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HANS ENERGY COMPANY LIMITED

漢思能源有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock code: 554)

PLACING OF EXISTING SHARES TOP-UP SUBSCRIPTION OF NEW SHARES AND PARTIAL EXERCISE OF CONVERTIBLE NOTE

On 11 March 2005, the Company, the Vendor and Mr. An entered into the Placing Agreement with the Placing Agent pursuant to which the Vendor agreed to place, through the Placing Agent, an aggregate of 500,000,000 Placing Shares, on a fully underwritten basis at a price of HK\$1.00 per Share. The Placing is expected to be completed on 15 March 2005.

To maintain Mr. An's majority shareholding in the Company and the public float of the Company in accordance with the Listing Rules upon completion of the Placing, Vand Petro-Chemicals (BVI) Company Ltd, a company wholly-owned by Mr. An, will serve notice on the Company to exercise its right to convert part of a convertible note (which is convertible into 2,270,000,000 Shares as detailed in the Company's circular dated 7 December 2004) contemporaneously with completion of the Placing to the extent of HK\$300,000,000 (equivalent to 1,000,000,000 Shares).

On 11 March 2005, the Company and the Vendor entered into the Subscription Agreement pursuant to which the Vendor conditionally agreed to subscribe for an aggregate of 100,000,000 Shares at the Placing Price.

Trading in the Shares on the Stock Exchange has been suspended from 9:30 a.m. on 11 March 2005 pending the release of this announcement. Trading in the Shares on the Stock Exchange will resume from 9:30 a.m. on 14 March 2005.

The Placing

On 11 March 2005, Hans Energy Company Limited (the “**Company**”), Extreme Wise Investments Limited (the “**Vendor**”), a company wholly-owned by Mr. David An (“**Mr. An**”), a director of the Company, and Mr. An entered into an agreement (the “**Placing Agreement**”) with UBS AG, Hong Kong Branch (the “**Placing Agent**”) pursuant to which the Vendor agreed to place, through the Placing Agent, an aggregate of 500,000,000 shares (the “**Placing Shares**”) of HK\$0.10 each in the

share capital of the Company (“**Shares**”), on a fully underwritten basis at a price of HK\$1.00 per Share (the “**Placing Price**”) (the “**Placing**”). The Placing is expected to be completed on 15 March 2005.

The Placing Agent will receive a commission of 2.5% of the gross proceeds of the Placing.

The Placing Price of HK\$1.00 represents:

- (i) a discount of approximately 4.8% to the closing price of HK\$1.05 per Share as quoted on the Stock Exchange on 10 March 2005, being the last trading day before this announcement;
- (ii) a discount of approximately 8.3% to the average of the closing price per Share of HK\$1.09 as quoted on the Stock Exchange for the last five trading days up to and including 10 March 2005, being the last trading day before this announcement; and
- (iii) a discount of approximately 9.9% to the average of the closing price per Share of HK\$1.11 as quoted on the Stock Exchange for the last ten trading days up to and including 10 March 2005, being the last trading day before this announcement.

The Placing Price was negotiated on an arm’s length basis between the Company, the Vendor and the Placing Agent. After taking into account the commission payable to the Placing Agent, stamp duty, trading fee, transaction levy and investor compensation levy, the net placing price per Share is approximately HK\$0.97.

The Placing Shares represent (i) approximately 32.9% of the existing issued share capital of the Company of 1,520,000,000 Shares; and (ii) approximately 19.1% of the issued share capital of the Company of 2,620,000,000 Shares as enlarged by the Subscription (as defined below) and the Conversion (as defined below).

The Placing Agent, the placees of the Placing and their ultimate beneficial owners are not connected persons (as defined in Rules governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”)) of the Company. The Placing will be made to six or more independent professional, institutional and/or individual investors to be procured by the Placing Agent and no placee of the Placing will become a substantial shareholder of the Company (as defined in the Listing Rules) immediately upon completion of the Placing. Each of the placees is independent of the Company, its connected persons and other placees.

The directors of the Company (the “**Directors**”) (including the independent non-executive Directors) consider the terms of the Placing fair and reasonable based on the current market condition and in the interests of the Company and its shareholders as a whole.

The Conversion

To maintain Mr. An’s majority shareholding in the Company and the public float of the Company in accordance with the Listing Rules upon completion of the Placing, Vand Petro-Chemicals (BVI) Company Ltd, a company wholly-owned by Mr. An, will serve notice on the Company to exercise its right to convert part of a convertible note (the “**Convertible Note**”) (which is convertible into 2,270,000,000 Shares as detailed in the Company’s circular dated 7 December 2004) contemporaneously with completion of the Placing to the extent of HK\$300,000,000 (equivalent to 1,000,000,000 Shares (the “**Conversion Shares**”)) (the “**Conversion**”) at the conversion price of HK\$0.30. The Conversion Shares will be issued under the special mandate granted to the Directors by a resolution of the Shareholders passed at the extraordinary general meeting of the

Company held on 23 December 2004 to allot and issue Shares upon exercise of the conversion right in accordance with the terms of the Convertible Note. The Conversion is conditional on the completion of the Placing.

Other than the Convertible Note, there are no other outstanding convertible note issued by the Company.

The Subscription

On 11 March 2005, the Company and the Vendor entered into a subscription agreement (the “**Subscription Agreement**”) pursuant to which the Vendor conditionally agreed to subscribe for an aggregate of 100,000,000 Shares (the “**Subscription Shares**”) at the Placing Price, less certain expenses related to the Placing and the Subscription (the “**Subscription**”).

