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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 TRANSACTION

DISPOSAL OF PROPERTY

A notice convening a special general meeting of 401 Holdings Limited (the “Company”) to be held at 10:15 a.m. on 30 January 2004 or immediately after the annual general meeting of the Company to be held on the same day shall have been concluded or adjourned 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 18 to 19 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.

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DEFINITIONS

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

“Agreement”	a formal agreement dated 16 December 2003 between the Vendor and the Purchaser whereby the Vendor agreed to sell the Property to the 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 Property by the Vendor to the Purchaser pursuant to the Agreement
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong Dollars
“Latest Practicable Date”	29 December 2003, being the latest practicable date prior to the printing of this circular of ascertaining certain information referred to in this circular
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Property”	Unit No. 42 on ground floor and portion forming an entrance hall on ground floor (including the staircase, landing and lift shaft leading to 2nd floor and portions forming the staircase, landing and lift shaft on 1st floor leading to 2nd floor), Hunghom Commercial Centre, Nos. 37-39 Ma Tau Wai Road, Kowloon, Hong Kong
“Purchaser”	Glory Union Limited, the nominee of Join Profit (Hong Kong) Limited, 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 Listing Rules)

DEFINITIONS

“Sale Price”	the sale price of the Property as referred to in the section headed “Sale Price” in the letter from the Board
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting (or any adjournment thereof) to be convened by the Company at 10:15 a.m. on 30 January 2004 or immediately after the annual general meeting of the Company to be held on the same day shall have been concluded or adjourned 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.
“Share(s)”	ordinary share(s) of HK\$0.1 each in the capital of the Company
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Valuer”	Memfus Wong Surveyors Limited, an independent qualified valuer
“Vendor”	Onelink Investment Limited, a wholly owned subsidiary of the Company

LETTER FROM THE BOARD



401 Holdings Limited

(incorporated in Bermuda with limited liability)

Directors:

Wong Chong Kwong, Derek
Leung Tze Hang, David
Ha Kee Choy, Eugene
Law Chuen Lam, Edward
Au-Yeung Yok Cho
Po Kam Hi, John
Choi Koon Ming*
Leung Ka Kui, Johnny**
Koo Tsang Hoi**

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

* *Non-executive Director*

** *Independent non-executive Directors*

31 December 2003

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

Dear Sir or Madam,

MAJOR TRANSACTION DISPOSAL OF PROPERTY

INTRODUCTION

Subsequent to the signing of the provisional sale and purchase agreement dated 20 November 2003 as announced on 8 December 2003, the Vendor, a wholly owned subsidiary of the Company, has entered into the Agreement on 16 December 2003 with the Purchaser, whereby the Vendor agreed to sell and the Purchaser agreed to purchase the Property for the Sale Price.

LETTER FROM THE BOARD

THE PROPERTY

The Property is Unit No. 42 on ground floor and portion forming an entrance hall on ground floor, Hunghom Commercial Centre, Nos. 37-39 Ma Tau Wai Road, Kowloon, Hong Kong. It comprises a shop on ground floor and the adjacent space forming an entrance hall on ground floor (including the staircase, landing and lift shaft leading to 2nd floor and portions forming the staircase, landing and lift shaft on 1st floor leading to 2nd floor) of a 4-storey shopping arcade with two 11-storey office blocks erected thereabove. The Property has a total saleable area of approximately 1,720 square feet.

SALE PRICE

The sale price of HK\$12.8 million of the Property 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. Details of the valuation are set out in Appendix II.

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 financial statements of the Vendor and the consolidated financial statements of the Group for the financial year ending 31 March 2004.

PAYMENT TERMS

The Sale Price shall be settled as follows:

- (1) an initial cash deposit in the sum of HK\$600,000 was 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 was paid in cash to the Vendor's solicitor on 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 Sale Price being HK\$10,240,000 shall be paid in cash upon completion on or before 31 March 2004.

The first two deposits in the sum of HK\$1,280,000 for the Property which will form the part payment of the Sale Price originally held by the Vendor's solicitor as stakeholder were released to the Vendor as the balance of the Sale Price is sufficient to discharge the existing legal mortgage on the Property.

LETTER FROM THE BOARD

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 Latest Practicable Date amounted to approximately HK\$4.9 million. The proceeds from the receipt of the Sale 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 Group.

REASONS FOR THE DISPOSAL

The Board considers that the terms of the Agreement are fair and reasonable in so far as the Shareholders as a whole is concerned since the Sale Price was reached and determined after arm's length negotiations between the parties with reference to the valuation of the Property valued by the Valuer in November 2003. The Board also considers that the Disposal 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. It will also improve the immediate working capital of the Group.

