

The directors have pleasure in submitting their annual report and the audited financial statements of the Group for the year ended 31st December, 2004.

### CHANGE OF NAME

Pursuant to a special resolution passed at an extraordinary general meeting held on 10th January, 2005, the name of the Company was changed from Wisdom Venture Holdings Limited to Hans Energy Company Limited.

### CHANGE OF FINANCIAL YEAR END DATE

On 10th January, 2005, the Company changed its financial year end date from 31st March to 31st December.

In December 2004, the Company completed the acquisition of the entire interest in Union Petro-Chemicals (BVI) Company Limited ("UPC"). Under accounting principles generally accepted in Hong Kong, the acquisition of the entire interest in UPC by the Company has been accounted for as a reverse acquisition. Accordingly, the financial statements presented therefore cover the twelve months period from 1st January, 2004 to 31st December, 2004, which is the financial year of UPC.

The major subsidiary of UPC operates in the People's Republic of China and it is statutorily required to adopt 31st December as the fiscal year end. Accordingly, the change of the Company's fiscal year end to 31st December enables an uniform accounting period be adopted within the Group which the directors believe would facilitate the presentation and preparation of the Group's financial information.

### PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of its principal subsidiaries are set out in note 35 to the financial statements.

### RESULTS

The results of the Group for the year are set out in the consolidated income statement on page 26.

### FINAL DIVIDEND

The directors have recommended a final dividend of 1.0 Hong Kong cent (2003: nil) per ordinary share to be payable to shareholders whose names appear on the Register of Member of the Company on 23rd May, 2005. Subject to the passing of the necessary resolution at the forthcoming annual general meeting, such dividend will be payable on or about 31st May, 2005.

# Directors' Report

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## SHARE CAPITAL

Details in movement in share capital of the Company are set out in note 24 to the financial statements.

## RESERVES

The amounts and particulars of material transfers to and from reserves of the Company and of the Group during the year are set out on the Consolidated Statement of Changes in Equity and in note 26 to the financial statements.

## DISTRIBUTABLE RESERVES

At 31st December, 2004, the Company's reserve available for distribution amounted to HK\$137.6 million of which HK\$26.2 million has been proposed as a final dividend for the year.

## SHARE OPTIONS

Particulars of the Company's share option scheme are set out in note 25 to the financial statements.

## PROPERTY, PLANT AND EQUIPMENT

Details of movements during the year in the property, plant and equipment of the Group are set out in note 13 to the financial statements.

## DIRECTORS

The directors of the Company during the year and up to the date of this report were:

### Executive directors

David An (*Chairman*)  
Feng Ya Lei  
Zhou Nan Zheng  
Kwan Po Wan

## Independent non-executive directors

Li Wai Keung

Liu Jian

Liu Wei (appointed on 24th September, 2004)

In accordance with Articles 116 and 99 of the Company's Articles of Association, Mr. Li Wai Keung, Mr. Liu Jian and Mr. Liu Wei will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

The term of office of each of the independent non-executive directors is the period up to his retirement as required by the Company's Articles of Association.

None of the directors being proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

## DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

At 31st December, 2004, the interest and short positions of directors and their associates in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") which have been notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were recorded in the register required to be kept pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange were as follows:

### Ordinary shares of HK\$0.10 each of the Company

Name of director	Nature of interest	Number of shares		Approximate percentage to the issued share capital of the Company
		Long position	Short position	
Mr. David An	Corporate	1,139,773,980 (note 1)	Nil	74.99%
	Corporate	2,270,000,000 (note 2)	Nil	149.34%

## Directors' Report

### Notes:

1. The shares are held directly as to 609,773,980 shares by Extreme Wise Investments Limited ("Extreme Wise") and 530,000,000 shares by Vand Petro-Chemicals (BVI) Company Ltd ("Vand Petro-Chemicals"), both companies are wholly-owned by Mr. David An. By virtue of SFO, Mr. David An is deemed to have corporate interest in the 1,139,773,980 shares.
2. 2,270,000,000 shares (subject to adjustment) will be issued to Vand Petro-Chemicals upon its exercise of the conversion rights under the convertible notes held by it. By virtue of SFO, Mr David An is deemed to have corporate interests in the 2,270,000,000 shares.

Save as disclosed above, as at 31st December, 2004, none of the directors or chief executives or their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations which had to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

### DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Other than the share option scheme detailed in note 25 to the financial statements and the convertible notes held indirectly by Mr. David An, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debts securities (including debentures) of, the Company or any other body corporate and none of the directors, their spouses or children under the age of 18, had any rights to subscribe for securities of the Company, or had exercised any such rights.

