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## 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 forms 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.

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### **401 Holdings Limited**

*(Incorporated in Bermuda with limited liability)*

#### **PROPOSED CAPITAL REORGANISATION PROPOSED SUBSCRIPTION OF NEW CONSOLIDATED ORDINARY SHARES PROPOSED ADOPTION OF COMPANY NAME IN CHINESE GENERAL MANDATE TO ISSUE SHARES AND GENERAL MANDATE TO REPURCHASE SECURITIES**

FINANCIAL ADVISER

**ANGLO CHINESE**  
CORPORATE FINANCE, LIMITED

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A notice convening an annual general meeting of 401 Holdings Limited (the “Company”) to be held at 10:00a.m on 27 November, 2002, at Function Room, Macau Jockey Club, 3/F., China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong is set out on pages 21 to 22 of this circular. A notice convening a special general meeting of the Company to be held at 10:10 a.m. (or so soon after the annual general meeting of the Company to be held at the same place and on the same date shall have been concluded or adjourned) on 27 November, 2002, at Function Room, Macau Jockey Club, 3/F., China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong is set out on pages 23 to 28 of this circular. Whether or not you are able to attend the meeting, you are requested to complete the enclosed forms 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 meetings. Completion and return of the forms of proxy shall not preclude you from attending and voting in person at the meetings or any adjourned meetings should you so desire.

4 November, 2002

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## EXPECTED TIMETABLE

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Forms of proxy in respect of the  
SGM to be returned by ..... 10:10 a.m. Monday, 25 November 2002

Expected date of the SGM ..... 10:10 a.m. Wednesday, 27 November 2002

*The following events are conditional on, amongst others, the results of the SGM:*

Effective date of the Capital Reorganisation ..... 9:00 a.m. Thursday, 28 November 2002

Original counter for trading in Ordinary Shares in  
original board lots of 20,000 shares  
temporarily closes ..... 9:30 a.m. Thursday, 28 November 2002

Temporary counter for trading in Consolidated Ordinary Shares  
in board lots of 400 shares (in the form of existing  
light red share certificates) opens ..... 9:30 a.m. Thursday, 28 November 2002

First day of free exchange of existing light red share  
certificates for light blue new share certificates  
for Consolidated Ordinary Shares ..... Thursday, 28 November 2002

Subscription Agreements expected to be completed  
on or before ..... Tuesday, 3 December 2002

First day for the matching service for the selling  
and buying of odd lots of Consolidated Ordinary Shares ..... Thursday, 12 December 2002

Original counter for trading in Consolidated Ordinary Shares  
in board lots of 20,000 shares (in the form of  
light blue new share certificates for  
Consolidated Ordinary Shares) reopens ..... 9:30 a.m. Thursday, 12 December 2002

Parallel trading in Consolidated Ordinary Shares  
(in the form of light blue new certificates for  
Consolidated Ordinary Shares and existing light red share  
certificates for Ordinary Shares) commences ..... 9:30 a.m. Thursday, 12 December 2002

Temporary counter for trading in Consolidated Ordinary Shares  
in board lots of 400 shares (in the form  
of existing light red share certificates) closes ..... 4:00 p.m. Tuesday, 7 January 2003

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## EXPECTED TIMETABLE

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Last day for the matching service for the selling  
and buying of odd lots of Consolidated Ordinary Shares . . . . . Tuesday, 7 January 2003

Parallel trading in Consolidated Ordinary Shares (in the form  
of light blue new share certificates for Consolidated  
Ordinary Shares and existing light red share  
certificates for Ordinary Shares) ends . . . . . 4:00 p.m. Tuesday, 7 January 2003

Last day for free exchange of existing light red share  
certificates for light blue new share certificates for  
Consolidated Ordinary Shares . . . . . Friday, 10 January 2003

*Hong Kong time*

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## DEFINITIONS

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

“associate”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of directors (including independent non-executive directors) of the Company
“Business Day”	a day on which banks are generally open for business in Hong Kong
“Capital Reduction”	the proposed reduction of the nominal value of all issued Consolidated Ordinary Shares and issued Consolidated Preference Shares resulting from the Share Consolidation from HK\$0.50 each to HK\$0.10 each by canceling HK\$0.40 paid up capital on each issued Consolidated Ordinary Share and issued Consolidated Preference Share
“Capital Reorganisation”	the Capital Reduction, Share Consolidation, Share Premium Reduction and Share Subdivision
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Company”	401 Holdings Limited, an exempted company with limited liability incorporated in Bermuda and the Ordinary Shares of which are listed on the Stock Exchange
“Companies Act”	the Companies Act 1981 of Bermuda (as amended)
“Consolidated Ordinary Share(s)”	ordinary share(s) of HK\$0.50 each in the capital of the Company immediately following the Share Consolidation becoming unconditional and effective but before the Capital Reduction, or ordinary share(s) of HK\$0.10 each in the capital of the Company upon the Capital Reorganisation becoming unconditional and effective
“Consolidated Preference Share(s)”	convertible preference share(s) of HK\$0.50 each in the capital of the Company immediately following the Share Consolidation becoming unconditional and effective but before the Capital Reduction, or convertible preference

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## DEFINITIONS

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	share(s) of HK\$0.10 each in the capital of the Company upon the Capital Reorganisation becoming unconditional and effective
“Convertible Bonds”	convertible bonds issued by the Company with an aggregate outstanding principal amount of HK\$32,690,000 as at the Latest Practicable Date which amount is convertible into an aggregate of approximately 2,700,809,803 Ordinary Shares at their respective prevailing conversion prices
“Directors”	directors of the Company from time to time
“Group”	the Company and its subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited
“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 executive, directors and substantial shareholder of the Company or its subsidiaries or their respective associates
“Latest Practicable Date”	1 November, 2002
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Options”	options granted under the share option scheme of the Company
“Ordinary Share(s)”	ordinary share(s) of HK\$0.01 each in the capital of the Company
“Ordinary Shareholder(s)”	holder(s) of Ordinary Shares, or Consolidated Ordinary Shares after the Share Consolidation and Capital Reduction become unconditional and effective, in the issued share capital of the Company
“PRC”	The People’s Republic of China

