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

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



401 Holdings Limited

(Incorporated in Bermuda with limited liability)

MAJOR TRANSACTIONS

DISPOSAL OF PROPERTIES

A notice convening a special general meeting of 401 Holdings Limited (the “Company”) to be held at 10:00 a.m. on 21 October, 2003, at Function Room, Macau Jockey Club, 3rd Floor, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong is set out on pages 20 to 21 of this circular. Whether or not you are able to attend the meeting, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the head office and principal place of business of the Company in Hong Kong at Units 2204-5, 22nd Floor, West Tower, Shun Tak Centre, 200 Connaught Road Central, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the meeting. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the meeting or any adjourned meeting should you so desire.

3 October, 2003

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

“Agreements”	(i) a formal agreement dated 2 September, 2003 between the Vendor and the First Purchaser whereby the Vendor agreed to sell the First Property to the First Purchaser, and (ii) a formal agreement dated 2 September, 2003 between the Vendor and the Second Purchaser whereby the Vendor agreed to sell the Second Property to the Second Purchaser.
“Board”	the board of Directors.
“Company”	401 Holdings Limited, an exempted company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange.
“Director(s)”	the director(s) of the Company from time to time.
“Disposal”	the disposal of the Properties by the Vendor to the Purchasers pursuant to the Agreements.
“First Property”	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..
“First Purchaser”	Chung Kit Leung, a party not connected with the Company or any Director, chief executive or substantial shareholder of the Company or any of its subsidiaries or any of their respective associates (as defined in the Listing Rules).
“Group”	the Company and its subsidiaries.
“HK\$”	Hong Kong Dollars.
“Latest Practicable Date”	26 September, 2003, being the latest practicable date prior to the printing of this circular for ascertaining certain information referred to in this circular.
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange.
“Properties”	the First Property and the Second Property, and “Property” shall mean any one of them.
“Purchasers”	the First Purchaser and the Second Purchaser, and “Purchaser” shall mean any one of them.

DEFINITIONS

“Sale Prices”	the sale prices of the Properties as referred to in the section headed “Sale Prices” in the letter from the Board.
“Second Property”	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..
“Second Purchaser”	Wong Chun Chau, a party not connected with the Company or any Director, chief executive or substantial shareholder of the Company or any of its subsidiaries or any of their respective associates (as defined in the Listing Rules).
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).
“Share(s)”	ordinary share(s) of \$0.10 each in the capital of the Company.
“Special General Meeting”	the special general meeting (or any adjournment thereof) to be convened by the Company at 10:00 a.m. on 21 October, 2003 at Function Room, Macau Jockey Club, 3rd Floor, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong to consider, and if thought fit, approve the Disposal.
“Stock Exchange”	The Stock Exchange of Hong Kong Limited.
“Valuer”	Prudential Surveyors International Limited, an independent qualified valuer.
“Vendor”	AWT Investment Company Limited, a wholly-owned subsidiary of the Company.

LETTER FROM THE BOARD



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
Choi Koon Ming*
Ha Kee Choy, Eugene*
Leung Ka Kui, Johnny**
Koo Tsang Hoi**

* *Non-executive Directors*

** *Independent non-executive Directors*

Registered office:

Canon's Court
22 Victoria Street
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

3 October, 2003

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

Dear Sir or Madam,

MAJOR TRANSACTIONS DISPOSAL OF PROPERTIES

INTRODUCTION

The Board announced on 9 September, 2003 that the Vendor has entered into the Agreements on 2 September, 2003 with the Purchasers, who are not connected with the Company, the directors, chief executive or substantial shareholders of the Company or any of its subsidiaries or any of their respective associates as defined under the Listing Rules, for the sale and purchase of the Properties.

THE PROPERTIES

The First Property is located at 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 square feet. The Second Property is located at 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 square feet.

LETTER FROM THE BOARD

SALE PRICES

The sale price of HK\$2,350,000 in respect of the First Property and HK\$2,350,000 in respect of the Second Property (together, the "Sale Prices") were determined after arm's length negotiations between the parties with reference to the market value of the Properties.

