

*The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*

**401**

# **401 Holdings Limited**

*(Incorporated in Bermuda with limited liability)*

## **MAJOR TRANSACTIONS**

The board of directors of 401 Holdings Limited announced that on 2 September, 2003, two legally binding agreements were entered into between AWT Investment Company Limited which is a wholly-owned subsidiary of the Company, and each of (i) Chung Kit Leung and (ii) Wong Chun Chau, neither of whom are connected with the directors, chief executive, substantial shareholders of the Company and any of its subsidiaries or any of their respective associates (as defined in the Listing Rules), for the sale and purchase of the properties situated at Store no. 3, 3A, 33, 33A, 35A & 35B and Store no. 36, 48, 53, 53A & 69 both on Basement, Malahon Apartments (The Causeway Bay Ginza) No. 509 Jaffe Road, Hong Kong. The aggregate consideration for Property 1 and Property 2 is HK\$4,700,000 and completion shall take place on or before 30 September, 2003.

The provisional sale and purchase agreements for the Properties were signed on 2 August, 2003. Upon the signing of the provisional agreements, the parties agreed to hold further discussions on the terms and conditions to be contained in the formal agreement including the liability as to who should bear the licence fee free period (which relates to the licensing arrangements between the licensor and the licensee in respect of each of Property 1 and Property 2) which will extend beyond the original completion date i.e. 15 September, 2003, although such agreement was not specifically stated in the provisional agreements. Under the existing licence agreements, a licence fee free period is offered to the licencees as an incentive for them to enter into the licence agreements ranging from 7 days to 91 days. Certain licence fee free periods do go beyond the original completion date i.e. 15 September, 2003. The provisional agreements do not contain any provisions regarding arrangements between the Vendor and the Purchasers in relation to the licence fee free period. The Purchasers have indicated that if such discussions could not be finalized, they will rescind the provisional agreements, although such rights to rescind were not stated in the provisional agreements. The directors of the

Company consider that the provisional agreements signed on 2 August, 2003 were preliminary agreements and subject to the finalization of the outstanding issues which should be incorporated in the formal agreements and the initial deposits were no more than an earnest money.

Despite the reasons provided by the Company, the HKSE considers that the failure of the Company to make an announcement at the time of the entering into of the provisional agreements constitutes a breach of the Listing Rules, the HKSE reserves its right to take appropriate action against the Company and its directors in respect of the aforesaid breach where appropriate.

The S & P Agreements constitute major transactions of the Company for the purpose of the Listing Rules and are subject to the approval of the shareholders at a general meeting of the Company to be convened. A circular of the Company, containing details relating to the disposal of the Properties and information of the Company, and a notice convening a special general meeting of the Company, will be dispatched to the shareholders of the Company as soon as possible.

Trading in the shares of the Company was suspended at the request of the Company with effect from 9:30 a.m. on 28 March, 2003 and remains suspended until further notice.

## **TERMS OF THE S & P AGREEMENTS**

- Date : 2 September, 2003
- Vendor : AWT Investment Company Limited, a wholly-owned subsidiary of 401 Holdings Limited (the “Company”).
- Purchasers : Chung Kit Leung, in respect of Property 1, and Wong Chun Chau, in respect of Property 2, neither of whom are connected with the directors, chief executive, substantial shareholders of the Company and any of its subsidiaries or any of their respective associates (as defined in the Rules Governing the listing of securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).
- Property 1 : Store No. 3, 3A, 33, 33A, 35A & 35B on basement, Malahon Apartments (The Causeway Bay Ginza) No. 509 Jaffe Road, Hong Kong with an aggregate gross floor area of 1,022 sq. ft. (“Property 1”).
- Property 2 : Store No. 36, 48, 53, 53A & 69 on basement, Malahon Apartments (The Causeway Bay Ginza) No. 509 Jaffe Road, Hong Kong with an aggregate gross floor area of 790 sq. ft. (“Property 2”).

Consideration : HK\$2,350,000 in respect of Property 1 and HK\$2,350,000 in respect of Property 2 (together, the “Purchase Prices”), which were determined after arm’s length negotiations between the parties by reference to the market value of the Properties.

## **THE PROPERTIES**

Property 1 and Property 2 (together, the “Properties”) are to be sold on an “as is” basis subject to the existing licence agreements but otherwise free from encumbrances. The Vendor shall transfer the deposits of the existing licence agreements to the Purchasers upon completion.

The terms of the licence agreements are twelve months with various commencement dates from 10 October, 2002 to 22 August, 2003. The aggregate licence fees for the Properties is HK\$72,500 per month.

## **PAYMENT TERMS**

In respect of Property 1,

- (1) an initial deposit in the sum of HK\$50,000 has been paid to the Vendor’s solicitors on signing of the provisional agreement on 2 August, 2003;
- (2) a further deposit in the sum of HK\$185,000 has been paid to the Vendor’s solicitors on 15 August, 2003; and
- (3) the balance of the Purchase Price being HK\$2,115,000 shall be paid on completion on or before 30 September, 2003.

In respect of Property 2,

- (1) an initial deposit in the sum of HK\$50,000 has been paid to the Vendor’s solicitors on signing of the provisional agreement on 2 August, 2003;
- (2) a further deposit in the sum of HK\$185,000 has been paid to the Vendor’s solicitors on 15 August, 2003; and
- (3) the balance of the Purchase Price being HK\$2,115,000 shall be paid on completion on or before 30 September, 2003.

The deposits in the total sum of HK\$470,000 for the Properties which will form the part payment of the Purchase Prices were originally held by the Vendor’s solicitors as stakeholder and were released to the Vendor as the balance of the Purchase Prices is sufficient to discharge the existing legal mortgages on the Properties.

