401 HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

FINAL RESULTS FOR THE YEAR ENDED 31 MARCH 2003

The board of directors (the "Board") announces the audited consolidated results of 401 Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31 March 2003 together with comparative figures for the year ended 31 March 2002 as follows:

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31 March 2003

	Note	**2003** *HK$'000*	2002 *HK$'000* (As restated)
Turnover	*2*	**6,933**	22,844
Cost of sales		**(3,907)**	(28,240)
Gross profit/(loss)		**3,026**	(5,396)
Other revenues		**347**	1,261
Marketing and promotion costs		**(23)**	(600)
Staff costs		**(14,065)**	(33,704)
Depreciation		**(949)**	(1,591)
Administrative expenses		**(10,725)**	(18,765)
Other charges	*3*	**(20,875)**	(33,670)
Operating loss	*4*	**(43,264)**	(92,465)
Finance costs		**(14,214)**	(3,228)
Shares of profit of associates		**63**	53
Loss before taxation		**(57,415)**	(95,640)
Taxation	*5*	**(33)**	(77)
Loss after taxation		**(57,448)**	(95,717)
Minority interests		**—**	(5,436)
Loss attributable to the shareholders		**(57,448)**	(101,153)
Basic loss per share	*6*		
Current year/prior year as previously reported		**16.77cents**	0.70cents
As retrospectively restated		**16.77cents**	34.81cents

Notes:

1. Basis of Preparation of the Accounts

The Group sustained a consolidated net loss attributable to the shareholders of HK$57,448,000 for the year ended 31 March 2003 and at that date its net current liabilities and net liabilities were approximately HK$79,007,000 and HK$92,832,000 respectively. In preparing these accounts, the directors of the Company ("Directors") have given careful consideration to the future liquidity of the Group.

After taking the following circumstances into consideration, the Directors intended to have the accounts of the Group be prepared on the basis that the Group will continue to operate as a going concern:

(i) On 10 June 2003, the Company entered into a subscription agreement with a potential investor (the "Subscriber") for the subscription of shares of the Company. The subscription agreement was further amended by supplemental agreements signed on 27 August 2003, 30 September 2003 and 19 December 2003 respectively (the "Subscription Agreement"). The Subscription Agreement includes the subscription of the Company's ordinary shares by the Subscriber; the issue of bonus shares by the Company to the Subscriber and granting option to the Subscriber for further subscription of ordinary shares. The subscription is conditional upon, among other things, the approval of the existing shareholders of the Company. Details of the Subscription Agreement and the Subscriber are pending to be announced upon clearance from the Stock Exchange of Hong Kong Limited ("Stock Exchange").

(ii) On 23 September 2003, a total of 66,000,000 ordinary shares of HK$0.10 each were issued to Precise Global Investments Limited, a convertible bond holder, upon the full conversion of the convertible bond with the principal amount of HK$6,600,000 at a conversion price of HK$0.10 each.

(iii) On 22 October 2003, the Group sold certain properties for sale at an aggregate consideration of HK$4,700,000. The proceeds had been used to repay the outstanding mortgage loan of the properties while the balance was used as general working capital of the Group.

(iv) On 20 November 2003, the Group entered into a provisional sale and purchase agreement for the sale of certain properties at an aggregate consideration of HK$12,800,000 (the "Disposal"). The Disposal constitutes a major transaction of the Company for the purpose of the Rules Governing the Listing of Securities on the Stock Exchange and is subject to the approval of the shareholders of the Company. The Disposal is expected to take place on or before 31 March 2004. The proceeds will be used to repay the outstanding mortgage loan of the properties and part of the outstanding indebtedness of the Group while the balance will be used as general working capital of the Group.

Should the Group be unable to continue as a going concern, adjustments would have to be made to restate the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and liabilities as current assets and liabilities, respectively. The effects of these adjustments have not been reflected in the accounts.

2. Business and Segment Information

(i) Business Segments

The following tables represent revenue and profit information on each of the business segments for the years ended 31 March 2003 and 2002, and certain assets and liabilities information regarding business segments as at 31 March 2003 and 2002.

