
IMPORTANT

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If you are in any doubt as to any aspect of this circular, you should consult a stockbroker or other registered dealer in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in 401 Holdings Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee, or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.



401 Holdings Limited

(Incorporated in Bermuda with limited liability)

DISCLOSEABLE TRANSACTION

ACQUISITION OF SINO TOP TECHNOLOGY LIMITED

INVOLVING THE ISSUE OF SHARES AND CONVERTIBLE BOND

A notice convening a special general meeting of 401 Holdings Limited to be held at 9:30 a.m. on 10th September, 2002, at Function Room, Basement, Luk Kwok Hotel, 72 Gloucester Road, Wanchai, Hong Kong, is set out on pages 18 to 19 of this circular. Whether or not you are able to attend the meeting, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the head office and principal place of business of the Company in Hong Kong at Units 2204-5, 22nd Floor, West Tower, Shun Tak Centre, 200 Connaught Road Central, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof. Completion and return of the form of proxy shall not preclude shareholders from attending and voting in person at the meeting or any adjourned meeting should they so desire.

16th August, 2002

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DEFINITIONS

In this circular and the appendix, the following expressions have the following meaning unless the context requires otherwise:

“Acquisition”	the proposed acquisition by the Group of the entire interest in Sino Top, which will hold at Completion 46.67% equity interest in SLMIN pursuant to the Agreement;
“Agreement”	the agreement dated 22nd July, 2002 between the Purchaser and the Vendor in relation to the Acquisition;
“Board”	the board of Directors of the Company;
“Bondholder”	the holder of the Convertible Bond;
“Company”	401 Holdings Limited, a company incorporated in Bermuda with limited liability and the Shares of which are listed on the Stock Exchange;
“Completion”	completion of the Agreement in accordance with the terms thereof;
“Consideration Shares”	the 660,000,000 new Shares to be issued by the Company upon completion of the Agreement;
“Conversion Shares”	the new Shares to be issued by the Company under the Convertible Bond (upon exercise by the Bondholder of the conversion rights attaching thereto);
“Convertible Bond”	the convertible bond in the principal sum of HK\$6,600,000 to be issued by the Company upon completion of the Agreement;
“Directors”	directors of the Company from time to time;
“Group”	the Company and its subsidiaries;
“Hong Kong”	Hong Kong Special Administrative Region of the PRC;
“independent third party”	a party who is independent of and not connected with the Company, the chief executives, directors or substantial shareholders of the Company or its subsidiaries or their respective associates (as defined in the Listing Rules);

DEFINITIONS

“JV Documents”	means the sino-foreign equity joint venture contract and articles of association to be entered into for the establishment of the sino-foreign equity joint venture company under the Reorganisation;
“Latest Practicable Date”	13th August, 2002, the Latest Practicable Date for ascertaining certain information for inclusion in this circular;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“PRC”	People’s Republic of China;
“Reorganisation”	the reorganisation of SLMIN into a sino-foreign equity joint venture company and to be held as to 46.67% by Sino Top and the balance by independent third parties;
“Shares”	ordinary shares of HK\$0.01 each in the capital of the Company;
“Shareholders”	holders of the Shares;
“Sino Top”	Sino Top Technology Limited, a limited company incorporated in the British Virgin Islands and beneficially wholly-owned by the Vendor;
“SLMIN”	上海聯通實華移動信息網絡有限公司 (Shanghai Liantongshihua Mobile Information and Network Co., Ltd.), a limited liability company incorporated in the PRC under the PRC Companies Law, which will be a sino-foreign equity joint venture company of the same name or otherwise after the Reorganisation;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“SGM”	a special general meeting of the Company to be convened on 10th September, 2002 (or any adjournment thereof) for the purpose of, inter alia, considering and approving the Agreement, the issue of the Consideration Shares and the Convertible Bond;

DEFINITIONS

“the Purchaser”	Cybermall Limited, a limited company incorporated in Hong Kong and wholly-owned by the Company;
“the Vendor”	Precise Global Investments Limited, a limited company incorporated in the British Virgin Islands and its shareholders are independent third parties.

