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21 Holdings Limited

21 控股有限公司*

(incorporated in Bermuda with limited liability)

(stock code: 1003)

MAJOR TRANSACTION

in respect of the establishment of a sino-foreign joint venture
in the People's Republic of China

AND

DISCLOSEABLE TRANSACTION

in respect of the contribution in kind by the joint venture partner
in the sino-foreign joint venture proposed to be established

The Board announces that on 24 July 2009, Century Profit, a wholly-owned subsidiary of the Company, and Champion, entered into the Investment Collaboration Agreement relating to the establishment of the JV Company in the PRC.

Upon the completion of the Investment Collaboration Agreement, the Company (via its direct interest in Century Profit) and Champion will hold 80% and 20% of the equity interest in the JV Company respectively. Accordingly, the JV Company will become a subsidiary of the Company.

As the relevant percentage ratios of the investment by Century Profit in the JV Company are 25% or more and less than 100%, such investment constitutes a major transaction of the Company under the Listing Rules and is subject to reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules. Save and except that Mr. Lau Hak Lap, one of the ultimate beneficial owner of Champion, is interested in 320,000 Shares, representing approximately 0.13% of the total issued share capital of the Company and will abstain from voting on the relevant resolutions to approve the Investment Collaboration Agreement and the transactions contemplated thereunder in the SGM, to the best knowledge, information and belief of the Directors having made all reasonable enquiries, no other Shareholders and/or their respective associates have any material interest in the transaction and therefore no other person is required to abstain from voting on the relevant resolutions to approve the Investment Collaboration Agreement and the transactions contemplated thereunder in the SGM. A circular containing, amongst other things, further details of the Investment Collaboration Agreement and a notice of the SGM will be despatched to the Shareholders as soon as practicable.

As the applicable percentage ratios are 5% or more and less than 25%, the Contribution In Kind by Champion in the JV Company constitutes a discloseable transaction of the Company under the Listing Rules and is subject to reporting and announcement requirements under Chapter 14 of the Listing Rules.

Trading in the Shares on the Stock Exchange was suspended at the request of the Company with effect from 2:30 p.m. on Friday, 24 July 2009 pending the release of this announcement. The Company has applied to the Stock Exchange for a resumption of trading in its Shares with effect from 9:30 a.m. on Friday, 31 July 2009.

INTRODUCTION

The Board announces that on 24 July 2009, Century Profit, a wholly-owned subsidiary of the Company, and Champion, entered into the Investment Collaboration Agreement relating to the establishment of the JV Company in the PRC.

THE INVESTMENT COLLABORATION AGREEMENT

Date

24 July 2009

Parties

- (a) Century Profit; and
- (b) Champion

Establishment of the JV Company

Pursuant to the Investment Collaboration Agreement and subject to the relevant approvals by the related PRC regulatory authorities, Century Profit and Champion have agreed to establish the JV Company in the PRC. The terms, the name and the establishment place of the JV Company shall be determined by the parties at a later stage.

Principal business of the JV Company

Subject to the approval of the relevant government authorities in the PRC, it is proposed that the JV Company will be principally engaged in running renewable energy businesses, including running of wind farms (including the Wind Farm) or other renewable energy power generation sites.

The Wind Farm is expected to produce a total of 200MW of electricity and comprises four phases, with each phase expects to produce approximately 49.5MW of electricity.

Capital Contribution

The total investment for the first phase of the Wind Farm is expected to be RMB500,000,000. The registered capital of the JV Company shall be RMB125,000,000, of which:

- (a) Century Profit shall contribute a total of RMB100,000,000 in the form of cash payment; and
- (b) Champion shall contribute a total of RMB25,000,000 in the form of technologies, relevant contracts or other assets that are permitted under the PRC laws.

