Interim Report 2012

21 Holdings Limited
21控股有限公司*

(Incorporated in Bermuda with limited liability)

Stock Code : 1003

* For identification purposes only

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Ng Kai Man *(Chairman)*
Cheng Yuk Wo

Independent Non-Executive Directors

Lui Siu Tsuen, Richard
Ding Chung Keung
Cheung Sze Man

AUDIT COMMITTEE

Lui Siu Tsuen, Richard *(Chairman)*
Ding Chung Keung
Cheung Sze Man

REMUNERATION COMMITTEE

Lui Siu Tsuen, Richard *(Chairman)*
Ng Kai Man
Ding Chung Keung

NOMINATION COMMITTEE

Ding Chung Keung *(Chairman)*
Lui Siu Tsuen, Richard
Cheung Sze Man

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants

REGISTERED OFFICE

Canon's Court, 22 Victoria Street
Hamilton HM12, Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 1303, 13/F, Tower 2, Lippo Centre
89 Queensway, Admiralty, Hong Kong

PRINCIPAL SHARE REGISTRAR

Butterfield Fulcrum Group (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke HM8, Bermuda

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

STOCK CODE

The Stock Exchange of Hong Kong Limited: 1003

WEBSITE

www.irasia.com/listco/hk/21holdings

INVESTOR RELATIONS CONTACT

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BUSINESS AND OPERATION REVIEW

The property agency segment in Hong Kong reported revenue of HK$55.3 million for the six months ended 30 June 2012, an increase of about 87.5% as compared with HK$29.5 million for the same period last year, which is mainly contributed by launching of a number of larger scale residential projects by the real estate developers and the release of accumulated purchasing power in Hong Kong.

Nonetheless, the revival has not stretched to the property market in the People's Republic of China (the "PRC"). The property agency segment in the PRC recorded a loss of HK$36.4 million during the period under review. The implementation of series of tightening measures in the real estate market and the macro-economy by the PRC government since 2011 has led to significant decline in the property sales and mounting financial challenges to real estate developers of small and medium size. In view of this unfavorable operating environment, the Group has slowed down the pace of business expansion and re-examined the performance of various projects.

The scale of toy products trading business has significantly curtailed with the adoption of twin line strategies on careful customers' selection and tight control on expenditure. Revenue from the toy products trading segment during the six months ended 30 June 2012 was HK$21.7 million, representing an decrease of HK$42.7 million or 66.3% when compared with the corresponding period in 2011. On the other side of the coin, the Group no longer needs to bear a large amount of selling and distribution cost and administrative expenses and the segment recorded a loss of HK$0.9 million, a mitigation of HK$2.5 million as compared to a loss of HK$3.4 million in the last corresponding period.

The securities trading and investments segment reported a profit of HK$5.9 million mainly due to change in fair value of the Group's investments held for trading.

PROSPECTS

The property agency business in Hong Kong is facing a volatile operating environment influenced by external economic environment, interest rate and government policy. Despite of that, the Group would continue to sharpen its competitive edge by intensifying relationship with property developers and strengthening our task force. The management believes that this business segment will continue to develop steadily in the second half of the year.

The property agency business in the PRC has continued to soften in the third quarter of 2012. The management envisages that the property agency business in the PRC would continue to be restrained until there is significant relieve of the tightening measures by the PRC government and the PRC real estate market could resume its vibrant momentum. Looking forward, the management will prudently manage its financial resources and timely adjust its operation strategies in this business segment.

The management anticipates toys trading business would become fully curtailed in the second half of 2012 due to adoption of twin line strategies on customer selection and expenditure. The management considered that the toy products trading is not the core business of the Group and more resources are directed to property agency business.

The Board will continue to search for promising investments for healthy growth and enhancement in value of the Group as well as better return to the shareholders of the Company (the "Shareholders").

FINANCIAL REVIEW

REVIEW OF RESULTS

For the six months ended 30 June 2012, the Group reported revenue of HK$85.6 million, representing a decrease of HK$13.4 million or 13.5% when compared with that of the last corresponding period. Gross profits improved by HK$2.5 million from HK$16.1 million for the last corresponding period to HK$18.6 million, principally due to change in sales mix where more resources are directed from toys trading business to property agency business.

