

Interim Report 2008



Wah Nam International Holdings Limited

## UNAUDITED INTERIM RESULTS

The Board of Directors (the "Directors") of Wah Nam International Holdings Limited (the "Company") announce the unaudited proforma combined financial statements of the Company, its subsidiary (the "Group") and the infrastructure joint ventures for the six months ended 30 June 2002, together with the comparative figures for the corresponding period in 2001 as follows:

### CONDENSED PROFORMA COMBINED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2002

		<b>Six months ended 30 June</b>	
	<i>NOTES</i>	<b>2002 (Unaudited) HK\$'000</b>	2001 (Unaudited) HK\$'000
Gross income from toll road operation	3	<b>13,838</b>	14,164
Less: Business tax		<b>(692)</b>	(708)
Net income from toll road operation		<b>13,146</b>	13,456
Direct operating costs		<b>(3,793)</b>	(3,860)
Other revenue		<b>9,353</b>	9,596
Administrative expenses		<b>56</b>	39
		<b>(1,104)</b>	(872)
Profit before taxation	4	<b>8,305</b>	8,763
Taxation	5	<b>(1,330)</b>	(1,314)
Profit before minority interests		<b>6,975</b>	7,449
Minority interests		<b>(2,847)</b>	(2,979)
Profit attributable to shareholders		<b>4,128</b>	4,470
Earnings per share	6		
Basic (cents)		<b>0.87</b>	0.94
Diluted (cents)		<b>0.66</b>	0.71

**CONDENSED PROFORMA COMBINED BALANCE SHEET**

AS AT 30 JUNE 2002

	NOTES	<b>30 June 2002 (Unaudited) HK\$'000</b>	31 December 2001 (Audited) HK\$'000
Non-current assets			
Toll road operation rights		<b>116,951</b>	119,611
Property, plant and equipment		<b>430</b>	265
Interest in infrastructure joint ventures	7	<b>—</b>	—
		<b>117,381</b>	119,876
Current assets			
Other receivables, deposits and prepayments		<b>661</b>	33
Amount due from a minority shareholder of a subsidiary	8	<b>4,568</b>	4,568
Bank balances and cash		<b>13,361</b>	5,006
		<b>18,590</b>	9,607
Current liabilities			
Other payables and accrued charges		<b>1,156</b>	1,359
Taxation		<b>659</b>	1,043
		<b>1,815</b>	2,402
Net current assets			
		<b>16,775</b>	7,205
		<b>134,156</b>	127,081
Capital and reserves			
Paid-in capital	9	<b>145,894</b>	145,794
Reserves		<b>(65,418)</b>	(69,546)
		<b>80,476</b>	76,248
Minority interests			
		<b>53,680</b>	50,833
		<b>134,156</b>	127,081

## CONDENSED PROFORMA COMBINED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2002

	Share capital HK\$'000	Non-distributable reserves HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 31 December 2000	145,794	2,338	(79,649)	68,483
Profit for the year	-	-	7,765	7,765
Transfers	-	802	(802)	-
At 31 December 2001	145,794	3,140	(72,686)	76,248
Profit for the period	-	-	4,128	4,128
Increase in the period	100	-	-	100
At 30 June 2002	<u>145,894</u>	<u>3,140</u>	<u>(68,558)</u>	<u>80,476</u>

## CONDENSED PROFORMA COMBINED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2002

	<b>2002 (Unaudited) HK\$'000</b>	2001 (Unaudited) HK\$'000
Net cash inflow from operating activities	<b>8,664</b>	9,925
Net cash used in investing activities	<b>(309)</b>	(168)
Net increase in cash and cash equivalents	<b>8,355</b>	9,757
Cash and cash equivalents at beginning of the period	<b>5,006</b>	3,247
Cash and cash equivalents at end of the period	<b><u>13,361</u></b>	<u>13,004</u>
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	<b><u>13,361</u></b>	<u>13,004</u>

## NOTES TO THE CONDENSED PROFORMA COMBINED FINANCIAL STATEMENTS

### 1. GROUP RESTRUCTURING AND BASIS OF PREPARATION OF PROFORMA FINANCIAL STATEMENTS

The Company was incorporated as an exempted company with limited liability in Bermuda on 1 February 2002 under the Companies Act 1981 of Bermuda. The ordinary shares of the Company have been listed on The Stock Exchange of Hong Kong (the "Stock Exchange") by way of introduction with effect from 19 September 2002.

