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## **DENWAY MOTORS LIMITED**

**駿威汽車有限公司**

*(incorporated in Hong Kong with limited liability)*

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

**(Stock code: 203)**

### **CONTINUING CONNECTED TRANSACTION SUPPLY OF MOTOR VEHICLE PRODUCTS**

On 29 January 2008, Guangzhou Honda No. 1 Sales and Guangzhou GABC entered into the Master Agreement in relation to the supply of Motor Vehicle Products.

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 Transaction constitutes a continuing connected transaction for the Company pursuant to Rule 14A.34 of the Listing Rules. As the aggregate annual consideration to be received by the Group under the Transaction does not exceed 2.5%, the Company 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 MASTER AGREEMENT**

##### **Date**

29 January 2008

##### **Parties**

1. Guangzhou Honda No. 1 Sales; and
2. Guangzhou GABC

##### **Duration**

The Master Agreement is for a term from 29 January 2008 to 31 December 2008 unless either party terminates the agreement by giving at least one month's written notice to the other party.

## **Subject matter**

Under the Master Agreement, Guangzhou Honda No. 1 Sales agrees to supply and Guangzhou GABC agrees to purchase Motor Vehicle Products during the term of the Master Agreement pursuant to the particular terms and conditions of the relevant contract(s) to be entered into from time to time.

The quantity and specification of Motor Vehicle Products to be supplied by Guangzhou Honda No. 1 Sales to Guangzhou GABC will be subject to agreement between the parties from time to time. The unit price of the Motor Vehicle Products payable by Guangzhou GABC to Guangzhou Honda No. 1 Sales will be based on the unit price of the Motor Vehicle Products offered to third party customers as stated on the price list of Guangzhou Honda No. 1 Sales. The consideration in respect of each transaction will be satisfied in cash in a lump sum payment upon delivery of the Motor Vehicle Products

## **Annual Cap**

The Company estimates that the annual cap amount of Motor Vehicle Products to be supplied to Guangzhou GABC under the Master Agreement will be RMB14,500,000 (approximately HK\$15,716,000) for the financial year ending 31 December 2008. The annual cap is determined with reference to the estimated number of Motor Vehicle Products to be supplied by Guangzhou Honda No. 1 Sales to Guangzhou GABC for the financial year ending 31 December 2008, the unit price of the Motor Vehicle Products offered to third party customers of Guangzhou Honda No. 1 Sales and the number of motor vehicles to be purchased for the car leasing business of Guangzhou GABC.

## **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 Transaction constitutes a continuing connected transaction for the Company pursuant to Rule 14A.34 of the Listing Rules. As the aggregate annual consideration to be received by the Group under the Transaction does not exceed 2.5%, the Company 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 MASTER AGREEMENT**

The Transactions are expected to be of a recurrent nature and will occur on a regular and continuing basis in the ordinary and usual course of business of the Group. The entering into of the Master Agreement would enable the Group to regulate the supply of the Motor Vehicle Products to Guangzhou GABC under a common framework agreement.

The Directors (including the independent non-executive Directors) consider that the terms of the Master 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 and the annual cap are fair and reasonable and are in the best interests of the Group and the Shareholders as a whole.

## INFORMATION ON THE PARTIES

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:

“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 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
“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
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Master Agreement”	the master agreement dated 29 January 2008 entered into between Guangzhou Honda No. 1 Sales and Guangzhou GABC
“Motor Vehicle Products”	Accord, Fit, City, Odyssey and related accessories
“PRC”	the People’s Republic of China
“Shareholders”	the shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Transaction”	the supply of Motor Vehicle Products by Guangzhou Honda No. 1 Sales to Guangzhou GABC pursuant to the Master Agreement
“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 RMB0.9226 = 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, 30 January 2008

\* *for identification purpose only*