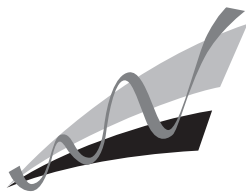


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## **WAH NAM INTERNATIONAL HOLDINGS LIMITED**

**華南投資控股有限公司\***

*(incorporated in Bermuda with limited liability)*

**(Stock Code: 159)**

### **MAJOR AND CONNECTED TRANSACTION AND RESUMPTION OF TRADING**

**Financial adviser to the Company**



#### **THE AGREEMENT**

The Board is pleased to announce that after trading hours on 6 June 2008, the Company entered into the Agreement with the Purchaser, pursuant to which the Company agreed to sell and the Purchaser agreed to acquire (i) the Sale Shares, representing the entire issued share capital of Cableport as at the date of the Agreement for a consideration of HK\$37,631,679.26; and (ii) the Shareholder's Loan for a consideration of HK\$22,368,320.74.

The consideration was arrived at after arm's length negotiations between the Parties with reference to the face value of the Shareholder's Loan and the fair value of the entire interest in Cableport. Based on the preliminary business valuation of the entire interest in Cableport as at 31 May 2008 prepared by an independent valuer, the value of the entire interest in Cableport amounted to approximately HK\$36 million.

Following Completion, the Company will no longer have any interests in Cableport. Cableport will cease to be a subsidiary of the Company and the assets, liabilities and financial results of Cableport will no longer be consolidated in the consolidated financial statements of the Company.

\* *for identification purposes only*

## **IMPLICATION OF THE LISTING RULES**

Since the applicable percentage ratios as calculated under Rule 14.07 of the Listing Rules represent 25% or more but less than 75% for the Company, the Disposal constitutes a major transaction for the Company under the Listing Rules which is subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

Given the Purchaser is the controlling Shareholder holding 445,500,000 Shares, representing approximately 50.35% of the issued share capital of the Company as at the date of the Agreement, the Purchaser is a connected person of the Company as defined under the Listing Rules. As such, the Disposal also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. The Disposal is therefore subject to the requirements of reporting, announcement and Independent Shareholders' approval pursuant to Chapter 14A of the Listing Rules.

An Independent Board Committee comprising all the independent non-executive Directors will be established to consider the terms of the Agreement and the Disposal. None of the independent non-executive Directors comprising the Independent Board Committee has a material interest in the Disposal. An independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

## **RESUMPTION OF TRADING**

At the request of the Company, trading in the Shares has been suspended from 9:30 a.m. on 10 June 2008 pending the release of this announcement. An application has been made to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on 16 June 2008

## **INTRODUCTION**

The Board is pleased to announce that after trading hours on 6 June 2008, the Company entered into the Agreement with the Purchaser. The principal terms of the Agreement are summarized below.

## **THE AGREEMENT**

### **Date**

6 June 2008

### **Parties**

- (1) the Company, as the vendor
- (2) Leading Highway Limited, as the Purchaser
- (3) Mr. Cheng, as the guarantor of the Purchaser

The Purchaser is an investment holding company wholly-owned by Mr. Cheng. As at the date of the Agreement and the date of this announcement, the Purchaser owns 445,500,000 Shares, representing approximately 50.35% of the issued share capital of the Company. Apart from the Disposal, the Company has no prior transaction with the Purchaser and/or its ultimate beneficial owner which would require aggregation with the Disposal pursuant to Rule 14A.25 of the Listing Rules.

### **Subject of the Disposal**

Pursuant to the Agreement, the Company agreed to sell and the Purchaser agreed to acquire (i) the Sale Shares, representing the entire issued share capital of Cableport; and (ii) the Shareholder's Loan.

### **Consideration**

The total consideration payable for the Disposal is HK\$60,000,000, of which HK\$37,631,679.26 represents consideration for the sale of the Sales Shares and the balance of HK\$22,368,320.74 represents the consideration for the assignment of the Shareholder's Loan. The total consideration will be settled in cash upon Completion.

The consideration was arrived at after arm's length negotiations between the Parties with reference to the face value of the Shareholder's Loan and the fair value of the entire interest in Cableport. Based on the preliminary business valuation of the entire interest in Cableport as at 31 May 2008 prepared by an independent valuer, the value of the entire interest in Cableport amounted to approximately HK\$36 million.

