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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.

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21 Holdings Limited

21 控股有限公司*

(incorporated in Bermuda with limited liability)

(stock code: 1003)

**(1) PROPOSED CAPITAL REORGANISATION INVOLVING
SHARE CONSOLIDATION;
CAPITAL REDUCTION AND SHARE PREMIUM CANCELLATION;
(2) PROPOSED CHANGE OF BOARD LOT SIZE; AND
(3) PROPOSED RIGHTS ISSUE
ON THE BASIS OF EIGHT RIGHTS SHARES
FOR EVERY ONE ADJUSTED SHARE HELD
ON THE RECORD DATE**

Financial adviser to 21 Holdings Limited



英皇融資有限公司
Emperor Capital Limited

Underwriters of the Rights Issue



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



粵海證券有限公司
GUANGDONG SECURITIES LIMITED

It should be noted that the Shares will be dealt in on an ex-rights basis from Thursday, 23 June 2011. Dealings in the Rights Shares in the nil-paid form will take place from Tuesday, 5 July 2011 to Tuesday, 12 July 2011 (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 Tuesday, 5 July 2011 to Tuesday, 12 July 2011 (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 Latest Time For Termination 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 21 to 22 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 23 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 Wednesday, 20 July 2011 (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 Guangdong Securities Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders is set out on pages 34 to 50 of this circular and a letter of recommendation from the Independent Board Committee to the Independent Shareholders is set out on page 33 of this circular.

A notice convening a special general meeting of the Company to be held at 10:00 a.m. on Tuesday, 21 June 2011 at Unit 1303, 13/F, Tower 2, Lippo Centre, 89 Queensway, Admiralty, Hong Kong is set out on pages 75 to 78 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 17M Floor, 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.

30 May 2011

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EXPECTED TIMETABLE

Set out below is an indicative timetable for the implementation of the Capital Reorganisation, the Change in Board Lot Size and the Rights Issue:

Latest time for lodging proxy forms for the SGM	10:00 a.m. on Sunday, 19 June 2011
Expected date of the SGM	10:00 a.m. on Tuesday, 21 June 2011
Announcement of the results of the SGM	Tuesday, 21 June 2011
Effective date of the Capital Reorganisation.....	Wednesday, 22 June 2011
Commencement of dealings in the Adjusted Shares	9:00 a.m. on Wednesday, 22 June 2011
Original counter for trading in the Existing Shares in existing share certificates in board lots of 10,000 Existing Shares temporarily closes	9:00 a.m. on Wednesday, 22 June 2011
Temporary counter for trading in board lots of 1,000 Adjusted Shares (in the form of existing share certificates) opens	9:00 a.m. on Wednesday, 22 June 2011
First day of free exchange of certificates for the Existing Shares into new certificates for the Adjusted Shares	Wednesday, 22 June 2011
Last day of dealings in the Adjusted Shares on a cum-right basis	Wednesday, 22 June 2011
Commencement of dealings in the Adjusted Shares on an ex-right basis.....	9:00 a.m. on Thursday, 23 June 2011
Latest time for lodging transfer of the Adjusted Shares in order to be qualified for the Rights Issue	4:30 p.m. on Friday, 24 June 2011
Closure of register of members to determine the eligibility of the Rights Issue (both dates inclusive)	Monday, 27 June 2011 to Wednesday, 29 June 2011

EXPECTED TIMETABLE

Record Date for the Rights Issue	Wednesday, 29 June 2011
Despatch of the Prospectus Documents	Thursday, 30 June 2011
Register of members re-opens	Thursday, 30 June 2011
First day of dealings in nil-paid Rights Shares	Tuesday, 5 July 2011
Original counter for trading in the Adjusted Shares in board lots of 20,000 Adjusted Shares (only new certificates for the Adjusted Shares can be traded at this counter) re-opens	9:00 a.m. on Thursday, 7 July 2011
Parallel trading in the Adjusted Shares (in the form of new and existing certificates) commences	9:00 a.m. on Thursday, 7 July 2011
Designated broker starts to stand in the market to provide matching services for the sale and purchase of odd lots of the Adjusted Shares	Thursday, 7 July 2011
Latest time for splitting in nil-paid Rights Shares	4:30 p.m. on Thursday, 7 July 2011
Last day of dealing in nil-paid Rights Shares	Tuesday, 12 July 2011
Latest time for acceptance of, and payment for, the Rights Shares and application for excess Rights Shares	4:00 p.m. on Friday, 15 July 2011
Latest time for termination of the Underwriting Agreement	4:00 p.m. on Wednesday, 20 July 2011
Announcement of results of the Rights Issue	Thursday, 21 July 2011
Refund cheques for wholly and partially unsuccessful applications for excess Rights Shares expected to be posted on or before	Friday, 22 July 2011
Certificates for the Rights Shares expected to be despatched on or before	Friday, 22 July 2011
Dealings in fully-paid Rights Shares and commence	9:00 a.m. on Tuesday, 26 July 2011

EXPECTED TIMETABLE

Designated broker ceases to stand in the market to provide matching services for the sale and purchase of odd lots of the Adjusted Shares Wednesday, 27 July 2011

Temporary counter for trading in board lots of 1,000 Adjusted Shares (in the form of existing share certificates) closes 4:00 p.m. on Wednesday, 27 July 2011

Parallel trading in the Adjusted Shares (in the form of new and existing certificates) ends 4:00 p.m. on Wednesday, 27 July 2011

Last day of free exchange of certificates for the Existing Shares into new certificates for the Adjusted Shares Monday, 1 August 2011

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

Dates or deadlines specified in this circular for events in the timetable for (or otherwise in relation to) the Capital Reorganisation, the Change in Board Lot Size and the Rights Issue is indicative only and may be extended or varied by agreement between the Company and the Underwriters, and subject to the approval by the Stock Exchange of such amendments. Any consequential changes to the expected timetable will be published or notified to 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

If there is:

- a tropical cyclone warning signal number 8 or above, or
 - 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 Friday, 15 July 2011, the latest time for acceptance of and payment for the Rights Shares and for application and payment for excess Right Shares will not take place at 4:00 p.m. on Friday, 15 July 2011, but will be extended to 5:00 p.m. on the same day instead; and
- (ii) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on Friday, 15 July 2011, the latest time for acceptance of and payment for the Rights Shares and for application and payment for excess Right Shares will not take place on Friday, 15 July 2011, but will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force 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 Right Shares does not take place on Friday, 15 July 2011, the dates mentioned in this section may be affected. An announcement will be made by the Company in such event.

DEFINITIONS

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

“Adjusted Shares”	the ordinary share(s) of HK\$0.01 each in the share capital of the Company immediately upon the Capital Reorganisation becoming effective
“Announcement”	the announcement of the Company dated 6 May 2011 in relation to, among other things, the Capital Reorganisation, the Change in Board Lot Size and the Rights Issue
“associates”	has the meaning ascribed to it in the Listing Rules
“Board”	the board of Directors
“Business Day(s)”	a day (other than Saturday, Sunday and public holiday and any day on which a tropical cyclone warning No. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a “black” rainstorm warning signal is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which the banks are open for business in Hong Kong
“Bye-Laws”	the bye-laws of the Company from time to time
“Capital Reduction”	the proposal for the reduction of the par value of the issued Consolidated Shares from HK\$0.10 each to HK\$0.01 each by canceling HK\$0.09 of the paid-up capital on each issued Consolidated Share
“Capital Reorganisation”	the proposed reorganisation of the capital of the Company by way of (i) the Share Consolidation; (ii) the Capital Reduction; and (iii) the Share Premium Cancellation
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Change in Board Lot Size”	the proposed change in board lot size of the Shares for trading on the Stock Exchange from 10,000 Existing Shares to 20,000 Adjusted Shares
“Companies Act”	The Companies Act 1981 of Bermuda, as amended, modified or supplemented from time to time
“Company”	21 Holdings Limited, a company incorporated under the laws of Bermuda with limited liability and the Shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it in the Listing Rules

DEFINITIONS

“Consolidated Share(s)”	the ordinary share(s) of HK\$0.10 each in the capital of the Company resulting from the Share Consolidation and prior to the Capital Reduction
“Director(s)”	director(s) of the Company
“Emperor”	Emperor Securities Limited, a licensed corporation to carry out business in type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO
“Excess Application Form(s)” or “EAF(s)”	the form of application for use by the Qualifying Shareholders who wish to apply for excess Rights Shares, being in such usual form as may be agreed between the Company and the Underwriters
“Excluded Overseas Shareholders”	the Overseas Shareholder(s) whose address is/are in a place(s) outside Hong Kong where the Directors, based on legal opinions provided by legal advisers of the Company, consider it necessary or expedient 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 not to offer the Rights Shares to such Shareholder(s)
“Existing Share(s)”	the ordinary share(s) of HK\$0.01 each in the existing issued share capital of the Company, before the Capital Reorganisation becoming effective
“Get Nice”	Get Nice Securities Limited, a licensed corporation to carry out business in 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
“Guandong Securities” or “Independent Financial Adviser”	Guandong Securities Limited, a licensed corporation to carry out type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activity under the SFO being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China

DEFINITIONS

“HKSCC”	Hong Kong Securities Clearing Company Limited
“Independent Shareholder(s)”	the Shareholder(s) who are not required to abstain from voting at the SGM
“Independent Third Party(ies)”	third party(ies) independent of, and not connected with, the Company and its connected persons and are not connected persons of the Company
“Last Trading Day”	6 May 2011, being the last trading day of the Shares before the release of the Announcement
“Latest Practicable Date”	27 May 2011 being the latest practicable date for the purpose of ascertaining certain information contained in this circular
“Latest Time for Termination”	being the third Business Day after the latest time for acceptance of, and payment for, the offer of Rights Shares as described in the Prospectus, currently being 4:00 p.m. on Wednesday, 20 July 2011
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Overseas Shareholders”	Shareholders whose names appear on the register of members of the Company as at the close of the business on the Record Date and whose addresses as shown on such register are outside Hong Kong
“Permitted Share Option(s)”	share option(s) which may be granted under the Share Option Scheme, full exercise of which will entitle its holder(s) to subscribe up to 60,000,000 Existing Shares or 6,000,000 Adjusted Shares
“Posting Date”	being the date of despatch of the Prospectus Documents to the Qualifying Shareholders and despatch of the Prospectus to the Excluded Overseas Shareholders for information only, currently being Thursday, 30 June 2011
“PRC”	The People’s Republic of China, which for the purpose of this circular, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Prospectus”	the prospectus to be despatched to Shareholders on the Posting Date in connection with, inter alia, the Rights Issue in such form as may be agreed between the Company and the Underwriters

DEFINITIONS

“Prospectus Documents”	the Prospectus, the PALs and the EAFs
“Provisional Allotment Letter(s)” or “PAL(s)”	the provisional allotment letter to be used in connection with the Rights Issue proposed to be issued to the Qualifying Shareholders as mentioned herein, being in such usual form as may be agreed between the Company and the Underwriters
“Qualifying Shareholder(s)”	Shareholder(s) other than the Excluded Overseas Shareholders
“Record Date”	the record date of which entitlements to the Rights Issue will be determined, currently being Wednesday, 29 June 2011
“Registrar”	Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17/F., Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, the Company’s Hong Kong branch share registrar
“Rights Issue”	the proposed issue by way of rights of the Rights Shares at a price of HK\$0.10 per Rights Share on the basis of eight Rights Shares for every one Adjusted Share then held on the Record Date
“Rights Share(s)”	not less than 1,190,041,048 Adjusted Shares (assuming no issue of new Shares on or before the Record Date) to not more than 1,238,041,048 Adjusted Shares (assuming full exercise of the subscription rights attaching to all the Permitted Share Options, if granted, and no other issue of new Shares on or before the Record Date) proposed to be offered to the Qualifying Shareholders for subscription on the basis of eight Rights Shares for every one Adjusted Share held on the Record Date pursuant to the Rights Issue
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	a special general meeting of the Company to be convened to consider and, if thought fit, approve, among other things, the Capital Reorganisation and the Rights Issue
“Share(s)”	the Existing Share(s), the Consolidated Share(s) and/or the Adjusted Share(s), as the case may be
“Share Consolidation”	the proposed consolidation of every 10 Existing Shares of HK\$0.01 each into 1 Consolidated Share of HK\$0.10 each in the issued share capital of the Company

DEFINITIONS

“Share Option Scheme”	the share option scheme adopted by the Company on 17 September 2004
“Share Premium Cancellation”	the proposed cancellation of the entire amount standing to the credit of the share premium account of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Specified Event”	an event occurring or matter arising on or after the date of the Underwriting Agreement and prior to the Latest Time for Termination which if it had occurred or arisen before the date of the Underwriting Agreement would have rendered any of the undertakings, warranties and representations given by the Company under the Underwriting Agreement untrue or incorrect in any material respect
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	the subscription price for the Rights Shares, being HK\$0.1 per Rights Share
“Takeovers Code”	Hong Kong Code on Takeovers and Mergers
“Underwriters”	Get Nice and Emperor
“Underwriting Agreement”	the underwriting agreement dated 6 May 2011 in relation to the Rights Issue entered into between the Company and the Underwriters
“Underwritten Shares”	not less than 1,190,041,048 Rights Shares and not more than 1,238,041,048 Rights Shares underwritten by the Underwriters pursuant to the terms of the Underwriting Agreement
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

LETTER FROM THE BOARD



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. Cheng Yuk Wo

Mr. Ha Kee Choy, Eugene

Independent non-executive Directors:

Mr. Chui Chi Yun, Robert

Mr. Lam Kwok Cheong

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

Unit 1303, 13/F

Tower 2, Lippo Centre

89 Queensway

Admiralty

Hong Kong

30 May 2011

To the Shareholders

Dear Sir or Madam,

**(1) PROPOSED CAPITAL REORGANISATION INVOLVING
SHARE CONSOLIDATION;
CAPITAL REDUCTION AND SHARE PREMIUM CANCELLATION;
(2) PROPOSED CHANGE OF BOARD LOT SIZE; AND
(3) PROPOSED RIGHTS ISSUE
ON THE BASIS OF EIGHT RIGHTS SHARES
FOR EVERY ONE ADJUSTED SHARE HELD
ON THE RECORD DATE**

INTRODUCTION

On 6 May 2011, the Board announced that the Company proposed to raise approximately HK\$119.0 million before expenses (assuming no issue of new Shares on or before the Record Date) to approximately HK\$123.8 million before expenses (assuming full exercise of the subscription rights attaching to all the Permitted Share Options, if granted, and no other issue of new Shares on or before the Record Date), by way of the Rights Issue of 1,190,041,048 Rights Shares and not more than 1,238,041,048 Rights Shares at the Subscription Price of HK\$0.10 per Rights Share on the basis of eight Rights Shares for every one Adjusted Share held on the Record Date and payable in full on acceptance.

** for identification purpose only*

LETTER FROM THE BOARD

The Company also intended to put forward a proposal to the Shareholders to effect the Capital Reorganisation which involves, inter alia, (i) Share Consolidation: the consolidation of every 10 issued Existing Shares of HK\$0.01 each into 1 issued Consolidated Share of HK\$0.10 each, (ii) Capital Reduction: the reduction of the nominal value of each Consolidated Share in issue from HK\$0.10 to HK\$0.01 by cancelling paid-up capital to the extent of HK\$0.09 on each issued Consolidated Share, and (iii) Share Premium Cancellation: the cancellation of the entire amount standing to the credit of the share premium account of the Company on the date which the Capital Reorganisation becomes effective.

The Shares are currently traded in board lots of 10,000 Shares each. In order to raise the board lot value, the Company also announced that the board lot size of the Adjusted Shares for trading on the Stock Exchange will be changed from 10,000 Existing Shares to 20,000 Adjusted Shares upon the Capital Reorganisation becoming effective.

The purpose of this circular is to provide you with, amongst other matters, (i) further information regarding the details of the Capital Reorganisation, the Change in Board Lot Size and the Rights Issue; (ii) a letter of advice from Guangdong Securities to the Independent Board Committee and the Independent Shareholders in relation to the Rights Issue; (iii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in relation to the Rights Issue; and (iv) a notice convening the SGM.

