



WellNet Holdings Limited

(Incorporated in Bermuda with limited liability)

CONNECTED TRANSACTION

The Board announces that on 8 January 2002, Burwill (China) has entered into the Agreement with the PRC Shareholder pursuant to which the PRC Shareholder and Burwill (China) conditionally agreed to the transfer of the entire assets of Dongguan Baohua (comprising land, factory, staff quarter, building and other current assets) from Dongguan Baohua to the Subsidiary, a wholly foreign owned enterprise to be established by the Company in the PRC and which will be indirectly owned as to 100% by the Company. The total consideration payable by the Subsidiary to Dongguan Baohua is RMB15,329,030 in cash.

Dongguan Baohua is owned as to 51% by Burwill (China) which, in turn, is a wholly-owned subsidiary of the Company. Since the PRC Shareholder is a substantial shareholder of Dongguan Baohua, the PRC Shareholder is a connected person of the Company under the Listing Rules. The Transfer constitutes a connected transaction for the Company under Rule 14.25 of the Listing Rules and is required to be disclosed by way of a press announcement. Details of the Transfer will also be included in the next published annual report of the Company.

THE AGREEMENT DATED 8 JANUARY 2002

Parties:

- (i) 東莞市寶城軋鋼聯營廠 (the PRC Shareholder)
- (ii) Burwill (China) Limited

Transaction contemplated under the Agreement

Pursuant to the Agreement, the PRC Shareholder and Burwill (China) conditionally agreed to the transfer of the entire assets of Dongguan Baohua (comprising land, factory, staff quarter, building and other current assets) from Dongguan Baohua to the Subsidiary, a wholly foreign owned enterprise to be established by the Company in the PRC and which will be indirectly owned as to 100% by the Company. Dongguan Baohua is a property holding company.

The total consideration payable for the Transfer is RMB15,329,030, payable in cash by four instalments. The payment and the Transfer shall take place in the following manner:

- (a) Burwill (China) shall, on behalf of the Subsidiary, pay RMB4,000,000 to Dongguan Baohua within 10 days from the date of the Agreement.
- (b) The Subsidiary shall pay RMB2,000,000 to Dongguan Baohua upon completion of the transfer of the land use rights certificate from Dongguan Baohua to the Subsidiary. Dongguan Baohua shall also transfer the remaining assets to the Subsidiary at the same time.
- (c) The Subsidiary shall pay RMB1,200,000 to Dongguan Baohua within 15 days after the date on which payment under paragraph (b) above is made.
- (d) The Subsidiary shall pay the balance amount of RMB8,129,030 to Dongguan Baohua within 45 days after the date on which payment under paragraph (c) above is made.

The consideration for the Transfer was determined by the parties after arm's length negotiation with reference to the asset valuation reports prepared by independent property valuers in respect of the assets of Dongguan Baohua obtained by the parties. The directors of the Company consider that the consideration is fair and reasonable so far as the shareholders of the Company as a whole are concerned.

The net tangible assets of Dongguan Baohua as at 31 December 2000 was approximately RMB18,000,000. Dongguan Baohua recorded a net loss of approximately RMB233,000 for the year ended 31 December 2000 and a net loss of approximately RMB287,000 for the year ended 31 December 1999.

Burwill (China) is required to obtain all relevant government licences and approval in relation to the establishment of the Subsidiary as a wholly foreign owned enterprise in the PRC. If such licences and approval are not obtained within three months from the date of the Agreement (i.e. on or before 7 April 2002), the Agreement shall cease to be of any effect. Further, any payments made by or on behalf of the Subsidiary as consideration for the Transfer shall be repaid.

Upon completion of the Transfer, and subject to compliance with the relevant laws, the PRC Shareholder and Burwill (China) shall procure the liquidation of Dongguan Baohua. Any remaining assets of Dongguan Baohua shall be distributed to the PRC Shareholder and Burwill (China) in accordance with their respective shareholding percentages in Dongguan Baohua.

BUSINESS OF THE GROUP

The Company is an investment holding company. The principal activities of the Group are metal trading, manufacturing of metal products, operation of metal exchange portals and property development and investment.

REASONS FOR THE TRANSFER

In the wake of the limited room for development in export sales of metal products, it is one of the Group's objectives to tap into the PRC domestic market by way of establishing wholly-owned enterprises. The Transfer constitutes one of the Group's efforts to achieve this objective.

CONNECTED TRANSACTION

Dongguan Baohua is owned as to 51% by Burwill (China) which, in turn, is a wholly-owned subsidiary of the Company. Since the PRC Shareholder is a substantial shareholder of Dongguan Baohua, the PRC Shareholder is a connected person of the Company under the Listing Rules. As the total consideration for the Transfer is less than 3 per cent. (3%) of the book value of the net tangible assets of the Company (as disclosed in the latest published audited consolidated accounts as at 31 December 2000), the Transfer constitutes a connected transaction for the Company under Rule 14.25 of the Listing Rules and is required to be disclosed by way of a press announcement. Details of the Transfer will also be included in the next published annual report of the Company.

DEFINITIONS

In this announcement, the following expressions have the following meanings, unless otherwise specified.

"Agreement"	the conditional agreement dated 8 January 2002 entered into between Burwill (China) and the PRC Shareholder in relation to the Transfer
"Board"	the board of directors, including non-executive directors, of the Company
"Burwill (China)"	Burwill (China) Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company
"Company"	WellNet Holdings Limited, an exempted company incorporated in Bermuda with limited liability, the securities of which are listed on the main board of the Stock Exchange and Singapore Exchange Securities Trading Limited
"Dongguan Baohua"	Dongguan Baohua Steel-Rolling Co., Limited, a limited liability company incorporated in the PRC, and indirectly owned as to 51% by the Company
"Group"	the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"PRC"	the People's Republic of China
"PRC Shareholder"	東莞市寶城軋鋼聯營廠
"RMB"	Renminbi, the lawful currency of the PRC
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subsidiary"	a wholly foreign owned enterprise to be established by the Company in the PRC pursuant to the terms of the Agreement, which will be indirectly owned as to 100% by the Company
"Transfer"	the transfer of the entire assets of Dongguan Baohua (comprising land, factory, staff quarter, building and other current assets) from Dongguan Baohua to the Subsidiary pursuant to the terms of the Agreement

Made by the Order of the Board of Directors of
WellNet Holdings Limited
Ng Lai Ping, Grace
Company Secretary