LETTER FROM THE BOARD



401 Holdings Limited

(Incorporated in Bermuda with limited liability)

Directors:

Leung Tze Hang, David (*Managing Director*)
Law Chuen Lam, Edward
Au-Yeung Yok Cho
Po Kam Hi, John
Koo Fook Sun, Louis
Choi Koon Ming*
Ha Kee Choy, Eugene*
Leung Ka Kui, Johnny**
Koo Tsang Hoi**

Registered office:

Cedar House
41 Cedar Avenue
Hamilton, HM 12
Bermuda

Head office and principal place

of business in Hong Kong:
Units 2204-5, 22nd Floor
West Tower, Shun Tak Centre
200 Connaught Road Central
Hong Kong

* *Non-executive directors*

** *Independent non-executive directors*

16th August, 2002

*To the Shareholders, and for information only,
the holders of convertible bonds and
preference shares of the Company*

Dear Sir or Madam,

**DISCLOSEABLE TRANSACTION –
ACQUISITION OF SINO TOP TECHNOLOGY LIMITED
INVOLVING THE ISSUE OF SHARES AND CONVERTIBLE BOND**

INTRODUCTION

The Directors announced on 25th July, 2002 that on 22nd July, 2002, the Purchaser, a wholly-owned subsidiary of the Company and the Vendor entered into the Agreement under which the Group agreed to acquire the entire interest in Sino Top which will in turn hold 46.67% equity interest in SLMIN at Completion at a total price of HK\$13,200,000 which is to be satisfied as to HK\$6,600,000 by the issue and allotment of 660,000,000 Consideration Shares at HK\$0.01 per Share and as to HK\$6,600,000 by the issue of the Convertible Bond.

LETTER FROM THE BOARD

The Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules. The Company will seek shareholders' approval of the Agreement, the issue of the Consideration Shares and the Convertible Bond pursuant to the Acquisition, the issue of Conversion Shares upon exercise of the conversion rights attaching to the Convertible Bond and the grant of special mandate to the Directors for the issue of the Consideration Shares and the Conversion Shares.

THE AGREEMENT DATED 22ND JULY, 2002

Parties to the Agreement:

- (1) the Vendor, a company incorporated in the British Virgin Islands and its shareholders are independent third parties; and
- (2) the Purchaser, a wholly-owned subsidiary of the Company incorporated in Hong Kong.

Proposed transaction:

The Purchaser proposes to acquire 100% of the issued share capital of Sino Top, a company incorporated in the British Virgin Islands, from the Vendor upon fulfilment or waiver of the conditions precedent to Completion. At Completion (assuming that the Reorganisation is successfully implemented), Sino Top's only asset will be 46.67% equity interest in SLMIN, a sino-foreign equity joint venture company, the principal business of which will be the design and sale of intelligent transport systems (ITS) and technologies integrating the internet, GSM, GPS and FLEX platforms. The primary applications of the ITS are transport logistics and vehicle dispatch systems.

Consideration:

HK\$13,200,000 to be satisfied as follows:–

- a) as to HK\$6,600,000 by the issue and allotment of 660,000,000 Consideration Shares credited as fully paid at HK\$0.01 per Share (representing the closing price per Share of HK\$0.01 as quoted on the Stock Exchange as at the Latest Practicable Date); and
- b) as to HK\$6,600,000 by the issue of the Convertible Bond by the Company.

The Consideration Shares and the Convertible Bond are to be issued to the Vendor or as it may direct on Completion. The Consideration Shares will rank pari passu in all respects with the Shares in issue at the date of issue. Application will be made to the Listing Committee of the Stock Exchange for the listing of and permission to deal in, the Consideration Shares.

LETTER FROM THE BOARD

Prior to the date of the Agreement, the Vendor and its beneficial owners did not have any share interest in the Company. The Consideration Shares and the Conversion Shares (assuming conversion in full of the Convertible Bond at the initial conversion price of HK\$0.01 and that up to the date of Completion, there will be no change in the issued ordinary share capital of the Company) together represent approximately 8.16% of the existing issued ordinary share capital of the Company and approximately 7.55% of the issued ordinary share capital of the Company as enlarged by the Consideration Shares and Conversion Shares.

