



## DENWAY MOTORS LIMITED

### 駿威汽車有限公司

(Incorporated in Hong Kong under the Companies Ordinance)

website: <http://www.denway-motors.com>

(Stock Code: 203)

## ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2007

### INTERIM RESULTS

The directors of Denway Motors Limited (the “Company”) announce that the unaudited consolidated results of the Company and its subsidiaries (the “Group”) and its share of the results of jointly controlled entities, associates and non-consolidated subsidiaries for the six months ended 30 June 2007 together with comparative figures for the corresponding period in 2006 as follows:

#### Condensed Consolidated Income Statement

For the six months ended 30 June 2007

		Unaudited	
		Six months ended 30 June	
		2007	2006
	Note	HK\$'000	HK\$'000
Continuing operations:			
Turnover	4	395,834	352,036
Cost of sales		(354,515)	(312,062)
Gross profit		41,319	39,974
Selling and distribution costs		(15,044)	(14,093)
General and administrative expenses		(29,906)	(27,489)
Other operating income, net		75,553	17,636
Operating profit	5	71,922	16,028
Finance costs		(464)	(560)

		<b>Unaudited</b>		
		<b>Six months ended 30 June</b>		
		<b>2007</b>	<b>2006</b>	
<i>Note</i>		<i>HK\$'000</i>	<i>HK\$'000</i>	
Share of profits less losses of:				
	A jointly controlled entity	6	1,102,872	1,228,081
	Other jointly controlled entities		122,268	52,108
	Associates		4,846	4,413
	Non-consolidated subsidiaries		—	49
Profit before taxation			1,301,444	1,300,119
	Taxation	7	(3,248)	(4,008)
Profit for the period from continuing operations			1,298,196	1,296,111
A discontinued operation:				
	Loss for the period from a discontinued operation		—	(8,093)
Profit for the period			1,298,196	1,288,018
Attributable to:				
	Equity holders of the Company		1,293,147	1,288,560
	Minority interests		5,049	(542)
			1,298,196	1,288,018
Basic earnings/(losses) per share attributable to equity holders of the Company				
	— continuing operations	8	17.20 cents	17.19 cents
	— a discontinued operation	8	—	(0.05) cents
			17.20 cents	17.14 cents
Diluted earnings/(losses) per share attributable to equity holders of the Company				
	— continuing operations	8	17.17 cents	17.16 cents
	— a discontinued operation	8	—	(0.05) cents
			17.17 cents	17.11 cents
Interim dividend		9	375,868	375,868

## Condensed Consolidated Balance Sheet

As at 30 June 2007

		<b>Unaudited</b>	Audited
		<b>As at</b>	As at
		<b>30 June</b>	31 December
		<b>2007</b>	2006
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible asset		<b>865,278</b>	864,466
Leasehold land and land use rights		<b>28,808</b>	29,032
Property, plant and equipment		<b>76,550</b>	76,109
Investment properties		<b>45,060</b>	45,060
Interest in a jointly controlled entity	6	<b>6,237,067</b>	5,551,343
Interests in other jointly controlled entities		<b>958,054</b>	844,951
Interests in associates		<b>61,736</b>	56,577
		<u><b>8,272,553</b></u>	<u>7,467,538</u>
<b>Current assets</b>			
Inventories		<b>108,792</b>	83,017
Trade and other receivables	10	<b>729,086</b>	80,001
Current tax recoverable		<b>2,162</b>	1,033
Cash and bank balances			
— pledged		<b>27,299</b>	26,393
— others		<b>2,355,506</b>	2,727,423
		<u><b>3,222,845</b></u>	<u>2,917,867</u>
Total assets		<u><b>11,495,398</b></u>	<u>10,385,405</u>
<b>EQUITY</b>			
Share capital and reserves attributable to equity holders of the Company			
Share capital		<b>751,736</b>	751,736
Reserves			
Proposed final dividend		<b>—</b>	451,042
Others		<b>10,478,032</b>	8,935,698
		<u><b>11,229,768</b></u>	<u>10,138,476</u>
Minority interests		<b>75,024</b>	70,441
Total equity		<u><b>11,304,792</b></u>	<u>10,208,917</u>

