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**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 RESULTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2008**

**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 2008, together with comparative figures for the corresponding period in 2007 are as follows:

**CONSOLIDATED INCOME STATEMENT**

*For the year ended 31 December 2008*

		<b>Group</b>	
		<b>2008</b>	<b>2007</b>
	<i>Note</i>	<b>RMB'000</b>	<b>RMB'000</b>
Turnover	4	<b>725,464</b>	862,573
Cost of sales		<b>(682,776)</b>	<b>(783,337)</b>
Gross profit		<b>42,688</b>	79,236
Other income and other gains		<b>115,467</b>	103,341
Selling and distribution costs		<b>(28,210)</b>	(32,371)
General and administrative expenses		<b>(67,260)</b>	(61,424)
Other operating expenses		<b>(48,210)</b>	<b>(5,557)</b>

		<b>Group</b>	
		<b>2008</b>	2007
	<i>Note</i>	<b>RMB'000</b>	<i>RMB'000</i>
Operating profit	5	<b>14,475</b>	83,225
Finance costs		<b>(646)</b>	(576)
Share of profits less losses of:			
A jointly controlled entity	6(a)	<b>1,912,723</b>	1,859,673
Other jointly controlled entities		<b>217,608</b>	246,472
Associates		<b>5,784</b>	7,717
Profit before taxation		<b>2,149,944</b>	2,196,511
Taxation	7	<b>(59,938)</b>	(15,522)
Profit for the year		<b><u>2,090,006</u></b>	<u>2,180,989</u>
Attributable to:			
Equity holders of the Company		<b>2,094,259</b>	2,170,395
Minority interests		<b>(4,253)</b>	10,594
		<b><u>2,090,006</u></b>	<u>2,180,989</u>
Earnings per share attributable to the equity holders of the Company	8		
Basic		<b><u>27.9 cents</u></b>	<u>28.9 cents</u>
Diluted		<b><u>27.8 cents</u></b>	<u>28.8 cents</u>
Dividends	9	<b><u>526,309</u></b>	<u>1,005,701</u>

**BALANCE SHEETS***As at 31 December 2008*

		<b>Group</b>	
		<b>2008</b>	<b>2007</b>
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible asset		<b>896,398</b>	896,398
Leasehold land and land use rights		<b>36,503</b>	39,595
Property, plant and equipment		<b>48,702</b>	69,430
Investment properties		<b>49,669</b>	54,358
Interest in a jointly controlled entity	6(a)	<b>5,265,800</b>	5,110,549
Interests in other jointly controlled entities	6(b)	<b>1,270,988</b>	1,053,389
Interests in associates		<b>64,889</b>	61,607
		<b><u>7,632,949</u></b>	<b><u>7,285,326</u></b>
<b>Current assets</b>			
Inventories		<b>70,788</b>	92,876
Trade and other receivables	10	<b>881,343</b>	561,901
Current tax recoverable		<b>1,506</b>	—
Cash and bank balances			
— pledged bank deposits		<b>5,721</b>	27,052
— cash and cash equivalents		<b>4,254,993</b>	3,869,231
		<b><u>5,214,351</u></b>	<b><u>4,551,060</u></b>
<b>Total assets</b>		<b><u>12,847,300</u></b>	<b><u>11,836,386</u></b>

		<b>Group</b>	
		<b>2008</b>	2007
	<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		757,118	757,118
Reserves			
Proposed final dividend		150,374	451,122
Proposed special dividend		—	187,967
Others		<u>11,744,638</u>	<u>10,180,765</u>
		<b>12,652,130</b>	11,576,972
Minority interests		<u>67,586</u>	<u>77,680</u>
Total equity		<u>12,719,716</u>	<u>11,654,652</u>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings		752	2,247
Deferred tax liabilities		<u>40,999</u>	<u>964</u>
		<u>41,751</u>	<u>3,211</u>
<b>Current liabilities</b>			
Trade and other payables	11	76,205	163,262
Current tax liabilities		8,270	12,645
Borrowings		<u>1,358</u>	<u>2,616</u>
		<u>85,833</u>	<u>178,523</u>
Total liabilities		<u>127,584</u>	<u>181,734</u>
Total equity and liabilities		<u>12,847,300</u>	<u>11,836,386</u>
Net current assets		<u>5,128,518</u>	<u>4,372,537</u>
Total assets less current liabilities		<u>12,761,467</u>	<u>11,657,863</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 consolidated financial statements are presented in Renminbi ("RMB"). These consolidated financial statements were approved by the Board for issue on 2 April 2009.