Century Profit and Champion shall pay up their respective contributions to the registered capital of the JV Company as follows:—

- (a) Century Profit shall contribute RMB20,000,000 in the form of cash payment and Champion shall contribute RMB5,000,000 in the form of technologies, relevant contracts or other assets that are permitted under the PRC laws within three months after the JV Company obtains its business licence;
- (b) Century Profit shall contribute RMB16,000,000 in the form of cash payment and Champion shall contribute RMB4,000,000 in the form of technologies, relevant contracts or other assets that are permitted under the PRC laws within three months after the JV Company obtains the required consents, permits, authorisations and licences for the first phase of the Wind Farm and for connecting the same with the Inner Mongolia Autonomous Region's power grid; and
- (c) Century Profit shall contribute RMB64,000,000 in the form of cash payment and Champion shall contribute RMB16,000,000 in the form of technologies, relevant contracts or other assets that are permitted under the PRC laws within three months after the JV Company obtains the preliminary opinion from the Ministry of Land and Resources.

Both parties may make early payment of their capital contributions after consultation with the other party.

The funding of the consideration in cash to be contributed by Century Profit will be obtained through financing exercise that will be conducted by Century Profit and/or the Company.

Pursuant to the Investment Collaboration Agreement, other than the initial capital commitment of RMB100,000,000 that will be contributed into the registered capital of the JV Company by Century Profit, no further capital commitment has been made by the Company and/or Century Profit.

Development of other phases of the Wind Farm

The contribution conditions for the second, third and fourth phases of the Wind Farm shall be the same as the first phase. Both parties may increase its contribution to the JV Company upon agreement or reinvest any of the profits of the JV Company in the second, third or fourth phases of the Wind Farm. However, no further capital commitment has been made by either party.

Restrictions on transfer of interest

Unless otherwise authorised by the board of directors of the JV Company, neither parties is permitted to:

- (a) pledge, mortgage, or create any other lien over their respective equity interest in the JV Company; or
- (b) sell, transfer or in any other way dispose of all or part of any of their interest in the JV Company.

Champion further undertakes not to transfer its equity interest in the JV Company without the consent of Century Profit within 3 years of the establishment of the JV Company.

Any parties wishing to sell or transfer all or part of its equity interest in the JV Company must also be approved by the equity interest holders of the JV Company in an equity interest holder's meeting and by the relevant government authorities. If either Century Profit or Champion wishes to sell all or part of its equity interest in the JV Company to a third party purchaser, it shall be obliged to first offer such equity interest to the other equity interest holder at such price and on such other terms as such third party purchaser may have offered to the selling equity interest holder by notice in writing. In the event that the other equity interest holder does not wish to purchase the equity interest or in any event do not reply to such written notice within thirty (30) days of receiving the written notice, the selling equity interest holder may sell its equity interest to the third party purchaser at such price and on such terms which are no more favourable than those offered to the other equity interest holder.

Conditions precedent

The Investment Collaboration Agreement shall take effect upon the following conditions being satisfied:

- (a) the JV Company has obtained the required consents from the Government of Chahaeryouyihouqi for it to be assigned with all the rights and obligations under the January Agreement from Champion as part of the Contribution In Kind by Champion in the JV Company and a supplemental agreement has been entered into;
- (b) Century Profit's completion of a due diligence review of the financial, legal and commercial affairs of the first phase of the Wind Farm within three months of the date of the Investment Collaboration Agreement and it being satisfied with the results of such due diligence review;
- (c) Century Profit having obtained the approval of its board of directors, the board of directors and Shareholders in general meeting of the Company and the Stock Exchange regarding this investment;
- (d) Champion having obtained the approval of its board of directors regarding its investment;
- (e) Century Profit successfully obtaining the required financing for the first phase of the Wind Farm within three (3) months of the date of the Investment Collaboration Agreement;
- (f) the investment amount, registered capital, the methods and terms of payment of the registered capital of the JV Company having been approved by the relevant government authorities in the PRC;
- (g) there are no changes in PRC laws, rules and regulations that will adversely affect the Wind Farm and/or Century Profit's investment rights and equity interest;
- (h) Champion has signed an employment agreement with Mr. Yan for a period of three years appointing Mr. Yan as director of the JV Company under such terms and conditions that are satisfactory to and agreed by Century Profit, and Mr. Yan has agreed to act as director of the JV Company in writing and, upon the establishment of the JV Company, to sign an employment agreement with the JV Company;
- (i) Champion has provided to Century Profit a feasibility report for the first phase of the Wind Farm that is satisfactory to and agreed by Century Profit;
- (j) the warranties provided by the parties in the Investment Collaboration Agreement remains accurate and effective;
- (k) all necessary consents and permits for the operation of the first phase of the Wind Farm by the JV Company having been obtained from the relevant government authorities in the PRC;

