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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**



**結好證券有限公司**  
GET NICE SECURITIES LIMITED



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

**PROPOSED CAPITAL REORGANISATION**

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

- (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;

*\* for identification purpose only*

- (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.

It is expected that the Capital Reorganisation will become effective on Wednesday, 15 June 2011.

### **CHANGE IN BOARD LOT SIZE**

The Board also proposes to change the board lot size for trading in the shares of the Company from 10,000 Existing Shares to 20,000 Adjusted Shares upon the Capital Reorganisation becoming effective.

### **PROPOSED RIGHTS ISSUE**

Conditional upon the Capital Reorganisation becoming effective, the Company proposes 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 not less than 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 Subscription Price is agreed after arm's length negotiation between the Company and the Underwriters.

The estimated net proceeds of 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\$119.9 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 Company intends to utilize the entire net proceeds as to HK\$25 million to meet the second payment into Court under the Consent Order, as to approximately HK\$60 million to meet potential liability under the Judgment over and above the payments into Court and the remaining balance of the proceeds will be used as general working capital and further business development. Should the Company be successful in its appeal against the Judgment the whole of the net proceeds will be used as general working capital and further business development of the Group.

**The Rights Issue is fully underwritten by the Underwriters and is subject to the fulfillment of the conditions set out below under the paragraph headed "Conditions of the Rights Issue". In particular, the Rights Issue is subject to the Capital Reorganisation becoming effective and the Underwriters not terminating the Underwriting Agreement in accordance with the terms set out therein. Accordingly, the Rights Issue may or may not proceed. Any Shareholders or other persons contemplating selling or purchasing Shares or Adjusted Shares (as the case may be) and/or Rights Shares in their nil-paid form up to the date when the conditions of the Rights Issue are fulfilled and/or the Latest Time for Termination will bear the risk that the Rights Issue does not become unconditional and may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares. If in any doubt, investors should consider obtaining professional advice on this.**

### **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 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 date of this announcement, 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 date of this announcement, no Shareholder is required to abstain from voting in favour of the Rights Issue at the SGM.

An independent board committee of the Company comprising all the independent non-executive Directors will be appointed to make recommendations to the Independent Shareholders in respect of the Rights Issue. An independent financial adviser will be appointed to advise the independent board committee of the Company and the Independent Shareholders in this regard.

A circular containing, among other things, (i) details about the Capital Reorganisation, the Change in Board Lot Size and the Rights Issue; (ii) a letter of recommendation from the independent board committee of the Company to the Independent Shareholders in respect of the Rights Issue; (iii) a letter of advice from the independent financial adviser to the independent board committee of the Company and the Independent Shareholders on the Rights Issue; and (iv) the notice convening the SGM, will be despatched to the Shareholders on or before Monday, 23 May 2011.

Upon passing of the necessary resolutions by the Shareholders approving the Capital Reorganisation and the Rights Issue at the SGM and after the Capital Reorganisation becoming effective, the Prospectus Documents setting out details of the Rights Issue will be despatched to the Qualifying Shareholders as soon as practicable whereas the Prospectus will be despatched to the Excluded Overseas Shareholders for information only.

## **(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 will comprise:

- (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.

## **Effects of the Capital Reorganisation**

As at the date of this announcement, 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 are 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 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**

The Board 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.

As such, the Board is of the view that the Capital Reorganisation is in the interests of the Company and the Shareholders as a whole.

## **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) that 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 on Wednesday, 15 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.

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, a designated broker will be appointed to match the purchase and sale of odd lots of the Adjusted Shares at the relevant market price per Adjusted Share for the period from Wednesday, 29 June 2011 to Wednesday, 20 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. Any Shareholder who is in any doubt about the odd lot arrangement is recommended to consult his/her/its own professional advisers. Details of the matching service will be provided in the circular to be despatched to the Shareholders in relation to, *inter alia*, the Capital Reorganisation, the Change in Board Lot Size and the Rights Issue.

## **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, 15 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 Wednesday, 29 June 2011, the original counter for trading in the Adjusted Shares will be re-opened for trading Adjusted Shares in board lots of 20,000 Adjusted Shares;
- (iii) during the period from Wednesday, 29 June 2011 to Wednesday, 20 July 2011 (both dates inclusive), there will be parallel trading at the above two counters; and
- (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, 20 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, 15 June 2011 to Friday, 22 July 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, 20 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.

