

Wah Nam

International Holdings Limited

(Incorporated in Bermuda with limited liability) Stock Code : 0159

Interim Report 2006



CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Cheng Yung Pun (*Chairman*)
Yu Sui Chuen
Cheng Wing See, Nathalie

Independent Non-executive Directors

Au-Yeung Tsan Pong, Davie
Fung Ka Choi
Wong Chu Fung

AUDIT COMMITTEE & REMUNERATION COMMITTEE

Au-Yeung Tsan Pong, Davie (*Chairman*)
Fung Ka Choi
Wong Chu Fung

QUALIFIED ACCOUNTANT

Wong Man Yee

COMPANY SECRETARY

Lai Mei Fong

AUDITORS

Deloitte Touche Tohmatsu
Certified Public Accountants
35th Floor
One Pacific Place
88 Queensway
Hong Kong

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

SHARE REGISTRAR

Butterfield Fund Services (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke HM08
Bermuda

BRANCH SHARE REGISTRAR IN HONG KONG

Secretaries Limited
26th Floor
Tesbury Centre
28 Queen's Road East
Wanchai, Hong Kong

PRINCIPAL PLACE OF BUSINESS

Room 902, 9th Floor
East Ocean Centre
98 Granville Road
Tsimshatsui East
Kowloon, Hong Kong

PRINCIPAL BANKER

Bank of China (Hong Kong) Limited

WEBSITE

www.wahnamintl.com

STOCK CODE

0159 (Main Board of The Stock Exchange of
Hong Kong Limited)

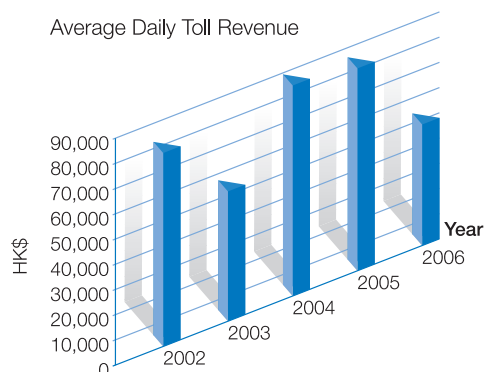
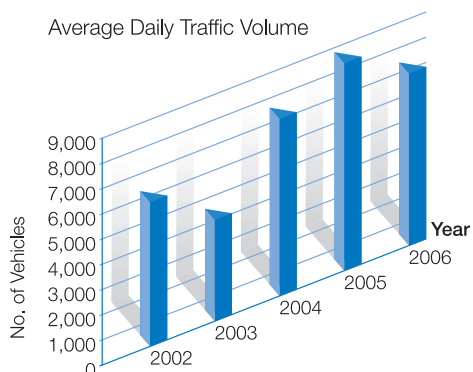
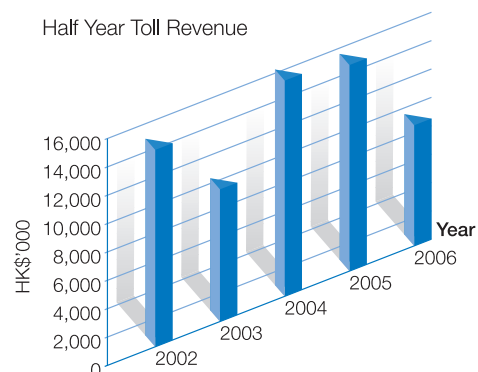
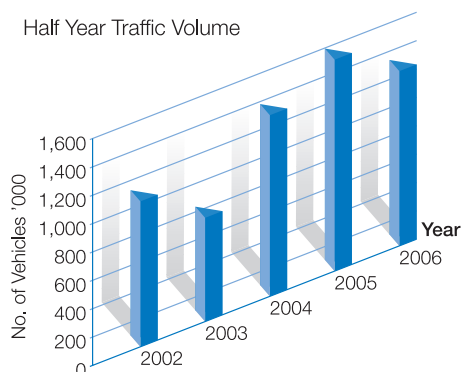
OPERATIONAL HIGHLIGHTS

FINANCIAL HIGHLIGHTS

	For the six months ended 30th June,		
	2006 HK\$'000	2005 HK\$'000 (restated)	Changes %
Gross Toll Revenue	8,671	14,494	(40)
Profit before taxation	3,300	6,555	(50)
Profit Attributable to Equity Holders of the Company	776	2,917	(73)
Basic Earnings per Share (cents)	0.13	0.61	(79)
Diluted Earnings per Share (cents)	N/A	0.52	N/A

