



Hong Kong Exchanges and Clearing Limited

香港交易及結算所有限公司

The Stock Exchange of Hong Kong Limited

(a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited)

(the “Exchange”)

CRITICISM

in respect of

WellNet Holdings Limited

(the “Company”)

and

Mr. Chan Shing

Madam Lau Ting

Madam Tung Pui Shan, Virginia

Mr. Kwok Wai Lam

Mr. Yang Da Wei

Mr. Yu Wing Keung, Dicky

Mr. Yin Mark

Mr. Sit Hoi Tung

(together the “Relevant Directors”)

The Stock Exchange of Hong Kong (the “Exchange”) hereby publicly criticizes (i) the Company for breaches of Rules 10.06(2)(a) and (e) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and Paragraph 39 of the Listing Agreement; and (ii) the Relevant Directors for breach of their respective Declarations and Undertakings with regard to Directors (the “Director’s Undertaking”) given by each of them to the Exchange in the form set out in Appendix 5B of the Listing Rules.

The Listing Committee of the Exchange (the “Listing Committee”) has considered submissions made by the Company and the Relevant Directors in connection with among other things, certain share repurchases identified below (“Share Repurchases”) involving breaches of the Listing Rules, the Listing Agreement and the Director’s Undertaking.

By an announcement dated 7 April 2001 (the “**Announcement**”), the Company disclosed details of breach of Rules 10.06(2)(a) and (e).

Breach of Rules 10.06(2)(a) and (e) of the Listing Rules

The Share Repurchases were made in the afternoon of 4 April 2001, as a result of which 21,332,000 shares of the Company were purchased. The Listing Committee has concluded that the Company had breached Rules 10.06(2)(a) and (e) of the Listing Rules in that the Share Repurchases made by the Company exceeded 25% of the total number of shares which were traded on the Exchange in the preceding calendar month. The Share Repurchases were 55.02% of the Company’s share turnover in March 2001; and such repurchases were made during the period of one month immediately preceding the preliminary announcement of the Company’s annual results for the year ended 31 December 2000 which were published on 18 April 2001.

Breach of Paragraph 39 of the Listing Agreement

Immediately after the Share Repurchases made by the Company, the Exchange noticed unusual movements both in the price and volume of the shares. Enquiry was made by the Exchange of the Company regarding such unusual movements. In response, the Company published a statement on 4 April 2001 (“Standard Paragraph 39.2 Statement”). The Standard Paragraph 39.2 Statement stated that, among other things, the board of directors was not aware of any matter discloseable under the general obligation imposed by Paragraph 2 of the Listing Agreement, which was or might be of a price-sensitive nature. As the Share Repurchases could have explained the unusual movements in the price and turnover of the Shares of the Company, the failure of the Company to notify the Exchange of the Share Repurchases during the enquiry and failing to refer to those repurchases in the standard Paragraph 39.2 statement constituted a breach of Paragraph 39 of the Listing Agreement. Trading of the shares of the Company was suspended at the request of the Company with effect from 10:00 a.m. on 6 April 2001, the next business day after the Share Repurchases.

Breach of Director's Undertaking

The Listing Committee also concluded that, by each of the Relevant Directors was in breach of his or her Undertaking, whereby each of them undertook to use his or her best endeavours to procure that the Company would comply with the Listing Rules from time to time in force.

Accordingly,

1. The Company is publicly criticized by the Listing Committee for
 - (i) breaches of Rules 10.06(2)(a) and (e) of the Listing Rules; and
 - (ii) breach of Paragraph 39 of the Listing Agreement.
2. The Relevant Directors are publicly criticized by the Listing Committee for breach of their respective Undertakings in failing to act to the best of their ability and failing to use their best endeavours to procure the compliance of the Company with the Listing Rules.

For the avoidance of doubt, the Exchange confirms that this public statement which involves criticism applies only to the Relevant Directors and not to any other past or present directors of the Company.

**The Listing Committee of
The Stock Exchange of Hong Kong Limited**

Hong Kong, 20 April 2004

Please also refer to the published version of this announcement in South China Morning Post.