1. Toy products trading	Sourcing and distribution of toy, gift and premium products
2. Property agency*	Provision of property agency and related services
3. Securities trading and investments	Trading and investing of marketable securities

* Property agency segment has been commenced in July 2008

	Six months ended 30 June 2009			
	Toy products trading	Property agency	Securities trading and investments	Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Revenue				
External sales	35,084	50,188	—	85,272
Segment results	(2,793)	4,853	—	2,060
Unallocated operating income and expenses				(2,722)
Fair value loss on derivative component of convertible notes				(106,441)
Finance costs				(5,268)
Loss before income tax				(112,371)
Income tax				(308)
Loss for the period				(112,679)

	Six months ended 30 June 2008		
	Toy products trading	Securities trading and investments	Group
	HK$'000	*HK$'000*	*HK$'000*
Revenue			
External sales	66,507	—	66,507
Segment results	(1,883)	(3,917)	(5,800)
Unallocated operating income and expenses			(5,512)
Finance costs			—
Loss before income tax			(11,312)
Income tax			—
Loss for the period			(11,312)

4. FINANCE COSTS

	Six months ended 30 June	
	2009	**2008**
	HK$'000	*HK$'000*
Interest charges on:		
Bank loans and other borrowings wholly repayable within five years	4	—
Convertible notes	3,937	—
Promissory note	1,327	—
	5,268	—

5. LOSS BEFORE INCOME TAX

	Six months ended 30 June	
	2009	**2008**
	HK$'000	*HK$'000*
Loss before income tax is arrived at after charging (crediting):		
Staff costs (include Directors' emoluments)	7,122	2,167
Cost of inventories recognised as expense	33,558	64,136
Depreciation	261	259
Loss on disposal of financial assets at fair value through profit or loss (expensed in other operating expenses)	—	4,754
Loss on disposal of property, plant and equipment	296	—
Operating lease payments for premises	1,940	225

6. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2008: 16.5%) on the estimated assessable profit for the period.

	Six months ended 30 June	
	2009	**2008**
	HK$'000	*HK$'000*
Current tax		
Hong Kong profits tax	296	—
Under provision in respect of prior years	12	—
	308	—

No deferred tax asset has been recognised in respect of the unused tax losses of the Group due to the unpredictability of future profit streams.

7. DIVIDENDS

No dividends were paid during the period. The Board does not recommend payment of interim dividend for the six months ended 30 June 2009 (six months ended 30 June 2008: nil).

8. LOSS PER SHARE

The calculation of the basic loss per share is based on the following data:

	Six months ended 30 June	
	2009	**2008**
	HK$'000	*HK$'000*
Loss attributable to equity holders of the Company for the purpose of basic loss per share	(112,679)	(11,312)
	Number of shares	**Number of shares**
	'000	*'000*
		(restated)
	(note a)	*(note b)*
Weighted average number of ordinary shares for the purpose of basic loss per share	135,369	62,582

Notes:

a. The weighted average number of shares for the six months ended 30 June 2009 was adjusted to reflect the share consolidation of every twenty shares of HK$0.125 each of the Company into one share of HK$2.5 each, which became effective on 12 February 2009 (the "Share Consolidation").

b. The weighted average number of shares for the six months ended 30 June 2008 was adjusted to reflect the share consolidation of every five shares of HK$0.025 each of the Company into one share of HK$0.125 each with effect from 15 July 2008 and the Share Consolidation.

Diluted loss per share for the six months ended 30 June 2009 and 2008 have not been presented because the impact of the conversion of convertible notes was anit-dilutive.

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2009, the Group acquired property, plant and equipment with cost of approximately HK$13,000 (six months ended 30 June 2008: HK$18,572,000) and disposed of property, plant and equipment with net book value of approximately HK$334,000 (six months ended 30 June 2008: nil).

10. TRADE AND OTHER RECEIVABLES

	30 June 2009 *HK$'000*	31 December 2008 *HK$'000*
Trade receivables		
From third parties	50,737	20,513
Less: provision for impairment of receivables	(2,093)	(2,101)
	48,644	18,412
Other receivables		
Deposits, prepayments and other receivables	6,767	8,596
	55,411	27,008

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 no general credit facilities are available. Based on the invoice dates and relevant agreements, the ageing analysis of trade receivables (net of impairment losses for bad and doubtful debts) as of the balance sheet date is as follows:

	30 June 2009 *HK$'000*	31 December 2008 *HK$'000*
0 to 30 days	12,392	7,533
31 to 60 days	17,743	2,422
61 to 90 days	6,871	797
Over 90 days	11,638	7,660
	48,644	18,412

11. TRADE AND OTHER PAYABLES

	30 June 2009 *HK$'000*	31 December 2008 *HK$'000*
Trade payables	33,574	11,891
Accrued charges and other creditors	23,439	19,258
	57,013	31,149

11. TRADE AND OTHER PAYABLES *(Continued)*

The ageing analysis of trade payables as at the balance sheet date is as follows:

	30 June 2009 *HK$'000*	31 December 2008 *HK$'000*
0 to 30 days	6,043	2,413
31 to 60 days	10,439	1,734
61 to 90 days	5,693	490
Over 90 days	11,399	7,254
	33,574	11,891

12. PROMISSORY NOTE

The promissory note was issued to Mr. Ng. The amount is unsecured, bears interest at 3% per annum and due on 23 January 2010. During the six months ended 30 June 2009, the Group has repaid HK$30,000,000 of the promissory note.