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## DEFINITIONS

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“Preference Share(s)”	convertible preference share(s) of HK\$0.01 each in the share capital of the Company, each of which is convertible into one Ordinary Share as at the date hereof
“Preference Shareholder(s)”	holder(s) of Preference Shares, or Consolidated Preference Shares after the Share Consolidation and Capital Reduction become unconditional and effective, in the issued share capital of the Company
“Repurchase Mandate”	the repurchase mandate to be adopted by the Company as detailed under the paragraph headed “General mandate to issue Shares and general mandate to repurchase securities” in the “Letter from the Board” in this circular
“SGM”	a special general meeting of the Company or its adjourned meeting to be held on 27 November, 2002 for the purpose of, inter alia, considering and approving the Capital Reorganisation, the Subscription, the adoption of a Chinese company name and the general mandate to issue Ordinary Shares (or Consolidated Ordinary Shares if the Capital Reorganisation becomes unconditional and effective) and the Repurchase Mandate
“Share Consolidation”	the proposed consolidation of every fifty issued Ordinary Shares into one Consolidated Ordinary Share and the consolidation of every fifty issued Preference Shares into one Consolidated Preference Share pursuant to the Capital Reorganisation
“Share Premium Reduction”	the proposed reduction of an amount of approximately HK\$757,210,386 standing to the credit of the share premium account of the Company as at 31 March 2002 and the transfer of the amount so reduced to the contributed surplus account of the Company
“Share Subdivision”	the proposed re-designation and subdivision of the authorised unissued Consolidated Ordinary Shares of HK\$0.50 each and Consolidated Preference Shares of HK\$0.50 each resulting from the Share Consolidation into five Consolidated Ordinary Shares of HK\$0.10 each and five Consolidated Preference Shares of HK\$0.10 each

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## DEFINITIONS

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“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber(s)”	Mr. 張曉峰 (English translation: Zhang Xiao Feng) and Mr. 錢振華 (English translation: Qian Zhen Hua), being Subscriber(s) under the Subscription Agreements, both are independent third parties
“Subscription”	the subscription of the Subscription Shares by the Subscribers pursuant to the Subscription Agreements
“Subscription Agreements”	the conditional subscription agreements between the Company and each of the Subscribers, both dated 5 September 2002 in relation to the subscription of the Subscription Shares
“Subscription Shares”	63 million new Consolidated Ordinary Shares to be allotted and issued by the Company or as it may direct pursuant to the Subscription Agreements
“HK\$”	Hong Kong dollars



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## LETTER FROM THE BOARD

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### **401 Holdings Limited**

*(Incorporated in Bermuda with limited liability)*

*Directors:*

Ding Zhiming (*Chairman*)  
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*

4 November, 2002

*To the Ordinary Shareholders,  
and for information only,  
the holders of Convertible Bonds and Preference Shareholders*

Dear Sir or Madam,

**PROPOSED CAPITAL REORGANISATION  
PROPOSED SUBSCRIPTION OF NEW CONSOLIDATED ORDINARY SHARES  
PROPOSED ADOPTION OF COMPANY NAME IN CHINESE  
GENERAL MANDATE TO ISSUE SHARES AND  
GENERAL MANDATE TO REPURCHASE SECURITIES**

#### **INTRODUCTION**

On 17 September, 2002, the Board announced that it proposed to effect the Capital Reorganisation which involves the Share Consolidation, the Capital Reduction, the Share Premium Reduction and the Share Subdivision as well as the Subscription and the adoption of a new Chinese name of the Company.

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## LETTER FROM THE BOARD

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At the SGM, special resolutions will be proposed for the Ordinary Shareholders to approve the Capital Reorganisation and the adoption of the Chinese company name. Ordinary resolutions will be proposed for the Ordinary Shareholders to approve the Subscription and to grant to the Directors a general mandate to issue Ordinary Shares (or Consolidated Ordinary Shares if the Capital Reorganisation becomes unconditional and effective) and the Repurchase Mandate.

The purpose of this circular is to provide you with the information on such proposal.

### CAPITAL REORGANISATION

The Board proposes to put forward for approval by Ordinary Shareholders the Capital Reorganisation comprising:

- (i) the Share Consolidation pursuant to which every fifty ordinary shares of HK\$0.01 each will be consolidated into one Consolidated Ordinary Share and every fifty preference shares of HK\$0.01 each will be consolidated into one Consolidated Preference Share;
- (ii) the Capital Reduction of HK\$139,828,818 under which the nominal value of each of the issued Consolidated Ordinary Shares and the issued Consolidated Preference Shares will be reduced from HK\$0.50 each to HK\$0.10 each by cancelling HK\$0.40 of the paid up capital on each issued Consolidated Ordinary Share and issued Consolidated Preference Share;
- (iii) the Share Premium Reduction pursuant to which an amount of approximately HK\$757,210,386 standing to the credit of the share premium account of the Company as at 31 March, 2002 will be reduced;
- (iv) the Share Subdivision under which the authorised but unissued Consolidated Ordinary Shares of HK\$0.50 each and unissued Consolidated Preference Shares of HK\$0.50 each resulting from the Share Consolidation will be respectively re-designated and subdivided into five Consolidated Ordinary Shares of HK\$0.10 each and five Consolidated Preference Shares of HK\$0.10 each; and
- (v) based on the issued share capital of the Company as at the Latest Practicable Date, the credit arising from the Capital Reduction and Share Premium Reduction in the amount of approximately HK\$897 million will be transferred to the contributed surplus account of the Company and the Directors will be authorized to apply all amounts in the contributed surplus account in setting off against part of the accumulated losses of the Company as at 31 March, 2002.

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## LETTER FROM THE BOARD

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Based on 16,769,693,317 Ordinary Shares and 708,908,975 Preference Shares in issue as at the Latest Practicable Date, the credit in the amount of approximately HK\$897 million arising from the Capital Reduction and the Share Premium Reduction will be credited to the contributed surplus account of the Company and may be applied by the Company in any manner permitted by the laws of Bermuda and the bye-laws of the Company. The Board intends to apply the credit arising from the Capital Reduction and the Share Premium Reduction together with the existing credit balance of approximately HK\$20 million in the contributed surplus account of the Company, if the credit arising from the Capital Reduction and the Share Premium Reduction is less than the audited accumulated losses of the Company of approximately HK\$1,002 million as at 31 March, 2002, in setting off such accumulated losses.

The existing Ordinary Shares are presently traded in board lots of 20,000. It is proposed that following implementation of the Capital Reorganisation, the Consolidated Ordinary Shares will be traded in board lots of 20,000. Accordingly, the theoretical market value of each board lot upon the Capital Reorganisation becoming effective will be approximately 50 times the market value of the existing board lot.