	% of Ownership	Length in Kilometers	No. of Lanes	No. of Toll Stations	Remaining Year of Operation
Hangzhou Toll Road	60%	11.934 km	Class 1 dual 2 lanes	1	18
Shanxi-Xiangyi Toll Road and Bridge	45%	44 km	Class 2 dual 1 lane	3	11
Shanxi-Linhong Toll Road and Bridge	45%	44 km	Class 2 dual 1 lane	2	11

HANGZHOU TOLL ROAD



UNAUDITED INTERIM RESULTS

The board (the “Board”) of directors (the “Directors”) of Wah Nam International Holdings Limited (the “Company”) announces the unaudited consolidated interim results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30th June, 2006, together with the comparative figures for the corresponding period in 2005 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30TH JUNE, 2006

	NOTES	For the six months ended 30th June,	
		2006 HK\$'000 (Unaudited)	2005 HK\$'000 (Unaudited and restated)
Gross toll revenue	3	8,671	14,494
Business tax		(434)	(725)
Net toll revenue		8,237	13,769
Direct costs		(3,834)	(6,203)
Other income		4,403	7,566
Administrative expenses		478	877
Finance costs	5	(1,265)	(1,426)
		(316)	(462)
Profit before taxation	6	3,300	6,555
Income tax expense	7	(881)	(636)
Profit for the period		2,419	5,919
Attributable to:			
Equity holders of the Company		776	2,917
Minority interests		1,643	3,002
		2,419	5,919
Earnings per share	8		
— Basic (cents)		0.13	0.61
— Diluted (cents)		N/A	0.52

CONDENSED CONSOLIDATED BALANCE SHEET

AT 30TH JUNE, 2006

	NOTES	30th June, 2006 HK\$'000 (Unaudited)	31st December, 2005 HK\$'000 (Audited)
Non-current assets			
Toll road operation rights		80,552	82,820
Property, plant and equipment		514	598
Amounts due from minority shareholders of a subsidiary	9	12,546	12,180
Deferred tax asset		4,001	4,109
		97,613	99,707
Current assets			
Other receivables, deposits and prepayments		194	1,991
Amounts due from minority shareholders of a subsidiary	9	36,836	36,836
Bank balances and cash		25,184	17,865
		62,214	56,692
Current liabilities			
Other payables and accrued charges		1,878	1,708
Tax liabilities		814	1,092
		2,692	2,800
Net current assets		59,522	53,892
		157,135	153,599
Capital and reserves			
Share capital		59,484	59,484
Reserves		(5,393)	(6,169)
Equity attributable to equity holders of the Company		54,091	53,315
Minority interests		90,942	89,299
Total equity		145,033	142,614
Non-current liabilities			
Amount due to ultimate holding company	10	6,888	6,695
Amount due to a director	10	5,214	4,290
		12,102	10,985
		157,135	153,599

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30TH JUNE, 2006

	Attributable to equity holders of the Company								Total
	Share capital	Statutory surplus reserve	Convertible notes reserve	Shareholders' contribution reserve	Translation reserve	Accumulated losses	Total	Minority interests	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1st January, 2006	59,484	2,215	—	744	2,766	(11,894)	53,315	89,299	142,614
Profit for the period, representing total recognised income for the period	—	—	—	—	—	776	776	1,643	2,419
Appropriations	—	171	—	—	—	(171)	—	—	—
At 30th June, 2006	59,484	2,386	—	744	2,766	(11,289)	54,091	90,942	145,033
At 1st January, 2005	47,484	1,453	1,585	—	—	(18,552)	31,970	86,251	118,221
Profit for the period, representing total recognised income for the period	—	—	—	—	—	2,917	2,917	3,002	5,919
Deemed distribution to shareholders	—	—	—	—	—	—	—	(2,934)	(2,934)
At 30th June, 2005	47,484	1,453	1,585	—	—	(15,635)	34,887	86,319	121,206

The statutory surplus reserve represents enterprise development and general reserve funds appropriated from the profit after tax of a subsidiary established in the People's Republic of China (the "PRC") in accordance with the PRC laws and regulations.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30TH JUNE, 2006

	For the six months ended 30th June,	
	2006	2005
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net cash generated from operating activities	6,409	8,144
Net cash generated from investing activities	109	47
Net cash generated from (used in) financing activities		
Advance to minority shareholders of a subsidiary	—	(46,339)
Other financing cash flows	801	865
	801	(45,474)
Net increase (decrease) in cash and cash equivalents	7,319	(37,283)
Cash and cash equivalents at beginning of the period	17,865	45,597
Cash and cash equivalents at end of the period	25,184	8,314

NOTES

1. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

2. PRINCIPAL ACCOUNTING POLICIES

The condensed 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.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31st December, 2005.