The consideration for the Acquisition (including the determination of the issue price of the Consideration Shares and the terms of the Convertible Bond) was determined after arms' length commercial negotiations between the parties with reference to the tangible and intangible assets (including the intellectual property rights) of SLMIN as at 30th June, 2002 as appraised by an independent registered assets appraisal company in the PRC of approximately RMB31,640,000 (equivalent to about HK\$29,850,000).

The Directors consider that the terms of the Acquisition are fair and reasonable and in the interests of the Company and its shareholders, after taking into account the opportunity to develop new logistics business in the PRC and the ability to add value to the existing logistics business of the Group.

Conditions precedent to Completion:

Completion of the Agreement is conditional upon the following conditions (among others) being fulfilled:–

- (a) approval of the Agreement and the transactions contemplated therein by the shareholders of the Company in accordance with the requirements under the Listing Rules;
- (b) due diligence on Sino Top and SLMIN and Reorganisation being completed to the satisfaction of the Purchaser (see “Information on SLMIN”) below.;
- (c) satisfactory evidence being supplied to the Purchaser that (i) the formalities for the Reorganisation have been completed in all respects in compliance with all applicable laws and regulations in the PRC or elsewhere; and (ii) Sino Top is the legal owner 46.67% of the equity interest in SLMIN (a sino-foreign joint venture company as a result of the Reorganisation), including evidence of the successful implementation of the Reorganisation and the execution of the JV Documents on terms and structure to the satisfaction of the Purchaser;

LETTER FROM THE BOARD

- (d) the delivery by the Vendor of a certified copy of the capital verification report of SLMIN (a sino-foreign joint venture company as a result of the Reorganisation) or the confirmation issued by the relevant government authorities in the PRC confirming that the registered capital of SLMIN (a sino-foreign joint venture company as a result of the Reorganisation) has been paid up in full into SLMIN (a sino-foreign joint venture company as a result of the Reorganisation);
- (e) the Listing Committee of the Stock Exchange granting a listing of and permission to deal in the Consideration Shares and the new Shares falling to be issued pursuant to the exercise of the conversion rights attaching to the Convertible Bond;
- (f) the Bermuda Monetary Authority granting permission for the issue of the Convertible Bond or if no such permission is required a legal opinion stating the same;
- (g) the delivery by the Vendor to the Purchaser of a legal opinion from PRC counsel acceptable to the Purchaser in connection with SLMIN, its ownership and its business and rights of Sino Top as shareholder thereof, including without limitation to the generality of the foregoing, to the effect that (i) the formalities for the Reorganisation have been completed in all respects in compliance with all applicable laws and regulations in the PRC; (ii) Sino Top is the legal and beneficial owner of 46.67% of the equity interest in SLMIN (a sino-foreign joint venture company as a result of the Reorganisation); (iii) all necessary approvals and consents from the relevant authorities in the PRC for the Reorganisation and the transfer of the 46.67% equity interest in SLMIN (a sino-foreign joint venture company as a result of the Reorganisation) to Sino Top have been obtained; and (iv) the due incorporation and valid existence of SLMIN (a sino-foreign joint venture company as a result of the Reorganisation) and the legality of its business.

The conditions must be fulfilled (or waived by the Purchaser except in the case of the requirement for listing permission and the shareholders' approval of the Agreement and the transactions contemplated therein) on or before 31 December, 2002 or such later date as the parties may agree. At present, the Company has no intention to waive the conditions precedent to the Agreement regarding the successful implementation of the Reorganisation and the acquisition by Sino Top of 46.67% equity interest in SLMIN (after the Reorganisation).

LETTER FROM THE BOARD

Completion:

Completion is to take place on the 7th business day after fulfilment (or waiver to the extent permitted) of the conditions precedent.

PRINCIPLE TERMS OF THE CONVERTIBLE BOND**Issuer :**

The Company

Principal amount:

The principal amount of the Convertible Bond will be HK\$6,600,000.

Interest:

Interest is to accrue on the principal amount of the Convertible Bond at the rate of two (2) per cent per annum above the best lending rate for Hong Kong Dollars in Hong Kong quoted by The Hongkong and Shanghai Banking Corporation Limited from the date of issue of the Convertible Bond to the date of redemption. Interest is payable quarterly in arrears.

