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

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2013

The board of directors (the "Board") of 21 Holdings Limited (the "Company") is pleased to present the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2013, together with comparative figures for the year ended 31 December 2012, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2013

	Notes	**2013** ***HK$'000***	2012 *HK$'000* (restated)
Continuing operations			
Revenue	*3*	**98,763**	112,711
Cost of sales and service rendered		**(72,515)**	(80,285)
Gross profit		**26,248**	32,426
Investment and other income	*5*	**18,887**	6,877
Other gains and losses	*6*	**942**	3,372
Reversal of provision for losses on litigation	*17*	**86,500**	-
Selling and distribution costs		**(1,041)**	(1,503)
Administrative expenses		**(48,247)**	(38,819)
Amortisation of intangible assets	*13*	**(9,652)**	(16,927)
Impairment loss on intangible assets	*13*	**(24,932)**	(19,986)
Impairment loss on goodwill	*12*	**(20,941)**	(29,893)
Finance costs		**(2)**	(9)
Profit (loss) before tax from continuing operations		**27,762**	(64,462)
Income tax credit	*7*	**8,552**	8,801
Profit (loss) for the year from continuing operations	*8*	**36,314**	(55,661)
Discontinued operation			
Loss for the year from discontinued operation	*9*	**(1,120)**	(1,398)
Profit (loss) for the year		**35,194**	(57,059)

** for identification purpose only*

	Notes	2013 HK$'000	2012 HK$'000 (restated)
Other comprehensive income (expense)			
Item that may be reclassified subsequently to profit or loss			
Exchange differences arising on translation of foreign operation		**359**	98
Total comprehensive income (expense) for the year		**35,553**	(56,961)
Profit (loss) attributable to owners of the Company			
- from continuing operations		**36,314**	(55,661)
- from discontinued operation		**(672)**	(839)
Profit (loss) for the year attributable to owners of the Company		**35,642**	(56,500)
Loss attributable to non-controlling interests			
- from continuing operations		**-**	-
- from discontinued operation		**(448)**	(559)
Loss for the year attributable to non-controlling interests		**(448)**	(559)
		35,194	(57,059)
Total comprehensive income (expense) for the year attributable to:			
Owners of the Company		**36,001**	(56,402)
Non-controlling interests		**(448)**	(559)
		35,553	(56,961)
Earnings (loss) per share			
From continuing and discontinued operations			
- Basic *(HK dollar)*	*11*	**0.11**	(0.21)
From continuing operations			
- Basic *(HK dollar)*	*11*	**0.11**	(0.21)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2013

	Notes	**2013** *HK$'000*	2012 *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**1,845**	3,095
Note receivable		**9,827**	9,136
Goodwill	*12*	**7,059**	28,000
Intangible assets	*13*	**-**	34,055
		18,731	74,286
CURRENT ASSETS			
Trade and other receivables	*14*	**75,771**	42,408
Investments held for trading		**41,639**	76,715
Financial assets at fair value through profit or loss		**9,150**	-
Bank balances and cash		**120,238**	108,112
		246,798	227,235
CURRENT LIABILITIES			
Trade and other payables	*15*	**56,666**	136,527
Tax payable		**1,180**	1,884
Obligations under a finance lease		**-**	113
		57,846	138,524
NET CURRENT ASSETS		**188,952**	88,711
TOTAL ASSETS LESS CURRENT LIABILITIES		**207,683**	162,997
NON-CURRENT LIABILITY			
Deferred tax liabilities		**-**	8,514
NET ASSETS		**207,683**	154,483
CAPITAL AND RESERVES			
Share capital		**3,208**	2,678
Reserves		**204,475**	157,056
Equity attributable to owners of the Company		**207,683**	159,734
Non-controlling interests		**-**	(5,251)
TOTAL EQUITY		**207,683**	154,483

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

1. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009 - 2011 Cycle
Amendments to HKFRS 7	Disclosures - Offsetting Financial Assets and Financial Liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 19 (as revised in 2011)	Employee Benefits
HKAS 27 (as revised in 2011)	Separate Financial Statements
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income
HK(IFRIC) - Int 20	Stripping Costs in the Production Phase of a Surface Mine

HKFRS 13 Fair Value Measurement

The Group has applied HKFRS 13 for the first time in the current year. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements. The scope of HKFRS 13 is broad: the fair value measurement requirements of HKFRS 13 apply to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of HKFRS 2 Share-based Payment, leasing transactions that are within the scope of HKAS 17 Leases, and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value-in-use for impairment assessment purposes).

HKFRS 13 defines the fair value of an asset as the price that would be received to sell an asset (or paid to transfer a liability, in the case of determining the fair value of a liability) in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

HKFRS 13 requires prospective application. In accordance with the transitional provisions of HKFRS 13, the Group has not made any new disclosures required by HKFRS 13 for the 2012 comparative period. Other than the additional disclosures, the application of HKFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The Group has applied the amendments to HKAS 1 Presentation of Items of Other Comprehensive Income. Upon the adoption of the amendments to HKAS 1, the Group's 'statement of comprehensive income' is renamed as the 'statement of profit or loss and other comprehensive income'. Furthermore, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis - the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

Except as described above, the application of the new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

3. REVENUE

An analysis of the Group's revenue for the year from continuing operations is as follows:

	2013 ***HK$'000***	2012 *HK$'000* (restated)
Property agency commission and service income in Hong Kong	**89,051**	94,730
Property agency commission and service income in the People's Republic of China (the "PRC")	**1,673**	9,857
Franchise income	**5,642**	5,996
Leasing management income	**2,397**	2,128
	98,763	112,711

4. **SEGMENT INFORMATION**

The following is an analysis of the Group's revenue and results by operating and reportable segments, based on information provided to the chief operating decision maker ("CODM") representing the executive directors of the Company, for the purpose of resource allocation and assessment of segment performance on types of services provided and goods sold. This is also the basis upon which the Group is arranged and organised.