### CONNECTED TRANSACTIONS

The summary of the connected transactions entered into by the Group during the year were as follows:

#### 1. Continuing connected transactions

Lee & Man Industrial Manufacturing Limited ("L & M Industrial Manufacturing") and Lee & Man Paper Products Company Limited ("Lee & Man Products"), then subsidiaries of the Company, entered into four agreements, as detailed in notes (a) to (d) below with Lee & Man Industries Company Limited ("L & M Industries") and Dongguan Lee & Man Paper Factory Co., Ltd ("Dongguan Lee & Man") respectively, in respect of (i) purchase of raw materials; (ii) sale of waste paper by-products; (iii) purchase of stream ((i), (ii), and (iii) collectively the "First Ongoing Connected Transaction"); and (iv) lease agreements. L & M Industries and Dongguan Lee & Man are associates of the trustee of which is a substantial shareholder of Capital Nation Investments Limited ("Capital Nation"), a then subsidiary of the Company, and are therefore connected persons under the Listing Rules. The First Ongoing Connected Transaction together with their cap amounts (the "Cap Amount") were approved by the independent shareholders of the Company by way of a written certificate of approval dated 13th May, 2004 by Extreme Wise, a shareholder which was interested in 61.59% of the issued share capital of the Company at that time.

In addition, the Group entered into certain transactions, as detailed in notes (e) and (f) below, with Lee & Man Holding Limited ("L & M Holding") and its subsidiaries (collectively the "Handbag Group") in respect of (i) sales of corrugated cardboard and carton boxes; and (ii) use of certain facilities of the Handbag Group. L & M Holding is beneficially owned by Fortune Star Tradings Ltd. which is an associate of Mr. Lee Wan Keung ("Mr. Lee") who is a director of Capital Nation, and therefore Handbag Group is a connected person under the Listing Rules.

The details of the above continuing connected transactions for the nine months ended 31st December, 2004 were as follows:

- a. Pursuant to the master supply agreement for raw materials (the "Raw Material Agreement") dated 29th May, 1998, L & M Industries had agreed to sell and L & M Industrial Manufacturing had agreed to purchase such quantities of test liner and corrugated medium paper as may be ordered by L & M Industrial Manufacturing from time to time for a period of three years commencing from July 1998 and thereafter unless and until terminated by either party by giving to the other party not less than three months' written notice. The prices are based on the monthly quote given by L & M Industries provided that the quote is not higher than the prevailing market price of test liner and corrugated medium paper at time of such quotation. The aggregate amount of raw materials purchased under the Raw Material Agreement during the nine months ended 31st December, 2004 was HK\$67,390,485 and did not exceed the Cap Amount.
- b. Pursuant to the master supply agreement for waste paper by-products (the "Waste Paper Agreement") dated 29th May, 1998, L & M Industrial Manufacturing had agreed to sell and L & M Industries had agreed to purchase such quantities of waste paper as may be ordered by L & M Industries from time to time for a period of three years commencing from July 1998 and thereafter unless and until terminated by either party giving to either party not less than three months' written notice. The prices are based on the monthly quote given by L & M Industrial Manufacturing provided that the quote is not higher than the prevailing market price of waste paper at the time of such quotation. The aggregate amount of waste paper by-products sold by the Group under the Waste Paper Agreement for the nine months ended 31st December, 2004 was HK\$5,572,767 and did not exceed the Cap Amount.
- c. Pursuant to the agreement for the supply of steam (the "Stream Supply Agreement") dated 8th September, 2003, L & M Industries has agreed to supply steam to L & M Industrial Manufacturing at a monthly fee of HK\$130,000 subject to adjustment as mutually agreed between the parties upon each renewal of the agreement. The effective date of supply of steam under the Stream Supply Agreement was 10th July, 2003. L & M Industries has its own power generation system which also produces streams for use in the production process of L & M Industrial Manufacturing. The streams fees are based on the estimated monthly coal consumption and overheads of the L & M Industries. The aggregate amount of fee incurred by the Group under the Stream Supply Agreement for the nine months ended 31st December, 2004 was HK\$1,170,000 and did not exceed the Cap Amount. The Steam Supply Agreement was renewed on 10th July, 2004.
- d. Lee & Man Products had on 22nd August, 2003 and 10th September, 2003 respectively entered into 3 lease agreements, as detailed in (i) to (iii) below with Dongguan Lee & Man, all of which will be automatically renewed annually (except (iii) will be renewed up to 12th October, 2047) until Dongguan Lee & Man serves a 30 days' written notice to terminate the agreement:
  - (i) Lee & Man Products agreed Dongguan Lee & Man to occupy the second and third floor of the office building, staff quarters A-1, staff quarters B-2, staff quarters C, a meeting room and other facilities (including the canteen, playground and other recreational facilities) situated at Huang Chong Administrative Zone, Zhong Tong County, Dongguan City, Guangdong Province, the PRC (the "Administrative Zone") for 1 year commencing from 10th July, 2003 for a rental charge of HK\$56,136.56 per month. Dongguan Lee & Man has a right to take up additional staff quarters with an area of up to 3,000 square metres in the Administrative Zone at an additional monthly rent of HK\$8 per square metre. The rental payable is exclusive of any management charges, water and electricity charges.

