

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors of Wah Nam International Holdings Limited (the "Company") and its subsidiaries (the "Group"), I am delighted to report that the Company has been successfully listed on the Main Board of the Stock Exchange of Hong Kong Limited ("the Stock Exchange") by way of introduction and the shares of the Company commenced trading on the Stock Exchange on 19 September 2002.

RESULTS

The audited consolidated results of the Group for the period from 1 February 2002 (date of incorporation) to 31 December 2002 have recorded a turnover of HK\$7,298,000 with the profit attributable to shareholders of HK\$324,000.

BUSINESS REVIEW

Pursuant to the restructuring proposal preparing for the listing of the shares of the Company on the Stock Exchange by way of introduction, the Company acquired a joint venture in Hangzhou and two joint ventures in Shanxi respectively. The Joint Ventures all engage in the management and operation of the toll roads and toll bridges. Owing to the unsatisfactory performance of the joint ventures in Shanxi, nil consideration was paid for at the time of acquisition. Accordingly, it is the Hangzhou joint venture that contributes to the Group's results during the period.

(1) Joint venture in Hangzhou

Hangzhou Huanan Engineering Development Co., Ltd. (the "Hangzhou Joint Venture")

The Hangzhou Joint Venture is an equity joint venture company with 60% equity interests owned by Cableport Holdings Limited, a subsidiary of the Company, and with 6.3% and 33.7% equity interests owned by Hangzhou Luda Freeway Engineering Company Limited and by Hangzhou Traffic Investment Company Limited respectively.

The toll road of the Hangzhou Joint Venture is a highway connecting the traffic network of Zhejiang Province to the Anhui and Jiangxi Provinces. It is a restricted grade one dual-2-lane highway between Shanhusha and Jinjialing being approximately 11.934 km in length with a designated speed of 100km/hour. The Hangzhou Joint Venture has a concession rights for 30 years, up to 3 April 2024. An electronic monitoring system has been installed to secure appropriate toll collection. Tolls are collected for all travelling running from Fuyang City to Hangzhou City.

Average daily toll traffic volume in 2002 was approximately 5,300 vehicles (2001: 6,000 vehicles), representing a 12% decrease over the previous year. Weighted average toll fare per vehicle in 2002 was approximately RMB14.7 (2001: RMB13.9), representing a 6% increase over the previous year.

(2) Joint ventures in Shanxi

Shanxi Xiangyi Road & Bridge Construction Ltd. (the "Xiangyi Joint Venture")

The Xiangyi Joint Venture is a co-operative joint venture company with 45% equity interests owned by Intrum Sino Limited, a subsidiary of the Company, and with 45% and 10% equity interests owned by Shanxi Linfen Toll Road Construction and Development Company Limited and by Beauty East International Limited respectively.

The toll road of the Xiangyi Joint Venture is a key road for coal transportation in the Shanxi Province as it connects to the 108 National Highway. It is a class 2 dual-1-lane highway of approximately 44 km in length and running between Xiangfen City and Taitouzhen. The toll bridge of the Xiangyi Joint Venture connects the toll road to Xiangfen. The Xiangyi Joint Venture has a concession rights for 20 years, up to 13 November 2017. The toll road operates two manual toll collection points.

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Average daily toll traffic volume in 2002 was approximately 3,200 vehicles (2001: 2,800 vehicles), representing a 14% increase over the previous year. Weighted average toll fare per vehicle in 2002 was approximately RMB9.2 (2001: RMB8.8), representing a 5% increase over the previous year.

Shanxi Linhong Road & Bridge Construction Ltd. (the "Linhong Joint Venture")

The Linhong Joint Venture is a co-operative joint venture company with 45% equity interests owned by Intrum Sino Limited, a subsidiary of the Company, and with 45% and 10% equity interests owned by Shanxi Linfen Toll Road Construction and Development Company Limited and by Beauty East International Limited respectively.

The toll road of the Linhong Joint Venture is a class 2 dual-1-lane highway of approximately 44 km running from the west of Zhao Cheng to the east of Ke Cheng in the Linfen district of Shanxi Province. The toll bridge of the Linhong Joint Venture connects the 309 National Highway to Linfen City. The 309 National Highway is a key highway in Shanxi Province. The Linhong Joint Venture has a concession rights for 20 years, up to 13 November 2017. Manual toll collection system is operated on the toll road and an electronic monitoring system is operated on the toll bridge.

Average daily toll traffic volume in 2002 was approximately 7,200 vehicles (2001: 6,600 vehicles), representing a 9% increase over the previous year. Weighted average toll fare per vehicle in 2002 was approximately RMB6.0 (2001: RMB6.7), representing a 10% decrease over the previous year.

In summary, the performance and the result of 2002 in the Hangzhou Joint Venture were maintained in a steady position. As a result of the improvement in reducing financial interest, trimming down the costs of operation and increase in revenue, the Xiangyi Joint Venture and the Linhong Joint Venture have achieved a better performance compared with previous years.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2002, the Group's cash on hand and in bank was in the sum of HK\$21,894,000. The total assets of the Group was HK\$154,974,000, total liabilities of HK\$21,048,000 and the shareholders' equity of HK\$47,808,000. The Group's current ratio was 8.8.

The Group's revenue and expenditures were in Hong Kong dollar and in Renminbi; the foreign exchange exposure of the Group is minimal.

As at 31 December 2002, the borrowings of the Group represented HK\$18,000,000 convertible notes which are unsecured, bearing an interest at 2% per annum and can be convertible into ordinary shares of HK\$0.10 each at the initial conversion price of HK\$0.10 per share (subject to adjustments). The gearing ratio (total liabilities/total assets) as at 31 December 2002 was 14%.

In addition to the above, Leading Highway Limited, the ultimate holding company, has unconditionally and irrevocably undertaken to and covenanted with the Stock Exchange that for a period of 18 months after 17 September 2002, it will make financial accommodation available for the Group's working capital requirements.

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PROSPECTS

In this challenging transitional period, the Group will continue to review the capital structure, financial position, business operations, internal and financial control of the Joint Ventures by adopting various cost control measures with the objective to restore and enhance the profitability of the Group's business. In longer term, the Group remains optimistic in the toll road business due to fast growing private car ownership in the PRC, which is expected to speed up as a result of China's accession to the World Trade Organization.

The Group will continue to monitor the economic development in the surrounding regions in where the business of the Joint Ventures operate and to seek strategic investments and other suitable opportunities relating to the core business of the Company through the use of the Group's capital resources in order to deliver satisfactory return to the Company's shareholders.

EMPLOYEES

As at 31 December 2002, the Group had approximately 59 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. To provide incentives and rewards to the employees, the Company adopted a share option scheme in August 2002.

APPRECIATION

I would like to take this opportunity to express my appreciation to all my fellow directors and colleagues for their dedicated services and shareholders for their continued support to the Group.

Cheng Yung Pun
Chairman

Hong Kong, 26 March 2003