### (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 date of this announcement	:	1,487,551,314 Existing Shares
Number of Shares in issue upon the Capital Reorganisation becoming	:	148,755,131 Adjusted Shares (on the basis of the number of Existing Shares as at the date of this announcement, assuming that no further Shares are issued or repurchased between the date of this announcement 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\$12,381,041.48) (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)

The Company has no derivatives, options, warrants and conversion rights or other similar rights which are convertible or exchangeable into Shares as at the date of this announcement.

#### 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.

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, 17 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, 20 June 2011 to Wednesday, 22 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 renounee 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; and
- (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 date of this announcement) of approximately HK\$50,111,000 as at 31 December 2010.

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 (including the independent non-executive 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 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\$119.9 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.



## **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. Dealings 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.

The Company will comply with Rule 13.36(2)(a) of the Listing Rules and make enquiries regarding the feasibility of extending the offer of the Rights Shares to Overseas Shareholders. If, based on legal opinions provided by the legal advisors to the Company, the Directors consider that it is necessary or expedient not to offer the Rights Shares to the Overseas Shareholders on account either of the legal restrictions under the laws of the place of his registered address or the requirements of the relevant regulatory body or stock exchange in that place, the Directors will exercise their discretion given to them under the Bye-Laws to exclude such Overseas Shareholders from the Rights Issue. Summary on the legal opinion regarding the rights of the Overseas Shareholders will be disclosed in the Prospectus.

The Company will send the Prospectus to the Excluded Overseas Shareholders for their information only. The Company will not send the application forms for acceptance of Rights Shares and for excess Rights Shares to the Excluded Overseas Shareholders. The Excluded Overseas Shareholders will be entitled to attend and vote at the SGM.

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, 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.

## **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 of the Company for completion of the relevant registration by 4:30 p.m. on Friday, 17 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.

## **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 Monday, 18 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 Monday, 18 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 Wednesday, 20 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

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 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.

### **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 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.

## 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; and
- (h) the filing and registration of all relevant documents with the Registrar of Companies in Hong Kong.

Neither the Underwriters nor the Company may waive any of the conditions (a) to (f) (both inclusive) and (h). 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.

**The Rights Issue is fully underwritten by the Underwriters and is subject to the fulfillment of the conditions set out herein. In particular, the Rights Issue is subject to the Capital Reorganisation becoming effective and the Underwriters not terminating the Underwriting Agreement in accordance with the terms set out therein. Accordingly, the Rights Issue may or may not proceed. Any Shareholders or other persons contemplating selling or purchasing Shares or Adjusted Shares (as the case may be) and/or Rights Shares in their nil-paid form up to the date when the conditions of the Rights Issue are fulfilled and/or the Latest Time for Termination will bear the risk that the Rights Issue does not become unconditional and may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares. If in any doubt, investors should consider obtaining professional advice on this.**

