



## 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: 0203)

## ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 DECEMBER 2007

### RESULTS

The board of directors (the “Board”) of Denway Motors Limited (the “Company”) announces that the consolidated results of the Company and its subsidiaries (together the “Group”), jointly controlled entities and associates for the year ended 31 December 2007, together with comparative figures for the corresponding period in 2006 are as follows:

### CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2007

		<b>Group</b>	
	<i>Note</i>	<u>2007</u>	<u>2006</u>
		<i>RMB'000</i>	<i>RMB'000</i>
Continuing operations:			
Turnover	4	<b>862,573</b>	828,949
Cost of sales		<b>(783,337)</b>	(745,285)
Gross profit		<b>79,236</b>	83,664
Other income and other gains		<b>103,341</b>	46,836
Selling and distribution costs		<b>(32,371)</b>	(31,433)
General and administrative expenses		<b>(61,424)</b>	(65,470)
Other operating expenses		<b>(5,557)</b>	(21,476)
Operating profit	5	<b>83,225</b>	12,121
Finance costs		<b>(576)</b>	(1,340)
Share of profits less losses of:			
A jointly controlled entity	6(a)	<b>1,859,673</b>	2,147,559
Other jointly controlled entities		<b>246,472</b>	133,344
Associates		<b>7,717</b>	7,610
Profit before taxation		<b>2,196,511</b>	2,299,294
Taxation	7	<b>(15,522)</b>	(12,017)
Profit for the year from continuing operations		<b>2,180,989</b>	2,287,277

		<b>Group</b>	
		<b>2007</b>	2006
	<i>Note</i>	<b>RMB'000</b>	<b>RMB'000</b>
A discontinued operation:			
Loss for the year from a discontinued operation		—	(8,380)
Profit for the year		<b><u>2,180,989</u></b>	<b><u>2,278,897</u></b>
Attributable to:			
Equity holders of the Company		<b>2,170,395</b>	2,273,629
Minority interests		<b><u>10,594</u></b>	<u>5,268</u>
		<b><u>2,180,989</u></b>	<b><u>2,278,897</u></b>
Basic earnings/(losses) per share attributable to the equity holders of the Company			
— continuing operations	8	<b>28.9 cents</b>	30.3 cents
— a discontinued operation	8	—	<u>(0.1) cents</u>
		<b><u>28.9 cents</u></b>	<b><u>30.2 cents</u></b>
Diluted earnings/(losses) per share attributable to the equity holders of the Company			
— continuing operations	8	<b>28.8 cents</b>	30.3 cents
— a discontinued operation	8	—	<u>(0.1) cents</u>
		<b><u>28.8 cents</u></b>	<b><u>30.2 cents</u></b>
Dividends	9	<b><u>1,005,701</u></b>	<b><u>825,681</u></b>

**BALANCE SHEETS***AS AT 31 DECEMBER 2007*

		<b>Group</b>	
		<b>2007</b>	<b>2006</b>
	<i>Note</i>	<b>RMB'000</b>	<b>RMB'000</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible asset		<b>896,398</b>	896,398
Leasehold land and land use rights		<b>39,595</b>	29,169
Property, plant and equipment		<b>69,430</b>	76,467
Investment properties		<b>54,358</b>	45,272
Interest in a jointly controlled entity	6(a)	<b>5,110,549</b>	5,577,434
Interests in other jointly controlled entities	6(b)	<b>1,053,389</b>	848,922
Interests in associates		<b>61,607</b>	56,843
		<b>7,285,326</b>	7,530,505
<b>Current assets</b>			
Inventories		<b>92,876</b>	83,407
Trade and other receivables	10	<b>561,901</b>	80,376
Current tax recoverable		—	1,038
Cash and bank balances			
— pledged bank deposits		<b>27,052</b>	26,517
— others		<b>3,869,231</b>	2,740,242
		<b>4,551,060</b>	2,931,580
Total assets		<b>11,836,386</b>	10,462,085

		<b>Group</b>	
		<b>2007</b>	<b>2006</b>
	<i>Note</i>	<b>RMB'000</b>	<b>RMB'000</b>
<b>EQUITY</b>			
Share capital and reserves attributable to the equity holders of the Company			
Share capital		<b>757,118</b>	756,979
Reserves			
Proposed final dividend		<b>451,122</b>	439,856
Proposed special dividend		<b>187,967</b>	—
Others		<b>10,180,765</b>	9,017,162
		<b>11,576,972</b>	10,213,997
Minority interests		<b>77,680</b>	70,772
Total equity		<b>11,654,652</b>	10,284,769
<b>LIABILITIES</b>			
Non-current liabilities			
Borrowings		<b>2,247</b>	3,153
Deferred tax liabilities		<b>964</b>	1,805
		<b>3,211</b>	4,958
<b>Current liabilities</b>			
Trade and other payables	11	<b>163,262</b>	148,172
Current tax liabilities		<b>12,645</b>	13,339
Borrowings		<b>2,616</b>	10,847
		<b>178,523</b>	172,358
Total liabilities		<b>181,734</b>	177,316
Total equity and liabilities		<b>11,836,386</b>	10,462,085
Net current assets		<b>4,372,537</b>	2,759,222
Total assets less current liabilities		<b>11,657,863</b>	10,289,727

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 consolidated financial statements are presented in Renminbi ("RMB"), unless otherwise stated. These consolidated financial statements were approved for issue on 2 April 2008.