	Turnover		Segment result	
	2003	2002	**2003**	2002
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
				As restated
Sales and leasing of properties	**2,705**	14,072	**(4,524)**	(14,693)
Logistics, freight forwarding, and shipping services	**1,264**	2,296	**(9,353)**	(25,111)
Sales of goods	**1,520**	2,985	**384**	(2,260)
Consultancy, marketing and other services	**1,342**	1,328	**676**	(1,066)
Property and household services	**102**	1,493	**(2,220)**	(10,698)
Others	**—**	670	**(266)**	(23,175)
	6,933	22,844	**(15,303)**	(77,003)
Interest income			**—**	945
Unallocated corporate expenses			**(27,961)**	(23,186)
Gain on disposal of subsidiaries			**—**	6,779
Loss from operations			**(43,264)**	(92,465)
Finance costs			**(14,214)**	(3,228)
Share of profit of associates			**63**	53
Loss before taxation			**(57,415)**	(95,640)
Taxation			**(33)**	(77)
Loss before minority interests			**(57,448)**	(95,717)

	Depreciation and amortisation		Non cash expenses other than depreciation and amortisation		Capital expenditures	
	2003	2002	**2003**	2002	**2003**	2002
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Sales and leasing of properties	**399**	328	**3,946**	3,720	**436**	1,071
Logistics, freight forwarding, and shipping services	**409**	828	**1,775**	5,354	**—**	—
Sales of goods	**—**	43	**36**	2,051	**—**	—
Consultancy, marketing and other services	**—**	8	**—**	—	**—**	—
Property and household services	**25**	201	**747**	231	**—**	—
Others	**—**	—	**250**	21,509	**—**	—
Unallocated	**116**	183	**13,941**	7,584	**—**	5
	949	1,591	**20,695**	40,449	**436**	1,076

	Segment assets		Segment liabilities	
	2003	2002	**2003**	2002
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Sales and leasing of properties	**42,413**	31,059	**21,852**	16,288
Logistics, freight forwarding, and shipping services	**279**	3,444	**16,736**	14,396
Sales of goods	**151**	453	**678**	1,428
Consultancy, marketing and other service	**—**	28	**—**	1,089
Property and household services	**1,212**	2,548	**7,721**	8,489
Others	**6**	250	**43**	30
Interests in associates	**(639)**	(358)	**—**	—
Unallocated	**1,234**	1,648	**90,458**	47,635
	44,656	39,072	**137,488**	89,355

(ii) Geographical segments

Over 90% of the Group's revenue and assets are derived from operations carried out in the People's Republic of China including the Hong Kong Special Administrative Region ("Hong Kong"). No geographical analysis is presented.

3. Other Charges

	2003	2002
	HK$'000	*HK$'000*
Compensation paid	**(180)**	—
Gain on disposal of subsidiaries	**—**	6,779
Impairment loss on fixed assets	**—**	(125)
Loss on disposal and write off of fixed assets	**(1,672)**	(1,951)
Provision for diminution in the value on investment securities	**(250)**	(21,287)
Provision for amounts due from associates	**(489)**	—
Provision for bad and doubtful debts	**(1,515)**	(11,940)
Provision for diminution in value of inventories	**—**	(1,898)
Provision for diminution in value of properties for sale	**(2,939)**	(3,449)
Unrealised losses for other investment	**(13,200)**	—
Waiver of debts	**—**	201
Write off of properties for sale	**(630)**	—
	(20,875)	(33,670)

4. Operating Loss

The operating loss is stated after crediting and charging the following and other charges in note 3:—

	2003	2002
	HK$'000	*HK$'000*
Crediting		
Interest income	**—**	945
Gross rental income from properties	**2,705**	3,114
Less: Outgoings	**810**	1,803
Net rental income from properties	**1,895**	1,311
Charging		
Auditors' remuneration		
— current year	**276**	361
— overprovision in prior year	**(5)**	—
Net exchange losses	**29**	26
Operating lease rentals in respect of land and buildings	**1,422**	4,008
Operating lease rentals in respect of plant and machinery	**35**	305
Staff costs excluding directors' emoluments		
— salaries, bonus, allowances and benefits in kind	**5,297**	15,043
— payment in lieu of notice and severance payment	**848**	458
— provision for annual leave	**37**	(211)
— provision for long service payment	**813**	—
— retirement benefits scheme contributions	**162**	441

5. Taxation

	2003	2002
	HK$'000	*HK$'000*
Hong Kong profits tax		
— Over-provision in previous years	**—**	(21)
Overseas taxation	**33**	98
	33	77

No Hong Kong profits tax has been provided in the accounts as the Group has no assessable profit for the year (2002: nil).