		<b>Unaudited</b>	Audited
		<b>As at</b>	As at
		<b>30 June</b>	31 December
		<b>2007</b>	2006
	<i>Note</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings		<b>2,668</b>	3,138
Deferred tax liabilities		<b>1,030</b>	1,797
		<u>3,698</u>	<u>4,935</u>
<b>Current liabilities</b>			
Trade and other payables	11	<b>172,051</b>	147,479
Current tax liabilities		<b>10,962</b>	13,277
Borrowings		<b>3,895</b>	10,797
		<u>186,908</u>	<u>171,553</u>
Total liabilities		<u>190,606</u>	<u>176,488</u>
Total equity and liabilities		<u>11,495,398</u>	<u>10,385,405</u>
Net current assets		<u>3,035,937</u>	<u>2,746,314</u>
Total assets less current liabilities		<u>11,308,490</u>	<u>10,213,852</u>

## Notes:

### 1 General information

The Group is principally engaged in the manufacturing, assembly and trading of motor vehicles, the manufacturing and trading of automotive equipment and parts in the People's Republic of China (the "PRC") and the manufacturing and trading of audio equipment in Hong Kong.

The Company is a limited liability company incorporated in Hong Kong. The address of its registered office is Room 801, Citicorp Centre, 18 Whitfield Road, Causeway Bay, Hong Kong.

The Company's shares are listed on The Stock Exchange of Hong Kong Limited.

These condensed consolidated interim financial information was approved for issue on 6 September 2007.

### 2 Basis of preparation

These condensed interim financial information for the six months ended 30 June 2007 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants and should be read in conjunction with the annual financial statements for the year ended 31 December 2006.

### 3 Accounting policies

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2006. As described in the annual financial statements for the year ended 31 December 2006, the following new standards, amendments to standards and interpretations are mandatory for financial year ending 31 December 2007.

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment

The adoption of these new standards, amendments to standards and interpretations has no significant impact on the Group's interim results and financial position.

The following new standards, amendments to standards and interpretations have been issued but are not effective for 2007. Management is currently assessing the impact on the Group's operations.

HKAS 23 (Revised)	Borrowing Costs
HKFRS 8	Operating Segments
HK(IFRIC)-Int 11	HKFRS 2 — Group and Treasury Share Transactions
HK(IFRIC)-Int 12	Service Concession Arrangements

#### 4 Turnover and segment information

An analysis of the Group's turnover and results for the period by principal business segments and geographical segments is as follows:

*Principal business segments:*

	Unaudited					Total HK\$'000
	Six months ended 30 June 2007					
	Trading of motor vehicles HK\$'000	Manufacturing and assembly of motor vehicles HK\$'000	Manufacturing and trading of automotive equipment and parts HK\$'000	Manufacturing and trading of audio equipment HK\$'000	Other operations HK\$'000	
Turnover	268,812	—	5,717	121,305	—	395,834
Segment operating profit	3,030	—	2,124	8,055	24,687	37,896
Interest income	372	—	30,872	360	2,422	34,026
Operating profit	3,402	—	32,996	8,415	27,109	71,922
Finance costs						(464)
Share of profits less losses of:						
A jointly controlled entity		1,102,872				1,102,872
Other jointly controlled entities			122,268			122,268
Associates	520		4,326			4,846
Profit before taxation						1,301,444
Taxation						(3,248)
Profit for the period from:						
Continuing operations						1,298,196
A discontinued operation						—
						1,298,196
Depreciation	1,513	—	499	2,215	1,421	5,648
Amortisation	—	—	—	—	224	224

