401 Holdings Limited

(Incorporated in Bermuda with limited liability)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2002

The board of directors (the "Board") of 401 Holdings Limited (the "Company") announces that the unaudited consolidated results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 September 2002 together with comparative figures for the corresponding period in 2001 are as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		(Unaudited) Six months ended	
		30 September 2002	30 September 2001
	Note	***HK$'000***	*HK$'000*
Turnover	*2*	**3,494**	11,950
Cost of sales		**(2,023)**	(7,335)
Gross profit		**1,471**	4,615
Other revenues		**6**	438
Administrative expenses		**(13,014)**	(32,735)
Waiver of debts		**–**	94
Loss on disposal of subsidiaries		**–**	(9,379)
Operating loss	*3*	**(11,537)**	(36,967)
Finance costs		**(1,258)**	(1,987)
Shares of loss of associates		**(86)**	(213)
Loss before taxation		**(12,881)**	(39,167)
Taxation	*4*	**(27)**	(33)
Loss after taxation		**(12,908)**	(39,200)
Minority interests		**–**	3,014
Net loss for the period		**(12,908)**	(36,186)
Basic loss per share	*6*	**0.08 cent**	0.26 cent

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STSTEMENTS

1 PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements are prepared in accordance with Hong Kong Statement of Standard Accounting Practice ("SSAP") No. 25 "Interim Financial Reporting", issued by the Hong Kong Society of Accountants, (as applicable to condensed interim financial statements) and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rule").

The Group has adopted the following SSAPs issued by Hong Kong Society of Accountants which are effective for accounting periods commencing on or after 1 January 2002. The new SSAPs relevant to the Group are:

SSAP 1 (revised)	Presentation of financial statements
SSAP 15 (revised)	Cash flow statements
SSAP 25 (revised)	Interim financial reporting
SSAP 34	Employee benefits

The adoption of the above new or revised accounting standards has no material effect on these interim financial statements other than presentation changes.

Save as above, the accounting policies and basis of preparation of these interim financial statements are consistent with those used in the annual financial statements for the year ended 31 March 2002 ("2002 Accounts"). Figures for the year ended 31 March 2002 are extracted from the Group's 2002 Accounts. The interim financial statements should be read in conjunction with the Group's 2002 Accounts.

2 SEGMENTAL INFORMATION

An analysis of the Group's turnover and results for the six months ended 30 September 2002, analysed by business segments is as follows:

	(Unaudited) Turnover Six months ended		**(Unaudited) Segment result Six months ended**	
	30 September 2002	30 September 2001	**30 September 2002**	30 September 2001
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
By principal activities:				
Sales and leasing of properties	**1,295**	5,392	**(478)**	(851)
Logistics and freight forwarding services	**367**	1,499	**(2,742)**	(7,515)
Property and household services	**17**	981	**(631)**	(5,963)
Internet related services	**–**	670	**(15)**	(1,702)
Financial services	**–**	411	**–**	398
Sales of goods	**1,097**	1,931	**469**	(286)
Consultancy, marketing and other services	**718**	1,066	**353**	(988)
	3,494	11,950	**(3,044)**	(16,907)
Interest income			**–**	196
Unallocated corporate expenses			**(8,493)**	(10,877)
Loss on disposal of subsidiaries			**–**	(9,379)
Loss from operations			**(11,537)**	(36,967)
Finance costs			**(1,258)**	(1,987)
Share of loss of associates			**(86)**	(213)

Loss before taxation	**(12,881)**	(39,167)
Taxation	**(27)**	(33)
Loss before minority interests	**(12,908)**	(39,200)

3 OPERATING LOSS

The operating loss is stated after charging / (crediting) the following: –

	Unaudited	
	Six months ended	
	30 September 2002	30 September 2001
	HK$'000	*HK$'000*
Depreciation of fixed assets	**461**	945
Provision for bad debt	**469**	–
Loss on disposal of fixed assets	**–**	381
Profit on sale of properties	**–**	(215)

4 TAXATION

No Hong Kong profits tax has been made as the Group had no assessable profits during the period and in prior period.

Overseas taxation was provided on the income of the overseas subsidiaries and branches in accordance with the tax laws of the countries in which these subsidiaries and branches operate.

5 DIVIDEND

The Board does not recommend an interim dividend for ordinary shares for the six months ended 30 September 2002 (2001 : nil).

6 LOSS PER SHARE

The calculation of basic loss per share is based on the following data:

	Unaudited	
	Six months ended	
	30 September 2002	30 September 2001
	HK$'000	*HK$'000*
Loss		
Net loss for the period	**12,908**	36,186
Dividend for preference shares	**319**	319
Loss for the purpose of basic loss per share	**13,227**	36,505
Number of shares		
Weighted average number of shares for the purpose of basic loss per share	**16,241,824,465**	13,989,261,136
Loss per share		
Basic	**0.08 cent**	0.26 cent

Diluted loss per share for the period and in prior period has not been presented as the effect of any dilution is anti-dilutive.