13. CONVERTIBLE NOTES

	Liability component *HK$'000*	Derivative component *HK$'000*
At 1 January 2008	—	—
Net carrying amounts on initial recognition	115,321	—
Imputed interest expenses	3,185	—
Interest on convertible notes accrued	(1,154)	—
Net carrying amounts at 31 December 2008 and 1 January 2009	117,352	—
Net carrying amounts on initial recognition *(note a)*	13,346	53,936
Imputed interest expenses	3,937	—
Interest on convertible notes accrued	(1,341)	—
Changes in fair value *(note a)*	—	56,979
Net carrying amounts at 30 June 2009	133,294	110,915

Notes:

a. On 15 May 2009, the Company issued 2-year 2.25% convertible notes with an aggregate principal amount of HK$18,000,000 (the "CNs"). The CNs are convertible into shares of the Company at an initial conversion price of HK$0.18 per share at any time from the fifteenth day after the date of issue up to and including the date which is fifteen days prior to the maturity date of the CNs. Besides the anti-dilution adjustments, the conversion price will be adjusted to the average closing price of the shares of the Company for the five trading days ending on the day immediately preceding the date of a relevant conversion notice, if lower than HK$0.18, but subject to a limit of not less than HK$0.15. Further details of the CNs have been set out in the circular of the Company dated 12 January 2009.

   The CNs were split into liability and derivative components upon initial recognition. The excess of the fair values of the liability and derivative components over the net proceeds from the issue of the CNs was recognised as the fair value loss on the derivative component of the CNs in the income statement.

   The derivative component of the CNs is revalued to its fair value using Binominal model at the balance sheet date and change in fair values is recognised as an expense in the income statement. During the six months ended 30 June 2009, the fair value loss resulted from initial recognition and revaluation at the balance sheet date was HK$106,441,000 (six months ended 30 June 2008: nil).

b. None of the convertible notes issued by the Company were converted into shares of the Company during the six months ended 30 June 2009. Conversions after 30 June 2009 were disclosed in note 17(a).

14. SHARE CAPITAL

	Number of shares '000	Share capital HK$'000
Authorised:		
Ordinary shares		
At 1 January 2008, at HK$0.025 each	20,000,000	500,000
Share consolidation of five ordinary shares of HK$0.025 each into one ordinary share of HK$0.125 each	(16,000,000)	—
At 31 December 2008 and 1 January 2009, at HK$0.125 each	4,000,000	500,000
Share Consolidation *(note a)*	(3,800,000)	—
Share Subdivision *(note a)*	49,800,000	—
At 30 June 2009, at HK$0.01 each	50,000,000	500,000
Issued and fully paid:		
Ordinary shares		
At 1 January 2008, at HK$0.025 each	6,258,230	156,456
Share consolidation of five ordinary shares of HK$0.025 each into one ordinary share of HK$0.125 each	(5,006,584)	—
At 31 December 2008 and 1 January 2009, at HK$0.125 each	1,251,646	156,456
Share Consolidation *(note a)*	(1,189,064)	—
Capital Reduction *(note a)*	—	(155,830)
Issue of shares upon placing of shares *(note b)*	155,300	1,553
At 30 June 2009, at HK$0.01 each	217,882	2,179

Notes:

a. Pursuant to a special resolution passed in a special general meeting of the Company, the Company effect a capital reorganisation (the "Capital Reorganisation") on 12 February 2009 which involved:

i. every twenty shares of HK$0.125 each in both the issued and unissued share capital of the Company were consolidated into one consolidated share of HK$2.50 (the "Share Consolidation");

ii. the par value of each issued consolidated share was reduced from HK$2.50 to HK$0.01 by cancellation of HK$2.49 of the paid-up capital on each consolidated share (the "Capital Reduction");

iii. each of the authorised but unissued consolidated share in the capital of the Company of par value of HK$2.50 was subdivided into 250 shares of par value of HK$0.01 each (the "Share(s)") (the "Share Subdivision");

iv. the entire amount of the share premium account of the Company was cancelled (the "Share Premium Reduction"); and

v. the credit arising from the Capital Reduction and the Share Premium Reduction was applied to eliminate the accumulated losses of the Company.

Details of the Capital Reorganisation were set out in the circular of the Company dated 12 January 2009.

b. Pursuant to a placing agreement dated 17 December 2008, 130,000,000 Shares and 25,300,000 Shares were issued and allotted at a consideration of HK$0.15 per Share on 31 March 2009 and 14 May 2009 respectively.

15. RELATED PARTIES TRANSACTIONS

During the period, the Group had the following transactions with related party:

	Six months ended 30 June	
	2009	**2008**
Related party relationship	*HK$'000*	*HK$'000*
Company under common control by executive director of the Company Referral income received	42	—

16. CONTINGENT LIABILITIES

On 8 October 2004, Mr. Kwok Chin Wing ("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$44.5 million and accrued interest thereof.

The Action is still pending in the High Court of Hong Kong SAR. The Company had already completed discovery of all documentary evidence and exchange of witness statements as to the fact pursuant to the directions of the Court and also obtained Counsel's advice on the pleadings, evidence and merit of defence in the Action. The Company was ready to proceed with the trial of the Action since early 2006.

However, Kwok took out applications in the Action in July 2006 for substantial amendments to his Re-Re-Amended Statement of Claim (the "Amendment Application") and joinder of party to the Action (the "Joinder Application"). The Amendment Application and the Joinder Application had substantially delayed the setting down of the Action for trial.

The Amendment Application and the Joinder Application were granted by the Court on 19 April 2007. The newly joined Defendant had filed his Defence and the Company had also properly dealt with all consequential amendments to the pleadings. Discovery and inspection of documentary evidence between Kwok and the newly joined Defendant were completed. Kwok and the newly joined Defendant have also filed and exchanged their Supplemental Witness Statement. Recently, Kwok indicated that further amendment to his Statement of Claim would be required. However, no step has been taken by Kwok to apply for further amendment to his Statement of Claim so far.

Notwithstanding the contemplated amendments to the Re-Re-Re-Amended Statement of Claim, the Solicitors and Counsel acting for the Company still hold good of their advice previously delivered to the Company. With the benefit of the advice of Solicitors and Counsel acting for the Company, the directors of the Company formed the opinion that Kwok does not have a valid claim against the Company and therefore it is unlikely to have any material adverse financial impact on the Group.