The Board considers that the terms of the Agreements are fair and reasonable so far as the shareholders of the Company as a whole are concerned, since the Sale Prices were reached and determined based on what the Directors believe to be the prevailing market value of the Properties. Given their experience in the property investment business, the Directors consider that the Sale Prices represent the best available price obtainable in the market.

The Vendor, which is a 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 of the Company 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.

Prudential Surveyors International Limited, an independent qualified valuer, has valued the Properties at HK\$4.7 million. Details of its valuation are set out in Appendix II.

PAYMENT TERMS

In respect of the First Property,

- (1) an initial deposit in the sum of HK\$50,000 was 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 was paid to the Vendor's solicitors on 15 August, 2003; and
- (3) the balance of the Sale Price being HK\$2,115,000 shall be paid on completion, which shall be on or before 30 September, 2003, and such completion date has now been extended to 22 October, 2003.

In respect of the Second Property,

- (1) an initial deposit in the sum of HK\$50,000 was 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 was paid to the Vendor's solicitors on 15 August, 2003; and

LETTER FROM THE BOARD

- (3) the balance of the Sale Price being HK\$2,115,000 shall be paid on completion, which shall be on or before 30 September, 2003, and such completion date has now been extended to 22 October, 2003.

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

USE OF PROCEEDS

The Properties are under mortgage in favour of a bank to secure loan facilities the outstanding principal amount of which as at the Latest Practicable Date amounts to approximately HK\$3.18 million. The proceeds from the receipt of the Sale Prices will be used to apply to settle the corresponding amount due to the bank.

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

REASON FOR THE DISPOSAL

The Board considers that the terms of the Agreements are fair and reasonable so far as the shareholders of the Company as a whole are concerned, since the Sale Prices were reached and determined based on what the Directors believe to be the prevailing market value of the Properties. Given their experience in the property investment business, the Directors consider that the Sale Prices which are supported by a subsequent valuation of HK\$4,700,000 given to the Properties in aggregate by the Valuer represent the best available price obtainable in the market. 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.

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 which was originally agreed between the relevant parties to take place on or before 30 September, 2003, has now been extended to 22 October, 2003.

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

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

LETTER FROM THE BOARD

INFORMATION ON THE COMPANY

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.

GENERAL

The provisional sale and purchase agreements for the Properties were signed on 2 August, 2003 and are currently being registered with The Land Registry. Upon the signing of the provisional agreements, the parties agreed (although such agreement was not specifically stated in the provisional agreements) to hold further discussions on the terms and conditions to be contained in the formal sale and purchase agreements including who would be liable to bear the licence fee free period (which relates to the licensing arrangements between the licensor and the licensee in respect of each of the First Property and the Second Property) which will extend beyond the original completion date (i.e. 15 September, 2003). Under the existing licence agreements, a licence fee free period is offered to the licensees as an incentive for them to enter into licence agreements which range from 7 days to 91 days. Certain licence fee free periods extend 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 would rescind the provisional agreements, although such rights to rescind were not stated in the provisional agreements. The Directors 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 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, and the Stock Exchange has reserved its right to take appropriate action against the Company and the Directors in respect of the aforesaid breach where appropriate.

The Agreements constitute major transactions of the Company and are subject to the approval of the shareholders at the Special General Meeting to be convened by the Company.

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 Agreements as at the Latest Practicable Date. Accordingly, none of its shareholders is required to abstain from voting at the Special General Meeting.

FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Disposal will reduce the interest expenses of the Group and will also improve the immediate working capital of the Group.

LETTER FROM THE BOARD

SPECIAL GENERAL MEETING

Set out on pages 20 to 21 of this circular is a notice convening the Special General Meeting to be held at 10:00 a.m. on 21 October, 2003 at Function Room, Macau Jockey Club, 3rd Floor, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong at which ordinary resolutions will be proposed to approve the Agreements and to authorise the Directors to execute such documents and take such actions on behalf of the Company as they may consider necessary to complete and give effect to the transactions contemplated under the Agreements.

A form of proxy for use at the Special General Meeting is enclosed. Whether or not you intend to attend the Special General Meeting, you are requested to complete and return the form of proxy to the 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 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 Special General Meeting if you so wish.

The Directors believe that the Agreements are in the best interests of the Company and its shareholders. Accordingly, the Directors recommend all shareholders to vote in favour of the ordinary resolutions to approve the Agreements.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the Appendices.