### **Reasons for the Capital Reorganisation**

The transaction cost and the registration cost incurred by Ordinary Shareholders for the same number of Ordinary Shares following the Capital Reorganisation becoming effective might be lower. The Company will sell any Consolidated Ordinary Shares created from the aggregation of fractions of Consolidated Ordinary Shares (if a premium, net of expenses, can be obtained), and will retain the proceeds.

The nominal value of existing Ordinary Shares is HK\$0.01 each and is the same as the current trading price of each Ordinary Share. Under Bermuda law, a company cannot issue shares at a discount to the nominal value of shares. After the completion of the Capital Reorganisation, the market value of Consolidated Ordinary Shares is expected to be above the nominal value of Consolidated Ordinary Shares of HK\$0.10 each. The Board is of the opinion that maintaining the nominal value of Consolidated Ordinary Shares at HK\$0.10 each will provide the Company with greater flexibility for the issue of new Consolidated Ordinary Shares in the future and is thus in the interests of the Company and its shareholders as a whole.

### **Effects of the Capital Reorganisation**

Implementation of the Capital Reorganisation will not of itself alter the net asset value, business operations, management or financial position of the Company or the proportionate interests of Ordinary Shareholders and Preference Shareholders in the Company, other than the expenses incurred from the Capital Reorganisation and the sale of Consolidated Ordinary Shares created from the aggregation of fractions of Consolidated Ordinary Shares, the Board

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## LETTER FROM THE BOARD

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believes that the Capital Reorganisation will not have any adverse effect on the financial position of the Group and is in the interests of the Company and its shareholders as a whole.

Consolidated Ordinary Shares and Consolidated Preference Shares will rank *pari passu* in all respects among themselves respectively.

The table below shows the authorised and issued share capital of the Company as at the Latest Practicable Date and immediately after the Capital Reorganisation becomes effective (based on the existing number of issued Ordinary Shares and issued Preference Shares and assuming that no new shares in the Company will be issued prior to the date when the Capital Reorganisation becomes effective).

***As at the Latest Practicable Date***

<i>Authorised:</i>	<i>HK\$</i>
28,500,000,000 Ordinary Shares	285,000,000
1,500,000,000 Preference Shares	15,000,000
<i>Issued and credited as fully paid:</i>	
16,769,693,317 Ordinary Shares	167,696,933.17
708,908,975 Preference Shares	7,089,089.75

***Upon the Capital Reorganisation becoming effective***

<i>Authorised:</i>	<i>HK\$</i>
2,850,000,000 Consolidated Ordinary Shares	285,000,000
150,000,000 Consolidated Preference Shares	15,000,000
<i>Issued and credited as fully paid:</i>	
335,393,866 Consolidated Ordinary Shares	33,539,386.60
14,178,179 Consolidated Preference Shares	1,417,817.90

Immediately after the Capital Reorganisation becomes effective, the accumulated losses of the Company (based on the figures as at 31 March, 2002 of approximately HK\$1,001,678,000) will be reduced to approximately HK\$84,546,000.

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## LETTER FROM THE BOARD

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### **Conditions of the Capital Reorganisation**

The Capital Reorganisation is conditional upon, among other things, the fulfilment of the following conditions:

- (a) the passing of a special resolution at the special general meetings of the Company by Ordinary Shareholders to approve the Capital Reorganisation;
- (b) the Listing Committee of the Stock Exchange granting listing of and permission to deal in Consolidated Ordinary Shares in issue following the implementation of the Capital Reorganisation and Consolidated Ordinary Shares falling to be issued upon exercise of the conversion rights attaching to Options, Consolidated Preference Shares and Convertible Bonds;
- (c) the compliance with section 46 of the Companies Act including, among other things, the publication of a legal notice in relation to the Capital Reduction and Share Premium Reduction in an appointed newspaper in Bermuda; and
- (d) the obtaining of all necessary approvals from the regulatory authorities or otherwise as may be required in respect of the Capital Reorganisation.

Subject to the fulfillment of the aforesaid conditions, the Capital Reorganisation is expected to become effective on 9:00 a.m. on 28 November, 2002 (Hong Kong time).

### **Application for listing**

Application will be made to the Listing Committee of the Stock Exchange for granting the listing of, and permission to deal in, the Consolidated Ordinary Shares in issue following the implementation of the Capital Reorganisation and Consolidated Ordinary Shares falling to be issued upon exercise of the conversion rights attaching to Options, Consolidated Preference Shares and Convertible Bonds.

As at the Latest Practicable Date, the Ordinary Shares were listed and dealt in on the Stock Exchange. No part of the Company's securities are listed or dealt in on any other stock exchange, nor is listing of or permission to deal in, the Company's securities on any other stock exchange being or proposed to be sought.

Subject to the granting of the listing of, and permission to deal in, the Consolidated Ordinary Shares on the Stock Exchange, the Consolidated Ordinary Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Consolidated Ordinary Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between

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## LETTER FROM THE BOARD

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participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

### **FREE EXCHANGE OF SHARE CERTIFICATES AND PARALLEL TRADING ARRANGEMENTS**

Subject to the Capital Reorganisation becoming effective, the arrangements proposed for dealings in the Consolidated Ordinary Shares are expected to be as follows:

- (a) with effect from 9:30 a.m. on Thursday, 28 November, 2002, the original counter for trading in the Ordinary Shares in board lots of 20,000 Shares will be closed temporarily and a temporary counter for trading in the Consolidated Ordinary Shares in board lots of 400 Consolidated Ordinary Shares (in the form of existing share certificates in light-red colour) will be set up. Accordingly, fifty Ordinary Shares will represent one Consolidated Ordinary Share. Existing share certificates for the Ordinary Shares may only be traded at this counter;
- (b) with effect from 9:30 a.m. on Thursday, 12 December, 2002, the original counter for trading in the Consolidated Ordinary Shares in board lots of 20,000 Consolidated Ordinary Shares (in the form of new share certificates in light blue colour) will be reopened. Only new share certificates for the Consolidated Ordinary Shares can be traded at this counter;
- (c) during the period from Thursday, 12 December, 2002 to Tuesday, 7 January, 2003 (both dates inclusive), there will be parallel trading in the above two counters. In order to alleviate the difficulties arising from the existence of Consolidated Ordinary Shares as a result of the Capital Reorganisation, the Company has procured Kingston Securities Limited to stand in the market to provide matching services on a best efforts basis for the sale and purchase of odd lot Consolidated Ordinary Shares by the odd lots holders of such shares at their own cost during the period from Thursday, 12 December, 2002 to Tuesday, 7 January, 2003 (both dates inclusive) to make up a full board lot or to dispose of their holdings of odd lots of Consolidated Ordinary Shares. Holders of odd lots of the Consolidated Ordinary Shares who wish to take advantage of this facility either to dispose of their odd lots of the Consolidated Ordinary Shares or to top up their odd lots to a full board lot of 20,000 Consolidated Ordinary Shares may contact Ms. Rosita Kiu of Kingston Securities Limited at Suite 2801, 28/F, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong (telephone no. (852) 2298 6215) as soon as possible starting from Thursday, 12 December 2002 to Tuesday, 7 January, 2003 (both dates inclusive). Holders of odd lot Ordinary Shares or Consolidated Ordinary Shares should note that matching of odd lots is not guaranteed and they are recommended to consult their professional advisors if in doubt about the aforementioned facility; and