17. POST BALANCE SHEET EVENTS

(a) In July 2009, the entire principal amount of the CNs (as disclosed in note 13) has been converted at the conversion price of HK$0.18 per Share and accordingly 99,999,994 Shares have been issued and allotted. The fair value of the derivative component and the amortised cost of the liability component of the CNs at the conversion dates were transferred to and recorded as the share capital and share premium of the Company.

(b) On 24 July 2009, Century Profit Investments Limited, a wholly-owned subsidiary of the Company, ("Century Profit") entered into a conditional investment collaboration agreement (the "Agreement") to establish a joint venture company (the "JV Company") with Champion Wind Energy Investment and Management Limited ("Champion"). The JV Company was proposed to be held 80% and 20% by Century Profit and Champion respectively and to be principally engaged in running renewable energy business, including Huitengxile Wind Farm located at Chahaeryouyihouqi, Wulanchabu City, Inner Mongolia Autonomous Region, the PRC. The establishment of the JV Company would constitute a major transaction and a discloseable transaction for the Company under the Listing Rules.

However, in view of the change in the market condition of alternate energy business in the PRC, Century Profit and Champion mutually agreed and entered into agreement on 8 September 2009 to terminate the Agreement, upon which both Century Profit and Champion would not have any obligation or liabilities towards each other under the Agreement. Details of the Agreement and the termination are set out in the announcements of the Company dated 30 July 2009 and 8 September 2009.

4. INDEBTEDNESS

At the close of business on 30 September 2009, being the latest practicable date for the purpose of preparing this statement of indebtedness prior to the printing of this circular, the indebtedness of the Group was as follows:

(i) Promissory note

A promissory note of approximately HK$70.0 million, which is unsecured, bears interest at the rate of 3% per annum and will mature on 23 January 2010;

(ii) Convertible note

A convertible note with an outstanding principal amount of HK$130.0 million which is unsecured, bears interest at the rate of 2% per annum and will mature on 23 July 2011. The carrying amount of the liability component of the convertible note as at 30 September 2009 was HK$120.9 million; and

(iii) Amount due to a minority shareholder

An amount due to a minority shareholder of a subsidiary of approximately HK$6.0 million, which is unsecured, interest-free and repayable on demand.

Save as aforesaid, and apart from intra-group liabilities and normal trade payables, the Group did not have any outstanding bank overdrafts, loans, debt securities, borrowings or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, finance lease, hire purchases commitments, which are either guaranteed, unguaranteed, secured or unsecured, guarantees or other material contingent liabilities at the close of business on 30 September 2009.

To the best knowledge of the Directors, having made all reasonable enquiries, there has been no material change in indebtedness or contingent liabilities of the Group since 30 September 2009 and up to the Latest Practicable Date.

5. WORKING CAPITAL

The Directors are of the opinion that, after taking into account the present financial resources, the borrowings and the estimated net proceeds from the Rights Issue, in the absence of unforeseen circumstances, the Group has sufficient working capital for the next twelve months following the date of this circular.

6. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2008, being the date to which the latest published audited consolidated financial statements of the Company were made up.

7. BUSINESS REVIEW FOR THE SIX MONTHS ENDED 30 JUNE 2009

The outbreak of financial crisis in the last quarter of 2008 awfully hit the global economy. Since then, the management of the Company has taken various measures to sail through the adversity. In the first quarter of 2009, two self-operating property agency branches were closed down. Besides, the Group also refined its positioning and directed more resources to the primary property market.

The revival of the property market in Hong Kong and the launch of a number of large-scaled residential projects in the second quarter of 2009 benefited the adapted Group. The property agency segment reported revenue of HK$50.2 million for the six months ended 30 June 2009. The revenue from the property agency business for the last five months of year 2008 after the completion of the acquisition of Century 21 Hong Kong Limited and its associated companies in July 2008 was HK$15.7 million only. Profits before income tax from the property agency segment for the review period was HK$4.9 million whilst the segment loss (excluding the provision for impairment loss on goodwill) for the last five months of year 2008 was HK$3.0 million.

Nonetheless, the revival has not much stretched to the consumer industry. Toy trading segment of the Group remained weak in the first half of 2009 after the economy downturn. Revenue from this segment during the six months ended 30 June 2009 was HK$35.1 million, being a drop of HK$31.4 million or 47.2% when compared with the corresponding period in 2008. Even though the profit margin was maintained at a steady level, the reduced gross profit hardly covered the distribution costs and the administrative expenses and the toy trading segment reported a loss of HK$2.8 million.

Similar to the property market, the financial market has resumed its dynamics since the second quarter of 2009. However, the sluggish economic statistic still cast uncertainty to the investment environment and thus the management continued its prudent approach and did not involve in any securities trading and investment during the period under review.

8. FINANCIAL AND TRADING PROSPECTS

With the backdrop of historical low interest rate and moderate inflation rate, the management of the Company is in the view that the property market will continue to prosper in the second half of 2009 and is confident that the property agency segment will have a remarkable growth when compared with year 2008. The management of the Company also envisages that the toy trading segment will be moderately improved but remains difficult.

Searching for promising opportunities to enhance the performance and value of the Group is always the key task of the management of the Company. In July 2009, the Group had entered into a conditional agreement to invest in a renewable energy project in the Mainland China. However, because of the recent changes in market condition, the management of the Company considered the attractiveness of this particular sector diminished and decisively retreated from this proposed investment. Nevertheless, the Board will keep on looking for suitable and favorable investments for healthy growth of the Group and better return to the Shareholders.

1. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE LIABILITIES OF THE GROUP

The unaudited pro forma statement of adjusted consolidated net tangible liabilities of the Group as at 30 June 2009 (the "Unaudited Pro Forma Financial Information") has been prepared by the Directors in accordance with Rule 4.29 of the Listing Rules to illustrate the effect of the Rights Issue on the unaudited consolidated net tangible liabilities of the Group as if the Rights Issue had taken place on 30 June 2009.