(1) PROPOSED CAPITAL REORGANISATION INVOLVING SHARE CONSOLIDATION, CAPITAL REDUCTION AND SHARE PREMIUM CANCELLATION

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

- (i) the consolidation of every 10 issued Existing Shares of par value HK\$0.01 each into 1 issued Consolidated Share of par value HK\$0.10 each;
- (ii) the reduction of issued share capital whereby the par value of each issued Consolidated Share will be reduced from HK\$0.10 to HK\$0.01 by canceling HK\$0.09 of the paid-up capital on each issued Consolidated Share;
- (iii) the cancellation of the entire amount standing to the credit of the share premium account of the Company;
- (iv) the transfer of the credits arising from the Capital Reduction and the Share Premium Cancellation to the contributed surplus account of the Company; and
- (v) the application of the contributed surplus account of the Company to set off the accumulated loss of the Company as permitted by the laws of Bermuda and the Bye-Laws.

LETTER FROM THE BOARD

Effects of the Capital Reorganisation

As at the Latest Practicable Date, the authorised share capital of the Company is HK\$500,000,000 divided into 50,000,000,000 Existing Shares, of which 1,487,551,314 Existing Shares were issued and credited as fully paid. Upon the proposed Share Consolidation becoming effective, the issued share capital of the Company will be 148,755,131 Consolidated Shares of par value of HK\$0.10 each.

Upon the Capital Reduction becoming effective, the par value of all the Consolidated Shares shall be reduced from HK\$0.10 each to HK\$0.01 each and the issued share capital of the Company shall accordingly be reduced to the extent of HK\$0.09 per Consolidated Share in issue. Any fractional Consolidated Shares in the issued share capital of the Company arising from the Share Consolidation shall be aggregated and sold for the benefit of the Company. As advised by the legal advisers of the Company, approval from Court of Bermuda or Court of Hong Kong is not required for the Capital Reduction.

The resulting Adjusted Shares of par value of HK\$0.01 each will rank pari passu in all respects with each other in accordance with the Bye-Laws. The authorised share capital of the Company will remain unchanged upon the Capital Reduction becoming effective, but the issued share capital will be reduced to approximately HK\$1,487,551.31 divided into 148,755,131 Consolidated Shares of par value of HK\$0.01 each.

The credit of approximately HK\$13,388,000 arising from the Capital Reduction and the credit arising from the Share Premium Cancellation will be transferred to the contributed surplus account of the Company and applied to set off against the accumulated loss of the Company as permitted by the laws of Bermuda and the Bye-Laws and the balance after such set off will remain at the contributed surplus account of the Company.

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

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

Reasons for the Capital Reorganisation

When determining the terms of the Capital Reorganisation, the Board had considered (i) the par value of the Shares; (ii) the extremities of the trading limits; (iii) the flexibility in pricing and future issue of shares (including the Rights Issue) and (iv) the amount of the Company's accumulated loss of approximately HK\$291.3 million as at 31 December 2010.

LETTER FROM THE BOARD

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

After taking into account the above factors, the Board is of the view that the terms of the Capital Reorganisation are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

As at the Latest Practicable Date, the Board has no intention and plans to raise funds through the issue of new Adjusted Shares (other than the Rights Issue).

Conditions of the Capital Reorganisation

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

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

Subject to the fulfillment of the conditions of the Capital Reorganisation, the effective date of the Capital Reorganisation is expected to be 9:00 a.m. on Wednesday, 22 June 2011.

Listing and dealings

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

LETTER FROM THE BOARD

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

Fractional shares and odd lot trading arrangements

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

In order to facilitate the trading of odd lots (if any) of the Adjusted Shares arising from the Capital Reorganisation, the Company has procured Emperor to stand in the market to provide matching service for the odd lots of the Adjusted Shares at the relevant market price per Adjusted Share for the period from Thursday, 7 July 2011 to Wednesday, 27 July 2011 (both dates inclusive). Holders of odd lots of the Adjusted Shares should note that successful matching of the sale and purchase of odd lots of the Adjusted Shares is not guaranteed. The Shareholders who wish to take advantage of this matching service either to dispose of their odd lots Shares or to top up to board lots of 20,000 Adjusted Shares, may contact Mr. Leung Shiu Keung of Emperor on 23rd to 24th Floors, Emperor Group Centre, 288 Hennessy Road, Hong Kong at telephone number (852) 2919 2919. Any Shareholder who is in any doubt about the odd lot arrangement is recommended to consult his/her/its own professional advisers.

Trading arrangement for the Adjusted Shares in new board lots

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

- (i) from Wednesday, 22 June 2011, the original counter for trading in the Existing Shares in board lots of 10,000 Existing Shares will be temporarily closed and a temporary counter for trading in the Adjusted Shares in board lots of 1,000 Adjusted Shares will be set up and opened;
- (ii) with effect from Thursday, 7 July 2011, the original counter for trading in the Adjusted Shares will be re-opened for trading in Adjusted Shares in board lots of 20,000 Adjusted Shares;
- (iii) during the period from Thursday, 7 July 2011 to Wednesday, 27 July 2011 (both dates inclusive), there will be parallel trading at the above two counters; and

LETTER FROM THE BOARD

- (iv) the temporary counter for trading in the Adjusted Shares in board lots of 1,000 Adjusted Shares will be removed after the close of trading at 4:00 p.m. on Wednesday, 27 July 2011. Thereafter, trading will only be in board lots of 20,000 Adjusted Shares with new share certificates and the existing share certificates for the Existing Shares will cease to be marketable and will not be acceptable for dealing and settlement purposes. However, such certificates will remain effective as documents of title on the basis of 10 Existing Shares for 1 Adjusted Share.

Free exchange of Share certificates

Subject to the Capital Reorganisation becoming effective, Shareholders may submit existing certificates for the Existing Shares to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for exchange from Wednesday, 22 June 2011 to Monday, 1 August 2011 (both dates inclusive), at the expense of the Company for certificates in Adjusted Shares. Thereafter, certificates for the Existing Shares will be accepted for exchange only on payment of a fee of HK\$2.50 (or such higher amount as may from time to time be allowed by the Stock Exchange) for each share certificate of the Existing Shares cancelled or each new share certificate issued for the Adjusted Shares, whichever number of certificates cancelled/issued is higher. The existing certificates will be valid for trading and settlement up to Wednesday, 27 July 2011 (or such other date which may be announced by the Company) and will continue to be good evidence of legal title and may be exchanged for certificates of the Adjusted Shares at any time in accordance with the foregoing.

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

(2) CHANGE IN BOARD LOT SIZE

At present, Existing Shares are traded in board lots of 10,000. The Board proposes to change the board lot size for trading of the Adjusted Shares to 20,000 upon the Capital Reorganisation becoming effective. Based on the closing price of the Existing Shares of HK\$0.089 as at the Last Trading Day and the existing board lot size of 10,000 Existing Shares, the prevailing board lot value is HK\$890 (equivalent to HK\$8,900 upon the Capital Reorganisation becoming effective). On the basis of the aforesaid closing price and the new board lot size of 20,000 Adjusted Shares, the new board lot value would be HK\$17,800. The Change in Board Lot Size is expected to result in Adjusted Shares being traded in a more reasonable board lot size and value.

LETTER FROM THE BOARD

(3) PROPOSED RIGHTS ISSUE

The Rights Issue is proposed to take place after the Capital Reorganisation becoming effective.

Issue statistics

Basis of the Rights Issue	:	eight Right Shares for every one Adjusted Share held on the Record Date
Subscription Price	:	HK\$0.10 per Rights Share
Number of Shares in issue as at the Latest Practicable Date	:	1,487,551,314 Existing Shares
Number of Shares in issue upon the Capital Reorganisation becoming effective	:	148,755,131 Adjusted Shares (on the basis of the number of Existing Shares as at the Latest Practicable Date, assuming that no further Shares are issued or repurchased between the Latest Practicable Date and the Record Date)
Number of Right Shares	:	Not less than 1,190,041,048 Right Shares (with an aggregate nominal value of HK\$11,900,410.48) (assuming no issue of new Shares on or before the Record Date) and not more than 1,238,041,048 Rights Shares (with an aggregate nominal value of HK\$12,380,410.48) (assuming full exercise of the subscription rights attaching to all the Permitted Share Options, if granted, and no other issue of new Shares on or before the Record Date)

As at the Latest Practicable Date, no Permitted Share Options had been granted and the Company has no derivatives, options, warrants and conversion rights or other similar rights which are convertible or exchangeable into Shares. The Board does not have any intention to grant any Permitted Share Options on or before the Record Date.

Qualifying Shareholders

The Company will offer the Rights Shares for subscription to Qualifying Shareholders only. The Prospectus will be sent to the Excluded Overseas Shareholders for information only.

A Qualifying Shareholder must at the close of business on the Record Date:

- (i) be registered as a member of the Company; and
- (ii) not be an Excluded Overseas Shareholder.

LETTER FROM THE BOARD

In order to be registered as members of the Company on the Record Date and to qualify for the Rights Issue, Shareholders must lodge any transfer of the Shares (together with the relevant share certificates) with the Company's branch share registrar in Hong Kong by 4:30 p.m. on Friday, 24 June 2011.

The address of the branch share registrar of the Company in Hong Kong is:

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17/F., Hopewell Centre,
183 Queen's Road East,
Wanchai, Hong Kong

Closure of register of members

The register of members of the Company will be closed from Monday, 27 June 2011 to Wednesday, 29 June 2011 (both dates inclusive). No transfers of Shares will be registered during this period.

Subscription Price

The Subscription Price is HK\$0.10 per Rights Share, payable in full by a Qualifying Shareholder upon acceptance of the provisional allotment of the Rights Shares under the Rights Issue or application for excess Rights Shares or when a renouncee of any provisional allotment of the Rights Shares or a transferee of nil-paid Rights Shares applies for the Rights Shares.

The Subscription Price represents:

- (i) a discount of approximately 88.8% to the adjusted closing price of HK\$0.89 per Adjusted Share based on the closing price of HK\$0.089 per Existing Share as quoted on the Stock Exchange on the Last Trading Day and adjusted for the effect of the Capital Reorganisation;
- (ii) a discount of approximately 89.3% to the adjusted average closing price of approximately HK\$0.934 per Adjusted Share for the last five trading days up to and including the Last Trading Day and adjusted for the effect of the Capital Reorganisation;
- (iii) a discount of approximately 46.8% to the theoretical ex-rights price of HK\$0.188 per Adjusted Share based on the closing price as quoted on the Stock Exchange on the Last Trading Day and adjusted for the effect of the Capital Reorganisation;
- (iv) a discount of approximately 70.3% to the audited consolidated net asset value per Adjusted Share (based on 1,487,551,314 issued Shares as at the Latest Practicable Date) of approximately HK\$50,111,000 as at 31 December 2010; and
- (v) a discount of approximately 89.9% to the adjusted closing price of HK\$0.99 per Adjusted Share based on the closing price of HK\$0.099 per Existing Share as quoted on the Stock Exchange on the Latest Practicable Date.

LETTER FROM THE BOARD

The Subscription Price was arrived at after arm's length negotiation between the Company and the Underwriters with reference to the market price of the Shares under the prevailing market conditions. Since the Shares were highly illiquid in the open market, as shown by the daily trading volume of the Shares being below 5% of the total number of issued Shares for most of the time of the recent 3 months such as February, March and April 2011, it would be difficult to attract the Qualifying Shareholders to reinvest in the Company through the Rights Issue if the Subscription Price was not set at rather deep discount to the historical closing prices of the Shares. When determining the terms of the Rights Issue, the Board had considered (i) the amount of fund to be raised to cover the potential claims of the litigation; (ii) the recent market conditions; (iii) the share price performance of the Shares being in a decreasing trend during the recent 3 months period and (iv) the discount of the Subscription Price to the recent market price of the Shares, and hence the attractiveness of the Rights Issue to the Qualifying Shareholders and the Underwriters. After taking into account the above factors, the Board considers that the terms of the Rights Issue are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The Directors (excluding the independent non-executive Directors whose views are set out in the letter from the Independent Board Committee set out on page 33 of this circular) consider that the discount of the Subscription Price would encourage Shareholders to participate in the Rights Issue and accordingly to maintain their shareholdings in the Company and participate in the future growth of the Group and the terms of the Rights Issue (including the terms of the Underwriting Agreement) are fair and reasonable and in the best interests of the Company and the Shareholders as a whole.

As the estimated net proceeds from the Rights Issue will be between approximately HK\$115.1 million (assuming no issue of new Shares on or before the Record Date) to approximately HK\$119.8 million (assuming full exercise of the subscription rights attaching to all the Permitted Share Options, if granted, and no other issue of new Shares on or before the Record Date), the net price per Rights Share would be approximately HK\$0.097.

Basis of provisional allotments

Eight Rights Shares (in nil-paid form) for every one Adjusted Share held by Qualifying Shareholders as at the close of business on the Record Date. The Rights Shares (nil-paid form) will be traded in board lots of 20,000.

Status of the Rights Shares

The Rights Shares will rank *pari passu* in all respects with the Adjusted Shares in issue on the date of allotment and issue of the fully-paid Rights Shares. Holders of the fully-paid Rights Shares (when allotted, issued and fully paid) will be entitled to receive all future dividends and distributions which are declared, made or paid on or after the date of allotment and issue of the Rights Shares. Deals in the Rights Shares will be subject to payment of stamp duty in Hong Kong.

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.

LETTER FROM THE BOARD

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 has made enquiries pursuant to Rule 13.36(2) of the Listing Rules regarding the feasibility of extending the Rights Issue to these Overseas Shareholders. Based on the advice provided by the legal counsels on the laws of Macau currently in force, the Directors have decided to extend the Rights Issue to such Overseas Shareholder with registered address located in Macau as shown on the register of members of the Company as at the Record Date. Based on the advice of the Company's legal counsels on the laws of Australia and having regard the likely costs and time involved if overseas compliance were to be observed, the Board is of the opinion that it would be necessary or expedient to exclude such Overseas Shareholder whose registered address is in Australia as shown on the register of member of the Company as at the Record Date from the Rights Issue. Accordingly, the Overseas Shareholder whose registered address is in Australia will be regarded as an Excluded Overseas Shareholder. The Company will send a copy of the Prospectus to the Excluded Overseas Shareholder(s) for his/her information only on the Posting Date.

The Company will continue to ascertain whether there is any other Overseas Shareholder on the Record Date and will, if necessary, make further enquiries with legal adviser(s) in other overseas jurisdiction(s) regarding the feasibility of extending the Rights Issue to such other Overseas Shareholders on the Record Date and make relevant disclosures in the Prospectus.

It is the responsibility of any person (including but without limitation to nominee, agent and trustee) receiving a copy of the Prospectus Documents outside Hong Kong and wishing to take up the Rights Shares under the Rights Issue to satisfy himself as to the full observance of the laws of the relevant territory including the obtaining of any governmental or other consents for observing any other formalities which may be required in such territory or jurisdiction, and to pay any taxes, duties and other amounts required to be paid in such territory or jurisdiction in connection therewith. Any acceptance by any person will be deemed to constitute a representation and warranty from such person to the Company that these local laws and requirements have been complied with. Shareholders should consult their professional advisers if in any doubt.

Arrangements will be made for the Rights Shares which would otherwise have been provisionally allotted to the Excluded Overseas Shareholders to be sold in the market in their nil-paid form as soon as practicable after dealings in the Rights Shares in their nil-paid form commence and before dealings in the Rights Shares in their nil-paid form end, if a premium (net of expenses) can be obtained. The proceeds of such sale, less expense, of more than HK\$100 will be paid to the Excluded Overseas Shareholders pro-rata to their shareholdings held at the Record Date and time. In light of the administrative costs, the Company will retain individual amounts of HK\$100 or less for its own benefit. Any unsold entitlement of Excluded Overseas Shareholders to the Rights Shares, together with any unsold Rights Shares created by adding together fractions of the Rights Shares and any Rights Shares provisionally allotted but not accepted by the Qualifying Shareholders or otherwise subscribed for by transferees of nil-paid Rights Shares, will be made available for excess applications by the Qualifying Shareholders.

LETTER FROM THE BOARD

Fractions of the Rights Shares

On the basis of provisional allotment of eight Right Shares for every one Adjusted Share held by the Qualifying Shareholders on the Record Date, no fractional entitlements to the Rights Shares will arise under the Rights Issue.