## 2. BASIS OF PREPARATION

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants. They have been prepared under the historical cost convention, as modified by the revaluation of investment properties, which are stated at fair value.

## 3. CHANGES IN ACCOUNTING POLICIES

The following new standard, amendment to standard and interpretations are mandatory for financial year ended 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 the above standard, amendment to standard and interpretations did not have any significant financial impact to the Group. The adoption of HKAS 1 (Amendment) and HKFRS 7 has resulted in additional disclosures on capital disclosures and sensitivity analysis on financial risks.

#### 4. TURNOVER AND SEGMENT INFORMATION

Turnover recognised during the year are as follows:

	<b>Group</b>	
	<b>2007</b>	2006
	<b>RMB'000</b>	RMB'000
Trading of motor vehicles	<b>556,193</b>	541,071
Manufacturing and trading of automotive equipment and parts	<b>12,176</b>	10,383
Manufacturing and trading of audio equipment	<b>294,204</b>	277,495
	<b>862,573</b>	828,949

##### **Primary reporting format — business segments**

The Group is organised into four main business segments:

- Trading of motor vehicles
- Manufacturing and assembly of motor vehicles
- Manufacturing and trading of automotive equipment and parts
- Manufacturing and trading of audio equipment

Other operations of the Group mainly comprise investment holding and the holding of investment properties.

##### **Secondary reporting format — geographical segments**

The Group's business segments operate in three main geographical areas:

The PRC	—	trading of motor vehicles, manufacturing and assembly of motor vehicles and manufacturing and trading of automotive equipment and parts
Hong Kong	—	manufacturing and trading of audio equipment
Australia	—	manufacturing and trading of automotive equipment and parts

**Primary reporting format — business segments**

	Trading of motor vehicles 2007 RMB'000	Manufacturing and assembly of motor vehicles 2007 RMB'000	Manufacturing and trading of automotive equipment and parts 2007 RMB'000	Manufacturing and trading of audio equipment 2007 RMB'000	Other operations 2007 RMB'000	Total 2007 RMB'000
Turnover	556,193	—	12,176	294,204	—	862,573
Segment operating (loss)/ profit	(565)	—	(5,354)	25,498	(17,524)	2,055
Interest income	704	—	72,481	847	7,138	81,170
Operating profit/(loss)	139	—	67,127	26,345	(10,386)	83,225
Finance costs						(576)
Share of profits less losses of:						
A jointly controlled entity		1,859,673				1,859,673
Other jointly controlled entities			246,472			246,472
Associates	953		6,764			7,717
Profit before taxation						2,196,511
Taxation						(15,522)
Profit for the year						2,180,989
Segment assets	200,396		4,136,700	167,503	1,106,242	5,610,841
Interests in						
A jointly controlled entity		5,110,549				5,110,549
Other jointly controlled entities			1,053,389			1,053,389
Associates	14,161		47,446			61,607
Total assets						11,836,386
Segment liabilities	(105,874)		(9,541)	(39,550)	(8,297)	(163,262)
Unallocated liabilities						(18,472)
Total liabilities						(181,734)
Capital expenditure	2,215	—	357	3,005	658	6,235
Depreciation	3,087	—	1,019	4,429	2,555	11,090
Amortisation	—	—	—	171	437	608

