



401 Holdings Limited

(Incorporated in Bermuda with limited liability)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2003

The board of directors (the “Board”) of 401 Holdings Limited (the “Company”) announces the unaudited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 September 2003 together with the comparative figures for the corresponding period in 2002 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		(Unaudited)	
		Six months ended	
		30 September	30 September
		2003	2002
	Note	HK\$'000	HK\$'000
			(Restated)
Turnover	2	1,863	3,494
Cost of sales		<u>(1,472)</u>	<u>(2,023)</u>
Gross profit		391	1,471
Other revenues		—	6
Depreciation		(174)	(461)
Staff costs including directors' emoluments		(3,828)	(4,869)
Administrative expenses		<u>(2,133)</u>	<u>(7,674)</u>
Operating loss	3	(5,744)	(11,527)
Finance costs		(1,741)	(1,258)
Share of loss of associates		<u>(32)</u>	<u>(86)</u>
Loss before taxation		(7,517)	(12,871)
Taxation	4	<u>—</u>	<u>(27)</u>
Net loss for the period		<u><u>(7,517)</u></u>	<u><u>(12,898)</u></u>
Basic loss per share	6	<u><u>1.96 cents</u></u>	<u><u>4.07 cents</u></u>

1. Basis of Preparation and Principal Accounting Policies

The unaudited condensed consolidated interim financial statements are prepared in accordance with Hong Kong Statement of Standard Accounting Practice (“SSAP”) No. 25 “Interim Financial Reporting”, issued by the Hong Kong Society of Accountants, (as applicable to condensed interim financial statements) and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

The accounting policies adopted are consistent with those used in the preparation of the Group’s consolidated financial statements for the year ended 31 March 2003, except for the adoption of the SSAP 12 (Revised) “Income Taxes”, which is effective for accounting periods commencing on or after 1 January 2003.

The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. In previous years, partial provision was made for deferred tax using the income statement liability method, i.e. a liability was recognised in respect of timing differences arising, except where those timing differences were not expected to reverse in the foreseeable future. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. The adoption of SSAP 12 (Revised) has no material effect on the results for the current or prior accounting periods.

2. Segmental Information

(i) Business segments

An analysis of the Group's turnover and results for the six months ended 30 September 2003 by business segments is as follows:

	(Unaudited) Turnover		(Unaudited) Segment result	
	Six months ended		Six months ended	
	30 September	30 September	30 September	30 September
	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(As restated)
By principal activities:				
Sales and leasing of properties	888	1,295	129	(478)
Logistics and freight forwarding services	481	367	(882)	(2,742)
Property and household services	4	17	(402)	(631)
Sales of goods	291	1,097	2	469
Consultancy, marketing and other services	199	718	36	353
Others	—	—	(1)	(15)
	<u>1,863</u>	<u>3,494</u>	<u>(1,118)</u>	<u>(3,044)</u>
Unallocated corporate expenses			<u>(4,626)</u>	<u>(8,483)</u>
Loss from operations			<u>(5,744)</u>	<u>(11,527)</u>
Finance costs			<u>(1,741)</u>	<u>(1,258)</u>
Share of loss of associates			<u>(32)</u>	<u>(86)</u>
Loss before taxation			<u>(7,517)</u>	<u>(12,871)</u>
Taxation			<u>—</u>	<u>(27)</u>
Loss before minority interests			<u>(7,517)</u>	<u>(12,898)</u>

(ii) Geographical segments

Over 90% of the Group's revenue and assets were 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 accordingly.

3. Operating Loss

The operating loss is stated after charging/(crediting) the following:

	Unaudited	
	Six months ended	
	30 September	30 September
	2003	2002
	HK\$'000	HK\$'000
Depreciation of fixed assets	174	461
(Bad debt recovery)/Provision for bad debt	<u>(78)</u>	<u>469</u>

4. Taxation

	Unaudited	
	Six months ended	
	30 September	30 September
	2003	2002
	HK\$'000	HK\$'000
Current tax		
Overseas taxation	<u>—</u>	<u>27</u>

No Hong Kong profits tax have been provided as the Group had no assessable profits during the current and prior periods.

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

5. Dividend

The Board does not recommend payment of any interim dividend for the six months ended 30 September 2003 (2002: nil).

6. Loss Per Share

The calculation of basic loss per share is based on the following data:

	Unaudited	
	Six months ended	
	30 September	30 September
	2003	2002
	HK\$'000	HK\$'000
		(As restated)
Loss		
Net loss for the period	7,517	12,898
Dividend for preference shares	—	319
	<u>7,517</u>	<u>12,579</u>
Loss for the purpose of basic loss per share	7,517	13,217
Number of shares (note)		
Weighted average number of shares for the purpose of basic loss per share	383,339,768	324,836,489
Basic loss per share		
As previously reported	<u>1.96 cents</u>	<u>0.08 cents</u>
As retrospectively restated	<u>1.96 cents</u>	<u>4.07 cents</u>

Diluted loss per share for the current and prior periods are not presented as the effect of any dilution is anti-dilutive.