The Group's operations are currently organised into four operating and reportable segments as follows:

Property agency in Hong Kong	-	Provision of property agency and related services, and franchise services in Hong Kong
Property agency in the PRC	-	Provision of property agency and related services, and leasing management services in the PRC
Toy products trading	-	Trading of toy, gift and premium products
Securities trading and investments	-	Securities trading and investments

As set out in note 9, the toy products trading under Yanyan Force Limited ("Yanyan Force") has been classified as discontinued operation. The comparative figures in consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2012 have been restated accordingly.

The following is an analysis of the Group's revenue and results from continuing operations by operating and reportable segments:

Continuing operations

	Property agency				**Securities trading and investments**		**Consolidated**	
	Hong Kong		**PRC**					
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000* (restated)
Segment revenue								
- External sales	**94,693**	100,726	**4,070**	11,985	**-**	-	**98,763**	112,711
Segment (loss) profit	**(22,814)**	(6,340)	**(40,293)**	(64,667)	**7,095**	12,880	**(56,012)**	(58,127)
Unallocated corporate income							**98,983**	258
Unallocated corporate expenses							**(15,207)**	(6,584)
Finance costs							**(2)**	(9)
Consolidated profit (loss) before tax							**27,762**	(64,462)
Other information (included in measure of segment profit (loss))								
Net profit on investments held for trading	**-**	-	**-**	-	**1,151**	7,166	**1,151**	7,166
Investment and other income	**186**	715	**1,062**	91	**5,156**	5,813	**6,404**	6,619
Depreciation of property, plant and equipment	**460**	415	**529**	495	**-**	-	**989**	910
Loss on disposal of property, plant and equipment	**-**	4	**120**	-	**-**	-	**120**	4
Impairment loss on trade receivables	**76**	91	**1,083**	3,703	**-**	-	**1,159**	3,794
Impairment loss on other receivables	**-**	-	**2,807**	-	**-**	-	**2,807**	-
Write-back of trade payables	**-**	-	**(887)**	-	**-**	-	**(887)**	-
Additions to non-current assets during the year	**15**	325	**-**	26	**-**	55	**15**	406
Impairment loss on goodwill	**20,941**	10,000	**-**	19,893	**-**	-	**20,941**	29,893
Impairment loss on intangible assets	**-**	-	**24,932**	19,986	**-**	-	**24,932**	19,986
Amortisation of intangible assets	**-**	-	**9,652**	16,927	**-**	-	**9,652**	16,927

All of the segment revenue reported above are from external customers.

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 2. Segment (loss) profit represents the (loss) profit from each segment without allocation of unallocated corporate income (which mainly includes reversal of provision for losses on litigation and refund of litigation costs as set out in note 17, gain on disposals of subsidiaries and bank interest income), unallocated corporate expenses (which mainly include administrative expenses) and finance costs. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

5. INVESTMENT AND OTHER INCOME

	2013	2012
	HK$'000	*HK$'000*
		(restated)
Continuing operations		
Interest on bank deposits	**907**	1,158
Interest on debt securities	**3,400**	3,675
Imputed interest on note receivable	**691**	549
Refund of litigation cost (note 17)	**7,376**	-
Gain on disposals of subsidiaries (note 16)	**5,122**	-
Write-back of trade payables	**887**	-
Other interest income	**-**	213
Dividends from equity securities	**156**	271
Sundry income	**348**	1,011
	18,887	6,877

6. OTHER GAINS AND LOSSES

	2013	2012
	HK$'000	*HK$'000*
		(restated)
Continuing operations		
Net profit on investments held for trading	**1,151**	7,166
Gain on fair value change of financial assets at fair value through profit or loss	**950**	-
Impairment loss on trade receivables	**(1,159)**	(3,794)
	942	3,372

7. INCOME TAX CREDIT

	2013	2012
	HK$'000	*HK$'000*
		(restated)
The (credit) charge comprises:		
Continuing operations		
Hong Kong Profits Tax	**94**	427
Deferred tax - current year (*Note*)	**(8,646)**	(9,228)
	(8,552)	(8,801)

Note: The deferred tax credit arises from the release of deferred tax liabilities upon the amortisation of and impairment on intangible assets which arose from the acquisition of subsidiaries.

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

8. PROFIT (LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS

	2013	2012
	HK$'000	*HK$'000*
		(restated)
Profit (loss) for the year from continuing operations has been arrived at after charging (crediting):		
Directors' remuneration, including retirement benefits scheme contributions	**6,222**	1,528
Other staff costs	**16,954**	16,917
Other retirement benefits scheme contributions	**568**	588
Total staff costs	**23,744**	19,033
Auditor's remuneration	**1,276**	1,120
Depreciation of property, plant and equipment	**1,015**	922
Impairment loss on trade receivables	**1,159**	3,794
Impairment loss on other receivables	**2,807**	-
Loss on disposal of property, plant and equipment	**120**	4
Operating lease payments for office premises, shops and photocopying machines	**4,368**	7,647
Commission expense on property agency	**70,501**	78,576
Gain on disposals of subsidiaries	**(5,122)**	-
Interest income	**(4,998)**	(5,595)

9. DISCONTINUED OPERATION

During the year, the Group through its wholly-owned subsidiary, Prosper Overseas Limited, entered into a sale and purchase agreement with Mr. Ng Kai Lok, Paul (the "Purchaser"), a non-controlling shareholder of Yanyan Force and a close family member of a director of the Company, to dispose of its entire 60% equity interest and the shareholder's loan in Yanyan Force at a consideration of HK$100,000. The operation of Yanyan Force is toy products trading and representing the Group's toy products trading segment for segment reporting purposes. The disposal was completed on 6 August 2013, on which date control of Yanyan Force passed to the Purchaser.