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## LETTER FROM THE BOARD

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- (d) with effect from 9:30 a.m. on Wednesday, 8 January, 2003, trading will only be in the Consolidated Ordinary Shares in board lots of 20,000 Consolidated Ordinary Shares (in the form of new share certificates in light blue colour) and the temporary counter for trading in the Consolidated Ordinary Shares in board lots of 400 Consolidated Ordinary Shares (in the form of existing share certificates in light red colour) will be closed after the close of at 4:00 p.m. on Tuesday, 7 January, 2003.

Trading in the Consolidated Ordinary Shares represented by existing share certificates will cease after the close of business at 4:00 p.m. on Tuesday, 7 January, 2003. Existing share certificates for the Ordinary Shares will only be valid for delivery and settlement in respect of trading for the period up to 4:00 p.m. Tuesday, 7 January, 2003 and thereafter will not be acceptable for trading purposes. However, existing share certificates for the Ordinary Shares will continue to be good evidence of legal title to the Consolidated Ordinary Shares on the basis of every fifty Ordinary Shares for one Consolidated Ordinary Share and may be exchanged for new share certificates for the Consolidated Ordinary Shares at any time, such Shareholders shall be entitled to tender his/her share certificate(s) for the Ordinary Shares in exchange for new share certificate(s) for the Consolidated Ordinary Shares in board lots of 20,000 Consolidated Ordinary Shares so that his shareholding may be accurately represented by the new share certificate(s). New share certificates (in light blue colour) for the Consolidated Ordinary Shares will be issued in order to distinguish them from existing share certificates (in light red colour) for the Ordinary Shares. Shareholders are urged to exchange their existing share certificates for the Ordinary Shares for new share certificates for the Consolidated Ordinary Shares as soon as possible on or after Thursday, 28 November, 2002. This will be done free of charge on or before Friday, 10 January, 2003 by delivering the existing share certificates for the Ordinary Shares to the Company's branch share registrar in Hong Kong, Tengis Limited at 4th Floor, Hutchison House, 10 Harcourt Road, Hong Kong. Thereafter, existing share certificates for the Ordinary Shares will be accepted for exchange only on payment of a fee of HK\$2.50 for each new share certificate to be issued or each old share certificate submitted (or such higher amount as may from time to time be allowed by the Stock Exchange), whichever is the higher. An Ordinary Shareholder will be entitled to aggregate his/her Ordinary Shares registered in his/her name in order to obtain new share certificates in board lots of 20,000 Consolidated Ordinary Shares.

It is expected that new share certificates for the Consolidated Ordinary Shares will be available for collection on or about the 10th Business Day from the date of submission of the existing share certificates for the Ordinary Shares to the Company's branch share registrar at the above address. If Shareholders are able to lodge their share certificates for the Ordinary Shares between 9:00 a.m. to 4:00 p.m. on Thursday, 28 November, 2002, it is expected that new share certificates for the Consolidated Ordinary Shares will be available for collection on Thursday, 12 December, 2002. Unless otherwise instructed, new share certificates for the Consolidated Ordinary Shares will be issued in board lots of 20,000 Consolidated Ordinary Shares.

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## LETTER FROM THE BOARD

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### TWO SUBSCRIPTION AGREEMENTS DATED 5 SEPTEMBER, 2002

- Parties:
- (1) the Company as issuer
  - (2) two individual Subscribers, i.e. 張曉峰 (English translation: Zhang Xiao Feng) and 錢振華 (English translation: Qian Zhen Hua). Each of the Subscribers is independent of and not connected with the Company, the chief executive, directors and substantial shareholders of the Company or its subsidiaries or their respective associates and the other Subscriber. As at the date of the Subscription Agreements, none of the Subscribers had any shareholding in the Company.
- Subject Matter:
- 31.5 million new Consolidated Ordinary Shares under each Subscription Agreement and a total of 63 million new Consolidated Ordinary Shares will be issued under the two Subscription Agreements, representing in aggregate approximately 18.8% of the existing issued ordinary share capital of the Company immediately upon the Capital Reorganisation becoming effective and in aggregate approximately 15.8% of the issued ordinary share capital of the Company immediately upon the Capital Reorganisation becoming effective and as enlarged by the issue of the Subscription Shares.
- Issue Price:
- HK\$0.15 per Consolidated Ordinary Share, representing a discount of 70% to the theoretical market price of Consolidated Ordinary Shares upon the Capital Reorganisation becoming effective based on the closing price of HK\$0.01 per Ordinary Share as quoted on the Stock Exchange from 23 August, 2002 to 5 September, 2002, the last trading day prior to the publication of the announcement dated 17th September, 2002 relating to the Subscription.
- The issue price was determined by reference to the theoretical market price of Consolidated Ordinary Shares upon the Capital Reorganisation becoming effective and was arrived at after arms length negotiations between the Company and the Subscribers after taking into account the current financial position and the future business prospects of the Company.



