



WAH NAM INTERNATIONAL HOLDINGS LIMITED

華南投資控股有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code: 159)

RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31ST DECEMBER, 2005

The board (the “Board”) of directors (the “Directors”) of Wah Nam International Holdings Limited (the “Company”) announces the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31st December, 2005 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31st December, 2005

	<i>Notes</i>	2005 HK\$'000	2004 HK\$'000 (restated)
Gross toll revenue	3	29,423	30,109
Business tax		(1,471)	(1,506)
		<hr/>	<hr/>
Net toll revenue		27,952	28,603
Direct costs		(10,010)	(10,540)
		<hr/>	<hr/>
		17,942	18,063
Other income		699	842
Administrative expenses		(3,633)	(3,880)
Finance costs		(755)	(903)
		<hr/>	<hr/>
Profit before taxation	5	14,253	14,122
Income tax expense	6	(2,379)	(2,949)
		<hr/>	<hr/>
Profit for the year		11,874	11,173
		<hr/>	<hr/>
Attributable to:			
Equity holders of the Company		5,835	5,673
Minority interests		6,039	5,500
		<hr/>	<hr/>
		11,874	11,173
		<hr/>	<hr/>
Earnings per share	7		
– Basic (cents)		1.14	1.19
		<hr/>	<hr/>
– Diluted (cents)		1.02	1.00
		<hr/>	<hr/>

CONSOLIDATED BALANCE SHEET

At 31st December, 2005

	<i>Note</i>	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i> (restated)
Non-current assets			
Toll road operation rights		82,820	85,709
Property, plant and equipment		598	764
Interests in infrastructure joint ventures		–	–
Amounts due from minority shareholders of a subsidiary		12,180	–
Deferred tax asset		4,109	3,536
		<hr/> 99,707 <hr/>	<hr/> 90,009 <hr/>
Current assets			
Other receivables, deposits and prepayments		1,991	2,119
Amounts due from minority shareholders of a subsidiary		36,836	4,211
Bank balances and cash		17,865	45,597
		<hr/> 56,692 <hr/>	<hr/> 51,927 <hr/>
Current liabilities			
Other payables and accrued charges		1,708	2,313
Amount due to a director		–	3,171
Tax liabilities		1,092	618
Convertible notes		–	17,613
		<hr/> 2,800 <hr/>	<hr/> 23,715 <hr/>
Net current assets		<hr/> 53,892 <hr/>	<hr/> 28,212 <hr/>
		<hr/> 153,599 <hr/>	<hr/> 118,221 <hr/>
Capital and reserves			
Share capital	8	59,484	47,484
Reserves		(6,169)	(15,514)
		<hr/> 53,315 <hr/>	<hr/> 31,970 <hr/>
Equity attributable to equity holders of the Company		53,315	31,970
Minority interests		89,299	86,251
		<hr/> 142,614 <hr/>	<hr/> 118,221 <hr/>
Non-current liabilities			
Amount due to ultimate holding company		6,695	–
Amount due to a director		4,290	–
		<hr/> 10,985 <hr/>	<hr/> – <hr/>
		<hr/> 153,599 <hr/>	<hr/> 118,221 <hr/>

NOTES TO THE FINANCIAL STATEMENTS:

1. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (the “Listing Rules”) and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair values upon initial recognition.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS/CHANGES IN ACCOUNTING POLICIES

In the current year, the Group has applied, for the first time, a number of new HKFRSs, Hong Kong Accounting Standards (“HKASs”) and Interpretations (hereinafter collectively referred to as “new HKFRSs”) issued by the HKICPA that are effective for accounting periods beginning on or after 1st January, 2005. The application of the new HKFRSs has resulted in a change in the presentation of the consolidated income statement, consolidated balance sheet and consolidated statement of changes in equity. In particular, the presentation of minority interests has been changed. The changes in presentation have been applied retrospectively. The adoption of the new HKFRSs has resulted in changes to the Group’s accounting policies in the following areas that have an effect on how the results for the current and prior accounting years are prepared and presented:

Financial instruments

In the current year, the Group has applied HKAS 32 “Financial Instruments: Disclosure and Presentation” and HKAS 39 “Financial Instruments: Recognition and Measurement”. HKAS 32 requires retrospective application. HKAS 39, which is effective for annual periods beginning on or after 1st January, 2005 generally does not permit the recognition, derecognition or measurement of financial assets and liabilities on a retrospective basis. The principal effects resulting from the implementation of HKAS 32 and HKAS 39 are summarised below:

Convertible notes

The principal impact of HKAS 32 on the Group is in relation to convertible notes issued by the Company that contain both liability and equity components. Previously, convertible notes were classified as liabilities on the balance sheet. HKAS 32 requires an issuer of a compound financial instrument that contains both financial liability and equity components to separate the compound financial instrument into the liability and equity components on initial recognition and to account for these components separately. In subsequent periods, the liability component is carried at amortised cost using the effective interest method. Because HKAS 32 requires retrospective application, comparative figures for 2004 have been restated. An adjustment for the increase in accumulated losses and convertible notes reserve of approximately HK\$655,000 and HK\$1,585,000 respectively, decrease in convertible notes amounting to approximately HK\$930,000 have been made to the Group’s financial statements as at 1st January, 2004.