Unaudited  
Six months ended 30 June 2006

	Trading of motor vehicles <i>HK\$'000</i>	Manufacturing and assembly of motor vehicles <i>HK\$'000</i>	Manufacturing and trading of automotive equipment and parts <i>HK\$'000</i>	Manufacturing and trading of audio equipment <i>HK\$'000</i>	Other operations <i>HK\$'000</i>	Total <i>HK\$'000</i>
Turnover	229,674	—	5,228	117,134	—	352,036
Segment operating profit/(loss)	2,078	—	(3,304)	7,961	909	7,644
Interest income	275	—	3,944	83	4,082	8,384
Operating profit	2,353	—	640	8,044	4,991	16,028
Finance costs						(560)
Share of profits less losses of:						
A jointly controlled entity		1,228,081				1,228,081
Other jointly controlled entities			52,108			52,108
Associates	1,047		3,366			4,413
Non-consolidated subsidiaries	49					49
Profit before taxation						1,300,119
Taxation						(4,008)
Profit/(loss) for the period from:						
Continuing operations						1,296,111
A discontinued operation		(8,093)				(8,093)
						1,288,018
Depreciation	1,125	—	489	2,021	1,208	4,843
Amortisation	—	—	—	—	225	225

Geographical segments:

	Unaudited Six months ended 30 June 2007		
	Turnover <i>HK\$'000</i>	Segment operating profit <i>HK\$'000</i>	Operating profit <i>HK\$'000</i>
PRC	268,812	4,927	36,106
Hong Kong	121,305	32,742	35,524
Australia	5,717	227	292
	<b>395,834</b>	<b>37,896</b>	<b>71,922</b>

  

	Unaudited Six months ended 30 June 2006		
	Turnover <i>HK\$'000</i>	Segment operating (loss)/profit <i>HK\$'000</i>	Operating profit/(loss) <i>HK\$'000</i>
PRC	229,674	(1,072)	3,133
Hong Kong	117,134	8,870	13,035
Australia	5,228	(154)	(140)
	<b>352,036</b>	<b>7,644</b>	<b>16,028</b>

**5 Operating profit**

Expenses included in cost of sales, selling and distribution costs, and general and administrative expenses are analysed as follows:

	Unaudited Six months ended 30 June	
	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Depreciation of property, plant and equipment	<b>5,648</b>	4,843
Amortisation of leasehold land and land use rights	<b>224</b>	225
Staff costs (including directors' emoluments)	<b>23,688</b>	21,828



## 6 Interest in a jointly controlled entity

This is a Sino-foreign equity joint-venture in which 50% of the equity capital, voting power and profit sharing is held by a 100% owned subsidiary of the Company. The Group's investment cost in this company is HK\$514,333,000 (2006: HK\$514,333,000). The Group has no unilateral control over the joint venture company. The joint venture period is 30 years from May 1998.

The following amounts represent the Group's 50% share of assets and liabilities, income and expenses of the jointly controlled entity:

	<b>Unaudited</b> As at <b>30 June</b> <b>2007</b> <i>HK\$'000</i>	Audited As at 31 December 2006 <i>HK\$'000</i>
Assets:		
Intangible assets <sup>1</sup>	247,823	217,500
Land use rights	119,581	129,676
Property, plant and equipment	2,529,786	2,391,242
Current assets	7,189,719	6,497,050
	<u>10,086,909</u>	<u>9,235,468</u>
Liabilities:		
Non-current liabilities	(2,668)	(2,588)
Current liabilities	(3,843,528)	(3,678,164)
	<u>(3,846,196)</u>	<u>(3,680,752)</u>
Minority interests	<u>(3,646)</u>	<u>(3,373)</u>
	<u>6,237,067</u>	<u>5,551,343</u>
	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2007</b>	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Income	9,658,663	9,052,678
Expenses	(8,555,791)	(7,824,597)
Profit for the period	<u>1,102,872</u>	<u>1,228,081</u>

<sup>1</sup> Included in this balance is a goodwill of approximately HK\$154,372,000 (2006: HK\$149,716,000) arising from the acquisition of motor vehicle manufacturing business and a production plant in Guangzhou by the jointly controlled entity.