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

6. Loss Per Share

The calculation of basic loss per share is based on the net loss attributable to shareholders for the year ended 31 March 2003 of HK$57,448,000 (2002: HK$101,153,000, restated for the effect of adopting SSAP 34), and the weighted average number of 342,598,798 ordinary shares (2002: 290,564,541 restated by share consolidation of fifty shares into one share) in issue during the year.

Diluted loss per share for the year ended 31 March 2003 and 2002 has not been presented as the effect of any dilution is anti-dilutive.

7. Dividend

The Directors do not recommend payment of any dividend for the year ended 31 March 2003 (2002: nil).

8. Reserves

	Share premium account *HK$'000*	**Exchange fluctuation reserve** *HK$'000*	**Accumulated losses** *HK$'000*	**Total** *HK$'000*
At 1 April 2001				
— as previously reported	756,610	357	(874,989)	(118,022)
Effect on adopting SSAP 34	—		(496)	(496)
— as restated	756,610	357	(875,485)	(118,518)
Premium arising from issuing new shares, net of expenses	600	—	—	600
Exchange realignment	—	2	—	2
Loss for the year	—	—	(101,153)	(101,153)
At 31 March 2002 and 1 April 2002	757,210	359	(976,638)	(219,069)
At 1 April 2002				
— as previously reported	757,210	359	(976,353)	(218,784)
Effect on adopting SSAP 34	—	—	(285)	(285)
— as restated	757,210	359	(976,638)	(219,069)
Capital reduction	139,829	—	—	139,829
Capital reorganisation	(896,601)	—	896,601	—
Expenses for capital reorganisation	(438)	—	—	(438)
Issue of consolidated ordinary shares, net of expenses for cash	1,265	—	—	1,265
Issue of consolidated ordinary shares for acquisition of investment securities, net of expenses	5,020	—	—	5,020
Loss for the year	—	—	(57,448)	(57,448)
At 31 March 2003	6,285	359	(137,485)	(130,841)

PRIOR YEAR ADJUSTMENT

Salaries, annual bonuses, paid annual leave, leave passage and the cost to the Group of non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Group. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Prior to 1 April 2002, it was not the Group's policy to accrue paid annual leave, leave passage and the cost to the Group of non-monetary benefits. The adoption of SSAP 34 constitutes a change in accounting policy which should be applied retrospectively and such employee benefits should be recognised as a prior year adjustment to opening retained earnings in accordance with SSAP 2 "Net profit or loss for the period, fundamental errors and changes in accounting policies". This change has resulted in an increase in the net liabilities of the Group as at 31 March 2002 by HK$285,000 and an increase in loss attributable to shareholders for the year ended 31 March 2002 by HK$211,000. Opening balance of accumulated losses as at 1 April 2001 has been increased by HK$496,000.

EXTRACT OF AUDITORS' REPORT

The auditors draw attention to the following in their report:

Included in finance costs in the consolidated profit and loss account, there was premium on redemption of preference shares of approximately HK$11,342,000 which represents the difference between the total redemption money and the capital value of the preference shares. We have not been provided with sufficient evidence to satisfy ourselves as to the fairness of the amount of the premium and, therefore, unable to satisfy ourselves whether the amount was fairly stated. Any adjustment to the amount of premium would affect the loss attributable to shareholders for the year ended 31 March 2003 by the same amount.

Fundamental Uncertainty Relating to the Going Concern Basis

In forming our opinion, we have considered the adequacy of the disclosures made in the accounts concerning the basis adopted in the preparation of the Group's accounts. The Group's loss attributable to the shareholders was HK$57,448,000 for the year ended 31 March 2003 and at that date its net current liabilities and net liabilities were approximately HK$79 million and HK$93 million respectively. As mentioned in note 1, the Group has taken various measures to alleviate the Group's liquidity difficulties. The accounts have been prepared on a going concern basis, the validity of which depends upon the successful implementation of these measures. The accounts do not include any adjustments that would result from failure to implement the measures. We consider that appropriate disclosures have been made in the accounts concerning this situation, but the fundamental uncertainty relating to whether the going concern basis is appropriate is so extreme that we disclaimed our opinion.