### **Conditions precedent**

Completion is conditional upon:

- (a) the Shareholders having the right to attend and vote in general meetings and not excluded from voting under the Listing Rules approving the sale of the Sale Shares and the transactions contemplated under the Agreement in accordance with the requirements of the Listing Rules; and
- (b) the Parties having obtained any and all other permits, approvals, authorisations and waivers as may be necessary or appropriate for the entering into and consummation of the transactions contemplated by the Agreement.

The long stop date for the Disposal will be on 27 August 2008 or such other date as the Parties may agree in writing. In the event that any of the above conditions shall not have been fulfilled or waived prior to such long stop date then the Purchaser and the Company shall not be bound to proceed with the sale and purchase of the Sale Shares nor the assignment of the Shareholder's Loan.

### **Completion**

Completion shall take place on the second business day after the day on which the last of the above conditions is fulfilled or waived (or such later date as the Parties may agree in writing prior to Completion).

## INFORMATION ON CABLEPORT

Cableport is an investment holding company and a direct wholly-owned subsidiary of the Company. Cableport owns 60% equity interest in HHED, which in turn holds the right of management and operation of the Toll Road. Based on the preliminary valuation prepared by an independent valuer, the fair value of the entire equity interest in Cableport is approximately HK\$36 million as at 31 May 2008.

The Toll Road is a highway located at the 320 National Highway in Hangzhou, connecting the traffic network between Zhejiang province to the provinces of Anhui and Jiangsu. It is a restricted grade one highway between Shanhusa and Jinjialing with a length of approximately 11.934 kilometers. Tolls are collected for all traffic running from Fuyang City to Hangzhou City. In January 2005, HHED entered into an agreement with the Hangzhou Government pursuant to which the Hangzhou Government agreed to pay HHED a daily compensation of RMB50,000 for the loss of toll receipts for the year ended 31 December 2005. The amount of compensation is subject to annual review by Hangzhou Government and the agreement is subject to evaluation annually. Up to the date of this announcement, the amount of compensation payable for the years ended 31 December 2006 and 2007 and the period up to 31 May 2008, other than amount already received during the year ended 31 December 2006 of HK\$7,804,000, amounted to approximately HK\$37 million, calculated on the assumption that the daily compensation amount of RMB50,000 remains unchanged, has not been settled. With the absence of any agreement with Hangzhou Government and pending for any decision of the PRC court in respect of the litigation described below, such unsettled balance has not been reflected in the financial statements of the Company for the year ended 31 December 2007. As at the date of this announcement, the Group is still negotiating with the Hangzhou Government as to the entitlement of the remaining amount of compensation. As stated in the annual report of the Company for the year ended 31 December 2007 (“2007 Annual Report”), the PRC lawyer of the Group has advised that a civil petition was submitted by HHED to the PRC court against the Hangzhou Government seeking a judgment on the compensation amount, but as at the date of this announcement, the court decision is still pending. As referred to in the 2007 Annual Report, the auditors of the Company expressed qualified opinion in the auditors’ reports on the annual financial statements of the Group for the year ended 31 December 2007 on the basis of that, among others, they were unable to assess whether any impairment loss against the Toll Road operation rights is required, and whether allowance is required in respect of the MI Receivables.

The preliminary business valuation of the entire equity interest in Cableport was determined using the income approach. The Directors are aware that the preliminary business valuation of the entire equity interest in Cableport shall be regarded as a profit forecast of the Group under Rule 14.62 of the Listing Rules and the information required thereunder will be contained in the circular to be issued to the Shareholders. Based on the information available to the Directors, following the discussion with the independent valuer and after taking into account the factors including but not limited to the economic outlook in general and the specific economic environment related to the Toll Road, the traffic track record of the Toll Road from 2005 to 2007, the financial and business risk of the Toll Road including the trend of income and the related expenses, the uncertainty as to the recoverability of the MI Receivables with the absence of any dividends paid to the minority shareholders of HHED, and the impending litigation in respect of the government compensation as referred to in the above paragraph, the Directors are of the view that the preliminary business valuation of the entire equity interest in Cableport has been made after due and careful enquiry.

The audited consolidated net asset value attributable to the shareholder of Cableport was approximately HK\$44.1 million as at 31 December 2007. Set out below are the financial information of Cableport Group for the two years ended 31 December 2006 and 31 December 2007 respectively.