Pursuant to the implementation of the proposal as contemplated under the restructuring agreement entered between Wah Nam Group Limited (In Compulsory Liquidation) ("Wah Nam"), Mr. John Robert Lees and Mr. Desmond Chung Seng Chiong (the joint and several liquidators of Wah Nam) (the "Liquidators"), Leading Highway Limited ("Leading Highway") and Ferrier Hodgson (the "Escrow Agent") (the "Restructuring Agreement"), the Company acquired the interests of three joint ventures ("Joint Ventures") in the People's Republic of China (the "PRC") from the Liquidators and became the holding company of the Group. Upon the completion of the Restructuring Agreement, the listing of the shares of Wah Nam was withdrawn and the shares of the Company were listed on the Stock Exchange by way of introduction. Further details of which are set out in the documents dated 18 July 2002 titled "Restructuring Proposal for Wah Nam Group Limited (In Compulsory Liquidation) and securities exchange offer by Leading Highway Limited by way of a shareholders' scheme of arrangement and the withdrawal of the listing of the shares of Wah Nam Group Limited (In Compulsory Liquidation) and the listing of the shares of Wah Nam International Holdings Limited on the Stock Exchange of Hong Kong Limited by way of introduction" (the "Document").

The scheme relating to the Restructuring Agreement has become effective on 16 September 2002. Thus, the results of the Joint Ventures, which are accounted for using the purchase method of accounting, are included in the Group's financial statements from the effective date of acquisition on 16 September 2002. In addition, during the period from 1 February 2002 (date of incorporation) to 30 June 2002, the Company and its subsidiaries, namely, Cableport Holdings Limited and Intrum Sino Limited, did not carry out any business except for the transactions relating to the Restructuring Agreement. Thus, the directors did not prepare consolidated financial statements of the Company for the six months ended 30 June 2002, as in their opinion, the results and assets and liabilities of the Company and its subsidiaries are insignificant.

For information purpose, the directors prepared the condensed proforma combined financial statements of the Group for the six months ended 30 June 2002. The directors consider that the Group resulting from the scheme relating to the Restructuring Agreement is regarded as a continuing entity. Accordingly, these condensed proforma financial statements of the Group have been prepared on the basis as if the Company had always been the holding company of the Group. The directors consider that this basis provides meaningful information to the shareholders as regards the historical performance of the Group.

The condensed proforma combined financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange and with Statement of Standard Accounting Practice ("SSAP") 25 "Interim Financial Reporting", except for the non-compliance with SSAP 27 "Accounting for Group Reconstructions" described under the basis of combination below.

#### ***Basis of combination***

The proforma combined condensed financial statements include the results and cash flows of the Company and its subsidiary and infrastructure joint ventures as if this group structure had been in existence throughout these periods. The proforma combined condensed balance sheet of the Group as at 30 June 2002 and 31 December 2001 have been prepared as if this group structure had been in existence as at those dates. This treatment is not in accordance with SSAP 27 because the ultimate shareholders of the subsidiary and the infrastructure joint ventures after the completion of the scheme of the Restructuring Agreement have changed.

All significant intra-group transactions and balances have been eliminated on combination.

## 2. SIGNIFICANT ACCOUNTING POLICIES

The condensed proforma financial statements have been prepared under the historical cost convention.

The accounting policies adopted are consistent with those followed in the preparation of the Group's accountants' report for each of the three years ended 31 December 2001 included in the Document except that the Group has adopted the following new or revised SSAPs issued by the HKSA which are effective for accounting periods commencing on or after 1 January 2002:

SSAP 1 (revised)	:	Presentation of financial statements
SSAP 11 (revised)	:	Foreign currency translation
SSAP 15 (revised)	:	Cash flow statements
SSAP 34	:	Employee benefits

The adoption of these new or revised SSAPs has no material impact on the Group's financial statements.

## 3. SEGMENTAL INFORMATION

The Group is solely engaged in the management and operation of toll road in the PRC. All the identifiable assets and liabilities of the Group are located in the PRC. Accordingly, no segment analysis is presented.

## 4. PROFIT BEFORE TAXATION

	<b>Six months ended 30 June</b>	
	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
Profit before taxation has been arrived at after charging (crediting):		
Amortisation of toll road operation rights	<b>2,660</b>	2,660
Auditors' remuneration	<b>31</b>	-
Depreciation of property, plant and equipment	<b>127</b>	243
Loss on disposal of property, plant and equipment	<b>17</b>	28
Operating lease rentals in respect of land and buildings	<b>51</b>	51
Retirement benefits scheme contribution	<b>105</b>	90
Staff costs (including directors' remuneration)	<b>1,147</b>	1,074
Bank interest income	<b>(56)</b>	(39)
	<b>_____</b>	<b>_____</b>

## 5. TAXATION

Income tax expenses represent the PRC income tax paid or payable during the period.