Disclaimer of Opinion

Because of the significance of the effect on the accounts should the preparation of accounts on a going concern basis become not appropriate and the limitation of evidence available in respect of the amount of the premium of redemption of preference shares, we are unable to form an opinion as to whether the accounts give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2003 and of the Group's loss for the year then ended and as to whether the accounts have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance. In our opinion, the accounts give a true and fair view of the Group's cash flows for the year ended 31 March 2003.

In respect alone of the limitation on our work on the premium of redemption of preference shares, we have not obtained all the information and explanations that we considered necessary for the purposes of our audit.

BUSINESS REVIEW

The Group has made tremendous efforts in improving its performance and financial position throughout the past year. Non-performing operations were either ceased or disposed of during the year. Together with the effective cost control measures, the Group's loss attributable to shareholders decreased significantly from approximately HK$101 million in 2002 to approximately HK$57 million in 2003 albeit there was a substantial reduction in turnover of approximately HK$16 million in the year. The significant plunge in turnover was mainly attributable to the fall in revenue from sale of properties. As the market sentiment in property market was unfavorable during the period under review, no property sales were concluded during the year.

The freight forwarding and logistics business of the Group was also adversely impacted by the unfavorable market condition. Sales volume and gross profit margin both decreased significantly during the year. In order to improve the cost effectiveness of the operations and keep the business risk of the Group at a level that better suit the current status of the Group, some of the services originally carried out by the Group were outsourced to third parties.

PROSPECTS

The Group has been taking active measures in expediting the debt restructuring process in an attempt to relieve the liabilities of the Group and to build a solid foundation for ongoing future developments. Further details of the restructuring plan will be announced to all shareholders once the restructuring proposal is finalized.

After the capital and debt restructuring, logistics and property agency will remain as the core businesses of the Group. With the additional funding to the Group and extensive client base that would be brought into the Group by the new management, the Group will expand its freight forwarding and logistics arm and position itself to deliver total logistics services, which include procurement, transportation and fulfillment services, to customers. In particular, with the lessening of regulations on establishing foreign owned companies for logistics and freight forwarding services resulted from the signing of the CEPA, the Group plans to strengthen its presence in China by merging, acquiring or cooperating with some local partners in China.

By taking advantage of the solid foundation of freight forwarding services that it has long been providing, the Group will be in an advantageous position in developing its procurement and trading business, especially in Greater China region and Thailand, where the new management has extensive and solid business network. With the competitive edge of effective inventory control and transportation management, the Group will tentatively focus on cross-border trading of high-volume and time sensitive consumer goods such as stationery, toys, consumables, premium products, laboratory equipment, car accessories and teak wood, etc between China and Thailand.

The Directors expect that the exponential growth in the consumer market in Asia, especially China, will provide great business opportunities for the Group. Moreover, the signing of the CEPA and trading treaties between the PRC and ASEAN countries may further reduce the import/export duties and thus the trading cost in the region in the near future. Therefore, the Directors are optimistic towards the Group's logistics business.

With the expectation of recovery of the property market in Hong Kong and management's extensive experience in property investment and agency business, the Group will revitalize its property agency business by establishing several flagship agency shops in the coming year. After establishing a steadfast hold in the market, the Group will develop the agency franchising business in Hong Kong, China and Thailand by offering franchisees sources of properties for sales in the first-hand market, deal referrals, management & training support, market analysis and information, technical and system support as well as data management. Trainings and other value-added services will also be provided to franchisees so as to increase their competitiveness, ability to conclude sale of properties and profitability. In return, the Company will charge the franchisees initial joining fee, monthly franchising fee and share of sale commissions.

Small to medium-sized property agencies are the target franchisees of the Group as they have adequate industry experience but no access to the first-hand market. The franchising model is expected to bring in mutual benefits to the Group and the franchisees. The Directors consider that the franchising model is viable and suitable for the Group as it enables the Group to develop the agency network and business in the shortest period of time with minimal capital investment. The Group will also maintain its property investment business and continue to seek for prospective investment properties so as to replenish the Group's investment properties portfolio.