The accumulated impact of HKAS 32 as at 31st December, 2004 is an increase in accumulated losses and convertible notes reserve of approximately HK\$1,198,000 and HK\$1,585,000 respectively, decrease in convertible notes amounting to approximately HK\$387,000 have been made to the Group’s financial statements. The impact for the year ended 31st December, 2004 and 2005 is an increase in finance costs of approximately HK\$543,000 and HK\$387,000 respectively.

3. GROSS TOLL REVENUE

The gross toll revenue represents the amounts of toll receipts generated from the toll road and compensation received from the Hangzhou City government for the loss of toll receipts from automobiles registered in Hangzhou City.

	2005 HK\$’000	2004 HK\$’000
Toll receipts	12,076	12,845
Hangzhou City government compensation	17,347	17,264
	<u>29,423</u>	<u>30,109</u>

4. SEGMENTAL INFORMATION

The Group is engaged solely in the management and operation of a toll road in the People's Republic of China (the "PRC"). The identifiable assets and liabilities of the Group are mainly located in the PRC. Accordingly, no analysis by business or geographical segments is presented.

5. PROFIT BEFORE TAXATION

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Profit before taxation has been arrived at after charging (crediting):		
Amortisation of toll road operation rights (included in direct costs)	4,485	4,451
Auditors' remuneration	381	314
Depreciation of property, plant and equipment	193	184
Repairs and renovation costs	2,665	2,963
Staff costs:		
Directors' emoluments	300	263
Retirement benefits scheme contributions	297	345
Other staff costs	3,128	3,453
Total staff costs	3,725	4,061
Operating lease rentals in respect of office premises	257	349
Interest income	(132)	(462)
Imputed interest income on amounts due from minority shareholders of a subsidiary	(567)	-

6. INCOME TAX EXPENSE

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Current year:		
Income tax charge	2,877	2,420
Underprovision in prior years	-	1,142
	2,877	3,562
Deferred tax:		
Current year charge (credit) to income statement	213	(613)
Tax effect of cessation of concessionary rate	(711)	-
	(498)	(613)
	2,379	2,949

Income tax charge represents the PRC income tax paid or payable during the year. Income tax in the PRC has been provided at the prevailing rate of 18% (2004: 15%) on the estimated assessable profit applicable to the Company's subsidiary established in the PRC.

In accordance with the "Notice regarding the approval of tax reduction and exemption" issued by the State Tax Bureau of Hangzhou City dated 13th December, 2000. Hangzhou Huanan Engineering Development Co., Ltd., a subsidiary of the Company, was exempted from local tax rate of 3% from the financial year 2000 to 2004. Therefore, the tax rate changed from 15% in the year 2004 to 18% in the year 2005.

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

7. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to equity holders of the Company is based on the following data:

	2005 HK\$'000	2004 HK\$'000 (restated)
Earnings for the purpose of basic earnings per share	5,835	5,673
Effect of dilutive potential ordinary shares:		
Interest on convertible notes	<u>643</u>	<u>903</u>
Earnings for the purpose of diluted earnings per share	<u><u>6,478</u></u>	<u><u>6,576</u></u>
	'000	'000
Weighted average number of ordinary shares for the purpose of basic earnings per share	511,002	474,838
Effect of dilutive potential ordinary shares:		
Convertible notes	<u>126,904</u>	<u>180,000</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u><u>637,906</u></u>	<u><u>654,838</u></u>

The following table summaries the impact on both basic and diluted earnings per share as a result of:

	Impact of basic earnings per share		Impact on diluted earnings per share	
	2005 cents	2004 cents	2005 cents	2004 cents
Reported figures before adjustments	1.14	1.31	1.02	1.00
Adjustments arising from changes in accounting policies	<u>–</u>	<u>(0.12)</u>	<u>–</u>	<u>–</u>
Restated	<u><u>1.14</u></u>	<u><u>1.19</u></u>	<u><u>1.02</u></u>	<u><u>1.00</u></u>

