



# WellNet Holdings Limited

(Incorporated in Bermuda with limited liability)

## GRANT OF OPTIONS

On 31 October 2002, WellNet and Onoken entered into the Options Agreement pursuant to which the two parties granted Options to each other. Upon the exercise of an Option, WellNet shall issue and allot to Onoken new WellNet Shares not exceeding such number of WellNet Shares that represents 3% of the issued share capital (that is, 2.91% of the enlarged issued share capital) of WellNet as at the Exercise Date, and Onoken shall issue and allot to WellNet new Onoken Shares (or transfer to WellNet existing issued Onoken Shares) not exceeding such number of Onoken Shares that represents 3% of the issued share capital (that is, 2.91% of the enlarged issued share capital if Onoken selects to issue new Onoken Shares) of Onoken as at the Exercise Date.

The Options can be exercised only if the trading volume on contract basis (both buying and selling) of steel and related materials between WellNet and Onoken for the period from the date of the Options Agreement to 31 December 2005 reaches at least 1,500,000 metric tones.

The directors of WellNet believe that the Options Agreement will strengthen the business relationship between WellNet and Onoken and facilitate WellNet's purchases of high value-added metal products from Japan through Onoken. At the same time, in developing its metal warehousing and logistical business in China, the Group may benefit from its cooperation with Onoken by sharing Onoken's experience of several decades in this industry. WellNet's directors further believe that such cooperation will eventually enhance the operation benefits of the Group in its metal business.

### OPTIONS AGREEMENT

On 31 October 2002, WellNet and Onoken entered into the Options Agreement, the principal terms of which are summarised as follows:

#### Grant of the Options

The WellNet Option and the Onoken Option are granted in consideration of each other upon the execution of the Options Agreement.

The Options Agreement was entered into under the general mandate to issue, and grant options to subscribe for, WellNet Shares given by the shareholders of WellNet to the directors of WellNet on 6 June 2002.

#### Exercise of the Options

The Options can be exercised only if the trading volume on contract basis (both buying and selling) of steel and related materials between WellNet and Onoken for the period from the date of the Options Agreement to 31 December 2005 reaches at least 1,500,000 metric tones. The trading volume of steel and related materials between WellNet and Onoken from 1 January 2002 up to today is approximately 300,000 metric tones.

Each of WellNet Option and the Onoken Option may be exercised at any time during the three months immediately following the date on which written confirmations are jointly issued by the respective auditors of WellNet and Onoken stating that the above-mentioned target volume has been fully achieved.

The outstanding WellNet Option shall lapse automatically upon an Exercise Notice being served by WellNet to exercise the Onoken Option, and the outstanding Onoken Option shall lapse automatically upon an Exercise Notice being served by Onoken to exercise the WellNet Option.

The maximum number of Onoken Option Shares which may be issued or transferred under the Onoken Option shall not exceed such number of Onoken Shares that represents 3% of the issued share capital (that is, 2.91% of the enlarged issued share capital if Onoken selects to issue new Onoken Shares) of Onoken as at the Exercise Date in respect of the Onoken Option.

The maximum number of WellNet Option Shares which may be issued under the WellNet Option shall not exceed such number of WellNet Shares that represents 3% of the issued share capital (that is, 2.91% of the enlarged issued share capital) of WellNet as at the Exercise Date in respect of the WellNet Option.

When an Option is exercised, the Onoken Shares to be provided to WellNet by Onoken can be selected by Onoken from and between the Onoken Shares to be (a) allotted and issued or (b) transferred from the existing issued Onoken Shares kept as the treasury stocks held by Onoken.

#### Subscription price and consideration

For the Onoken Option, the subscription price payable for each Onoken Option Share shall make reference to the closing price of Onoken Shares as quoted on the Tokyo Stock Exchange (if Onoken Shares are listed thereon) or the Osaka Securities Exchange (if Onoken Shares are not listed on the Tokyo Stock Exchange by then) on the Exercise Date. The aggregate subscription price shall be satisfied by the allotment and issue of WellNet Consideration Shares based on the closing price of WellNet Shares as quoted on the Stock Exchange on the Exercise Date which shall not be lower than the par value of a WellNet Share.

