

*The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*

*This announcement shall not constitute an offer to buy, or the solicitation of an offer to sell or subscribe for any securities or an invitation to enter into an agreement to do any such things, nor is it calculated to invite any offer to buy, sell or subscribe for any securities.*



## **WISDOM VENTURE HOLDINGS LIMITED**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 554)**

### **VERY SUBSTANTIAL ACQUISITION, VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTIONS AND INCREASE IN AUTHORIZED SHARE CAPITAL**

#### **ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF UNION PETRO-CHEMICALS (BVI) COMPANY LIMITED**

**AND**

#### **DISPOSAL OF 51% OF THE ISSUED SHARE CAPITAL OF CAPITAL NATION INVESTMENTS LIMITED**

On 5 October 2004, the Vendor, the Company and Mr. An entered into the Acquisition Agreement, pursuant to which the Company has conditionally agreed to purchase the Sale Shares, representing a 100.0% interest in UPC, from the Vendor for a consideration of HK\$1,040,000,000. Such consideration will be satisfied upon Completion (i) as to HK\$200,000,000 by way of the issue of the Promissory Note to the Vendor and/or its nominee(s); (ii) as to HK\$159,000,000 by way of the allotment and issue by the Company of the Consideration Shares to the Vendor and/or its nominee(s); and (iii) as to HK\$681,000,000 by way of the issue of the Convertible Note by the Company to the Vendor and/or its nominee(s). The value of the Consideration Shares has been calculated on the basis of HK\$0.30 per Share with reference to the price at which the Consideration Shares will be issued.

UPC holds a 100.0% interest in the issued share capital of GDPC, which in turn holds a 92.0% equity interest in the registered capital of GD (Panyu). GD (Panyu) operates XHIT, an oil and liquid petrochemical storage and transshipment facility located at the centre of the Pearl River Delta, Xiao Hu Island, Huangge Town, Guangzhou City, Guangdong Province, the PRC. GD (Panyu) owns five jetties with an annual throughput of approximately 5,000,000 metric tons. In addition, it owns 82 tanks for storage of oil and liquid petrochemical products as well as other auxiliary facilities including loading platforms, pipelines and drum filling stations.

Conditional upon Completion, the Company proposes to exercise the Put Option under the Shareholders' Agreement pursuant to which the Company will sell its entire shareholding in Capital Nation, representing 51% of the issued share capital thereof, to Good Partner for an agreed consideration of HK\$96,900,000.

The Vendor is wholly-owned by Mr. An. Mr. An is a Director and the controlling Shareholder and hence a connected person of the Company under Chapter 14A of the Listing Rules. The Acquisition constitutes a very substantial acquisition and a connected transaction for the Company under the Listing Rules which requires the approval of the Independent Shareholders by poll. Mr. An and his associates are required to abstain from voting in respect of the resolution(s) to approve the Acquisition. By virtue of Good Partners' 49% interest in the issued share capital of Capital Nation, Good Partner is a connected person of the Company under the Listing Rules. The Put Option Exercise constitutes a very substantial disposal and a connected transaction for the Company under the Listing Rules which also requires the approval of the Independent Shareholders by poll. Good Partner, Mr. An and their respective associates are required to abstain from voting in respect of the resolution to approve the Put Option Exercise.

Mr. An, through Extreme Wise, is interested in 609,773,980 Shares, representing approximately 61.59% of the issued share capital of the Company as at the date of this announcement. Mr. An will be interested in approximately 1,139,773,980 Shares, representing approximately 74.99% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares upon Completion, or if the Convertible Note is converted in full into the Conversion Shares, approximately 3,409,773,980 Shares, representing approximately 89.97% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares and the Conversion Shares. After Completion, Mr. An may enter into agreement(s) to effect a placing of part or all of the Consideration Shares and/or the Conversion Shares. In such event, the Company will make announcement(s) in relation to such placing as and when appropriate.

The Acquisition and the Put Option Exercise are conditional on, among other things, the approval by the Independent Shareholders at the EGM.

Further, the Directors propose to increase the authorized share capital of the Company from HK\$500,000,000 to HK\$1,000,000,000 by the creation of an additional 5,000,000,000 Shares which will rank equally in all respects with all issued Shares.

A circular containing, among other things, further details of the Acquisition, the Put Option Exercise, the proposed increase in the authorized share capital, financial information on the Group, the UPC Group, and the pro forma entities, property valuation of the Group and the UPC Group and a notice of the EGM will be dispatched by the Company to the Shareholders as soon as practicable in accordance with the Listing Rules.

An Independent Board Committee has been established to advise the Independent Shareholders on the Acquisition and the Put Option Exercise. In this regard, Somerley Limited has been appointed by the Company as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders.