The Unaudited Pro Forma Financial Information has been prepared for illustrative purpose only, and because of hypothetical nature, it may not give a true picture of the financial position of the Group as at the date to which it is made up or at any future date.

The Unaudited Pro Forma Financial Information has been prepared based on the unaudited consolidated balance sheet of the Group as at 30 June 2009 as extracted from the published interim report of the Company for the six months ended of 30 June 2009 as set out in Appendix I to this circular, with pro forma adjustments described below:

	Unaudited consolidated net liabilities of the Group as at 30 June 2009	**Adjustment for intangible assets**	**Unaudited consolidated net tangible liabilities of the Group as at 30 June 2009**	**Estimated net proceeds from the Rights Issue**	**Unaudited pro forma adjusted consolidated net tangible liabilities of the Group as at 30 June 2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*		*(Note 3)*	
Net tangible liabilities	(33,031)	(256,000)	(289,031)	140,200	(148,831)
Number of shares issued *('000)*	217,882		217,882	1,445,529	1,663,411
Unaudited consolidated net tangible liabilities per Share prior to the completion of the Rights Issue *(Note 4)*			(HK$1.33)		
Unaudited pro forma consolidated adjusted net tangible liabilities per Share after the completion of the Rights Issue *(Note 5)*					(HK$0.09)

Notes:

1. The unaudited consolidated net liabilities of the Group as at 30 June 2009 is extracted from the published interim report of the Group for the six months ended 30 June 2009 as set out in Appendix I to this circular.

2. Adjustment for intangible assets represents the deduction of the Group's goodwill of approximately HK$256,000,000.

3. The estimated net proceeds from the Rights Issue of approximately HK$140,200,000 are based on the gross proceeds of approximately HK$144,550,000 from the issue of 1,445,529,192 Rights Shares (on the basis of 4 Rights Shares for every 1 existing Share held at the Record Date) at a subscription price of HK$0.10 per Rights Share after deduction of the related expenses of approximately HK$4,350,000.

4. The calculation of unaudited consolidated net tangible liabilities per Share is based on 217,882,304 Shares in issue as at 30 June 2009.

5. The calculation of unaudited pro forma adjusted consolidated net tangible liabilities per Share after completion of the Rights Issue is based on 1,663,411,496 Shares comprising 217,882,304 Shares in issue as at 30 June 2009 and 1,445,529,192 Rights Shares to be issued.

6. The number of Shares in issue has been increased by 143,499,994 from 217,882,304 as at 30 June 2009 to 361,382,298 as at the Latest Practicable Date. The increase in the number of the issued Shares comprises (i) the issue of an aggregate 99,999,994 new Shares pursuant to the exercise of the conversion rights attaching to the convertible notes with an aggregate principal amount of HK$18,000,000 at a conversion price of HK$0.18 per Share; and (ii) the issue of 43,500,000 new Shares pursuant to a share placing as announced by the Company on 21 September 2009 to raise a net proceed of approximately HK$17,700,000 for general working capital of the Group, details of which can be referred to the section headed "Fund raising exercise of the Company" in the Letter from the Board in this circular. However, for the purpose of calculating the relevant figures of the net tangible liabilities per Share in notes (4) and (5) above, such increase in number of issued Shares has not been included.

2. LETTER ON THE UNAUDITED PRO FORMA CONSOLIDATED NET TANGIBLE LIABILITIES OF THE GROUP

The following is the text of a report received from the auditors of the Company, Grant Thornton, in respect of the unaudited pro forma financial information of the Group for the purpose of incorporation in this circular.

Grant Thornton
均富

4 November 2009

The Directors
21 Holdings Limited
10/F., 88 Gloucester Road
Wanchai
Hong Kong

Dear Sirs

21 Holdings Limited

We report on the unaudited pro forma statement of adjusted consolidated net tangible liabilities of 21 Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group"), set out on pages 108 to 109 under the heading of "Unaudited Pro Forma Statement of Adjusted Consolidated Net Tangible Liabilities of the Group" (the "Unaudited Pro Forma Financial Information") in Appendix II of the Company's circular dated 4 November 2009 (the "Circular") in connection with the proposed rights issue of 1,445,529,192 shares at HK$0.10 per share of the Company (the "Rights Issue") on the Main Board of The Stock Exchange of Hong Kong Limited. The Unaudited Pro Forma Financial Information has been prepared by the directors of the Company solely for illustrative purposes only, to provide information about how the Rights Issue might have affected the net tangible liabilities of the Group if the Rights Issue had taken place as at 30 June 2009. The basis of preparation of the Unaudited Pro Forma Financial Information is set out on pages 108 to 109 under the heading of "Unaudited Pro Forma Statement of Adjusted Consolidated Net Tangible Liabilities of the Group" in Appendix II of the Circular.

Respective Responsibilities of Directors of the Company and Reporting Accountants

It is the responsibility solely of the directors of the Company to prepare the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

It is our responsibility to form an opinion, as required by paragraph 4.29 of the Listing Rules on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements (HKSIR) 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Our work did not constitute an audit or review made in accordance with Hong Kong Standards on Auditing or Hong Kong Standards on Review Engagements issued by the HKICPA, and accordingly, we did not express any such assurance on the Unaudited Pro Forma Financial Information.

The Unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgments and assumptions of the directors of the Company, and because of its hypothetical nature, does not give any assurance or indication that any event will take place in the future and may not be indicative of the net tangible liabilities of the Group had the Rights Issue actually occurred as at 30 June 2009 or any future date.