7 CONTINGENT LIABILITIES

(a) The Company has provided corporate guarantees to certain bankers and creditors to secure general finance facilities granted to its subsidiaries. Such facilities utilized by the subsidiaries as at 30 September 2002 amounted to approximately HK$14,470,000 (as at 31 March 2002: HK$8,701,000) and the related liabilities have been fully recorded in the consolidated balance sheet.

(b) As at 30 September 2002, 13 (as at 31 March 2002: 9) employees have completed the required number of years of service under the Hong Kong Employment Ordinance (the "Ordinance") to be eligible for long service payments on termination of their employment. The Group is only liable to make such payments where the termination meets the circumstances specified in the Ordinance.

If the termination of all such employees meets the circumstances set out in the Ordinance, the Group's liability as at 30 September 2002 would be approximately HK$893,000 (as at 31 March 2002: HK$648,000). No provision has been made for this amount in the accounts as it is not expected to be crystallised in the foreseeable future.

(c) In the past year, the Inland Revenue Department (the "IRD") has raised enquiries on the tax deductibility of certain expenses paid to Tran-Starting Inc., a former wholly-owned subsidiary of the Company, by AWT World Transport (Far East) Limited ("AWT Far East"), a wholly-owned subsidiary of the Company. On 7 March 2002, the IRD issued an assessment for 1995/96 to AWT Far East to disallow such expenses. AWT Far East has lodged objections against this assessment. Up to the date of this announcement, no final conclusion has been reached with the IRD in respect of the assessment. No provision is made in the accounts. Should the IRD disallow the expenses, an additional tax provision of approximately HK$983,000 would have to be made.

(d) According to rights and restrictions of the 6% convertible cumulative redeemable preference shares ("CP shares") which were approved by the shareholders of the Company in a special general meeting held on 6 January 2000, the convertible preference shareholders of the Company are entitled to a fixed cumulative preferential dividend at the rate of 6 per cent per annum on the notional value of each preference share held from the date of issue to the date the preference shares are converted into ordinary shares or are redeemed. As at 30 September 2002, the shareholders of the preference shares had the rights for an accumulate dividend of approximately HK$1,731,000 (as at 31 March 2002: HK$1,412,000). Such dividend was not accrued in the accounts as the Company had no retained earnings lawfully available for distribution as at 30 September 2002 and 31 March 2002.

8 LITIGATIONS

(a) At the date of this announcement, certain landlords issued writs and some also obtained judgements against the Group to claim for damages due to early termination of tenancy agreements and outstanding rental in arrears for a total amount of approximately HK$3,977,000. Full provisions for these claims had been made in the accounts.

(b) Certain employees of the Group have obtained Labour Tribunal's orders against the Group for outstanding salaries and compensation due to them. At the date of this announcement, the outstanding amount under Labour Tribunal's orders was approximately HK$752,000. Adequate provision with respect to these outstanding salaries had been made in the accounts.

(c) At the date of this announcement, other sundry creditors issued writs and some also obtained judgements against the Group for total outstanding debts of HK$2,736,000 in respect of miscellaneous services rendered. Full provisions had been made in the accounts.

9 COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current period's presentation.

BUSINESS AND FINANCIAL REVIEW

Business review

The global economy remains volatile for the year 2002. Coupled with poor economic performance and continued deflationary pressure in Hong Kong which shows little signs of economic recovery since the Asian economic crisis in 1997, the businesses of the Group generally fell short of expectations during the period under review. In such difficult business environment, the Company also encountered various difficulties in raising funds for working capital and for business development. Nevertheless, with strengthened company-wide cost control, streamlined operational structure and effective resources re-allocation, the loss of the Company was significantly reduced when compared with the corresponding period in the previous year.

The USA West Coast port work strike which occurred during the third quarter of 2002 inevitably affected the freight forwarding and logistics businesses of the Group to a considerable extent. Such negative effect, however, could only be slightly offset by the increased demand immediately after the strike. In order to develop logistics related information and technology business, the Group entered into an agreement in July 2002 to eventually acquire a 46.67% interest in Shanghai Liantongshihua Mobile Information and Network Co. Ltd. of which principal businesses include the design and sale of intelligent transport systems and technologies integrating the internet, GSM, GPS and FLEX platforms. The acquisition represents a unique opportunity for the Company to leverage on its existing logistics business in Hong Kong and will result in the strategic alliance with Shanghai Huabo Technology Company Limited, a leading emerging technology company in Shanghai. Subject to the completion of the acquisition, which is expected to take place by the end of December 2002, a new Chinese name 上海華博控股有限公司 will be adopted by the Company.

With a view to enhancing the overall capital value and rental income of certain properties at Hunghom Commercial Centre owned by the Group, the Group acquired another property at the same building, which is situated at a more prominent location and provides access to these properties, in September 2002. The Group has launched various promotional activities and provided value added services for the entire shopping arcade, successfully improving the pedestrian traffic and attracting more tenants to these properties.