UBS AG has been appointed as the financial adviser to advise the Company in relation to the Acquisition and the Put Option Exercise.

Trading in Shares was suspended at the request of the Company with effect from 6 October 2004 pending release of this announcement. An application has been made by the Company to the Stock Exchange for the trading in Shares to resume from 14 October 2004.

**Shareholders and potential investors should note that the Acquisition and/or the Put Option Exercise, which is subject to a number of conditions, may or may not be completed. Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company.**

## **THE ACQUISITION AGREEMENT**

### **Date**

5 October 2004

### **Parties**

The Vendor (as the vendor)

The Company (as the purchaser)

Mr. An (as the guarantor of the Vendor's obligations under the Acquisition Agreement)

### **Subject matter of the Acquisition**

The Sale Shares

### **Consideration**

The total consideration for the purchase of the Sale Shares is HK\$1,040,000,000. Such consideration will be satisfied by the Company in the following manner at the date of Completion:

- (a) HK\$200,000,000 by way of the issue of the Promissory Note to the Vendor and/or its nominee(s);
- (b) HK\$159,000,000 by way of the allotment and issue of the Consideration Shares by the Company to the Vendor and/or its nominee(s); and
- (c) the balance of HK\$681,000,000 by way of the issue of the Convertible Note by the Company to the Vendor and/or its nominee(s).

The consideration has been arrived at after arm's length negotiations between the parties having taken into account the business potential, earning and growth prospects, and valuation analyses of the UPC Group. The Directors consider that the terms of the Acquisition are fair and reasonable so far as the Company and the Shareholders as a whole are concerned.

The Consideration Shares represent approximately 53.54% of the existing issued share capital of the Company, approximately 34.87% of issued share capital of the Company as enlarged by the Consideration Shares and, if the Convertible Note is converted in full into Conversion Shares, approximately 13.98% of the issued share capital of the Company as enlarged by the Consideration Shares and the Conversion Shares.

The Consideration Shares will be issued to the Vendor and/or its nominee(s) at a price of HK\$0.30 per Share, which represents a discount of approximately 50% to the closing price of HK\$0.60 per Share as quoted on the Stock Exchange on 5 October 2004, being the last trading day prior to suspension in trading of the Shares on 6 October 2004, or a discount of approximately 51.8% to the average of the closing price of HK\$0.62 per Share quoted on the Stock Exchange for the last 10 trading days up to and including 5 October 2004. The issue price was primarily determined with reference to the consolidated net tangible asset value of the Group of approximately HK\$0.16 per Share as of 31 March 2004.

The Conversion Shares will be issued to the Vendor and/or its nominee(s) on the exercise of the conversion rights under the Convertible Note. The initial conversion price is HK\$0.30 per Share, which represents a discount of approximately 50% to the closing price of HK\$0.60 per Share as quoted on the Stock Exchange on 5 October 2004, being the last trading day before the suspension in trading of the Shares on 6 October 2004. The initial conversion price also represents a discount of approximately 51.8% over the average of the closing price of HK\$0.62 per Share quoted on the Stock Exchange for the last 10 trading days up to and including 5 October 2004.

Based on the conversion price of HK\$0.30 per Share, if the conversion rights attached to the Convertible Note are fully exercised, 2,270,000,000 Conversion Shares will be issued, representing approximately 229.29% of the existing issued share capital of the Company and approximately 59.89% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares and the Conversion Shares.

The Consideration Shares and the Conversion Shares will rank equally in all respects with the issued Shares as at the relevant date of allotment. The Company will apply to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares and the Conversion Shares on the Stock Exchange.

### **Conditions**

The Acquisition Agreement is conditional upon, among other things, the following conditions being fulfilled or waived by the Company on or before 31 December 2004:

- a. a legal opinion being issued by a firm of PRC lawyers, in relation to, among other things, the business and operation of the UPC Group in the PRC, in a form to be reasonably approved by the Company;

- b. a report of the legal due diligence review being issued by a firm of Hong Kong lawyers in a form to be reasonably approved by the Company;
- c. the passing by the Independent Shareholders of resolution(s) approving the transactions contemplated by the Acquisition Agreement at the EGM;
- d. no indication being received by the Company or its professional advisers from the Stock Exchange that the Company is required to comply with the requirement of Rule 8.05 of the Listing Rules and that the Stock Exchange deems the Company not to be complying with the requirement of Rule 8.05 of the Listing Rules after Completion;
- e. the Stock Exchange granting the listing of, and permission to deal in, the Consideration Shares and the Conversion Shares;
- f. the Company being satisfied that the Vendor's representations, warranties and undertakings as set out in the Acquisition Agreement remain true and accurate and are not materially misleading in any respect at Completion and at all times between the date of the Acquisition Agreement and Completion; and
- g. all necessary consents and waivers for the sale of the Sale Shares under the Acquisition Agreement having been obtained from the relevant regulatory authorities and other relevant third parties and are continuing in force.