No provision for Hong Kong Profits Tax has been made as the Group's income neither arises in, nor is derived from, Hong Kong.

No provision for deferred taxation has been made in the financial statements as the amount involved is insignificant.

## 6. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on the following data:

	<b>Six months ended 30 June</b>	
	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
Profit attributable to shareholders ( <i>note</i> )	<b>4,128</b>	4,470
Effect of dilutive potential ordinary shares:		
Interest on convertible unsecured loan notes	<b>180</b>	180
Profit attributable to shareholders for the purposes of diluted earnings per share	<b>4,308</b>	4,650



	Number of shares	
	2002	2001
Number of ordinary shares to be issued upon completion of the Restructuring Agreement for the purposes of basic earnings per share ( <i>note</i> )	<b>474,837,652</b>	474,837,652
Effect of dilutive potential ordinary shares:		
Shares expected to be issued on the conversion of convertible unsecured loan notes after the completion of the Restructuring Agreement	<b>180,000,000</b>	180,000,000
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<b>654,837,652</b>	654,837,652

*Note:* The calculation of the basic earnings per share for the period is based on the profit attributable to shareholders for the period and on 474,837,652 shares in issue and issuable upon completion of the Restructuring Agreement.

## 7. INTERESTS IN INFRASTRUCTURE JOINT VENTURES

	30 June 2002 HK\$'000	31 December 2001 HK\$'000
Share of net assets as at 31 December 1999	<b>28,340</b>	28,340
Impairment losses ( <i>note</i> )	<b>28,340</b>	28,340
	<b>-</b>	-

The amount represents 45% equity interests in Shanxi Xiangyi Road & Bridge Construction Ltd. and Shanxi Linhong Road and Bridge Construction Ltd.

The toll road and bridge in each of the infrastructure joint ventures have performed substantially below expectations. Against this background, it was reconsidered the value in use of these assets with reference to the revised cash flow projections of the toll roads and toll bridges and have formed an opinion that the toll roads and toll bridges will not generate sufficient cash to cover their expenses. Accordingly, an impairment loss of approximately HK\$28,340,000 has been recognised in the combined income statement as per the Group's accountants' report for the year ended 31 December 1999.

**8. AMOUNT DUE FROM A MINORITY SHAREHOLDER OF A SUBSIDIARY**

The amount is unsecured, interest-free and has no fixed repayment terms.

**9. PAID-IN CAPITAL**

The amount represents the aggregate amount of the attributable nominal values of the issued share/registered capital of the companies comprising the Group and the attributable nominal values of the registered capital of the Group's infrastructure joint ventures at the balance sheet date.

**10. OPERATING LEASE COMMITMENTS**

At each of the balance sheet dates, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	<b>30 June 2002 HK\$'000</b>	31 December 2001 HK\$'000
Within one year	<b>51</b>	102

**11. SUBSEQUENT EVENTS**

Details of subsequent events are set out in Note 1.

## INTERIM DIVIDEND

The Board of Directors does not recommend the payment of an interim dividend for the six months ended 30 June 2002 (2001: nil).

## BUSINESS REVIEW

The Company was incorporated in Bermuda on 1 February 2002 with limited liability and has not carried on any business since the date of incorporation other than entering into the subscription agreement on 16 July 2002 with Leading Highway Limited ("Leading Highway") and preparing for the listing of the shares on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") by way of introduction.

The restructuring agreement entered into between Wah Nam Group Limited (In Compulsory Liquidation) ("Wah Nam"), Mr. John Robert Lees and Mr. Desmond Chung Seng Chiong (the joint and several liquidators of Wah Nam) (the "Liquidators"), Leading Highway and Ferrier Hodgson (the "Escrow Agent") was completed on 17 September 2002. As a result, the listing status of Wah Nam was withdrawn on 18 September 2002 and the shares of the Company were listed on the Stock Exchange by way of introduction. The shares of the Company commenced trading on the Stock Exchange on 19 September 2002. The Company has also acquired 60% interests in a Hangzhou joint venture and 45% interests in two Shanxi joint ventures respectively from the Liquidators.

The Group is principally engaged in the management and operation of the Hangzhou joint venture which operates and manages the Hangzhou Toll Road. The Hangzhou Toll Road is a highway connecting the traffic network of Zhejiang province to the Anhui and Jiangsu provinces. The Hangzhou Toll Road is a restricted grade one highway between Shanhusa and Jinjialing being approximately 11.934km in length. Tolls are collected for all travelling running from Fuyang City to Hangzhou City.