## 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 amendments to standards and interpretations are mandatory for financial year ended 31 December 2008:

HKAS 39 and HKFRS 7 (Amendments)	Financial instruments: Recognition and Measurement
HK(IFRIC) — Int 11	HKFRS 2 — Group and Treasury Share Transactions
HK(IFRIC) — Int 12	Service Concession Arrangements
HK(IFRIC) — Int 14	HKAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction

The adoption of the above amendments to standards and interpretations did not have any significant financial impact to the Group.

## 4. TURNOVER AND SEGMENT INFORMATION

Turnover represents sales by the Company and its subsidiary companies to external customers and comprises revenue from:

	<b>Group</b>	
	<b>2008</b>	2007
	<b>RMB'000</b>	RMB'000
Trading of motor vehicles	<b>485,217</b>	556,193
Manufacturing and trading of automotive equipment and parts	<b>9,655</b>	12,176
Manufacturing and trading of audio equipment	<b>230,592</b>	294,204
	<b><u>725,464</u></b>	<u>862,573</u>

### **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 2008 RMB'000	Manufacturing and assembly of motor vehicles 2008 RMB'000	Manufacturing and trading of automotive equipment and parts 2008 RMB'000	Manufacturing and trading of audio equipment 2008 RMB'000	Other operations 2008 RMB'000	Total 2008 RMB'000
Turnover	<u>485,217</u>	<u>—</u>	<u>9,655</u>	<u>230,592</u>	<u>—</u>	<u>725,464</u>
Segment operating loss	(24,566)	—	(29,703)	(8,866)	(38,826)	(101,961)
Interest income	<u>391</u>	<u>—</u>	<u>111,793</u>	<u>227</u>	<u>4,025</u>	<u>116,436</u>
Operating (loss)/profit	<u>(24,175)</u>	<u>—</u>	<u>82,090</u>	<u>(8,639)</u>	<u>(34,801)</u>	14,475
Finance costs						(646)
Share of profits less losses of:						
A jointly controlled entity		1,912,723				1,912,723
Other jointly controlled entities			217,608			217,608
Associates	2,117		3,667			<u>5,784</u>
Profit before taxation						2,149,944
Taxation						<u>(59,938)</u>
Profit for the year						<u>2,090,006</u>
Segment assets	111,999		4,899,219	136,052	1,096,847	6,244,117
Interests in						
A jointly controlled entity		5,265,800				5,265,800
Other jointly controlled entities			1,270,988			1,270,988
Associates	13,877		51,012			64,889
Unallocated assets						<u>1,506</u>
Total assets						<u>12,847,300</u>
Segment liabilities	(32,624)		(4,472)	(29,928)	(9,181)	(76,205)
Unallocated liabilities						<u>(51,379)</u>
Total liabilities						<u>(127,584)</u>
Capital expenditure	869	—	879	2,178	53	3,979
Depreciation	1,597	—	1,028	4,033	2,622	9,280
Amortisation	—	—	—	156	639	795
Impairment loss	<u>11,148</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>11,148</u>

	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	<u>556,193</u>	<u>—</u>	<u>12,176</u>	<u>294,204</u>	<u>—</u>	<u>862,573</u>
Segment operating (loss)/profit	(565)	—	(5,354)	25,498	(17,524)	2,055
Interest income	<u>704</u>	<u>—</u>	<u>72,481</u>	<u>847</u>	<u>7,138</u>	<u>81,170</u>
Operating profit/(loss)	<u>139</u>	<u>—</u>	<u>67,127</u>	<u>26,345</u>	<u>(10,386)</u>	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			<u>7,717</u>
Profit before taxation						2,196,511
Taxation						<u>(15,522)</u>
Profit for the year						<u>2,180,989</u>
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			<u>61,607</u>
Total assets						<u>11,836,386</u>
Segment liabilities	(105,874)		(9,541)	(39,550)	(8,297)	(163,262)
Unallocated liabilities						<u>(18,472)</u>
Total liabilities						<u>(181,734)</u>
Capital expenditure	2,215	—	357	3,005	658	6,235
Depreciation	3,087	—	1,019	4,429	2,555	11,090
Amortisation	<u>—</u>	<u>—</u>	<u>—</u>	<u>171</u>	<u>437</u>	<u>608</u>