	Trading of motor vehicles 2006 RMB'000	Manufacturing and assembly of motor vehicles 2006 RMB'000	Manufacturing and trading of automotive equipment and parts 2006 RMB'000	Manufacturing and trading of audio equipment 2006 RMB'000	Other operations 2006 RMB'000	Total 2006 RMB'000
Turnover	<u>541,071</u>	<u>—</u>	<u>10,383</u>	<u>277,495</u>	<u>—</u>	<u>828,949</u>
Segment operating profit/(loss)	7,397	—	(7,564)	21,547	(47,098)	(25,718)
Interest income	<u>685</u>	<u>—</u>	<u>29,458</u>	<u>409</u>	<u>7,287</u>	<u>37,839</u>
Operating profit/(loss)	<u>8,082</u>	<u>—</u>	<u>21,894</u>	<u>21,956</u>	<u>(39,811)</u>	<u>12,121</u>
Finance costs						(1,340)
Share of profits less losses of:						
A jointly controlled entity		2,147,559				2,147,559
Other jointly controlled entities			133,344			133,344
Associates	1,756		5,854			<u>7,610</u>
Profit before taxation						2,299,294
Taxation						<u>(12,017)</u>
Profit/(loss) for the year from:						
Continuing operations						2,287,277
A discontinued operation		(8,380)				<u>(8,380)</u>
						<u>2,278,897</u>
Segment assets	192,096		2,556,016	164,767	1,064,969	3,977,848
Interests in						
A jointly controlled entity		5,577,434				5,577,434
Other jointly controlled entities			848,922			848,922
Associates	11,766		45,077			56,843
Unallocated assets						<u>1,038</u>
Total assets						<u>10,462,085</u>
Segment liabilities	(95,515)		(7,543)	(35,907)	(9,207)	(148,172)
Unallocated liabilities						<u>(29,144)</u>
Total liabilities						<u>(177,316)</u>
Capital expenditure	3,601	—	17	4,114	5,308	13,040
Depreciation	3,199	—	275	4,914	2,695	11,083
Amortisation	<u>—</u>	<u>—</u>	<u>—</u>	<u>160</u>	<u>462</u>	<u>622</u>



## Secondary reporting format — geographical segments

	Turnover 2007 RMB'000	Segment operating (loss)/profit 2007 RMB'000	Interest income 2007 RMB'000	Operating profit 2007 RMB'000	Total assets 2007 RMB'000	Capital expenditure 2007 RMB'000
PRC	556,193	(6,053)	73,151	67,098	4,330,608	2,267
Hong Kong	294,204	7,974	7,985	15,959	1,273,745	3,663
Australia	12,176	134	34	168	6,488	305
	<u>862,573</u>	<u>2,055</u>	<u>81,170</u>	<u>83,225</u>	<u>5,610,841</u>	<u>6,235</u>
Interests in						
A jointly controlled entity					5,110,549	
Other jointly controlled entities					1,053,389	
Associates					<u>61,607</u>	
Total assets					<u><u>11,836,386</u></u>	
	Turnover 2006 RMB'000	Segment operating profit/(loss) 2006 RMB'000	Interest income 2006 RMB'000	Operating profit/(loss) 2006 RMB'000	Total assets 2006 RMB'000	Capital expenditure 2006 RMB'000
PRC	541,071	742	30,114	30,856	2,742,348	3,601
Hong Kong	277,495	(25,551)	7,696	(17,855)	1,229,736	9,422
Australia	10,383	(909)	29	(880)	5,764	17
	<u>828,949</u>	<u>(25,718)</u>	<u>37,839</u>	<u>12,121</u>	<u>3,977,848</u>	<u>13,040</u>
Interests in						
A jointly controlled entity					5,577,434	
Other jointly controlled entities					848,922	
Associates					56,843	
Unallocated assets					<u>1,038</u>	
Total assets					<u><u>10,462,085</u></u>	

## 5 OPERATING PROFIT

	<b>Group</b>	
	<b>2007</b>	<b>2006</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Expenses included in cost of sales, selling and distribution costs, general and administrative expenses and other operating expenses of continuing operations are analysed as follows:		
Auditor's remuneration	<b>2,799</b>	2,607
Staff costs (including directors' emoluments)	<b>46,512</b>	47,454
Operating lease rentals in respect of land and buildings	<b>10,504</b>	10,600
Outgoings in respect of investment properties	<b>1,201</b>	1,475
Outgoings in respect of other properties	<b>43</b>	49
Amortisation of prepaid leasehold land and land use rights	<b>608</b>	622
Depreciation of property, plant and equipment	<b>11,090</b>	11,083
(Gain)/loss on disposal of property, plant and equipment	<b>(53)</b>	63
Write-back of provision for impairment loss	<b>(12,907)</b>	—
Provision for inventory obsolescence	<b>392</b>	754
Provision/(write-back of provision) for doubtful debts	<b>156</b>	(337)

Expenses included in a discontinued operation are analysed as follows:

Staff costs	—	7,606
Operating lease rentals in respect of land and buildings	—	246

## 6 INTERESTS IN JOINTLY CONTROLLED ENTITIES

### (a) Interest in a jointly controlled entity

	<b>Group</b>	
	<b>2007</b>	<b>2006</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Share of net assets	<b>5,110,549</b>	5,577,434

Particulars of a jointly controlled entity are as follows:

<u>Name</u>	<u>Place of establishment</u>	<u>Principal activities</u>	<u>Effective interest held</u>
Guangzhou Honda Automobile Co. Ltd.	PRC	Manufacture and assembly of motor vehicles in the PRC	50%