The Group's unaudited turnover for the six months ended 30 June 2002 was down approximately 2% to HK\$13,838,000. For the six months ended 30 June 2002, the Group achieved attributable profit to shareholders of HK\$4.1 million as compared to HK\$4.5 million for same period last year.

## EMPLOYEES

As at 30 June 2002, the Group had approximately 55 employees. The pay levels of employees are commensurate with their responsibilities, performance and contribution to the Group and are referred to the prevailing industry practice.

## LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

As at 30 June 2002, the Group's cash on hand and in bank was totally HK\$13,361,000 (31 December 2001: HK\$5,006,000), representing an increase of 167% compared with that as at 31 December 2001. As the Group earns revenue and incurs costs in Renminbi, the foreign exchange exposure of the Group is minimal. The total assets of the Group were HK\$135,971,000 (31 December 2001: HK\$129,483,000) whereas a current ratio of 10.24 compared to 4.00 as at 31 December 2001.

The Group relied mainly on its internal resources for its funding requirement. The Group had no bank borrowings and therefore the gearing ratio was zero as at 30 June 2002.

## PROSPECTS

It is our intention to identify suitable opportunities to strengthen and develop the existing business of the Group. We will also conduct a review of the capital structure and the internal control of the joint ventures with the objective to restore and enhance the profitability of the Group's business. In addition, leveraging the Group's toll road operational experience in the PRC, we will continue to monitor the economic development in the surrounding regions to where the joint ventures operate and to explore suitable opportunities which are in line with the business of joint ventures.

## DIRECTORS' INTERESTS IN SECURITIES

### Shares

At the date of this report, the interests of the directors and their associates in the share capital of the Company as recorded in the register maintained by the Company pursuant to section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") were as follows:

<b>Name of director</b>	<b>Number of shares held Corporate interests</b>
Cheng Yung Pun	400,000,000

These shares are held by Leading Highway, a company incorporated in the British Virgin Islands with limited liability and the entire issued share capital of which is beneficially owned by Mr. Cheng Yung Pun. In addition, Leading Highway holds the entire interest of the convertible loan stock of the Company in an amount of HK\$18 million.

Save as disclosed above, none of the directors or chief executives, nor their associates had any interests in any securities of the Company or any of its associated corporations as defined in the SDI Ordinance, and none of the directors or chief executives, nor their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the period.

## SHARE OPTION SCHEME

On 14 August 2002, a share option scheme (the "Scheme") was approved and adopted by the written resolutions of the sole shareholder under which the directors may at their discretion invite employees, executives or officers of the Company or any of its subsidiaries (including executive and non-executive directors of the Company or any of its subsidiaries) and any suppliers, consultants, agents or advisers who will contribute or have contributed to the Company or any of its subsidiaries to take up options to subscribe for shares for the Company subject to the terms and conditions stipulated therein.

There has been no options granted since the adoption of the Scheme.

## **DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES**

Save as disclosed above, at no time during the period was the Company, its holding 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 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 right to subscribe for the shares of the Company, or had exercised any such rights during the period.

## **DIRECTORS' INTERESTS IN CONTRACTS AND CONNECTED PARTY TRANSACTIONS**

Save as disclosed above, no contract of significance to which the Company, its holding company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the period or any time during the period.

## **SUBSTANTIAL SHAREHOLDERS**

Other than the interests disclosed above in respect of directors of the Company, the register of substantial shareholders maintained by the Company pursuant to section 16(1) of the SDI Ordinance discloses no other person (other than Leading Highway) as having an interest of 10% or more in the issued share capital of the Company at the date of this report.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

During the period from 19 September 2002 (the date on which the shares of the Company listed on the Stock Exchange by way of introduction) to the date of this report, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## AUDIT COMMITTEE

The Audit Committee was formed on 19 September 2002 for the purpose of reviewing with the management the accounting principles and practices adopted by the Group and to discuss auditing, internal controls and financial reporting matters. The Group's unaudited interim financial statements for the six months ended 30 June 2002 have been reviewed by the Audit Committee.

## COMPLIANCE WITH CODE OF BEST PRACTICE

None of the directors of the Company is aware of any information which would indicate that the Company is not, or was not, in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules at any time during the six months ended 30 June 2002 except that:

- i) since the directors have had no control and access to the books and records of the joint ventures, which are the key assets of the Group, until the completion of the restructuring proposal on 18 September 2002, it was not feasible for the Company to compose the interim results in time and therefore constituted a delay in the interim results announcement.

By order of the Board

**Cheng Yung Pun**

*Chairman*

Hong Kong, 4 December 2002