

## DIRECTORS' REPORT

The directors have pleasure in presenting their annual report and the audited financial statements of the Group for the year ended 31 December 2005.

### CHANGE OF NAME

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

### CHANGES OF FINANCIAL YEAR END DATE

On 10 January 2005, the Company changed its financial year end date from 31 March to 31 December. The financial statements for the year of 2004 were prepared to cover the twelve months period from 1 January 2004 to 31 December 2004.

### PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of its principal subsidiaries are set out in note 15 to the financial statements.

### RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2005 are set out in the consolidated income statement on page 34.

The directors do not recommend the payment of a final dividend for the year ended 31 December 2005 (2004: 1.0 Hong Kong cent).

### SHARE CAPITAL

On 24 March 2005, the Company issued 100,000,000 ordinary shares, bearing a nominal value of HK\$10,000,000, to Extreme Wise, a company wholly-owned by Mr. David An, a director of the Company, for a consideration of HK\$97 million. The closing price of the Company's share was HK\$0.88 quoted on the Stock Exchange on 24 March 2005. Details in movement in share capital of the Company are set out in note 26 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 27 to the financial statements.

## DIRECTORS' REPORT

### DISTRIBUTABLE RESERVES

At 31 December 2005, the Company's reserve available for distribution amounted to HK\$384.4 million (2004: HK\$137.6 million).

### SHARE OPTIONS

Particulars of the Company's share option scheme are set out in note 28 to the financial statements.

### PROPERTY, PLANT AND EQUIPMENT

Details of movements of property, plant and equipment during the year 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  
William W Liu (re-designated as executive director on 23 May 2005)  
Kwan Po Wan (resigned on 31 May 2005)

#### Independent non-executive directors

Li Wai Keung  
Liu Jian  
Chan Chun Wai, Tony (appointed on 23 May 2005)

In accordance with Articles 116 and 99 of the Company's Articles of Association, Mr. David An, Ms. Feng Ya Lei (Article 116) and Mr. Chan Chun Wai, Tony (Article 99) 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' REPORT

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

At 31 December 2005, 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 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 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	1,642,291,980 <i>(note 1)</i>	Nil	62.68%
	Corporate	1,270,000,000 <i>(note 2)</i>	Nil	48.47%

Notes:

- The shares are held directly as to 209,773,980 shares by Extreme Wise and 1,432,518,000 shares by 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 1,642,291,980 shares.
- 1,270,000,000 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 1,270,000,000 shares.

Save as disclosed above, as at 31 December 2005, 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' REPORT

### DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Other than the share option scheme detailed in note 28 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

There were no transactions which were 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.

### CORPORATE GOVERNANCE

The Company is committed to a high standard of corporate governance. The Company's corporate governance practices are based on the Principles and the Code Provisions as set out in the CG Code contained in Appendix 14 of the Listing Rules. The Company regularly reviews its corporate governance practices to ensure that these continue to meet the requirements of the CG Code. Throughout the year 2005, the Company has complied with the CG Code except as set out in the Corporate Governance Report on pages 16 to 25.

## DIRECTORS' REPORT

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

At 31 December 2005, 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	209,773,980	Nil	8.01%
Vand Petro-Chemicals	1,432,518,000	Nil	54.67%
	1,270,000,000	Nil	48.47%
	(Note)		

Note: 1,270,000,000 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 1,270,000,000 shares.

Save as disclosed above, the Company has not been notified by any persons (other than directors of the Company) who, as at 31 December 2005, 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 66.28% of the Group's total sales and the sales attributable to the Group's largest customer were approximately 42.78% of the Group's total sales. The aggregate purchases attributable to the Group's five largest suppliers comprised approximately 62.71% of the Group's total purchases and the purchases attributable to the Group's largest supplier were approximately 31.22% of the Group's total purchases.

## DIRECTORS' REPORT

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

In 2004, 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 31 December 2005, the Group had a workforce of 255 employees, 227 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 but not limited to retirement, medical, workman compensation and unemployment 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.

### PUBLIC FLOAT

For the year ended 31 December 2005, 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.

## DIRECTORS' REPORT

### LITIGATION

As at 31 December 2005, there were no material contingent liabilities in respect of outstanding litigation or legal proceedings that need to be disclosed.

### AUDITORS

KPMG were first appointed as auditors of the Company in 2005 upon the resignation of Deloitte Touche Tohmatsu.

KPMG retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

On behalf of the Board

**David An**

*Chairman*

Hong Kong, 30 March 2006