The loss for the period from the discontinued toy products trading operation for the current and preceding periods is analysed as follows.

The comparative figures in the consolidated statement of profit or loss and other comprehensive income have been restated to re-present the toy products trading operation as a discontinued operation.

	2013	2012
	HK$'000	*HK$'000*
Loss from toy products trading operation for the year	**(1,120)**	(1,398)
Gain on disposal of toy products trading operation (note 16(a))	**4,951**	-
	3,831	(1,398)

The results of the toy products trading operation from 1 January 2013 to 6 August 2013, which have been included in the consolidated statement of profit or loss and other comprehensive income, were as follows:

	2013	2012
	HK$'000	*HK$'000*
Revenue	**661**	23,902
Cost of sales	**(639)**	(23,464)
Investment and other expenses	**-**	(30)
Other losses	**-**	(216)
Selling and distribution expenses	**(176)**	(912)
Administrative expenses	**(370)**	(678)
Loss before taxation	**(524)**	(1,398)
Taxation	**(596)**	-
Loss for the year	**(1,120)**	(1,398)
Loss for the year attributable to:		
Owners of the Company	**(672)**	(839)
Non-controlling interests	**(448)**	(559)
	(1,120)	(1,398)

Loss before tax from discontinued operation has been arrived at after charging:

	2013	2012
	HK$'000	*HK$'000*
Directors' emoluments	**-**	-
Other staff costs:		
- Salaries and other benefits	**8**	314
- Retirement benefits scheme contributions	**1**	15
Total staff costs	**9**	329
Depreciation of property, plant and equipment	**1**	5
Loss on disposal of property, plant and equipment	**-**	2
Impairment loss on trade receivables	**-**	216
Cost of inventories recognised as expenses	**615**	22,560

The cash flow of the discontinued operation were as follows:

	2013	2012
	HK$'000	*HK$'000*
Net cash inflow from operating activities	**54**	376
Net cash inflow from investing activities	**-**	14
Net cash outflow from financing activities	**(1,500)**	(3,618)

The carrying amounts of the assets and liabilities of Yanyan Force at the date of disposal are disclosed in note 16(a).

10. DIVIDENDS

No dividends were paid, declared or proposed for the years ended 31 December 2013 and 2012, nor has any dividend been proposed since the end of both reporting periods.

11. EARNINGS (LOSS) PER SHARE

From continuing and discontinuing operations

The calculation of basic earnings (loss) per share attributable to the owners of the Company is based on the following data:

	2013	2012
	HK$'000	*HK$'000*
Earnings (loss) for the year attributable to owners of the Company for the purposes of basic earnings (loss) per share	**35,642**	(56,500)

	Number of ordinary shares	
	2013	2012
	'000	*'000*
Weighted average number of ordinary shares for the purposes of basic earnings (loss) per share *(Note)*	**316,403**	267,759

Note: The weighted average number of shares for the purposes of calculating basic earnings (loss) per share for the year ended 31 December 2012 was adjusted to reflect the effects of share consolidation in June 2012.

No diluted earnings (loss) per share is presented in both years, as there were no potential ordinary shares outstanding during the year ended 31 December 2013 and 2012.

The calculation of the basic earnings (loss) per share from continuing operations attributable to the owners of the Company is based on the following data:

	2013	2012
	HK$'000	*HK$'000*
Earnings (loss) for the year attributable to owners of the Company	**35,642**	(56,500)
Less: Loss for the year from discontinued operation	**672**	839
Earnings (loss) for the purposes of basic earnings (loss) per share from continuing operations	**36,314**	(55,661)

The denominators used in calculation of the basic earnings (loss) per share attributable to owners of the Company from continuing operations are the same as those for earnings (loss) per share for the year from continuing and discontinued operations.

From discontinued operation

Basic loss per share from discontinued operation is HK$0.002 per share (for the year ended 31 December 2012: loss per share of HK$0.003), based on the loss for the year from discontinued operation of approximately HK$672,000 (for the year ended 31 December 2012: loss of HK$839,000) and the denominators detailed above for both basic loss per share.

12. GOODWILL

	Property agency Hong Kong	Property agency PRC	Toy products trading	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
COST				
At 1 January 2012	429,960	115,419	4,201	549,580
Exchange realignment	-	924	-	924
At 31 December 2012	429,960	116,343	4,201	550,504
Exchange realignment	-	3,457	-	3,457
Eliminated on disposal of a subsidiary	-	-	(4,201)	(4,201)
At 31 December 2013	429,960	119,800	-	549,760
IMPAIRMENT				
At 1 January 2012	391,960	95,475	4,201	491,636
Impairment loss recognised in the year	10,000	19,893	-	29,893
Exchange realignment	-	975	-	975
At 31 December 2012	401,960	116,343	4,201	522,504
Impairment loss recognised in the year	20,941	-	-	20,941
Exchange realignment	-	3,457	-	3,457
Eliminated on disposal of a subsidiary	-	-	(4,201)	(4,201)
At 31 December 2013	422,901	119,800	-	542,701
NET CARRYING AMOUNT				
At 31 December 2013	7,059	-	-	7,059
At 31 December 2012	28,000	-	-	28,000

Goodwill is allocated to the groups of cash generating units ("CGUs") identified according to operating segment. The entire net carrying amount of goodwill as at 31 December 2013 has been allocated to the groups of CGUs comprising the property agency segment in Hong Kong. The goodwill allocated to the property agency segment in PRC has been fully impaired in 2012. The goodwill allocated to the toy products trading segment located in Hong Kong has been fully impaired in 2007 and eliminated on disposal during this year.