## **Completion**

Completion shall take place on the third business day immediately after all the conditions under the Acquisition Agreement have been fulfilled or waived by the Company (save for conditions (c) and (e) which cannot be waived) or such other date as the Vendor and the Company may agree in writing.

Upon Completion, the Vendor shall, among other things, execute the Deed of Indemnity.

## **DEED OF INDEMNITY**

### **Date**

Date of Completion

### **Parties**

The Vendor

Mr. An

The Company

UPC

## Scope

The Vendor will indemnify the Company and members of the UPC Group against any liabilities or reduction in value of assets or shares of any members of the UPC Group as a result of, among other things, tax liabilities arising out of events which took place prior to Completion.

The Vendor will also indemnify the Company and members of the UPC Group against any claims, liabilities and losses arising out of or in connection with the validity, legality or enforceability of all the oil and liquid petrochemical products storage agreements made between GPC and the third parties before the date of the Acquisition Agreement.

Mr. An is a party to the Deed of Indemnity for the purpose of guaranteeing the performance of the Vendor's obligations thereunder.

## CONVERTIBLE NOTE PURSUANT TO THE ACQUISITION AGREEMENT

The principal terms of the Convertible Note are summarized as follows:

- Principal amount** : HK\$681,000,000.
- Interest** : Interest is payable on the outstanding principal amount at the rate of 1% per annum from the date of issue of the Convertible Note on a daily basis, payable once every six months in arrears.
- Maturity** : The maturity date of the Convertible Note will be the fifth anniversary of the date of its issue (the "Maturity Date"), on which date it will be redeemed in full by the Company.
- Conversion rights** : The noteholder will have the right to convert on any business day on or prior to the Maturity Date, the whole or any part(s) of the principal amount of the Convertible Note into Conversion Shares at the conversion price, subject to adjustment, provided that the noteholder shall only be allowed to exercise the right of conversion to the extent that the public float of the Company will not be less than 25% (or such lower percentage as may be allowed under the Listing Rules) immediately after such conversion.
- Conversion price** : The conversion price of HK\$0.30 per Share is subject to adjustment in the event of, among other things, a consolidation, sub-division or re-classification, capitalization of profits or reserves and capital distribution.
- Conversion Shares to be issued** : Shares to be issued upon conversion will rank equally with all other Shares outstanding at the exercise date thereof.

**Transfer** : The Convertible Note or any part(s) thereof may not be assigned or transferred to any party without the written consent of the Company. Upon the Company becoming aware that the Convertible Note is to be transferred to any connected person (as defined in the Listing Rules) of the Company, the Company will promptly notify the Stock Exchange thereof.

The Company has no outstanding securities convertible into the Shares. No application will be made for the listing of, or permission to deal in, the Convertible Note on the Stock Exchange or any other exchange.

## IMPACT ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

The effects on the shareholding structure of the Company (taking into account the issue of the Consideration Shares and the issue of the Conversion Shares) upon full conversion of the Convertible Note (using the initial conversion price of HK\$0.30 per Share) are as follows:

	<b>As at the date hereof</b>		<b>Upon the issue of Consideration Shares</b>		<b>Upon the issue of Consideration Shares and Conversion Shares pursuant to exercise of all conversion rights under the Convertible Note</b>	
	<i>No. of Shares</i>	<i>%</i>	<i>No. of Shares</i>	<i>%</i>	<i>No. of Shares</i>	<i>%</i>
Mr. An	609,773,980	61.59	1,139,773,980	74.99	3,409,773,980	89.97
Public	380,226,020	38.41	380,226,020	25.01	380,226,020	10.03
<b>Total</b>	<b>990,000,000</b>	<b>100</b>	<b>1,520,000,000</b>	<b>100</b>	<b>3,790,000,000</b>	<b>100</b>