Maturity date:

The maturity date of the Convertible Bond is the second anniversary of the date of its issue. However, the Company may at any time redeem all or part of the outstanding principal amount of the Convertible Bond after giving not less than 5 business days' written notice to the Bondholder.

Conversion rights:

The initial conversion price will be the lower of (i) HK\$0.01 per Share or (ii) 80% of the ten-day average closing price per Share ending on the trading day immediately preceding the date of conversion, subject to adjustment, and provided that no Share shall be issued at a discount to their nominal value. Subject to the other terms of the Convertible Bond, the Bondholder has the right to convert (to the extent not already redeemed) up to the maximum principal amount of the Convertible Bond into Conversion Shares at any time prior to the redemption of the Convertible Bond. The initial conversion price of HK\$0.01 per Share represents the closing price per Share on of HK\$0.01 as quoted on the Stock Exchange as at the Latest Practicable Date.

LETTER FROM THE BOARD

Fractions of Conversion Shares will not be issued on conversion and no cash adjustment will be made in respect thereof.

Shares to be issued upon conversion:

The Conversion Shares will rank pari passu in all respects with the Shares in issue at the date of conversion.

660,000,000 Conversion Shares (assuming a conversion price of HK\$0.01), representing approximately 4.08% of the existing issued ordinary share capital of the Company and approximately 3.77% of the issued ordinary share capital of the Company as enlarged by the issue of the Consideration Shares and the Conversion Shares which fall to be issued by the Company upon full conversion of the Convertible Bond at the initial conversion price of HK\$0.01 each (assuming that up to the date of issue of the Conversion Shares, there will be no change in the issued ordinary share capital of the Company other than the issue of the Consideration Shares).

Redeemability:

The Company is entitled to redeem all or any part of the outstanding principal amount of the Convertible Bond in cash by giving not less than 5 business days' written notice, subject to the right of the Bondholder to elect to convert all or any part of the principal amount of the Convertible Bond proposed to be redeemed.

Voting rights of the Bondholder(s):

The Bondholder(s) will not be entitled to receive notices of, attend or vote at any meeting of the Company by reason only of it being the Bondholder(s).

Transferability:

The Convertible Bond may not be assigned or transferred without the prior written consent of the Company. If the Convertible Bond is to be assigned or transferred to a wholly-owned subsidiary of the holders of the Convertible Bond, the Company shall not unreasonably withhold its consent to such assignment or transfer. The Company undertakes to inform the Stock Exchange immediately if it comes to its notice that any of the Convertible Bond is proposed to be transferred to or dealt with by a connected person of the Company (as defined in the Listing Rules).

LETTER FROM THE BOARD

Listing:

No listing of the Convertible Bond will be sought on the Stock Exchange or any other stock exchanges. Application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

Events of Default:

Any Bondholder may demand repayment of the principal amount of the Convertible Bond together with accrued interest calculated up to and including the repayment date immediately upon the occurrence of certain events which include, amongst others, (i) the failure of the Company to pay the principal amount when due or to pay interest on the Convertible Bond when due unless payment is made within seven business days of the due date thereof; (ii) the default by the Company in performance or observance or compliance with any of its obligations under the terms and conditions of the Convertible Bond and which default is incapable of remedy; (iii) an order made or an effective resolution passed for winding-up of the Company; (iv) the Shares cease to be listed on the Stock Exchange for a continuous period of 20 trading days due to the default of the Company; or (v) a receiver is appointed for the whole or any material part of the assets or revenues of the Company.

INFORMATION ON SLMIN AND SINO TOP

Brief details of SLMIN are summarised as follows:

Company name:

上海聯通實華移動信息網絡有限公司

(Shanghai Liantongshihua Mobile Information and Network Co., Ltd.)

Place of establishment:

People's Republic of China

Registered capital:

RMB15 million

Principal business:

Design and sale of intelligent transport systems (ITS) and technologies integrating the internet, GSM, GPS and FLEX platforms. The primary applications of the ITS are transport logistics and vehicle dispatch systems. SLMIN has applied for registration of its intellectual properties in the PRC.