Property agency in Hong Kong

The recoverable amount of the CGUs of property agency segment in Hong Kong was based on its value-in-use which is higher than its fair value less cost to sell, both of which were determined with reference to the valuation performed by an independent professional qualified valuer not connected with the Group. The value-in-use calculation uses cash flow projections based on financial budgets approved by management covering a five-year period, and at a discount rate of 20.74% (2012: 19.90%). Cash flows beyond the five-year period were extrapolated using a 3.35% (2012: 3%) growth rate in considering the economic conditions of the market.

The estimated growth rates used are comparable to the growth rate for the industry. Other key assumptions for the value-in-use calculations related to the estimation of cash inflows which include budgeted sales and gross margin. Such estimation is based on the unit's past performance, management's expectations for market development as well as the potential profitability in the property agency market in Hong Kong, which is adversely affected by the deteriorating market sentiment as a result of property cooling measures, such as introduction of Buyer's Stamp Duty and enhanced Special Stamp Duty in October 2012, certain demand-side management measures in February 2013 and certain new regulations on selling first-hand properties in April 2013. The management of the Company therefore was of the opinion that their previous expectation as at 31 December 2012 on the potential profitability could not be met and as a result, goodwill was impaired accordingly.

The carrying amount of the unit was determined to be higher than its recoverable amount and an impairment loss of HK$20,941,000 (2012: HK$10,000,000) was recognised. The impairment loss was allocated fully to goodwill and is presented on the face of consolidated statement of profit or loss and other comprehensive income.

13. INTANGIBLE ASSETS

The contracted and uncontracted customer relationship has an estimated useful life of five years and is amortised on a straight-line basis. The customer relationship is in relation to the property agency business in the PRC.

	HK$'000
COST	
At 1 January 2012	88,489
Exchange realignment	709
At 31 December 2012	89,198
Exchange realignment	2,650
At 31 December 2013	91,848
AMORTISATION AND IMPAIRMENT	
At 1 January 2012	17,698
Provided for the year	16,927
Impairment loss recognised in the year	19,986
Exchange realignment	532
At 31 December 2012	55,143
Provided for the year	9,652
Impairment loss recognised in the year	24,932
Exchange realignment	2,121
At 31 December 2013	91,848
CARRYING VALUE	
At 31 December 2013	-
At 31 December 2012	34,055

Property agency in the PRC

The recoverable amount of the CGUs of property agency in the PRC was based on its value-in-use which is higher than its fair value less cost to sell, both of which were determined with reference to the valuation performed by an independent professional qualified valuer not connected with the Group. The value-in-use calculation used cash flow projections based on financial budgets approved by management covering a five-year period, and at discount rate of 19.54% (2012: 20.70%). Cash flows beyond the five-year period were extrapolated using 3.25% (2012: 3.62%) growth rate in considering the economic conditions of the market. The estimated growth rates used were comparable to the growth rate for the industry. Other key assumptions for the value-in-use calculations related to the estimation of cash inflows which included budgeted sales and gross margin.

Since the acquisition of the PRC property agency business in 2011, the PRC government has implemented various restrictive policies on the property market to curb speculative investments and home-purchase restrictions have been implemented in many cities in the PRC. In March 2013, certain demand-side management measures were released limiting the property purchase and tightening the mortgage requirements. Based on the management expectation, the stringent measures and policies would not be removed in foreseeable future especially in the first and second-tier cities where the Group operates, which further cast significant doubt on the potential profitability in the property agency in the PRC. The management of the Company therefore was of the opinion that their previous expectation on expected revenue growth and market development of the property agency business in the PRC could not be met and as a result, the remaining intangible assets of HK$24,932,000 was accordingly fully impaired during the year ended 31 December 2013.

For the year ended 31 December 2012, the estimation was based on the unit's past performance and management's expectations for the PRC property market development including continuously operated within a relatively slow real estate industry environment due to project delays and softness in land transaction. The unfavourable operating environment and factors cast doubt on the potential profitability in the property agency in the PRC. The management of the Company therefore was of the opinion that their previous expectation on expected revenue growth and market development of the property agency business in the PRC could not be met and as a result, goodwill was fully impaired accordingly.

The carrying amount of the unit was determined to be higher than its recoverable amount and an impairment loss of HK$39,879,000 was recognised and allocated to goodwill and intangible assets of HK$19,893,000 and HK$19,986,000 respectively for the year ended 31 December 2012.

14. TRADE AND OTHER RECEIVABLES

	2013	2012
	HK$'000	*HK$'000*
Trade receivables	**62,453**	38,950
Less: Allowance for doubtful debts	**(5,968)**	(4,697)
	56,485	34,253
Deposits paid	**2,794**	3,483
Prepayments	**338**	1,389
Other receivables	**16,154**	3,283
	75,771	42,408

For property agency segment in Hong Kong, the Group allows an average credit period of 60 to 90 days to property developers whilst the individual customers are obliged to settle the amounts upon completion of the relevant agreements and generally no credit terms are granted. For franchise operation from property agency segment in Hong Kong, the Group allows an average credit period of 7 days to its franchisee. For property agency segment in the PRC, the Group allows an average credit period of 30 to 60 days to property developers.