The Group recorded other gains of HK$3.5 million for the period which was attributable to the net gains on investments held for trading (for the six months ended 30 June 2011: other losses of HK$11.6 million).

Selling and distribution costs decreased by HK$1.9 million, while administrative expenses decreased by HK$0.5 million.

The profit before interest, tax, depreciation, amortization and impairment for the period amounted to HK$0.3 million (for the six months ended 30 June 2011: loss of HK$19.5 million). After taking into account, among others, amortisation of intangible assets of HK$8.8 million, impairment loss on intangible assets of HK$5.1 million and impairment loss on goodwill of HK$19.9 million, the Group recorded a loss of HK$28.7 million for the six months ended 30 June 2012, a decrease of HK$23.6 million or 45.1% as compared with HK$52.3 million for the last corresponding period.

LIQUIDITY AND FINANCIAL RESOURCES

The Group maintained sufficient working capital as at 30 June 2012 with bank balances and cash of HK$134.2 million (31 December 2011: HK$84.7 million).

As at 30 June 2012, the Group has obligations under a finance lease of HK$0.2 million (31 December 2011: HK$0.3 million).

Gearing ratio, expressed as the percentage of total borrowings over total capital, of the Group as at 30 June 2012 was 0.1% (31 December 2011: 0.1%). Total capital is calculated as total equity plus total borrowings.

CAPITAL STRUCTURE

As at 30 June 2012, the Company has 267,759,235 shares of HK$0.01 each (the "Shares") in issue.

On 18 June 2012, the Company effected a capital reorganisation, which included:

(i) share consolidation of every five issued shares of par value HK$0.01 each into one issued consolidated share of par value HK$0.05 each;

(ii) capital reduction of the par value of each issued consolidated share from HK$0.05 to HK$0.01 by cancellation of HK$0.04 of the paid-up capital on each issued consolidated share; and

(iii) cancellation of the entire amount standing to the credit of the share premium account of the Company.

A total credit of approximately HK$113.5 million arisen from the capital reorganization was credited to the contributed surplus account of the Company and will be applied for setting off the accumulated loss of the Company.

CHARGES ON ASSETS

As at 30 June 2012, certain property, plant and machinery with carrying values of approximately HK$0.4 million (31 December 2011: HK$0.4 million) represented assets held under finance leases.

EXPOSURE TO EXCHANGE RATES

Most of the Group's business transactions, assets and liabilities are denominated in Hong Kong dollars, United States dollars and Renminbi. The Group's exposure to United States dollars currency risk is minimal as Hong Kong dollars is pegged to United States dollars. Nevertheless, operations and performances of the Group might be affected by the fluctuation of Renminbi and Pound Sterling. Presently, the Group does not have any currency hedging policy but will closely monitor the exchange rate of Renminbi and Pound Sterling and take appropriate measures to minimise any adverse impact that may be caused by its fluctuation.

CONTINGENT LIABILITIES

As at 30 June 2012, the Group had no significant contingent liabilities.

LITIGATION

Details of the litigation are set out in note 18 to the condensed consolidated financial statements.

EMPLOYEES

As at 30 June 2012, the Group had 62 employees and 300 agents. To attract, retain and motivate its employees and agencies, the Group has developed effective remuneration policies that are subject to review on regular basis. The Group's employees and agencies are remunerated with competitive packages which are in line with prevailing industry practice and individual performance. Furthermore, share option and performance-based bonus scheme are also in place to recognise the outstanding employees.

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE CODE

The Company complied with the Code on Corporate Governance Practices (the "CG Code") in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules"), from 1 January 2012 until its amendment on 1 April 2012 and with the amended CG Code from 1 April 2012 to 30 June 2012, except for the following deviation:

Pursuant to Code A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separated 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 taken 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 the 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.

Pursuant to Code A.6.7 of the amended CG Code, independent non-executive directors and other non-executive directors should attend the general meetings of the Company. Mr. Lui Siu Tsuen, the independent non-executive Directors, was unable to attend the annual general meeting of the Company held on 25 May 2012 due to other prior business engagement.

CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transaction by the Directors. Having made specific enquiry, all Directors confirmed that they fully complied with the Model Code throughout the review period.