8. SHARE CAPITAL

	Number of shares '000	Share capital HK\$'000
Ordinary shares of HK\$0.10 each		
Authorised:		
At 1st January, 2004, 31st December, 2004 and 31st December, 2005	<u>800,000</u>	<u>80,000</u>
Issued and fully paid:		
At 1st January, 2004 and 31st December, 2004	474,838	47,484
Exercise of convertible notes	<u>120,000</u>	<u>12,000</u>
At 31st December, 2005	<u><u>594,838</u></u>	<u><u>59,484</u></u>

RESULTS

For the year ended 31st December, 2005, the Group recorded audited consolidated toll revenue of HK\$29,423,000, representing a slight decrease of 2% as compared to HK\$30,109,000 of the last year whilst the profit attributable to equity holders of the Company was HK\$5,835,000, representing an increase in 3% as compared to HK\$5,673,000 of the last year. The decrease in toll revenue was attributable to the intense toll fare competition whilst the modest increase of the profit was mainly caused by cost saving in staff, repair and renovation expenses.

FINAL DIVIDEND

The Board does not recommend the payment of a dividend.

BUSINESS REVIEW

The intra-city toll free collection policy had been launched by the Hangzhou City government to our Hangzhou Toll Road that all Hangzhou registered automobiles were exempted from toll payment and a daily compensation of RMB50,000 was granted to the Group by the Hangzhou City government since the year 2004 for compensating the minimization of the number of toll station in our trunk highway and the descent of our toll receipt. The Group had successfully renewed the agreement with the Hangzhou City government for continuously granting the said daily compensation for the year 2005 and that the government compensation in aggregate of HK\$17,347,000 was granted by the Hangzhou City government to the Group during the year under review.

Though traffic volume of Hangzhou registered automobiles increased by 26% as compared to the year 2004, toll revenue was decreased owing to the diversion of Hangzhou non-registered automobiles from our Hangzhou Toll Road to its adjacent alternate road and the effect of a series of new government policies implemented by the Zhejiang Province government during the year under review.

On the other hand, the on-going repair and maintenance programs and additional environmental maintenance program for plantation along our Hangzhou Toll Road taken in line with the environmental policy of the Hangzhou City government have achieved our objectives of upgrading toll road operation, enhancing its safety standard and ensuring the smooth, comfortable and superb condition on toll road for road-users.

Highlights of revenue comparison were:

Joint Venture in Hangzhou

Hangzhou Toll Road

Average daily toll traffic volume in 2005 was approximately 8,200 vehicles (2004: 6,800 vehicles), representing a 21% increase over the previous year. Weighted average toll fare per vehicle in 2005 was approximately RMB10.39 (2004: RMB12.84), representing a 19% decrease over the previous year.

Joint Ventures in Shanxi

Shanxi-Xiangyi Toll Road and Bridge

Average daily toll traffic volume in 2005 was approximately 5,100 vehicles (2004: 3,900 vehicles), representing a 31% increase over the previous year. Weighted average toll fare per vehicle in 2005 was approximately RMB13.52 (2004: RMB13.16), representing a 3% increase over the previous year.

Shanxi-Linhong Toll Road and Bridge

Average daily toll traffic volume in 2005 was approximately 10,500 vehicles (2004: 9,300 vehicles), representing a 13% increase over the previous year. Weighted average toll fare per vehicle in 2005 was approximately RMB5.21 (2004: RMB6.15), representing a 15% decrease over the previous year.

FINANCIAL REVIEW

Liquidity and Financial Resources

As at 31st December, 2005, the Group's cash on hand and in bank was in the sum of HK\$17,865,000 (2004: HK\$45,597,000). The total assets and total liabilities of the Group were HK\$156,399,000 (2004: HK\$141,936,000) and HK\$13,785,000 (2004: HK\$23,715,000) respectively. The equity attributable to equity holders of the Company was HK\$53,315,000 (2004: HK\$31,970,000). The Group's current ratio was 20.2 (2004: 2.2).

In September 2005, Leading Highway Limited ("Leading Highway"), the ultimate holding company converted HK\$12,000,000 convertible notes into 120,000,000 ordinary shares of HK\$0.10 each in the Company and the remaining HK\$6,000,000 was settled through the current account with Leading Highway.

The gearing ratio (total liabilities/total assets) as at 31st December, 2005 was 9% (2004: 17%).

In addition to the above, Leading Highway, has undertaken to make financial accommodation available for the Group's working capital requirements.

The total capital expenditure during the year amounted to HK\$14,000 (2004: HK\$168,000).

As at 31st December, 2005, the Group had no significant contingent liabilities and has minimal exposure to foreign exchange risk since the Group's revenue and expenditures were denominated in Hong Kong dollar and in Renminbi.

EMPLOYEES

As at 31st December, 2005, the Group has 50 employees (2004: 52). The pay levels of employees were commensurate with their responsibilities, performance and contribution to the Group and reflected the prevailing industry practice. To provide incentives and rewards to the employees, the Company adopted a share option scheme in August 2002.