Secondary reporting format — geographical segments

	Turnover 2008 <i>RMB'000</i>	Segment operating loss 2008 <i>RMB'000</i>	Interest income 2008 <i>RMB'000</i>	Operating profit/ (loss) 2008 <i>RMB'000</i>	Total assets 2008 <i>RMB'000</i>	Capital expenditure 2008 <i>RMB'000</i>
PRC	485,217	(53,542)	112,150	58,608	5,007,362	1,574
Hong Kong	230,592	(47,692)	4,252	(43,440)	1,232,899	2,231
Australia	<u>9,655</u>	<u>(727)</u>	<u>34</u>	<u>(693)</u>	<u>3,856</u>	<u>174</u>
	<u>725,464</u>	<u>(101,961)</u>	<u>116,436</u>	<u>14,475</u>	6,244,117	<u>3,979</u>
Interests in						
A jointly controlled entity					5,265,800	
Other jointly controlled entities					1,270,988	
Associates					64,889	
Unallocated assets					<u>1,506</u>	
Total assets					<u>12,847,300</u>	
	Turnover 2007 <i>RMB'000</i>	Segment operating (loss)/ profit 2007 <i>RMB'000</i>	Interest income 2007 <i>RMB'000</i>	Operating profit 2007 <i>RMB'000</i>	Total assets 2007 <i>RMB'000</i>	Capital expenditure 2007 <i>RMB'000</i>
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	<u>12,176</u>	<u>134</u>	<u>34</u>	<u>168</u>	<u>6,488</u>	<u>305</u>
	<u>862,573</u>	<u>2,055</u>	<u>81,170</u>	<u>83,225</u>	5,610,841	<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>11,836,386</u>	

## 5 OPERATING PROFIT

	<u>Group</u>	
	2008	2007
	RMB'000	RMB'000
Expenses included in cost of sales, selling and distribution costs, general and administrative expenses and other operating expenses are analysed as follows:		
Cost of inventories sold	622,157	740,543
Auditor's remuneration	3,142	2,799
Staff costs (including directors' emoluments)	42,286	46,512
Operating lease rentals in respect of land and buildings	9,066	10,504
Outgoings in respect of investment properties	1,056	1,201
Outgoings in respect of other properties	33	43
Amortisation of prepaid leasehold land and land use rights	795	608
Depreciation of property, plant and equipment	9,280	11,090
Loss/(gain) on disposal of property, plant and equipment	33	(53)
Provision/(write-back of provision) for impairment loss of property, plant and equipment/land use rights	<u>11,148</u>	<u>(12,907)</u>

## 6 INTERESTS IN JOINTLY CONTROLLED ENTITIES

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

	<u>Group</u>	
	2008	2007
	RMB'000	RMB'000
Share of net assets	<u>5,265,800</u>	<u>5,110,549</u>

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% (2007: 50%) of the equity capital, voting power and profit sharing is held by a 100% (2007: 100%) owned subsidiary of the Company. The Group's investment cost in this company is RMB551,000,000 (2007: 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% (2007: 50%) share of assets and liabilities, income and expenses of the jointly controlled entity:

	<b>2008</b>	2007
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Assets:		
Non-current assets <sup>1</sup>	2,882,882	2,822,199
Current assets	<u>7,334,971</u>	<u>7,367,031</u>
	<u>10,217,853</u>	<u>10,189,230</u>
Liabilities:		
Non-current liabilities	(3,000)	(3,000)
Current liabilities	<u>(4,944,830)</u>	<u>(5,072,043)</u>
	<u>(4,947,830)</u>	<u>(5,075,043)</u>
Minority interests	<u>(4,223)</u>	<u>(3,638)</u>
	<u>5,265,800</u>	<u>5,110,549</u>
Income	22,414,913	19,319,044
Expenses	<u>(20,502,190)</u>	<u>(17,459,371)</u>
Profit for the year	<u>1,912,723</u>	<u>1,859,673</u>

<sup>1</sup> Included in this balance is goodwill of approximately RMB150,420,000 (2007: RMB150,420,000) arising from the acquisition of the motor vehicle manufacturing business and a production plant in Guangzhou by the jointly controlled entity.