COMPLETION

Subject to the existing charge or mortgage over the Property having been released or discharged on or before completion and the Vendor having proved good title to the Property, completion of the sale and purchase of the Property shall take place on or before 31 March 2004.

If the Purchaser fails to complete the purchase, the deposit money paid by the Purchaser to the extent of 10% of the Sale Price 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 the Purchaser.

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

PORTFOLIO OF PROPERTIES FOR SALES

After the Disposal, the total net realizable value of the Group's properties for sales 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;

LETTER FROM THE BOARD

- 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 Agreement constitutes a major transaction for the Company under the Listing Rules and is subject to the approval of the Shareholders at the SGM 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 transaction contemplated under the Agreement as at the Latest Practicable Date. Accordingly, none of the Shareholders is required to abstain from voting at the SGM.

SPECIAL GENERAL MEETING

Set out on pages 18 to 19 of this circular is a notice convening the SGM to be held at 10:15 a.m. on 30 January 2004 or immediately after the annual general meeting of the Company to be held on the same day shall have been concluded or adjourned at Function Room, Macau Jockey Club, 3rd Floor, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong at which ordinary resolution will be proposed to approve the Agreement and to authorize 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 transaction contemplated under the Agreement.

A form of proxy for use at the SGM is enclosed. Whether or not you intend to attend the SGM, 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 SGM if you so wish.

The Directors believe that the Agreement is in the best interests of the Company and its Shareholders. Accordingly, the Directors recommend all Shareholders to vote in favour of the ordinary resolution to approve the Agreement.

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
Wong Chong Kwong, Derek
Chairman

1. INDEBTEDNESS

As at 31 August 2003, the Group had an outstanding indebtedness (excluding trade payables) of approximately HK\$78 million consisting of secured bank and other loans amounting to approximately HK\$22 million, unsecured loans amounting to approximately HK\$14 million and indebtedness under convertible bonds amounting to approximately HK\$42 million.

As at the Latest Practicable Date, the outstanding principal and interests of debt securities of the Group amounted to approximately HK\$36 million. All outstanding debt securities of the Group are unsecured and unguaranteed. The aggregate principal amount of outstanding mortgages and charges of the Group amounted to approximately HK\$19 million as at the Latest Practicable Date.

As at the Latest Practicable Date, the Group had the following 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 August 2003 amounted to approximately HK\$11.5 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 of 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 August 2003 for long service payment would be approximately HK\$822,000.

Save as aforesaid and apart from any intra-Group liabilities, the Group did not have, at the close of business on 31 August 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. 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.

3. 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.



黃開基測計師行有限公司
MEMFUS WONG SURVEYORS LIMITED

Surveyors • Valuers • Auctioneers • Estate Agents • Development Consultants • Property Management • Data Analysis

31 December 2003

The Directors

Onelink Investment Limited

Units 2204-5 on 22nd Floor

West Tower, Shun Tak Centre

200 Connaught Road Central

Hong Kong

Dear Sirs,

Re: Valuation of Unit No.42 on Ground Floor and Portion forming an Entrance Hall on Ground Floor, Hunghom Commercial Centre, Nos. 37-39 Ma Tau Wai Road, Kowloon

In accordance with your instructions for us to value the property interest contracted to be disposed of by Onelink Investment Limited (the “Company”), we confirm that we have carried out external inspection, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the open market value of such property interest as at 18 November 2003.

We have valued the property at its open market value which we would define as intended to mean “the best price at which the sale of an interest in property 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 property 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 the 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 a prospective purchaser with a special interest; and
- (e) that both parties to the transaction had acted knowledgeably, prudently and without compulsion.”

Our valuation has been made on the assumption that the Company sells the property interest on the open market without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement which would serve to affect the value of the property.

We have caused searches to be made at Urban Land Registry. However, we have not been provided with the original documents to verify ownership or to ascertain the existence of any lease amendments which do not appear on the copies handed to us. All documents and leases have been used as reference only and all dimensions, measurements and areas are approximate.

We have relied to a very considerable extent on the information provided by the Company and have accepted information therein on such matters as planning approvals or statutory notices, easements, tenure, ownerships, age of building, particulars of occupancy, floor plans, floor areas and all other relevant matters. We have no reason to doubt the truth and accuracy of the information provided to us by the Company which are material to the valuation. We have not caused searches to be made to verify all these information and we have relied on your confirmation that no material facts have been omitted from information so supplied.