For the WellNet Option, the subscription price payable for each WellNet Option Share shall make reference to the closing price of WellNet Shares as quoted on the Stock Exchange on the Exercise Date and to the par value of a WellNet Share. The aggregate subscription price shall be satisfied by the allotment and issue or transfer of Onoken Consideration Shares based on the closing price of Onoken Shares as quoted on the Tokyo Stock Exchange (if Onoken Shares are listed thereon) or the Osaka Securities Exchange (if Onoken Shares are not listed on the Tokyo Stock Exchange by then) on the Exercise Date.

The maximum number of WellNet Consideration Shares to be allotted and issued under the Options Agreement shall not exceed such number of WellNet Shares that represents 3% (that is, 2.91% of the enlarged issued share capital) of the issued share capital of WellNet as at the Exercise Date. If the number of WellNet Consideration Shares to be issued exceeds 3% of WellNet's issued share capital as at the Exercise Date in relation to the market value of Onoken Option Shares specified in the Exercise Notice, the number of WellNet Consideration Shares shall be deemed to be 3% of WellNet's issued share capital and the number of Onoken Option Shares to be issued or transferred shall be reduced proportionally.

The maximum number of Onoken Consideration Shares to be allotted and issued or transferred under the Options Agreement shall not exceed such number of Onoken Shares that represents 3% (that is, 2.91% of the enlarged issued share capital if Onoken selects to issue new Onoken Shares) of the issued share capital of Onoken as at the Exercise Date. If the number of Onoken Consideration Shares to be issued or transferred exceeds 3% of Onoken's issued share capital as at the Exercise Date in relation to the market value of WellNet Option Shares specified in the Exercise Notice, the number of Onoken Consideration Shares shall be deemed to be 3% of Onoken's issued share capital and the number of WellNet Option Shares to be issued shall be reduced proportionally.

#### Option Shares and Consideration Shares

The WellNet Option Shares and/or the WellNet Consideration Shares (as the case may be) allotted and issued under the Options Agreement shall rank pari passu in all respects with all WellNet Shares in issue at the date of allotment.

The Onoken Option Shares and/or the Onoken Consideration Shares (as the case may be) allotted and issued or transferred under the Options Agreement shall rank pari passu in all respects with all Onoken Shares in issue at the date of allotment or transfer.

The allotment and issue of the WellNet Shares and the allotment and issue or transfer of the Onoken Shares under the Options Agreement shall be completed simultaneously or substantially at the same time.

### UNDERTAKINGS BY WELLNET

WellNet shall comply in full with the Listing Rules and make any further announcement as required by the Listing Rules at the time when it shall issue WellNet Shares and subscribe for (or acquire) Onoken Shares upon the exercise of an Option or when the Options lapse. WellNet shall apply for the approval of the Stock Exchange of the listing of, and its permission to deal in, the relevant WellNet Shares to be allotted to Onoken before such shares are issued.

### REASONS FOR THE OPTIONS AGREEMENT

The directors of WellNet believe that the Options Agreement will strengthen the business relationship between WellNet and Onoken, especially by way of facilitating WellNet's purchases of high value-added metal products from Japan via a stable and reliable supply channel provided by Onoken. At the same time, in developing its metal warehousing and logistical business in China, the Group may benefit from its cooperation with Onoken by sharing Onoken's experience of several decades in this industry. WellNet's directors further believe that such cooperation will eventually enhance the operation benefits of the Group in its metal business.

### INFORMATION ON THE GROUP

WellNet is incorporated in Bermuda with limited liability and WellNet Shares are listed on the Stock Exchange and Singapore Exchange Securities Trading Limited. The Group is principally engaged in metal trading, warehousing and distribution, manufacturing of metal products and properties development and investment. The sales turnover of the Group for the year ended 31 December 2001 and the year ended 31 December 2000 are approximately HK\$2,974.5 million and HK\$2,601.7 million respectively. The Group's net profits for the same periods are approximately HK\$30.1 million and HK\$5.5 million respectively. The net asset value of the Group as at 31 December 2001 and 31 December 2000 are approximately HK\$760.0 million and HK\$634.6 million respectively. The closing price of the WellNet Shares as quoted on the Stock Exchange as at the date of the Options Agreement is HK\$0.77.