#### *Capital commitments*

At 31 December 2008, 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:

	<b>2008</b>	2007
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Authorised but not contracted for	<u>—</u>	<u>985,167</u>
Contracted but not provided for	<u>85,467</u>	<u>—</u>

#### **(b) Interests in other jointly controlled entities**

	<b>Group</b>	
	<b>2008</b>	2007
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Share of net assets	<u>894,544</u>	<u>669,381</u>
Intangible assets		
— Technology	160,547	168,111
— Goodwill	<u>215,897</u>	<u>215,897</u>
	<u>376,444</u>	<u>384,008</u>
	<u>1,270,988</u>	<u>1,053,389</u>

Included in this balance is goodwill of approximately RMB215,897,000 (2007: 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:

<u>Name</u>	<u>Place of establishment</u>	<u>Principal activities</u>	<u>Effective interest held</u>
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% (2007: 49%) of the equity capital is held by a 100% (2007: 100%) owned subsidiary of the Company. The Group's investment cost in this company is RMB740,388,000 (2007: 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 16.5% (2007: 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.

	<u>Group</u>	
	<u>2008</u>	2007
	<i>RMB'000</i>	<i>RMB'000</i>
Current taxation		
Hong Kong profits tax	—	1,010
PRC enterprise income tax	<b>14,666</b>	15,353
Under-provision in prior year	<b>5,237</b>	—
	<u><b>19,903</b></u>	<u>16,363</u>
Deferred taxation		
Recognition of deferred withholding tax	<b>29,127</b>	—
Origination and reversal of temporary differences	<b>10,853</b>	(841)
Impact of change in Hong Kong tax rate	<b>55</b>	—
	<u><b>40,035</b></u>	<u>(841)</u>
Taxation charge	<u><b>59,938</b></u>	<u>15,522</u>

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

	<b>2008</b>	2007
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Profit before taxation, less share of profits less losses of jointly controlled entities and associates	<u><b>13,829</b></u>	<u>82,649</u>
Calculated at a tax rate of 25% (2007: 33%)	<b>3,457</b>	27,274
Effect of different tax rates in different tax jurisdictions	<b>(1,733)</b>	(895)
Income not subject to tax	<b>(661)</b>	(11,254)
Expenses not deductible for tax purposes	<b>17,144</b>	397
Tax losses not recognised	<b>7,312</b>	—
Impact of change in Hong Kong tax rate	<b>55</b>	—
Under-provision in prior year	<b>5,237</b>	—
Recognition of deferred withholding tax	<u><b>29,127</b></u>	<u>—</u>
Taxation charge	<u><b>59,938</b></u>	<u>15,522</u>

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the enterprises established in the PRC. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty or an arrangement between China and jurisdiction of the foreign investors. For the Group, the applicable rate is 5%. The Group is therefore liable to withholding taxes on dividends distributed by those subsidiaries and jointly controlled entities established in the PRC in respect of earnings generated from 1 January 2008.

## 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.

	<b>2008</b>	2007
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Profit attributable to the equity holders of the Company	<u><b>2,094,259</b></u>	<u>2,170,395</u>
Weighted average number of ordinary shares in issue ( <i>'000</i> )	<u><b>7,518,699</b></u>	<u>7,517,953</u>
Basic earnings per share ( <i>RMB cents</i> )	<u><b>27.9</b></u>	<u>28.9</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.