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

1. INDEBTEDNESS

As at 31 July, 2003, the Group had an outstanding indebtedness of approximately HK\$141.60 million consisting of secured bank and other loans amounting to approximately HK\$21.46 million, unsecured loans amounting to approximately HK\$63.55 million and indebtedness under convertible bonds and preference shares amounting to approximately HK\$56.59 million.

As at the Latest Practicable Date, the Group had the following contingent liabilities:

- (a) The Company 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 31 July, 2003 amounted to approximately HK\$13.90 million.
- (b) An alleged tax claim against a subsidiary of the Company from the Hong Kong Inland Revenue Department in the amount of approximately HK\$983,000 for the year of assessment 1995/96.
- (c) Certain employees have completed the required number of years of service under the Hong Kong Employment Ordinance to be eligible for long service payments on termination of their employment. The Company is only liable to make such payments where the termination meets the circumstances specified in the Employment Ordinance. If the termination of all such employees meets the circumstances set out in the Ordinance, the Group's liability as at 31 July, 2003 for long service payment would be approximately HK\$820,000.

Save as aforesaid and apart from any intra-Group liabilities, the Group did not have, at the close of business on 31 July, 2003, any loan capital issued and outstanding or agreed to be issued, outstanding bank overdrafts and liabilities under acceptance (other than normal trade bills) or other similar indebtedness, debentures, mortgages, charges or loans or acceptance credits, finance lease or hire purchase commitments or guarantee or material contingent liabilities.

2. WORKING CAPITAL

The Directors are of the opinion that taking into account the net proceeds from the Disposal, the Group has sufficient working capital for its immediate requirement.



P RUDENTIAL SURVEYORS INTERNATIONAL LTD D
 Authorized Persons • Valuers • Development Consultants • Engineers

3101-3105 Dah Sing Financial Centre, 108 Gloucester Road, Hong Kong. Tel: 2507 8333 Fax: 2598 6576

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3 October, 2003

AWT Investment Company Limited
 Units 2204-5, 22nd Floor
 West Tower, Shun Tak Centre
 No. 200 Connaught Road Central
 Hong Kong

Attention: Mr. Terence Lau

Dear Sir,

Re: Property 1 – Store Nos. 3, 3A, 33, 33A, 35A & 35B on Basement of Malahon Apartments (The Causeway Bay Ginza), No. 509 Jaffe Road, Hong Kong.

Property 2 – Store Nos. 36, 48, 53, 53A & 69 on Basement of Malahon Apartments (The Causeway Bay Ginza), No. 509 Jaffe Road, Hong Kong.

In accordance with the instructions from AWT Investment Company Limited (the “Company”) to assess the open market value of the above properties (the “Properties”), we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing the Company with our opinion of the open market value of the Properties as at 17 September, 2003 for disposal purpose.

Our valuation is our opinion of the open market value which we would define as intended to mean “the best price at which the sale of an interest in the Properties might reasonably be expected to have been completed unconditionally for cash consideration on the date of valuation, assuming:

- (a) A willing seller;
- (b) That, prior to the date of valuation, there had been a reasonable period (having regard to the nature of the Properties and the state of the market) for the proper marketing of the interest, for the agreement of the price and terms and for the completion of the sale;
- (c) That the state of market, level of values and other circumstances were, on any earlier assumed date of exchange of contracts, the same as on the date of valuation;

- (d) That no account is taken of any additional bid by prospective purchaser with a special interest; and
- (e) That both parties to the transaction had acted knowledgeably, prudently and without compulsion.”

We have caused searches to be made at the Land Registry. We have not, however, searched the original documents to verify ownership or to verify the existence of any lease amendments. All documents and leases have been used for reference only. All dimensions, measurements and areas included in the valuation certificate are only approximations.

We have relied to a considerable extent on information provided by the Company and have accepted advice given to us by the Company on such matters as planning approvals or statutory notices, easements, tenure, occupation and floor areas and all relevant matters. We have also been advised by the Company that no material factors have been concealed or omitted in the information provided to us.