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## LETTER FROM THE BOARD

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### Conditions

Completion of the Subscription Agreements is conditional on, among other things, the following conditions being fulfilled or waived on or before 31 December, 2002 or such other date as the parties to the Subscription Agreements may agree:

- (i) the passing at a special general meeting of the Company of resolutions to approve, amongst other things, the Capital Reduction, the Share Consolidation and the Subscription as required under the Listing Rules, other applicable rules and legislation and to approve the issue of the Subscription Shares;
- (ii) the Capital Reduction and the Share Consolidation becoming effective in all respects in accordance with the Companies Act;
- (iii) the Listing Committee of the Stock Exchange agreeing to grant a listing of, and permission to deal in, the Subscription Shares; and
- (iv) all regulatory approvals of any relevant party or governmental authorities or other relevant regulatory bodies in Hong Kong to the Share Consolidation, the Capital Reduction and the Subscription having been obtained.

### Completion

Completion of the Subscription Agreements will take place on the third Business Day following the date of satisfaction or waiver of the above conditions (or such other date as the parties may agree in writing). The Subscription monies will be settled in cash at Completion.

The Subscription Shares will rank *pari passu* in all respects with Consolidated Ordinary Shares from the date of issue.

### Reasons for the Subscription and use of proceeds

The proceeds from the Subscription amounting to HK\$9.45 million will improve the financial position of the Company and will be used by the Company for general working capital purposes.

## LETTER FROM THE BOARD

### Changes to the shareholding structure of the Company as a result of the Capital Reorganisation and the Subscription Agreements

Assuming no other issue of Ordinary Shares is made by the Company before the implementation of the Capital Reorganisation and completion of the Subscription, the ordinary shareholding structure of the Company upon completion of the Capital Reorganisation and the Subscription Agreements will be as follows:

	As at the Latest Practicable Date	Shareholding percentage (%)	Upon completion of the Capital Reorganisation	Shareholding percentage (%)	Upon completion of the Capital Reorganisation and the Subscription Agreements	Shareholding percentage (%)
Existing Ordinary Shareholders*	16,769,693,317	100	335,393,866	100	335,393,866	84.18
張曉峰 (English translation: Zhang Xiao Feng)	—	—	—	—	31,500,000	7.91
錢振華 (English translation: Qian Zhen Hua)	—	—	—	—	31,500,000	7.91
	<u>16,769,693,317</u>	<u>100</u>	<u>335,393,866</u>	<u>100</u>	<u>398,393,866</u>	<u>100</u>

\* According to the register required to be maintained by the Company under the Securities (Disclosure of Interests) Ordinance, Chapter 396 of the Laws of Hong Kong, the Company has not been notified of any interest representing 10% or more of the Company's issued ordinary share capital as at the Latest Practicable Date.

Further announcement about the adjustment(s) to the subscription price and/or the number of Ordinary Shares or Consolidated Ordinary Shares (as appropriate) to be issued upon exercises of Options, Preference Shares and Convertible Bonds in accordance with their respective terms following the Capital Reorganisation becoming effective and completion of the Subscription will be made as and when appropriate.

### PROPOSAL FOR THE ADOPTION OF A NEW COMPANY NAME IN CHINESE

The Directors refer to the circular of the Company dated 16 August, 2002 with respect to, among other things, the proposed investment of the Group in Sino Top Technology Limited. The Group principally engages in, among other things, property investment, freight forwarding and logistics, 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 PRC for the Group and in particular for the logistics business. The

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## LETTER FROM THE BOARD

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acquisition of the entire interest in Sino Top Technology Limited which will hold 46.67% equity interest in 上海聯通實華移動信息網絡有限公司 (English translation: Shanghai Liantongshihua Mobile Information and Network Co., Ltd) will result in a strategic alliance with 上海華博科技有限公司 (English translation: Shanghai Huabo Technology Company Limited), an emerging technology company in Shanghai. Given Shanghai Huabo Technology Company Limited's expertise and good business connections in the PRC, the alliance should facilitate development of the Group's business in the PRC. It is proposed that, subject to the conditions set out below and to facilitate the development of the logistics business of the Group in the PRC, a new Chinese name of 上海華博控股有限公司 will be adopted by the Company in replacement of the current Chinese name 401 控股有限公司 for identification purposes and, if permitted, for registration under Part XI of the Companies Ordinance of Laws of Hong Kong. The existing Chinese name of the Company has not been registered under Part XI of the Companies Ordinance of Laws of Hong Kong.

### **Conditions of the proposed adoption of a new company name in Chinese**

The proposed adoption of a Chinese name, for identification purposes, is subject to satisfaction of the following conditions:

- (i) completion of the acquisition of Sino Top Technology Limited as described in the circular of the Company dated 16 August, 2002; and
- (ii) the passing of a special resolution by the Ordinary Shareholders at a special general meeting of the Company.

Subject to the fulfillment of the aforesaid conditions and the obtaining of the approval of the Registrar of Companies in Hong Kong, the Company intends to register the new Chinese name of the Company under Part XI of the Companies Ordinance. The proposed adoption of the Chinese name of the Company will not affect any of the rights of shareholders of the Company. The existing share certificates of the Company will, after the proposed adoption of the Chinese name becoming effective, continue to be evidence of title to Ordinary Shares in issue in the Company and will be valid for trading, settlement and registration purposes. A further announcement will be made by the Company when the proposed adoption of the Chinese name becomes effective.

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## LETTER FROM THE BOARD

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### **GENERAL MANDATE TO ISSUE SHARES AND GENERAL MANDATE TO REPURCHASE SECURITIES**

At the SGM, ordinary resolutions will be proposed to (i) grant a general mandate to the Directors to allot, issue and deal with additional Ordinary Shares (or Consolidated Ordinary Shares if the Capital Reorganisation becomes effective) not exceeding 20 per cent. of the issued ordinary share capital of the Company in issue as at the date of passing of the relevant resolution as enlarged by the Subscription Shares; and (ii) add to such general mandate so granted to the Directors the number of any Ordinary Shares (or Consolidated Ordinary Shares (as appropriate)) repurchased by the Company representing up to 10 per cent. of the aggregate nominal amount of the ordinary share capital of the Company in issue as at the date of passing of the relevant resolution as enlarged by the Subscription Shares. Notwithstanding these, the Board has no immediate plan to issue Ordinary Shares (or Consolidated Ordinary Shares (as appropriate)) pursuant to the above general mandate.

As mentioned, the Directors will seek Ordinary Shareholders' approval of the Repurchase Mandate to be proposed at the SGM. The Repurchase Mandate grants to the Directors a general and unconditional mandate to exercise all the powers of the Company to repurchase securities subject to the criteria set out in the Appendix to this circular. The Repurchase Mandate will be valid for such number of Ordinary Shares or Consolidated Ordinary Shares representing up to 10 per cent. of the issued ordinary capital of the Company in issue at the date of passing of the resolution to approve the Repurchase Mandate as enlarged by the Subscription Shares. The results of the resolutions to be proposed at the SGM in relation to the general mandate to allot, issue and deal with Ordinary Shares or Consolidated Ordinary Shares (as appropriate) and the Repurchase Mandate will not affect the implementation of the Capital Reorganisation.