This is a Sino-foreign equity joint-venture in which 50% (2006: 50%) of the equity capital, voting power and profit sharing is held by a 100% (2006: 100%) owned subsidiary of the Company. The Group's investment cost in this company is RMB551,000,000 (2006: RMB551,000,000). 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% (2006: 50%) share of assets and liabilities, income and expenses of the jointly controlled entity:

	2007 <i>RMB'000</i>	2006 <i>RMB'000</i>
<b>Assets:</b>		
Non-current assets <sup>1</sup>	2,822,199	2,751,287
Current assets	<u>7,367,031</u>	<u>6,527,588</u>
	<u>10,189,230</u>	<u>9,278,875</u>
<b>Liabilities:</b>		
Non-current liabilities	(3,000)	(2,600)
Current liabilities	<u>(5,072,043)</u>	<u>(3,695,452)</u>
	<u>(5,075,043)</u>	<u>(3,698,052)</u>
Minority interests	<u>(3,638)</u>	<u>(3,389)</u>
	<u>5,110,549</u>	<u>5,577,434</u>
Income	19,319,044	18,755,519
Expenses	<u>(17,459,371)</u>	<u>(16,607,960)</u>
Profit for the year	<u>1,859,673</u>	<u>2,147,559</u>

<sup>1</sup> Included in this balance is goodwill of approximately RMB150,420,000 (2006: RMB150,420,000) arising from the acquisition of motor vehicle manufacturing business and a production plant in Guangzhou by the jointly controlled entity.

#### *Capital commitments*

At 31 December 2007, the Group's share of capital commitments in respect of construction and purchase of property, plant and equipment of the jointly controlled entity itself was as follows:

	2007 <i>RMB'000</i>	2006 <i>RMB'000</i>
Authorised but not contracted for	<u>985,167</u>	<u>—</u>
Contracted but not provided for	<u>—</u>	<u>—</u>

(b) Interests in other jointly controlled entities

	<b>Group</b>	
	<b>2007</b>	2006
	<b>RMB'000</b>	RMB'000
Share of net assets	<b>669,381</b>	457,350
Intangible assets <sup>2</sup>	<b>384,008</b>	391,572
	<b><u>1,053,389</u></b>	<u>848,922</u>

<sup>2</sup> Included in this balance is goodwill of approximately RMB215,897,000 (2006: RMB215,897,000) arising from the acquisition of shares and shareholder's loan by the Group.

Particulars of the principal jointly controlled entity are as follows:

<b>Name</b>	<b>Place of establishment</b>	<b>Principal activities</b>	<b>Effective interest held</b>
Guangzhou Automobile Group Component Co., Limited	PRC	Investment holding in entities engaged in manufacture and assembly of parts and components for motor vehicles in the PRC	49%

This is a Sino-foreign equity joint-venture in which 49% (2006: 49%) of the equity capital is held by a 100% (2006: 100%) owned subsidiary of the Company. The Group's investment cost in this company is RMB740,388,000 (2006: RMB740,388,000). The Group has no unilateral control over the joint venture company. The joint venture period is 40 years from September 2005.

## 7 TAXATION

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

The amount of taxation charged to the consolidated income statement represents:

	<b>Group</b>	
	<b>2007</b>	2006
	<b>RMB'000</b>	RMB'000
Current taxation		
Hong Kong profits tax	<b>1,010</b>	2,623
PRC enterprise income tax	<b>15,353</b>	8,762
	<b>16,363</b>	11,385
Deferred taxation		
Hong Kong profits tax	<b>(841)</b>	632
	<b><u>15,522</u></b>	<u>12,017</u>

The taxation differs from the theoretical amount that would arise using the PRC enterprise income tax rate as follows:

	2007 <i>RMB'000</i>	2006 <i>RMB'000</i>
Profit before taxation, less share of profits less losses of jointly controlled entities and associates	<u>82,649</u>	<u>10,781</u>
Calculated at a tax rate of 33% (2006: 33%)	27,274	3,558
Effect of different tax rates in different tax jurisdictions	(895)	(1,263)
Income not subject to tax	(11,254)	(2,540)
Expenses not deductible for tax purposes	397	10,634
Underprovision in prior years	<u>—</u>	<u>1,628</u>
Taxation charge	<u>15,522</u>	<u>12,017</u>

## 8 EARNINGS PER SHARE

### Basic

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

	2007 <i>RMB'000</i>	2006 <i>RMB'000</i>
Profit/(loss) attributable to the equity holders of the Company		
— continuing operations	2,170,395	2,277,819
— a discontinued operation	<u>—</u>	<u>(4,190)</u>
	<u>2,170,395</u>	<u>2,273,629</u>
Weighted average number of ordinary shares in issue ('000)	<u>7,517,953</u>	<u>7,517,359</u>
Basic earnings/(losses) per share (RMB cents)		
— continuing operations	28.9	30.3
— a discontinued operation	<u>—</u>	<u>(0.1)</u>
	<u>28.9</u>	<u>30.2</u>

### 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 year which are dilutive potential 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.

