

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 Holdings Limited

(Incorporated in Bermuda with limited liability)

CLARIFICATION ANNOUNCEMENT

The Board refers to the Company's circular dated 3rd October, 2003 in relation to the Major Transactions.

Under paragraph 3 of Appendix III of the Circular under the heading "Substantial Shareholders", it was stated in footnote (1) therein that the shareholding interest of Heng Fung Holdings Limited in the Company is indirect by virtue of its 98.6% ownership of China Units and Merchant Partners each of which holds 30,000,000 Shares respectively.

The Board hereby clarifies that each of China Units and Merchant Partners merely holds convertible bonds previously issued by the Company, upon exercise of which will entitle each of them to hold 30,000,000 Shares respectively, and not the actual Shares themselves.

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

The board of directors (the "Board") of 401 Holdings Limited (the "Company") refers to the Company's circular dated 3rd October, 2003 (the "Circular") in relation to the Major Transactions. Terms defined herein shall have the same meaning as those defined in the Circular unless otherwise stated.

Under paragraph 3 of Appendix III of the Circular under the heading "Substantial Shareholders", it was stated in footnote (1) therein that 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 ("China Units") and Merchant Partners Limited ("Merchant Partners") each of which holds 30,000,000 Shares respectively.

The Board hereby clarifies that each of China Units and Merchant Partners merely holds convertible bonds previously issued by the Company, upon exercise of which will entitle each of them to hold 30,000,000 Shares respectively prior to 30th July, 2004, and not the actual Shares themselves. Each of China Units and Merchant Partners may or may not convert their respective convertible bonds. As at the date of this announcement, none of them have converted the convertible bonds. Accordingly, the shareholding interest of Heng Fung Holdings Limited in the Company as disclosed in the Circular is an indirect interest by virtue of its 98.6% ownership of China Units and Merchant Partners, each of which holds convertible bonds upon exercise of which will entitle each of them to hold 30,000,000 Shares respectively.

The misstatement is due to an inadvertent oversight by the responsible officer of the Company of the Forms 2 – Corporate Substantial Shareholder Notices (the "Forms 2") filed by each of China Units and Merchant Partners (collectively, the "Substantial Shareholders").

In item 18 of the Forms 2 of each of the Substantial Shareholders, it states that the total number of shares held by the relevant Substantial Shareholders is 30,000,000 (long position). As it does not specify the type of interest, the responsible officer of the Company has inadvertently assumed that such interests represent the shareholding of the relevant Substantial Shareholders and the Board has inadvertently oversight the wordings set out in the footnote of the Circular.

In view of the present incident, the Company will ensure that its relevant officers are familiarized with the notices required to be disclosed under Part XV of the Securities and Futures Ordinance (the "SFO") and that professional advice will be sought as and when required. As the SFO is a relatively new legislation, efforts will be made by the Board to promote better understanding of the requirements under Part XV of the SFO by issuing guidelines to and organizing seminars for all relevant staff of the Company.

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

By Order of the Board
Leung Tze Hang David
Managing Director

Hong Kong, 20th October, 2003

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