CHANGE IN INFORMATION OF DIRECTORS

On 29 June 2012, Mr. Ng has entered in a service agreement with a wholly-owned subsidiary of the Company for a term of three years commencing from 1 July 2012, subject to termination by the Company and Mr. Ng by giving not less than three months' notice in writing. Pursuant to the agreement, Mr. Ng is entitled to a monthly salary of HK$50,000 and a bonus to be decided at the sole discretion of the Company.

Save for above, there is no change in Directors' information since 30 March 2012, the date of the 2011 annual report of the Company, which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

INTERIM DIVIDEND

The Board does not recommend payment of an interim dividend for the six months ended 30 June 2012 (for the six months ended 30 June 2011: nil).

DIRECTORS' INTERESTS IN SECURITIES

As at 30 June 2012, the interests and short positions of the Director and chief executive of the Company and their associates in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of Securities and Future Ordinance (the "SFO")) were as follows:

Long positions in the Shares of the Company

Name of Director	Capacity	Number of Shares	Approximate percentage of shareholding (Note)
Ng Kai Man	Beneficial owner	5,400,000	2.02%

Note: The percentage of shareholding in the Company is calculated based on 267,759,235 Shares in issue as at 30 June 2012.

Save as disclosed above, as at 30 June 2012, none of the Directors or chief executive of the Company or any of their respective associates had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 30 June 2012, the interests or short positions of those person (other than the Directors and chief executive of the Company) in the shares or underlying shares of the Company representing five percent or more in the issued share capital of the Company and recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Long positions in the Shares of the Company

Name of Shareholders	Capacity	Number of Shares (Note 1)	Approximate percentage of shareholding (Note 2)
Tomson Group Limited ("Tomson")	Interest of controlled corporations	31,705,000	11.84%
Hsu Feng	Interest of controlled corporations	31,705,000	11.84%
Tong Albert	Interest of controlled corporations	31,705,000	11.84%
Tong Chi Kar, Charles	Interest of controlled corporations	31,705,000	11.84%

Notes:

1. 158,525,000 pre-adjusted Shares were held by Humphreys Estate (Strawberry Houses) Limited, which was indirectly wholly-owned by Tomson through Tomson Investment Limited and Tomson Financial Investment Limited. Upon the share consolidation (as described in note 16 to the condensed consolidated financial statements) became effective, 158,525,000 pre-adjusted Shares were consolidated into 31,705,000 Shares.

   As disclosed by the relevant disclosure notices on 8 June 2012, (i) approximately 7.65% and 10.68% interests in the total issued share capital of Tomson was held by E-Shares Investments Limited ("E-Shares") and King China Holdings Limited ("King China") respectively; (ii) Madam Hsu Feng held the entire interests of E-Shares and King China and approximately 9.06% interests in the total issued share capital of Tomson; and (iii) Mr. Tong Albert and Mr. Tong Chi Kar, Charles held approximately 11.74% and 10.93% interests in the total issued share capital of Tomson respectively.

2. The percentage of shareholding in the Company is calculated based on 267,759,235 Shares in issue as at 30 June 2012.

SHARE OPTIONS

There were no outstanding share options under the share option scheme of the Company at 1 January 2012 and 30 June 2012 and no share options were granted, exercised, cancelled or lapsed during the six months ended 30 June 2012.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the six months ended 30 June 2012, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

REVIEW OF INTERIM RESULTS

The Audit Committee of the Company has reviewed with the management and the independent auditor of the Company the accounting principles and practices adopted by the Group and the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2012.

By Order of the Board
Ng Kai Man
Chairman

Hong Kong, 31 August 2012

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Deloitte.
德勤

TO THE BOARD OF DIRECTORS OF 21 HOLDINGS LIMITED
(Incorporated in Bermuda with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of 21 Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 13 to 36, which comprises the condensed consolidated statement of financial position as of 30 June 2012 and the related condensed consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on condensed consolidated financial statements to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