	<b>2008</b>	2007
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Profit attributable to the equity holders of the Company	<u><b>2,094,259</b></u>	<u>2,170,395</u>
Weighted average number of ordinary shares in issue ('000)	<b>7,518,699</b>	7,517,953
Adjustments for share options ('000)	<u><b>9,886</b></u>	<u>17,921</u>
Weighted average number of ordinary shares for diluted earnings per share ('000)	<u><b>7,528,585</b></u>	<u>7,535,874</u>
Diluted earnings per share ( <i>RMB cents</i> )	<u><b>27.8</b></u>	<u>28.8</u>

## 9 DIVIDENDS

	<u>Company</u>	
	<b>2008</b>	2007
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Interim, paid, of RMB5 cents (2007: HK5 cents) per ordinary share	<b>375,935</b>	366,612
Final, proposed, of RMB2 cents (2007: RMB6 cents) per ordinary share (note (a))	<b>150,374</b>	451,122
Special, proposed, of RMB Nil cents (2007: RMB2.5 cents) per ordinary share (note (a))	<u>—</u>	<u>187,967</u>
	<u><b>526,309</b></u>	<u>1,005,701</u>

- (a) The Board recommend the payment of a final dividend of RMB2 cents per ordinary share. Total dividends for year 2008 will be RMB7 cents per ordinary share. Such dividend is to be approved by the shareholders at the Annual General Meeting on 2 June 2009. 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 2009.

## 10 TRADE AND OTHER RECEIVABLES

	<u>Group</u>	
	2008	2007
	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables ( <i>note(a)</i> )	38,197	44,190
Less: provision for impairment of receivables	<u>(2,150)</u>	<u>(1,048)</u>
	36,047	43,142
Due from the single largest shareholder of the Company ( <i>note (b)</i> )	102	—
Due from a jointly controlled entity ( <i>note (b)</i> )	5,087	11,378
Dividend receivable from a jointly controlled entity ( <i>note (b)</i> )	786,286	436,729
Dividend receivable from other jointly controlled entities ( <i>note (b)</i> )	—	20,099
Dividend receivable from an associate ( <i>note (b)</i> )	901	—
Other receivables and deposits	<u>52,920</u>	<u>50,553</u>
	<u><u>881,343</u></u>	<u><u>561,901</u></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 2008, the ageing analysis of the trade receivables was as follows:

	<u>Group</u>	
	2008	2007
	<i>RMB'000</i>	<i>RMB'000</i>
Within 3 months	30,022	38,765
4–6 months	7,242	3,985
7–12 months	67	379
Over 12 months	<u>866</u>	<u>1,061</u>
	<u><u>38,197</u></u>	<u><u>44,190</u></u>

As at 31 December 2008, trade receivables of RMB2,150,000 (2007: RMB1,048,000) were impaired. The amount of the provision was RMB2,150,000 as at 31 December 2008 (2007: RMB1,048,000). The individually impaired receivables mainly relate to smaller customers which are in financial difficulties. The ageing of these impaired receivables is as follows:

	<u>Group</u>	
	2008	2007
	<i>RMB'000</i>	<i>RMB'000</i>
1–6 months	1,813	482
over 12 months	<u>337</u>	<u>566</u>
	<u><u>2,150</u></u>	<u><u>1,048</u></u>

As at 31 December 2008, trade receivables of RMB6,025,000 (2007: RMB4,377,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these past due but not impaired receivables is as follows:

	<u>Group</u>	
	2008	2007
	<i>RMB'000</i>	<i>RMB'000</i>
1–6 months	5,429	3,503
7–12 months	67	379
over 12 months	<u>529</u>	<u>495</u>
	<u><b>6,025</b></u>	<u><b>4,377</b></u>

Trade and other receivables are denominated in the following currencies:

	<u>Group</u>	
	2008	2007
	<i>RMB'000</i>	<i>RMB'000</i>
Hong Kong dollar	6,089	6,632
US dollar	23,484	34,319
Renminbi	851,121	519,402
Others	<u>649</u>	<u>1,548</u>
	<u><b>881,343</b></u>	<u><b>561,901</b></u>

## 11 TRADE AND OTHER PAYABLES

	<u>Group</u>	
	2008	2007
	<i>RMB'000</i>	<i>RMB'000</i>
Due to the single largest shareholder of the Company ( <i>note (a)</i> )	846	906
Due to a fellow subsidiary ( <i>note (a)</i> )	713	45
Due to an associate ( <i>note (a)</i> )	—	235
Due to a minority shareholder of a subsidiary ( <i>note (a)</i> )	391	415
Trade payables	34,155	53,335
Bills payables ( <i>note (b)</i> )	16,130	80,397
Other payables, deposits received and accrued charges	<u>23,970</u>	<u>27,929</u>
	<u><b>76,205</b></u>	<u><b>163,262</b></u>