FINANCIAL RESULTS

Turnover of the Group for the year ended 31 March 2003 was approximately HK$6.9 million, representing a decrease of approximately 70% as compared to that of the financial year of 2002. The Group's turnover was mainly attributable to the rental income generated from investment properties and revenue from logistics services and consultancy services. As the property market experienced a downturn during the year under review, no property sales were concluded and thus a substantial decrease in turnover was recorded when compared with the results of the previous year.

The net loss attributable to shareholders for the year ended 31 March 2003 decreased significantly from approximately HK$101.20 million in 2002 to approximately HK$57.4 million, which represents a reduction of loss of approximately 43%. The Directors consider that the implementation of effective cost control measures is the major attribute for the improvement in the results of the Group.

FINANCING, LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2003, the net current liabilities and net liabilities of the Group were approximately HK$79.0 million (2002: HK$48.4 million) and HK$92.8 million (2002: HK$50.3 million) respectively. The secured bank and other loans and convertible bonds amounted to approximately HK$20.3 million (2002: HK$15.0 million) and HK$39.3 million (2002: HK$19.7 million) respectively. Approximately HK$45.7 million (2002: HK$30.0 million) of debt was repayable within one year while the balance of the debt had maturity exceeding one year. As at 31 March 2003, approximately HK$14.7 million (2002: HK$13.2 million) of the borrowings of the Group were charged with fixed interest rate. The interests of the remaining borrowings were calculated on prevailing prime rates plus basis. No gearing ratio was provided as the Group had no positive shareholders' funds as at 31 March 2003 and 2002.

During the year under review, all the Group's bank balances and borrowings and their respective interests were mainly denominated in Hong Kong dollars. The Group did not hold any financial instrument or foreign currency net investment for hedging purposes. The Group's exposure to exchange fluctuation is considered minimal.

CAPITAL COMMITMENTS

As at 31 March 2003, the Group's capital expenditure commitment amounted to approximately HK$1.8 million.

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 31 March 2003 amounted to approximately HK$10,642,000 (2002: HK$8,701,000) and the related liabilities have been fully recorded in the consolidated balance sheet.

(b) In previous years, 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.

PROPERTIES

The Group's properties were carried at approximately HK$42.0 million (2002: HK$29.8 million) at the year end date.

As at 31 March 2003, the Group's properties held for sale with aggregate carrying value of approximately HK$41.4 million, were pledged to secure facilities of approximately HK$20.5 million.

PLEDGE OF ASSETS

Save as disclosed above under the heading "Properties", the Group did not have any pledged assets as at 31 March 2003.

NUMBER OF EMPLOYEES AND REMUNERATION POLICES

Including the Directors, as at 31 March 2003, the Group employed a total of 19 full-time employees. Remuneration packages comprise salary, double pay 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 price.

PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year, there were no purchases, sales or redemptions by the Company or any of its subsidiaries of the Company's listed securities on The Stock Exchange of Hong Kong Limited.

REDEMPTION, PURCHASE AND CANCELLATION OF REDEEMABLE SECURITIES

During the year, 14,178,179 convertible preference shares were mandatorily redeemed and replaced by a debt of approximately HK$13 million. As at 31 March 2003, there were no outstanding convertible preference shares.

Save as disclosed above, there were no redemptions or purchases or cancellations by the Company or any of its subsidiaries of its redeemable securities.

COMPLIANCE WITH THE CODE OF BEST PRACTICE OF THE LISTING RULES

During the year ended 31 March 2003, 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.

PUBLICATION OF RESULTS ON THE STOCK EXCHANGE'S WEBSITE

All the information required by paragraphs 45(1) to 45(3) inclusive of Appendix 16 of the Listing Rules of the Stock Exchange will be published on the Stock Exchange's website in due course.

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

Hong Kong, 22 December 2003

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 2003 Annual General Meeting of 401 Holdings Limited (the "Company") shall be held at 10:00 a.m. on 30 January 2004 at Function Room, Macau Jockey Club, 3rd Floor, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong to transact the following ordinary business:—

1. To receive and consider the audited financial statements and the reports of the directors and auditors for the year ended 31 March 2003.