The aged analysis of trade receivables net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period is as follows:

	2013	2012
	HK$'000	*HK$'000*
Trade receivables		
0 - 30 days	**14,585**	2,913
31 - 60 days	**16,208**	2,474
61 - 90 days	**10,865**	8,242
91 - 180 days	**7,736**	12,605
Over 180 days	**7,091**	8,019
	56,485	34,253

15. TRADE AND OTHER PAYABLES

	2013	2012
	HK$'000	*HK$'000*
Trade payables	**50,002**	31,336
Other payables	**6,664**	7,158
Amount due to a non-controlling shareholder of a subsidiary	**-**	11,533
Provision for losses on litigation (note 17)	**-**	86,500
	56,666	136,527

Commissions payable of HK$50,002,000 (31 December 2012: HK$31,336,000) include mainly the commissions payable to property consultants and cooperative estate agents, which are due for payment only upon the receipt of corresponding agency fees from customers.

Other payables mainly comprise of deposits received, receipts in advance, accrued staff costs and other sundry creditors.

16. DISPOSALS OF SUBSIDIARIES

(a) As referred to in note 9, on 6 August 2013, the Group discontinued its toy products trading operation at the time of disposal of its subsidiary, Yanyan Force. The net liabilities of Yanyan Force at the date of disposal were as follows:

Consideration received:

	2013
	HK$'000
Consideration received in cash and cash equivalents	**100**
Less: Transaction cost	**(36)**
	64

Analysis of assets and liabilities over which control was lost:

	2013
	HK$'000
Property, plant and equipment	**4**
Cash and cash equivalents	**398**
Trade and other receivables	**670**
Trade and other payables (*Note*)	**(27,555)**
Tax payables	**(500)**
Net liabilities disposed of	**(26,983)**

Note: Included in other payables is the amount due to a non-controlling shareholder of the disposal group of HK$16,397,000 which is unsecured, non-interest bearing, non-trade nature and repayable on demand. The non-controlling shareholder of disposal group is a close family member of Mr. Ng Kai Man, a director of the Company.

Gain on disposal of a subsidiary:

	2013
	HK$'000
Net liabilities disposed of	**(26,983)**
Sale of shareholder's loan	**16,397**
Non-controlling interests	**5,699**
Transaction costs	**36**
Gain on disposal	**4,951**
Total consideration	**100**

Net cash outflow on disposal of a subsidiary:

	2013
	HK$'000
Consideration received in cash and cash equivalents	**64**
Less: cash and cash equivalent balances disposed of	**(398)**
	(334)

The impact of Yanyan Force on the Group's result and cash flows in the current and prior period is disclosed in note 9.

(b) On 28 June 2013, New Leader Limited, a wholly-owned subsidiary of the Group entered into an agreement with two independent third parties of the Group for transfer all the rights, risk and reward arising from daily operations of Guangzhou MAG Real Estate Investment Consultants Limited ("GZ MAG") to several independent third parties (the "Contractors") for 5 years commencing from 1 July 2013 to 30 June 2018 with no consideration. The Contractors in return will pay 2% on the total revenue arising from GZ MAG to the Group.

Consideration received:

	2013
	HK$'000
Consideration received in cash and cash equivalents	**-**
Deferred proceeds	**110**
Total consideration	**110**

The Group lost control on GZ MAG since 1 July 2013. The net liabilities of GZ MAG at the date of disposal were as follows:

Analysis of assets and liabilities over which control was lost:

	2013
	HK$'000
Property, plant and equipment	**9**
Other receivables	**38**
Cash and cash equivalents	**362**
Trade and other payables	**(443)**
Net liabilities disposed of	**(34)**

Gain on deemed disposal of a subsidiary:

	2013
	HK$'000
Total consideration	**110**
Net liabilities disposed of	**34**
Cumulative exchange differences in respect of the net liabilities of the subsidiary reclassified from equity to profit or loss on loss of control of the subsidiary	**27**
Gain on deemed disposal	**171**

Net cash outflow on deemed disposal of a subsidiary:

	2013
	HK$'000
Consideration received in cash and cash equivalents	**-**
Less: cash and cash equivalent balances disposed of	**(362)**
	(362)

17. LITIGATION

On 8 October 2004, a writ of summons was filed by a former director of the Company (the "Plaintiff"), against the Company in respect of the loans due from two former subsidiaries of the Company namely, Rockapetta Industrial Company Limited and Grand Extend Investment Limited, for a sum of approximately HK$44,500,000 (the "Principal Sum") together with accrued interests thereof (the "Action").

On 2 March 2011, judgment was handed down by the Court of First Instance of the High Court and was awarded in favour of the Plaintiff (the "Judgment"). It was adjudged that the Company shall pay the Plaintiff the sum of HK$44,500,000 together with interest and costs.

After seeking advice from its solicitor and counsel, the directors considered that the Company had good grounds for appeal, and instructed its solicitors to launch an appeal against the Judgment. On 28 March 2011, the Company filed a Notice of Appeal against the Judgment with the Court of Appeal and served on the parties concerned (the "CA Appeal").

A separate hearing was held on 11 April 2011 on the issues of interest and costs payable by the Company under the Judgment. Pending the hearing of CA Appeal, the Company's exposure on the costs of the Action and the appeal payable to the Plaintiff would be approximately HK$86,500,000 which was estimated based on the Principal Sum of HK$44,500,000 together with accrued interest calculated up to the date of hearing of the CA Appeal as well as the costs of the Action and the cost of CA Appeal payable to the Plaintiff. In addition, on 18 April 2011, the Company and the Plaintiff had agreed that execution of the Judgment be stayed until the determination or other disposal of the CA Appeal or further order from the Court of Appeal subject to the conditions that the Company should pay into the High Court a sum of HK$25,000,000 as security on or before 25 April 2011 and another sum of HK$25,000,000 or provide the Plaintiff with a bank guarantee for the same amount as further security before 17 July 2011 (as extended to 19 August 2011 by a court order dated 15 June 2011). Consent Order was granted by the High Court on the same terms, in compliance with which the Company has paid an aggregate amount of HK$50,000,000 into the High Court on 21 April 2011 and 16 August 2011 respectively and such amount was classified as other receivables as at 31 December 2011.