31 August 2012

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2012

	Notes	Six months ended 30 June 2012 HK$'000 (Unaudited)	2011 HK$'000 (Unaudited)
Revenue	3	**85,552**	98,974
Cost of sales		**(66,974)**	(82,847)
Gross profit		**18,578**	16,127
Other income		**2,899**	544
Other gains (losses)	4	**3,522**	(11,591)
Selling and distribution costs		**(1,343)**	(3,186)
Administrative expenses		**(21,224)**	(21,728)
Amortisation of intangible assets	13	**(8,808)**	(5,320)
Impairment loss on intangible assets	13	**(5,072)**	—
Impairment loss on goodwill	12	**(19,850)**	(28,000)
Finance costs	5	**(6)**	(256)
Loss before tax		**(31,304)**	(53,410)
Income tax credit	6	**2,615**	1,103
Loss for the period	7	**(28,689)**	(52,307)
Other comprehensive (expense) income			
Exchange differences arising on translation		**(667)**	103
Total comprehensive expense for the period		**(29,356)**	(52,204)
Loss for the period attributable to:			
Owners of the Company		**(28,373)**	(52,307)
Non-controlling interests		**(316)**	—
		(28,689)	(52,307)
Total comprehensive expense for the period attributable to:			
Owners of the Company		**(29,040)**	(52,204)
Non-controlling interests		**(316)**	—
		(29,356)	(52,204)
			(restated)
Loss per share (HK dollar) — Basic and diluted	9	**(0.11)**	(0.87)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2012

	Notes	30 June 2012 HK$'000 (Unaudited)	31 December 2011 HK$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	10	**3,159**	3,607
Note receivable	11	**8,825**	—
Goodwill	12	**38,000**	57,944
Intangible assets	13	**56,232**	70,791
		106,216	132,342
CURRENT ASSETS			
Trade and other receivables	14	**61,574**	100,029
Investments held for trading		**50,107**	52,177
Bank balances and cash		**134,186**	84,655
		245,867	236,861
CURRENT LIABILITIES			
Trade and other payables	15	**153,939**	138,825
Tax payable		**1,790**	936
Obligations under a finance lease		**192**	187
		155,921	139,948
NET CURRENT ASSETS		**89,946**	96,913
TOTAL ASSETS LESS CURRENT LIABILITIES		**196,162**	229,255
NON-CURRENT LIABILITIES			
Obligations under a finance lease		**16**	113
Deferred tax liabilities		**14,058**	17,698
		14,074	17,811
		182,088	211,444
CAPITAL AND RESERVES			
Share capital	16	**2,678**	13,388
Reserves		**184,418**	202,748
Equity attributable to owners of the Company		**187,096**	216,136
Non-controlling interests		**(5,008)**	(4,692)
		182,088	211,444

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2012

	Attributable to owners of the Company									
	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000	Contributed surplus HK$'000	Convertible notes equity reserve HK$'000	Exchange reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
Balance at 1 January 2011 (audited)	1,127	–	2,099	281,147	7,904	–	(242,166)	50,111	–	50,111
Loss for the period	–	–	–	–	–	–	(52,307)	(52,307)	–	(52,307)
Exchange differences arising on translation of foreign operation	–	–	–	–	–	103	–	103	–	103
Total comprehensive expense for the period	–	–	–	–	–	103	(52,307)	(52,204)	–	(52,204)
Issue of shares under rights issue	11,270	202,852	–	–	–	–	–	214,122	–	214,122
Issue of shares upon placing of shares	2,479	24,790	–	–	–	–	–	27,269	–	27,269
Share issue expenses	–	(6,042)	–	–	–	–	–	(6,042)	–	(6,042)
Capital reduction	(13,388)	–	–	13,388	–	–	–	–	–	–
Share premium reduction	–	(221,600)	–	221,600	–	–	–	–	–	–
Transfer	–	–	–	(242,166)	–	–	242,166	–	–	–
Redemption of convertible notes	–	–	–	–	(7,904)	–	7,744	(160)	–	(160)
At 30 June 2011 (unaudited)	1,488	–	2,099	273,969	–	103	(44,563)	233,096	–	233,096
At 1 January 2012 (audited)	**13,388**	**102,808**	**2,099**	**273,969**	**–**	**5,639**	**(181,767)**	**216,136**	**(4,692)**	**211,444**
Loss for the period	**–**	**–**	**–**	**–**	**–**	**–**	**(28,373)**	**(28,373)**	**(316)**	**(28,689)**
Exchange differences arising on translation of foreign operation	**–**	**–**	**–**	**–**	**–**	**(667)**	**–**	**(667)**	**–**	**(667)**
Total comprehensive expense for the period	**–**	**–**	**–**	**–**	**–**	**(667)**	**(28,373)**	**(29,040)**	**(316)**	**(29,356)**
Capital reduction (note 16)	**(10,710)**	**–**	**–**	**10,710**	**–**	**–**	**–**	**–**	**–**	**–**
Share premium reduction (note 16)	**–**	**(102,808)**	**–**	**102,808**	**–**	**–**	**–**	**–**	**–**	**–**
At 30 June 2012 (unaudited)	**2,678**	**–**	**2,099**	**387,487**	**–**	**4,972**	**(210,140)**	**187,096**	**(5,008)**	**182,088**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2012