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

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

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



At 31 December 2008, the ageing analysis of the trade payables was as follows:

	<b>Group</b>	
	<b>2008</b>	2007
	<i>RMB'000</i>	<i>RMB'000</i>
Within 3 months	<b>26,592</b>	42,577
4–6 months	<b>6,362</b>	9,748
7–12 months	<b>82</b>	321
Over 12 months	<b>1,119</b>	689
	<b><u>34,155</u></b>	<u>53,335</u>

Trade and other payables are denominated in the following currencies:

	<b>Group</b>	
	<b>2008</b>	2007
	<i>RMB'000</i>	<i>RMB'000</i>
Hong Kong dollar	<b>33,679</b>	41,680
Renminbi	<b>38,774</b>	116,023
Others	<b>3,752</b>	5,559
	<b><u>76,205</u></b>	<u>163,262</u>

## **PROPOSED FINAL DIVIDEND**

The Board recommends a final dividend of RMB2 cents (2007: a final dividend of RMB6 cents and a special dividend of RMB2.5 cents) per ordinary share for the year ended 31 December 2008. Together with the interim dividend of RMB5 cents per ordinary share paid, total dividends for year 2008 will be RMB7 cents (2007: RMB8.5 cents and HK5 cents) per ordinary share. Subject to the approval of shareholders at the forthcoming annual general meeting, the final dividend will be paid on 16 June 2009 to shareholders whose names appeared on the register of members of the Company on 2 June 2009.

The proposed final dividend for the year 2008 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 at the date on which the Board proposed the distribution of final dividend.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from Wednesday, 27 May 2009 to Tuesday, 2 June 2009, both days inclusive, during which no transfer of shares will be registered. In order to qualify for the proposed final 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 Tuesday, 26 May 2009.

## **BUSINESS REVIEW**

For the year ended 31 December 2008, turnover of the Group was approximately RMB725,464,000 (2007: RMB862,573,000), a decrease of approximately 15.9% over the same period of last year. The profit attributable to the equity holders of the Company was approximately RMB2,094,259,000 (2007: RMB2,170,395,000), a decrease of approximately

3.5% over the same period of last year. Basic earnings per share was approximately RMB27.9 cents (2007: RMB28.9 cents), a decrease of approximately 3.5% over the same period of last year.

2008 was an extraordinary year where the world economy experienced an extremely unstable and ferocious environment. Pestered by surge in inflation and raw material costs in the first half of 2008 and battered by the credit crunch stemming from the collapse of the US sub-prime market in the second half, the global economy recorded a sharp slippage. Under such circumstances, China economy was inevitably impinged and the economic growth of the People's Republic of China (the "PRC") had dramatically slowed down due to slack of demand. Consequently, the PRC automobile market had been seriously affected causing a plunge in demand in the second half of 2008. According to the statistics from China Association of Automobile Manufacturers, the number of motor vehicles produced and sold nationwide in 2008 amounted to 9.345 million units and 9.380 million units respectively, representing a slight increase of 5.21% and 6.70% respectively over the same period of last year. Of the total, 6.756 million units produced and 6.738 million units sold were passenger vehicles, representing a year-on-year growth of 7.2% and 5.6% respectively. The growth rate of motor vehicles produced and sold had slowed down by 16.81% and 15.14% respectively over the same period of last year. After ten consecutive years of burgeoning growth, the domestic production and sales of motor vehicles recorded the first-ever below double-digit growth.

For the year ended 31 December 2008, an aggregate of 308,305 units and 306,242 units of vehicles were produced and sold respectively by the Company through a jointly controlled entity ("Sedan Company") which is directly owned by the Company's wholly-owned subsidiary, Guangzhou Auto Group Corporation, representing an increase of 4.37% and 3.70% respectively over the previous year. In addition to the impact of financial crisis and economic slowdown, Sedan Company suffered from natural disasters occurred in the Southern China at the beginning of the year. Under such unfavourable condition, the annual growth rate of Sedan Company was basically at par with the average growth rate of vehicles nationwide. Sales of four vehicle categories of Sedan Company were comparably outstanding. The Odyssey, City and Fit topped their respective categories. The eighth generation Accord, which was launched in early 2008, achieved an all-time high annual sales record of Sedan Company by selling 170,500 units in 2008.