The CA Appeal was heard by the Court of Appeal on 8 and 9 December 2011 and the Court of Appeal unanimously ordered that (a) the CA Appeal be allowed; (b) the Judgment be set aside and the Action be dismissed, and (c) the Plaintiff do pay the Company the costs of the CA Appeal and the costs at the court below to be taxed, if not agreed (the "CA Order"). The Court of Appeal further ordered that the security in the sum of HK$50,000,000 paid by the Company into the High Court be released to the Company. The said security together with interest earned were released by the High Court to the Company on 5 January 2012.

On 22 December 2011, the Plaintiff launched an appeal to the Court of Final Appeal as of right under sections 22(1)(a) and 24 of the Hong Kong Court of Final Appeal Ordinance, Cap. 484. On 9 May 2012 final leave was granted by the Court of Appeal to the Plaintiff for appeal to the Court of Final Appeal and a Notice of Appeal entitled FACV 9 OF 2012 (the "CFA Appeal") was filed and served by the Plaintiff on 16 May 2012. The CFA Appeal was heard by the Court of Final Appeal on 5 September 2013.

Both counsels and solicitor acting for the Company hold the view that there was no merit in the Plaintiff's claim and in the CFA Appeal. However, there is no mechanism built in the Hong Kong Court of Final Appeal Ordinance for dismissal of unmeritorious application for leave to appeal or unmeritorious appeal under section 22 of the Hong Kong Court of Final Appeal Ordinance and the Company had to deal with the hearing of the unmeritorious CFA Appeal on 5 September 2013.

With the benefit of the advice of the counsels and solicitor acting for the Company and the order delivered by the Court of Appeal on 9 December 2011, the Company had also instructed its solicitor to proceed with its claim for costs incurred in the Action and the CA Appeal against the Plaintiff and the taxation thereof.

Before the hearing of the CFA Appeal, the Company enforced the costs order awarded in its favour against the Plaintiff. By agreement the Company received a sum of HK$5,332,000 from the Plaintiff in full and final settlement of its costs of the Action and the CA Appeal inclusive of interest.

The CFA Appeal was heard by the Court of Final Appeal on 5 September 2013 and the Court of Final Appeal ordered that (a) the CFA Appeal be allowed; (b) the Judgment made on 2 March 2011 be set aside and in lieu thereof the Plaintiff's claim against the Company be dismissed; (c) the costs of the CFA Appeal including the costs at the court to the Company to be taxed, if not agreed; and (d) leave be given to the Company to withdraw the money paid into court as security for stay of execution of the Judgment pending appeal under High Court Action.

After the hearing of the CFA Appeal, the Company further enforced the costs order awarded in its favour against the Plaintiff. By agreement the Company further received a sum of HK$2,044,000 from the Plaintiff in full and final settlement of its costs of the CFA Appeal inclusive of interest after the end of reporting period.

As the CFA Appeal was dismissed, the directors of the Company, after seeking advice from the counsels and solicitors acting for the Company, considered that the Plaintiff did not have any further valid claim against the Company, and the provision for losses on litigation previously made of HK$86,500,000 has to be reversed in the consolidated financial statements during the year ended 31 December 2013.

18. EVENT AFTER THE REPORTING PERIOD

(a) The Company received a sum of HK$2,044,000 from the Plaintiff in full and final settlement of its costs of the CFA Appeal inclusive of interest after the end of reporting period. Details of the litigation concerned are set out in note 17.

(b) On 17 March 2014, the Group disposed the financial assets at fair value through profit or loss at a consideration of HK$9,720,000.

(c) On 24 March 2014, the Group disposed the note receivable at a consideration of HK$10,767,570.

MANAGEMENT DISCUSSION AND ANALYSIS

Business and Operation Review

Property Agency in Hong Kong

The property agency segment in Hong Kong under Century 21 (HK) Group Limited and its subsidiaries ("Century 21 Group") reported revenue of HK$94.7 million for the year ended 31 December 2013, a decrease of about 6.0% as compared with HK$100.7 million for last year which is mainly due to the slump in sales transaction volume as a result of the implementation of new measures in Hong Kong property market in February and April 2013 by the Government of Hong Kong Special Administrative Region and upward pressure of costs. Operating loss from the property agency segment in Hong Kong for the year amounted to HK$1.9 million (excluding any provision for impairment loss on goodwill of HK$20.9 million) whilst the operating profit for last year was HK$3.7 million (excluding any provision for impairment loss on goodwill of HK$10.0 million).

Property Agency in the PRC

The property market in the PRC was continuously cuffed by suppressing measures launched by the PRC Government and recorded a significant decline in property sales for the year ended 31 December 2013. As a result, the reported revenue of the property agency segment in the PRC under Vigour Well Limited and its subsidiaries ("Vigour Well Group") was HK$4.1 million for the year ended 31 December 2013, representing a decrease of HK$7.9 million or 65.8% when compared with the revenue of HK$12.0 million for last year. The operating loss was HK$5.7 million (excluding amortisation of intangible assets and provision for impairment loss on intangible assets of HK$9.7 million and HK$24.9 million respectively), whilst the operating loss for last year was HK$7.9 million (excluding amortisation of intangible assets, provision for impairment loss on intangible assets and goodwill of HK$16.9 million, HK$20.0 million and HK$19.9 million respectively).