	2007 <i>RMB'000</i>	2006 <i>RMB'000</i>
Profit/(loss) attributable to the equity holders of the Company		
— continuing operations	2,170,395	2,277,819
— a discontinued operation	—	(4,190)
	<u>2,170,395</u>	<u>2,273,629</u>
Weighted average number of ordinary shares in issue ('000)	7,517,953	7,517,359
Adjustments for share options ('000)	<u>17,921</u>	<u>12,111</u>
Weighted average number of ordinary shares for diluted earnings per share ('000)	<u>7,535,874</u>	<u>7,529,470</u>
Diluted earnings/(losses) per share (RMB cents)		
— continuing operations	28.8	30.3
— a discontinued operation	—	(0.1)
	<u>28.8</u>	<u>30.2</u>

## 9 DIVIDENDS

	<b>Company</b>	
	2007 <i>RMB'000</i>	2006 <i>RMB'000</i>
Interim, paid, HK5 cents (2006: HK5 cents) per ordinary share	366,612	385,825
Final, proposed, of RMB6 cents (2006: HK6 cents) per ordinary share (note (a))	451,122	439,856
Special, proposed, of RMB2.5 cents (2006: Nil) per ordinary share (note (a))	<u>187,967</u>	—
	<u>1,005,701</u>	<u>825,681</u>

- (a) The directors recommend the payment of a final dividend of RMB6 cents and a special dividend of RMB2.5 cents per ordinary share. Total dividends for year 2007 will be RMB8.5 cents plus HK5 cents per ordinary share. Such dividend is to be approved by the shareholders at the annual general meeting on 29 May 2008. These proposed dividends are not reflected as dividend payable in these financial statements but will be reflected as an appropriation of retained earnings for the year ending 31 December 2008.

## 10 TRADE AND OTHER RECEIVABLES

	Group	
	2007 RMB'000	2006 RMB'000
Trade receivables ( <i>note (a)</i> )	44,190	46,817
Less: provision for impairment of receivables	<u>(1,048)</u>	<u>(892)</u>
Trade receivables — net	43,142	45,925
Due from a jointly controlled entity ( <i>note (b)</i> )	11,378	5,796
Dividend receivable from a jointly controlled entity ( <i>note (b)</i> )	436,729	—
Dividend receivables from other jointly controlled entities ( <i>note (b)</i> )	20,099	—
Other receivables, prepayments and deposits	<u>50,553</u>	<u>28,655</u>
	<u><b>561,901</b></u>	<u><b>80,376</b></u>

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

(b) The balances are unsecured, interest-free and repayable on demand.

The carrying amounts of trade and other receivables approximate their fair values.

At 31 December 2007, the ageing analysis of the trade receivables was as follows:

	Group	
	2007 RMB'000	2006 RMB'000
Within 3 months	38,765	42,921
4–6 months	3,985	2,003
7–12 months	379	468
Over 12 months	<u>1,061</u>	<u>1,425</u>
	<u><b>44,190</b></u>	<u><b>46,817</b></u>

## 11 TRADE AND OTHER PAYABLES

	Group	
	2007 RMB'000	2006 RMB'000
Due to the single largest shareholder of the Company ( <i>note (a)</i> )	906	2,778
Due to a fellow subsidiary ( <i>note (a)</i> )	45	40
Due to an associate ( <i>note (a)</i> )	235	773
Due to a minority shareholder of a subsidiary ( <i>note (a)</i> )	415	445
Trade payables	53,335	33,797
Bills payables ( <i>note (b)</i> )	80,397	78,600
Other payables, deposits received and accrued charges	<u>27,929</u>	<u>31,739</u>
	<u><b>163,262</b></u>	<u><b>148,172</b></u>

(a) The balances are unsecured, interest-free and repayable on demand.

(b) Bills payables are due for payments within 6 months.

At 31 December 2007, the ageing analysis of the trade payables was as follows:

	<b>Group</b>	
	<b>2007</b>	<b>2006</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Within 3 months	<b>42,577</b>	33,264
4–6 months	<b>9,748</b>	119
7–12 months	<b>321</b>	85
Over 12 months	<b>689</b>	329
	<b>53,335</b>	<b>33,797</b>

## **PROPOSED FINAL DIVIDEND AND SPECIAL DIVIDEND**

The Board recommends a final dividend of RMB6 cents (2006: a final dividend of HK6 cents) per ordinary share for the year ended 31 December 2007. Year 2008 marks the 15th anniversary of listing of the Company and the 10th anniversary of establishment of the Sedan Company. In celebration of our anniversary, the Board also recommends a special dividend of RMB2.5 cents. Together with the interim dividend of HK5 cents paid, total dividend for year 2007 will be RMB8.5 cents and HK5 cents (2006: HK11 cents) per ordinary share. Subject to the approval of shareholders at the forthcoming annual general meeting, the final dividend and the special dividend will be paid on 19 June 2008 to shareholders whose names appeared on the register of members of the Company on 29 May 2008.