- (l) the establishment and articles of association of the JV Company having been obtained and approved by the Ministry of Commerce of the PRC;
- (m) Century Profit has obtained a legal opinion issued by a PRC lawyer in relation to the feasibility and legality of the Investment Collaboration Agreement and the transactions contemplated thereunder (including but not limited to the running of the Wind Farm by the JV Company and the connection of the Wind Farm onto the Inner Mongolia Autonomous Region's power grid) under the relevant PRC laws, the contents of which shall be satisfied and accepted by Century Profit.

OTHER RELEVANT TERMS

Profit sharing arrangement

Century Profit and Champion will share the profits in proportion to their respective capital contribution in the JV Company.

Termination

If due to force majeure the terms and conditions of the Investment Collaboration Agreement cannot be fulfilled, or if the JV Company is continuously reporting a loss and cannot continue to operate, the business of JV Company and the Investment Collaboration Agreement can be terminated any time upon passing of such resolution by the equity interest holders and granting of such approval by the relevant government authorities.

If one of the parties fails to perform its obligations under the Investment Collaboration Agreement or the articles of association of the JV Company, or has materially breached the terms and conditions of the Investment Collaboration Agreement or the articles of association of the JV Company, causing the JV Company to fail in fulfilling its purposes pursuant to the Investment Collaboration Agreement or becoming unable to operate its businesses, the defaulting party is deemed to have terminated the Investment Collaboration Agreement unilaterally. In such event, the non-defaulting party can demand for compensation against the defaulting party, and if both parties agree to continue with the Investment Collaboration Agreement and the transactions contemplated thereunder, the defaulting party shall compensate JV Company all economic losses suffered by the JV Company.

Should any of the following event occurs, a party shall have the right by issuing a notice in writing to terminate the Investment Collaboration Agreement as set out below:

- (a) the defaulting party has failed to fulfill its obligation to contribute to the registered capital of the JV Company and such failure has continued for more than ninety (90) calendar days, and the non-defaulting party has not waived its rights to seek compensation for the defaulting party's failure to fulfill its legal obligation to make contribution against the defaulting party. In such case, the non-defaulting party has the rights but not the obligations to issue a notice of termination;
- (b) the defaulting party has materially breached the terms and conditions of the Investment Collaboration Agreement and has not rectified such breach within sixty (60) calendar days of receiving the written notice notifying its breach. In such case, the non-defaulting party has the rights but not the obligations to issue a notice of termination;
- (c) the defaulting party has failed to fulfill any of its obligations pursuant to the terms and conditions of the Investment Collaboration Agreement and, under the reasonable judgment of the non-defaulting party, such failure may give rise to a risk of material losses to the non-defaulting party or the JV Company. In such case, the non-defaulting party has the rights but not the obligations to issue a notice of termination;

- (d) the JV Company has made material losses in two (2) consecutive years or if the JV Company failed to realize its business objectives and upon negotiation with each other, Century Profit and Champion are unable to formulate a solution to improve the profitability of the JV Company that are satisfactory to both parties. In such case, either party shall have the rights but not the obligations to issue a notice of termination;
- (e) if due to force majeure, the terms and conditions of the Investment Collaboration Agreement cannot be fulfilled for a continuous period of more than ninety (90) calendar days, and upon negotiation with each other, Century Profit and Champion are unable to agree on a solution to fulfill the Investment Collaboration Agreement. In such case, either party shall have the rights but not the obligations to issue a notice of termination; and
- (f) both parties unanimously agree on the termination of the Investment Collaboration Agreement and the terms and conditions of dissolving the JV Company. In such case, the JV Company and its assets shall be dissolved and distributed in accordance with such agreement and applicable laws.

Distribution upon termination

After settling all its liabilities, the remaining assets of the JV Company will be distributed to the parties in proportion to their respective capital contribution in the JV Company.

Board of Directors of the JV Company

The board of directors of the JV Company shall comprise three directors. The respective number of directors that each of Century Profit and Champion is entitled to appoint to the board of directors of the JV Company, at all times, should be two and one respectively.

Century Profit shall have the right to appoint the Chairman of the board of directors of the JV Company.