	<b>For the financial year ended</b>	
	<b>31 December</b>	<b>31 December</b>
	<b>2006</b>	<b>2007</b>
	(audited)	(audited)
	<i>HK\$ million</i>	<i>HK\$ million</i>
Profit/(Loss) before taxation and extraordinary items	7.0	(2.4)
Profit/(Loss) after taxation and extraordinary items	5.8	(2.6)

### **REASONS FOR AND BENEFITS OF THE DISPOSAL**

Prior to Completion, the Group is principally engaged in the provision of limousine and airport shuttle transportation services in Hong Kong and management and operation of toll road in the PRC. For the year ended 31 December 2007, the Group recorded an audited net loss of approximately HK\$6.0 million.

As set out in the announcement of the Company dated 12 February 2008, the Company agreed to acquire Smart Year Investment Limited (the “Acquisition”), which is principally engaged in investment holding with its subsidiary principally engaged in the mining and processing of mineral resources. Over the past few years, a remarkable increase has been recorded in both the demand and prices of mineral resources. The Directors are optimistic about the future prospects and demand for natural resources and consider that the said acquisition would allow the Group diversifying into the natural resource industry which provides a new income source for the Group. It is the business strategy of the Group to place more focus in the natural resources business and the Disposal would allow the Group to divert its resources to a business which the Directors consider to be of better prospects.

Having taken into account of the above and the uncertainties with regard to the impending litigation as referred to in the paragraph headed “Information on Cableport” above which may have material adverse effect on the business operation and financial results of the Cableport Group, the Directors considered that the Disposal represents a good opportunity for the Group to divest its interest in Cableport and receive additional cash for business with more growth potential.

Based on the audited consolidated net asset value of approximately HK\$44.1 million of Cableport as at 31 December 2007, it is estimated that the Company will record a loss of approximately HK\$6.5 million as a result of the Disposal. The audited consolidated net asset value of approximately HK\$44.1 million of Cableport included the MI Receivables. As stated in the 2007 Annual Report, the MI Receivables may be settled through dividends to be declared by HHED at the discretion of the directors of HHED. Given the ability of HHED to declare dividends is dependent on the profitability of HHED which in turn, is dependent on the amount of daily compensation to be received from the Hangzhou Government, the Directors are of the view that the inclusion of the MI Receivables when determining the gain or loss on Disposal may not be reflective of the actual financial effect as the ability of the minority shareholders of HHED to repay the MI Receivables in the event that HHED is unable to declare sufficient dividends

to realize the MI Receivables is in doubt. Accordingly, the Directors (excluding the independent non-executive Directors whose view will be given after taking into account the advice from an independent financial adviser) consider that, notwithstanding the estimated loss as a result of the Disposal, the Disposal still represents a good opportunity for the Group to divest the investment in Cableport.

Following Completion, the Company will no longer have any interests in Cableport. Cableport will cease to be a subsidiary of the Company and the assets, liabilities and financial results of Cableport will no longer be consolidated in the consolidated financial statements of the Company. The whole business segment of management and operation of toll road of the Group in the PRC will be terminated after the Disposal. The Company has no present intention to dispose any of its other existing businesses after the Disposal, subject to any good divesting opportunities in the future which are to the interests of the Company. There will not be any change to the composition of the Board after the Disposal.

The entire amount of the proceeds of the Disposal is intended to be used to finance part of the cash consideration of the Acquisition.

The Directors (excluding the independent non-executive Directors whose view will be given after taking into account the advice from an independent financial adviser) consider that the terms of the Agreement are fair and reasonable so far as the Company and the Shareholders are concerned and that the Agreement and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole.

## **IMPLICATION OF THE LISTING RULES**

Since the applicable percentage ratios as calculated under Rule 14.07 of the Listing Rules represent 25% or more but less than 75% for the Company, the Disposal constitutes a major transaction for the Company under the Listing Rules which is subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

Given the Purchaser is the controlling Shareholder holding 445,500,000 Shares, representing approximately 50.35% of the issued share capital of the Company as at the date of the Agreement, the Purchaser is a connected person of the Company as defined under the Listing Rules. As such, the Disposal also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. The Disposal is therefore subject to the requirements of reporting, announcement and Independent Shareholders' approval pursuant to Chapter 14A of the Listing Rules.