	Six months ended 30 June	
	2012	2011
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
OPERATING ACTIVITIES		
Net cash from (used in) operating activities	**47,947**	(29,141)
INVESTING ACTIVITIES		
Acquisition of a subsidiary	**—**	(169,264)
Proceeds from redemption of convertible notes designated as at fair value through profit or loss at maturity	**—**	16,500
Other investing activities	**2,574**	(1,544)
Net cash from (used in) investing activities	**2,574**	(154,308)
FINANCING ACTIVITIES		
Net proceeds on issue of shares under rights issue	**—**	208,629
Net proceeds on issue of shares under share placing	**—**	26,720
Consideration for redemption of convertible notes	**—**	(67,900)
Other financing activities	**(964)**	—
Net cash (used in) from financing activities	**(964)**	167,449
Net increase (decrease) in cash and cash equivalents	**49,557**	(16,000)
Cash and cash equivalents at beginning of the period	**84,655**	43,041
Effect of foreign exchange rate changes	**(26)**	28
Cash and cash equivalents at end of the period, represented by bank balances and cash	**134,186**	27,069

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2012

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 ("HKAS 34") "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

2. SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared under the historical cost basis, except for certain financial instruments, which are measured at fair values, as appropriate.

Except as described below, the accounting policies and methods of computations used in the condensed consolidated financial statements for the six months ended 30 June 2012 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2011.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Amendments to HKFRS 7	Disclosures — Transfers of Financial Assets
Amendments to HKAS 12	Deferred tax: Recovery of Underlying Assets

The application of the above amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

3. 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 based 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 People's Republic of China (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

3. SEGMENT INFORMATION *(Continued)*

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

Six months ended 30 June 2012 (Unaudited)

	Property agency Hong Kong HK$'000	Property agency PRC HK$'000	Toy products trading HK$'000	Securities trading and investments HK$'000	Consolidated HK$'000
Segment revenue — External sales	55,317	8,501	21,734	—	85,552
Segment profit (loss)	2,716	(36,359)	(873)	5,893	(28,623)
Other information (included in measure of segment profit (loss))					
Other income	216	32	—	2,435	2,683
Depreciation of property, plant and equipment	203	293	3	—	499
Impairment loss on trade receivables	—	—	183	—	183
Amortisation of intangible assets	—	8,808	—	—	8,808
Impairment loss on intangible assets	—	5,072	—	—	5,072
Impairment loss on goodwill	—	19,850	—	—	19,850
Additions to non-current segment assets during the period	56	17	—	8,587	8,660

Six months ended 30 June 2011 (Unaudited)

	Property agency Hong Kong HK$'000	Property agency PRC HK$'000	Toy products trading HK$'000	Securities trading and investments HK$'000	Consolidated HK$'000
Segment revenue — External sales	29,460	5,162	64,352	—	98,974
Segment loss	(26,843)	(7,545)	(3,384)	(9,389)	(47,161)
Other information (included in measure of segment loss)					
Other income	390	2	—	152	544
Depreciation of property, plant and equipment	186	193	3	—	382
Amortisation of intangible assets	—	5,320	—	—	5,320
Impairment loss on goodwill	28,000	—	—	—	28,000
Additions to non-current segment assets during the period	713	1,873	4	—	2,590

3. SEGMENT INFORMATION *(Continued)*

The totals presented for the Group's operating and reportable segments reconcile to the loss before tax as presented in the consolidated financial statements as follows:

	Six months ended 30 June	
	2012	2011
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Aggregate of segments' loss	**(28,623)**	(47,161)
Unallocated corporate income	**216**	836
Unallocated corporate expenses	**(2,891)**	(6,829)
Finance costs	**(6)**	(256)
Consolidated loss before tax	**(31,304)**	(53,410)