In view of possible further property curbs in the PRC cities to carry out central government policy, on 28 June 2013, New Leader Limited, a wholly-owned subsidiary of the Group entered into an agreement with two independent third parties of the Group for transfer all the rights, risk and reward arising from daily operations of Guangzhou MAG Real Estate Investment Consultants Limited ("GZ MAG") to the contractors for 5 years commencing from 1 July 2013 to 30 June 2018 with no consideration. The contractors in return will pay 2% of the total revenue arising from GZ MAG to the Group. GZ MAG is one of the operation arms of Vigour Well Group, and is principally engaged in provision of property project consulting, property agency and related services in the PRC. This arrangement provides the Group with an option to unload fixed operation cost and to leverage on the diligence of the contractors for a reasonable share of the revenue of GZ MAG. The management would continuously evaluate the performance and the cost effectiveness of this arrangement for future operation strategy.

After reviewing the terms and conditions of the agreement, it was deemed that the interest in GZ MAG was disposed on 1 July 2013. Although GZ MAG is a wholly-owned by the Group indeed, all decisions regarding financial and operating activities of GZ MAG are resolved by the contractors. In this respect, a gain from losing control over subsidiary of approximately HK$0.2 million was recognised in profit or loss during the year ended 31 December 2013.

Toy Products Trading

During the year, the Group has streamlined its operations and the scale of toy products trading business has been significantly curtailed. The directors of the Company (the "Directors") did not foresee the toy products trading business can turnaround in the near future, therefore, Yanyan Force Limited, representing the toy products trading segment of the Group for segment reporting purposes, was disposed of on 6 August 2013. The Directors consider that the disposal aligned with the Group's strategy to focus on its core property agency and related services business. The trading of toy products has been classified as discontinued operation as set out in note 9 to this announcement. In this respect, a gain on disposal of approximately HK$5.0 million was recognised in profit or loss during the year ended 31 December 2013.

Securities Trading and Investments

The segment reported a profit of HK$7.1 million which was mainly attributable to the interest income of HK$5.0 million and overall increase in fair value of investments held for trading of HK$1.2 million.

As at 31 December 2013, the Group has investments held for trading amounting to HK$41.6 million (as at 31 December 2012: HK$76.7 million).

Impairment Assessment on Goodwill and Intangible Assets

The Group performs regular review on the carrying values of goodwill and intangible assets of acquired businesses to determine any potential impairment according to Hong Kong Accounting Standard 36 "Impairment of Assets".

Property Agency in Hong Kong

Circumstances leading to impairment loss on goodwill for the year ended 31 December 2013

The entire net carrying amount of goodwill as at 31 December 2013 has been allocated to the property agency segment in Hong Kong. For the year ended 31 December 2013, the Group recognised impairment loss on goodwill of HK$20.9 million. Based on the unit's past performance, the management's expectations for market development as well as the potential profitability in the property agency market in Hong Kong, which is adversely affected by deteriorating market sentiment as a result of property cooling measures, such as introduction of Buyer's Stamp Duty and enhanced Special Stamp Duty in October 2012, certain demand-side management measures in February 2013 and certain new regulations on selling first-hand properties in April 2013. The management of the Company therefore was of the opinion that their previous expectation as at 31 December 2012 on potential profitability could not be met and as a result, the valuation assumptions and the cash flow projection have been adjusted to reflect a more conservative expectation, leading to the impairment loss.

The impairment loss on goodwill for the year ended 31 December 2013 is calculated based on the recoverable amount of the cash generating units ("CGUs") of the property agency business in Hong Kong. The recoverable amount of the CGUs was based on its value-in-use which is higher than its fair value less cost to sell, both of which were determined with reference to the valuation performed by an independent professional qualified valuer not connected with the Group. The value-in-use calculation uses cash flow projections based on financial budgets approved by management covering a five-year period, and at a discount rate of 20.74% (2012: 19.90%). Cash flows beyond the five-year period were extrapolated using a 3.35% (2012: 3%) growth rate in considering the economic conditions of the market. Details are set out in note 12 to this announcement.

Based on the historical performance of the property agency business in Hong Kong, the financial forecast for the year ending 31 December 2014, being the initial year of the projection, has been adjusted downwards due to significant decrease in actual revenue recorded for the year ended 31 December 2013.

The valuation of the property agency business in Hong Kong was conducted by using income approach. This valuation approach has been consistently applied in prior years. The management believes that the drop in valuation is caused by, among others, the introduction of property cooling measures, decreased sales transaction volume and actual performance of this segment.

Property Agency in the PRC

Circumstances leading to impairment loss on intangible assets for the year ended 31 December 2013

The carrying amount of intangible assets as at 31 December 2012 represents the contracted and uncontracted customer relationship in relation to the property agency segment in the PRC. For the year ended 31 December 2013, the remaining intangible assets of HK$24.9 million was fully impaired which is mainly attributable to the change of business plan as a result of home-purchase restriction and continued tightening of the mortgage requirements launched by the PRC government.

Since the acquisition of Vigour Well Group or the PRC property agency business in 2011, the PRC government has implemented various restrictive policies on the property market to curb speculative investments and home-purchase restrictions have been implemented in many cities in the PRC.

In March 2013, certain policy measures such as “Circular on Effectively Regulating the Real Estate Market” (*Guobanfa [2013] No. 17*) was released limiting the property purchase and tightening the mortgage requirements. Based on the management expectation, the stringent measures and policies would not be removed in foreseeable future especially in the first and second-tier cities where the Group operates, which further cast significant doubt on the potential profitability in the property agency business in the PRC.

In view of the above, the business plan was changed in the last quarter of 2013, the management of the PRC property agency business was re-engineered and a new operation team was formed to implement the revised business plan. The business focus has been switched to cities near Hong Kong such as Shenzhen and Huizhou for introducing properties to existing clientele and network of Century 21 Group. Since the operation team and the business strategy had been changed, the revenue arising from the contracts negotiated between the new operation team and the new clientele could not be included in the cash flow projections of the PRC property agency business for the year ended 31 December 2013. Therefore, the cash flow projections have been adjusted to reflect the new business strategy and the expectation of the management of the PRC property agency business.