### Capital commitments

At 30 June 2007, the Group's share of capital commitments of the jointly controlled entity itself was as follows:

	<b>Unaudited</b> <b>As at</b> <b>30 June</b> <b>2007</b> <i>HK\$'000</i>	<b>Audited</b> <b>As at</b> <b>31 December</b> <b>2006</b> <i>HK\$'000</i>
Authorised but not contracted for	<u><b>1,014,470</b></u>	<u>—</u>
Contracted but not provided for	<u>—</u>	<u>—</u>

## 7 Taxation

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 17.5%) on the estimated assessable profit for the period. Taxation on overseas profits has been calculated on the estimated assessable profits for the period at the rates of taxation prevailing in the countries in which the Group operates.

The amount of taxation (credited)/charged to the condensed consolidated income statement represents:

	<b>Unaudited</b> <b>Six months ended 30 June</b>	
	<b>2007</b> <i>HK\$'000</i>	<b>2006</b> <i>HK\$'000</i>
Current taxation		
Hong Kong profits tax	<b>(1,511)</b>	334
PRC enterprise income tax	<b>5,526</b>	3,878
	<b>4,015</b>	4,212
Deferred taxation		
Hong Kong profits tax	<b>(767)</b>	(204)
	<b>3,248</b>	4,008

## 8 Earnings per share

### *Basic*

Basic earnings per share is calculated by dividing the profit attributable to equity holders by the weighted average number of ordinary shares in issue during the period.

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2007</b>	<b>2006</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Profit/(loss) attributable to equity holders of the Company		
— continuing operations	<b>1,293,147</b>	1,292,606
— a discontinued operation	—	(4,046)
	<b><u>1,293,147</u></b>	<b><u>1,288,560</u></b>
Weighted average number of ordinary shares in issue ('000)	<b><u>7,517,359</u></b>	<b><u>7,517,359</u></b>
Basic earnings/(losses) per share (HK cents) attributable to equity holders of the Company		
— continuing operations	<b>17.20</b>	17.19
— a discontinued operation	—	(0.05)
	<b><u>17.20</u></b>	<b><u>17.14</u></b>

### *Diluted*

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has share options outstanding during the period which are potential dilutive ordinary shares. Calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average daily market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2007</b>	2006
	<b>HK\$'000</b>	<b>HK\$'000</b>
Profit/(loss) attributable to equity holders of the Company		
— continuing operations	<b>1,293,147</b>	1,292,606
— a discontinued operation	—	(4,046)
	<b><u>1,293,147</u></b>	<b><u>1,288,560</u></b>
Weighted average number of ordinary shares in issue ('000)	<b>7,517,359</b>	7,517,359
Adjustments for — share options ('000)	<b>14,843</b>	13,724
	<b><u>7,532,202</u></b>	<b><u>7,531,083</u></b>
Weighted average number of ordinary shares for diluted earnings per share ('000)		
Diluted earnings/(losses) per share (HK cents) attributable to equity holders of the Company		
— continuing operations	<b>17.17</b>	17.16
— a discontinued operation	—	(0.05)
	<b><u>17.17</u></b>	<b><u>17.11</u></b>

## 9 Interim dividend

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2007</b>	2006
	<b>HK\$'000</b>	<b>HK\$'000</b>
Interim, declared, of HK5 cents (2006: HK5 cents) per ordinary share ( <i>note (a)</i> )	<b><u>375,868</u></b>	<b><u>375,868</u></b>

- (a) At a meeting held on 6 September 2007, the directors declared an interim dividend of HK5 cents (2006: HK5 cents) per ordinary share for the year ending 31 December 2007. This interim dividend is not reflected as dividend payable in these condensed interim financial information, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2007.