Our valuation has been made on the assumption that the owner sells the Properties in the open market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement which would serve to increase the value of the Properties. In addition, no account has been taken of any option or right of pre-emption concerning or effecting the sale of the Properties and no forced sale situation in any manner is assumed in our valuation.

We have inspected the exterior of the Properties. However, no structural survey has been made and we are therefore unable to report whether the Properties are free from rot, infestation or any structural defects. No tests were carried out on any of the services.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the Properties nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Properties interests are free from encumbrances, restrictions and outgoings of any onerous nature which could effect their value.

We enclose herewith a summary of our valuation and the valuation certificate.

Yours faithfully,
For and on behalf of
PRUDENTIAL SURVEYORS INT’L LTD.
G.J. Cattermoul
FKIS, MRICS
General Manager

Note: Mr G.J. Cattermoul, Chartered Surveyor, has over 20 years of experience in undertaking valuations of properties in Hong Kong.

SUMMARY OF VALUATION

Property	Open Market Value in Existing State as at 17 September, 2003
1. Store Nos. 3, 3A, 33, 33A, 35A, & 35B on Basement of Malahon Apartments (The Causeway Bay Ginza), No. 509 Jaffe Road, Hong Kong.	HK\$2,600,000.00
2. Store Nos. 36, 48, 53, 53A & 69 on Basement of Malahon Apartments (The Causeway Bay Ginza), No. 509 Jaffe Road, Hong Kong.	HK\$2,100,000.00
	<hr/>
	Total: <u>HK\$4,700,000.00</u>

VALUATION CERTIFICATE

Property	Description and Tenure	Particulars of Occupancy	Open Market Value in Existing State as at 17 September, 2003
<p>1. Store Nos. 3, 3A, 33, 33A, 35A & 35B on Basement of Malahon Apartments (The Causeway Bay Ginza), No. 509 Jaffe Road, Hong Kong.</p> <p>A total of 1,022/11,000 of 10/314 shares of and in the Remaining Portion of Section D of Inland Lot No. 2836 and the Remaining Portion of Section L of Marine Lot No. 52 and the Extension thereto.</p>	<p>The property comprises six stores on basement of a 20-storey composite building completed in 1966.</p> <p>The shopping arcade on basement is named as "Causeway Bay Ginza".</p> <p>The total gross floor area of the property is approximately 94.95m² (1,022 square feet) and the total saleable area of the property is approximately 47.1m² (507 square feet), excluding the common parts thereof.</p> <p>Inland Lot No. 2836 is held under a Government Lease for a lease term of 99 years from 30 September, 1929, renewable for a further 99 years. The rent payable for the lot is HK\$152.00 per annum.</p> <p>Marine Lot No. 52 is held under a Government Lease for a lease term of 999 years from 25 June, 1843. The rent payable for the lot is HK\$4.00 per annum.</p>	<p>The property is currently let under various licenses at a total monthly rental of HK\$36,300.00, inclusive of rates and management fees.</p>	<p>HK\$2,600,000.00</p>

Notes:

1. The registered owner of the Property is AWT Investment Company Limited.
2. The Property is subject to an unlimited first legal charge to secure general banking facilities and an assignment of rental both in favour of DBS Kwong On Bank Limited.
3. The Property is subject to a Memorandum of Charge by the Incorporated owners of Malahon Apartments.
4. The Property is subject to an order No. C/TB/10328/02/HK under Section 24(1) of the Buildings Ordinance by the Building Authority (Re: Structure(s) below the soffit of the exit staircase).
5. The Property is subject to a Provisional Agreement for Sale and Purchase in favour of Chung Kit Leung or Nominee at a consideration of part of HK\$2,350,000.00. Registration of the deed is pending and withheld.