The proposed final dividend and the special dividend for the year 2007 will be declared and calculated in Renminbi, and paid in Hong Kong dollars. The relevant exchange rate will be the average middle rate of Renminbi to Hong Kong dollars as announced by the People's Bank of China for the period of the closure of register of members from 23 May 2008 to 29 May 2008.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from Friday, 23 May, 2008 to Thursday, 29 May, 2008, both days inclusive, during which no transfer of shares will be registered. In order to qualify for the proposed final dividend and the special dividend, all completed transfer forms with the relevant share certificates must be lodged with the Company's Registrars, Tricor Abacus Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Thursday, 22 May, 2008.

## **BUSINESS REVIEW**

For the year ended 31 December 2007, turnover from the continuing operations of the Group was RMB862,573,000 (2006: RMB828,949,000), an increase of 4.1% over the last year. The profit attributable to the equity holders of the Company was RMB2,170,395,000 (2006: RMB2,273,629,000), a decrease of 4.5% over the last year. Basic earnings per share from the continuing operations attributable to the equity holders of the Company was RMB28.9 cents (2006: 30.3 cents), a decrease of 4.6% over the last year. In order to reflect the fact that the Group's major assets, income and expenses are denominated in Renminbi and to minimize the effect from exchange rate fluctuations, the consolidated financial statements of the Group for the year ended 31 December 2007 together with the comparative figures for



2006 are presented in Renminbi. If the reporting currency of the Group remained in Hong Kong dollar, profit attributable to the equity holders of the Company for the year ended 31 December 2007 would have been substantially similar to that of last year due to continued appreciation of Renminbi of approximately 5% in 2007. The decrease of such profit would have been lower than the decrease of that presented in Renmibi as mentioned above.

Along with the sustainable economic growth in the People's Republic of China (the "PRC") in 2007, the automobile industry of the PRC has continued to expand rapidly under various favorable circumstances, such as macroeconomic policy, industrial policy, consumption desire and household income. The PRC is the world's second largest consumer of automobile as well as the world's third largest producer of automobile. According to the statistics by classification in the PRC, the aggregate profit from those enterprises with sales over RMB5 million in the entire automobile industry exceeded RMB100 billion. In 2007, the production volume of motor vehicles amounted to 8,882,400 units, a net increase of 1,602,700 units or 22.0% over the last year; the sales volume of motor vehicles was 8,791,500 units, a net increase of 1,576,000 units or 21.8% over the last year. Of the total, 6,381,100 units produced and 6,297,500 units sold were passenger vehicles, representing a year-on-year growth of 21.9% and 21.7% respectively, and the sales of passenger vehicles accounted for 71.6% of total vehicles sales.

During 2007, an aggregate of 295,462 units and 295,299 units of vehicles were produced and sold respectively by the Company, through a jointly controlled entity (the "Sedan Company") which is directly owned by the Company's wholly-owned subsidiary, Guangzhou Auto Group Corporation, representing an increase of approximately 12.8% and 13.5% respectively over previous year. Fierce competition in the market and the time gap for new generation of motor vehicles posed a serious challenge to the Sedan Company, but four vehicle categories recorded strong performance in 2007, the sales of Odyssey, City and Fit ranked on top in its respective sub-category. Furthermore, the seventh generation Accord still ranked second in the mid to high end sedans market in the PRC before the launching of new generation of Accord.

Leveraging on the experience of the Sedan Company in vehicle production over years, there was a breakthrough in research and development ("R&D") program for vehicles. On 19 July 2007, a R&D company with limited liability, which is wholly-owned by the Sedan Company, was established. It is the only R&D Company established by a joint venture in the PRC, having individual legal personality with vehicle production and development capacity. Such company is engaged in the research and development on the whole series of sedans under the brand of the Sedan Company. Upon the completion of new facilities, synergy effect will be created with the existing facilities of the Sedan Company. Production cost then will be cut down so as to sharpen the competitiveness of the Sedan Company. In addition, the Sedan Company has obtained the governmental approval in respect of the production of engines. It is therefore well positioned to further develop its motor vehicle manufacturing business in the future.