LETTER FROM THE BOARD

Date of establishment:

6 March, 2000

Term:

20 years commencing from 6th March, 2000

SLMIN is a limited liability company and is owned as to 73.33% by Shanghai Huabo Technology Company Limited (上海華博科技有限公司), an independent third party. SLMIN and its other shareholders are also independent third parties. Shanghai Huabo Technology Company Limited is beneficially owned by the same shareholders of the Vendor.

The audited net assets and net tangible assets of SLMIN as at 31st December, 2001 prepared in accordance with PRC GAAP were approximately RMB12,765,000* (equivalent to approximately HK\$12,042,000) and approximately RMB8.94 million* (equivalent to approximately HK\$8,436,000). The audited net loss before and after taxation and extraordinary items of SLMIN in respect of the two financial years ended 31st December, 2000 and 2001 are as follows:–

	2000 #	2001 *
net loss before taxation and extraordinary item	N/A	RMB2.23 million
net loss after taxation and extraordinary item	N/A	RMB2.23 million

* *All financial figures are based on the audited accounts of SLMIN prepared in accordance with PRC GAAP.*

SLMIN commenced operation in January, 2001.

Sino Top is a company incorporated in the British Virgin Islands on 16 May, 2002 and is wholly-owned by the Vendor. It has had no operations prior to the date of the Agreement. Sino Top does not hold any other assets except for its interests in SLMIN. To facilitate the Acquisition and as a condition precedent to Completion, SLMIN will undergo the Reorganisation so that it will be converted into a sino-foreign equity joint venture (whether by the transfer of all its existing assets, liabilities and business into a newly incorporated joint venture company of the same name or otherwise) and held as to 46.67% by Sino Top. Sino Top's interest in SLMIN is expected to be transferred, directly or indirectly, from Shanghai Huabo Technology Company Limited.

It is a condition under the Agreement that SLMIN shall undergo the Reorganisation to be converted into a sino-foreign equity joint venture. The obligation on Sino Top to make capital contribution to the joint venture, if any, shall be satisfied and discharged by the Vendor prior to Completion.

LETTER FROM THE BOARD

As at the Latest Practicable Date, the Reorganisation has yet to be implemented and the JV Documents are still being prepared and the terms of the joint venture contract to be entered into between the parties to SLMIN, including their respective shareholding in the SLMIN (except for Sino Top), are not yet finalised. The number of directors of SLMIN after the Reorganisation is not yet finalised but it is expected that the right to nominate directors to the board of SLMIN by each joint venture party shall reflect their shareholding interest in SLMIN. It is currently contemplated that the Reorganisation, if successfully implemented, will be completed before November/December of this year. Further announcement will be made as and when appropriate.

It is expected that other than the expenses to be incurred by SLMIN in connection with the Reorganisation, the Reorganisation will not have any material effect on the net tangible assets of SLMIN. No additional contribution is required to be paid to SLMIN.

REASONS FOR AND BENEFIT OF THE ACQUISITION

The Group principally engages in, inter alia, property investment, freight forwarding and logistics business, and the provision of property-related services. Following the PRC's entry into the World Trade Organisation in December 2001, the Directors believe that there are tremendous growth potential in the logistics business in the PRC. The Acquisition represents a unique opportunity for the Company to leverage on its existing logistics business in Hong Kong and develop new logistics business in the PRC. The Acquisition will also result in the strategic alliances with Shanghai Huabo Technology Company Limited, a leading emerging technology company in Shanghai. The Directors believe that the investment in a company with leading edge technology in intelligent transport system, especially in the area of logistics control, will strengthen the Company's overall capability in developing business in transport logistics in the PRC.

This, together with a capital reorganization which is currently being considered by the Company, could facilitate future fund raising exercise for the Company, as and when such opportunity arise. The Acquisition will increase in the total assets and the net tangible assets of the Group, thereby increasing the asset backing of the Group.