Application for excess Rights Shares

Qualifying Shareholders may apply by using forms of application for excess Rights Shares for any unsold entitlement of the Excluded Overseas Shareholders together with any unsold Rights Shares created by adding together fractions of the Rights shares and any Rights Shares provisionally allotted but not taken up by the Qualifying Shareholders or otherwise subscribed for by transferees of nil-paid Rights Shares.

The Company will allocate excess Rights Shares to the Qualifying Shareholders at its discretion on a fair and equitable basis, with preference given to topping-up odd lots to whole board lots and thereafter on sliding scale with reference to the number of the excess Rights Shares applied by them (i.e. the Qualifying Shareholders applying for smaller number of Rights Shares are allocated with a higher percentage of successful application but will receive less number of Rights Shares; whereas the Qualifying Shareholders applying for larger number of Rights Shares are allocated with a smaller percentage of successful application but will receive higher number of Rights Shares).

The Qualifying Shareholders whose Shares are held by a nominee company should note that for the purposes of the principles above, the Board will regard the nominee company as a single Shareholder according to the register of members of the Company. Accordingly, Qualifying Shareholders 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 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 Friday, 24 June 2011.

Shareholders or potential investors should note that the number of excess Rights Shares which may be allocated to them may be different where they make applications for excess Rights Shares by different means, such as making applications in their own names as against through nominees who also hold Shares for other Shareholders/investors. Shareholders and investors should consult their professional advisors if they are in any doubt as to whether they should register their shareholding in their own names and apply for the excess Rights Shares themselves.

LETTER FROM THE BOARD

Share certificates for the Rights Shares and refund cheques

Subject to the fulfillment of the conditions of the Rights Issue, share certificates for all Rights Shares are expected to be posted to the Qualifying Shareholders who have accepted and applied for (where appropriate), and paid for the Rights Shares on or before Friday, 22 July 2011 by ordinary post at their own risk. Refund cheques in respect of wholly or partially unsuccessful applications for excess Rights Shares are also expected to be posted on Friday, 22 July 2011 by ordinary post to the applicants at their own risk.

The first day of dealing in the Rights Shares in their fully-paid form is expected to commence on Tuesday, 26 July 2011.

Application for listing

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Rights Shares in both nil-paid and fully-paid forms to be allotted and issued pursuant to the Rights Issue. No part of the securities of the Company is listed or dealt in or on which listing or permission to deal is being or is proposed to be sought on any other stock exchange.

Subject to the granting of the listing of, and permission to deal in, Rights Shares in both nil-paid and fully-paid forms on the Stock Exchange, Rights Shares in both 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 commencement date of dealings in Rights Shares in both nil-paid and fully-paid forms on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Dealings in the Rights Shares in both nil-paid and fully-paid forms 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 or any other applicable fees and charges in Hong Kong.

UNDERWRITING AGREEMENT

Date : 6 May 2011

Underwriters : Get Nice and Emperor

To the best knowledge, information and belief of the Directors, the Underwriters are Independent Third Parties. The Underwriters do not have any beneficial interests in the Existing Shares

LETTER FROM THE BOARD

- Number of Rights Shares underwritten : The Underwriters have agreed to underwrite the Rights Shares not subscribed by the Shareholders on a fully underwritten basis, being not less than 1,190,041,048 Rights Shares and not more than 1,238,041,048 Rights Shares, pursuant to the Underwriting Agreement as follows:
- (i) Get Nice shall underwrite up to 400,000,000 Rights Shares and
 - (ii) Emperor shall underwrite the remaining number of the Rights Shares
- Commission : (i) for Get Nice, 2% of the aggregate Subscription Price of the number of Rights Shares underwritten by Get Nice; and
- (ii) for Emperor, 2% of the aggregate Subscription Price of the number of Rights Shares underwritten by Emperor

The Rights Issue is fully underwritten. The underwriting commission was determined after arm's length negotiations between the Company and the Underwriters with reference to the market rate. The executive Directors are of the opinion that the terms of the Underwriting Agreement and the amount of commission given to the Underwriters are fair as compared to the market practice and commercially reasonable as agreed between the parties of the Underwriting Agreement.

The views of the independent non-executive Directors, who forms the Independent Board Committee, are set out in the letter from the Independent Board Committee set out on page 33 of this circular.

Termination of the Underwriting Agreement

The Underwriters may terminate the arrangements set out in the Underwriting Agreement by notice in writing to the Company at any time prior to the Latest Time for Termination if:

- (a) in the absolute opinion of the Underwriters, the success of the Rights Issue would be materially and adversely affected by:
 - (i) the introduction of any new 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
 - (ii) 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 currency, market or other nature (whether or not ejusdem generis with any of the foregoing), or in

LETTER FROM THE BOARD

- the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets 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
- (iii) any material adverse change in the business or in the financial or trading position or prospectus of the Group as a whole; or
 - (iv) 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
 - (v) there occurs or comes into effect the imposition of any moratorium, suspension or material restriction on trading in the Shares or Adjusted Shares (as the case may be) generally on the Stock Exchange due to exceptional financial circumstances or otherwise; or
 - (vi) 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 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) the circular of the Company 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 the Latest Time for Termination, there occurs:

- (i) any material breach of any of the warranties or undertakings of the Company under the Underwriting Agreement comes to the knowledge of the Underwriters; or
- (ii) any Specified Event comes to the knowledge of the Underwriters,

the Underwriters shall also be entitled by notice in writing to the Company prior to the Latest Time for Termination to terminate the Underwriting Agreement and the obligations of all parties under the Underwriting Agreement shall terminate forthwith.

LETTER FROM THE BOARD

Conditions of the Rights Issue

The Rights Issue is conditional upon, among other things, the following conditions being fulfilled or waived:

- (a) the Company despatching the circular to the Shareholders containing, among other matters, details of the Rights Issue together with proxy form and notice of SGM;
- (b) the Capital Reorganisation becoming effective;
- (c) the Listing Committee of the Stock Exchange granting or agreeing to grant and not having withdrawn or revoked listing of and permission to deal in the Adjusted Shares;
- (d) 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 Excluded Overseas Shareholders) and the transactions contemplated thereby by no later than the Posting Date;
- (e) the Listing Committee of the Stock Exchange 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;
- (f) the Bermuda Monetary Authority granting consent to (if required) the issue of the Rights Shares by no later than the Posting Date;
- (g) compliance with and performance of all the undertakings and obligations of the Company under the terms of the Underwriting Agreement;
- (h) the delivery to the Stock Exchange and registration by Registrar of Companies in Hong Kong on or prior to the Posting Date of the Prospectus Documents each duly certified in compliance with section 38D of the Companies Ordinance and all other documents required by law to be filed or delivered for registration; and
- (i) the posting on the Posting Date of the Prospectus Documents to the Qualifying Shareholders.

Neither the Underwriters nor the Company may waive any of the conditions (a) to (f) (both inclusive) and (h) to (i). The Underwriters may waive the condition (g) in whole or in part by written notice to the Company. If the conditions are not satisfied and/or waived in whole or in part by the Underwriters by 4:00 p.m. on or before 30 September 2011 (or such other date as the Underwriters may agree with the Company in writing), the Underwriting Agreement shall terminate and no party will have any claim against any other party for costs, damages, compensation or otherwise.

REASONS FOR THE RIGHTS ISSUE AND USE OF PROCEEDS

The Company is an investment holding company and its subsidiaries are principally engaged in provision of property agency and related services, trading of toy, gift and premium products and securities trading and investments.

LETTER FROM THE BOARD

As disclosed in the 2009 Annual Report of the Company, Mr. Kwok Chin Wing (“Plaintiff”), a former director of the Company, issued legal proceedings against the Company in respect of loans due from two former subsidiaries of the Company, claiming a sum of approximately \$44.5 million (“Principal Sum”) together with interests thereon. Hearing of the case was held in January 2011 and as announced by the Company on 2 March 2011, judgment was awarded in favour of the Plaintiff for the sum of HK\$44.5 million together with interest and costs (“Judgment”).

As further announced by the Company on 31 March 2011, the Company has filed a Notice of Appeal against the Judgment (“Appeal”). The Appeal has now been set down for hearing on 8 and 9 December 2011. Pending the hearing of the Appeal, the Company and the Plaintiff have on 18 April 2011 agreed that execution of the Judgment be stayed until the determination or other disposal of the Appeal or further order of the Court subject to the condition that the Company shall pay into Court a sum of HK\$25 million as security on or before 25 April 2011 and another sum of HK\$25 million or provide the Plaintiff with a bank guarantee for the same amount as further security before 17 July 2011. Consent Order was granted by the Court on the same terms, in compliance with which the Company has paid the first HK\$25 million into Court.

A separate hearing was held on 11 April 2011 on the issues of interest and costs payable by the Company under the Judgment. The Plaintiff claimed for enhanced interest on the Principal Sum and adverse costs order against the Company and the Company vigorously contested such claim. On 20 May 2011, the trial judge handed down his decision on the issues of interest and costs and denied the Plaintiff’s claims for enhanced interest and adverse costs order. It is ordered by the trial judge that the Company should only be liable to the Plaintiff under the Judgment for : (i) the Principal Sum of HK\$44.5 million; (ii) interest in the sum of HK\$6,498,000 for the period from 1 April 1999 to 31 December 2000; (iii) interest on the Principal Sum at the prime lending rate from 1 January 2001 to 2 March 2011 amounting to HK\$26,691,953.42; (iv) interest on the Principal Sum at the judgment rate (currently 8% per annum) as from 3 March 2011 until payment; and (v) costs on party and party basis to be taxed. As at the date of Judgment, i.e., 2 March 2011, the Principal Sum and interest due amounted to HK\$77,689,953.42, and based on the advice of the Company’s legal advisors, the Board assessed that the total costs payable on party and party basis would not exceed approximately HK\$4 million.

However, interest continues to accrue on the Principal Sum as from 3 March 2011 until payment at the judgment rate. Therefore, if the Company loses the Appeal, the Company shall bear further interest on the Principal Sum until payment. The further interest payable on the Principal Sum as from 3 March 2011 to the date of hearing of the Appeal on 9 December 2011 would be HK\$2,750,465.75. In addition, the Company may also be liable for the Plaintiff’s legal costs incurred for the Appeal, if the Company loses the Appeal, on which the Company does not have any information yet. Based on the assessment of the Company’s legal advisors, such costs are estimated not to exceed approximately HK\$2 million. Therefore, subject to the parties’ right to appeal, the Company’s exposure under the Judgment for the Principal Sum, interest calculated up to the date of hearing of the Appeal on 9 December 2011 as well as the costs of the action and the Appeal payable to the Plaintiff would be approximately HK\$86.5 million. Since the minimum net proceeds from the Rights Issue amounted to approximately HK\$115.1 million, the Company would have sufficient funding to meet such payment if the Rights Issue is completed. Based on the opinion of the Company’s legal advisors, a provision of

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HK\$83.5 million was made for the Judgment in the financial results of the Company for the year ended 31 December 2010. The Company will issue further announcement when there is judgment on the Appeal with update on the Board's assessment of the Company's potential exposure under the Judgment at such time.

For the reasons stated above, the Company has funding needs to raise the additional capital by the Rights Issue for the payment into Court of the further security in the sum of HK\$25 million before 17 July 2011 and reserve certain amount for any additional exposure under the Judgment. Given that the proceeds from the fund raising exercises conducted by the Company in the last 12 months have largely been used for business development by acquisition of the PRC subsidiaries, the settlement of the Repurchase Offer and the funding of the first payment into the Court of the sum of HK\$25 million as security before 25 April 2011, the remaining unused balance of the proceeds of the aforesaid funding exercises is only approximately HK\$1.1 million and the unaudited bank balances and cash of the Group's were approximately HK\$7.8 million as at 30 April 2011. Therefore, the Company has urgent funding needs and would require more capital in order to meet any potential liability under the Plaintiff's claim. Based on the current legal advice of the Company's legal advisers, the Company will pursue the Appeal and therefore the Company will not settle any amount under the Judgment pending such Appeal. If the Company losses the Appeal, the Board will consider then whether to make payment to the Plaintiff after taking further legal advice. There is therefore no settlement timetable. However, the availability of further capital from the Rights Issue will enable the Company to take advantage of any suitable opportunity for settlement with the plaintiff should one arise, subject to the advice of the Company's legal advisers.

The Board considered that the Rights Issue can strengthen the Company's capital base and enhance the financial position of the Group, including its ability to meet any obligations in relation to the Judgment pending the outcome of the Company's appeal. The Rights Issue, being an equity fund raising as opposed to a debt financing, will not give rise to negative impact to the gearing ratio of the Group as well as saving interest expenses which will have direct impact on the profit and loss account of the Group. Moreover, unlike other fund raising means, the Rights Issue will give the Shareholders the opportunity to maintain their respective prorata shareholding interests in the Company. Furthermore, the Rights Issue would allow those Shareholders who would not want to participate in the fund raising of the Company to dispose of their rights shares entitlements in the market in nil-paid form. Taking into account the above, as well as the terms of the Rights Issue, the Board considered that fund raising through the Rights Issue is in the interests of the Company and the Shareholders as a whole.

The Company currently funds the working capital requirements mainly through a combination of cash inflow from operations and capital contribution from Shareholders. An assessment of working capital requirement would be performed by management of the Company regularly based on present operation and the prospects for and the timing of future revenue and cost structures. It is expected that the requirement for working capital and other payments, such as capital expenditures, will increase with expansion of the Group's business. The Company intended to use cash generated from the Group's operation and bank borrowings to fill the gap of capital requirement and use bank borrowings to finance the Group's working capital requirement. However, the ability to obtain external financing in time or terms acceptable to the Company depends on various factors, such as the Group's financial conditions, operating results, Share price, litigation and other factors. If the Company is unable to obtain external financing in a timely manner, the Board may consider raise funds through the issuance of new debt or equity securities.

LETTER FROM THE BOARD

The Board has considered alternative fund raising methods including debt financings or placing. The Company had approached and negotiated with one bank, one financier and two placing agents during March 2011. Given the banks' current stringent lending policy, there was a lack of positive response from them. The Group was able to obtain an offer letter for a facility line from a financier, but the facility line was subject to a comparatively higher interest rate (i.e. 1.5% per month) than that customary of a bank loan and therefore the Board did not further consider such facility line. The Board has also considered placing and was of the view that a placing may have a material dilution effect to the shareholding of the existing Shareholders given the substantial amount of the fund to be raised. Under the circumstances, the Board considered that the Rights Issue is the best way to the Company in the current capital market situation and is in the best interests of the Company and the Shareholders as a whole.

Since the trial judge handed down judgment on the issues of interest and costs and denied the Plaintiff's claims for enhanced interest and adverse costs order on 20 May 2011, the Company's exposure under the Judgment for the Principal Sum, interest calculated up to the date of hearing of the Appeal on 9 December 2011 as well as the costs of the action and the appeal payable to the Plaintiff would be approximately HK\$86.5 million. Other than the funding needs of the aforesaid litigation, the Group also intends to use the remaining proceeds for business development including expansion of existing property agency business in Hong Kong and the PRC. In January 2011, the Company has completed the acquisition of the subsidiaries engaged in provision of primary real estate agency and related consultancy services in the PRC. The Group intends to select several locations with good development potential for the such property agency business in the PRC in the coming two years. Through such network in the PRC, the Group will be able to establish and maintain closer relationships with local real estate developers, will be in a better position to identify and procure quality local real estate projects in such cities and their surrounding regions and will have a better control over the real estate sales management in such locations. The Group also intends to step up the effort in network and manpower expansion in Hong Kong for promoting service quality and improving operational efficiency. As at the Latest Practicable Date, the Group intends to use over 50% of remaining balance of the net proceeds for the expansion of existing property agency business in the PRC. However, it is subject to the Board's further assessment of the property agency market in Hong Kong and the PRC. The Board will use its best endeavor to use the funding for the best interest of the Company and the Shareholders. As at the Latest Practicable Date, the Group has not identified any investment target or entered into any agreement for acquisition or investment and is still seeking suitable locations and appropriate investment targets for such expansion.