Note: For comparative purpose, the weighted average number of shares for 2002 has been adjusted to take into account of the capital reorganisation as referred to in note 25 of the Group's consolidated financial statements for the year ended 31 March 2003.

7. Comparative Figures

Certain comparative figures have been reclassified to conform with the current period's presentation.

BUSINESS REVIEW

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

Turnover of the Group for the six months ended 30 September 2003 was approximately HK\$1.9 million, representing a 47% decrease as compared to that of the corresponding period of 2002. The Group's turnover was mainly attributable to the rental income generated from investment properties and revenue from freight forwarding and logistics services.

The outbreak of severe acute respiratory syndrome (SARS) and the war in Iraq have severely impacted the economy of Hong Kong and China as well as the businesses of the Group. The Group recorded a significant drop in rental income in current period after the termination of the Group's tenancy of a property that was subleased to clients of the Group in the past year. The revenue from sale of goods also plunged significantly due to the downturn of the global economy.

Although there was a substantial decrease in turnover, the net loss attributable to shareholders for the six months ended 30 September 2003 reduced significantly to approximately HK\$7.5 million from approximately HK\$12.9 million in 2002, which represents a reduction of loss of approximately 42%. The improvement in the results of the Group was mainly attributable to the implementation of effective cost control measures throughout the Group and the restructuring of the logistics and freight forwarding business.

PROSPECT

The Group has been taking active measures in expediting the capital and debt restructuring process in an attempt to relieve the liabilities of the Group and to build a solid foundation for ongoing future developments. The capital and debt restructuring, if implemented, will provide the Group with the necessary working capital and financial resources to revitalise its business operations. The directors of the Company (the "Directors") intend to keep logistics and property agency as the core businesses of the Group after the completion of the restructuring. In November 2003, the Group has started the cross-border trading of consumer goods between China and Thailand. The Directors are confident that the Group's trading business can be further improved with the recovery of the global economy.

FINANCING, LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2003, the net current liabilities and net liabilities of the Group were approximately HK\$86.5 million (31 March 2003: HK\$79.0 million) and HK\$93.7 million (31 March 2003: HK\$92.8 million) respectively. The secured bank and other loans and convertible bonds amounted to approximately HK\$20.2 million (31 March 2003: HK\$20.3 million) and HK\$32.7 million (31 March 2003: HK\$39.3 million) respectively. Approximately HK\$45.7 million (31 March 2003: HK\$45.7 million) of debt was repayable within one year while the balance of the debt had maturity exceeding one year. As at 30 September 2003, approximately HK\$14.7 million (31 March 2003: HK\$14.7 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 were provided as the Group had no positive shareholders' funds as at 30 September 2003 and 31 March 2003.

During the period under review, 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.

PLEDGE OF ASSET

As at 30 September 2003, the properties for sales of the Group of HK\$41,471,000 (at 31 March 2003: HK\$41,471,000) were pledged to secure bank and other loans granted to the Group.

CAPITAL COMMITMENT

As at 30 September 2003, the Group's capital commitment amounted to approximately HK\$1.8 million (at 31 March 2003: HK\$1.8 million).

CONTINGENT LIABILITIES

The contingent liabilities of the Group have not changed materially from the information disclosed in the published annual report of the Company for the year ended 31 March 2003, which was despatched to shareholders of the Company on 29 December 2003.

SIGNIFICANT INVESTMENTS HELD

There had been no material change in significant investments held by the Group during the six months ended 30 September 2003.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

There had been no material acquisitions or disposals of subsidiaries and associated companies during the six months ended 30 September 2003.

PURCHASE, SALES OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period.

NUMBER OF EMPLOYEES, REMUNERATION POLICIES AND SHARE OPTION SCHEMES

Including the Directors, as at 30 September 2003, the Group employed a total of 16 full-time employees. Remuneration policies and share option schemes of the Group have not changed materially from the information disclosed in the published annual report of the Company for the year ended 31 March 2003, which was despatched to shareholders of the Company on 29 December 2003.

COMPLIANCE WITH THE CODE OF BEST PRACTICE OF THE LISTING RULES

During the six months ended 30 September 2003, the Code of Best Practice of the Listing Rules 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.

AUDIT COMMITTEE

The audit committee of the Company presently comprises two independent non-executive Directors and one non-executive Director.

The Audit Committee has reviewed the unaudited interim results for the six months ended 30 September 2003 and discussed with the Board significant matters relating to the financial reporting of the Group.

PUBLICATION OF INTERIM RESULTS ON THE STOCK EXCHANGE'S WEBSITE

All information required by the paragraphs 46(1) to 46(6) of Appendix 16 of the Listing Rules will be published on the website of The Stock Exchange of Hong Kong Limited in due course.

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

Hong Kong, 29 December 2003

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