GENERAL

The Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules. The Company will seek shareholders' approval of the Agreement, the issue of the Consideration Shares and the Convertible Bond pursuant to the Acquisition, the issue of Conversion Shares upon exercise of the conversion rights attaching to the Convertible Bond and the grant of special mandate to the Directors for the issue of the Consideration Shares and the Conversion Shares.

LETTER FROM THE BOARD

SPECIAL GENERAL MEETING

Set out on pages 18 to 19 of this circular is a notice convening the SGM to be held at 9:30 a.m. on 10th September, 2002 at Function Room, Basement, Luk Kwok Hotel, 72 Gloucester Road, Wanchai, Hong Kong at which an ordinary resolution will be proposed to approve, the Agreement, the issue of the Consideration Shares and the Convertible Bond and the issue of the Conversion Shares upon conversion of the Convertible Bond and to authorise the Directors to issue the Convertible Bond and to allot and issue the Consideration Shares and the Conversion Shares and to execute such documents and take such actions on behalf of the Company as they may consider necessary to complete and give effect to the transactions contemplated under the Agreement.

A form of proxy for use at the SGM is enclosed. Whether or not you intend to attend this meeting, you are requested to complete and return the form of proxy to the principal place of business of the Company in Hong Kong in accordance with the instructions printed thereon as soon as possible and in any event so as to arrive not less than 48 hours before the time fixed for holding the meeting. The return of a form of proxy will not preclude you from attending and voting in person at the SGM if you so wish.

The Directors believe that the Agreement, the issue of the Consideration Shares and the Convertible Bond and the issue of the Conversion Shares upon conversion of the Convertible Bond are in the best interests of the Company and the Shareholders. Accordingly, the Directors recommend all Shareholders to vote in favour of the ordinary resolution to approve the Agreement, the issue of the Consideration Shares and the Convertible Bond and the issue of the Conversion Shares upon conversion of the Convertible Bond.

Yours faithfully,
By Order of the Board
Leung Tze Hang, David
Managing Director

RESPONSIBILITY STATEMENT

This document includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this document and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date were, and immediately following the Completion expected to be, as follows:–

<i>Authorised:</i>		\$
28,500,000,000	ordinary shares of HK\$0.01 each	285,000,000
1,500,000,000	convertible preference shares of HK\$0.01 each	<u>15,000,000</u>
		<u><u>300,000,000</u></u>
 <i>Issued and to be issued as fully paid:</i>		
16,169,693,317	ordinary shares of HK\$0.01 each	161,696,933
708,908,975	convertible preference shares of HK\$0.01 each	7,089,090
600,000,000	Shares to be issued pursuant to the agreement between Onelink Investment Limited and SIIC Finance Company Limited dated 28th May, 2002 (based on HK\$0.01 per Share)	6,000,000
660,000,000	Consideration Shares to be issued pursuant to the Agreement (based on HK\$0.01 per Consideration Share)	6,600,000
		<u><u>181,386,023</u></u>

DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, the interests of the Directors in the equity or debt securities of the Company or any of its associated corporations (within the meaning of the SDI Ordinance) which require notification to the Company pursuant to Section 28 of the SDI Ordinance (including interests which any such Director is deemed or taken to have under Section 31 or Part I of the Schedule to the SDI Ordinance) or which are required to be entered in the register maintained by the Company pursuant to Section 29 of the SDI Ordinance, or which are required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

(a) Interest in shares of the Company

Name of director	Number of Shares held	% of issued Share Capital	Number of share options held
Leung Tze Hang, David	308,386,435	1.91%	165,000,000
Law Chuen Lam, Edward	61,437,865	0.38%	115,000,000
Au-Yeung Yok Cho	11,573,125	0.07%	75,000,000
Po Kam Hi, John	161,935,000	1.00%	25,000,000
Lau Cheuk Hung, Terence	88,673	<0.01%	21,000,000

(b) Interest in shares of subsidiary company

Name of subsidiary company	Name of director	Nature of interest	Number of ordinary shares
Total Logistics Services Limited (<i>Note 1</i>)	Po Kam Hi, John	ordinary	4,004,800

Notes:

- Total Logistics Services Limited was an associated corporation, within the meaning of the SDI Ordinance, of the Company. These shares are registered in the name of New Mileage Limited which is wholly owned by Mr. Po Kam Hi, John.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executives, or their associates had or were deemed to have any interests in any securities of the Company or any of its associated corporations (within the meaning of the SDI Ordinance) which requires notification pursuant to Section 28 of the SDI Ordinance (including interests

which any such Director is deemed or taken to have under Section 31 of or Part 1 of the Schedule to the SDI Ordinance) or which is required, pursuant to Section 29 of the SDI Ordinance, to be entered in the register referred to therein, or which is required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, and none of the Directors and chief executives, or their spouse or children under the age of 18, had any right to subscribe for any securities of the Company, or had exercised any such right.

SERVICE CONTRACTS

Messrs. Leung Tze Hang, David and Po Kam Hi, John have entered into services agreements with the Company as executive directors. The Company may terminate the agreements by serving twenty-four (24) months' prior written notice to the respective party.

Save as disclosed above, there are no existing or proposed service contracts between any of the Directors and any member of the Group, excluding contracts expiring or determinable by the Group within one year without payment of compensation (other than statutory compensation).

SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, according to the information available to the Company and so far as is known to the Directors, no person is directly or indirectly interested in 10 per cent, or more of the issued share capital of the Company.

LITIGATION

As at the Latest Practicable Date, save as disclosed below, neither the Company nor any of its subsidiaries is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against the Company or any of its subsidiaries:—

- (i) certain landlords have issued writs and some have obtained judgments against the Group to claim for damages as a result of early termination of tenancy agreements by the Group and outstanding rental in a total sum of approximately HK\$4,053,000;

- (ii) certain employees of the Group have obtained orders at the Labour Tribunal against the Group for outstanding salaries and compensations due to them which amount to approximately HK\$878,473; and
- (iii) some creditors have issued writs and some have obtained judgments against the Group for total outstanding debts of approximately HK\$993,227 in respect of miscellaneous service rendered and goods supplied.

OTHER INFORMATION

- (a) The registered office of the Company is situated at Cedar House, 41 Cedar Avenue, Hamilton, HM12, Bermuda.
- (b) The branch share registrar and transfer office of the Company in Hong Kong is Tengis Limited of 4th Floor, Hutchison House, 10 Harcourt Road, Central, Hong Kong.
- (c) The secretary of the Company is Keung Shu Hoi, a practising solicitor in Hong Kong.
- (d) The English version of this circular shall prevail over the Chinese text.

NOTICE OF SPECIAL GENERAL MEETING



401 Holdings Limited

(Incorporated in Bermuda with limited liability)

NOTICE IS HEREBY GIVEN that a Special General Meeting of 401 Holdings Limited (the “Company”) will be held at 9:30 a.m. on 10th September, 2002, at Function Room, Basement, Luk Kwok Hotel, 72 Gloucester Road, Wanchai, Hong Kong, for the purpose of considering and, if thought fit, passing the following resolution as ordinary resolution of the Company:

ORDINARY RESOLUTION

“THAT

- (a) the agreement dated 22nd July, 2002 (the “Agreement”) between Precise Global Investments Limited and Cybermall Limited, a wholly-owned subsidiary of the Company (“Cybermall”) (copy of which has been produced to the meeting marked “A” and signed for identification by the Chairman thereof) pursuant to which Cybermall has agreed to acquire the entire interest in Sino Top Technology Limited for the consideration of HK\$13,200,000 which shall be satisfied by the Company by (i) the issue and allotment of 660,000,000 ordinary shares (“Consideration Shares”) of HK\$0.01 each in the share capital of the Company (“Share”) and (ii) the issue of convertible bond in an aggregate principal amount of HK\$6,600,000 the terms and conditions of which are set out in the Agreement (“Convertible Bond”) and the transactions contemplated under the Agreement be and are hereby approved and the directors of the Company be and is hereby authorised to execute such documentation and take such actions on behalf of the Company as they may consider necessary to complete and give effect to the transactions contemplated under the Agreement; and
- (b) the directors of the Company be and are hereby authorised to issue the Convertible Bond and to allot and issue the Consideration Shares and the Shares to be issued upon conversion of the Convertible Bond.”