### **RECOMMENDATION**

The Board is of the opinion that it is in the interest of the Company to (a) approve the Capital Reorganisation; (b) approve the Subscription; (c) adopt the Chinese name of the Company; and (d) approve the grant of general mandate to issue shares and the Repurchase Mandate. The Board therefore recommends the Ordinary Shareholders to vote in favour of the resolutions to be proposed at the SGM.

### **SPECIAL GENERAL MEETING**

Set out on pages 23 to 28 of this circular is a notice convening the SGM to be held at 10:10 a.m. (or so soon after the annual general meeting of the Company to be held at the same place and on the same date shall have been concluded or adjourned) on 27 November, 2002 at Function Room, Macau Jockey Club, 3/F., China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong at which special resolutions will be proposed to approve

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## LETTER FROM THE BOARD

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the Capital Reorganisation and the adoption of a Chinese company name and ordinary resolutions will be proposed to approve the Subscription, the general mandate to issue Ordinary Shares (or Consolidated Ordinary Shares if the Capital Reorganisation becomes unconditional and effective) and the Repurchase Mandate.

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.

### FURTHER INFORMATION

Your attention is drawn to the Appendix to this circular which contain further information on the Group.

Yours faithfully  
By Order of the Board  
**401 Holdings Limited**  
**Leung Tze Hang David**  
*Managing Director*

**RESPONSIBILITY STATEMENT**

This circular 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 circular 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.

This section includes explanatory statements required by the Stock Exchange to be presented to Ordinary Shareholders concerning the Repurchase Mandate proposed to be granted to the Directors.

**1. STOCK EXCHANGE RULES FOR REPURCHASES OF SECURITIES**

The Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the most important of which is summarised below:

The Listing Rules provide that all proposed repurchases of securities by a company with a primary listing on the Stock Exchange must be approved by shareholders in advance by an ordinary resolution, either by way of a general mandate or by a specific approval of a particular transaction and that the securities to be repurchased must be fully paid up.

**2. FUNDING OF REPURCHASES**

Any repurchases will be made out of funds which are legally available for the purpose in accordance with the memorandum of association and bye-laws of the Company and the Companies Act 1981 of Bermuda, being capital paid up on the relevant shares or out of funds of the Company otherwise available for dividend or distribution or out of the proceeds of a fresh issue of shares made for such purpose. Any premium payable on a repurchase over the par value of shares to be repurchased must be provided for out of the profits otherwise available for dividends, out of the Company's share premium account, or out of contributed surplus. As compared with the financial position of the Company as at 31st March, 2002 (being the date of its latest audited accounts), the Directors consider that there might be a material adverse impact on the working capital and on the gearing position of the Company in the event that the proposed repurchases were to be carried out in full during the proposed repurchase period.

The Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital of the Company or the gearing ratio which in the opinion of the Directors are from time to time appropriate for the Company.

### **3. SHARE CAPITAL**

As at the Latest Practicable Date, the issued ordinary share capital of the Company comprised 16,769,693,317 Ordinary Shares.

Subject to the passing of the relevant ordinary resolution to approve the general mandates to issue and repurchase securities, and on the basis that no further Ordinary Shares are issued or repurchased between the Latest Practicable Date and the SGM, the Company would be allowed under the Repurchase Mandate to repurchase a maximum of 1,676,969,331 Ordinary Shares (or 39,839,386 Consolidated Ordinary Shares if the Capital Reorganisation becomes effective and both the Subscription Agreements are completed in accordance with the terms thereof).

### **4. REASONS FOR REPURCHASES**

The Directors believe that it is in the best interests of the Company and its shareholders to have a general authority from the Ordinary Shareholders to enable the Directors to repurchase Ordinary Shares and/or Consolidated Ordinary Shares (as appropriate) on the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value of the Company and/or its earning per Ordinary Share or Consolidated Ordinary Shares (as appropriate) and will only be made when the Directors believe that such repurchases will benefit the Company and its shareholders.

### **5. UNDERTAKING OF THE DIRECTORS**

The Directors have undertaken to the Stock Exchange to exercise the power of the Company to make repurchases of the Ordinary Shares or Consolidated Ordinary Shares (as appropriate) pursuant to the Repurchase Mandate in accordance with the Listing Rules, the applicable laws of Bermuda and in accordance with the memorandum of association and bye-laws of the Company.

### **6. EFFECT OF THE HONG KONG CODE ON TAKEOVERS AND MERGERS**

If as a result of a repurchase of Ordinary Shares or Consolidated Ordinary Shares (as appropriate), an Ordinary Shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purpose of the Hong Kong Code on Takeovers and Mergers. As a result, an Ordinary Shareholder, or a group of Ordinary Shareholders acting in concert, depending on the level of increase of the Ordinary Shareholder's interest, could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rule 26 of Hong Kong Code on Takeovers and Mergers. According to the register required to be maintained by the Company under the Securities (Disclosure of Interests) Ordinance, Chapter 396 of the Laws of Hong Kong, the Company has not been notified of any interest representing 10% or more of the Company's issued ordinary share capital as at the Latest Practicable Date. As at the Latest Practicable

Date, the Directors are not aware of any consequence which the exercise in full of the Repurchase Mandate would have under the Hong Kong Code on Takeovers and Mergers.

## 7. DIRECTORS, THEIR ASSOCIATES AND CONNECTED PERSONS

None of the Directors nor, to the best of the knowledge and belief of the Directors, having made all reasonable enquiries, any of their respective associates has any present intention, in the event that the Repurchase Mandate is approved by Ordinary Shareholders, to sell Ordinary Shares or Consolidated Ordinary Shares (as appropriate) to the Company. No connected person of the Company has notified the Company that he/she has a present intention to sell Ordinary Shares or Consolidated Ordinary Shares (as appropriate) to the Company nor has he/she undertaken not to sell any of the Ordinary Shares or Consolidated Ordinary Shares (as appropriate) held by him/her to the Company in the event that the Company is authorised to make repurchases of Ordinary Shares or Consolidated Ordinary Shares.