The gross proceeds from the Rights Issue will be between approximately HK\$119.0 million (assuming no issue of new Shares on or before the Record Date) to approximately HK\$123.8 million (assuming full exercise of the subscription rights attaching to all the Permitted Share Options, if granted, and no other issue of new Shares on or before the Record Date). The maximum estimated net proceeds from the Rights Issue will be approximately HK\$119.8 million, which is intended to be used as to approximately (i) HK\$25 million to meet the second payment into Court under the Consent Order before 17 July 2011; (ii) HK\$40 million to meet potential liability under the Judgment over and above the payments into Court; (iii) HK\$3 million as legal and professional fee for launching appeal against the Judgment during the year; (iv) HK\$10 million as administrative expenses, including staff cost, rental expenses, audit fee and legal and professional fee etc.; and (v) the remaining balance of the proceeds for capital expenditure needs for the further business development including expansion of property agency business in Hong Kong and the PRC as mentioned above. The minimum estimated net proceeds from the Rights Issue will be approximately HK\$115.1 million, which is intended to be

LETTER FROM THE BOARD

used in the same proportion as above. Should the Company be successful in its appeal against the Judgment, approximately HK\$3 million will be used for legal and professional fee for launching appeal against the Judgment during the year and the remaining balance of the net proceeds will be used for capital expenditure needs for the further business development including expansion of property agency business in Hong Kong and the PRC as mentioned above.

The Board considers that, save for the Rights Issue, the Company has no future fund raising plans for the next twelve months.

EFFECT ON SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below is the shareholding structure of the Company (i) assuming no issue of new Shares on or before the Record Date; and (ii) assuming full exercise of the subscription rights attaching to the maximum number of Permitted Share Options, and no other issue of new Shares on or before the Record Date:

Scenario 1:

Assuming no issue of new Shares on or before the Record Date

	As at the Latest Practicable Date		After Capital Reorganisation but before the completion of the Rights Issue		Immediately after the completion of the Rights Issue (assuming all Rights Shares are subscribed by the Qualifying Shareholders)		Immediately after the completion of the Rights Issue (assuming none of Rights Shares are subscribed by the Qualifying Shareholders) (note 1 & 2) (for illustration purpose only)	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Underwriters								
Get Nice	—	—	—	—	—	—	400,000,000	29.88
Emperor	—	—	—	—	—	—	790,041,048	59.01
Public Shareholders	1,487,551,314	100.00	148,755,131	100.00	1,338,796,179	100.00	148,755,131	11.11
Total	<u>1,487,551,314</u>	<u>100.00</u>	<u>148,755,131</u>	<u>100.00</u>	<u>1,338,796,179</u>	<u>100.00</u>	<u>1,338,796,179</u>	<u>100.00</u>

Notes:

- The assumption that no Rights Shares are subscribed by the Qualifying Shareholders is for illustrative purpose only. Under the terms of the Underwriting Agreement, each of the Underwriters have undertaken to take all such steps as appropriate, including sub-underwriting its underwriting obligations under the Underwriting Agreement and/or placing down Rights Shares acquired by it, to avoid it together with parties acting in concert (as defined in the Takeovers Code) with it holding 30% or more of the issued share capital of the Company immediately after completion of the Rights Issue. Each of the Underwriters (and their respective ultimate beneficial owners) is not a party acting in concert with each other. Each of the Underwriters and their respective ultimate beneficial owners are not connected persons of the Company.
- Each of the Underwriters has confirmed to the Company that it has entered into sub-underwriting agreements with sub-underwriters to sub-underwrite part or all of their underwriting obligations under the Underwriting Agreement, so that it will not if called upon to take up its underwriting commitment individually or together with its associates own 10% or more of the issued share capital of the Company immediately after completion of the Rights Issue. Each of the Underwriters has confirmed to the Company, that the sub-underwriters and their respective ultimate beneficial owners are third parties independent of and not connected with the Company and its connected persons. The Company confirms that it has always complied and will continue to comply with the public float requirement under Rule 8.08 upon the completion of the Rights Issue.

LETTER FROM THE BOARD

Scenario 2:

Assuming all the Permitted Share Options have been granted before the Record Date and full exercise of the subscription rights attaching thereto and no other issue of new Shares on or before the Record Date.

	As at the Latest Practicable Date		After Capital Reorganisation and full exercise of the Permitted Share Options but before the completion of the Rights Issue		Immediately after the completion of the Rights Issue (assuming all Rights Shares are subscribed by the Qualifying Shareholders)		Immediately after the completion of the Rights Issue (assuming none of Rights Shares are subscribed by the Qualifying Shareholders) (note 1 & 2) (for illustration purpose only)	
	No. of Shares	%	No. of Adjusted Shares	%	No. of Adjusted Shares	%	No. of Adjusted Shares	%
Underwriters								
Get Nice	—	—	—	—	—	—	400,000,000	28.72
Emperor	—	—	—	—	—	—	838,041,048	60.17
New Shares issued under fully exercised Permitted Share Options	—	—	6,000,000	3.88	54,000,000	3.88	6,000,000	0.43
Public Shareholders	1,487,551,314	100.00	148,755,131	96.12	1,338,796,179	96.12	148,755,131	10.68
Total	<u>1,487,551,314</u>	<u>100.00</u>	<u>154,755,131</u>	<u>100.00</u>	<u>1,392,796,179</u>	<u>100.00</u>	<u>1,392,796,179</u>	<u>100.00</u>

Notes:

- The assumption that no Rights Shares are subscribed by the Qualifying Shareholders is for illustrative purpose only. Under the terms of the Underwriting Agreement, each of the Underwriters have undertaken to take all such steps as appropriate, including sub-underwriting its underwriting obligations under the Underwriting Agreement and/or placing down Rights Shares acquired by it, to avoid it together with parties acting in concert (as defined in the Takeovers Code) with it holding 30% or more of the issued share capital of the Company immediately after completion of the Rights Issue. Each of the Underwriters (and their respective ultimate beneficial owners) is not a party acting in concert with each other. Each of the Underwriters and their respective ultimate beneficial owners are not connected persons of the Company.
- Each of the Underwriters has confirmed to the Company that it has entered into sub-underwriting agreements with sub-underwriters to sub-underwrite part or all of their underwriting obligations under the Underwriting Agreement, so that it will not if called upon to take up its underwriting commitment individually or together with its associates own 10% or more of the issued share capital of the Company immediately after completion of the Rights Issue. Each of the Underwriters has confirmed to the Company, that the sub-underwriters and their respective ultimate beneficial owners are third parties independent of and not connected with the Company and its connected persons. The Company confirms that it has always complied and will continue to comply with the public float requirement under Rule 8.08 upon the completion of the Rights Issue.

LETTER FROM THE BOARD

EQUITY FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

Date of announcement	Capital raising activity	Net proceeds raised (approximately)	Proposed use of the net proceeds	Actual use of the net proceeds
22 September 2010	Rights issue of 1,126,955,740 rights shares on the basis of ten rights share for every share held on the record date	HK\$208.6 million	(i) approximately HK\$180.0 million for payment of the consideration for the Acquisition (as defined in the announcement of the Company dated 22 September 2010); and (ii) the remaining balance of approximately HK\$28.6 million for the settlement amount of the Repurchase Offer.	approximately HK\$170.0 million has been used for payment of consideration for the Acquisition upon its completion on 18 January 2011 and approximately HK\$10.0 million has been set aside for final payment of consideration of Acquisition after adjustments relating to the completion account in respect of the Acquisition; and (ii) the balance of approximately HK\$28.6 million has been used for the settlement of the Repurchase Offer on 21 January 2011 <i>(Note 1)</i>
19 January 2011	Placing of up to 370,000,000 new shares of the Company under specific mandate	HK\$54.15 million	(i) approximately HK\$35.00 million for its investment in a PRC entity which will be engaged in provision of community payment services and property agency services in the PRC pursuant to a non-legally binding memorandum of understanding dated 19 January 2011 entered into between the Company and certain independent third parties in the PRC if such investment proceed; and (ii) the balance of approximately HK\$19.15 million for the general working capital of the Group and/or for its future expansion and development.	The placing was terminated on 10 February 2011 as disclosed in the announcement of the Company dated 10 February 2011
25 March 2011	Placing of 247,900,000 new Shares	HK\$26.72 million	To be used for general working capital requirements (including its financial obligations)	HK\$25 million has been used as pay into an interest bearing account of the Court as a condition for stay of execution of the Judgment pending appeal, approximately HK\$0.60 million has been used for general working capital and approximately HK\$1.12 million remains unused, placed in bank accounts and intended to use for general working capital

Note:

- The total repurchase consideration of HK\$67.9 million under the Repurchase Offer has been settled in full on 21 January 2011.

LETTER FROM THE BOARD

Save as disclosed above, the Company had not carried out any equity fund raising exercise in the 12-month period immediately preceding the date of this announcement.

For illustration purpose only, the disclosure on the cumulative dilution effect to the Shareholders as a result of the series of placings and rights issue conducted in the past twelve months immediately preceding the Latest Practicable Date (assuming the Shareholdings did not participate in the rights issues over the last twelve months, including the Rights Issue) for Shareholders information. The public Shareholders were interested in 2,253,911,490 Shares as at 6 May 2010 (the “2010 Public Shareholders”), representing the then entire issued share capital of the Company (the “2010 Public Shareholdings”). The Company announced a rights issue on 22 September 2010 (the “2010 Rights Issue”). Assuming none of the rights shares of the 2010 Rights Issue is subscribed by the 2010 Public Shareholders, the 2010 Public Shareholdings was diluted from 100% to approximately 9.09% upon completion of the capital reorganisation of consolidation of every 20 shares into 1 share and the 2010 Rights Issue. On 25 March 2011, the Company announced a placing of 247,900,000 new Shares (the “2011 Placing”). Upon completion of the 2011 Placing, the 2010 Public Shareholdings was diluted from approximately 9.09% to approximately 7.58%. If the 2010 Public Shareholders do not subscribe for the Rights Shares, the 2010 Public Shareholdings will be further be diluted from approximately 9.09% to approximately 0.84% upon completion of the Capital Reorganisation and the Rights Issue.

Since the cumulative dilution effect described above is only based on the assumption all Qualifying Shareholders did not take up any of their assured entitlements in both rights issue, the above information is only for illustration purpose. Taking into account (i) that all Qualifying Shareholders are offered an equal opportunity to participate in the Rights Issue; (ii) that the Rights Issue is considered more preferable than other financing alternatives as explained before; (iii) the application of part of the proceeds from the Rights Issue for the Group’s urgent funding needs of the aforesaid litigation, the Directors are of the view that the potential dilution effect of the Rights Issue is acceptable.

GENERAL

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

The Rights Issue is conditional upon, among other things, approval from the Shareholders on a vote taken by way of poll at the SGM and the Capital Reorganisation becoming effective. In accordance with Rule 7.19(6) of the Listing Rules, any controlling Shareholders and their associates or, where there are no controlling shareholders, Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the resolution relating to the Rights Issue. As at the Latest Practicable Date, the Company has no controlling Shareholder and none of the Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates hold any Share. Accordingly, as at the Latest Practicable Date, no Shareholder is required to abstain from voting in favour of the Rights Issue at the SGM.

LETTER FROM THE BOARD

WARNING OF THE RISKS OF DEALING IN THE SHARES, THE ADJUSTED SHARES AND THE NIL-PAID RIGHTS SHARES

The Adjusted Shares will be dealt in on ex-rights basis from Thursday, 23 June 2011. Dealings in the Rights Shares in the nil-paid form will take place from Tuesday, 5 July 2011 to Tuesday, 12 July 2011 (both dates inclusive).

Any Shareholders or other persons contemplating selling or purchasing the Rights Shares in their nil-paid form during the period from Tuesday, 5 July 2011 to Tuesday, 12 July 2011 (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 the Shares or the Adjusted Shares (as the case may be) up to the date on which all the conditions to which the Rights Issue is subject are fulfilled and/or the Latest Time for Termination (which is expected to be Wednesday, 20 July 2011) 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.

The Shareholders and potential investors of the Company should note that the Rights Issue is conditional upon the Capital Reorganisation becoming effective and the Underwriting Agreement having become unconditional and the Underwriters not having terminated the Underwriting Agreement in accordance with the terms thereof (a summary of which is set out in the sub-section headed "Termination of the Underwriting Agreement" above). Accordingly, the Rights Issue may or may not proceed.

The Shareholders and potential investors of the Company should therefore exercise extreme caution when dealing in the Shares, the Adjusted Shares or the Rights Shares in their nil-paid form, and if they are in any doubt about their position, they should consult their professional advisers.

SGM

The notice convening the SGM is set out on pages 75 to 78 of this circular. The SGM will be held at Unit 1303, 13/F, Tower 2, Lippo Centre, 89 Queensway, Admiralty, Hong Kong at 10:00 a.m. on Tuesday, 21 June 2011 for the purpose of considering and, if thought fit, to approve the Capital Reorganisation and the Rights Issue.

An Independent Board Committee of the Company comprising the independent non-executive Directors has been established to make recommendations to the Independent Shareholders in respect of the Rights Issue. Guangdong Securities has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

LETTER FROM THE BOARD

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 17M Floor, 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 and in such event the proxy shall be deemed to be revoked.

RECOMMENDATION

In relation to the Rights Issue, your attention is drawn to the letter from the Independent Board Committee on page 33 and the letter from Guangdong Securities set out on pages 34 to 50 of this circular. The Directors believe that the proposed resolutions in relation to the Capital Reorganisation and the Rights Issue are in the best interest of the Company and the Shareholders as a whole and, accordingly, the Directors recommend the Shareholders to vote in favour of the aforesaid resolutions to be proposed at the SGM.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in Appendices I to III to this circular.

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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)

30 May 2011

To the Independent Shareholders

Dear Sir or Madam,

**PROPOSED RIGHTS ISSUE ON THE BASIS OF EIGHT RIGHTS SHARES
FOR EVERY ONE ADJUSTED SHARE HELD ON THE RECORD DATE**

We refer to the circular of the Company dated 30 May 2011 (the “Circular”) of which this letter forms part. Unless the context specifies otherwise, capitalized 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. Guangdong Securities 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, Guangdong Securities as set out in its letter of advice to you and us on pages 34 to 50 of the Circular, we are of the opinion that the Rights Issue and the Underwriting Agreement are in the interests of the Company and the Shareholders as a whole and the terms of which are normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the SGM to approve the Rights Issue.

Yours faithfully,

For and on behalf of

Independent Board Committee

Chui Chi Yun, Robert, Lui Siu Tsuen, Richard and Lam Kwok Cheong

independent non-executive Directors

** for identification purpose only*

LETTER FROM GUANGDONG SECURITIES

Set out below is the text of a letter received from Guangdong Securities, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders regarding the Rights Issue for the purpose of inclusion in this circular.



Units 2505-06, 25/F.
Low Block of Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

30 May 2011

*To: The independent board committee and the independent shareholders
of 21 Holdings Limited*

Dear Sirs,

**PROPOSED RIGHTS ISSUE
ON THE BASIS OF EIGHT RIGHTS SHARES
FOR EVERY ONE ADJUSTED SHARE HELD
ON THE RECORD DATE**

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Rights Issue, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 30 May 2011 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 6 May 2011, the Board announced that the Company proposed to raise approximately HK\$119.0 million before expenses (assuming no issue of new Shares on or before the Record Date) to approximately HK\$123.8 million before expenses (assuming full exercise of the subscription rights attaching to all the Permitted Share Options, if granted, and no other issue of new Shares on or before the Record Date), by way of the Rights Issue of 1,190,041,048 Rights Shares and not more than 1,238,041,048 Rights Shares at the Subscription Price of HK\$0.10 per Rights Share on the basis of eight Rights Shares for every one Adjusted Share held on the Record Date and payable in full on acceptance.

The Rights Issue is fully underwritten by the Underwriters. The Directors confirmed that the terms of the Rights Issue were agreed after arm's length negotiations among the Company and the Underwriters.

LETTER FROM GUANGDONG SECURITIES

The Rights Issue is conditional upon, among other things, approval from the Shareholders on a vote taken by way of poll at the SGM and the Capital Reorganisation becoming effective. In accordance with Rule 7.19(6) of the Listing Rules, any controlling Shareholders and their associates or, where there are no controlling shareholders, Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the resolution relating to the Rights Issue. As at the Latest Practicable Date, the Company has no controlling Shareholder and none of the Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates hold any Share. Accordingly, as at the Latest Practicable Date, no Shareholder is required to abstain from voting in favour of the Rights Issue at the SGM.