In order to comply with the request made by the Stock Exchange of Hong Kong Limited, the Company has put forward a capital reorganization proposal involving, inter alia, share consolidation and capital reduction for shareholders' approval on 27 November 2002. The successful implementation of the capital reorganisation will allow the Group to have a greater flexibility to issue new shares and facilitate fund raising in the future.

Financial review

For the six months ended 30 September 2002, the Group recorded a turnover of HK$3.5 million, representing a 71% decrease from HK$11.9 million for the same period in the previous year. The decrease in turnover was mainly due to drop in sales of properties and cessation of the internet related businesses.

During the period, the Group had a loss attributable to shareholders of HK$12.9 million as compared to HK$36.2 million for the same period in last year and accordingly the basic loss per share was greatly reduced from HKCent 0.26 in last period to HKCent 0.08 in this period. The decrease in loss is partly due to a decrease of HK$19.7 million in administrative expenses resulting from tighter cost control and streamlining operation scale with a reduction in manpower and rental expenses.

During the period, the Group raised a total of HK$8.6 million from banks secured by mortgage of the Group's properties while HK$2.8 had been repaid to banks. The Company raised another HK$8 million by issue of convertible bonds and the proceeds were used to finance working capital and to repay debts of the Group.

As at 30 September 2002, the Group had net liabilities of HK$56.9 million. The Group currently has been maintaining a variety of credit facilities to meet its working capital requirements. As at the balance sheet date, the Group's total borrowings which were all denominated in Hong Kong dollars amounted to about HK$53.5 million with some HK$42.5 million repayable within one year and some HK$11 million repayable after one year. The borrowings due within one year mainly comprise convertible bonds and other loans. The Group is negotiating with the bondholders and loan creditors to vary the terms of these bonds and loans, including an extension of the maturity. Around 22% of the Group's total borrowings were at fixed interest rates. No calculation of gearing ratio as at 30 September 2002 has been made as the shareholders' funds were negative as at 30 September 2002.

FUTURE OUTLOOK AND PROSPECTS

Subsequent to its capital reorganisation, the Company is now better placed to focus on investment holding business mainly seeking strategic investment opportunities in the areas of distressed assets, undervalued companies and PRC domestic enterprises.

China has continued to achieve strong growth in the midst of a sluggish world economy and entry to the WTO has opened China's domestic markets further, speeding up its economic development and creating enormous business and investment opportunities. With Hong Kong's strategic location as a gateway to China, the Company is well positioned to capitalize on such advantage and will identify more valuable and profitable investments in the PRC.

The Government of Hong Kong Special Administrative Region has recently promulgated various measures to bolster up the economy and stabilise the property market. With the extensive experience of the management team in the property market which is anticipated to gradually improve as a result of such boost from the Government, the Group will strengthen its property portfolio by identifying undervalued distressed properties and turning them around for capital appreciation.

Notwithstanding the prevailing adverse economic conditions of Hong Kong, the Group will strive to foster its business growth by strengthening its competitiveness through streamlining its business structure to enhance cost efficiency and cost effectiveness and introducing more value-added services as well as capitalizing on the current investment opportunities in order to achieve better returns for its shareholders.

Our management team, diligent employees, and excellent professional advisors are valuable intangible assets of the Group and the driving force of its growth. On behalf of the Board, we take this opportunity to extend our sincere thanks to all staff for their hard work and loyal services and to the professional advisors for their precious advice.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period.

NUMBER OF EMPLOYEES AND REMUNERATION POLICIES

Including the directors of the Company, as at 30 September 2002, the Group employed a total of 27 full-time employees. Remuneration packages comprised salary and year-end bonuses based on individual merits.

The Company has adopted share option schemes which enable the directors and employees of the Group to subscribe for shares in the Company granted under the share option schemes at corresponding exercise prices.

AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the unaudited interim financial statements for the six-months ended 30 September 2002.

COMPLIANCE WITH THE CODE OF BEST PRACTICE OF THE LISTING RULES

During the six months ended 30 September 2002, the Code of Best Practice has been complied with by the Company except that non-executive directors are not appointed for a specific term as recommended under Appendix 14 of the Listing Rules. According to the Bye-laws of the Company, non-executive directors of the Company will retire by rotation every year and their appointments will be reviewed when they are due for re-election. In the opinion of the directors, this meets the same objectives of the Code of Best Practice.

PUBLICATION OF INTERIM RESULTS ON THE STOCK EXCHANGE'S WEBSITE

All information required by the paragraphs 46(1) to 46(6) of Appendix 16 of the Listing Rules will be published on the Stock Exchange's website in due course.

By Order of the Board

Ding Zhiming	**Leung Tze Hang, David**
Chairman	*Managing Director*

Hong Kong, 20 December 2002

Please also refer to the published version of this announcement in China Daily dated on 23-12-2002.