In the current period, the Group has applied, for the first time, a number of new standards, amendments and interpretations issued by the HKICPA that are effective for accounting periods beginning on or after 1st December, 2005 or 1st January, 2006. The application of the new standards, amendments and interpretations had no material effect on how the results for the current and/or prior accounting periods are prepared and presented.

Potential impact arising from the recently issued Accounting Standards

The Group has not early applied the following new standards, amendments and interpretations that have been issued but are not yet effective. The Directors of the Company anticipate that the application of these standards, amendments or interpretations will have no material impact on the financial statements of the Group.

HKAS 1 (Amendment)	Capital Disclosures ¹
HKFRS 7	Financial Instruments: Disclosures ¹
HK(IFRIC) - INT 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies ²
HK(IFRIC) - INT 8	Scope of HKFRS 2 ³
HK(IFRIC) - INT 9	Reassessment of Embedded Derivatives ⁴

¹ Effective for accounting periods beginning on or after 1st January, 2007.

² Effective for accounting periods beginning on or after 1st March, 2006.

³ Effective for accounting periods beginning on or after 1st May, 2006.

⁴ Effective for accounting periods beginning on or after 1st June, 2006.

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.

	For the six months ended 30th June,	
	2006	2005
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Toll receipts	3,863	5,956
Hangzhou City government compensation	4,808	8,538
	8,671	14,494

4. SEGMENTAL INFORMATION

The Group is engaged solely in the management and operation of a toll road in 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. FINANCE COSTS

Finance costs represent:

	For the six months ended 30th June,	
	2006	2005
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Effective interest expenses on convertible notes	—	462
Imputed interest on amount due to ultimate holding company	193	—
Imputed interest on amount due to a director	123	—
	316	462

6. PROFIT BEFORE TAXATION

	For the six months ended 30th June,	
	2006	2005
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit before taxation has been arrived at after charging (crediting):		
Amortisation of toll road operation rights (included in direct costs)	2,268	2,226
Depreciation of property, plant and equipment	85	97
Repairs and renovation costs	367	2,786
Interest income	(111)	(59)
Imputed interest income on amounts due from minority shareholders of a subsidiary	(367)	(282)

7. INCOME TAX EXPENSE

	For the six months ended 30th June,	
	2006	2005
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current period:		
Income tax charge	652	1,237
Underprovision in prior year	121	—
	773	1,237
Deferred tax:		
Current period charge to income statement	108	106
Tax effect of cessation of concessionary rate	—	(707)
	108	(601)
	881	636

Income tax charge represents the PRC income tax paid or payable during the period. Income tax in the PRC has been provided at the prevailing rate of 18% (2005: 18%) on the estimated assessable profit applicable to the Company's subsidiary established in the PRC.

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

8. 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:

	For the six months ended 30th June,	
	2006	2005
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Earnings for the purpose of basic earnings per share	776	2,917
Effect of dilutive potential ordinary shares:		
Interest on convertible notes	—	462
Earnings for the purpose of diluted earnings per share	776	3,379
	'000	'000
Weighted average number of ordinary shares for the purpose of basic earnings per share	594,838	474,838
Effect of dilutive potential ordinary shares:		
Convertible notes	—	180,000
Weighted average number of ordinary shares for the purpose of diluted earnings per share	594,838	654,838

9. AMOUNTS DUE FROM MINORITY SHAREHOLDERS OF A SUBSIDIARY

On application of HKAS 39, the fair value of the amounts due from minority shareholders of a subsidiary is determined based on an effective interest rate of 5.75% on initial recognition. The fair value of the amounts due from minority shareholders of a subsidiary at 30th June, 2006 was approximate to the corresponding carrying amount.

10. AMOUNTS DUE TO A DIRECTOR AND ULTIMATE HOLDING COMPANY

On application of HKAS 39, the fair value of the amounts due to a director and ultimate holding company are determined based on an effective interest rate of 5.75% on initial recognition. The fair value of the amounts due to a director and ultimate holding company at 30th June, 2006 was approximate to the corresponding carrying amount.