2. To re-elect directors and authorize the board of directors to fix their remuneration.

3. To re-appoint auditors and authorize the board of directors to fix their remuneration.

and by way of special business to consider, and if thought fit, pass with or without amendments the following resolutions 4 to 6 (inclusive) as ordinary resolutions of the Company:—

4. "**THAT**:—

   (A) subject to paragraph (C) below, the exercise by the directors of the Company ("Directors") during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with unissued ordinary shares in the capital of the Company and to make or grant offers, agreements and options which might require the exercise of such powers be and is hereby generally and unconditionally approved;

   (B) the Directors be and are authorised during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such powers during or after the end of the Relevant Period;

   (C) the aggregate nominal amount of ordinary share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors pursuant to the approval in paragraph (A) and (B) above, otherwise than pursuant to a Rights Issue (as hereinafter defined) or pursuant to the exercise of any options granted under the share option scheme adopted by the Company or an issue of ordinary shares upon the exercise of subscription rights attached to the warrants which might be issued by the Company or an issue of ordinary shares in lieu of the whole or part of a dividend on ordinary shares or any scrip dividend scheme or similar arrangement in accordance with the bye-laws of the Company, shall not exceed 20% of the aggregate nominal amount of the ordinary share capital of the Company in issue as at the date of the passing this resolution; and

(D) for the purposes of this resolution:—

"Relevant Period" means the period from the time of passing of this resolution until whichever is the earliest of:—

(i) the conclusion of the next annual general meeting of the Company;

(ii) the expiration of the period within which the next annual general meeting of the Company is required by the memorandum of association and bye-laws of the Company or any applicable laws of Bermuda to be held; and

(iii) the revocation or variation of the authority given under this resolution by any ordinary resolution of the shareholders of the Company in general meeting.

"Rights Issue" means an offer of ordinary shares open for a period fixed by the Directors to holders of ordinary shares on the register of holders of the ordinary shares on a fixed record date in proportion to their then holdings of such ordinary shares (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of any relevant jurisdiction, or the requirements of any recognised regulatory body or any stock exchange)."

5. "**THAT**:—

(A) subject to paragraph (C) below, the exercise by the directors of the Company ("Directors") during the Relevant Period (as hereinafter defined) of all powers of the Company to (i) repurchase issued ordinary shares in the capital of the Company and (ii) repurchase warrants or other rights to subscribe for ordinary shares in the capital of the Company in each case on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") or any other stock exchange on which the securities of the Company may be listed and recognised by the Securities and Futures Commission and the Stock Exchange for this purpose, and that the exercise by the Directors of all powers of the Company to repurchase such securities, subject to and in accordance with all applicable laws, be and is hereby, generally and unconditionally approved;

(B) the approval in paragraph (A) above shall be in addition to any other authorisation given to the Directors and shall authorise the Directors on behalf of the Company during the Relevant Period to procure the Company to repurchase its ordinary shares and warrants at a price determined by the Directors;

(C) the aggregate nominal amount of ordinary share capital of the Company repurchased or agreed conditionally or unconditionally to be repurchased by the Company pursuant to the approval in paragraph (A) above during the Relevant Period shall not exceed 10% of the aggregate nominal amount of the issued ordinary share capital of the Company as at the date of passing this resolution; and

(D) for the purposes of this resolution:—

"Relevant Period" means the period from the time of passing this resolution until whichever is the earliest of:—

(i) the conclusion of the next annual general meeting of the Company;

(ii) the expiration of the period within which the next annual general meeting of the Company is required by the memorandum of association and bye-laws of the Company or any applicable laws of Bermuda to be held; and

(iii) the revocation or variation of the authority given under this resolution by any ordinary resolution of the ordinary shareholders of the Company in general meeting."

6. "**THAT** conditional upon the passing of the ordinary resolutions numbered 4 and 5 in the notice convening this meeting, the aggregate nominal amount of the ordinary shares in the capital of the Company which shall have been repurchased by the Company pursuant to and in accordance with the said resolution numbered 5 shall be added to the aggregate nominal amount of the ordinary share capital of the Company that may be allotted or agreed conditionally or unconditionally to be allotted by the directors of the Company pursuant to and in accordance with the resolution numbered 4 set out in the notice of this meeting."

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

Hong Kong, 22 December 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. 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, in default of which the instrument of proxy shall not be treated as valid.

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