REASONS FOR ENTERING INTO THE TRANSACTION

Entering into of the Investment Collaboration Agreement is consistent with the Group's strategy of diversifying its investment portfolio by investing in the alternative energy source industry. In addition, given the shortage of electricity supplies in the PRC and the increasing emphasis on the development of renewable energy both globally and within the PRC, the Company would no doubt benefit from the entering into of the Investment Collaboration Agreement. The successful investment into the JV Company is also expected to generate steady revenue and good investment returns to the Shareholders.

The consideration to be contributed by Century Profit was determined with reference to the estimated investment amount required for the operation of the JV Company and the equity interest holdings ratio between Century Profit and Champion. The terms of the JV Company are agreed by the parties after arm's length negotiations. The Directors consider that the Investment Collaboration Agreement was entered into on normal commercial terms and the terms and conditions of the Investment Collaboration Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS OF THE TRANSACTION UNDER THE LISTING RULES

As the relevant percentage ratios of the investment by Century Profit in the JV Company are 25% or more and less than 100%, such investment constitutes a major transaction of the Company under the Listing Rules and is subject to reporting, announcement and shareholders' approval requirements under the Listing Rules. Save and except that Mr. Lau Hak Lap, one of the ultimate beneficial owner of Champion, is interested in 320,000 Shares, representing approximately 0.13% of the total issued share capital of the Company will abstain from voting on the relevant resolutions to approve the Investment Collaboration Agreement and the transactions contemplated thereunder in the SGM, no other Shareholders and/or their respective associates have any material interest in the transaction and therefore no other person is required to abstain from voting on the relevant resolutions in the SGM.

As the applicable percentage ratios are 5% or more and less than 25%, the Contribution In Kind by Champion in the JV Company constitutes a discloseable transaction of the Company under the Listing Rules and is subject to reporting and announcement requirements under Chapter 14 of the Listing Rules.

A circular containing, amongst other things, details of the Investment Collaboration Agreement and a notice of the SGM will be despatched to the Shareholders as soon as practicable.

INFORMATION ON THE GROUP

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

INFORMATION ON CHAMPION

Champion is a Hong Kong company with 23% of its interest beneficially owned by Mr. Yan and 77% of its interest beneficially owned by Mr. Lau Hak Lap. Champion was incorporated recently for the purpose of entering into the Investment Collaboration Agreement..

Save and except that Mr. Lau Hak Lap, one of the ultimate beneficial owner of Champion, is interested in 320,000 Shares, representing approximately 0.13% of the total issued share capital of the Company, to the best of the information, knowledge and belief of the Directors having made all reasonable enquires, Champion and its ultimate beneficial owners are third parties independent of the Company and its connected persons (as defined under the Listing Rules).

INFORMATION ON SHENZHEN GUAN XIN

To the best knowledge of the Directors, Shenzhen Guan Xin is a company established in the PRC with a registered capital of RMB100,000,000. Shenzhen Guan Xin is principally engaged in the investment on non-ferro metals and black metals mines, lead-acid battery and international trading.

Under the January Agreement, the Government of Chahaeryouyihouqi granted Shenzhen Guan Xin the exclusive right to invest and develop the Wind Farm, which is located in Chahaeryouyihouqi, Wulanchabu City, Inner Mongolia Autonomous Region of the PRC, for a period of thirty (30) years. The Wind Farm has an area of approximately fifty (50) square kilometers and an expected capacity to produce a total of 200MW of electricity. The Wind Farm comprises four phases, with each phase expected to produce approximately 49.5MW of electricity. The January Agreement was subsequently assigned to Champion and consent for such assignment was granted by the Government of Chahaeryouyihouqi on 20 July 2009.

Pursuant to the January Agreement, the Government of Chahaeryouyihouqi will ensure that it will provide the required support and cooperation to Shanzhen Guan Xin during the development and construction of the Wind Farm. The January Agreement stipulates that Shenzhen Guan Xin must commence the construction of the Wind Farm before the end of 2009 and must complete the construction of the facilities required to generate 49.5MW of electricity by the end of 2010. To ensure compliance of the construction timeline, Shenzhen Guan Xin shall pay a construction guarantee at the rate of RMB10,000 per square kilometer to the Government of Chahaeryouyihouqi. Provided that Shenzhen Guan Xin commence construction in accordance with the timeline, the construction guarantee will be repaid to Shenzhen Guan Xin in accordance with the area that has commenced construction. For each month of delay in commencing construction, the construction guarantee will be forfeited by 15%.