By Order of the Board
401 Holdings Limited
Leung Tze Hang, David
Managing Director

16th August, 2002

NOTICE OF SPECIAL GENERAL MEETING

Notes:

1. Any member of the Company entitled to attend and vote at the meeting shall be entitled to appoint another person as his proxy to attend and, on a poll, vote instead of him. A member may appoint more than one proxy to attend on the same occasion. A proxy need not be a member of the Company.
2. A form of proxy for use at the above meeting is enclosed herewith.
3. The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority must be deposited at the head office and principal place of business of the Company in Hong Kong at Units 2204-5, 22nd Floor, West Tower, Shun Tak Centre, 200 Connaught Road Central, Hong Kong not less than 48 hours before the time for holding the meeting or any adjourned meeting, in default of which the instrument of proxy shall not be treated as valid.



401 Holdings Limited

(Incorporated in Bermuda with limited liability)

Form of Proxy for Special General Meeting (or any adjournment thereof)

I/We¹ _____
of _____ being
the registered holder(s) of² _____ shares of HK\$0.01 each in the capital of
401 Holdings Limited (the "Company"). HEREBY APPOINT³ Mr. Leung Tze Hang, David, or failing him the
chairman of the meeting or _____
of _____
as my/our proxy to act for me/us at the said meeting (or at any adjournment thereof) of the Company to be held at
9:30 a.m. on 10th September, 2002 at Function Room, Basement, Luk Kwok Hotel, 72 Gloucester Road, Wanchai,
Hong Kong, to consider and, if thought fit, pass the resolution as set out in the notice convening the said meeting and
at such meeting (or at any adjournment thereof) to vote for me/us and in my/our name(s) in respect of the said
resolution as hereunder indicated, and, if no such indication is given, as my/our proxy thinks fit.

	For ⁴	Against ⁴
Ordinary Resolution		

Signature⁷ _____

Dated this _____ day of _____, 2002

Notes:

1. Full name(s) and address(es) to be inserted in BLOCK CAPITALS.
2. Please insert the number of shares registered in your name(s). If no number is inserted, this form of proxy will be deemed to relate to all the shares in the Company registered in your name(s).
3. If any proxy other than Mr. Leung Tze Hang, David, or failing him the chairman of the meeting is preferred, strike out the words "Mr. Leung Tze Hang, David, or failing him the chairman of the meeting or" and insert the name and address of the proxy desired in the space provided. If this space is not completed, Mr. Leung Tze Hang, David, or failing him the chairman of the meeting will act as your proxy. ANY ALTERATION MADE TO THIS FORM OF PROXY MUST BE INITIALED BY THE PERSON WHO SIGNS IT.
4. IMPORTANT: IF YOU WISH TO VOTE FOR THE RESOLUTION, PLACE A "√" IN THE BOX MARKED "FOR". IF YOU WISH TO VOTE AGAINST THE RESOLUTION, PLACE A "√" IN THE BOX MARKED "AGAINST". Failure to complete either of the boxes will entitle your proxy to cast your vote at his discretion in respect of the resolution. Your proxy will also be entitled to vote at his discretion on any resolution properly put to the meeting other than that referred to in the notice convening the meeting.
5. You are requested to lodge this form of proxy, together with the power of attorney (if any) or other authority (if any) under which it is signed or a notarially certified copy of such power of authority, to the Company's head office and principal place of business in Hong Kong at Units 2204-5, 22nd Floor, West Tower, Shun Tak Centre, 200 Connaught Road Central, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the meeting or any adjourned meeting.
6. Where there are joint holders of any share, any one of such persons may vote at the meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto provided that if more than one of such joint holders be present at the meeting personally or by proxy, the person whose name stands first in the register of members in respect of such share shall alone be entitled to vote in respect thereof.
7. This proxy must be signed by you or your attorney duly authorised in writing or, in the case of a corporation, must be either executed under seal or under the hand of an officer or attorney duly authorised to sign the same.
8. The proxy need not be a member of the company but must attend the meeting in person to represent you.
9. Completion and delivery of this form of proxy will not preclude you from attending and voting at the meeting if you so wish.