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- (ii) Lee & Man Products agreed Dongguan Lee & Man to occupy the paper storage number 91 and senior staff quarters D2 (with a total gross floor area of approximately 18,254.55 square metres) situated in the Administrative Zone for a rental charge of RMB15,600 per month. The rental payable is exclusive of any management charges, water, electricity and telephone charges.
- (iii) Lee & Man Products agreed Dongguan Lee & Man to enjoy the land use rights of a portion of land in the Administrative Zone with a site area of approximately 994.21 square metres on which staff quarters D with a gross floor area of approximately 8,157 square metres was erected for a rental charge of RMB994 per month.

The aggregate amount of licence fee received by the Group in (i) to (iii) was HK\$646,121.

- e. The Group had agreed to supply and sell corrugated cardboard and carton boxes from time to time to the Handbag Group. The selling prices are negotiated on a case by case basis in the ordinary course of business by reference to the prevailing market conditions, on normal commercial terms and at arm's length basis. The aggregate amount of the corrugated cardboard and carton boxes sold for the nine months ended 31st December, 2004 was HK\$5,582,584.
- f. Pursuant to a management agreement entered into between the Company and L & M Holding on 14th December, 2001, L & M Holding has agreed to procure its subsidiaries to provide (i) use of office facilities and equipment; (ii) use of transportation facilities; (iii) management service including administrative and financial services to the Group for a term of three years commencing from 1st January, 2002 on a cost basis. The aggregate amount of management fee paid for the nine months ended 31st December, 2004 was HK\$432,082.
- g. Pursuant to a service agreement entered into between Capital Nation and Mr. Lee on 14th June, 2002 in which Mr. Lee has agreed to manage the business of Capital Nation for a term of 10 years for a service fee of HK\$5 million per annum, which fee is payable in four equal quarterly instalments in advance. The agreement was approved in an extraordinary general meeting of the Company held on 14th June, 2002. The management fee paid for the nine months ended 31st December, 2004 was HK\$3,750,000.
- h. Mr. Lee provided a guarantee given to banks in respect of credit facilities amounting HK\$33,000,000 extended to Capital Nation and its subsidiaries without charge.

The continuing connected transactions in notes (a) to (h) have been reviewed by the independent non-executive directors and were approved by the board. In the opinion of the independent non-executive directors, the continuing connected transactions were:

- (i) in the ordinary and usual course of business of the Group;
- (ii) either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties;
- (iii) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the company as a whole; and
- (iv) within the relevant cap amounts as agreed by the Stock Exchange.

Upon the completion of the disposal of Capital Nation in December 2004, the above connected transactions ceased.

- 2. On 5th October, 2004, the Company entered into an acquisition agreement with Vand Petro-Chemicals and Mr. David An, a director of the Company, to purchase from Vand Petro-Chemicals all the issued share capital of Union Petro-Chemicals (BVI) Company Limited ("UPC") for a consideration of HK\$1,040,000,000. The transaction was approved by the resolutions of the independent shareholders at an extraordinary general meeting of the Company held on 23rd December, 2004 ("EGM"). Further details of the transaction are set out in the note 3 to the financial statements and in a circular of the Company dated 7th December, 2004.

3. On 29th December, 2004, the Company exercise the put option ("Put Option") granted by Good Partner Trading Limited ("Good Partner") under a shareholders' agreement entered into between Good Partner, Mr. Lee and the Company dated 14th June, 2002 (as amended by the supplemental shareholders' agreement dated 2nd April, 2004 and the second supplemental agreement dated 3rd November, 2004 pursuant to which the expiry date of the Put Option was extended from 14th June, 2004 to 2nd December, 2004 and then to 31st January, 2005) to dispose 51% of the issued share capital of Capital Nation held by the Company to Good Partner for a consideration of HK\$96,900,000. This transaction was approved by a resolution of independent shareholders at the EGM. Further details of the transaction are set out in note 9 to the financial statements.

Save as disclosed above, there were no other transactions which are required to be disclosed as connected transactions in accordance with the requirements of the Listing Rules.

### DIRECTORS' INTEREST IN CONTRACTS

Save as disclosed under the heading "Connected transactions", there were no contracts of significance to which the Company, or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly and indirectly, subsisting at the end of the year or at any time during the year.

### SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARE CAPITAL OF THE COMPANY

At 31st December, 2004, shareholders (other than directors of the Company) who had interests and short positions in the shares and underlying shares of the Company which have been disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

#### Ordinary shares of HK\$0.10 each of the Company

Name of shareholders	Number of shares		Approximate percentage to the issued share capital of the Company
	Long position	Short position	
Extreme Wise	609,773,980	Nil	40.12%
Vand Petro-Chemicals	530,000,000	Nil	34.87%
	2,270,000,000 (Note)	Nil	149.34%

Note: 2,270,000,000 shares (subject to adjustment) will be issued to Vand Petro-Chemicals upon its exercise of the conversion rights under the convertible notes held by it. By virtue of SFO, Mr. David An is deemed to have corporate interests in the 2,270,000,000 shares.

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Save as disclosed above, the Company has not been notified by any persons (other than directors of the Company) who, as at 31st December, 2004, had interests or short positions in the shares or underlying shares 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 which were recorded in the register required to be kept by the Company under section 336 of the SFO.

### MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate sales attributable to the Group's five largest customers comprised approximately 44.42% of the Group's total sales and the sales attributable to the Group's largest customer were approximately 14.61% of the Group's total sales. The aggregate purchases attributable to the Group's five largest suppliers comprised approximately 60.07% of the Group's total purchases and the purchases attributable to the Group's largest supplier were approximately 20.56% of the Group's total purchases.

As at 31st December, 2004, Mr. David An had a beneficial interest in the Group's largest customer.

Saved as disclosed above, none of the directors, their associates or any shareholder which, to the knowledge of the directors, owned more than 5% of the Company's issued share capital had any interest in the share capital of any of the five largest customers or suppliers of the Group.

### BORROWINGS

Details of movements in the Group's bank borrowing and promissory note during the year are set out in notes 21 and 23 to the financial statements respectively.

### CONVERTIBLE NOTE

During the year, the Company issued a convertible note amounting HK\$681 million as part of the consideration for the acquisition of UPC. Further details of the convertible note are set out in note 22 to the financial statements.

### PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Articles of Association although there is no restriction against such rights under the laws in the Cayman Islands.

### EMPLOYEE AND REMUNERATION POLICY

As at 31st December, 2004, the Group had a workforce of 232 employees, 217 of which worked for the terminal. Every year, the Group devises a budget which states total salary and bonus plan for the year to encourage the Group's employees to contribute their best efforts and to make maximum economic benefits to the Group. In accordance with the relevant government regulations in the PRC,



the Group is required to cover social insurance, including not limited to retirement, medicine, industrial injury and layoff insurance as well as housing fund for every qualified employee in the PRC. With these insurance policies and staff benefits, the Group hopes to provide a reasonable welfare for each qualified employee.

### **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

### **INDEPENDENCE CONFIRMATION**

As at 31st December, 2004, the Company received from each of the independent non-executive directors a confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considered that they are independent.

### **PUBLIC FLOAT**

As at the date of this report, based on the information that is publicly available to the Company and within the knowledge of the directors, the Company has maintained the prescribed public float under the Listing Rules.

### **AUDIT COMMITTEE**

The Audit Committee comprises three independent non-executive directors, namely Mr. Li Wai Keung, Mr. Liu Jian and Mr. Liu Wei. The principal activities of the Audit Committee include the review of the accounting principles and practices adopted by the Group and discussion relating to auditing, internal control and financial reporting matters including the review of the unaudited interim financial statements and audited annual results.

The Audit Committee held two meetings during the year with external auditors to discuss the nature and the scope of their audit.

### **LITIGATION**

As at 31st December, 2004, there were no material contingent liabilities in respect of outstanding litigation or legal proceedings that need to be disclosed.

### **CORPORATE GOVERNANCE**

None of the directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the year ended 31st December, 2004, in compliance with the Code of Best Practice (the "Code") as set out in the Listing Rules except that the existing non-

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executive directors of the Company were not appointed for a specific term as required by paragraph 7 of the Code but are subject to retirement by rotation in accordance with the Company's Articles of Association.

The Company has adopted the Model Code as a code of conduct regarding directors' securities transactions. The Company has made specific enquiry of all directors regarding any non-compliance with the Model Code during the year ended 31st December, 2004 and they all confirmed that they have fully complied with the required standard set out in the Model Code.

### POST BALANCE SHEET EVENTS

Details of post balance sheet events are set out in note 36 to the financial statements.

### AUDITORS

Messrs. Deloitte Touche Tohmatsu have acted as auditors of the Company since its incorporation on 26th February, 1993. A resolution will be submitted to the annual general meeting of the Company to re-appoint them.

On behalf of the Board

**David An**

*Chairman*

Hong Kong, 25th April, 2005