An Independent Board Committee comprising Mr. Chui Chi Yun, Robert, Mr. Lam Kwok Cheong and Mr. Lui Siu Tsuen, Richard, all being independent non-executive Directors, has been formed to advise the Independent Shareholders on (i) whether the terms of the Rights Issue and the Underwriting Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the Rights Issue is in the interests of the Company and the Shareholders as a whole; and (iii) how the Independent Shareholders should vote on the relevant resolution(s) to approve the Rights Issue, the Underwriting Agreement and the respective transactions contemplated thereunder at the SGM. We, Guangdong Securities Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, which to the best of their knowledge and belief, there are no other facts the omission of which would make any statement in the Circular misleading.

LETTER FROM GUANGDONG SECURITIES

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, the Underwriters or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Rights Issue. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, the sole responsibility of Guangdong Securities is to ensure that such information has been correctly extracted from the relevant sources.

PRINCIPAL FACTORS AND REASONS CONSIDERED

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

(1) Background of and reasons for the Rights Issue

Business overview of the Group

The Company is an investment holding company and its subsidiaries are principally engaged in provision of property agency and related services, trading of toy, gift and premium products and securities trading and investments.

Set out below are the financial information of the Group for the twelve months ended 31 December 2010 and each of the two years ended 31 December 2009 as extracted from the Company's annual report for the year ended 31 December 2010 (the "Annual Report"):

	For the year ended 31 December 2010 <i>HK\$'000</i>	For the year ended 31 December 2009 <i>HK\$'000</i>	% change from 2009 to 2010
Revenue	219,960	179,550	22.51
— Franchise income	5,317	4,533	17.30
— Property agency commission and service income	88,078	87,099	1.12
— Sales of goods	126,565	87,918	43.96
Loss and total comprehensive expense for the year	(242,505)	(144,288)	68.07

LETTER FROM GUANGDONG SECURITIES

From the above table, we noted that regardless of the increase of approximately 22.51% in the revenue of the Group for the year ended 31 December 2010 as compared to the year ended 31 December 2009, the Group loss and total comprehensive expense for the year ended 31 December 2010 increased by approximately 68.07% as compared to the year ended 31 December 2009. Such deterioration was attributed to (i) the provision for losses on litigation; and (ii) the impairment loss on goodwill, for the year ended 31 December 2010.

With reference to the Annual Report, it is the Group's strategy to search for good and promising investments which will enhance the performance and value of the Group. In January 2011, the Group acquired 100% equity interest in Vigour Well Limited and its subsidiaries ("**Vigour Well Group**") which engages in provision of primary real estate agency and related consultancy services in the PRC. It is expected that such acquisition would bring new sources of revenue to the Group and reduce risk of over-reliance on property agency market in Hong Kong. The commission income of Vigour Well Group relies on the real estate sales amount in various first-hand real estate development projects under which they acts as consultant and/or sales agent. Vigour Well Group had entered into business agreements with various real estate developers under which members of Vigour Well Group has been appointed to provide services as consultant and/or sales and leasing agent for various first-hand real estate development projects in the PRC. Accordingly, the Board is confident in the future business development of the Vigour Well Group as well as the Group.

We noted that (i) the Group has been loss making since the year ended 31 December 2006; and (ii) the Vigour Well Group is at a preliminary stage of development. Nevertheless, given the above, the future business development of the Vigour Well Group as well as the Group maybe potentially prosperous.

Reasons for the Rights Issue

As advised by the Directors, the Rights Issue will enable the Group to strengthen its financial position of the Group, including its ability to meet any obligations in relation to the Judgment pending the outcome of the Company's appeal (as detailed under the section headed "Reasons for the Rights Issue and use of proceeds" in the Board Letter). 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.

With reference to the Board Letter, the estimated net proceeds from the Rights Issue will be between approximately HK\$115.1 million and approximately HK\$119.8 million after deducting all necessary expenses for the Rights Issue, which include the commission to the Underwriters, the fees to the Company's professional and legal advisers and printing and translation costs. The net proceeds of the Rights Issue is intended to be applied (i) as to HK\$25 million to meet the second payment into Court under the Consent Order before 17 July 2011; (ii) as to approximately HK\$40 million to meet potential liability calculated up to the date of hearing on 9 December 2011 under the Judgment over and above the payments into Court; (iii) as to approximately HK\$3 million to be used as legal and professional fee for launching appeal against the Judgment; (iv) as to approximately HK\$10 million to be used as administrative expenses, including staff cost, rental expenses, audit fee and legal and professional fee etc.;

LETTER FROM GUANGDONG SECURITIES

and (v) as to the remaining balance of the proceeds for capital expenditure needs for the further business development including expansion of existing property agency business in Hong Kong and the PRC. Should the Company be successful in its appeal against the Judgment, approximately HK\$3 million will be used for legal and professional fee for launching appeal against the Judgment and the remaining balance of the net proceeds will be used for capital expenditure needs for the further business development including expansion of property agency business in Hong Kong and the PRC. As at the Latest Practicable Date, the Group intends to use over 50% of remaining balance of the net proceeds for the expansion of existing property agency business in the PRC. However it is subject to the Board's further assessment of the property agency market in Hong Kong and the PRC. The Board will best endeavor to use the funding for the best interest of the Company and the Shareholders. As at the Latest Practicable Date, the Group has not identified any investment target or entered into any agreement for acquisition or investment and is still seeking the suitable locations and appropriate investment targets for such expansion. Given the above, we are of the view that the proceeds from the Rights Issue would satisfy the funding needs of the Group and support the development of the Group's principal business.

According to the Board Letter, save as and except for (i) the rights issue of 1,126,955,740 rights shares on the basis of ten rights share for every share held on the record date as announced by the Company on 22 September 2010 (the "**Previous Rights Issue**"); (ii) the placing of up to 370,000,000 new shares of the Company under specific mandate as announced by the Company on 19 January 2011, which was terminated on 10 February 2011; and (iii) the placing of 247,900,000 new shares of the Company as announced by the Company on 25 March 2011 (the "**Placing**"), the Group had not conducted any fund raising activities in the past 12 months immediately prior to the Latest Practicable Date. Given (i) that most of the proceeds from the Previous Rights Issue and the Placing are utilised for specific purposes (as detailed under the section headed "Equity fund raising activities in the past twelve months" in the Board Letter and only HK\$1.12 million remains unused); (ii) the funding needs of the Company (including (a) HK\$25 million to meet the second payment into Court under the Consent Order before 17 July 2011; (b) HK\$40 million to meet potential liability calculated up to the date of hearing on 9 December 2011 under the Judgment over and above the payments into Court; (c) HK\$3 million to settle the legal and professional fee for launching appeal against the Judgment; (d) HK\$10 million to settle the Group's administrative expenses, including staff cost, rental expenses, audit fee and legal and professional fee etc.; and (e) the capital expenditure needs for the further business development including expansion of existing property agency business in Hong Kong and the PRC); and (iii) that the unaudited bank balances and cash of the Group were approximately HK\$7.8 million as at 30 April 2011, we concur with the Directors' view that the Rights Issue is necessary for the reasons set out above.

Upon discussion with the Directors regarding the above and after taking into account (i) the funding needs of the Company; (ii) the intended use of proceeds from the Rights Issue; (iii) the equity fund raising activities conducted by the Company in the past twelve months; and (iv) that most of the proceeds from the Previous Rights Issue and the Placing are utilised for specific purposes and only HK\$1.12 million remains unused; (v) the cash position of the Company; and (vi) that the proceeds from the Rights Issue would satisfy the funding needs of the Group and support the development of the Group's principal business, we are of the opinion that the reasons for the Rights Issue at the current timing are justifiable.

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Financing alternatives available to the Group

We have enquired into the Directors and were informed by the Directors that they have considered other fund raising methods, namely debt financing and equity financing, for the Group. However, as advised by the Directors, given the Company's litigation case on hand, there was lack of positive response from bank with regard to debt financing. Thereafter, the Company approached a financier regarding debt financing which provided an offer for a facility line with a comparative high interest rate. Therefore, the Board did not consider such facility.

With regard to equity financing, the Directors advised us that the Board is confident in the future business development of the Group, and would like to provide a chance for all Shareholders to share the potential prospects of the Group (as set out under the section headed "Business overview of the Group" of this letter); whereas the existing Shareholders would lose such opportunity and the chance to maintain their respective existing shareholding interests in the Company, in the placing of new Shares. In addition, the Directors are of the view that placing of new Shares may have a material dilution effect to the shareholding interests of the existing Shareholders given the substantial amount of the fund to be raised. Accordingly, the Directors did not consider placing of new Shares to be suitable. As also mentioned in the above section, the Board considered that the Rights Issue will enable the Group to strengthen its financial position of the Group, including its ability to meet any obligations in relation to the Judgment pending the outcome of the Company's appeal. Upon our enquiry, the Directors further advised us that although both an open offer and a rights issue would allow all Shareholders to participate in the enlargement of the capital base of the Company and to maintain their proportionate shareholding interests in the Company, a rights issue would allow those Shareholders who would not participate in the fund raising of the Company to dispose of their rights shares entitlements in the market in nil-paid form. As a result, the Directors are of the view that it is in the interests of the Company and the Shareholders as a whole to raise fund through the Rights Issue.

Having taken into consideration the aforesaid weaknesses of the other financing alternatives (including (i) lack of positive response from bank with regard to debt financing and comparative high interest rate to be charged by financier; (ii) lack of opportunity for all Shareholders to share the potential prospects of the Group and maintain their respective existing shareholding interests in the Company, in the placing of new Shares; and (iii) no opportunity for the Shareholders to dispose nil-paid rights to subscribe for the Rights Shares in the market under open offer) and the possible benefits of the Rights Issue (including (i) allowing all Shareholders to participate in the enlargement of the capital base of the Company and to maintain their proportionate shareholding interests in the Company; and (ii) allowing those Shareholders who would not participate in the fund raising of the Company to dispose of their rights shares entitlements in the market in nil-paid form), we concur with the Directors that the Rights Issue is an appropriate and feasible financing method currently available to the Company and the Rights Issue is in the interests of the Company and the Shareholders as a whole.

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(2) Principal terms of the Rights Issue

The table below summarises the major terms of the Rights Issue:

Basis of the Rights Issue:	Eight Right Shares for every one Adjusted Share held on the Record Date
The Subscription Price:	HK\$0.10 per Rights Share
Number of Existing Shares in issue as at the Latest Practicable Date:	1,487,551,314 Existing Shares
Number of Adjusted Shares in issue upon the completion of the Capital Reorganisation	148,755,131 Adjusted Shares (on the basis of the number of Existing Shares as at the Latest Practicable Date, assuming that no further Shares are issued or repurchased between the Latest Practicable Date and the Record Date)
Number of Rights Shares:	Not less than 1,190,041,048 Right Shares (with an aggregate nominal value of HK\$11,900,410.48) (assuming no issue of new Shares on or before the Record Date) and not more than 1,238,041,048 Rights Shares (with an aggregate nominal value of HK\$12,381,041.48) (assuming full exercise of the subscription rights attaching to all the Permitted Share Options, if granted, and no other issue of new Shares on or before the Record Date)

As advised by the Directors, the basis of the Rights Issue was determined with reference to the amount of fund to be raised and the Subscription Price. Upon discussion with the Directors, we are of the view that such basis is justifiable.

The Subscription Price of HK\$0.10 per Rights Share represents:

- (i) a discount of approximately 89.9% to the adjusted closing price of HK\$0.99 per Adjusted Share, based on the closing price of HK\$0.099 per Share as quoted on the Stock Exchange on the Latest Practicable Date and adjusted for the effect of the Capital Reorganisation;
- (ii) a discount of approximately 88.8% to the adjusted closing price of HK\$0.89 per Adjusted Share, based on the closing price of HK\$0.089 per Share as quoted on the Stock Exchange on the Last Trading Day and adjusted for the effect of the Capital Reorganisation;

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- (iii) a discount of approximately 89.3% to the adjusted average closing price of approximately HK\$0.934 per Adjusted Share, based on the average closing price of approximately HK\$0.093 as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day and adjusted for the effect of the Capital Reorganisation; and
- (iv) a discount of approximately 46.8% to the theoretical ex-rights price of approximately HK\$0.188 per Adjusted Share after the Rights Issue, based on the closing price of HK\$0.089 per Share as quoted on the Stock Exchange on the Last Trading Day and adjusted for the effect of the Capital Reorganisation (the “**Theoretical Ex-rights Price**”).

As extracted from the Board Letter, the Subscription Price was arrived at after arm’s length negotiation between the Company and the Underwriters with reference to the market price of the Shares under the prevailing market conditions. The Directors consider that the discount of the Subscription Price would encourage Shareholders to participate in the Rights Issue and accordingly to maintain their shareholdings in the Company and participate in the future growth of the Group.

LETTER FROM GUANGDONG SECURITIES

Analyses on the Subscription Price

In order to assess the fairness and reasonableness of the Subscription Price, we set out the following informative analyses for illustrative purpose:

(i) Review on Share prices

The highest and lowest closing prices and the average daily closing price of the Shares (before the Capital Reorganisation) as quoted on the Stock Exchange in each of the 12 months during the period commencing from 3 May 2010 up to and including the Latest Practicable Date (the “**Review Period**”) are shown as follows:

Month	Highest closing price (HK\$)	Lowest closing price (HK\$)	Average daily closing price (HK\$)	No. of trading days in each month
2010				
May	0.451	0.358	0.396	20
June	0.378	0.316	0.353	21
July	0.335	0.304	0.312	21
August	0.327	0.291	0.310	22
September (<i>Note 1</i>)	0.313	0.258	0.292	15
October	0.273	0.256	0.262	20
November	0.287	0.255	0.271	22
December	0.530	0.242	0.386	22
2011				
January	0.600	0.125	0.247	21
February	0.138	0.091	0.120	18
March	0.140	0.108	0.123	23
April	0.124	0.102	0.112	18
May (up to and including the Latest Practicable Date)	0.119	0.051	0.069	18

Source: the Stock Exchange web-site (www.hkex.com.hk)

Notes:

1. Trading in the Shares was suspended from 15 September 2010 to 22 September 2010 (both days inclusive).
2. The closing price of the Shares from 3 May 2010 to 7 December 2010 had been adjusted for the effect of the capital reorganisation of the Company which became effective from 7 December 2010 onwards, under which every 20 issued existing Shares of par value HK\$0.01 each are consolidated into one issued consolidated Share of HK\$0.20 each.

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During the Review Period, the average daily closing price of the Shares ranged from HK\$0.069 to HK\$0.396 per Share in each month. The highest and lowest closing prices of the Shares as quoted on the Stock Exchange were HK\$0.600 per Share recorded on 4 January 2011 and HK\$0.051 per Share recorded on 25 May 2011 respectively. Save as and except for the exceptional increase in the price of Shares in December 2010 and January 2011, the price of the Shares showed a general decreasing trend during the Review Period.

(ii) Review on trading liquidity of the Shares

The average daily number of the Shares (before the Capital Reorganisation) traded per month, and the respective percentages of the Shares' monthly trading volume as compared to (i) the total number of issued Shares held by the public as at the Latest Practicable Date; and (ii) the total number of issued Shares as at the Latest Practicable Date during the Review Period are tabulated as follows:

Month	No. of trading days in each month	Average daily trading volume (the "Average Volume") Shares	% of the	% of the
			Average Volume to total number of issued Shares held by the public as at the Latest Practicable Date (Note 2) %	Average Volume to total number of issued Shares as at the Latest Practicable Date (Note 3) %
2010				
May	20	2,954,568	0.20	0.20
June	21	1,881,079	0.13	0.13
July	21	1,279,414	0.09	0.09
August	22	694,893	0.05	0.05
September (Note 1)	15	2,207,710	0.15	0.15
October	20	1,906,300	0.13	0.13
November	22	2,155,827	0.14	0.14
December	22	4,861,950	0.33	0.33
2011				
January	21	46,825,565	3.15	3.15
February	18	13,621,618	0.92	0.92
March	23	26,919,838	1.81	1.81
April	18	26,867,729	1.81	1.81
May (up to and including the Latest Practicable Date)	18	142,326,082	9.57	9.57

Source: the Stock Exchange web-site (www.hkex.com.hk)

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Notes:

1. Trading in the Shares was suspended from 15 September 2010 to 22 September 2010 (both days inclusive).
2. Based on 1,487,551,314 Shares in issue, all of which are held in public hands, as at the Latest Practicable Date.
3. The trading volume of the Shares from 3 May 2010 to 7 December 2010 had been adjusted for the effect of the capital reorganisation of the Company which became effective from 7 December 2010 onwards, under which every 20 issued existing Shares of par value HK\$0.01 each are consolidated into one issued consolidated Share of HK\$0.20 each.