## **SGM**

Pursuant to the Listing Rules, the Disposal and the transactions contemplated under the Agreement are conditional on the approval by Independent Shareholders by way of poll at the SGM. The Purchaser, Mr. Cheng and their respective associates, with material interest in the Disposal, will be required to abstain from voting in relation to the resolutions to approve, among other things, the transactions contemplated under the Agreement and the Disposal at the SGM.

## **GENERAL**

An Independent Board Committee comprising all the independent non-executive Directors will be established to consider the terms of the Agreement and the Disposal. None of the independent non-executive Directors comprising the Independent Board Committee has a material interest in the Disposal. An independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among other things, (i) further details of the Agreement and the Disposal; (ii) letter from the Independent Board Committee in relation to the Disposal and the transactions contemplated under the Agreement; (iii) letter of advice from an independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Disposal and the transactions contemplated under the Agreement; and (iv) the notice of SGM at which resolutions will be proposed to be considered and if thought fit, approve, among other things, the Agreement and the Disposal will be despatched by the Company to the Shareholders as soon as practicable in accordance with the Listing Rules.

## **RESUMPTION OF TRADING**

At the request of the Company, trading in the Shares has been suspended from 9:30 a.m. on 10 June 2008 pending the release of this announcement. An application has been made to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on 16 June 2008.

## **DEFINITIONS**

“Agreement”	the agreement dated 6 June 2008 entered into between the Parties in relation to the sale and purchase of the Sale Shares and the assignment of the Shareholder’s Loan
“associate(s)”	has the meaning as ascribed to it in the Listing Rules
“Board”	the board of Directors
“BVI”	the British Virgin Islands
“Cableport”	Cableport Holdings Limited, a company incorporated in BVI with limited liability and a wholly-owned subsidiary of the Company
“Cableport Group”	Cableport and its subsidiary
“Company”	Wah Nam International Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“Completion”	completion of the Disposal
“Directors”	the directors of the Company

“Disposal”	the disposal of the Sale Shares and the assignment of the Shareholder’s Loan by the Company pursuant to terms and conditions of the Agreement
“Group”	the Company and its subsidiaries from time to time
“Hangzhou Government”	the government of the city of Hangzhou, the PRC
“HHED”	杭州華南工程開發有限公司(Hangzhou Huanan Engineering Development Company Limited), an enterprise established and existing under the laws of the PRC and a non wholly-owned subsidiary of the Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the committee of the Board comprising all independent non-executive Directors to be established to advise the Independent Shareholders on the terms of the Agreement and the Disposal
“Independent Shareholder(s)”	Shareholder(s) other than the Purchaser, Mr. Cheng and their respective associates
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“MI Receivables”	amounts due from minority shareholders of HHED with an aggregate carrying amount of approximately HK\$52.7 million as at 31 December 2007
“Mr. Cheng”	Mr. Cheng Yung Pun, a Director and the controlling Shareholder and the ultimate beneficial owner of the Purchaser
“Parties”	the parties to the Agreement, namely the Company, the Purchaser and Mr. Cheng
“PRC”	the People’s Republic of China excluding Hong Kong, the Macau Special Administrative Region and Taiwan for the purpose of this announcement
“Purchaser”	Leading Highway Limited, a company incorporated in BVI with limited liability wholly-owned by Mr. Cheng
“RMB”	Renminbi, the lawful currency of the PRC



“Sale Shares”	2 shares of US\$1.00 each of Cableport, representing the entire issued share capital of Cableport
“SGM”	a special general meeting of the Company to be convened for the purpose of considering, and if thought fit, approving, among other things, the Agreement and the Disposal by the Independent Shareholders
“Share(s)”	share(s) of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Shareholder’s Loan”	the unsecured non-interest bearing loan(s) advanced by the Company to Cableport with an aggregated sum of HK\$22,368,320.74 outstanding as at the date of the Agreement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Toll Road”	the toll road located at the 320 National Highway in Hangzhou which is managed and operated by HHED

By Order of the Board  
**Wah Nam International Holdings Limited**  
**Chan Kam Kwan, Jason**  
*Director*

Hong Kong, 13 June 2008

*As at the date of this announcement, the Board comprises Mr. Cheng Yung Pun and Mr. Chan Kam Kwan, Jason as executive Directors and Mr. Lau Kwok Kuen, Eddie, Mr. Uwe Henke Von Parpart and Mr. Wilton Timothy Carr Ingram as independent non-executive Directors.*