The Group has a 49% equity interest of Guangzhou Automobile Group Component Co., Ltd. ("Guangzhou Component"). As the economy remained strong in 2007, the vehicle market enjoyed steady growth. Meanwhile, drop of the costs of import materials by the change of RMB exchange rate, the expansion of production capacity of all vehicle manufacturers in Guangzhou and the increase in the degree of domestic production and internal control of

Guangzhou Component continued to push up the turnover, production capacity and sales income, while enjoying the benefits from the economy of scale. As a result, the Group has achieved beyond the targets set by the board of directors (the “Board”).

For vehicles trading of the Group, although its performance is slightly below the expectation due to keen competition in the market, it was still in line with the annual increase of the entire vehicles trading market in the PRC. Furthermore, the performance of manufacturing and trading of audio equipment were consistent with our expectations.

## **FUTURE PROSPECTS**

Currently, the economic development of the PRC as a whole shows a positive trend with a rapid growth in national economy, steady operation of financial system, gradual development of foreign trade and improvement of living standard in the PRC. In 2008, the PRC will continue to focus on economic development, further promotion of domestic demand, in particular consumption demand, technology innovation, energy saving and reduction in emissions in order to sustain the development of the PRC.

The motor vehicle market in the PRC is poised to boom on the back of tremendous opportunities brought by an estimated upsurge in GDP of the PRC in 2008 by 8%, Beijing 2008 Olympic Games, expected 4.8% increase in the consumer price index, increasing purchasing power as well as market potential in the PRC. The economic growth in the PRC leads to an increase in per-capita car ownership. According to the forecast by China Association of Automobile Manufacturers, production and sales volume for motor vehicles in 2008 is expected to exceed 10 million units, of which 73% is passenger vehicles. The Group believes that demand for sedans in the PRC has enormous potential for long-term growth.

The Sedan Company plans to produce and sell 340,000 units of sedans in 2008, in which annual production volume for the eighth generation Accord will amount to 178,000 units, Odyssey will amount to 42,000 units and both Fit and City will amount to 60,000 units. For achieving such goals, the Sedan Company will launch a new generation of Fit in addition to the commencement of production of the eighth generation Accord. In 2008, the Sedan Company will create its own brand name and implement its brand name strategy; the first concept car under its own brand name will be introduced at the Beijing Automobile Exhibition this year. Year 2008 is the 10th anniversary of the establishment of the Sedan Company. Looking forward to the next decade, the Sedan Company has formulated long-term development plan to pursue better results in sales volume, system establishment, talent retention, brand name creation and expansion of sales and service channels, so as to be well-accepted by the community.

In 2008, Guangzhou Component will closely follow the development of the sedan plants so as to grasp any opportunity for new project developments, seeking to maintain vigorous growth through ongoing improvements in its management system, higher levels of domestic production, production of auxiliary items in more significant scale, maximization of continuing increase in sales income of this year and a reduction in production costs.

The automobile industry of Guangzhou is expected to continue its growth in full swing in 2008. The Group will continue to identify potential business opportunities related to the automobile industry. 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 Group's turnover from its continuing operations for the year ended 31 December 2007 was approximately RMB862,573,000, representing an increase of approximately 4.1% compared with that in 2006. Profit attributable to the equity holders of the Company was approximately RMB2,170,395,000, representing a decrease of 4.5% compared with that in 2006.

In order to reflect the fact that the Group's major assets, income and expenses are denominated in Renminbi and to minimize the effect from exchange rate fluctuations, the consolidated financial statements of the Group for the year ended 31 December 2007 together with the comparative figures for 2006 are presented in Renminbi. If the reporting currency of the Group remained in Hong Kong dollar, profit attributable to the equity holders of the Company for the year ended 31 December 2007 would have been substantially similar to that of last year due to continued appreciation of Renminbi of approximately 5% in 2007. The decrease of such profit would have been lower than the decrease of that presented in Renminbi as mentioned above.

On 17 February 2006, the Group announced a connected transaction in relation to a disposal of the equity interest in a subsidiary ("the disposed subsidiary") which principal activities are the manufacturing and assembly of motor vehicles. In accordance to HKFRS, the items relating to the disposed subsidiary in the consolidated income statement in 2006 were presented separately as a discontinued operation. The transaction was approved by independent shareholders on 23 March 2006.

The turnover of the trading of motor vehicles increased by RMB15,122,000 which represented an increase of approximately 2.8% compared with that in 2006. The operating profit of this segment decreased by RMB7,943,000, mainly because a vehicle trading company recorded a loss in 2007. The turnover of the manufacturing and trading of automotive equipment and parts increased by RMB1,793,000 which represented an increase of approximately 17.3% compared with that in 2006. The operating profit of this segment increased by RMB45,233,000 over 2006, mainly due to a significant increase in interest income. The turnover of the manufacturing and trading of audio equipment increased by RMB16,709,000 which represented an increase of approximately 6.0% over 2006, mainly due to an increase in sales orders. The operating profit of this segment increased by RMB4,389,000 in 2007, mainly due to an effective cost control. The operating loss of other segment decreased by RMB29,425,000, mainly due to increases in fair value gains on investment properties and write-back of provision for impairment loss. The order on hand of the Group for the business of the manufacturing and trading of audio equipment was approximately RMB30,310,000 as at 31 December 2007.