Guangzhou Automobile Group Component Co., Ltd. ("Guangzhou Component"), in which the Group holds a 49% equity interest, was seriously affected by natural disasters and increase in transportation and operating costs in 2008, as well as a number of adverse factors including erratic fluctuation in purchase prices of steel, oil and their by-products as well as new vehicle model conversion. Complemented by full support and efforts of its various joint venture partners and invested corporations, Guangzhou Component was able to achieve its various business plans for 2008 by fully capitalising and leveraging its existing resources and competitive advantages in its strenuous efforts to explore markets, cultivate customers, reduce consumable, save energy and increase efficiency. Guangzhou Component has also progressed from its early stage of rapid development to a matured stage for growth. In order to maintain sustainable development of Guangzhou Component, the number of its invested corporations has increased to 17, where there is continual growth in its integrated strength and progression among its peers.

Since the business environment is of intense competition, performance of other business of the Group, namely trading of vehicles, manufacturing of automotive equipment and parts and manufacturing and trading of audio equipment, was slightly below the targets set by the Group in the beginning of 2008.

## **FUTURE PROSPECTS**

2009 shall be a year full of challenges. It is expected that the global economic recession will infest further as the international financial crisis induced by the US sub-prime problem will continue to endanger the world economy. The PRC Government substantiated its efforts in stimulating economic recovery under such difficult environment through launching various economic revitalisation proposals in order to “sustain growth, boost internal consumption and realign structure”, including the State Council’s mega-sized proposal of RMB4 trillion to expand internal consumption, and a series of policies, such as overhauling and reforming value-added tax regime, in order to enlighten effects of the financial crisis on the economy. Despite the various appropriate economic stabilisation measures taken by the PRC Government, the PRC economy will inevitably be subject to such ferocious challenges and crucial tests since its reform and open policy. From industry perspective, although the automotive industry has been confirmed by the National Development and Reform Commission as one of the pillar industries for the first time and a number of plans have been formulated and will be instilled for full implementation at revitalising several sectors, such as the automotive industry, the multinational auto giants realizing the continuous recession of the global auto market, will increase its competitiveness in PRC market. As a result, fading demand, over-capacity and price competition will hit the PRC’s auto industry in 2009. Therefore, the profit margin of the entire auto industry will inevitably shrink. Based on the analysis of the aforesaid economic environment, Sedan Company has set an annual production and sales target of 330,000 units in tandem with the growth rate of the automotive market. In order to achieve such target in 2009, Sedan Company will position itself to establish and perfect its service regime, enhance sales capability of its sales and marketing networks, and strengthen personnel training at Sedan Company and its franchised outlets.

Guangzhou Component will continue to monitor the development of relevant sedan plants in 2009 and will also address the current situation by commencing project development policy that customises its long-term benefits and economic development discipline. In order to lay solid foundation for its next development stage and sustain its stable growth trend, Guangzhou Component will intensify cooperation, upgrade technological capability, improve capability in matching and responding to craftsmanship requirement of new products, expand accessories markets and product ranges, enlarge new proprietary innovation efforts, enhance cost reduction, promote product quality, increase local content, and to adjust production scale in line with market demand.

The Group will closely monitor changes in the market and to identify and capitalise on opportunities under such intricate market environment in order to effectively implement its business targets and thereby increasing returns for its shareholders.

## **FINANCIAL SUMMARY**

The Group’s turnover for the year ended 31 December 2008 was approximately RMB725,464,000, representing a decrease of approximately 15.9% compared with that in 2007. The main reason for such decrease was that our management has scaled down the operations of its loss making vehicle trading company in order to minimize any subsequent effects, and a drop in number of sales orders received from a company which is engaged in

manufacturing and trading of audio equipment because of economic downturn and trade plunge in our major trading partners. Profit attributable to the equity holders of the Company was approximately RMB2,094,259,000, representing a decrease of 3.5% compared with that in 2007.