We have carried out external inspection to the property. No structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are not, however, able to report that the property is free from rot, infestation or any other structural defect. No test has been carried out to any of the services. We have assumed in our valuation that the property is in reasonable structural condition at the date of valuation.

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

Our valuation certificate is enclosed.

Yours faithfully

For and on behalf of

MEMFUS WONG SURVEYORS LIMITED

Sat Wei Ling

MRICS MHKIS RPS(GP)

Director (Valuation)

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 18 November 2003
Unit No. 42 on Ground Floor and Portion forming an Entrance Hall on Ground Floor, Hung Hom Commercial Centre, Nos. 37-39 Ma Tau Wai Road, Kowloon	The property comprises a shop on Ground Floor and the adjacent space forming an Entrance Hall on Ground Floor (including the staircase, landing and lift shaft leading to 2nd Floor and portions forming the staircase, landing and lift shaft on 1st Floor leading to 2nd Floor) of a 4-storey shopping arcade with two 11-storey office blocks erected thereabove. The development was completed in 1982.	The property is currently occupied by several licencees. The licencees occupy the booths within the property on temporary basis and majority of them are on weekly basis.	HK\$12,800,000
21/12841st shares of and in the Remaining Portion of Section O of Kowloon Marine Lot No. 40	The property has a total saleable area of 1,720 square feet (159.8 square metres) or thereabouts and the saleable area of individual unit are as follows:—	Unit 42 on Ground Floor: 235 square feet (21.8 square metres) Entrance Hall*: 1,485 square feet (138.0 square metres)	
	* The area of the Entrance Hall is exclusive of the portions forming the staircase, landing and lift shaft leading from Ground Floor to 2nd Floor and the area occupied by a pair of escalators linking Ground Floor and 1st Floor.		
	The lot is held from the Government for a term of 75 years from 15 September, 1897 renewable for a further term of 75 years. The annual government rent payable for the subject lot section is \$531,378.		

Notes:

1. The registered owner of the property is Onelink Investment Limited.
2. The property is subject to an unlimited first legal charge and an assignment of rental, both in favour of DBS Kwong On Bank Limited.
3. The property is subject to an agreement for sale and purchase dated 16 December 2003 in favour of Glory Union Limited.
4. The contracted purchaser is an independent third party and the sale and purchase will be completed on 31 March 2004.

1. BUSINESS OF 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.

2. 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.

3. 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 (i) 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 (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) 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	No. of Shares held	% of issued share capital	No. 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 corporation*Long positions*

Name of associated corporation	Name of Director	Nature of interest	No. of ordinary shares
Total Logistics Services Limited (Note)	Po Kam Hi, John	Ordinary shares	4,004,800

Note: Total Logistics Services Limited is 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 (i) 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 (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) 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.

4. 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 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company:

Long positions in the Shares

Name of Substantial Shareholders	No. of Shares interested	% of issued share capital
China Units Enterprises Limited (Note 1)	30,000,000	6.73%
Merchant Partners Limited (Note 2)	30,000,000	6.73%
Heng Fung Holdings Limited (Note 3)	60,000,000	13.45%
Topsmart Investment Limited (Note 4)	40,000,000	8.97%
Capital Strategic Investment Limited (Note 5)	40,000,000	8.97%
Zhang Xiao Feng	31,500,000	7.06%

Notes:

1. China Units Enterprises Limited is deemed to hold 30,000,000 Shares by virtue of its ownership of a convertible bond, upon exercise of which will entitle it to hold 30,000,000 Shares.
2. Merchant Partners Limited is deemed to hold 30,000,000 Shares by virtue of its ownership of a convertible bond, upon exercise of which will entitle it to hold 30,000,000 Shares.
3. 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.
4. Topsmart Investment Limited is deemed to hold 40,000,000 Shares by virtue of its ownership of a convertible bond, upon exercise of which will entitle it to hold 40,000,000 Shares.
5. The shareholding interest of Capital Strategic Investment Limited in the Company is indirect by virtue of its 100% ownership of Topsmart Investment 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 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 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company.

5. 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).

6. 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\$5.1 million;

- (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 amounted to approximately HK\$871,000;
- (c) some creditors have issued writs and some have obtained judgments against the Group for total outstanding debts of approximately HK\$3.2 million in respect of miscellaneous service rendered and goods supplied;
- (d) certain convertible bondholders have issued writs against the Company for the outstanding principal and interest in the amount of approximately HK\$11.6 million; and
- (e) a creditor has issued a writ against the Company for an outstanding loan of approximately HK\$3.5 million together with interests and legal costs.