Property	Description and Tenure	Particulars of Occupancy	Open Market Value in Existing State as at 17 September, 2003
<p>2. Store Nos. 36, 48, 53, 53A & 69 on Basement of Malahon Apartments (The Causeway Bay Ginza), No. 509 Jaffe Road, Hong Kong.</p> <p>A total of 790/11,000 of 10/314 shares of and in the Remaining Portion of Section D of Inland Lot No. 2836 and the Remaining Portion of Section L of Marine Lot No. 52 and the Extension thereto.</p>	<p>The property comprises five stores on basement of a 20-storey composite building completed in 1966.</p> <p>The shopping arcade on basement is named as "Causeway Bay Ginza".</p> <p>The total gross floor area of the property is approximately 73.4m² (790 square feet) and the total saleable area of the property is approximately 38.18m² (411 square feet), excluding the common parts thereof.</p> <p>Inland Lot No. 2836 is held under a Government Lease for a lease term of 99 years from 30 September, 1929, renewable for a further 99 years. The rent payable for the lot is HK\$152.00 per annum.</p> <p>Marine Lot No. 52 is held under a Government Lease for a lease term of 999 years from 25 June, 1843. The rent payable for the lot is HK\$4.00 per annum.</p>	<p>The property is currently let under various licenses at a total monthly rental of HK\$36,200.00, inclusive of rates and management fees.</p>	<p>HK\$2,100,000.00</p>

Notes:

1. The registered owner of the Property is AWT Investment Company Limited.
2. The Property is subject to an unlimited first legal charge to secure general banking facilities and an assignment of rental both in favour of DBS Kwong On Bank Limited.
3. The Property is subject to a Memorandum of Charge by the Incorporated Owners of Malahon Apartments.
4. The Property is subject to an order No.C/TB/10328/02/HK under Section 24(1) of the Buildings Ordinance by the Building Authority (Re: Structure(s) below the soffit of the exit staircase).
5. The Property is subject to a Provisional Agreement for Sale and Purchase in favour of Wong Chun Chau or Nominee at a consideration of part of HK\$2,350,000.00. Registration of the deed is pending and withheld.

1. 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 in so far as it relates to the Company.

2. DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, the following Directors and chief executive of the Company were interested, or were deemed to be interested in the following long and short positions in the Shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors adopted by the Company to be notified to the Company and the Stock Exchange:

(a) The Company

Long positions in the Shares

Name of director	Number of Shares held	% of issued Share Capital	Number of share options held
Leung Tze Hang, David	6,167,728	1.38%	700,000
Law Chuen Lam, Edward	1,228,757	0.28%	500,000
Au-Yeung Yok Cho	231,462	0.05%	500,000
Po Kam Hi, John	3,238,700	0.73%	500,000
Lau Cheuk Hung, Terence	1,773	0.00%	300,000

(b) Associated corporations

Long positions

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

Note:

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

Save as disclosed in this circular, as at the Latest Practicable Date, none of the Directors and chief executive of the Company were interested, or were deemed to be interested in the long and short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Code for Securities Transactions by Directors adopted by the Company to be notified to the Company and the Stock Exchange.

3. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, according to the register of interests in long positions and short positions kept by the Company pursuant to Divisions 2 and 3 of Part XV and section 336 of the SFO and so far as the Directors were aware, the following persons had a long position or short position in the Shares, underlying shares or debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

Long Positions in the Shares

Name	Number of Shares interested	Percentage of issued share capital
Heng Fung Holdings Limited	60,000,000 ⁽¹⁾	13.45%
Precise Global Investments Limited	66,000,000	14.80%
Loh Chi Tsung	66,000,000 ⁽²⁾	14.80%

(1) The shareholding interest of Heng Fung Holdings Limited in the Company is indirect by virtue of its 98.6% ownership of China Units Enterprises Limited and Merchant Partners Limited each of which holds 30,000,000 Shares respectively.

(2) The shareholding interest of Loh Chi Tsung in the Company is indirect by virtue of his 100% ownership of Precise Global Investments Limited.

Save as disclosed in this circular, the Directors were not aware of any person as at the Latest Practicable Date who had a long position or short position in the Shares, underlying shares or debentures which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

4. SERVICE CONTRACTS

Mr. Leung Tze Hang, David has entered into a service agreement with the Company as executive director. The Company may terminate the agreement by serving twenty-four (24) months' prior written notice to Mr. Leung.

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

5. LITIGATION

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

- (a) certain landlords have issued writs and some have obtained judgments against the Group to claim for damages as a result of early termination of tenancy agreements by the Group and outstanding rental and management fee in a total sum of approximately HK\$5,190,000;
- (b) certain employees of the Group have obtained orders at the Labour Tribunal against the Group for outstanding salaries and compensations due to them which amount to approximately HK\$870,000;
- (c) some creditors have issued writs and some have obtained judgments against the Group for total outstanding debts of approximately HK\$993,227 in respect of miscellaneous service rendered and goods supplied; and
- (d) certain convertible bondholders have issued writs against the Company for the outstanding principal and interest in the amount of approximately HK\$11,210,000.