Opinion

In our opinion:

a. the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;

b. such basis is consistent with the accounting policies of the Group; and

c. the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully
Grant Thornton
Certified Public Accountants

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

2. SHARE CAPITAL

The authorised and issued share capital of the Company immediately following the completion of the Rights Issue (assuming no further issue of Shares from the Latest Practicable Date to the Record Date) were as follows:

Authorised:		*HK$*
50,000,000,000	Shares of HK$0.01 each	500,000,000.00
Issued and to be issued:		
361,382,298	Shares in issue as at the Latest Practicable Date	3,613,822.98
1,445,529,192	Rights Shares to be allotted and issued under the Rights Issue	14,455,291.92
1,806,911,490	Shares in issue immediately after completion of the Rights Issue	18,069,114.90

All the Rights Shares to be issued will, when issued and fully paid, rank pari passu with the Shares in issue in all respects. Holders of fully-paid Rights Shares will be entitled to receive all future dividends and distributions which may be declared, made or paid after the date of allotment and issue of the fully-paid Rights Shares. The Rights Shares to be issued will be listed on the Stock Exchange.

No part of the share capital or any other securities of the Company is listed or dealt in on any stock exchange other than the Stock Exchange and no application is being made or is currently proposed or sought for the Shares or Rights Shares or any other securities of the Company to be listed or dealt in on any other stock exchange.

As at the Latest Practicable Date, Mr. Ng is holding the Convertible Note with an aggregate principal amount of HK$130,000,000 convertible into 134,436,401 Shares at the conversion price of HK$0.967 per Share (subject to adjustments).

Save for the above outstanding Convertible Note, the Company had no other outstanding convertible securities, options or warrants in issue or other similar rights which confer any right to convert into or subscribe for Shares as at the Latest Practicable Date.

3. DISCLOSURE OF INTERESTS BY DIRECTORS

As at the Latest Practicable Date, the interests and short positions of the Directors in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to the Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Long position in the underlying Shares:

Name of Director	Capacity	Number of underlying Shares	Approximate percentage of shareholding
Mr. Ng	Beneficial owner	134,436,401 *(Note 1)*	37.20% *(Note 2)*

Notes:

1. Mr. Ng held the Convertible Note with an aggregate principal amount of HK$130,000,000 convertible into 134,436,401 Shares at the conversion price of HK$0.967 per Share (subject to adjustments).

2. The percentage of shareholding in the Company is calculated with reference to the number of Shares in issue as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to the Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

4. INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as was known to any Director or chief executive of the Company, the following persons (other than a Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions Divisions 2 and 3 of Part XV of the SFO, or, who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

(i) Long position in the Shares:

Name	Capacity	Number of Shares	Approximate percentage of shareholding
Get Nice Holdings Limited	Interest of controlled corporations	722,764,596 *(Note 1)*	40.00% *(Note 3)*
Get Nice Incorporated	Interest of controlled corporations	722,764,596 *(Note 1)*	40.00% *(Note 3)*
Get Nice	Beneficial owner	722,764,596 *(Note 1)*	40.00% *(Note 3)*
Dr. Yeung Sau Shing, Albert	Founder of a trust	722,764,596 *(Note 2)*	40.00% *(Note 3)*
STC International Limited	Trustee	722,764,596 *(Note 2)*	40.00% *(Note 3)*
Million Way Holdings Limited	Interest of controlled corporations	722,764,596 *(Note 2)*	40.00% *(Note 3)*
Win Move Group Limited	Interest of controlled corporations	722,764,596 *(Note 2)*	40.00% *(Note 3)*
Emperor Capital Group Limited	Interest of controlled corporations	722,764,596 *(Note 2)*	40.00% *(Note 3)*
Profit Ascent Group Limited	Interest of controlled corporations	722,764,596 *(Note 2)*	40.00% *(Note 3)*
Emperor	Beneficial owner	722,764,596 *(Note 2)*	40.00% *(Note 3)*
Ms. Luk Siu Man, Semon	Interest of spouse	722,764,596 *(Note 2)*	40.00% *(Note 3)*

Notes:

1. These are the Rights Shares which Get Nice has underwritten pursuant the Underwriting Agreement. Get Nice is wholly-owned by Get Nice Incorporated which in turn is wholly-owned by Get Nice Holdings Limited.

2. These are the Rights Shares which Emperor has underwritten pursuant the Underwriting Agreement. Emperor is an indirect wholly-owned subsidiary of Emperor Capital Group Limited, the shares of which are listed on the Stock Exchange. 46.54% of the shares of Emperor Capital Group Limited are held by Win Move Group Limited. The entire issued share capital of Win Move Group Limited is held by Million Way Holdings Limited, which in turn is held by STC International Limited on trust for The Albert Yeung Discretionary Trust ("AY Trust"). Dr. Yeung Sau Shing, Albert, as founder of the AY Trust, and Ms. Luk Siu Man, Semon, as the spouse of Dr. Yeung Sau Shing, Albert, are deemed to be interested in the 722,764,596 Rights Shares by virtue of the underwriting commitment of Emperor.

3. The percentage of shareholding in the Company is calculated with reference to the number of Shares to be in issue immediately after completion of the Rights Issue.

(ii) Interest in other members of the Group

Name of non-wholly owned subsidiary of the Company	Name of registered substantial shareholders (other than members of the Group)	Number of shares held	Approximate percentage of shareholding
Yanyan Force Limited	Ng Kai Lok, Paul	40 ordinary shares of HK$1 each	40%

Save as disclosed above, as at the Latest Practicable Date, so far as was known to any Director or chief executive of the Company, no person had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or had any options in respect of such capital.

5. DIRECTORS' INTERESTS IN ASSETS/CONTRACTS AND OTHER INTERESTS

(i) As at the Latest Practicable Date, none of the Directors had, or had had any direct or indirect interest in any assets which have been acquired, disposed of or leased to or which are proposed to be acquired, disposed of or leased to any member of the Group since 31 December 2008, the date to which the latest published audited financial statements of the Group were made up.