## EXPECTED TIMETABLE

Expected date of despatch of the Circular in relation to, inter alia, the Capital Reorganisation, the Change in Board Lot Size and the Rights Issue to the Shareholders .....	Monday, 23 May 2011
Latest time for lodging proxy forms for the SGM .....	10:00 a.m. on Sunday, 12 June 2011
Expected date of the SGM.....	10:00 a.m. on Tuesday, 14 June 2011
Announcement of the results of the SGM .....	Tuesday, 14 June 2011
Effective date of the Capital Reorganisation .....	Wednesday, 15 June 2011
Commencement of dealings in the Adjusted Shares .....	9:00 a.m. on Wednesday, 15 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, 15 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, 15 June 2011
First day of free exchange of certificates for the Existing Shares into new certificates for the Adjusted Shares .....	Wednesday, 15 June 2011
Last day of dealings in the Adjusted Shares on a cum-right basis .....	Wednesday, 15 June 2011
Commencement of dealings in the Adjusted Shares on an ex-right basis .....	9:00 a.m. on Thursday, 16 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, 17 June 2011
Closure of register of members to determine the eligibility of the Rights Issue (both dates inclusive) .....	Monday, 20 June 2011 to Wednesday, 22 June 2011
Record Date for the Rights Issue .....	Wednesday, 22 June 2011
Despatch of the Prospectus Documents .....	Thursday, 23 June 2011
Register of members re-opens .....	Thursday, 23 June 2011
First day of dealings in nil-paid Rights Shares .....	Monday, 27 June 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 Wednesday, 29 June 2011
Parallel trading in the Adjusted Shares (in the form of new and existing certificates) commences .....	9:00 a.m. on Wednesday, 29 June 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 .....	Wednesday, 29 June 2011
Latest time for splitting in nil-paid Rights Shares .....	4:30 p.m. on Wednesday, 29 June 2011
Last day of dealing in nil-paid Rights Shares.....	Tuesday, 5 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, 8 July 2011
Latest time for termination of the Underwriting Agreement .....	4:00 p.m. on Wednesday, 13 July 2011
Announcement of results of the Rights Issue .....	Friday, 15 July 2011
Refund cheques for wholly and partially unsuccessful applications for excess Rights Shares expected to be posted on or before .....	Monday, 18 July 2011
Certificates for the Rights Shares expected to be despatched on or before .....	Monday, 18 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, 20 July 2011
Parallel trading in the Adjusted Shares (in the form of new and existing certificates) ends .....	4:00 p.m. on Wednesday, 20 July 2011
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, 20 July 2011
Dealings in fully-paid Rights Shares and commence .....	9:00 a.m. on Wednesday, 20 July 2011
Last day of free exchange of certificates for the Existing Shares into new certificates for the Adjusted Shares .....	Friday, 22 July 2011

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

Dates or deadlines specified in this announcement for events in the timetable for (or otherwise in relation to) 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 Issue 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, 8 July 2011, the latest time of acceptance of and payment for the Rights Shares will not take place at 4:00 p.m. on Friday, 8 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, 8 July 2011, the latest time of acceptance of and payment for the Rights Shares will not take place on Friday, 8 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 does not take place on Friday, 8 July 2011, the dates mentioned in the section headed “Expected timetable” in this announcement may be affected. An announcement will be made by the Company in such event.

## **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.

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 by consent that 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, following which the Company has paid the first HK\$25 million into Court.



A separate hearing has been held on 11 April 2011 on the interests and costs payable by the Company under the Judgment. The Plaintiff has claimed (i) interest in the sum of HK\$6,498,000 for the period from 1 April 1999 to 31 December 2000, interest on the Principal Sum at the prime rate from 1 January 2001 to 2 March 2011 amounting to HK\$26,691,953, interest on the Principal Sum at 10% above judgment rate (currently 9% per annum) from 26 January 2010 until payment which amounted to HK\$9,960,685 calculated up to 31 March 2011; and (ii) cost on a party and party basis until 25 January 2010 and thereafter on indemnity basis, together with interests thereon from 26 January 2010 until payment at the rate of 10% above judgment rate. If the Plaintiff's claims for interest and costs are awarded in full by the Court, the total interests payable would amount to HK\$43,150,638 calculated up to 31 March 2011. However, based on the advice of the Company's legal advisors for this litigation, the Board assessed that the interests payable by the Company calculated up to 31 March 2011 should be approximately HK\$34,000,000 and the total costs payable would not exceed approximately HK\$5 million. As at the date of this announcement, the Court has not handed down its decision on interests and costs yet.

Therefore, subject to the parties' right to appeal, the Company's exposure under the Judgment calculated up to 31 March 2011 ranges from approximately HK\$83.5 million to approximately HK\$92.7 million. It should be noted that interest continues to accrue on the Principal Sum which, at 1% above the current prime rate would amount to approximately HK\$5.9 million from 1 April 2011 to the hearing of the Appeal in December 2011, and there is further exposure to additional costs for the litigation.

The Board is of the view that the Rights Issue will strengthen 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 will give the Qualifying Shareholders the opportunity to maintain their respective prorata 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.

Taking into account the above, the Directors (including the independent non-executive Directors) consider that the terms of the Rights Issue are fair and reasonable and the Rights Issue is in the interests of the Company and the Shareholders as a whole.