## EXERCISE OF PUT OPTION

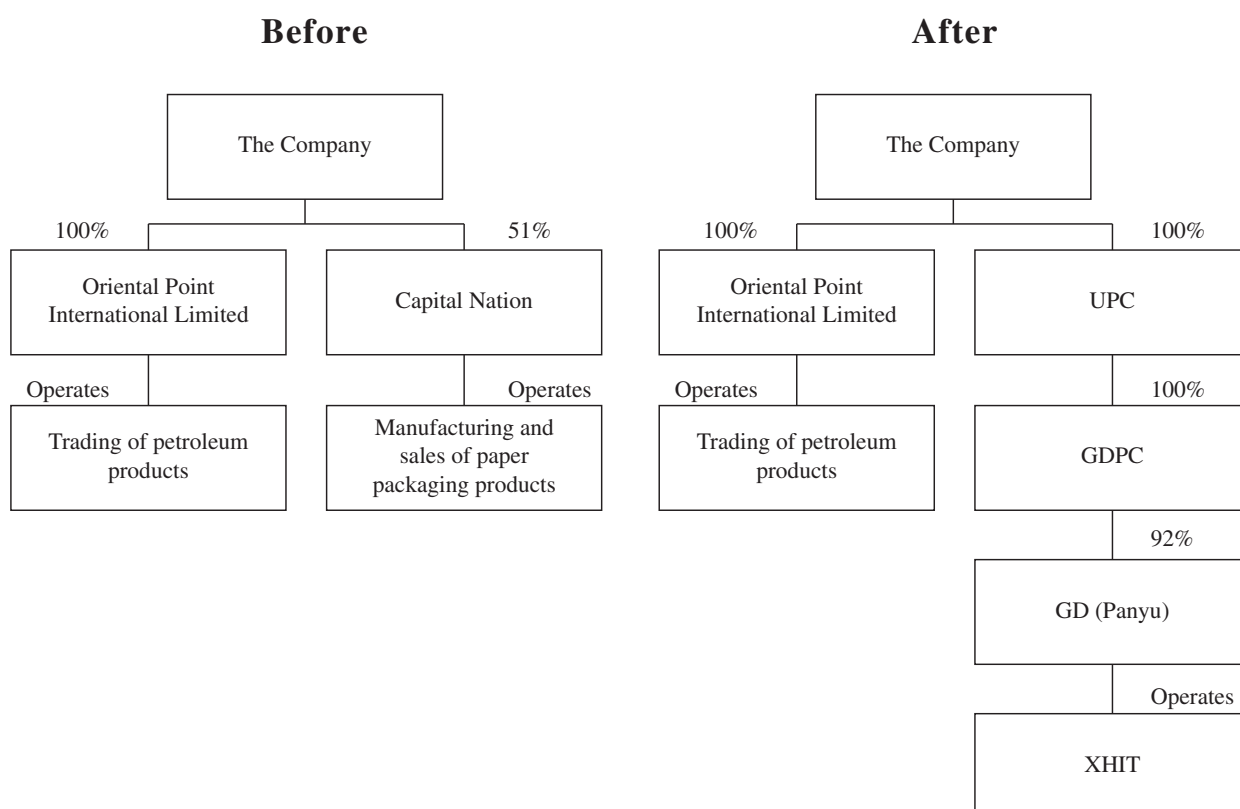
On 14 June 2002, the Company and Good Partner completed the sale and purchase agreement made between them dated 19 April 2002 whereby the Company sold and Good Partner purchased 49% interest in the share capital of Capital Nation for a consideration of HK\$93,100,000. On the same date, the Company, Good Partner and Mr. Lee entered into the Shareholders' Agreement wherein Good Partner granted the Put Option to the Company.

Conditional upon Completion taking place, the Company proposes to exercise the Put Option under the Shareholders' Agreement pursuant to which the Company will sell its 51% interest in Capital Nation to Good Partner for an agreed consideration of HK\$96,900,000, to be settled, either fully in cash or as to HK\$1,900,000, by cash and, as to HK\$95,000,000, by assigning the benefit of the Previous Promissory Note to the Company. The price payable by Good Partner for the 51% interest in Capital Nation pursuant to the Put Option Exercise under the Shareholders' Agreement was originally determined in 2002 and represented a price earnings multiple of approximately 5.1 times the adjusted pro forma net profit of Capital Nation of approximately HK\$37,300,000 for the year ended 31 March 2001. The Directors consider that the terms of the Put Option Exercise are fair and reasonable so far as the Company and the Shareholders as a whole are concerned.

The Directors intend to utilize the total proceeds in the amount of HK\$96,900,000 (either fully in cash or as to HK\$1,900,000 in cash and as to HK\$95,000,000 by way of assigning the Previous Promissory Note) to be derived from the Put Option Exercise to repay in part the Promissory Note issued for the Acquisition.

## STRUCTURE OF THE GROUP

The following charts represent the simplified structure of the Group immediately before and after completion of the Acquisition and the Put Option Exercise:





## INFORMATION ON UPC

### Overview

UPC is an investment holding company whose sole direct subsidiary is GDPC. GDPC became a wholly-owned subsidiary of UPC when UPC acquired the entire share capital of GDPC (which in turn owns 92% equity interest in GD (Panyu)) in December 2000 for a consideration of HK\$491,000,000. GD (Panyu) obtained ISO9001:2000, a standard for quality management system, in January 2004 and operates XHIT, an integrated service provider for oil and liquid petrochemical storage and transshipment. XHIT is a bonded warehouse for comprehensive oil and liquid petrochemical products and a port that allows both foreign and domestic registered vessels to embark and disembark at its terminal facilities. XHIT is also one of the terminals designated by the Shanghai Futures Exchange for physical delivery of fuel oil futures contracts.