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

Segment profit (loss) represents the profit (loss) from each segment without allocation of unallocated corporate income (which mainly includes bank interest income), unallocated corporate expenses (which mainly include administration expenses) and finance costs. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

4. OTHER GAINS (LOSSES)

	Six months ended 30 June	
	2012	2011
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Net gains (losses) on investments held for trading	**3,522**	(9,773)
Provision for losses on litigation	**—**	(3,000)
Gain on convertible notes designated as at fair value through profit or loss	**—**	347
Gain on redemption of convertible notes	**—**	835
	3,522	(11,591)

5. FINANCE COSTS

	Six months ended 30 June	
	2012	2011
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Interest charges on:		
Bank overdraft wholly repayable within five years	**—**	1
Convertible notes	**—**	245
Finance lease	**6**	10
	6	256

6. INCOME TAX CREDIT

	Six months ended 30 June	
	2012	2011
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
The (credit) charge comprises:		
Hong Kong Profits Tax	**855**	227
Deferred tax — current period (Note)	**(3,470)**	(1,330)
	(2,615)	(1,103)

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 periods.

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.

7. LOSS FOR THE PERIOD

Loss for the period has been arrived at after charging (crediting):

	Six months ended 30 June	
	2012	2011
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Cost of inventories recognised as expenses	**20,157**	61,448
Legal and professional fee on acquisition of subsidiaries	**—**	858
Depreciation of property, plant and equipment	**502**	384
Impairment loss on trade receivables	**183**	—
Amortisation of intangible assets	**8,808**	5,320
Net exchange losses (gains)	**107**	(89)
Interest income	**(2,647)**	(2)

8. DIVIDENDS

No dividends were paid, declared or proposed for the period ended 30 June 2012 and 2011, nor has any dividend been proposed since the end of both reporting periods.

9. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to the owners of the Company is based on the following data:

	Six months ended 30 June	
	2012	2011
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Loss for the period attributable to owners of the Company for the purposes of basic and diluted loss per share	**(28,373)**	(52,307)

	Number of ordinary shares	
	2012	2011
	'000	'000
		(restated)
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share (Note)	**267,759**	60,003

Note: The weighted average number of shares for the purposes of calculating basic and diluted loss per share for the six months ended 30 June 2011 and 2012 was adjusted to reflect the effects of share consolidation in June 2012 and June 2011 and the bonus element of rights issue completed in July 2011 and January 2011.

10. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired property, plant and equipment for a cash consideration of HK$73,000 (for the six months ended 30 June 2011: HK$2,590,000).

11. NOTE RECEIVABLE

The Group held investments held for trading of 5,357,000 shares in ITC Properties Group Limited ("ITCP") with a carrying value of HK$10,875,000 as at 31 December 2011. On 20 January 2012, ITCP made an offer to all the shareholders of ITCP to repurchase its shares up to 260,000,000 shares at a repurchase price at HK$2.6 per share settled by HK$0.6 cash and HK$2.0 loan notes bearing 6.0% per annum with maturity on 9 February 2015.

The Group accepted the offer and the entire investments were repurchased by ITCP whereby cash of HK$3,214,000, an unlisted note receivable with nominal value of HK$10,714,000 bearing coupon interest at 6.0% per annum with maturity on 9 February 2015 were received accordingly.

The note receivable with fair value of HK$8,587,000 are recognised based on the present value of contractually determined stream of future cash flows discounted at the required yield of 14.6%, which was determined with reference to the credit rating of the note issuer and remaining time to maturity.

As a result, a fair value gain of HK$926,000 was recognised during the period.

12. GOODWILL

	Property agency Hong Kong HK$'000	Property agency PRC HK$'000	Toy products trading HK$'000	Total HK$'000
COST				
At 1 January 2012 (audited)	429,960	115,419	4,201	549,580
Exchange realignment	—	(1,249)	—	(1,249)
At 30 June 2012 (unaudited)	429,960	114,170	4,201	548,331
IMPAIRMENT				
At 1 January 2012 (audited)	391,960	95,475	4,201	491,636
Impairment loss recognised in the period	—	19,850	—	19,850
Exchange realignment	—	(1,155)	—	(1,155)
At 30 June 2012 (unaudited)	391,960	114,170	4,201	510,331
CARRYING VALUES				
At 30 June 2012 (unaudited)	38,000	—	—	38,000
At 31 December 2011 (audited)	38,000	19,944	—	57,944

Property agency in Hong Kong

During the six months ended 30 June 2012, the management assessed that the recoverable amount of the cash generated unit ("CGU") of property agency segment in Hong Kong is higher than its carrying amount and no impairment loss (for the six months ended 30 June 2011: HK$28,000,000) is made as at the end of the reporting period.