The sale of Properties by the Vendor was introduced by an independent estate agent who is not a connected person to the Company under the Listing Rules.

## **CONDITION**

Each of the S & P Agreements contains conditions precedent which require, among other things, that completion be subject to the sanction by a special shareholders' meeting of the Company and the requirements of the Listing Rules.

## **COMPLETION**

Subject to the existing charge or mortgage over the Properties having been released or discharged on or before completion and the Vendor having proved good title to the Properties, completion of the sale and purchase of the Properties shall take place on or before 30 September, 2003.

If the Purchasers shall fail to complete the purchase, the deposit money paid shall be absolutely forfeited to the Vendor and the Vendor shall resell the Properties to other parties. Any deficiency in price arising from the resale and all reasonable expenses incurred shall be paid by the Purchasers.

If the Vendor shall fail to complete the sale of the Properties then all deposits shall be forthwith returned to the Purchasers who shall also be entitled to recover from the Vendor such further damages (if any) over and above the said deposit as the Purchasers may sustain by reason of such failure on the part of the Vendor.

## **USE OF PROCEEDS**

The Properties is under mortgage in favour of a bank to secure loan facilities the outstanding principal amount of which as at the date hereof amounts to approximately HK\$3.18 million. The Purchase Prices will be used to apply to settle the corresponding amount due to the bank.

The net sales proceeds of the disposal of the Property in the amount of approximately HK\$1.27 million will be used as general working capital of the Group (including settlement of operating expenses).

## **BUSINESS OF THE COMPANY AND THE VENDOR**

The Company is an investment holding company whose subsidiaries are mainly engaged in freight forwarding and logistics business, property investment, trading and provision of consultancy services.

The Vendor, being the wholly owned subsidiary of the Company, purchased the Properties in 2001. For the year ended 31 March, 2001, the audited losses of the Vendor before and after taxation amounted to approximately HK\$2,300, and for the year ended 31 March, 2002, the audited losses of the Vendor before and after taxation amounted to approximately HK\$908,400. These losses were due to diminution in value of the Properties as determined by the then auditors of the Company. In accordance with the audited accounts as at 31 March, 2002, the book value of the Properties carried at valuation was approximately HK\$6.07

million. The directors anticipate that the disposal of the Properties will incur a consolidated loss of approximately HK\$1.37 million as a result.

## **REASON FOR ENTERING INTO THE S & P AGREEMENT**

The Board considers that the terms of the S & P Agreements are fair and reasonable in so far as the shareholders of the Company as a whole are concerned, since the Purchase Prices are reached and determined based on what the directors of the Company believe to be the prevailing market value of the Property. Giving their experience in property investment business, the directors of the Company consider that the Purchase Prices represent the best available price obtainable in the market. The Company has not obtained any valuation in respect of the Properties from independent professional surveyors at this stage but valuation report will be contained in the circular to be dispatched to the shareholders of the Company as soon as possible. The Board also considers that the disposal of the Properties is in the best interest of the Company since the proceeds of sale of the Properties would be applied towards reducing the indebtedness of and hence the interest payment incurred by the Company.

## **GENERAL**

The provisional sale and purchase agreements for the Properties were signed on 2 August, 2003. Upon the signing of the provisional agreements, the parties agreed to hold further discussions on the terms and conditions to be contained in the formal agreement including the liability as to who should bear the licence fee free period (which relates to the licensing arrangements between the licensor and the licensee in respect of each of Property 1 and Property 2) which will extend beyond the original completion date i.e. 15 September, 2003, although such agreement was not specifically stated in the provisional agreements. Under the existing licence agreements, a licence fee free period is offered to the licensees as an incentive for them to enter into the licence agreements ranging from 7 days to 91 days. Certain licence fee free periods do go beyond the original completion date i.e. 15 September, 2003. The provisional agreements do not contain any provisions regarding arrangements between the Vendor and the Purchasers in relation to the licence fee free period. The Purchasers have indicated that if such discussions could not be finalized, they will rescind the provisional agreements, although such rights to rescind were not stated in the provisional agreements. The directors of the Company consider that the provisional agreements signed on 2 August, 2003 were preliminary agreements and subject to the finalization of the outstanding issues which should be incorporated in the formal agreements and the initial deposits were no more than an earnest money.

Despite the reasons provided by the Company, the Stock Exchange of Hong Kong Limited (the "HKSE") considers that the failure of the Company to make an announcement at the time of the entering into of the provisional agreements constitutes a breach of the Listing Rules, the

HKSE reserves its right to take appropriate action against the Company and its directors in respect of the aforesaid breach where appropriate.

The S & P Agreements constitute major transactions of the Company and is subject to the approval of the shareholders at a general meeting of the Company to be convened. A circular of the Company, containing details relating to the disposal of the Properties and information of the Company, and a notice convening a special general meeting of the Company, will be dispatched to the shareholders of the Company as soon as possible.

The Company confirms that to the best of its knowledge it is not aware of the existence of any shareholder who has a material interest in the transactions contemplated under the S & P Agreements. Accordingly, none of its shareholders is required to abstain from voting at the special general meeting of the Company to be convened for the purpose of considering and approving such transactions.

Trading in the shares of the Company was suspended at the request of the Company with effect from 9:30 a.m. on 28 March, 2003 and remains suspended until further notice.

By Order of the Board  
**Leung Tze Hang David**  
*Managing Director*

Hong Kong, 9th September, 2003

Please also refer to the published version of this announcement in China Daily.