The above table illustrates that the average daily trading volume of the Shares per month had been generally thin during the Review Period. The volume of Shares traded during the period from May 2010 to December 2010 was below 0.5% of the total number of issued Shares as at the Latest Practicable Date and the volume of Shares traded during the period from February 2011 to April 2011 was below 2% of the total number of issued Shares as at the Latest Practicable Date. Since the Shares were generally illiquid in the open market, we concur with the Directors that it would be difficult to attract the Qualifying Shareholders to reinvest in the Company through the Rights Issue if the Subscription Price was not set at rather deep discount to the historical closing prices of the Shares. For this reason, we are of the view that the discount to the Share price as represented by the Subscription Price is justifiable.

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(iii) Comparison with other rights issue transactions

As part of our analyses, we have identified those rights issue transactions (the “**Comparables**”) from 6 January 2011 up to the Last Trading Day, being the four-month period prior to and including the Last Trading Day (the “**Comparable Review Period**”), by companies listed on the main board of the Stock Exchange. We are of the view that the Comparables Review Period being four months prior to and including the Last Trading Day would provide us with the most recent relevant market information. To the best of our knowledge, we found 17 exhaustive transactions which met the said criteria. However, Shareholders should note that the businesses, operations and prospects of the Company are not the same as the Comparables and thus the Comparables are only used to provide a general reference for the common market practice in recent rights issue transactions by main board listed companies in Hong Kong. Summarised below is our relevant finding:

Company name	Stock code	Date of announcement	Premium/ (Discount) of the subscription price over/(to) the theoretical ex-rights price per share based on the closing price per share on the last trading day prior to/on the date of the announcement in relation to the respective rights issue %	Premium/ (Discount) of the subscription price over/(to) the theoretical ex-rights price per share based on the closing price per share on the last trading day prior to/on the date of the announcement in relation to the respective rights issue %	Underwriting commission %
Heritage International Holdings Limited	412	6 January 2011	(35.06)	(26.47)	2.50
Capital VC Limited	2324	12 January 2011	(28.57)	(21.05)	3.00
Sheng Yuan Holdings Limited	851	21 January 2011	(46.84)	(38.24)	1.50
Nam Hing Holdings Limited	986	31 January 2011	(92.80)	(32.30)	3.00
Hanny Holdings Limited	275	31 January 2011	(90.16)	(50.50)	2.50
The Wharf (Holdings) Limited	4	10 February 2011	(31.00)	(29.00)	1.25
China Properties Investment Holdings Limited	736	16 February 2011	(83.61)	(13.92)	3.00
Kantone Holdings Limited	1059	28 February 2011	(24.81)	(19.35)	2.50
Pacific Plywood Holdings Limited	767	8 March 2011	(88.89)	(20.00)	2.50
China State Construction International Holdings Limited	3311	18 March 2011	(16.67)	(14.29)	2.50
Cinda International Holdings Limited	111	29 March 2011	(38.90)	(34.50)	0.50
Willie International Holdings Limited	273	8 April 2011	(82.88)	(73.70)	2.50
Radford Capital Investment Limited	901	8 April 2011	(55.13)	(19.72)	2.50

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Company name	Stock code	Date of announcement	Premium/ (Discount) of the subscription price over/(to) the theoretical ex-rights price per share based on the closing price per share on the last trading day prior to/on the date of the announcement in relation to the respective rights issue %	Premium/ (Discount) of the subscription price over/(to) the theoretical ex-rights price per share based on the closing price per share on the last trading day prior to/on the date of the announcement in relation to the respective rights issue %	Underwriting commission %
China Star Entertainment Limited	326	18 April 2011	(54.55)	(23.08)	2.50
Bao Yuan Holdings Limited	692	18 April 2011	(83.05)	(17.49)	3.00
CITIC Resources Holdings Limited	1205	3 May 2011	(25.81)	(21.10)	1.50
Media China Corporation Limited	419	6 May 2011	(25.00)	(18.18)	3.00
Range of discount/underwriting commission			(16.67) to (92.80)	(13.92) to (73.70)	0.50 to 3.00
Average			(53.16)	(27.82)	2.34
The Company	1003	6 May 2011	(88.80)	(46.80)	2.00

Source: the relevant announcements posted on the Stock Exchange web-site (www.hkex.com.hk)

As shown by the above table, the subscription prices of the Comparables ranged from discounts of approximately 16.67% to 92.80% to the respective closing prices of their shares on the last trading days prior to/on the date of the release of the respective rights issue announcements (the “**LTD Market Range**”). The discount of approximately 88.80% to the adjusted closing price of the Adjusted Shares on the Last Trading Day as represented by the Subscription Price (the “**LTD Discount**”) falls within the LTD Market Range.

On the other hand, the subscription prices of the Comparables ranged from discounts of approximately 13.92% to 73.70% to the respective theoretical ex-rights prices of their shares on the last trading days prior to/on the date of the release of the respective rights issue announcements (the “**TERP Market Range**”). The discount of approximately 46.80% to the Theoretical Ex-rights Price as represented by the Subscription Price (the “**TERP Discount**”) falls within the TERP Market Range.

In light of that (i) the LTD Discount falls within the LTD Market Range; (ii) the TERP Discount falls within the TERP Market Range; and (iii) the discount of the Subscription Price would encourage the Qualifying Shareholders to participate in the Rights Issue especially when the Shares had been generally illiquid in the open market, we concur with the Directors that the Subscription Price is fair and reasonable so far as the Independent Shareholders are concerned.

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(3) Undertakings from the Underwriters and the underwriting arrangements

With reference to the Board Letter, to the best knowledge, information and belief of the Directors, the Underwriters are Independent Third Parties. The Underwriters do not have any beneficial interests in the Existing Shares. Pursuant to the Underwriting Agreement, the Underwriters have agreed to underwrite the Rights Shares not subscribed by the Shareholders on a fully underwritten basis, being not less than 1,190,041,048 Rights Shares and not more than 1,238,041,048 Rights Shares, pursuant to the Underwriting Agreement as follows: (i) Get Nice shall underwrite up to 400,000,000 Rights Shares; and (ii) Emperor shall underwrite the remaining number of the Rights Shares, subject to the terms and conditions of the Underwriting Agreement with an underwriting commission of 2.0% of the aggregate Subscription Price of the number of Rights Shares underwritten by the Underwriters (the “**Underwriting Commission**”).

From the table in the section headed “Comparison with other rights issue transactions” of this letter, we noted that the Underwriting Commission falls within the range of commissions of 0.5% to 3% received by underwriters in other rights issue transactions. Given the above, we are of the opinion that the underwriting arrangements for the Rights Issue and the Underwriting Commission are in line with common market practice.

(4) Application for excess Rights Shares

As stated in the Board Letter, Qualifying Shareholders may apply by using forms of application for excess Rights Shares for any unsold entitlement of the Excluded Overseas Shareholders together with any unsold Rights Shares created by adding together fractions of the Rights shares and any Rights Shares provisionally allotted but not taken up by the Qualifying Shareholders or otherwise subscribed for by transferees of nil-paid Rights Shares. The Company will allocate excess Rights Shares to the Qualifying Shareholders at its discretion on a fair and equitable basis, with preference given to topping-up odd lots to whole board lots and thereafter on sliding scale with reference to the number of the excess Rights Shares applied by them (i.e. the Qualifying Shareholders applying for smaller number of Rights Shares are allocated with a higher percentage of successful application but will receive less number of Rights Shares; whereas the Qualifying Shareholders applying for larger number of Rights Shares are allocated with a smaller percentage of successful application but will receive higher number of Rights Shares) (the “**Basis**”). We have compared the Basis in allocating the excess Rights Shares with the arrangements of those Comparables which also allowed for excess application for rights shares, and we noted that the Basis is common practice and hence are acceptable.

We have also reviewed the other major terms of the Rights Issue and the Underwriting Agreement and are not aware of any major terms which are uncommon to normal market practice. Accordingly, we consider that the terms of the Rights Issue (including the Subscription Price) and the Underwriting Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

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(5) Potential dilution of the shareholding interests of the public Shareholders

All Qualifying Shareholders are entitled to subscribe for the Rights Shares. For those Qualifying Shareholders who take up their entitlements in full under the Rights Issue, their shareholding interests in the Company will remain unchanged after the Rights Issue.

Qualifying Shareholders who do not accept the Rights Issue can, subject to the then prevailing market conditions, consider selling their nil-paid rights to subscribe for the Rights Shares in the market. In such case, where all Qualifying Shareholders do not accept the Rights Issue and hence the Underwriters are obligated to take up the unsubscribed Rights Shares, the shareholding interests of the Qualifying Shareholders in the Company will be diluted by a maximum of 89.32 percent point (assuming all the Permitted Share Options have been granted before the Record Date and full exercise of the subscription rights attaching thereto and no issue of new Shares on or before the Record Date.). Details of such dilution effect are presented in the table (ii) in the section headed “Effect on shareholding structure of the Company” in the Board Letter.

Meanwhile, those Qualifying Shareholders who wish to increase their shareholding interests in the Company through the Rights Issue may (i) subject to availability, acquire additional nil-paid rights in the market; and (ii) apply for the excess Rights Shares since the Rights Issue also allows for excess application of the Rights Shares.

We are aware of the aforementioned potential dilution to the Independent Shareholders’ shareholding interests in the Company. Nonetheless, we consider that the foregoing should be balanced against by the following factors:

- Independent Shareholders are offered a chance to express their views on the terms of the Rights Issue and the Underwriting Agreement through their votes at the SGM;
- Qualifying Shareholders have their choice whether to accept the Rights Issue or not;
- Qualifying Shareholders have the opportunity to realise their nil-paid rights to subscribe for the Rights Shares in the market;
- the Rights Issue offers Qualifying Shareholders a chance to subscribe for their pro-rata Rights Shares for the purpose of maintaining their respective existing shareholding interests in the Company at a relatively low price as compared to the historical and prevailing market price of the Shares; and
- those Qualifying Shareholders who choose to accept the Rights Issue in full can maintain their respective existing shareholding interests in the Company after the Rights Issue.

Having considered the above, we consider the potential dilution effect on the shareholding interests of the Independent Shareholders, which may only happen when the Qualifying Shareholders do not subscribe for their pro-rata Rights Shares, to be acceptable.

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With reference to the Board Letter and for illustration purpose only, the public Shareholders were interested in 2,253,911,490 Shares as at 6 May 2010 (the “**2010 Public Shareholders**”), representing approximately 100% of the then issued share capital of the Company (the “**2010 Public Shareholdings**”). The Company announced a rights issue at 22 September 2010 (the “**2010 Rights Issue**”). Assuming none of the rights shares of the 2010 Rights Issue was subscribed by the 2010 Public Shareholders, the 2010 Public Shareholdings would be diluted to approximately 9.09% upon completion of the capital reorganisation of consolidation of every 20 shares into 1 share and the 2010 Rights Issue. On 25 March 2011, the Company announced a placing of 247,900,000 new Shares (the “**2011 Placing**”). Upon completion of the 2011 Placing, the 2010 Public Shareholdings would be further diluted to approximately 7.58%. If the 2010 Public Shareholders do not subscribe the Rights Shares, the 2010 Public Shareholdings will be further diluted to approximately 0.84% upon completion of the Capital Reorganisation and the Rights Issue. Your attention is drawn to the aforesaid when considering the Rights Issue. Your attention is drawn to the aforesaid when considering the Rights Issue. Nevertheless, given that certain assumptions which may or may not applied to all Independent Shareholders were made in the above illustration, the above illustration may or may not be relevant to all Independent Shareholders.

(6) Financial effects of the Rights Issue

Effect on NTAV

An unaudited pro forma statement of adjusted consolidated net tangible liabilities of the Group attributable to the equity holders of the Company based on the audited consolidated net tangible liabilities value (“**NTLV**”) attributable to owners of the Company as at 31 December 2010 as if the Rights Issue had taken place on 31 December 2010 is set out in Appendix II to the Circular (the “**Statement**”).

The unaudited pro forma adjusted consolidated NTLV attributable to owners of the Company was approximately HK\$41.89 million as at 31 December 2010, according to the Statement. Upon completion of the Rights Issue, the unaudited pro forma adjusted consolidated NTLV attributable to owners of the Company would become net tangible assets value of not less than approximately HK\$73.21 million (based on minimum number of Rights Shares to be issued) and up to approximately HK\$77.91 million (based on maximum number of Rights Shares to be issued), according to the Statement.

Effect on gearing position

The gearing level of the Group (calculated as total borrowings over total capital) was approximately 57.9% as at 31 December 2010. The total capital of the Group would be enlarged upon completion of the Rights Issue but the total borrowings of the Group are not expected to change due to the Rights Issue. Consequently, the gearing position of the Group would be relieved and the Directors expected that the Group would enjoy more financial flexibility afterwards.

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Effect on liquidity

With reference to the Annual Report, the bank balances and cash of the Group were approximately HK\$43.04 million as at 31 December 2010. The Group's liquidity position would be improved upon completion of the Rights Issue.

It should be noted that the aforementioned analyses are for illustrative purpose only and does not purport to represent how the financial position of the Group will be upon completion of the Rights Issue.

RECOMMENDATION

Having taken into account the above principal factors and reasons, we consider that the terms of the Rights Issue and the Underwriting Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned. Furthermore, the Rights Issue is in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to advise the Independent Shareholders, and we advise the Independent Shareholders to vote in favour of the relevant resolution(s) at the SGM to approve the Rights Issue, the Underwriting Agreement and the respective transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
Guangdong Securities Limited
Graham Lam
Managing Director

A. THREE-YEAR FINANCIAL INFORMATION

Financial information with respect to the profits and losses, financial record and position, set out as a comparative table and the latest published audited balance sheets together with the notes on the annual accounts of the Group for each of the three years ended 31 December 2008, 2009 and 2010 are disclosed in pages 30 to 119 of annual report 2008, pages 29 to 113 of annual report 2009 and pages 31 to 111 of annual report 2010 of the Company respectively, which are published on both the website of the Stock Exchange (www.hkex.com.hk) and the website of the Company (www.irasia.com/listco/hk/21holdings).

B. INDEBTEDNESS

At the close of business on 30 April 2011, being the latest practicable date for the purpose of preparing this statement of indebtedness prior to the printing of this circular, the Group had aggregate outstanding unsecured borrowings of HK\$20,607,000 comprising the following payables and finance lease obligations:

	<i>HK\$'000</i>	<i>Notes</i>
Consideration payable	10,000	1
Amount due to a non-controlling shareholder	10,186	2
Obligations under a finance lease	421	

Notes:

1. Consideration payable represents the final payment of consideration payable to the vendor for acquisition of the entire equity interest of Vigour Well Limited as set out in the Company's circular dated 12 November 2010.
2. Amount due to a non-controlling shareholder is unsecured, interest free and repayable on demand.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, the Group did not have outstanding at the close of business on 30 April 2011, any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptable credits, debentures, mortgages, charges, hire purchases commitments, guarantees or other material contingent liabilities.

C. WORKING CAPITAL

The Directors are of the opinion that, after taking into account the present available resources, cash flows to be generated from the operating activities and the estimated net proceed from the Rights Issue, in the absence of unforeseen circumstances the Group will have sufficient working capital for at least the next twelve months from the date of publication of this circular.

D. 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 2010, being the date to which the latest published audited consolidated financial statements of the Company were made up.