## 10 Trade and other receivables

Included in this balance are trade receivables of approximately HK\$42,429,000 (2006: HK\$45,711,000). At 30 June 2007, the ageing analysis of the trade receivables, net of provision, was as follows:

	<b>Unaudited</b> <b>As at</b> <b>30 June</b> <b>2007</b> <i>HK\$'000</i>	<b>Audited</b> <b>As at</b> <b>31 December</b> <b>2006</b> <i>HK\$'000</i>
Within 3 months	40,299	42,721
4 – 6 months	738	1,533
7 – 12 months	333	464
Over 12 months	1,059	993
	<u>42,429</u>	<u>45,711</u>

The Group allows its trade customers an average credit period of 90 days.

## 11 Trade and other payables

Included in this balance are trade payables of approximately HK\$64,637,000 (2006: HK\$33,639,000). At 30 June 2007, the ageing analysis of the trade payables was as follows:

	<b>Unaudited</b> <b>As at</b> <b>30 June</b> <b>2007</b> <i>HK\$'000</i>	<b>Audited</b> <b>As at</b> <b>31 December</b> <b>2006</b> <i>HK\$'000</i>
Within 3 months	63,794	33,108
4 – 6 months	16	119
7 – 12 months	52	85
Over 12 months	775	327
	<u>64,637</u>	<u>33,639</u>

## **INTERIM DIVIDEND**

The directors have resolved to pay an interim dividend for the year ending 31 December 2007 of HK5 cents per share which will be payable on Wednesday, 24 October 2007 to shareholders whose names appear on the register of members of the Company on Friday, 12 October 2007.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from Monday, 8 October 2007 to Friday, 12 October 2007, both days inclusive, during which no transfer of shares will be registered. In order to qualify for the interim dividend, all completed transfer documents accompanied by relevant share certificates must be lodged with the Company's share registrars, Tricor Abacus Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Friday, 5 October 2007.

## **BUSINESS REVIEW**

For the six months ended 30 June 2007, unaudited turnover from the continuing operations of the Group was approximately HK\$395,834,000 (2006: HK\$352,036,000); unaudited interim consolidated profit attributable to equity holders of the Company was approximately HK\$1,293,147,000 (2006: HK\$1,288,560,000), an increase of 0.4% over the same period of last year. Basic earnings per share from the continuing operations was HK17.20 cents (2006: HK17.19 cents), an increase of 0.1% over the same period of last year.

China's national economy continued to sustain stable growth in the first half of 2007. According to the statistics of China Association of Automobile Manufacturers, the number of vehicles produced and sold nationwide in the first half of 2007 amounted to approximately 4,456,700 units and 4,373,800 units respectively, representing an increase of approximately 22.8% and 23.7% respectively, of which the number of sedans produced and sold amounted to approximately 3,151,400 units and 3,084,100 units respectively, representing an increase of approximately 21.4% and 22.8% respectively.

For the six months ended 30 June 2007, an aggregate of 137,832 units and 133,167 units of vehicles were produced and sold respectively by the Group through a jointly controlled entity (hereinafter the "Sedan Company") which is directly owned by the Company's wholly-owned subsidiary, Guangzhou Auto Group Corporation, representing an increase of approximately 9.1% and 7.8% respectively over the same period of last year.

Despite moderate growth in production and sales under intense market competition, the Sedan Company continued to be a market leader in the respective vehicle categories. Odyssey ranked first in nationwide premium multi-purpose vehicles market, while Accord ranked second in the category of single brand name premium sedans.

Guangzhou Automobile Group Component Co., Ltd. and its investments in other jointly controlled entities ("Guangzhou Component"), in which the Group holds a 49% equity interest, contributed a 134.6% growth in the Group's share of its consolidated profits for the six months ended 30 June 2007 over the same period of last year, exceeding the target set by its board of directors earlier this year. Their sound operation, fast development of productivity and economic

growth were based on enhanced planning and control, systematic management and efficient operation so that they could facilitate a sustainable advantageous development, foster new growth edges and implement key strategic projects in conducting the business.

Other business operations of the Group comprise the trading of vehicles, manufacturing of automotive equipment and parts and manufacturing and trading of audio equipment. All the targets set out in the medium-term plan as formulated by the Group have been achieved.