## 8. GENERAL

No repurchase of Ordinary Shares (whether on the Stock Exchange or otherwise) has been made by the Company in the six months preceding the date of this circular and ending on the Latest Practicable Date.

The highest and lowest prices at which the Ordinary Shares were traded on the Stock Exchange in each of the twelve months preceding the Latest Practicable Date were as follows:

	Ordinary Shares	
	Highest <i>HK\$</i>	Lowest <i>HK\$</i>
<b>2001</b>		
October	0.01	0.01
November	0.01	0.01
December	0.01	0.01
<b>2002</b>		
January	0.01	0.01
February	0.01	0.01
March	0.01	0.01
April	0.01	0.01
May	0.01	0.01
June	0.01	0.01
July	0.01	0.01
August	0.01	0.01
September	0.01	0.01
October	0.01	0.01



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## NOTICE OF THE ANNUAL GENERAL MEETING

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### **401 Holdings Limited**

*(Incorporated in Bermuda with limited liability)*

**NOTICE IS HEREBY GIVEN** that 2002 Annual General Meeting of 401 Holdings Limited (the “Company”) will be held at 10:00 a.m. on Wednesday, 27 November, 2002 at Function Room, Macau Jockey Club, 3/F., China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong to transact the following ordinary business:

1. To receive and consider the audited financial statements and the reports of the directors and auditors for the year ended 31 March, 2002.
2. To determine the maximum number of directors.
3. To re-elect retiring directors and to authorise the board of directors to fix their remuneration.
4. To re-appoint auditors and to authorise the board of directors to fix their remuneration.
5. To transact any other ordinary business of the Company.

By Order of the Board  
**401 Holdings Limited**  
**Keung Shu Hoi**  
*Secretary*

Hong Kong, 4 November, 2002

*Principal Place of Business:*

Units 2204-5, 22/F, West Tower  
Shun Tak Centre  
200 Connaught Road Central  
Hong Kong

*Registered Office:*

Cedar House  
41 Cedar Avenue  
Hamilton HM12  
Bermuda

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## NOTICE OF THE ANNUAL GENERAL MEETING

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**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, in default of which the instrument of proxy shall not be treated as valid.

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## NOTICE OF THE SPECIAL GENERAL MEETING

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### **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 10:10 a.m. (or so soon after the annual general meeting of the Company to be held at the same place and on the same date shall have been concluded or adjourned) on 27 November, 2002, at Function Room, Macau Jockey Club, 3/F., China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong, for the purpose of considering and, if thought fit, passing the following resolutions as ordinary and special resolutions of the Company:

#### **SPECIAL RESOLUTIONS**

1. **“THAT**, with effect from 9:00 a.m. (Hong Kong time) of the Business Day (as defined below) following the fulfillment of the conditions for the Capital Reorganisation (as defined in a circular (the “Circular”) of the Company to its shareholders dated 4 November, 2002),
  - (A) every fifty ordinary shares of HK\$0.01 each and every fifty preference shares of HK\$0.01 each in the capital of the Company be consolidated (“**Share Consolidation**”) into one ordinary share of HK\$0.50 each (“**Consolidated Ordinary Share**”) and one preference share of HK\$0.50 each (the “**Consolidated Preference Share**”);
  - (B) the par value of each of the issued Consolidated Ordinary Shares and issued Consolidated Preference Shares be reduced from HK\$0.50 to HK\$0.10 by cancelling paid up capital to the extent of HK\$0.40 on each issued Consolidated Ordinary Share and issued Consolidated Preference Share (the “**Capital Reduction**”) so that the nominal value of each issued Consolidated Ordinary Share and issued Consolidated Preference Share shall become HK\$0.10 and resulting in the reduction of issued share capital of the Company from HK\$174,786,022 to HK\$34,957,204;
  - (C) every Consolidated Ordinary Share of HK\$0.50 each and Consolidated Preference Share of HK\$0.50 each in the authorised but unissued share capital of the Company be and is hereby respectively re-designated and subdivided into five Consolidated Ordinary Shares of HK\$0.10 each and five Consolidated Preference Shares of HK\$0.10 each (the “**Share Subdivision**”);

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## NOTICE OF THE SPECIAL GENERAL MEETING

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- (D) the credit standing to the share premium account of the Company be reduced by an amount of HK\$757,210,386 and the amount so reduced shall be credited to contributed surplus account of the Company and the directors of the Company (the “Directors”) be and are hereby authorised to apply such credit arising therefrom to set off against the accumulated losses of the Company;
- (E) the amount which shall arise as a result of the Capital Reduction shall be credited to the contributed surplus account of the Company and the Directors be and are hereby authorised to apply such credit to set off against the accumulated losses of the Company;
- (F) any Director be and is hereby authorised generally to do all things appropriate to effect and implement any of the foregoing; and
- (G) for the purpose of this resolution, “**Business Day**” means a day (other than a Saturday) on which banks in Hong Kong are generally open for business.”
2. “**THAT**, subject to and conditional upon completion of the sale and purchase agreement dated 22 July, 2002 between Precise Global Investments Limited and Cybermall Limited relating to the entire issued share capital of Sino Top Technology Limited, 上海華博控股有限公司 be adopted as the new Chinese name of the Company.”

### ORDINARY RESOLUTIONS

1. “**THAT** , conditional upon the Special Resolution No.1 set out in the notice of special general meeting of the Company dated 4 November, 2002 of which this resolution forms part becoming unconditional, the conditional agreement (the “Agreement”) dated 5 September 2002 between 張曉峰 (English translation : Zhang Xiao Feng) (the “Subscriber”) in respect of the proposed issue of 31,500,000 new ordinary shares of HK\$0.10 each in the capital of the Company, a copy of which has been produced by the chairman and marked “A” for identification, be and is hereby approved, and that the transactions contemplated therein be and are hereby approved and any director of the Company be and is hereby authorised to do such acts or execute such documents by hand or, in the case of execution of documents under seal, to do so jointly with either the Secretary or a duly appointed representative of the directors or a second director of the Company which in his/her or their opinion may be necessary, desirable or expedient to carry into effect or to give effect to the terms of the Agreement, including such changes and amendments thereto as any one director of the Company may consider necessary, desirable or expedient, and, subject to the satisfaction or waiver (as the case may be) of the conditions of the Agreement, the directors of the Company be and are hereby authorised to allot and issue to the

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## NOTICE OF THE SPECIAL GENERAL MEETING

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Subscriber or his nominee the Subscription Shares (as defined in the Agreement) in accordance with the terms of the Agreement.”