11. RELATED PARTY TRANSACTIONS

For the six months ended 30th June, 2005, the effective interest expenses on convertible notes of approximately HK\$462,000 of which the interest of HK\$180,000 was accrued to Leading Highway Limited, the ultimate holding company. Mr. Cheng Yung Pun is the equity owner of Leading Highway Limited. The interest was calculated at 2% per annum in accordance with the convertible notes agreement.

12. POST BALANCE SHEET EVENT

Subsequent to 30th June, 2006, on July 2006, Hangzhou Huanan Engineering Development Co., Ltd. ("HHED"), a 60% owned subsidiary of the Company, declared an interim dividend of RMB20,000,000. RMB12,000,000 was retained in the Group and will be used for reduction of the outstanding debts due by the Group and the remaining RMB8,000,000 was distributed to minority shareholders of HHED.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30th June, 2006 (2005: nil).

MANAGEMENT DISCUSSION & ANALYSIS

Business Review

During the first half year of 2006, the Group reported an unaudited consolidated gross toll revenue of HK\$8,671,000 (2005 (restated): HK\$14,494,000) and a profit attributable to equity holders of the Company of HK\$776,000 (2005 (restated): HK\$2,917,000). The decline in both toll revenue and profit was primarily attributable to the descent of toll income subsequent to the launch of the expressway — Hang Qian Toll Road (「杭千公路」) as the traffic flow was diverted from our Hangzhou Toll Road to this adjacent alternative road.

In the meantime, the Group has not yet finalised the agreement with the Hangzhou City government for the year 2006 to compensate the descent of toll receipt due to the policy of the Hangzhou City government exempting the Hangzhou registered automobiles from toll payments since January 2004; hence the gross toll revenue was adversely affected. The negotiation between the Group and the Hangzhou City government for the compensation is still in progress as the Group is seeking a reasonable compensation due to the increasing of traffic volume of Hangzhou registered automobiles. However, an aggregate amount of RMB5,000,000 had been received from the Hangzhou City government as a partial payment of compensation for the first half year.

In the past few years, the Group undertook extensive repair, renovation and environmental maintenance of the toll road; hence, the toll road was in smooth and safe conditions resulting in less cost being incurred for further repair and maintenance for the first half year.

Highlights of revenue comparison were:

Joint Venture in Hangzhou

Hangzhou Toll Road

Average daily toll traffic volume for the first half of the year 2006 was approximately 6,800 vehicles (2005: 8,200 vehicles), representing a 17% decrease over the corresponding period in last year. Weighted average toll fare per vehicle for non-registered vehicles for the first half of the year 2006 was approximately RMB12.90 (2005: RMB12.55), representing a 3% increase over the corresponding period in last year.

Joint Ventures in Shanxi

Shanxi-Xiangyi Toll Road and Bridge

Average daily toll traffic volume for the first half of the year 2006 was approximately 2,500 vehicles (2005: 5,300 vehicles), representing a 53% decrease over the corresponding period in last year. Weighted average toll fare per vehicle for the first half of the year 2006 was approximately RMB13.38 (2005: RMB13.37), no significant difference as compared with the corresponding period in last year.

Shanxi-Linhong Toll Road and Bridge

Average daily toll traffic volume for the first half of the year 2006 was approximately 12,900 vehicles (2005: 9,100 vehicles), representing a 42% increase over the corresponding period in last year. Weighted average toll fare per vehicle for the first half of the year 2006 was approximately RMB5.57 (2005: RMB5.40), representing a 3% increase over the corresponding period in last year.

Financial Review

Liquidity and Financial Resources

As at 30th June, 2006, the Group's cash on hand and in bank was in the sum of HK\$25,184,000 (31st December, 2005: HK\$17,865,000). The total assets and total liabilities of the Group were HK\$159,827,000 (31st December, 2005: HK\$156,399,000) and HK\$14,794,000 (31st December, 2005: HK\$13,785,000) respectively. The equity attributable to equity holders of the Company was HK\$54,091,000 (31st December, 2005: HK\$53,315,000). The Group's current ratio was 23.1 (31st December, 2005: 20.2).

The gearing ratio (total liabilities/total assets) as at 30th June, 2006 was 9% (31st December, 2005: 9%).

The total capital expenditure during the six months ended 30th June, 2006 amounted to HK\$2,000 (2005: HK\$12,000).

There is no movement on the share capital for the six months ended 30th June, 2006. The Group maintained a stable financial position during the period under review. Net cash provided by operating activities amounted to approximately HK\$6,409,000 (2005: HK\$8,144,000).