## **FUTURE PROSPECTS**

According to the forecasts of the People's Bank of China, the Chinese economy will continue to enjoy steady and fast growth in the second half of 2007 with an estimated annual GDP growth of 10.8%, the highest in the past 12 years. We are expecting a full-year growth for nationwide car sales at around 15% which is over 8.23 million units. With the increasing economic scale and the reducing cost of importing parts and components benefited from a strong Renminbi, the overall profitability of the automobile industry will also increase. On the other hand, there will be a mass launching of new models in the second half of 2007. As a result, it is expected that the price index for passenger cars in China will keep a declining path and the intense competition in the car market will continue.

The Sedan Company plans to expand its sales and service network and enhance its after-sales services in the second half of the year in accordance with the decision of its board of directors. Efforts will be made to strengthen management, maximize cost reductions and improve product quality. Meanwhile it will seek to raise its competitive strengths by increasing the degree of domestic production and dedicating its full effort to complete the full-year target for production and sales set by its board of directors.

On 19 July 2007, Guangzhou Honda Automobile Research and Development Company Limited was formally established. It is the first automobile research and development institution in China that is independently funded by a joint venture enterprise and operated by an independent legal person. Solely funded by the Sedan Company, it is capable of independently carrying out car development projects including conceptual design, modeling, trial of assembled vehicles and testing. With the launch of this research and development branch, the Sedan Company becomes the first joint venture automobile manufacturer in China announcing its strategy on independent proprietary brands development. It is also the first to make significant investments in establishing a research and development institution dedicated to the development of proprietary brands. In addition, the Sedan Company has obtained the government approval on its in-house production of engines which can well-equip the Sedan Company for further expansion in its production capacity in the future.

In the next six months, while continuing the development of the sedan plants, Guangzhou Component will seek to maintain rapid growth through expansion in production scale, cost reductions, quality enhancements, increase in the degree of domestic production and management improvements. Yet it will also keep an eye on any opportunities for new projects.

The Group will continue to identify opportunities for development in the automobile industry and the Board is confident that the Group is well-positioned to grasp such opportunities for further development, thereby increasing returns for its shareholders.

## FINANCIAL SUMMARY

The turnover from the continuing operations of the Group for the period ended 30 June 2007 was about HK\$395,834,000, representing an increase of about 12.4% compared with that of 2006.

On 17 February 2006, the Group announced a connected transaction to dispose the equity interest in a subsidiary (“the disposed subsidiary”) solely conducting business in the manufacturing and assembly of motor vehicles. In accordance with Hong Kong Financial Reporting Standards (“HKFRS”), the relevant items relating to the disposed subsidiary in the income statement in 2006 were classified separately as discontinued operations. The transaction was approved by independent shareholders on 23 March 2006.

The turnover of the trading of motor vehicles increased by HK\$39,138,000 which represented an increase of about 17.0% in 2007 compared with that of 2006. The operating profit of this segment increased by HK\$1,049,000 or an increase of about 44.6%. The turnover of the manufacturing and trading of automotive equipment and parts increased by HK\$489,000 which represented an increase of about 9.4% in 2007 compared with that of 2006. The operating profit of this segment increased by HK\$32,356,000 in 2007, mainly due to an increase of an interest income. The turnover of the manufacturing and trading of audio equipment increased by HK\$4,171,000 which represented an increase of about 3.6% in 2007, mainly due to an increase of sales orders. The operating profit of this segment increased by HK\$371,000 in 2007, mainly due to effective cost control. The order on hand of the Group for the business of the manufacturing and trading of audio equipment was about HK\$61,124,000 as at 30 June 2007.

The total borrowings of the Group decreased from about HK\$13,935,000 at the end of 2006 to about HK\$6,563,000 at 30 June 2007, mainly due to repayment of the borrowings. The Group maintained a low ratio of borrowings relative to total equity at about 0.1% as at 30 June 2007 and 31 December 2006. The ratio of total liabilities relative to total equity remained at about 1.7% as at 30 June 2007 and 31 December 2006. The Group’s borrowings were secured by leasehold land, buildings and investment properties with a total net book value of about HK\$40,625,000 and bank balances of about HK\$27,299,000.