(ii) There is no contract or arrangement entered into by any member of the Group, subsisting as at the Latest Practicable Date in which any of the Directors is materially interested and which is significant in relation to the business of the Group as a whole.

6. EXPERTS

The following is the qualifications of the experts who have given opinions or advice, which are contained in this circular:

Name	Qualification
Menlo Capital	a corporation licensed to carry on business in type 6 (advising on corporate finance) regulated activities under the SFO
Grant Thronton	Certified Public Accountants

As at the Latest Practicable Date, none of the above experts had direct or indirect shareholdings in any member of the Group, or any right to subscribe for or to nominate persons to subscribe for securities in any member of the Group, or any interests, directly or indirectly, in any assets which have been acquired, disposed of or leased to or which are proposed to be acquired, disposed of or leased to any member of the Group, respectively, since 31 December 2008, the date to which the latest published audited financial statements of the Group were made up.

Each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion therein of its reports and references to its name in the form and context in which they appear.

7. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into any existing or proposed service contracts with the Company or any other member of the Group (excluding contracts expiring or which may be terminated by the Company within one year without payment of any compensation (other than statutory compensation)).

8. LITIGATION

On 8 October 2004, a writ of summons was filed by Mr. Kwok Chin Wing ("Mr. Kwok"), a former director of the Company, against the Company in respect of the loans due from two former subsidiaries of the Company for a sum of approximately HK$44.5 million together with accrued interests thereof (the "Action").

The Company had already completed discovery of all documentary evidence and exchange of witness statements and was ready to proceed with the trial since early 2006. However, Mr. Kwok took out applications in July 2006 for substantial amendments to his Re-Re-Amended Statement of Claim (the "Amendment Application") and joinder of party to the Action (the "Joinder Application"). The Amendment Application and the Joinder Application had substantially delayed the setting down of the Action for trial.

The Amendment Application and the Joinder Application were granted by the Court on 19 April 2007. The newly joined defendant had filed his defence and the Company had also dealt with all consequential amendments to the pleadings. Discovery and inspection of documentary evidence between Mr. Kwok and the newly joined defendant were completed. Mr. Kwok and the newly joined defendant have also filed and exchanged their supplemental witness statement. Mr. Kwok then indicated that further amendment to his statement of claim would be required. However, no step has been taken by Mr. Kwok to apply for further amendment to his statement of claim so far.

Notwithstanding the contemplated amendments made to the Re-Re-Re-Amended Statement of Claim, the solicitors and counsel acting for the Company still hold good of their advice previously delivered to the Company. With the benefit of the advice of solicitors and counsel acting for the Company, the directors of the Company formed the opinion that Mr. Kwok does not have a valid claim against the Company and therefore the Action is unlikely to have any material adverse financial impact on the Group.

Save as disclosed above, as at the Latest Practicable Date, so far as the Directors are aware, no member of the Group was engaged in any litigation, arbitration or claim of material importance and there was no litigation, arbitration or claim of material importance known to the Directors to be pending or threatened against any member of the Group.

9. MATERIAL CONTRACTS

The following contracts have been entered into by the Group (not being contracts entered into in the ordinary course of business) within the two years immediately preceding the Latest Practicable Date and are or may be material:

1. the sale and purchase agreement dated 29 November 2007 entered into between Bao Chang Investment Holding Limited and Kennex Investments Limited, a wholly-owned subsidiary of the Company, whereby Kennex Investments Limited purchased a property from Bao Chang Investment Holding Limited at a cash consideration of HK$17,712,600;

2. the conditional sale and purchase agreement dated 30 April 2008 (as supplemented on 6 May 2008) entered into among Kingbox Investments Limited ("Kingbox"), a wholly-owned subsidiary of the Company, the Company and Mr. Ng in respect of the acquisition by Kingbox of equity interests in Consecutive Profits Limited, Pacific Pointer Limited, Real Clever Profits Limited, Century 21 Hong Kong Limited and Century 21 Limited for a consideration of HK$430,000,000;

3. the conditional placing agreement dated 30 April 2008 (as supplemented on 6 May 2008) entered into between the Company and Get Nice as the placing agent in respect of the proposed placing of the convertible notes with aggregate principal amount of up to HK$100,000,000 and up to 400,000,000 shares of the Company at a price of HK$0.125 per Share;

4. the conditional share placing agreement dated 17 December 2008 entered into between the Company and Hani Securities (H.K.) Limited as the placing agent in respect of the proposed placing of up to 220,000,000 Shares at a price of HK$0.15 per Share;

5. the conditional convertible notes placing agreement dated 17 December 2008 entered into between the Company and Get Nice as the placing agent in respect of the proposed placing of the convertible notes with an aggregate principal amount of up to HK$120,000,000;

6. the conditional investment collaboration agreement dated 24 July 2009 entered into between Century Profit Investments Limited ("Century Profit"), a wholly-owned subsidiary of the Company, and Champion Wind Energy Investment and Management Limited ("Champion") in relation to the establishment of a joint venture company for running renewable energy business in the PRC (the "Investment Collaboration Agreement");

7. the termination agreement dated 8 September 2009 entered into between Century Profit and Champion to terminate the Investment Collaboration Agreement;

8. the conditional share placing agreement dated 21 September 2009 entered into between the Company and Emperor as the placing agent in respect of the placing of up to 43,500,000 Shares at a price of HK$0.42 per Share; and

9. the Underwriting Agreement.