12. GOODWILL *(Continued)*

Property agency in the PRC

The recoverable amount of the CGUs of property agency in the PRC was based on its value-in-use and was determined with reference to the valuation performed by an independent professional qualified valuer not connected with the Group. These calculation uses cash flow projections based on financial budgets approved by management covering a five-year period, and at discount rate of 19.75%. Cash flows beyond the five-year period were extrapolated using 3.44% 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 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 and management's expectations for the PRC property market development including continuously deteriorated sentiment for property sales due to certain on-going regulatory policies being implemented and enforced in the first half of 2012 by the PRC government limiting the property purchase to curb the overheated PRC real estate market, which 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 as at 31 December 2011 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$24,922,000 (for the six months ended 30 June 2011: Nil) was recognised and allocated to goodwill and intangible assets of HK$19,850,000 and HK$5,072,000 respectively.

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.

	HK$'000
COST	
At 1 January 2012 (audited)	88,489
Exchange realignment	(954)
At 30 June 2012 (unaudited)	87,535
AMORTISATION AND IMPAIRMENT	
At 1 January 2012 (audited)	17,698
Impairment loss recognised in the period	5,072
Amortisation provided for the period	8,808
Exchange realignment	(275)
At 30 June 2012 (unaudited)	31,303
CARRYING VALUE	
At 30 June 2012 (unaudited)	56,232
At 31 December 2011 (audited)	70,791

Details of the impairment test on the recoverable amount of the CGUs of property agency in the PRC, which the intangible assets are allocated to, are set out in note 12.

14. TRADE AND OTHER RECEIVABLES

For toy products trading segment, the Group allows an average credit period ranging from 30 to 90 days to its trade customers. For property agency segment 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.

Included in trade and other receivables are trade receivables of approximately HK$52,517,000 (31 December 2011: HK$39,090,000) and an aged analysis presented based on the invoice date at the end of reporting period is as follows:

	30 June 2012 HK$'000 (Unaudited)	31 December 2011 HK$'000 (Audited)
0 – 30 days	**13,123**	15,816
31 – 60 days	**8,623**	9,143
61 – 90 days	**4,110**	4,094
Over 90 days	**26,661**	10,037
	52,517	39,090

As at 31 December 2011, included in the Group's trade and other receivables is a security of HK$50,000,000 which was paid to the High Court during 2011 for the stay of execution and enforcement of judgment. On 5 January 2012, the security of HK$50,000,000 was released and refunded to the Company by the High Court. Details of which are set out in note 18.

15. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables and commission payables of approximately HK$47,328,000 (31 December 2011: HK$26,383,000).

An aged analysis of trade payables presented based on the invoice date at the end of reporting period is as follows:

	30 June 2012 HK$'000 (Unaudited)	31 December 2011 HK$'000 (Audited)
0 – 30 days	—	2,404
31 – 60 days	—	1,184
61 – 90 days	—	720
Over 90 days	—	574
	—	4,882

The average credit period on purchases of goods is 90 to 120 days.

Commissions payable of HK$47,328,000 (31 December 2011: HK$21,501,000) include mainly the commissions payable to property consultants and co-operative estate agents, which are due for payment only upon the receipt of corresponding agency fees from customers.

Included in the Group's trade and other payables was the amount due to a non-controlling shareholder of a subsidiary of approximately HK$11,580,000 (31 December 2011: HK$13,333,000) which is unsecured, non-interest bearing, non-trade nature and repayable on demand. The non-controlling shareholder of a subsidiary is a close family member of Mr. Ng Kai Man, a director of the Company.

Included in the Group's trade and other payables was provision for losses on litigation of approximately HK$86,500,000 (31 December 2011: HK$86,500,000) made in accordance with the judgment, details of which are set out in note 18.