PROSPECTS

Looking forward, the construction of toll road system and city development in Hangzhou City subject to an unified nationwide planning in the PRC and tourism promotional programs to be carried out in Hangzhou City by the Hangzhou City government would enhance the economic development, foster the traffic and transport activities and grow demand for quality road passage, so as to boost the traffic flow of Hangzhou City as well.

A new expressway namely Hang Qian Toll Road (「杭千公路」) (“Hang Qian”) running from Hangzhou to Qian Dao Hu (「千島湖」), a popular sightseeing location, had been launched by the end of 2005 which would further intensify toll road competition and would have diversion effect on the traffic flow from our Hangzhou Toll Road to this expressway. The Company would further carry out preventive measures to keep monitoring the traffic flow of Hang Qian and its effect on the profitability of our Hangzhou Toll Road. The Company would enforce its competitive power by providing a safe, smooth and comfortable passage to its road-users.

The Group will continue to maintain its prudent policy and cost saving measures to keep abreast of the profitability of the Group. The Group's effort on effective management and streamlining measures would be enhanced for ensuring the effectiveness and efficiency of the toll road operations of the Group. The Group will continue to press ahead the repair and maintenance projects and strike a balance between safe and smooth operation of roads and cost saving, in order to maximise the profitability of its operation as well.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the year, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the listed shares of the Company.

COMPLIANCE OF THE CODE ON CORPORATE GOVERNANCE PRACTICES

As stated in the Company's interim report for the six months ended 30th June, 2005, the Board had adopted its own code on corporate governance practices which incorporates all code provisions in the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules (the “Code”). The Board had also reviewed and proposed the amendments to the Company's Bye-laws. At the annual general meeting of the Company held on 5th May, 2005, a special resolution was passed to amend the Company's Bye-laws so that every director, including those appointed for a specific term should be subject to retirement by rotation at least once every three years in compliance with the code provision A.4.2.

None of the Directors of the Company is aware of information that would reasonably indicate the Company is not or was not for any part of the year under review, in compliance with the Code except for the following deviations:

1. Code provision A.2.1, the role of chairman and chief executive officer (“CEO”) should be separate and should not be performed by the same individual. One of the executive Directors assumes the role of CEO. The present structure is more suitable to the Company because it can promote the efficient formulation and implementation of the Company's strategy;

2. Code provision A.4.1 stipulates that non-executive director should be appointed for a specific term. However, none of the existing non-executive (including independent non-executive) Directors is appointed for a specific term since all the Directors of the Company (including executive and independent non-executive) are subject to retirement provisions under the Company's Bye-laws. The Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the Code.

DIRECTORS' SECURITIES TRANSACTIONS

The Company had adopted a code of conduct for securities transactions by directors and relevant employees on terms no less exacting than the required standard contained in the Model Code for Securities Transactions by Directors set out in Appendix 10 of the Listing Rules (the "Model Code"). Having made specific enquiry of all the Directors, the Company has obtained confirmation from all Directors that they have complied with the required standard set out in the Model Code and the code of conduct for securities transactions by directors and relevant employees adopted by the Company.

ANNUAL GENERAL MEETING

The annual general meeting (the "AGM") of the Company will be held at Garden Room A & B, 2/F., Hotel Nikko Hong Kong, 72 Mody Road, Tsimshatsui East, Kowloon, Hong Kong on 4th May, 2006 at 2:30 p.m.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 2nd May, 2006 (Tuesday) to 4th May, 2006 (Thursday), both days inclusive, during which period no transfer of shares can be registered. In order to qualify for attending and voting at the above AGM or any adjournment thereof, all share transfers, accompanied by the relevant share certificates, must be lodged with the Company's Branch Share Registrar in Hong Kong, Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:00 p.m. on 28th April, 2006.

REVIEW OF ACCOUNTS

The Audit Committee has reviewed the Group's audited consolidated financial statements for the year ended 31st December, 2005, including the accounting principles and practices adopted by the Group.

PUBLICATION OF FINAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This result announcement is published on the website of the Stock Exchange. The 2005 Annual Report and Notice of AGM of the Company will be dispatched to the shareholders of the Company as well as published on the website of the Stock Exchange in due course.

BOARD COMPOSITION

As at the date of this announcement, the Board comprises Mr. Cheng Yung Pun, Mr. Yu Sui Chuen, Ms. Cheng Wing See, Nathalie as executive Directors and Mr. Au-Yeung Tsan Pong, Davie, Mr. Fung Ka Choi and Mr. Wong Chu Fung as independent non-executive Directors.

By Order of the Board
Cheng Yung Pun
Chairman

Hong Kong, 30th March, 2006

* *for identification purpose only*