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401 Holdings Limited

(Incorporated in Bermuda with limited liability)

MAJOR TRANSACTION

The Board announced that the Provisional S&P Agreement was entered into on 20 November 2003 between the Vendor and Join Profit (Hong Kong) Limited for the sale and purchase of the Property at the Purchase Price of HK\$12.8 million. Completion shall take place on or before 31 March 2004. The disposal of the Property constitutes a major transaction of the Company for the purpose of the Listing Rules and is subject to the approval of the Shareholders at the SGM to be convened.

A circular of the Company, containing details relating to the disposal of the Property and a notice convening the SGM, will be dispatched to the Shareholders as soon as possible.

Trading in the Shares of the Company was suspended at the request of the Company with effect from 28 March 2003 and remains suspended until further notice.

MAJOR TRANSACTION

The board of directors (“Board”) of the Company announced that a provisional sale and purchase agreement (“Provisional S&P Agreement”), which is legally binding, was entered into between the Vendor and Join Profit (Hong Kong) Limited for the sale and purchase of the Property, which was facilitated by an independent estate agent.

PRINCIPAL TERMS OF THE PROVISIONAL S&P AGREEMENT

Date: 20 November 2003

Vendor: Onelink Investment Limited, a wholly owned subsidiary of 401 Holdings Limited (the “Company”)

Purchaser: Join Profit (Hong Kong) Limited or its nominee, neither of whom nor their ultimate beneficial owners are connected to 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 (“Listing Rules”))

- Property:** Unit No. 42 on ground floor and portion forming the entrance hall on the said ground floor including the staircase, landing and lift shaft leading to the second floor and portions forming the staircase, landing and lift shaft on the first floor leading to the said second floor of Hunghom Commercial Center, Nos. 37-39 Ma Tau Wai Road, Kowloon, Hong Kong
- Purchase Price:** HK\$12.8 million, which was determined after arm's length negotiations between the parties with reference to the valuation of the Property at HK\$12.8 million valued by Memfus Wong Surveyors Limited, an independent chartered surveyors, in November 2003.
- Payment terms:**
- (1) an initial cash deposit in the sum of HK\$600,000 has been paid to the Vendor's solicitor on signing of the provisional sale and purchase agreement on 20 November 2003;
 - (2) another deposit in the sum of HK\$680,000 shall be paid in cash to the Vendor's solicitor upon signing of formal agreement for sale and purchase on or before 10 December 2003;
 - (3) a further deposit in the sum of HK\$1,280,000 shall be paid in cash on or before 10 January 2004; and
 - (4) the balance of the Purchase Price being HK\$10,240,000 shall be paid in cash upon completion on or before 31 March 2004.
- Completion:** Completion of the sale and purchase of the Property shall take place on or before 31 March 2004 subject to:—
- (1) the existing charge or mortgage over the Properties having been released or discharged on or before completion;
 - (2) the Vendor having proved good title to the Property;
 - (3) approval of the shareholders of the Company ("Shareholders") at a special general meeting ("SGM") of the Company to be convened.

USE OF PROCEEDS

The Property is under mortgage in favor of a bank to secure loan facilities, the outstanding principal and interests of which as at the date hereof amounts to approximately HK\$4.9 million. The Purchase Price will be used to settle the corresponding amount due to the bank.

The net proceeds to be received by the Vendor shall be approximately HK\$7.7 million, HK\$5 million of which will be used to settle part of the outstanding indebtedness of the Company while the balance will be used as general working capital of the Company and its subsidiaries and associates (the "Group").

The Vendor purchased the Property at a cost of approximately HK\$15.8 million in September 2002. The estimated net loss of approximately HK\$3 million will be reflected in the consolidated financial statements of the Group for the financial year ending 31 March 2004.

REASON FOR THE DISPOSAL OF THE PROPERTY

The Board considers that the terms of the Provisional S&P Agreement are fair and reasonable in so far as the Shareholders as a whole is concerned since the Purchase Price was reached and determined after arm's length negotiations between the parties with reference to the valuation of the Property valued by an independent chartered surveyors in November 2003. The Board also considers that the disposal of the Property is in the best interest of the Company since the proceeds of sale of the Property could be applied towards reducing the indebtedness of and hence the interest payment incurred in the Company.

INVESTMENT PROPERTIES PORTFOLIO

After the disposal of the Property, the total net realizable value of the Group's properties held for sale will be approximately HK\$15 million and comprise the following major assets:

- a) Workshop Nos. 1-5,11-13 and store room on 16th Floor of Block B and lorry carparks L14-15 on Level 2 of Veristrong Industrial Centre, 34-36 Au Pui Wan Street, Fo Tan, Kowloon, Hong Kong;
- b) Units B4, C4 and D4, Basement, Block 4, Kwun Tong Industrial Center, No. 436-446 Kwun Tong Road, Kowloon, Hong Kong; and
- c) 46 shops of Court V on 2nd Floor of Hunghom Commercial Centre, 37-39 Ma Tau Wai Road, Kowloon, Hong Kong.

GENERAL

The Group is principally engaged in freight forwarding and logistics business, property investment, trading and provision of consultancy services.

The disposal of the Property constitutes a major transaction of the Company for the purpose of the Listing Rules and is subject to the approval of the Shareholders at the SGM to be convened.

A circular of the Company, containing details relating to the disposal of the Property and a notice convening the SGM, will be dispatched to the Shareholders as soon as possible.

As at 31 August 2003, the Group had an outstanding indebtedness of approximately HK\$142 million consisting of secured bank and other loans amounting to approximately HK\$22 million, unsecured debts amounting to approximately HK\$78 million and indebtedness under convertible bonds amounting to approximately HK\$42 million.

The Company has been in the second stage of the delisting procedures in accordance with Practice Note 17 of the Listing Rules since 24 October 2003. Trading in the Shares of the Company was suspended at the request of the Company with effect from 28 March 2003 and will remain suspended until the Company can demonstrate to the Stock Exchange that the requirements of paragraph 38 of the Listing Agreement are met.

By Order of the Board
401 Holdings Limited
Wong Chong Kwong, Derek
Chairman

Hong Kong, 8 December 2003

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