6. MATERIAL CONTRACTS

The following material contracts have been entered into by members of the Group within two years preceding the date of this circular:

- (a) settlement agreements dated 23 November, 2001 between the Company and its subsidiaries and the existing and former directors of the Company and certain of its subsidiaries, a former director of the Company's subsidiary and a former alternate director of the Company, particulars of which were disclosed in the circular of the Company dated 4 February, 2002;
- (b) consultancy settlement agreement dated 23 November, 2001 between the Company and Twinkle Sphere Company Limited, particulars of which were disclosed in the circular of the Company dated 4 February, 2002;
- (c) consultancy agreement dated 23 November, 2001 between the Company and Finnex Development Limited, particulars of which were disclosed in the circular of the Company dated 4 February, 2002;
- (d) agreement dated 11 February, 2002 between the Company and White Opal Holdings Limited in respect of the subscription of a convertible bond of the Company in the principal sum of HK\$4,000,000;
- (e) agreement dated 30 April, 2002 between the Company and Topsmart Investment Limited in respect of the subscription of a convertible bond of the Company in the principal sum of HK\$4,000,000;

- (f) agreement dated 28 May, 2002 between the Company, Onelink Investment Limited (a wholly-owned subsidiary of the Company) and SIIC Finance Company Limited in respect of the purchase of a property for the consideration of HK\$15,000,000, particulars of which were disclosed in the circular of the Company dated 22 July, 2002;
- (g) agreement dated 10 July, 2002 between the Company and China Units Enterprises Limited in respect of the subscription of a convertible bond of the Company in the principal sum of HK\$3,000,000;
- (h) agreement dated 10 July, 2002 between the Company and Merchant Partners Limited in respect of the subscription of a convertible bond of the Company in the principal sum of HK\$3,000,000;
- (i) agreement dated 22 July, 2002 between Cybermall Limited (a wholly-owned subsidiary of the Company) and Precise Global Investments Limited in respect of the purchase of Sino Top Technology Limited which in turn hold 46.67% interest in a company in Shanghai, particulars of which were disclosed in the circular of the Company dated 16 August, 2002;
- (j) agreement dated 5 September, 2002 between the Company and 張曉峰 in respect of the subscription of 31,500,000 ordinary shares of the Company, particulars of which were disclosed in the circular of the Company dated 4 November, 2002;
- (k) agreement dated 5 September, 2002 between the Company and 錢振華 in respect of the subscription of 31,500,000 ordinary shares of the Company, particulars of which were disclosed in the circular of the Company dated 4 November, 2002;
- (l) agreement dated 10 June, 2003 and a supplemental agreement dated 27 August, 2003 between the Company and Lucky Journey Company Limited in respect of the subscription of 150,000,000 ordinary shares of the Company, the announcement of which has been submitted to the Stock Exchange for clearance and where the Company is still addressing the queries raised by the Stock Exchange; and
- (m) the Agreements.

7. QUALIFICATION OF EXPERTS

The following are the qualifications of the experts who have given opinions or advice in this circular.

Expert	Qualification
Prudential Surveyors International Limited	Professional surveyors

Prudential Surveyors International Limited does not have any shareholding in any member of the Group or the right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

Prudential Surveyors International Limited does not have any direct or indirect interest in any assets which have been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 March, 2002, being the date to which the latest published audited financial statements of the Company were made up.

The valuation report given by Prudential Surveyors International Limited is dated as of 3 October, 2003 for incorporation herein.

8. CONSENT OF EXPERT

Prudential Surveyors International Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its valuation report and references to its name in the form and context in which it appears herein.

9. OTHER INTERESTS

Save as disclosed in the previous announcements and circulars of the Company, none of the Directors or the expert named under the section headed "Consent of Expert" has or had any direct or indirect interest in any assets acquired or disposed of by or leased to or by or proposed to be acquired or disposed of by or leased to or by any member of the Group since 31 March, 2002, being the date to which the latest published audited financial statements of the Company were made up.