The Directors (including the independent non-executive Directors) consider the terms of the Subscription fair and reasonable based on the current market condition and in the interests of the Company and its shareholders as a whole.

The Subscription Shares represent (i) about 6.6% of the existing issued share capital of the Company of 1,520,000,000 Shares; and (ii) about 3.8% of the issued share capital of the Company of 2,620,000,000 Shares as enlarged by the Subscription and the Conversion.

The Subscription is conditional upon:

- (i) completion of the Placing in accordance with the terms of the Placing Agreement; and
- (ii) listing of and permission to deal in all the Subscription Shares being granted by the Listing Committee of the Stock Exchange (and such permission not having been revoked prior to completion of the Subscription).

The Subscription Agreement does not provide either party the right to waive the above conditions.

Application will be made to the Stock Exchange to grant the listing of, and permission to deal in, the Subscription Shares.

The Subscription Shares will be issued under the general mandate (the “**General Mandate**”) to allot, issue and deal with Shares granted to the Directors by a resolution of the Shareholders passed at the annual general meeting of the Company (the “**AGM**”) held on 19 August 2004 subject to the limit up to 20% of the issued share capital of the Company as at the date of passing the resolution at the AGM (that is, 198,000,000 Shares). As at the date of this announcement, no new Shares have been issued under the General Mandate.

The Subscription Shares, when issued and fully paid, will rank pari passu among themselves and with Shares in issue at the time of issue and allotment of the Subscription Shares.

Although the Vendor is a connected person (as defined in the Listing Rules) of the Company and the arrangement of the Subscription constitutes a connected transaction of the Company under the Listing Rules, this connected transaction is exempted from the reporting, announcement and independent shareholders’ approval requirement under the Listing Rules by virtue of Rule 14A.31(3)(d) of the Listing Rules. Under Rule 14A.31(3)(d) of the Listing Rules, the Subscription must be completed within 14 days after the date of the Placing Agreement, that is on or before 25 March 2005. In the event that the conditions to the Subscription Agreement are not fulfilled by 25 March 2005, the Company and the Vendor may elect, subject to compliance with all applicable requirements under the Listing Rules, to postpone completion of the Subscription to a later date to be agreed between the Company and the Vendor.

After taking into account the commission payable to the Placing Agent, stamp duty, trading fee, transaction levy and investor compensation levy in relation to the Subscription, the net proceeds from the Subscription will be approximately HK\$97.4 million. Such proceeds will be used to fund a portion of the investment for the Pearl River Project (as defined and detailed in the Company's announcement dated 24 February 2005). As detailed in the Company's announcement dated 24 February 2005, the Company has entered into a non-binding memorandum of understanding in respect of the Pearl River Project with an independent party who is not a connected person of the Company and no binding agreement has yet been concluded in respect thereof.

Effects on shareholding structure

The shareholding structure of the Company as at the date of this announcement and immediately after the completion of (i) the Placing and the Conversion and (ii) the Subscription is as follows:

Name	Number of Shares held as at the date of this announcement	Approximate percentage of total issued Shares	(for illustration only)				Approximate percentage of total issued Shares	Number of Shares held assuming completion of only the Placing	Approximate percentage of total issued Shares	Number of Shares held assuming completion of only the Conversion	Approximate percentage of total issued Shares
			Number of Shares held immediately after completion of the Placing and the Conversion	Approximate percentage of total issued Shares	Number of Shares held immediately after completion of the Subscription	Approximate percentage of total issued Shares					
Mr. An and his associates (as defined under the Listing Rules)	1,039,773,980 <i>(Note 1)</i>	68.4%	1,539,773,980	61.1%	1,639,773,980	62.6%	539,773,980	35.5%	2,039,773,980 <i>(Note 2)</i>	80.9%	
Public shareholders	480,226,020	31.6%	980,226,020	38.9%	980,226,020	37.4%	980,226,020	64.5%	480,226,020	19.1%	
Total	<u>1,520,000,000</u>	<u>100.00%</u>	<u>2,520,000,000</u>	<u>100.00%</u>	<u>2,620,000,000</u>	<u>100.00%</u>	<u>1,520,000,000</u>	<u>100.0%</u>	<u>2,520,000,000</u>	<u>100.0%</u>	

Notes:

- These Shares are held directly as to 609,773,980 Shares by the Vendor and 430,000,000 Shares by Vand Petro-Chemicals (BVI) Company Ltd, a company wholly-owned by Mr. An.
- Assuming full conversion of the Convertible Note and completion of the Placing and the Subscription, Mr. An and his associates will hold 2,909,773,980 Shares, representing 74.8% of the enlarged issued share capital of the Company.

The Directors undertake that the Company will maintain its public float in accordance with the Listing Rules after the Conversion and the Subscription.

Fund raising exercises

During the 12 months immediately prior to the date of this announcement, the Company has not carried out any fund raising exercises.

Suspension and resumption of trading

Trading in the Shares on the Stock Exchange has been suspended from 9:30 a.m. on 11 March 2005 pending the release of this announcement. Trading in the Shares on the Stock Exchange will resume from 9:30 a.m. on 14 March 2005.

By Order of the Board
Hans Energy Company Limited
David An
Chairman

Hong Kong, 11 March 2005

As at the date of this announcement, Mr. David An, Ms. Feng Ya Lei, Mr. Zhou Nan Zheng and Ms. Kwan Po Wan are executive Directors, and Mr. Li Wai Keung, Mr. Liu Jian and Mr. Liu Wei are independent non-executive Directors.

*Please also refer to the published version of this announcement in the (**The Standard**)*