2. **“THAT**, conditional upon the Special Resolution No.1 set out in the notice of special general meeting of the Company dated 4 November, 2002 of which this resolution forms part becoming unconditional, the conditional agreement (the “Agreement”) dated 5 September 2002 between 錢振華 (English translation : Qian Zhen Hua) (the “Subscriber”) in respect of the proposed issue of 31,500,000 new ordinary shares of HK\$0.10 each in the capital of the Company, a copy of which has been produced by the chairman and marked “B” for identification, be and is hereby approved, and that the transactions contemplated therein be and are hereby approved and any director of the Company be and is hereby authorised to do such acts or execute such documents by hand or, in the case of execution of documents under seal, to do so jointly with either the Secretary or a duly appointed representative of the directors or a second director of the Company which in his/her or their opinion may be necessary, desirable or expedient to carry into effect or to give effect to the terms of the Agreement, including such changes and amendments thereto as any one director of the Company may consider necessary, desirable or expedient, and, subject to the satisfaction or waiver (as the case may be) of the conditions of the Agreement, the directors of the Company be and are hereby authorised to allot and issue to the Subscriber or his nominee the Subscription Shares (as defined in the Agreement) in accordance with the terms of the Agreement.”
  
3. **“THAT:**
  - (A) subject to paragraph (C) below, the exercise by the directors of the Company (the “Directors”) during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with unissued ordinary shares in the capital of the Company and to make or grant offers, agreements and options (including warrants, bonds and debentures convertible into ordinary shares of the Company) which might require the exercise of such powers be and is hereby generally and unconditionally approved;
  
  - (B) the Directors be and are hereby authorised during the Relevant Period to make or grant offers, agreements and options (including warrants, bonds and debentures convertible into ordinary shares of the Company) which might require the exercise of such powers during or after the end of the Relevant Period;

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## NOTICE OF THE SPECIAL GENERAL MEETING

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(C) the aggregate nominal amount of ordinary share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors pursuant to the approval in paragraphs (A) and (B) above, otherwise than pursuant to a Rights Issue (as hereinafter defined) or pursuant to the exercise of any options granted under the share option scheme adopted by the Company or an issue of ordinary shares upon the exercise of subscription rights attached to the warrants which might be issued by the Company or an issue of ordinary shares in lieu of the whole or part of a dividend on ordinary shares or any scrip dividend scheme or similar arrangement in accordance with the bye-laws of the Company, shall not exceed 20% of the aggregate nominal amount of the ordinary share capital of the Company in issue either (a) at the date of passing this resolution or, (b), if the Capital Reorganisation (as defined in the circular (the “Circular”) of the Company to its shareholders dated 4 November, 2002) becomes effective and upon completion of the Subscription Agreements (as defined in the Circular), as at the date of passing this resolution as reduced by the Capital Reorganisation and as enlarged by the issue of new ordinary shares of the Company pursuant to the Subscription Agreements, as the case may be, and the said approval shall be limited accordingly; and

(D) for the purposes of this resolution:

“Relevant Period” means the period from the date of the passing of this resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the memorandum of association and bye-laws of the Company or any applicable law of Bermuda to be held; and
- (iii) the revocation or variation of the authority given under this resolution by an ordinary resolution of the ordinary shareholders of the Company in general meeting.

“Rights Issue” means an offer of ordinary shares open for a period fixed by the Directors to holders of ordinary shares on the register of holders of the ordinary shares on a fixed record date in proportion to their then holdings of such ordinary shares (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of any relevant jurisdiction, or the requirements of any recognised regulatory body or any stock exchange).”

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## NOTICE OF THE SPECIAL GENERAL MEETING

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4. “THAT:

- (A) subject to paragraph (C) below, the exercise by the directors of the Company (“Directors”) during the Relevant Period (as hereinafter defined) of all powers of the Company to repurchase issued ordinary shares in the capital of the Company on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) or any other stock exchange on which the ordinary shares of the Company may be listed and recognised by the Securities and Futures Commission and the Stock Exchange for this purpose, and that the exercise by the Directors of all powers of the Company to repurchase such securities are subject to and in accordance with all applicable laws, be and is hereby, generally and unconditionally approved;
- (B) the approval in paragraph (A) above shall be in addition to any other authorisation given to the Directors and shall authorise the Directors on behalf of the Company during the Relevant Period to procure the Company to repurchase its ordinary shares at a price determined by the Directors;
- (C) the aggregate nominal amount of ordinary share capital of the Company repurchased or agreed conditionally or unconditionally to be repurchased by the Company pursuant to the approval in paragraph (A) above during the Relevant Period shall not exceed 10% of the aggregate nominal amount of the issued ordinary share capital of the Company either (a) as at the date of passing this resolution or, (b), if the Capital Reorganisation (as defined in the circular (the “Circular”) of the Company to its shareholders dated 4 November, 2002) becomes effective and upon completion of the Subscription Agreements (as defined in the Circular), as at the date of passing this resolution as reduced by the Capital Reorganisation and as enlarged by the issue of new ordinary shares of the Company pursuant to the Subscription Agreements, as the case may be, and the said approval shall be limited accordingly; and
- (D) for the purposes of this resolution:

“Relevant Period” means the period from the date of the passing of this resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the memorandum of association and by-laws of the Company or any applicable law of Bermuda to be held; and

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## NOTICE OF THE SPECIAL GENERAL MEETING

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(iii) the revocation or variation of the authority given under this resolution by an ordinary resolution of the ordinary shareholders of the Company in general meeting.”

5. “**THAT** conditional upon the passing of the ordinary resolutions numbered 3 and 4 in the notice convening a meeting of the Company dated 4 November, 2002, the aggregate nominal amount of the ordinary shares in the capital of the Company which are repurchased by the Company pursuant to and in accordance with the said resolution numbered 4 shall be added to the aggregate nominal amount of the ordinary share capital of the Company that may be allotted or agreed conditionally or unconditionally to be allotted by the directors of the Company pursuant to and in accordance with the resolution numbered 3 set out in that notice of meeting dated 4 November, 2002.”

By Order of the Board  
**401 Holdings Limited**  
**Keung Shu Hoi**  
*Secretary*

4 November, 2002

**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, in default of which the instrument of proxy shall not be treated as valid.