Save and except that Mr. Yan, holder of 23% interest in Champion, is a current assistant to the chairman of Shenzhen Guan Xin, to the best of the information, knowledge and belief of the Directors having made all reasonable enquires, Shenzhen Guan Xin has no other relationships with Champion.

To the best of the information, knowledge and belief of the Directors having made all reasonable enquires, Shenzhen Guan Xin and its ultimate beneficial owners are third parties independent of the Company and its connected persons (as defined under the Listing Rules).

RESUMPTION OF TRADING

Trading in the Shares on the Stock Exchange was suspended at the request of the Company with effect from 2:30 p.m. on Friday, 24 July 2009 pending the release of this announcement. The Company has applied to the Stock Exchange for a resumption of trading in the Shares with effect from 9:30 a.m. on Friday, 31 July 2009.

DEFINITIONS

In this announcement, unless otherwise indicated in the context, the following expressions have the meaning set out below:

“Board”	the board of directors of the Company
“Century Profit”	Century Profit Investments Limited, a company incorporated in the British Virgin Islands
“Champion”	Champion Wind Energy Investment and Management Limited 冠欣風力發電投資管理有限公司, a company established in Hong Kong
“Company”	21 Holdings Limited, a company incorporated in Bermuda and whose shares are listed on the Main Board of the Stock Exchange
“Contribution In Kind”	the contribution of capital in the JV Company proposed to be made by Champion in the form of technologies, relevant contracts or other assets that are permitted under the PRC laws
“connected persons”	has the meaning ascribed under the Listing Rules
“Directors”	the directors of the Company

“Group”	the Company together with its subsidiaries
“Government of Chahaeryouyihouqi”	中國內蒙古自治區烏蘭察布市察哈爾右翼後旗人民政府 (Government of Chahaeryouyihouqi, Wulanchabu City, Inner Mongolia Autonomous Region, the PRC*)
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Investment Collaboration Agreement”	the investment collaboration agreement dated 24 July 2009 entered into between Century Profit and Champion in relation to the establishment of the JV Company
“January Agreement”	an agreement between the Government of Chahaeryouyihouqi and Shenzhen Guan Xin dated 13 January 2009 in relation to the collaboration between the Government of Chahaeryouyihouqi and Shenzhen Guan Xin for the exclusive right to invest and develop the Wind Farm. The January Agreement was subsequently assigned to Champion and consent for such assignment was granted by the Government of Chahaeryouyihouqi on 20 July 2009.
“JV Company”	the joint venture which will be established in the PRC and will be owned as to 80% by Century Profit and 20% by Champion
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange as enforced at the relevant time
“Mr. Yan”	嚴文謙先生, (Mr. Yan Wen Qian*), a director and one of the ultimate beneficial owner holding 23% interest of Champion
“PRC”	the People’s Republic of China
“SGM”	the special general meeting of the Company to be held to consider, and if thought fit, approve, amongst other things, the Investment Collaboration Agreement
“Shareholders”	shareholders of the Company
“Shares”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shenzhen Guan Xin”	深圳市冠欣投資有限公司 (Shenzhen Guan Xin Investment Company Limited*), a company established in Shenzhen, the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Wind Farm”	中國內蒙古自治區烏蘭察布市察哈爾右翼後旗輝騰錫勒風電場項目 (Huitengxile Wind Farm, Chahaeryouyihouqi, Wulanchabu City, Inner Mongolia Autonomous Region, the PRC*), a wind farm located in Chahaeryouyihouqi, Wulanchabu City, Inner Mongolia Autonomous Region of the PRC with an area of approximately fifty (50) square kilometers and an expected capacity to produce a total of 200MW of electricity. The Wind Farm comprises four phases, with each phase expected to produce 49.5MW of electricity.

“MW”	Mega Watt, a unit of power that can be used to measure electricity
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent

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

Hong Kong, 30 July 2009

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

** for identification purpose only*