Construction of XHIT began in 1993 and operations began in December 1995 when the first phase of construction was completed. After the acquisition by UPC in December 2000, XHIT underwent an expansion in which 34 new storage tanks with a total capacity of 87,350 m<sup>3</sup> were built and a jetty with original capacity of 5,000 dwt was expanded to 20,000 dwt, with a total investment of over HK\$120,000,000. XHIT is now one of the largest ports for loading and unloading oil and liquid petrochemical products in the Guangdong Province. It has five jetties with capacities from 500 dwt to 30,000 dwt and an annual throughput of approximately 5,000,000 metric tons. In addition, there are 82 tanks for storage of oil and liquid petrochemical products with a total capacity of 325,750 m<sup>3</sup>, capable of storing approximately 60 types of oil and liquid petrochemical products. In addition to the jetties and the storage tanks, XHIT also houses other facilities including an oil products loading platform, three liquid petrochemical products loading platforms, two drum filling stations, a petroleum laboratory, on-site offices for two international independent testing and certification companies, customs office of Panyu, Guangzhou, a fire fighting team and an office building.

### Financial information

The table below sets forth the audited consolidated financial performance of the UPC Group for the three years ended 31 December 2003 and the six months ended 30 June 2004:

<i>HK\$ million</i>	<b>Audited</b>			<b>1 January</b>
	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>to 30 June, 2004</b>
Turnover	232.3	241.9	165.7	83.1
Profit from operation	73.1	100.1	103.7	55.5
Profit before taxation	72.7	92.6	93.9	50.9
Profit after taxation	72.7	92.6	93.9	47.0
Net profit	66.7	85.0	86.3	43.3

As at 30 June 2004, the audited total asset value and net asset value of the UPC Group were HK\$416,859,001 and HK\$95,232,075, respectively.

## Location

XHIT is located at the centre of the Pearl River Delta, Xiao Hu Island, Huangge Town, Guangzhou City, Guangdong Province, the PRC. XHIT is about 38km away from the city centre of Guangzhou and about 74km away from Hong Kong. The terminal is connected by bridge and highway to all major cities in the Guangdong Province and Hong Kong. The strategic location and the enabling transport infrastructure allow for oil and liquid petrochemical products to be transported to the Pearl River Delta region efficiently and as a result XHIT has become one of the key centres for storage and transshipment of oil and liquid petrochemical products in the Guangdong Province.

## Storage facilities

XHIT has a wide range of storage facilities for oil and liquid petrochemical products. Its customers include leading domestic and international oil and petrochemical companies and the lease arrangements are typically one to two years but some are as long as 10 years. XHIT storage facilities are maintained regularly and site visits from customers are often done. Different fees will be levied across different products. The lease arrangements typically include loading and unloading services. The storage facilities have been operating at close to full occupancy.

### *Liquid petrochemical products*

Currently, 57 tanks with a combined capacity of 94,750 m<sup>3</sup> are used for storing liquid petrochemical products. The liquid petrochemical tanks are capable of storing a wide range of different liquid petrochemical products.

For the three years ended 31 December 2003 the total capacity of the liquid petrochemical products storage facilities has increased as follows:

	<b>31 December 2001</b>	<b>31 December 2002</b>	<b>31 December 2003</b>
Volume (m <sup>3</sup> )	77,000	77,000	94,750
Number of tanks	46	46	57

### *Oil products*

Currently, 25 tanks with a combined capacity of 231,000 m<sup>3</sup> are used for storing oil products. The tanks house three types of oil products, namely, fuel oil, gasoline and diesel.

For the last three years ended 31 December 2003, the total capacities of the oil products storage facilities were as follows:

	<b>31 December 2001</b>	<b>31 December 2002</b>	<b>31 December 2003</b>
Volume (m <sup>3</sup> )	183,000	231,000	231,000
Number of tanks	21	25	25

## **Transshipment and pipeline transmission**

In addition to storage, a major source of revenue for XHIT is transshipment and pipeline transmission. XHIT serves as a crucial intermediary for multinational oil and petrochemical companies which import their products into the PRC. Domestic and international oil tankers load and unload their products at the jetties at XHIT, which products can then be transported to other locations through smaller tankers, on land via tank trucks or via pipelines.