None of the Directors is materially interested in any contract or arrangement subsisting at the date of this circular which is significant in relation to the business of the Group.

10. MISCELLANEOUS

- (a) The secretary of the Company is Keung Shu Hoi, a practising solicitor in Hong Kong.
- (b) The registered office of the Company is situated at Canon's Court, 22 Victoria Street, Hamilton, HM12, Bermuda and the head office and principal place of business in Hong Kong is situated at Units 2204-5, 22nd Floor, West Tower, Shun Tak Centre, 200 Connaught Road Central, Hong Kong. The Hong Kong branch share register and transfer office of the Company is situated at Tengis Limited of 28th Floor, BEA Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong.
- (c) Save as disclosed in this circular, the Directors are not aware of any material adverse change in the financial position or prospects of the Group since 31 March, 2002, being the date to which the latest published audited financial statements of the Company were made up.
- (d) The English text of this circular shall prevail over the Chinese text.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the head office and principal place of business of the Company at Units 2204-5, 22nd Floor, West Tower, Shun Tak Centre, 200 Connaught Road Central, Hong Kong during normal business hours from the date of this circular up to and including 21 October, 2003:

- (a) the Memorandum of Association and the Bye-Laws of the Company;
- (b) the service contract referred to in paragraph 4 of this Appendix;
- (c) the valuation report and certificate dated 3 October, 2003 prepared by Prudential Surveyors International Limited the text of which is set out in Appendix II;
- (d) the consolidated audited accounts of the Company for each of its financial years ended 31 March, 2001 and 31 March, 2002;
- (e) the material contracts referred to in the paragraph headed “Material contracts” of this Appendix; and
- (f) the circulars of the Company dated 22 July, 2002, 16 August, 2002 and 4 November, 2002.

NOTICE OF THE SPECIAL GENERAL MEETING



401 Holdings Limited

(Incorporated in Bermuda with limited liability)

NOTICE IS HEREBY GIVEN that a Special General Meeting of 401 Holdings Limited (the “Company”) will be held at 10:00 a.m. on 21 October, 2003, at Function Room, Macau Jockey Club, 3rd Floor, 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 resolutions of the Company:

ORDINARY RESOLUTIONS

“THAT:

- (i) the agreement dated 2 September, 2003 between Chung Kit Leung and AWT Investment Company Limited, a wholly-owned subsidiary of the Company (the “Vendor”), in relation to the sale and purchase of the property situated at Store No. 3, 3A, 33, 33A, 35A & 35B on basement, Malahon Apartments (The Causeway Bay Ginza) No. 509 Jaffe Road, Hong Kong (the “First Sale and Purchase Agreement”), and the provisional agreement dated 2 August, 2003 between Chung Kit Leung and the Vendor signed in respect of the aforesaid property (the “First Provisional Agreement”), copies of which have been produced to the meeting marked “A” and “B” respectively and signed for identification by the Chairman, be and are hereby approved, ratified and confirmed in all respects and the directors of the Company be and are hereby authorised to execute such documentation and take such actions on behalf of the Company as they may consider necessary to complete and give effect to the transactions contemplated under the First Sale and Purchase Agreement; and
- (ii) the agreement dated 2 September, 2003 between Wong Chun Chau and the Vendor in relation to the sale and purchase of the property situated at Store No. 36, 48, 53, 53A & 69 on basement, Malahon Apartments (The Causeway Bay Ginza) No. 509 Jaffe Road, Hong Kong (the “Second Sale and Purchase Agreement”), and the provisional agreement dated 2 August, 2003 between Wong Chun Chau and the Vendor signed in respect of the aforesaid property (the “Second Provisional Agreement”), copies of which have been produced to the meeting marked “C” and “D” respectively and signed for identification by the Chairman, be and are hereby approved, ratified and confirmed in all respects and the directors of the Company be

NOTICE OF THE SPECIAL GENERAL MEETING

and are hereby authorised to execute such documentation and take such actions on behalf of the Company as they may consider necessary to complete and give effect to the transactions contemplated under the Second Sale and Purchase Agreement.”

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

3 October, 2003

Notes:

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