10. CORPORATION INFORMATION

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
Principal Share Registrar	Butterfield Fulcrum Group (Bermuda) Limited Rosebank Centre 11 Bermudiana Road Pembroke, Bermuda
Hong Kong Branch Share Registrar	Computershare Hong Kong Investor Services Limited Shops 1712-1716, 17th Floor Hopewell Centre 183 Queen's Road East Wanchai, Hong Kong
Authorised representatives	Mr. Ng Kai Man and Ms. Lau Siu Mui 10th Floor 88 Gloucester Road Wanchai Hong Kong
Company secretary	Ms. Lau Siu Mui, *ACS* 10th Floor 88 Gloucester Road Wanchai Hong Kong
Legal advisers to the Company	As to *Hong Kong law* Vincent T.K. Cheung, Yap & Co. Solicitors & Notaries 11th Floor, Central Building 1-3 Pedder Street Central Hong Kong *As to Bermuda law* Appleby 8th Floor Bank of America Tower 12 Harcourt Road Central Hong Kong

Auditors	Grant Thornton *Certified Public Accountants* 6th Floor Nexxus Building 41 Connaught Road Central Central Hong Kong
Principal bankers	The Hong Kong and Shanghai Banking Corporation Limited 1 Queen's Road Central Central Hong Kong
Financial Adviser to the Company	Get Nice Capital Limited 10th Floor, Cosco Tower Grand Millennium Plaza 183 Queen's Road Central Hong Kong
Independent financial adviser to Independent Board Committee and the Independent Shareholders	Menlo Capital Limited 17th Floor, Asia Standard Tower 59-65 Queen's Road Central Hong Kong
Underwriters	Get Nice Securities Limited 10th Floor, Cosco Tower Grand Millennium Plaza 183 Queen's Road Central Hong Kong
	Emperor Securities Limited 23-24/F, Emperor Group Centre 288 Hennessy Road, Wanchai Hong Kong

DIRECTORS

Particulars of Directors

Name	**Address**
Executive Directors	
Mr. Ng Kai Man	10th Floor 88 Gloucester Road Wanchai, Hong Kong
Mr. Ha Kee Choy, Eugene	10th Floor 88 Gloucester Road Wanchai, Hong Kong

Ms. Ma Wai Man, Catherine	10th Floor 88 Gloucester Road Wanchai, Hong Kong
Independent non-executive Directors	
Mr. Cheng Yuk Wo	10th Floor 88 Gloucester Road Wanchai, Hong Kong
Mr. Chui Chi Yun, Robert	10th Floor 88 Gloucester Road Wanchai, Hong Kong
Mr. Lui Siu Tsuen, Richard	10th Floor 88 Gloucester Road Wanchai, Hong Kong

Executive Directors:

Mr. Ng Kai Man, aged 55, joined the Company as an executive director in July 2008 and is designated as the chairman of the Company in July 2009. He is also appointed as the director of certain subsidiaries of the Company. Mr. Ng holds a master degree from the London School of Economics & Political Sciences, University of London in the United Kingdom. Mr. Ng had held senior positions in Mandarin Property Consultants Limited, The Chase Manhattan Bank, N.A., World Trade Group and The Bank of Canton. He possesses extensive experience in real estate industry and is the founder of Century 21 Hong Kong Limited.

Mr. Ng does not hold any directorship in other public listed companies in the past three years. Mr. Ng has entered into a service agreement with the Company for a term of three years commenced from 1 July 2009, subject to termination by the Company or Mr. Ng by giving not less than three months' notice in writing. He is also subject to retirement by rotation and eligible for re-election at annual general meeting of the Company in accordance with the Bye-laws.

Mr. Ng beneficially holds the Convertible Note which carrying rights to convert into Shares at a conversion price of HK$0.967 per Share, subject to adjustment. Upon full conversion of the Convertible Note, Mr. Ng will beneficially own 134,436,401 Shares, representing approximately 37.2% of the issued share capital of the Company as of the Latest Practicable Date or 27.1% of the issued share capital of the Company as enlarged by the shares to be issued upon conversion.

Mr. Ha Kee Choy, Eugene, aged 52, joined the Company as an executive director in July 2004 and is also appointed as the director of certain subsidiaries of the Company. Mr. Ha holds a Master's degree in business administration and is a fellow member of the Association of Chartered Certified Accountants and the Taxation Institute of Hong Kong. Mr. Ha possesses over 20 years of experience in the finance and banking industry and acts as director of a number of private and listed companies in Hong Kong.

Mr. Ha is currently an independent non-executive director of Heritage International Holdings Limited, the shares of which are listed on the Stock Exchange. Save as disclosed above, Mr. Ha has not held any directorships in other public listed companies in the past three years.

Ms. Ma Wai Man, Catherine, aged 43, joined the Company as an executive director in October 2007 and is also appointed as the director of certain subsidiaries of the Company. Ms. Ma is a graduate of City University of Hong Kong, a chartered secretary, a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants. Ms. Ma has extensive management experience in companies with diversified interests ranging from manufacturing, telecommunications to infrastructure and property investments. She has previously held executive directorship in a number of companies listed on local and overseas stock exchanges.

Ms. Ma was an executive director of Capital Strategic Investment Limited, the shares of which are listed on the Stock Exchange. Save as disclosed above, Ms. Ma has not held any directorships in other public listed companies in the past three years.

Independent non-executive Directors:

Mr. Cheng Yuk Wo, aged 48, joined the Company as an independent non-executive director in October 2007. He is a fellow of the Institute of Chartered Accountants in England and Wales and the Hong Kong Institute of Certified Public Accountants and a member of the Institute of Chartered Accountants of Ontario, Canada. He is the proprietor of a certified public accountant practice in Hong Kong. Mr. Cheng holds a Master of Science (Economics) degree in Accounting and Finance and a Bachelor of Arts (Honours) degree in Accounting.

Currently, Mr. Cheng is an independent non-executive director of Capital Strategic Investment Limited, Chia Tai Enterprises International Limited, Chong Hing Bank Limited, Goldbond Group Holdings Limited, HKC (Holdings) Limited and South China Land Limited, all being public companies listed in Hong Kong. In the past three years, Mr. Cheng was also an independent non-executive director of Jessica Publications Limited (now known as Honbridge Holdings Limited) and a non-executive director of Henry Group Holdings Limited, both of which are companies with shares listed on the Stock Exchange.