XHIT has five jetties with capacities of 500 dwt, 1,000 dwt, 2,000 dwt, 20,000 dwt and 30,000 dwt, respectively.

XHIT's transshipment facilities are often used to serve customers who lease storage facilities. However, there are customers who simply use the facilities for transshipment purposes. For these customers, a contract charge based on volume for different types of products is used.

For the three years ended 31 December 2003, the number of foreign tankers that have berthed at XHIT and the total throughput were as follows:

	<b>31 December 2001</b>	<b>31 December 2002</b>	<b>31 December 2003</b>
Number of foreign tankers berthed	228	332	363
Throughput (metric tons)	4,325,904	3,769,000	5,031,499

## **Other services**

In addition, XHIT provides services to customers, including loading/unloading, testing, drums filling, waste treatment and custom clearance assistance.

## **INFORMATION ON CAPITAL NATION**

Capital Nation is engaged in the manufacture and sales of paper packaging products.

The disposal will result in a loss of approximately HK\$42,093,000 for the Company, estimated by reference to the carrying value of the asset being disposed in the accounts as of 30 June 2004. Following the disposal of the 51% of the issued share capital of Capital Nation, Capital Nation will cease to be a company within the Group.

## **Financial information**

For the year ended 31 March 2004, audited net profit of Capital Nation before taxation and extraordinary items was approximately HK\$14,569,000 and audited net profit of Capital Nation after taxation and extraordinary items was approximately HK\$14,533,000. For the year ended 31 March 2003, audited net profit of Capital Nation before taxation and extraordinary items was approximately HK\$24,673,000 and audited net profit of Capital Nation after taxation and extraordinary items was approximately HK\$24,504,000.

As at 30 June 2004, the total asset value and net asset value of Capital Nation were approximately HK\$284,584,000 and HK\$272,535,000, respectively.

## INFORMATION ON THE COMPANY

The Company currently operates two businesses: (i) the trading of petroleum products; and (ii) the manufacture and sales of paper packaging products. The Company currently owns 51% of the issued share capital of Capital Nation, which is engaged in the manufacture and sales of paper packaging products.

Segment information about the Company's businesses is presented below:

(HK\$'000)	Year ended 31 March 2004				Year ended 31 March 2003					
	Trading of petroleum products		Manufacture and sales of paper packaging products		Trading of petroleum products		Manufacture and sales of paper packaging products		Manufacture and sales of audio cassette products (discontinued)	
	% of Total	% of Total	% of Total	% of Total	% of Total	% of Total	% of Total	% of Total	% of Total	
Turnover	246,204	52.5%	222,511	47.5%	62,381	19.9%	239,531	76.3%	12,096	3.9%
Segment profit	1,349	8.3%	14,861	91.7%	(2,676)	-14.8%	17,890	98.9%	2,877	15.9%

## REASONS FOR AND BENEFITS OF THE ACQUISITION AND DISPOSAL

The Company plans to change its long-term business strategy to become a leading integrated service provider for oil and liquid petrochemical terminal and storage facilities in the PRC. The Company intends to achieve this long-term business strategy by the Acquisition and the Put Option Exercise.

The Directors expect the terminal and storage facilities business in the PRC to have a substantial growth potential and believe that the Acquisition represents an attractive opportunity for the Company to venture into this business. After Completion, UPC is expected to make an immediate and substantial contribution to the earnings of the Company by providing a significant source of income. Even though the terminal and storage facilities business of the UPC Group is not expected to generate a significant amount of synergies with the existing trading business of the Group, the Directors believe that the terminal and storage facilities business is less volatile than the existing trading business and will serve to provide a more stable source of revenue and income to the Company.

The Directors consider the paper packaging business a mature business with relatively low growth potential. The selling price of the corrugated packaging products to the customers decreased in the year ending 31 March 2004 relative to the previous year, leading to a decrease in the operating profit. The Directors expect the profit contribution of the paper packaging business to continue to consolidate in the future and believe that a divestiture of the paper packaging business will allow the management to focus its attention and effort on the other businesses of the Company, including the proposed terminal and storage facilities business to be acquired. The Directors believe that the terms of the Put Option Exercise are fair and reasonable so far as the Company and the Shareholders as a whole are concerned.

## **MAINTENANCE OF THE LISTING OF THE SHARES**

The Company intends to maintain listing of the Shares on the Stock Exchange after Completion.

**Each of the Company, the Directors and the Vendor will undertake to the Stock Exchange that it will ensure that the public float of the Company will not be less than 25% (or such lower percentage as may be allowed under the Listed Rules) of its issued share capital immediately after Completion as required under the Listing Rules.**

After Completion, Mr. An may enter into agreement(s) to effect a placing of part or all of the Consideration Shares and/or the Conversion Shares. In such event, the Company will make announcement(s) in relation to such placing as and when appropriate.

