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401 HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

MAJOR TRANSACTION

The Board announces that the Provisional S&P Agreement was entered into on 30 December 2003 between the Vendor and the Purchaser for the sale and purchase of the Property at the Sale Price of HK\$3,230,000. Completion shall take place on or before 12 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 announces that a provisional sale and purchase agreement (“Provisional S&P Agreement”), which is legally binding, was entered into between the Vendor and the Purchaser 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: 30 December 2003

Vendor: Asia Million Development Limited, a wholly owned subsidiary of 401 Holdings Limited (the “Company”)

Purchaser: Eternal Dragon Company Limited, neither of whom nor its 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:** Workshops 1, 2, 3, 4 and 5, Workshops 11, 12 and 13 and Store on 16th Floor of Block B and Lorry Parking Spaces Nos. L14 and L15 on 2nd Floor of Veristrong Industrial Center, 34-36 Au Pui Wan Street, Shatin, New Territories. The aggregate gross floor area of the workshops and storeroom are approximately 970.3 square meters and 68 square meters respectively. The Property shall be sold subject to two existing tenancies, one of which is subject to a surrender agreement whereby the tenant agreed to surrender the tenancy on or before 15 January 2004. The total monthly rent of the two tenancies is HK\$13,300.
- Sale Price:** HK\$3,230,000, which was determined after arm's length negotiations between the parties with reference to the valuation of the Property at approximately HK\$3,250,000 valued by Memfus Wong Surveyors Limited, an independent chartered surveyors, in December 2003.
- Payment terms:**
- (1) an initial cash deposit in the sum of HK\$160,000 was paid to the solicitors acting for the existing mortgagee of the Property on signing of the provisional sale and purchase agreement on 30 December 2003;
 - (2) a further deposit in the sum of HK\$163,000 shall be paid in cash upon signing of formal agreement for sale and purchase on or before 12 January 2004; and
 - (3) the balance of the Sale Price being HK\$2,907,000 shall be paid in cash upon completion on or before 12 March 2004.
- Completion:** Completion of the sale and purchase of the Property shall take place on or before 12 March 2004 subject to:—
- (1) the existing charge or mortgage over the Property 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 creditor to secure loan facilities, the outstanding principal and interests of which as at the date hereof amounted to approximately HK\$3.3 million, granted to the Company and its subsidiaries (the “Group”). The proceeds from the receipt of the Sale Price of approximately HK\$3.2 million will be used to settle the loan facilities due to the creditor. After the settlement by the proceeds, the outstanding balance of the loan facilities will be reduced to approximately HK\$0.1 million.

The Vendor purchased the Property in April 1997 and the net book value of the Property as at the date hereof is approximately HK\$4.2 million. The estimated net loss of approximately HK\$1.0 million resulted from the sale of the Property 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 Sale 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 December 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.

Portfolio of Properties for Sale

After the disposal of the Property, the total net realizable value of the Group's properties for sale will be approximately HK\$12 million and comprise the following major assets:

- a) Units B4, C4 and D4, Basement, Block 4, Kwun Tong Industrial Center, No. 436-446 Kwun Tong Road, Kowloon, Hong Kong; and
- b) 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 forward 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 30 September 2003, the Group had an outstanding indebtedness of approximately HK\$54 million consisting of secured bank and other loans amounting to approximately HK\$20 million, unsecured loans amounting to approximately HK\$1 million and indebtedness under convertible bonds amounting to approximately HK\$33 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 of Hong Kong Limited that the requirements of paragraph 38 of the Listing Agreement are met.

By Order of the Board
401 Holdings Limited
Kanjanapas Chong Kwong, Derek (Alias: Wong)
Chairman

Hong Kong, 6 January 2004

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