Mr. Chui Chi Yun, Robert, aged 52, joined the Company as an independent non-executive director in July 2004. Mr. Chui holds a Bachelor's degree in Commerce (major in Accounting) and is a practicing Certified Public Accountant in Hong Kong. Mr. Chui is a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants in the United Kingdom.

Mr. Chui is currently an independent non-executive director of Tse Sui Luen Jewellery (International) Limited and Vertex Group Limited, both of which are companies with shares listed on the Stock Exchange. Save as disclosed above, Mr. Chui has not held any directorships in other public listed companies in the past three years.

Mr. Lui Siu Tsuen, Richard, aged 53, joined the Company as an independent non-executive Director in June 2009. Mr. Lui 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.

11. MISCELLANEOUS

The English texts of this circular and the accompanying form of proxy shall prevail over their respective Chinese text in case of inconsistencies.

12. EXPENSES

The expenses in connection with the Rights Issue, including the underwriting commission, financial advisory fees, printing, registration, translation, legal and accounting fees, are estimated to be approximately HK$4.35 million on the basis of 1,445,529,192 Rights Shares to be issued and will be payable by the Company.

13. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the principal place of business of the Company in Hong Kong at 10th Floor, 88 Gloucester Road, Wanchai, Hong Kong from the date of this circular up to and including the date of the SGM:

(a) the memorandum of association of the Company and the Bye-laws;

(b) the annual reports of the Company for the three financial years ended 31 December 2006, 31 December 2007 and 31 December 2008 and the interim report of the Company for the six months ended 30 June 2009;

(c) the letter of advice from Menlo Capital, the text of which is set out on pages 22 to 34 of this circular;

(d) the letter of recommendation from the Independent Board Committee, the text of which is set out on page 21 of this circular;

(e) the letter on the unaudited pro forma financial information of the Group issued by Grant Thornton set out in appendix II to this circular;

(f) the material contracts disclosed in the paragraph headed "Material Contracts" in this appendix; and

(g) the written consent referred to in the paragraph headed "Experts" in this appendix.

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 10:00 a.m. on Monday, 23 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 amendments the following resolution as ordinary resolution:—

ORDINARY RESOLUTION

"**THAT**, subject to and conditional upon (i) the Listing Committee of The Stock Exchange of Hong Kong Limited granting or agreeing to grant the listing of, and permission to deal in the Rights Shares (as defined below) (in their nil-paid and fully-paid forms) and not having withdrawn or revoked such listing and permission, (ii) the filing of all documents relating to the Rights Issue (as defined below) required to be filed with the Registrars of Companies in Bermuda in accordance with the Companies Act 1981 of Bermuda (as amended) and with the Registrar of Companies in Hong Kong in accordance with the Companies Ordinance in Hong Kong, and (iii) the underwriting agreement dated 9 October 2009 (the "**Underwriting Agreement**") made between the Company, Get Nice Securities Limited ("**Get Nice**") and Emperor Securities Limited ("**Emperor**", together with Get Nice, "**Underwriters**") (a copy of which marked "A" is produced to this meeting and signed for the purpose of identification by the Chairman of this meeting) becoming unconditional and not being rescinded or terminated in accordance with its terms:

(a) the Underwriting Agreement and the transactions contemplated thereunder (including but not limited to the underwriting of the Rights Shares (as defined below) not validly applied for by the shareholders of the Company ("**Shareholders**") by the Underwriters) be and are hereby approved, confirmed and ratified;

(b) the issue of 1,445,529,192 ordinary shares of HK$0.01 each in the share capital of the Company ("**Rights Share(s)**") by way of rights issue ("**Rights Issue**") at the subscription price of HK$0.10 per Rights Share to the Shareholders whose names appear on the register of members of the Company on the Record Date (as defined in the circular of the Company dated 4 November 2009 ("**Circular**", a copy of which has been produced to the meeting marked "B" and signed by the Chairman of the meeting for the purpose of identification)) excluding those Shareholders whose registered addresses as shown on such register are outside Hong Kong on the Record Date and to whom the directors of the Company, after making enquiries, on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange of that place, consider it necessary or expedient not to offer the Rights Shares, in the proportion of four Rights Shares for every ordinary share of HK$0.01 each in the share capital of the Company ("**Share**") then held on the Record Date, on and subject to the terms and conditions set out in the Circular be and is hereby approved;

** for identification purpose only*

(c) the board of directors of the Company ("**Board**") be and is hereby authorized to allot and issue the Rights Shares (in their nil paid and fully paid forms) and to do all such acts and things, to sign and execute all such further documents and to take such steps as the Board may in its absolute discretion consider necessary, appropriate, desirable or expedient to implement the Rights Issue or otherwise in connection therewith and to agree to such variation, amendment or waiver as are, in the opinion of the Board, in the interest of the Company."

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

Hong Kong, 4 November 2009

Notes:

(1) A form of proxy to be used for the meeting is enclosed.

(2) Any member of the Company entitled to attend and vote at the meeting is entitled to appoint another person as his proxy to attend and vote instead of him. On a poll votes may be given either personally or by proxy. A proxy need not be a member of the Company. A member may appoint more than one proxy to attend on the same occasion.

(3) To be valid, the instrument appointing a proxy must be in writing under the hand of the appointer or of his attorney duly authorized in writing, or if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorized.

(4) The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of that power or authority must be deposited at office of the branch share registrar of the Company in Hong Kong, **Computershare Hong Kong Investor Services Limited at Rooms 1806-1807, 18/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong** not less than 48 hours before the time for holding the meeting, and in default the instrument of proxy shall not be treated as valid.

(5) Where there are joint registered holders of any share, any one of such persons may vote at the meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto but if more than one of such joint holders be present at any meeting personally or by proxy, that one of the said persons so present whose name stands first on the register in respect of such share shall alone be entitled to vote in respect thereof.