E. FINANCIAL AND TRADING PROSPECTS OF THE GROUP**Trading prospect**

In January 2011, the Company has completed the acquisition of the subsidiaries engaged in provision of primary real estate agency and related consultancy services in the PRC (the “PRC Subsidiaries”). It is expected that such acquisition would bring new sources of revenue to the Group and reduce risk of over-reliance on property agency market in Hong Kong. The commission income of the PRC Subsidiaries relies on the real estate sales amount in various first-hand real estate development projects under which they acts as consultant and/or sales agent. Up to Latest Practicable Date, property agency commission and service income have been derived from the PRC subsidiaries with commencement of real estate sales in two projects. However, the schedule for completion for the development projects and the timing of obtaining the real estate pre-sales permit are subject to various factors. In addition, the business is dependent and sensitive on the political, economic, regulatory and social conditions in the PRC and is subject to various governmental regulations, policies and controls.

The Company shall continue to ride on the “Century 21” name to attract high caliber talents, expand the franchising network, adding branches in prime location and promote the customers loyalty. Despite of the foresight of increase of interest rate, the management of the Company predict the Hong Kong property agency market will maintain stable growth. The management is confident that the Hong Kong property agency segment of the Company will have stable development and continue to provide stable source of income to the Group this year. The management of the Company foresees the business environment of consumer industry remains challenging this year. The management intends to implements more efficient cost control policy for the toy trading segment of the Company to improve the performance of this segment in this year.

Liquidity and Financial Resources

The Group maintained sufficient working capital as at 31 December 2010 with bank balances and cash of HK\$43.0 million.

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

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

**A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET
TANGIBLE ASSETS OF THE GROUP**

The unaudited pro forma statement of adjusted consolidated net tangible assets (the “Unaudited Pro Forma Financial Information”) of the Group attributable to owners of the Company has been prepared by the directors of the Company in accordance with Paragraph 4.29 of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited to illustrate the effect of the Rights Issue of not less than 1,190,041,048 Rights Shares but not more than 1,238,041,048 Rights Shares of HK\$0.10 each (the “Rights Shares”) payable in full upon acceptance on the basis of eight Rights Shares for every one Adjusted Share held, on the consolidated net tangible assets of the Group as if the Rights Issue had been taken place on 31 December 2010.

The Unaudited Pro Forma Financial Information is prepared for illustrative purpose only and, because of its 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 is prepared based on the audited consolidated statement of financial position of the Group as at 31 December 2010, extracted from the annual report of the Group for the year ended 31 December 2010 which can be accessed on the website of the Stock Exchange, with adjustments described below:

	Audited consolidated net assets of the Group attributable to owners of the Company as at 31 December 2010 <i>HK\$'000</i> <i>(Note 1)</i>	Adjustment for goodwill of the Group as at 31 December 2010 <i>HK\$'000</i> <i>(Note 2)</i>	Adjusted consolidated net tangible liabilities of the Group attributable to owners of the Company as at 31 December 2010 <i>HK\$'000</i>	Estimated net proceeds from the Rights Issue <i>HK\$'000</i> <i>(Note 3a&b)</i>	Unaudited pro forma adjusted consolidated net tangible assets of the Group after the completion of the Rights Issue attributable to owners of the Company <i>HK\$'000</i>
Minimum number of Rights Share	50,111	(92,000)	(41,889)	115,100	73,211
Maximum number of Rights Share	50,111	(92,000)	(41,889)	119,800	77,911
Unaudited pro forma adjusted consolidated net tangible liabilities per share attributable to the owners of the Company as at 31 December 2010 after adjusting for completion of the Capital Reorganisation but not for completion of the Rights Issue <i>(Note 4)</i>					<u><u>HK\$(3.717)</u></u>
Unaudited pro forma adjusted consolidated net tangible assets per share attributable to the owners of the Company after adjusting for completion of the Rights Issue as at 31 December 2010 <i>(Note 5)</i> (Based on minimum number of Rights Shares to be issued)					<u><u>HK\$0.061</u></u>
Unaudited pro forma adjusted consolidated net tangible assets per share attributable to the owners of the Company after adjusting for completion of the Rights Issue as at 31 December 2010 <i>(Note 6)</i> (Based on maximum number of Rights Shares to be issued)					<u><u>HK\$0.062</u></u>

Notes:

1. The consolidated net assets of the Group attributable to the owners of the Company as at 31 December 2010 is extracted from the published audited financial statements of the Group for the year ended 31 December 2010 which can be accessed on the website of the Stock Exchange.
2. Adjustment for goodwill represents the Group's goodwill of HK\$92,000,000 as at 31 December 2010 extracted from the published audited financial statements of the Group for the year ended 31 December 2010.

3. (a) The estimated net proceeds from the Rights Issue of HK\$115,100,000 are based on the minimum number of 1,190,041,048 Rights Shares to be issued at the subscription price of HK\$0.10 per Rights Shares and after deduction of estimated related expenses include among others, underwriting commission, financial advisory fee and other professional fees, which are directly attributable to the Rights Issue of approximately HK\$3,900,000. The 1,190,041,048 Rights Shares is calculated on the following basis:

	Number of Adjusted Shares
Adjusted Shares assumed to be issued at 31 December 2010 after the Capital Reorganisation to consolidate 10 existing share into 1 Adjusted Share	11,269,557
Adjusted shares issued pursuant to the rights issue at a subscription price of HK\$0.19 per share completed previously on 13 January 2011 (“January 2011 Rights Issue”)	112,695,574
Adjusted Shares issued upon completion of the Placing on 4 April 2011 (“Placing”)	<u>24,790,000</u>
	<u>148,755,131</u>
Rights Issue on the basis of 8 Rights Shares for every 1 Adjusted Share held	<u>1,190,041,048</u>

- The conversion of outstanding convertible notes with principal amount of HK\$70,000,000 has not been taken into account in calculating the minimum number of Rights Share because the outstanding convertible notes were redeemed on 21 January 2011;
- Adjusted Shares issued upon exercise of the Permitted Share Options have also not been taken into account in calculating the minimum number of Rights Share because no Permitted Share Options have been granted and exercised up to the Latest Practical Date.

- (b) The estimated net proceeds from the Rights Issue of HK\$119,800,000 are based on the maximum number of 1,238,041,048 Rights Shares to be issued at the subscription price of HK\$0.10 per Rights Shares and after deduction of estimated related expenses include among others, underwriting commission, financial advisory fee and other professional fees, which are directly attributable to the Rights Issue of approximately HK\$3,990,000. The 1,238,041,048 Rights Shares is calculated on the following basis:

	Number of Adjusted Shares
Adjusted Shares assumed to be issued at 31 December 2010 after the Capital Reorganisation to consolidate 10 existing share into 1 Adjusted Share	11,269,557
Adjusted Shares issued upon completion of the January 2011 Rights Issue	112,695,574
Adjusted Shares issued upon completion of the Placing	24,790,000
Adjusted Shares issued upon exercise of the Permitted Share Options	<u>6,000,000</u>
	<u>154,755,131</u>
Rights Issue on the basis of 8 Rights Shares for every 1 Adjusted Share held	<u>1,238,041,048</u>

- The conversion of outstanding convertible notes with principal amount of HK\$70,000,000 has not been taken into account in calculating the maximum number of Rights Share because the outstanding convertible notes were redeemed on 21 January 2011.

4. Pursuant to the announcement of the Company dated 6 May 2011, a Capital Reorganisation was proposed whereby every 10 issued shares of HK\$0.01 each in the Company were consolidated into one consolidated share of HK\$0.10 and the paid-up capital of the consolidated shares was reduced from HK\$0.1 each to HK\$0.01 each by cancelling HK\$0.09 thereof so as to form the Adjusted Shares of HK\$0.01 each. The number of shares in issue of the Company as at 31 December 2010 of 112,695,574 shares has been adjusted for the effects of this Capital Reorganisation to 11,269,557 Adjusted Shares. The proposed share capital reduction does not affect the unaudited pro forma adjusted consolidated net tangible assets of the Group.

Therefore, the number of shares used for the calculation of unaudited pro forma adjusted consolidated net tangible liabilities per share attributable to the owners of the Company as at 31 December 2010 and prior to completion of the Rights Issue is based on 11,269,557 Adjusted Shares deemed to be in issue as at 31 December 2010 after adjusting for the effect of the proposed Capital Reorganisation as described above.

5. The number of shares used for the calculation of unaudited pro forma adjusted consolidated net tangible assets per share attributable to the owners of the Company after adjusting for completion of the Rights Issue is calculated based on 1,201,310,605 Adjusted Shares, which represents 11,269,557 Adjusted Shares deemed to be in issue as at 31 December 2010 after adjusting for the effect of 1,190,041,048 Rights Shares to be issued (as described in note 3(a) above) but has not taken into account the effects of Adjusted Shares which were issued upon completion of January 2011 Rights Issue and completion of the Placing.
6. The number of shares used for the calculation of unaudited pro forma adjusted consolidated net tangible assets per share attributable to the owners of the Company after adjusting for completion of the Rights Issue is calculated based on 1,249,310,605 Adjusted Shares, which represents 11,269,557 Adjusted Shares deemed to be in issue as at 31 December 2010 after the completion of and 1,238,041,048 Rights Shares to be issued (as described in note 3(b) above) but has not taken into account the effects of Adjusted Shares which were issued upon completion January 2011 Rights Issue, completion of the Placing and the exercise of Permitted Share Options.
7. No adjustment has been made to reflect any trading result or other transaction of the Group entered into subsequent to 31 December 2010.

**ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION
TO THE DIRECTORS OF 21 HOLDINGS LIMITED**

We report on the unaudited pro forma financial information of 21 Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out in Section A of Appendix II to the circular of the Company dated 30 May 2011 (the "Circular") issued by the Company in connection with rights issue of not less than 1,190,041,048 rights shares and not more than 1,238,041,048 rights shares of HK\$0.1 each at the subscription price of HK\$0.1 per rights share on the basis of eight rights shares for every one adjusted share held on the record date, which has been prepared by the directors of the Company for illustrative purposes only, to provide information about how the Rights Issue might have affected the financial information presented, for inclusion in Appendix II of the Circular. The basis of preparation of the Unaudited Pro Forma Financial Information is included in Section A of Appendix II to 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 29 of Chapter 4 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.

It is our responsibility to form an opinion, as required by paragraph 29(7) of Chapter 4 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 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants. 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 purpose of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

The unaudited pro forma financial information is for illustrative purpose only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in future and may not be indicative of the financial position of the Group as at 31 December 2010 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 29(1) of Chapter 4 of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

30 May 2011

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. SHARE CAPITAL

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

<i>Authorised:</i>		<i>HK\$</i>
<u>50,000,000,000</u>	Adjusted Shares of HK\$0.01 each	<u>500,000,000.00</u>
<i>Issued and to be issued:</i>		
148,755,131	Adjusted Shares in issue as at the Latest Practicable Date	1,487,551.31
6,000,000	Adjusted Shares to be issued upon the exercise of the Permitted Share Options (if granted)	60,000.00
Not less than 1,190,041,048 but not more than <u>1,238,041,048</u>	Rights Shares to be allotted and issued under the Rights Issue	Not less than 11,900,410.48 but not more than <u>12,380,410.48</u>
Not less than 1,338,796,179 but not more than <u>1,392,796,179</u>	Adjusted Shares in issue immediately after completion of the Rights Issue	Not less than 13,387,961.79 but not more than <u>13,927,961.79</u>

All the Rights Shares to be issued will, when issued and fully paid, rank *pari passu* with the Adjusted Shares in issue as at the date of allotment and issue of the Rights Shares 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 on/in any stock exchange other than the Stock Exchange and no application is being made or is currently proposed or sought for the Shares, the Adjusted Shares, Rights Shares or any other securities of the Company to be listed or dealt on/in any other stock exchange.

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

Dealings in the Shares and the Adjusted Shares may be settled through CCASS and you should consult your stockbroker or other registered dealer of securities, bank manager, solicitors, professional accountant or other professional adviser for details of these settlement arrangements and how such arrangements may affect your rights and interest.

There is no arrangement under which future dividends are/will be waived or agreed to be waived.

3. DISCLOSURE OF INTERESTS BY DIRECTORS

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	400,000,000 (Note 1)	29.88% (Note 4)
Get Nice Incorporated	Interest of controlled corporations	400,000,000 (Note 1)	29.88% (Note 4)
Get Nice	Beneficial owner	400,000,000 (Note 1)	29.88% (Note 4)
Dr. Yeung Sau Shing, Albert	Founder of a trust	838,041,048 (Note 2)	62.60% (Note 4)
STC International Limited	Trustee	838,041,048 (Note 2)	62.60% (Note 4)
Million Way Holdings Limited	Interest of controlled corporations	838,041,048 (Note 2)	62.60% (Note 4)
Win Move Group Limited	Interest of controlled corporations	838,041,048 (Note 2)	62.60% (Note 4)
Emperor Capital Group Limited	Interest of controlled corporations	838,041,048 (Note 2)	62.60% (Note 4)
Emperor	Beneficial owner	838,041,048 (Note 2)	62.60% (Note 4)
Ms. Luk Siu Man, Semon	Interest of spouse	838,041,048 (Note 2)	62.60% (Note 4)
Shikumen Special Situations Fund	Investment manager	135,036,782 (Note 3)	10.09% (Note 4)

Notes:

- 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. 47.90% 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 838,041,048 Rights Shares by virtue of the underwriting commitment of Emperor.

The 838,041,048 Shares are the maximum Rights Shares underwritten by Emperor pursuant to the Underwriting Agreement.

3. These shares include 1,236,782 Shares and 133,800,000 Rights Shares sub-underwritten. Shikumen Special Situations Fund has confirmed to the underwriter that it will not subscribe for the Rights Shares to the extent that it will become substantial shareholder of the Company under the Listing Rules as a result of such subscription.
4. 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 assuming no issue of new Shares on or before the Record Date (i.e. 1,338,796,179 Adjusted Shares).

(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 2010, 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. DIRECTORS' INTERESTS IN COMPETING BUSINESSES

As at the Latest Practicable Date, interests of the Directors in competing businesses to the Group required to be disclosed pursuant to Rule 8.10 of the Listing Rules were set out as below:—

Name of Director	Name of entity	Nature of competing business	Nature of interest
Ng Kai Man	Century 21 Best Mortgage Limited	provision of agency services for mortgage financing	director and shareholder
	Century 21 Singapore Holdings Pte Limited	provision of franchise and property agency services in Singapore	director and shareholder
	Century 21 Real Estate of Taiwan Ltd.	provision of franchise and property agency services in Taiwan	director and shareholder

Save as disclosed above, none of the Directors or their respective associates were interested in any business apart from the Group's businesses, which competes or was likely to compete, whether directly or indirectly, with the businesses of the Group as at the Latest Practicable Date.

7. EXPERTS

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

Name	Qualification
Guangdong Securities	a corporation licensed to carry on business in type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO
Deloitte Touche Tohmatsu	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 2010, 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 or opinions and references to its name in the form and context in which they appear.

8. 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)).

9. LITIGATION

A writ of summons dated 8 October 2004 was filed by Mr. Kwok Chin Wing (“Plaintiff”), a former director of the Company, 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 (“Principal Sum”) together with accrued interests thereof (the “Action”).

As at 31 December 2009, the Action was pending trial at the High Court of Hong Kong Special Administrative Region with the trial date of the Action fixed in January 2011. With the benefit of the advice of the solicitors and counsel acting for the Company, the Directors formed the opinion that the Plaintiff did not have a valid claim against the Company and therefore it was unlikely to have any material adverse financial impact on the Group. Therefore, no provision for any liabilities was made as at 31 December 2009.

On 2 March 2011, judgment was handed down by the Court of First Instance of the High Court and was awarded in favour of the Plaintiff (“Judgment”). It was adjudged that the Company shall pay the Plaintiff the sum of HK\$44.5 million together with interest thereon and that there will be an order nisi for costs against the Company on a party and party basis.

