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DENWAY MOTORS LIMITED

駿威汽車有限公司

(incorporated in Hong Kong with limited liability)

(Stock code: 203)

CONNECTED TRANSACTION LEASE OF MOTOR VEHICLES

On 23 October 2007, Guangzhou Honda No. 1 Sales entered into the Agreement with Guangzhou GABC in relation to the lease of 140 motor vehicles by Guangzhou Honda No. 1 Sales to Guangzhou GABC.

Since GAC is the intermediate controlling shareholder of the Company and Guangzhou GABC is the indirect non wholly-owned subsidiary of GAC, Guangzhou GABC is a connected person of the Company under the Listing Rules. Accordingly, the Lease constitutes a connected transaction for the Company pursuant to Rule 14A.13(1)(a) of the Listing Rules. As the relevant percentage ratio for the Lease is less than 2.5%, the Lease is only subject to the reporting and announcement requirements under Rules 14A.45 to 14A.47 of the Listing Rules and is exempt from the independent shareholders' approval requirements.

THE AGREEMENT

Date

23 October 2007

Parties

- (1) Guangzhou Honda No. 1 Sales; and
- (2) Guangzhou GABC

Subject matter

Guangzhou Honda No. 1 Sales has agreed to lease to Guangzhou GABC and Guangzhou GABC has agreed to lease from Guangzhou Honda No. 1 Sales 140 motor vehicles owned by the Group, which shall include 65 Accords, 40 Odysseys and 35 Citys, for the period from 1 November 2007 to 30 November 2007.

Rental payable by Guangzhou GABC

A total amount of RMB3,062,500 (equivalent to approximately HK\$3,161,780), which shall be payable by Guangzhou GABC to Guangzhou Honda No. 1 Sales on or before 31 December 2007 in a lump sum for the Agreement.

The rental payable by Guangzhou GABC to Guangzhou Honda No. 1 Sales has been negotiated on an arm's basis between the parties. The respective rental for Accord, Odyssey and City has been determined at RMB22,500 (equivalent to approximately HK\$23,229) per car per month, RMB22,500 (equivalent to approximately HK\$23,229) per car per month and RMB20,000 (equivalent to approximately HK\$20,648) per car per month.

REQUIREMENTS OF THE LISTING RULES

Since GAC is the intermediate controlling shareholder of the Company and Guangzhou GABC is the indirect non wholly-owned subsidiary of GAC, Guangzhou GABC is a connected person of the Company under the Listing Rules. Accordingly, the Lease constitutes a connected transaction for the Company pursuant to Rule 14A.13(1)(a) of the Listing Rules. As the relevant percentage ratio for the Lease is less than 2.5%, the Lease is only subject to the reporting and announcement requirements under Rules 14A.45 to 14A.47 of the Listing Rules and is exempt from the independent shareholders' approval requirements.

REASONS FOR AND BENEFITS OF THE AGREEMENT

The Directors are of the view that the rental payable by Guangzhou GABC to the Company under the Agreement represents a reasonable price to the Company and there exists a strong market demand for the leased motor vehicles upon expiry of the Lease.

The Directors (including the independent non-executive Directors) consider that the terms of the Agreement have been negotiated on an arm's length basis, on normal commercial terms, in the ordinary and usual course of business of the Company and the terms thereof are fair and reasonable and are in the best interests of the Group and the Shareholders as a whole.

INFORMATION ON THE COMPANY AND GUANGZHOU GABC

The Company is an investment holding company. The principal activities of the Group include the manufacturing, assembly and trading of motor vehicles, the manufacturing and the trading of automotive equipment and parts in the PRC and the manufacturing and trading of audio equipment in Hong Kong.

Guangzhou Honda No. 1 Sales is principally engaged in the trading of motor vehicles.

Guangzhou GABC is principally engaged in the sales of second hand motor vehicles and parts of motor vehicles, lease of motor vehicles and provision of motor vehicles technology consultation services.

DEFINITIONS

Unless the context otherwise requires, the following terms shall have the meanings set out below:

“Agreement”	the motor vehicles lease agreement dated 23 October 2007 entered into between Guangzhou Honda No. 1 Sales and Guangzhou GABC
“Company”	Denway Motors Limited (駿威汽車有限公司), a company incorporated in Hong Kong with limited liability and the issued shares of which are listed on the main board of the Stock Exchange

“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	director(s) of the Company
“GAC”	廣州汽車集團股份有限公司(Guangzhou Automobile Group Co. Ltd.*), the intermediate controlling shareholder of the Company, which is the holding company of China Lounge Investments Limited, the immediate controlling shareholder of the Company
“Group”	the Company and its subsidiaries
“Guangzhou Honda No. 1 Sales”	廣州本田汽車第一銷售有限公司 (Guangzhou Honda Automobile No.1 Sales Company Limited*), a limited liability company incorporated in the PRC and is owned as to 51% equity interest by the Company
“Lease”	the lease of 140 motor vehicles, which shall include 65 Accords, 40 Odysseys and 35 Citys, by Guangzhou Honda No. 1 Sales to Guangzhou GABC pursuant to the Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“Shareholders”	the shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Guangzhou GABC”	廣州廣汽商貿汽車服務有限公司 (Guangzhou GABC Automobile Services Company Limited*), a limited liability company incorporated in the PRC and is indirectly non wholly-owned by GAC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC

Unless otherwise stated, the conversion of Renminbi into Hong Kong dollars is based on the exchange rate of RMB0.9686 = HK\$1. Such conversion should not be construed as a representation that the amount in question has been, could have been or could be converted at any particular rate at all.

As at the date of this announcement, the Directors are:

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.

By order of the Board
Denway Motors Limited
Zhang Baoqing
Managing Director

Hong Kong, 23 October 2007

* for identification purpose only