The impairment loss on intangible assets for the year ended 31 December 2013 is calculated based on the recoverable amount of the CGUs of the property agency business in the PRC. The recoverable amount of the CGUs was based on its value-in-use which is higher than its fair value less cost to sell, both of which were determined with reference to the valuation performed by an independent professional qualified valuer not connected with the Group. The value-in-use calculation uses cash flow projections based on financial budgets approved by management covering a five-year period, and at a discount rate of 19.54% (2012: 20.70%). Cash flows beyond the five-year period were extrapolated using a 3.25% (2012: 3.62%) growth rate in considering the economic conditions of the market. The valuation of the property agency business in the PRC was conducted by using income approach. This valuation approach has been consistently applied in prior years.

Financial Review

Review of Results

For the year ended 31 December 2013, the Group reported revenue of HK$98.8 million from continuing operations, representing a decrease of HK$13.9 million or 12.4% when compared with that of last year. Gross profits from continuing operations decreased by HK$6.2 million from HK$32.4 million for the last year to HK$26.2 million, principally due to demand suppressing measures curbing property sales in Hong Kong and the PRC and the upward pressure on costs.

The Group recorded other gains and losses of HK$0.9 million for the year ended 31 December 2013 (for the year ended 31 December 2012: other gains and losses of HK$3.4 million) which was mainly attributable to the net profit on investments held for trading of HK$1.2 million.

The Group recorded investment and other income of HK$18.9 million for the year ended 31 December 2013 (for the year ended 31 December 2012: HK$6.9 million) which was attributable to the gain on disposal of subsidiaries and refund of litigation cost of H$5.1 million and HK$7.4 million respectively.

Together with provision for impairment loss on goodwill of HK$20.9 million, impairment loss on intangible assets of HK$24.9 million and amortisation of intangible assets of HK$9.7 million, the Group recorded net profit of HK$35.2 million for this reporting year, as compared to a net loss of HK$57.1 million for the corresponding period in 2012.

Liquidity and Financial Resources

The Group maintained sufficient working capital as at 31 December 2013 with bank balances and cash of HK$120.2 million (31 December 2012: HK$108.1 million).

As at 31 December 2013, the Group does not have any obligation under a finance lease (31 December 2012: HK$0.1 million).

Gearing ratio, express as the percentage of total borrowings over total capital, of the Group as at 31 December 2013 was nil (31 December 2012: 0.1%). Total capital is calculated as total equity plus total borrowings.

Capital Structure

As at 31 December 2013, the Company has 320,759,235 shares of HK$0.01 each (the “Shares”) in issue.

On 31 January 2013, the Company had completed a placing of 53 million new Shares and received a net proceeds of HK$11.9 million for general working capital.

Charges on Assets

As at 31 December 2013, certain property, plant and machinery with carrying values of approximately HK$0.2 million (31 December 2012: HK$0.3 million) represented assets held under finance leases.

Litigation

On 8 October 2004, a writ of summons was filed by a former director of the Company (the "Plaintiff"), against the Company in respect of the loans due from two former subsidiaries of the Company namely, Rockapetta Industrial Company Limited and Grand Extend Investment Limited, for a sum of approximately HK$44,500,000 together with accrued interests thereof (the "Action").

The Action was prosecuted all the way up to the Court of Final Appeal and the Court of Final Appeal delivered its judgment on 5 September 2013 upholding the decision of the Court of Appeal in dismissing the Action with costs and ordering that the payment of the Company's legal costs of appeal to the Court of Final Appeal by the Plaintiff.

Following the judgment delivered by the Court of Final Appeal, the Company further enforced the legal costs order awarded in its favour against the Plaintiff. The Action at the Court of First Instance, the appeal at the Court of Appeal and the appeal at the Court of Final Appeal and finally disposed of all matters in relation to the Action.

After the judgment of the Court of Final Appeal, the Directors have sought proper legal advice and considered that the Plaintiff did not have any further valid claim against the Company and the provision for losses on litigation previously made of HK$86,500,000 has to be reversed in the consolidated financial statements during the year ended 31 December 2013.

OTHER INFORMATION

Purchase, Sale or Redemption of the Company's Listed Securities

During the year, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

Corporate Governance Practices

Throughout the year ended 31 December 2013, the Company has applied the principles and complied with the code provisions set out in the Corporate Governance Code and Corporate Governance Report (the "CG Code") as listed out in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited except for the following deviations:

Pursuant to Code A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Ng Kai Man ("Mr. Ng") has been designated as the Chairman of the Company with effect from 1 July 2009 and takes up the leadership role to ensure that the Board works effectively in discharging its responsibilities and that all key and appropriate issues are discussed by the Board in a timely manner. Mr. Ng, who is the founder of the property agency business of the Group and has considerable experience in real estate industry, also carries out the function of chief executive officer of the Group. Taken into account that there is a strong and independent non-executive element on the Board and a clear division of responsibility in running the business of the Group, the Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Group.

None of the non-executive directors of the Company is appointed for specific term which is deviated from Code A.4.1 of the CG Code. However, as the directors are subject to retirement by rotation provisions under the bye-laws of the Company, the Board considers that sufficient measures have been in place to ensure that the Company's corporate governance practices are no less exacting than the CG Code.

Review of the Results

The audit committee of the Company has reviewed with the management the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including the consolidated financial statements for the year ended 31 December 2013.

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

Hong Kong, 27 March 2014

As at the date of this announcement, the Board comprises Mr. Ng Kai Man (Chairman) as executive Director and Mr. Lui Siu Tsuen, Richard and Ms. Cheung Sze Man as independent non-executive Directors.