On 10 March 2011, the Company has received a statutory demand for payment of Principal Sum to the Plaintiff within 21 days. It is stated in the statutory demand that if it is not complied, the Company will be deemed to be unable to pay its debts and the Plaintiff will take actions against the Company to recover the Principal Sum, the interest thereon and costs, including proceedings under the provisions of Hong Kong Companies Ordinance for the winding up of the Company. After seeking advice from its solicitors and counsel, the Directors considered that the Company has good grounds for appeal, and has instructed its solicitors to launch an appeal against the Judgment. On 28 March 2011, a Notice of Appeal against the Judgment (“Appeal”) was filed with the Court of Appeal and served on the parties concerned. The Appeal has now been set down for hearing before the Court of Appeal on 8 and 9 December 2011. Pending the appeal, the Company has also instructed its solicitors to take appropriate actions in response to the Judgment and the statutory demand, including an application for a stay of execution of the Judgment pending appeal. On 18 April 2011 the parties came to an agreement

on the issue of stay of execution of the Judgment pending appeal and the Honourable Mr. Justice To made an Order for conditional stay of execution of the Judgment pending appeal by consent on 19 April 2011. Pursuant to the said Order of the Honourable Mr. Justice To, the Company had on 21 April 2011 paid into Court a sum of HK\$25 million as security and the Company shall pay another sum of HK\$25 million or provide the Plaintiff with a bank guarantee for the same amount as further security before 17 July 2011.

Regarding the matter of costs and interest, the Company issued summons returnable before the trial judge on 11 April 2011 seeking variation of the costs order nisi and at the same time the Plaintiff also issued summons returnable before the trial judge on the same day to deal with the matter of costs and interest. Both Summonses were heard by the Honourable Mr. Justice Saunders on 11 April 2011. On 20 May 2011, the judge handed down his decision on the issues of interest and costs and denied the Plaintiff's claims for enhanced interest and adverse costs order. It is ordered by the judge that the Company should only be liable for the Plaintiff under the Judgment for : (i) the Principal Sum of HK\$44.5 million; (ii) interest in the sum of HK\$6,498,000 for the period from 1 April 1999 to 31 December 2000; (iii) interest on the Principal Sum at the prime lending rate from 1 January 2001 to 2 March 2011 amounting to HK\$26,691,953.42; (iv) interest on the Principal Sum at the judgment rate (currently 8% per annum) as from 3 March 2011 until payment; and (v) costs on party and party basis to be taxed.

Regarding the Appeal, the solicitors and counsel acting for the Company hold good of the likelihood of success of such appeal. Should the Appeal succeed, the Company is not liable to pay the Principal Sum together with interest thereon to the Plaintiff and the Company is entitled to recover the costs from the Plaintiff.

10. MATERIAL CONTRACTS

The following contracts have been entered into by the Enlarged 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 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");
2. the termination agreement dated 8 September 2009 entered into between Century Profit and Champion to terminate the Investment Collaboration Agreement;
3. 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;

4. the underwriting agreement dated 9 October 2009 entered into between the Company, Get Nice and Emperor as the Underwriters in respect of proposed rights issue of 1,445,529,192 Shares at HK\$0.10 each;
5. the provisional sale and purchase agreement dated 15 December 2009 entered into between Kennex Investments Limited, a wholly owned subsidiary of the Company, as the vendor and China All Access Group Limited as the purchaser and a property agency in respect of the disposal of a property in Hong Kong at a consideration of HK\$18,200,000;
6. the conditional share placing agreement dated 4 January 2010 entered into between the Company and Emperor as the placing agent in respect of the placing of up to 72,000,000 Shares at a price of HK\$0.15 per Share;
7. the conditional share placing agreement dated 26 April 2010 entered into between the Company and Emperor as the placing agent in respect of the placing of up to 375,000,000 Shares at a price of HK\$0.133 per Share;
8. the repurchase offer dated 29 June 2010 to independent third parties in respect of the repurchase of part of the outstanding convertible notes issued by the Company on 23 July 2008 in the principal amount of HK\$60,000,000 at a discount of 5%;
9. the underwriting agreement dated 14 September 2010 entered into between the Company, Get Nice and Emperor as the Underwriters in respect of proposed rights issue of 1,126,955,740 Shares at HK\$0.19 each;
10. the sale and purchase agreement dated 14 September 2010 entered between Asset Expert Limited, a wholly owned subsidiary of the Company, as the purchaser and Prolific Wise Limited as the vendor in respect of the acquisition of 100% equity interest in Vigour Well Limited at a consideration of HK\$180 million;
11. the repurchase agreement dated 14 September 2010 entered into between the Company and Mr. Ng Kai Man in respect of the repurchase of the outstanding convertible notes issued by the Company on 23 July 2008 in the principal amount of HK\$70,000,000 at a discount of 3%;
12. the conditional share placing agreement dated 19 January 2011 entered into between the Company and Get Nice as the placing agent in respect of the placing of up to 370,000,000 Shares at a price of HK\$0.15 per Share (the “Placing Agreement”);
13. the termination agreement dated 10 February 2011 entered into between the Company and Get Nice to terminate the Placing Agreement;
14. the conditional share placing agreement dated 25 March 2011 entered into between the Company and Hani Securities (H.K.) Limited as the placing agent in respect of the placing of up to 247,900,000 Shares at a price of HK\$0.11 per Share; and
15. the Underwriting Agreement.

11. CORPORATION INFORMATION

Registered office	Canon's Court 22 Victoria Street Hamilton HM 12 Bermuda
Head office and principal place of business in Hong Kong	Unit 1303, 13/F, Tower 2, Lippo Centre, 89 Queensway, Admiralty, 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. Chiu Lo Unit 1303, 13/F, Tower 2, Lippo Centre, 89 Queensway, Admiralty, Hong Kong
Company secretary	Ms. Chiu Lo Unit 1303, 13/F, Tower 2, Lippo Centre, 89 Queensway, Admiralty, Hong Kong
Legal advisers to the Company	<i>As to Hong Kong law</i> Vincent T.K. Cheung, Yap & Co. Solicitors & Notaries 11th Floor, Central Building 1-3 Pedder Street Central Hong Kong <i>As to Bermuda law</i> Appleby 2206-19 Jardine House 1 Connaught Place Central Hong Kong

Auditors	Deloitte Touche Tohmatsu <i>Certified Public Accountants</i> 35/F One Pacific Place 88 Queensway Admiralty, 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	Emperor Capital Limited 28th Floor, Emperor Group Centre 288 Hennessy Road, Wanchai, Hong Kong
Independent financial adviser to Independent Board Committee and the Independent Shareholders	Guangdong Securities Limited Units 2505-06, 25/F Low Block of Grand Millennium Plaza 181 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 23rd-24th Floor, Emperor Group Centre 288 Hennessy Road, Wanchai Hong Kong

DIRECTORS**Particulars of Directors****Name****Address****Executive Directors**

Mr. Ng Kai Man	Unit 1303, 13/F, Tower 2, Lippo Centre, 89 Queensway, Admiralty, Hong Kong
Mr. Cheng Yuk Wo	Unit 1303, 13/F, Tower 2, Lippo Centre, 89 Queensway, Admiralty, Hong Kong
Mr. Ha Kee Choy, Eugene	Unit 1303, 13/F, Tower 2, Lippo Centre, 89 Queensway, Admiralty, Hong Kong

Independent non-executive Directors

Mr. Chui Chi Yun, Robert	Unit 1303, 13/F, Tower 2, Lippo Centre, 89 Queensway, Admiralty, Hong Kong
Mr. Lui Siu Tsuen, Richard	Unit 1303, 13/F, Tower 2, Lippo Centre, 89 Queensway, Admiralty, Hong Kong
Mr. Lam Kwok Cheong	Unit 1303, 13/F, Tower 2, Lippo Centre, 89 Queensway, Admiralty, Hong Kong

Executive Directors:

Mr. Ng Kai Man, aged 56, joined the Company as an executive Director in July 2008 and has been designated as the Chairman of the Company with effect from 1 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. Cheng Yuk Wo, aged 50, joined the Company as an independent non-executive Director in October 2007 and has been re-designated as an executive Director with effect from 1 May 2010. He is also appointed as the director of certain subsidiaries of the Company. 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 managing director of a certified public accounting practice limited and 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 C.P. Lotus Corporation, Chong Hing Bank Limited, CPMC Holdings Limited, CSI Properties Limited, Goldbond Group Holdings Limited, HKC (Holdings) Limited, Imagi International Holdings Limited, South China Land Limited and Top Spring International Holdings Limited, all being public companies listed in Hong Kong. He was also a non-executive director of Henry Group Holdings Limited, a company listed on the Stock Exchange. Save as disclosed above, Mr. Cheng has not held any directorships in other public listed companies in the past three years.

Mr. Ha Kee Choy, Eugene, aged 54, 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 is a director of a certified public accounting practice limited and a director of an advisory services limited in Hong Kong. Mr. Ha holds a Master's degree in business administration and is a fellow member of the Association of Chartered Certified Accountants. 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.

Independent non-executive Directors:

Mr. Chui Chi Yun, Robert, aged 54, 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 National Arts Holdings Limited and Tse Sui Luen Jewellery (International) Limited, both companies being 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. Lam Kwok Cheong, aged 57, joined the Company as an independent non-executive Director in September 2010. Mr. Lam holds Bachelor of Laws degree from the University of Hong Kong and has been a practicing solicitor in Hong Kong for over 30 years' experience. Mr. Lam is a Justice of the Peace with Bronze Bauhinia Star (BBS) and a solicitor of the High Court of the Hong Kong Special Administrative Region. He is currently a fellow of the Hong Kong Institute of Directors, Ex-Officio Member of Heung Yee Kuk New Territories, member of Buildings Ordinance Appeal Tribunal Panel, a member of Panel of Adjudicators, Obscene Articles Tribunal and a Civil Celebrant of Marriages.

Mr. Lam is an independent non-executive director of Same Time Holdings Limited, Sparkle Roll Group Limited and Wing Lee Holdings Limited, all being public companies listed on the Main Board of the Stock Exchange. Save as disclosed above, Mr. Lam has not held any directorships in other public listed companies in the past three years.

Mr. Lui Siu Tsuen, Richard, aged 55, joined the Company as an independent non-executive director in June 2009. He is a fellow member of each of The Hong Kong Institute of Certified Public Accountants and The Chartered Institute of Management Accountants in the United Kingdom, and an associate of The Institute of Chartered Accountants in England and Wales. He holds a Master of Business Administration degree from The University of Adelaide in Australia. He has over 25 years of experience in property investment, corporate finance and media and entertainment business.

Mr. Lui is currently an executive director of eSun Holdings Limited, Lai Fung Holdings Limited, Lai Sun Development Company Limited, Lai Sun Garment (International) Limited and an independent non-executive director of Prosperity Investment Holdings Limited, all being public companies listed in Hong Kong. He was an executive director of Hanny Holdings Limited and Rosedale Hotel Holdings Limited, both are 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 were previously listed on the Australian Securities Exchange.

12. MISCELLANEOUS

- (a) The company secretary of the Company is Ms. Chiu Lo, who is currently a member of the Hong Kong Institute of Certified Public Accountants.
- (b) The English texts of this circular and the accompanying form of proxy shall prevail over their respective Chinese text in case of inconsistencies.

13. 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\$3.9 million of the minimum number of Rights Shares subscribed and approximately HK\$4.0 million of the maximum number of Rights Shares subscribed and will be payable by the Company.

14. 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 Unit 1303, 13/F, Tower 2, Lippo Centre, 89 Queensway, Admiralty, 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 2008, 31 December 2009 and 31 December 2010;
- (c) the letter of advice from Guangdong Securities, the text of which is set out on pages 34 to 50 of this circular;
- (d) the letter of recommendation from the Independent Board Committee, the text of which is set out on page 33 of this circular;
- (e) the letter on the unaudited pro forma financial information on the Group issued by Deloitte Touche Tohmatsu as set out in appendix II to this circular;
- (f) the material contracts disclosed in the paragraph headed “Material Contracts” in this appendix;
- (g) the written consents as referred to in the paragraph headed “Experts” in this appendix; and
- (h) this circular.

NOTICE OF SGM



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 Unit 1303, 13/F, Tower 2, Lippo Centre, 89 Queensway, Admiralty, Hong Kong, at 10:00 a.m. on Tuesday, 21 June 2011 for the purpose of considering and, if thought fit, passing the following resolutions as resolutions of the Company:

SPECIAL RESOLUTION

1. **“THAT**, conditional upon (i) the Listing Committee of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) granting the listing of, and permission to deal in, the Adjusted Shares (as defined below) and (ii) the compliance by the Company with the requirements of section 46(2) of the Companies Act 1981 of Bermuda to effect the Capital Reorganisation (as defined below), with effect from 9:00 a.m. (Hong Kong time) on the business day (not being a Saturday) immediately after the passing of this resolution:
 - (a) every ten (10) issued shares of par value HK\$0.01 each in the share capital of the Company be consolidated (the “**Share Consolidation**”) into one (1) issued share of par value HK\$0.10 (the “**Consolidated Share(s)**”);
 - (b) the issued share capital of the Company be reduced by cancelling the paid-up capital to the extent of HK\$0.09 on each of the issued Consolidated Shares such that the nominal value of each issued Consolidated Share be reduced (the “**Capital Reduction**”) from HK\$0.10 to HK\$0.01 (the “**Adjusted Share(s)**”);
 - (c) the entire amount standing to the credit of the share premium account of the Company be cancelled (the “**Share Premium Cancellation**”, together with Share Consolidation and Capital Reduction, the “**Capital Reorganisation**”) and the authorised share capital of the Company shall remain unchanged;
 - (d) the credit arising from the Capital Reduction and the Share Premium Cancellation be credited to the contributed surplus account of the Company and the directors of the Company (the “**Directors**”) be and are hereby authorized to apply the amount in the contributed surplus account of the Company to set off the accumulated loss of the Company in the manner permitted by the laws of Bermuda and the bye-laws of the Company without further authorisation from the shareholders of the Company; and

** for identification purpose only*

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- (e) the board of Directors of the Company (the “**Board**”) be and is hereby authorized generally to sign and execute such documents and do all such acts and things and to take all such steps as it consider necessary, expedient or desirable in connection with and to give effect to the Capital Reorganisation.”

ORDINARY RESOLUTION

2. “**THAT**, subject to and conditional upon (i) the passing of the resolution numbered 1; (ii) the Listing Committee of the Stock Exchange 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, (iii) 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 (iv) the underwriting agreement dated 6 May 2011 (the “**Underwriting Agreement**”) made between the Company and Get Nice Securities Limited (“**Get Nice**”) and Emperor Securities Limited (“**Emperor**”, together with Get Nice, the “**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 (the “**Shareholders**”) by the Underwriters) be and are hereby approved, confirmed and ratified;
- (b) the issue of not less than 1,190,041,048 Adjusted Shares and not more than 1,238,041,048 Adjusted Shares (the “**Rights Share(s)**”) by way of rights issue (the “**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 30 May 2011 (the “**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 eight Rights Shares for every Adjusted 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;

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- (c) the 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, 30 May 2011

Notes:

1. A form of proxy to be used for the meeting is enclosed.
2. Any shareholder of the Company entitled to attend and vote at the meeting of the Company may appoint another person as his proxy to attend and vote instead of him. A shareholder of the Company who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at the meeting. A proxy need not be a shareholder of the Company. In addition, a proxy or proxies representing either a shareholder of the Company who is an individual or a shareholder of the Company which is a corporation shall be entitled to exercise the same power on behalf of the shareholder of the Company which he or they represent(s) as such shareholder of the Company could exercise.
3. The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer, attorney or other person authorised to sign the same. In the case of an instrument of proxy purporting to be signed on behalf of a corporation by an officer thereof, it shall be assumed, unless the contrary appears, that such officer was duly authorised to sign such instrument of proxy on behalf of the corporation without further evidence of the facts.
4. The instrument appointing a proxy and (if required by the board of directors of the Company) the power of attorney or other authority (if any) under which it is signed, or a certified copy of such power or authority, shall be delivered to the Company's branch share registrar in Hong Kong, **Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong**, not less than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof at which the person named in the instrument proposes to vote and, in default, the instrument of proxy shall not be treated as valid.

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5. Completion and return of an instrument appointing a proxy shall not preclude a shareholder of the Company from attending and voting in person at the meeting or on the poll concerned and, in such event, the instrument appointing a proxy shall be deemed to have been revoked.

6. Where there are joint holders of any share of the Company, any one of such joint holders may vote, either in person 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 the meeting the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.