**If less than 25% (or such lower percentage as may be allowed under the Listing Rules) of the Shares are held by the public, it will constitute a breach of the Listing Rules, and if the Stock Exchange believes that:**

- **a false market exists or may exist in the trading in the Shares; or**
- **there are too few Shares in public hands to maintain an orderly market,**

**then it will consider exercising its discretion to suspend trading in the Shares until a sufficient public float is attained.**

## **PROPOSED INCREASE IN AUTHORIZED SHARE CAPITAL**

As at the date of this announcement, the Company has an authorized share capital of HK\$500,000,000 divided into 5,000,000,000 Shares of which 990,000,000 Shares have been issued and are fully paid.

Following Completion and taking into account the Conversion Shares to be issued pursuant to exercise of all conversion rights under the Convertible Note, 3,790,000,000 Shares will have been issued with only 1,210,000,000 Shares, representing approximately 24.2% of the authorized share capital of the Company left unissued and available for further allotment and issue by the Company. In order to provide the Company with greater flexibility to raise fund by allotting and issuing Shares in the future, as and when necessary, the Directors propose to increase the authorized share capital of the Company from HK\$500,000,000 to HK\$1,000,000,000 by the creation of an additional 5,000,000,000 Shares which will rank equally in all respects with all issued Shares.

The proposed increase in the authorized share capital of the Company is subject to the approval of the Shareholders at the EGM.

## **GENERAL**

Upon Completion, UPC will become a wholly-owned subsidiary of the Company.

The Acquisition constitutes a very substantial acquisition for the Company under the Listing Rules. Since the Vendor is beneficially and wholly-owned by Mr. An, who is a Director and the controlling Shareholder, the Acquisition also constitutes a connected transaction for the Company under the Listing Rules and is therefore subject to approval by the Independent Shareholders. Mr. An and his associates are required to abstain from voting in respect of the resolution(s) to approve the Acquisition which will be conducted by poll.

The Put Option Exercise constitutes a very substantial disposal for the Company under the Listing Rules. As Good Partner, being a substantial shareholder of Capital Nation, is a connected person of the Company under the Listing Rules, the Put Option Exercise also constitutes a connected transaction for the Company under the Listing Rules and is therefore subject to approval by the Independent Shareholders. Good Partner, Mr. An and their respective associates are required to abstain from voting in respect of the resolution approving the Put Option Exercise which will be conducted by poll.

An Independent Board Committee has been established to advise the Independent Shareholders on the Acquisition and the Put Option Exercise. Somerley Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among other things, further details of the Acquisition and the Put Option Exercise, the proposed increase in the authorized share capital of the Company, a letter from the independent financial adviser containing its advice to the Independent Board Committee and the recommendations of the Independent Board Committee, together with a notice convening the EGM will be despatched to the Shareholders as soon as practicable.

## **DEFINITIONS**

“Acquisition”	the purchase by the Company of the Sale Shares pursuant to the Acquisition Agreement
“Acquisition Agreement”	the conditional agreement for sale and purchase of the Sale Shares dated 5 October 2004 made between the Vendor, the Company and Mr. An
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors

“business day”	means a day (other than Saturday and Sunday and any day on which a tropical cyclone warning no.8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a “black” rainstorm warning signal is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks are open for business in Hong Kong
“Capital Nation”	Capital Nation Investments Limited, a company incorporated in the British Virgin Islands with limited liability, which is owned as to 51% by the Company and 49% by Good Partner
“Company”	Wisdom Venture Holdings Limited, a company incorporated in the Cayman Islands with limited liability whose shares are listed on the main board of the Stock Exchange
“Completion”	completion of the Acquisition
“Consideration Shares”	530,000,000 Shares having an aggregate value of HK\$159,000,000, calculated on the basis of HK\$0.30, the price at which the 530,000,000 Shares will be issued
“Conversion Shares”	such number of Shares obtained by dividing the amount to be converted under the Convertible Note by the conversion price of HK\$0.30 per Share, subject to adjustment, if any, upon exercise of the conversion rights under the Convertible Note
“Convertible Note”	one or more secured convertible notes, in the aggregate principal amount of HK\$681,000,000, to be issued by the Company to the Vendor and/or its nominee(s) pursuant to the Acquisition Agreement
“Deed of Indemnity”	the deed of indemnity to be executed by the Vendor, the Company, Mr. An and UPC under which the Vendor will indemnify the Company and the UPC Group against certain liabilities of the UPC Group
“Director(s)”	the director(s) of the Company
“dwt”	dead weight ton(s)
“EGM”	an extraordinary general meeting of the Company to be held to approve, among other things, the Acquisition Agreement, the Put Option Exercise and the proposed increase in the authorized share capital of the Company