The turnover of the trading of motor vehicles decreased by RMB70,976,000 which represented a drop of approximately 12.8% compared with that in 2007. The operating loss of this segment was approximately RMB24,175,000 in 2008 compared with operating profit of approximately RMB139,000 in 2007. Such decrease was mainly due to provisions for impairment of fixed assets as well as trade receivables of the loss making vehicle trading company. The turnover of the manufacturing and trading of automotive equipment and parts decreased by RMB2,521,000 which represented a decrease of approximately 20.7% compared with that in 2007. The operating profit of this segment increased by RMB14,963,000 over 2007, mainly due to a significant increase in interest income. The turnover of the manufacturing and trading of audio equipment decreased by RMB63,612,000 which represented a decrease of approximately 21.6% over 2007, mainly due to a drop in sales orders. The operating loss of this segment was approximately RMB8,639,000 in 2008 compared with the operating profit of approximately RMB26,345,000 in 2007, such change was mainly due to decline in revenue from sales and gross profit resulting from economic downturn and trade plunge in our major trading partners. The operating loss of other segment increased by RMB24,415,000, mainly due to the fact that there was no fair value gains on investment properties and write-back of provision for impairment loss in 2008. The order on hand of the Group for the business of the manufacturing and trading of audio equipment was approximately RMB44,535,000 as at 31 December 2008.

The total borrowings of the Group decreased from approximately RMB4,863,000 at the end of 2007 to approximately RMB2,110,000 as at 31 December 2008, mainly due to repayment of borrowings. The Group maintained a low ratio of borrowings relative to total equity at approximately 0.02% as at 31 December 2008 and 0.04% as at 31 December 2007. The ratio of total liabilities relative to total equity slightly decreased to approximately 1.0% as at 31 December 2008 from approximately 1.6% as at 31 December 2007. The Group's borrowings were secured by leasehold land, buildings and investment properties with a total net book value of approximately RMB33,095,000 and pledged bank deposits of approximately RMB5,721,000. As at 31 December 2007 and 2008, the Group had no contingent liabilities.

The Group had cash and bank balances of approximately RMB4,260,714,000 as at 31 December 2008. This included the net cash used in operating activities of approximately RMB137,496,000, net cash generated from investing activities of approximately RMB1,543,920,000 and net cash used in financing activities of approximately RMB1,022,546,000. 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 2008 were approximately RMB67,260,000, representing an increase of approximately 9.5% compared with that in 2007, mainly due to one-off expenses incurred in scaling down the operations of a loss making vehicle trading company. Finance cost increased by RMB70,000, mainly due to higher average interest rate in 2008 than that in 2007. The interest cover remained at a high level of approximately 3,329 multiples in 2008 compared with that of approximately 3,814 multiples in 2007.

Share of profits of associates was approximately RMB5,784,000 in 2008, representing a decrease of approximately 25.0% compared with that in 2007.

Share of profit of a jointly controlled entity was one of the major sources of profit of the Group, which contributed approximately RMB1,912,723,000, representing an increase of approximately 2.9% compared with that in 2007, mainly due to increase in sales driven by a launch of new products.

Share of profit of other jointly controlled entities was another major source of profit of the Group, which contributed approximately RMB217,608,000, representing a decrease of approximately 11.7% compared with that in 2007, mainly due to an increased tax charge in aggregate under the PRC Enterprise Income Tax Law implemented in 2008 as well as tax holiday expiration of certain investment companies. The percentage ratios of such profit to the profit of the Group were approximately 11.3% in 2007 and approximately 10.4% in 2008, continuously and effectively expanding the profit sources of the Group.

## **EMPLOYEES AND REMUNERATION POLICY**

As at 31 December 2008, the continuing operations of the Group employed approximately 1,300 (2007: 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 on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules").

During 2008, the Company complied with all code provisions as set out in the CG Code.

Having made specific enquiries, all directors have confirmed that they have strictly complied with the required standards set out in the Model Code throughout 2008.

The Audit Committee has reviewed the results of the Group for the year ended 31 December 2008.

## **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 2008 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 ([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. ZENG Qinghong, Mr. YANG Dadong, Mr. ZHANG Baoqing, Mr. FU Shoujie and Mr. YAO Yiming.

#### **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 2009