The Group had cash and bank balances of about HK\$2,382,805,000 as at 30 June 2007. This included the net cash used in operating activities of about HK\$8,951,000. During the period, the payment of dividend by the Company was financed by the receipt of cash dividends from the investment vehicles.

The Group’s general and administrative expenses for the period ended 30 June 2007 were about HK\$29,906,000, representing an increase of about 8.8% compared with that of 2006, mainly due to larger operating scale of the Group. The finance costs decreased by HK\$96,000, mainly due to reduction of the total borrowings of the Group. The interest cover remained at a high level of 2,806 multiples in 2007 compared to that of 2,323 multiples in 2006. The Group enjoyed the benefit of currency appreciation of Renminbi, the major operating currency of the Group and resulted in a significant exchange gains upon realization.

Share of profits from associates were about HK\$4,846,000 for the period ended 30 June 2007, which represented an increase of about 9.8% compared with that of 2006.



The Group shared profits of about HK\$122,268,000 from other jointly controlled entities for the period ended 30 June 2007, which represented an increase of about 134.6% compared with that of 2006, mainly due to the continuous growth of sales orders from major sedan manufacturers in the PRC.

Share of profit from a jointly controlled entity for the period ended 30 June 2007 remained the major source of profit for the Group, which contributed about HK\$1,102,872,000, and represented a decrease of about 10.2% compared with that of 2006, mainly due to competitive environment of the sedan market in the PRC.

## **EMPLOYEES AND REMUNERATION POLICY**

As at 30 June 2007, the Group employed approximately 1,500 (2006: 1,500) staff in the PRC, Hong Kong and Australia.

The remuneration package adopted by the Group includes discretionary bonus and share options being granted to eligible staff based on the Group's performance and individual performance. Staff training and development programs are conducted on a regular basis.

## **CORPORATE GOVERNANCE**

In 2005, the Board formulated the Denway Code on Corporate Governance ("Denway Code") to provide guidance on the Company's application of corporate governance principles. Denway Code incorporates all mandatory code provisions and part of the recommended best practices that the Board considers as reasonable and appropriate to the Company, as set out in the Code on Corporate Governance ("CG Code") in Appendix 14 in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"). It also incorporates standards for securities transactions by Directors that are not less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 of the Listing Rules.

During the six months ended 30 June 2007, the Company complied with all code provisions as set out in the CG Code.

All directors have confirmed, having made specific enquiries, that the required standard set out in the Model Code had been complied with throughout the six months period ended 30 June 2007.

The Audit Committee comprises three independent non-executive directors, namely Mr. Lee Ka Lun, Mr. Cheung Doi Shu and Mr. Fung Ka Pun. The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the unaudited consolidated interim financial results for the six months ended 30 June 2007.

## **PURCHASE, SALE OR REDEMPTION OF THE SHARES OF THE COMPANY**

The Company has not redeemed any of its shares during the six months ended 30 June 2007. Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2007.

### **LIST OF DIRECTORS**

As at the date of this announcement, the board of directors of the Company comprises the following directors:

#### **Executive Directors:**

Mr. Zhang Fangyou, Mr. Lu Zhifeng, Mr. Yang Dadong, Mr. Zeng Qinghong, Mr. Zhang Baoqing and Mr. Fu Shoujie\*

#### **Independent Non-Executive Directors:**

Mr. Cheung Doi Shu, Mr. Lee Ka Lun and Mr. Fung Ka Pun

\* Mr. Ding Baoshan resigned as Executive Director on 16 August 2007 and Mr. Fu Shoujie was appointed as Executive Director on the same date.

By the Order of the Board  
**Zhang Fangyou**  
*Chairman*

Hong Kong, 6 September 2007