### INFORMATION ON ONOKEN

Onoken is a limited liability company incorporated in Japan in 1949 and Onoken Shares are listed on the second section of the Osaka Securities Exchange and the Fukuoka Stock Exchange. The Onoken group is an integrated metal trading, warehousing and logistics conglomerate and is one of the largest steel dealers in Japan and the largest warehousing service provider in Kyushu of Japan. It is principally engaged in metal trading, warehousing, distribution and logistical distribution, and other businesses such as civil engineering projects. The sales turnover of Onoken for the year ended 31 March 2002 and the year ended 31 March 2001 are approximately JPY67,176.6 million (equivalent to approximately HK\$4,198.5 million) and JPY71,869.7 million (equivalent to approximately HK\$4,491.9 million) respectively. The net profits for the same periods are approximately JPY1,180.3 million (equivalent to approximately HK\$73.8 million) and JPY1,260.0 million (equivalent to approximately HK\$78.8 million) respectively. The net asset value of Onoken as at 31 March 2002 and 31 March 2001 are approximately JPY28,032.4 million (equivalent to approximately HK\$1,752.0 million) and JPY27,440.5 million (equivalent to approximately HK\$1,715.0 million) respectively. The closing price of the Onoken Shares as quoted on the Osaka Securities Exchange as at 30 October 2002 is JPY600 (equivalent to approximately HK\$37.5). The above equivalent amounts in HK\$ are calculated at the exchange rate of JPY100 = HK\$6.25.

### DEFINITIONS

"Exercise Date"	means the date on which (i) in the case of the Onoken Option, WellNet serves the Exercise Notice to Onoken and (ii) in the case of the WellNet Option, Onoken serves the Exercise Notice to WellNet;
"Exercise Notice"	means, as the case may be, (i) the written notice served by WellNet upon the exercise of the Onoken Option and (ii) the written notice served by Onoken upon the exercise of the WellNet Option;
"Group"	means WellNet and its subsidiaries;
"Listing Rules"	means the Rules Governing the Listing of Securities on the Stock Exchange;
"Onoken"	means Onoken Co., Ltd., Onoken and its ultimate beneficial owners are not connected with any director, chief executive or substantial shareholder of WellNet or any of its subsidiaries or an associate (as defined in the Listing Rules) of any of them;
"Onoken Consideration Shares"	means the new Onoken Shares to be allotted and issued to WellNet or transferred by Onoken of existing issued Onoken Shares kept as treasury stocks to WellNet, credited as fully paid, as consideration for the WellNet Option Shares to be allotted and issued upon the exercise of the WellNet Option;
"Onoken Option"	means an option granted by Onoken to WellNet to subscribe for or acquire Onoken Option Shares;
"Onoken Option Shares"	means the Onoken Shares to be allotted and issued to WellNet or transferred by Onoken from its treasury stocks to WellNet, credited as fully paid, upon exercise of the Onoken Option;
"Onoken Shares"	means shares of Onoken in the share capital of Onoken;
"Option"	means either the WellNet Option or the Onoken Option;
"Options Agreement"	means the agreement entered into between WellNet and Onoken on 31 October 2002 in respect of the grant of the Options;
"Stock Exchange"	means The Stock Exchange of Hong Kong Limited;
"WellNet"	means WellNet Holdings Limited, a company incorporated in Bermuda with limited liability;
"WellNet Consideration Shares"	means the WellNet Shares to be allotted and issued to Onoken, credited as fully paid, as consideration for the Onoken Option Shares to be allotted and issued or transferred upon the exercise of the Onoken Option;
"WellNet Option"	means an option granted by WellNet to Onoken to subscribe for WellNet Option Shares;
"WellNet Option Shares"	means the WellNet Shares to be allotted and issued to Onoken upon exercise of the WellNet Option; and
"WellNet Shares"	means shares of HK\$0.10 each (or of such other nominal amount as shall result from a sub-division or a consolidation of such shares from time to time) in the share capital of WellNet.

By Order of the Board  
WellNet Holdings Limited  
Ng Lai Ping, Grace  
Company Secretary

Hong Kong, 31 October 2002