“Extreme Wise”	Extreme Wise Investments Limited, a company incorporated in the British Virgin Islands with limited liability, wholly-owned by Mr. An, and the holder of approximately 61.59% of the issued share capital of the Company
“Fortune Star”	Fortune Star Tradings Ltd., a company incorporated in the British Virgin Islands, and wholly owned by Newcourt Trustees Limited as trustee for the Fortune Star 1992 Trust, a discretionary trust the discretionary objects of which include Mr. Lee, Ms. Wai Siu Kee, both directors of Capital Nation, certain of their family members and other charitable objects
“GDPC”	Guangdong Petro-Chemicals Company Limited (粵海石油化工有限公司), a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of UPC
“GD (Panyu)”	粵海(番禺)石油化工儲運開發有限公司 (Guangdong (Panyu) Petrochemical Storage & Transportation Ltd.), a Sino-foreign equity joint venture established under the laws of the PRC
“Good Partner”	Good Partner Trading Limited, a company incorporated in the British Virgin Islands with limited liability, and wholly-owned by Fortune Star
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Independent Board Committee”	a committee of the board comprising the independent non-executive directors of the Company who are not interested or involved in the Acquisition and the Put Option Exercise
“Independent Shareholders”	Shareholders who do not have a material interest in the Acquisition or the Put Option Exercise, as the case may be, or who are not otherwise required by the Stock Exchange to abstain from voting
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. An”	Mr. David An, a Director, the controlling Shareholder and the sole owner of Extreme Wise
“Mr. Lee”	Mr. Lee Wan Keung, a director of Capital Nation and the chairman of Lee & Man Paper Manufacturing Limited, a company whose shares are listed on the main board of the Stock Exchange



“PRC”	the People’s Republic of China, which for the purpose of this announcement, shall exclude Hong Kong, the Macau Special Administrative Region and Taiwan
“Previous Promissory Note”	the promissory note with a face amount of HK\$95,000,000 issued on 14 June 2002 by Extreme Wise to Fortune Star as part of the consideration under a sale and purchase agreement dated 19 April 2002 made between Fortune Star as the vendor, Mr. Lee as the guarantor and Extreme Wise as the purchaser. Pursuant to the aforementioned sale and purchase agreement, Extreme Wise purchased 609,750,000 Shares, representing 73.91% in the then issued share capital of the Company, at a total consideration of HK\$131,096,250. The promissory note was guaranteed by Mr. An, payable upon presentation at any time and non-interest bearing
“Promissory Note”	the promissory note to be issued by the Company to the Vendor with a face value of HK\$200,000,000 as part payment for the Acquisition payable in full on or prior to the expiry of 18 months from the date of Completion and non-interest bearing
“Put Option”	an option granted by Good Partner to the Company under the Shareholders’ Agreement to require Good Partner to purchase 51 % of the issued share capital of Capital Nation held by the Company
“Put Option Exercise”	the exercise of the Put Option by the Company
“Sale Shares”	the 100 shares of US\$1.00 each in the share capital of UPC beneficially owned by the Vendor, representing 100.0% of the issued share capital of UPC
“Shares”	share(s) of HK\$0.10 each in the share capital of the Company
“Shareholders”	holders of Shares
“Shareholders’ Agreement”	the shareholders’ agreement entered into between Good Partner, Mr. Lee and the Company on 14 June 2002 (as amended by the supplemental shareholders’ agreement dated 2 April 2004) relating to the business and operations of Capital Nation and the Put Option. Further details are set out in the joint announcement by Extreme Wise and the Company dated 29 April 2002
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	a company for the time being and from time to time a subsidiary (within the meaning of the Companies Ordinance of Hong Kong (Chapter 32 of the Laws of Hong Kong))

“UPC”	Union Petro-Chemicals (BVI) Company Limited, a company incorporated in the British Virgin Islands with limited liability
“UPC Group”	UPC and its subsidiaries
“US\$”	United States dollars, the lawful currency of the United States of America
“Vendor”	Vand Petro-Chemicals (BVI) Company Ltd, a company incorporated in the British Virgin Islands with limited liability which is beneficially and wholly-owned by Mr. An
“XHIT”	Xiao Hu Island Terminal (小虎石化庫)
“%”	per cent.
“km”	kilometres
“m <sup>3</sup> ”	cubic metres

*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.*

By order of the Board  
**Wisdom Venture Holdings Limited**  
**David An**  
*Chairman*

Hong Kong, this thirteenth day of October 2004

“Please also refer to the published version of this announcement in The Standard”