As at 30th June, 2006, 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 and Remuneration Policy

As at 30th June, 2006, the Group had 49 employees (31st December, 2005: 50). 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.

Future Prospects

The expressway — Hang Qian Toll Road (「杭千公路」) is running from Hangzhou to Qian Dao Hu (「千島湖」), a popular sightseeing location, which had been launched by end of year 2005 for the expansion of transportation network in the Hangzhou City. This expressway has intensified toll road competition in the Hangzhou City and is expected to adversely affect the profitability of our Hangzhou Toll Road continuously in future.

However, it is expected that the traffic flow of Hangzhou registered automobiles in the Hangzhou City in year 2006 would be maintained at same level of the year 2005 due to the growth in number of vehicles arising from the city development and the enhanced economic development, communication and transportation activities in the Hangzhou City.

The Group continues to focus on effective management and streamlining measures for ensuring effectiveness and efficiency of the toll road operations of the Group and implement an internal control and a stringent cost saving to maintain the competitiveness of the Group.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30th June, 2006, the interests and short positions of the Directors and chief executives and their respective associates in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or which were otherwise required to be notified to the Company and the Stock Exchange, pursuant to the Model Code for Securities Transactions by Directors of the Listing Companies were as follows:

Long positions of ordinary shares of HK\$0.10 each of the Company

Name of director	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Cheng Yung Pun	Held by controlled corporation (Note)	445,500,000	74.89%

Note: These shares are held by Leading Highway Limited, a company incorporated in the British Virgin Islands with limited liability and the entire issued share capital of which is wholly owned by Mr. Cheng Yung Pun.

Save as disclosed above, none of the Directors, chief executives, nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 30th June, 2006.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Other than as disclosed in section “Directors’ and Chief Executives’ Interests and Short Positions in Shares, Underlying Shares and Debentures” above, at no time during the period was the Company, its ultimate holding company, or any of its subsidiaries or fellow 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 neither the Directors nor the chief executives, nor any of 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.

SUBSTANTIAL SHAREHOLDERS

Other than as disclosed in the section “Directors’ and Chief Executives’ Interests and Short Positions in Shares, Underlying Shares and Debentures” above in respect of Mr. Cheng Yung Pun, director of the Company, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO discloses no other person as having a notifiable interest or short position in the shares and underlying shares of the Company and its associated corporations as at 30th June, 2006.

SHARE OPTION SCHEME

The share option scheme (the “Share Option Scheme”) of the Company was adopted by the Company pursuant to the written resolution of the sole shareholder passed on 14th August, 2002. Particulars of the Share Option Scheme have been summarised in the 2005 Annual Report of the Company.

There has been no option granted since the adoption of the Share Option Scheme.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the six months ended 30th June, 2006, 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

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 period under review, in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules (the "Code") and its own code except for the deviations from the following provisions of the Code:

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.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company had adopted a code of conduct for securities transactions by Directors 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 had 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 adopted by the Company.

BOARD COMMITTEE

Audit Committee

The Audit Committee comprising three independent non-executive Directors ("INEDs"), namely Mr. Au-Yeung Tsan Pong, Davie (Chairman), Mr. Fung Ka Choi and Mr. Wong Chu Fung, appointed by the Board and meets at least twice a year. One Audit Committee member is a qualified accountant. None of the Audit Committee members are members of the former or existing auditors of the Company. The Committee had adopted terms of reference (containing the minimum prescribed duties) that are in line with the Code and the Company's own code on corporate governance practices. These specific terms of reference are available on request or on the website: www.wahnamintl.com

Remuneration Committee

The Remuneration Committee comprising three INEDs, namely Mr. Au-Yeung Tsan Pong, Davie (Chairman), Mr. Fung Ka Choi and Mr. Wong Chu Fung, appointed by the Board and meets at least once a year. The Committee had adopted terms of reference (containing the minimum prescribed duties) that are in line with the Code and the Company's own code on corporate governance practices. These specific terms of reference are available on request or on the website: www.wahnamintl.com

REVIEW OF INTERIM RESULTS

The unaudited interim results for the six months ended 30th June, 2006 have been reviewed by the Audit Committee of the Company, who is of the opinion that these interim results comply with applicable accounting standard and legal requirements, and that adequate disclosures have been made.

By Order of the Board
Cheng Yung Pun
Chairman

Hong Kong, 13th September, 2006