16. SHARE CAPITAL

	Number of shares '000	Share capital HK$'000
Authorised:		
Ordinary shares		
At 31 December 2011 and		
30 June 2012, at HK$0.01 each	50,000,000	500,000
Issued and fully paid:		
At 1 January 2011	112,696	1,127
Issue of shares upon rights issues	2,316,997	23,170
Issue of shares upon place of shares	247,900	2,479
Share consolidation of every 10 ordinary shares of par value HK$0.01 each into 1 consolidated share of par value HK$0.01 each and reduction par value of each consolidated share from HK$0.10 to HK$0.01	(1,338,796)	(13,388)
At 31 December 2011	1,338,797	13,388
Share consolidation of every 5 ordinary shares of par value HK$0.01 each into 1 consolidated share of par value HK$0.05 each; and reduction par value of each consolidated share from HK$0.05 to HK$0.01 (Note)	(1,071,038)	(10,710)
At 30 June 2012	**267,759**	**2,678**

16. SHARE CAPITAL *(Continued)*

Note:

Pursuant to a special resolution passed in a special general meeting of the Company, the Company effected a capital reorganisation (the "Capital Reorganisation") on 18 June 2012:

(i) every five issued existing shares of par value HK$0.01 each were consolidated into one issued consolidated share of par value HK$0.05 each;

(ii) the issued share capital was reduced by cancelling of HK$0.04 of the paid-up capital on each issued consolidated share such that the nominal value of each issued consolidated shares be reduced from HK$0.05 to HK$0.01;

(iii) the entire amount standing to the credit of the share premium account of the Company was cancelled;

(iv) the credits arising from the capital reduction and the share premium cancellation were transferred to the contributed surplus account of the Company; and

(v) the directors of the Company be and are hereby authorised to apply the amount in the contributed surplus account of the Company to set off the accumulated loss of the Company in the manner permitted by the laws of Bermuda and the bye-laws.

Details of the Capital Reorganisation were set out in the circular of the Company dated 23 May 2012.

17. SHARE-BASED PAYMENTS

The Company has a share option scheme for eligible participants of the Group.

No share options were outstanding at the beginning and end or of the period granted during six months ended 30 June 2012 and 2011.

18. 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, judgement 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 has good grounds for appeal, and has instructed its solicitor 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").

18. LITIGATION *(Continued)*

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 the 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 is 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 the CA Appeal payable to the Plaintiff. In addition, on 18 April 2011, the Company and the Plaintiff has 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 shall 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 will be heard by the Court of Final Appeal on 5 September 2013 (with 6 September 2013 reserved).

18. LITIGATION *(Continued)*

Both counsels and solicitor acting for the Company hold the view that there is 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 has to deal with the hearing of the unmeritorious CFA Appeal on 5 September 2013 (with 6 September 2013 reserved).

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.

After seeking the advice of the counsels and solicitor acting for the Company, the directors of the Company formed the opinion that the Plaintiff did not have any valid claim against the Company, and therefore it is unlikely to have any adverse financial impact to the Company. Therefore, no further provision for any losses on litigation was made in the consolidated financial statements as at 30 June 2012. However, there are still uncertainties on the outcome of the Plaintiff's appeal to the Court of Final appeal and the directors are of the opinion that the provision for losses on litigation previously made of HK$86,500,000 (31 December 2011:HK$86,500,000) is adequate and not excessive.

19. OPERATING LEASES

The Group as Lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	30 June 2012 HK$'000 (Unaudited)	31 December 2011 HK$'000 (Audited)
Within one year	**7,219**	6,115
In the second to fifth year inclusive	**2,893**	4,661
	10,112	10,776

Operating lease payments represent rentals payable by the Group for certain of its office premises, shops and photocopying machines. Leases are negotiated and rentals are fixed for lease terms of one to five years (31 December 2011: one to five years).

20. RELATED PARTY DISCLOSURES

(a) Related party balance

Detail of the Group's outstanding balance with a related party is set out in note 15.

(b) Compensation of key management personnel

The remuneration of directors and other members of key management during the period is as follows:

	Six months ended 30 June	
	2012	2011
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Short-term benefits	**750**	900
Post-employment benefits	**13**	18
	763	918

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