The total borrowings of the Group decreased from approximately RMB14,000,000 at the end of 2006 to approximately RMB4,863,000 as at 31 December 2007, mainly due to repayment of the borrowings. The Group maintained a low ratio of borrowings relative to total equity at approximately 0.04% as at 31 December 2007 and 0.14% as at 31 December 2006. The ratio of total liabilities relative to total equity slightly decreased to approximately 1.6%

as at 31 December 2007 from approximately 1.7% as at 31 December 2006. The Group's borrowings were secured by leasehold land, buildings and investment properties with a total net book value of approximately RMB41,361,000 and pledged bank deposits of approximately RMB27,052,000. As at 31 December 2007, the Group had no contingent liabilities.

The Group had cash and bank balances of approximately RMB3,896,283,000 as at 31 December 2007. This included the net cash used in operating activities of approximately RMB47,541,000. During the year, the payment of dividend by the Company was financed by the receipt of cash dividend from investment vehicles.

The Group's general and administrative expenses for the year ended 31 December 2007 were approximately RMB61,424,000, representing a decrease of approximately 6.2% compared with that in 2006, mainly due to the implementation of effective control over expenses within the Group. Finance cost decreased by RMB764,000, mainly due to the reduction of the borrowings of the Group. The interest cover remained at a high level of 3,814 multiples in 2007 compared with that of 1,717 multiples in 2006.

Share of profits of associates was approximately RMB7,717,000 in 2007, representing an increase of approximately 1.4% compared with that in 2006.

On 6 October 2005, the Group announced a connected transaction in relation to an acquisition of 49% equity interest in a jointly controlled entity. The jointly controlled entity holds several jointly controlled entities and the Group classified all of them as other jointly controlled entities for presentation purpose. Share of profits of other jointly controlled entities was approximately RMB246,472,000 in 2007, representing an increase of approximately 84.8% compared with that in 2006, mainly due to increases in sales orders as well as production capacities. The percentage ratio of such profit to profit of the Group increased from approximately 5.9% in 2006 to approximately 11.3% in 2007, resulting in the expansion of profit sources of the Group and such profit became one of the major sources of profit of the Group.

Share of profit of a jointly controlled entity was another major source of profit of the Group, which contributed approximately RMB1,859,673,000, representing a decrease of approximately 13.4% compared with that in 2006, mainly due to the adjustment to sales and production mix as well as the time gap for new generation of core products.

## **EMPLOYEES AND REMUNERATION POLICY**

As at 31 December 2007, the continuing operations of the Group employed approximately 1,500 (2006: 1,500) staff in the PRC, Hong Kong and Australia.

Remuneration policies and packages for the Group's employees are based on individual qualifications, performance and experience. In addition, various training sessions are offered to employees to enhance their knowledge. The remuneration of directors is determined according to their expertise, knowledge and contributions to the Group with reference to the Group's profitability and the prevailing market conditions. The Company has also adopted a share option scheme under which directors and employees of the Group may be granted share options to subscribe for shares in the Company for the purposes of recognizing their contributions.

## **CORPORATE GOVERNANCE**

Since 2005, the Company has adopted its own Code on Corporate Governance (the “Denway Code”), which covered all of the code provisions and recommended best practices that are considered reasonable and appropriate by the Board of Appendix 14 “Code of Corporate Governance Practices” (the “CG Code”), and model code for securities transactions by the directors on terms no less exacting than those set out in Appendix 10 “Model Code for Securities Transactions by Directors of Listed Companies” (the “Model Code”) of the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

During 2007, the Company complied with all code provisions as set out in the CG Code without significant variation.

Having made specific enquiries, all directors have confirmed that they have strictly complied with the required standards set out in the Model Code throughout 2007.

The Audit Committee has reviewed the results of the Group for the year ended 31 December 2007.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES**

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities during the year.

## **DISCLOSURE OF INFORMATION ON THE WEBSITE OF THE STOCK EXCHANGE**

The 2007 Annual Report of the Company containing all the information required by Appendix 16 to the Listing Rules will be published on the websites of The Stock Exchange of Hong Kong Limited ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.denway-motors.com](http://www.denway-motors.com)) and will be sent to shareholders of the Company in due course.

## **LIST OF DIRECTORS**

As at the date of this announcement, the Board comprised 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

By order of the Board  
**ZHANG Fangyou**  
*Chairman*

Hong Kong, 2 April 2008