7. 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) 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\$4.0 million;
- (b) 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\$4.0 million;
- (c) 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\$15.0 million, particulars of which were disclosed in the circular of the Company dated 22 July 2002. This agreement constitutes a discloseable transaction as well as a connected transaction of the Company under the Listing Rules as a mortgage was created by the legal owner of the relevant property to secure a loan advanced to a company in which Mr. Leung Tze Hang, David, Director of the Company, is interested in 90% of its share capital;
- (d) 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\$3.0 million;

- (e) 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\$3.0 million;
- (f) 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 holds 46.67% interest in a company in Shanghai, particulars of which were disclosed in the circular of the Company dated 16 August 2002;
- (g) agreement dated 5 September 2002 between the Company and Zhang Xiao Feng 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;
- (h) agreement dated 5 September 2002 between the Company and Qian Zhen Hua 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;
- (i) agreement dated 10 June 2003, a supplemental agreement dated 27 August 2003, an extension agreement dated 30 September 2003 and a further supplemental agreement dated 19 December 2003 between the Company and Lucky Journey Company Limited in respect of (i) the subscription of 300,000,000 ordinary shares of the Company; (ii) the entitlement of bonus shares on the basis of three bonus shares for every one share of the Company subscribed by Lucky Journey Company Limited; and (iii) the subscription of an option to subscribe up to 300,000,000 ordinary shares of the Company after the proposed capital reorganization 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;
- (j) agreements dated 2 September 2003 between AWT Investment Company Limited (as vendor), a wholly owned subsidiary of the Company, and Chung Kit Leung and Wong Chun Chau (collectively as purchasers) respectively in respect of the sale of certain properties of the Group, particulars of which were disclosed in the circular of the Company dated 3 October 2003;
- (k) a provisional sale and purchase agreement dated 20 November 2003 between the Vendor, a wholly owned subsidiary of the Company, and Join Profit (Hong Kong) Limited in respect of the sale of the Property of the Group; and
- (l) the Agreement.

8. QUALIFICATION OF EXPERTS

Memfus Wong Surveyors Limited has given opinions and advice in this circular in the capacity of professional surveyors.

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

Memfus Wong Surveyors 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 2003, being the date to which the latest published audited financial statements of the Company were made up.

The valuation report given by Memfus Wong Surveyors Limited is dated as of 31 December 2003 for incorporation herein.

9. CONSENT OF EXPERT

Memfus Wong Surveyors 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.

10. OTHER INTERESTS

Save as disclosed in the previous announcements and circulars of the Company, none of the Directors or expert who has given opinions or advice in this circular 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 2003, 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.

11. PORTFOLIO OF PROPERTIES FOR SALES

After the Disposal, the total net realizable value of the Group's properties for sales 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.

12. MISCELLANEOUS

- (a) The secretary of the Company is Keung Shu Hoi, a practicing 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 Center, 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 2003, 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.

13. 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 26 January 2004:

- (a) the Memorandum of Association and the Bye-Laws of the Company;
- (b) the service contract referred to in paragraph 5 of this Appendix;
- (c) the valuation report and certificate dated 31 December 2003 prepared by Memfus Wong Surveyors 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 2002 and 31 March 2003;
- (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, 4 November 2002 and 3 October 2003.

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 10:15 a.m. on 30 January 2004 or immediately after the annual general meeting of the Company to be held on the same day shall have been concluded or adjourned 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 resolution as ordinary resolution of the Company:

ORDINARY RESOLUTION

“THAT:

the agreement dated 16 December 2003 (the “Agreement”) between Onelink Investment Limited (the “Vendor”), a wholly owned subsidiary of the Company, and Glory Union Limited, the nominee of Join Profit (Hong Kong) Limited and an independent third party, in relation to the sale and purchase of the property situated at Unit No. 42 on ground floor and portion forming an entrance hall on ground floor (including the staircase, landing and lift shaft leading to 2nd floor and portions forming the staircase, landing and lift shaft on 1st floor leading to 2nd floor), Hunghom Commercial Centre, Nos. 37-39 Ma Tau Wai Road, Kowloon, Hong Kong, and the provisional sale and purchase agreement dated 20 November 2003 between the Vendor and Join Profit (Hong Kong) Limited signed in respect of the sale and purchase of the aforesaid property, 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 authorized 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 transaction contemplated under the Agreement.”

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

31 December 2003

NOTICE OF THE SPECIAL GENERAL MEETING

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 notorially 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.