The gross proceeds from the Rights Issue will be 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 estimated net proceeds from the Rights Issue will be between approximately HK\$115.1 million and approximately HK\$119.9 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 as to HK\$25 million to meet the second payment into Court under the Consent Order, as to approximately HK\$60 million to meet potential liability under the Judgment over and above the payments into Court and the remaining balance of the proceeds will be used as general working capital and further business development. Should the Company be successful in its appeal against the Judgment the whole of the net proceeds will be used as general working capital and further business development of the Group.

## 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 date of this announcement		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)	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
<b>Underwriters</b>	—	—	—	—	—	—	—	—
Get Nice	—	—	—	—	—	—	400,000,000	29.88
Emperor	—	—	—	—	—	—	790,041,048	59.01
<b>Public Shareholders</b>	<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>148,755,131</u>	<u>11.11</u>
<b>Total</b>	<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:*

1. 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.
2. The Underwriters shall and shall cause the sub-underwriters to procure independent investors to take up such number of Rights Shares as necessary to ensure that the public float requirements under Rule 8.08 of the Listing Rules are complied with upon completion of the Rights Issue. Further information will be made in the circular of the Company to update the Shareholders on the progress of the measures to be taken by the Underwriters.

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 date of this announcement		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)	
	No. of Shares	%	No. of Adjusted Shares	%	No. of Adjusted Shares	%	No. of Adjusted Shares	%
<b>Underwriters</b>	—	—	—	—	—	—	—	—
Get Nice	—	—	—	—	—	—	400,000,000	28.72
Emperor	—	—	—	—	—	—	838,041,048	60.17
<b>New Shares issued under fully exercised Permitted Share Options</b>	—	—	6,000,000	3.88	54,000,000	3.88	6,000,000	0.43
<b>Public Shareholders</b>	1,487,551,314	100.00	148,755,131	96.12	1,338,796,179	96.12	148,755,131	10.68
<b>Total</b>	<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:*

1. 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.
2. The Underwriters shall and shall cause the sub-underwriters to procure independent investors to take up such number of Rights Shares as necessary to ensure that the public float requirements under Rule 8.08 of the Listing Rules are complied with upon completion of the Rights Issue. Further information will be made in the circular of the Company to update the Shareholders on the progress of the measures to be taken by the Underwriters.

## 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)	approximately 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 and approximately HK\$1.72 million remains unused and placed in bank accounts

*Note:*

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

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.

## **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 date of this announcement, 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 date of this announcement, no Shareholder is required to abstain from voting in favour of the Rights Issue at the SGM.

An independent board committee of the Company comprising all the independent non-executive Directors will be appointed to make recommendations to the Independent Shareholders in respect of the Rights Issue. An independent financial adviser will be appointed to advise the independent board committee of the Company and the Independent Shareholders in this regard.

A circular containing, among other things, (i) details about the Capital Reorganisation, the Change in Board Lot Size and the Rights Issue; (ii) a letter of recommendation from the independent board committee of the Company to the Independent Shareholders in respects of the Rights Issue; (iii) a letter of advice from the independent financial adviser to the independent board committee of the Company and the Independent Shareholders on the Rights Issue; and (iv) the notice convening the SGM, will be despatched to the Shareholders on or before Monday, 23 May 2011.

Upon passing of the necessary resolutions by the Shareholders approving the Capital Reorganisation and the Rights Issue at the SGM and after the Capital Reorganisation becoming effective, the Prospectus Documents setting out details of the Rights Issue will be despatched to the Qualifying Shareholders as soon as practicable whereas the Prospectus will be despatched to the Excluded Overseas Shareholders for information only.

## **DEFINITIONS**

The following terms have the following meanings in this announcement 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
“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
“Consolidated Share(s)”	the ordinary share(s) of HK\$0.10 each in the capital of the Company immediately after 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 Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“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 Shareholders

“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 Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“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 before the release of this announcement
“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, 13 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, 23 June 2011
“PRC”	The People’s Republic of China, which for the purpose of this announcement, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Prospectus”	the Rights Issue 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

“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, 22 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 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
“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
“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
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

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

Hong Kong, 6 May 2011

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