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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 UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2009

INTERIM RESULTS

The board of directors (the "Board") of Denway Motors Limited (the "Company") announces that the unaudited consolidated results of the Company and its subsidiaries (the "Group") and its share of the results of jointly controlled entities and associates for the six months ended 30 June 2009 together with comparative figures for the corresponding period in 2008 as follows:

Condensed Consolidated Interim Income Statement
For the six months ended 30 June 2009

		Unaudited Six months ended 30 June	
		2009	2008
	Note	***RMB'000***	*RMB'000*
Revenue	*4*	**263,935**	361,188
Cost of sales		**(244,468)**	(331,113)
Gross profit		**19,467**	30,075
Other income		**55,610**	52,827
Selling and distribution costs		**(10,576)**	(13,806)
General and administrative expenses		**(27,174)**	(29,886)
Other operating expenses		**(4,187)**	(21,697)
Operating profit	*5*	**33,140**	17,513
Finance costs		**(486)**	(108)
Share of profits less losses of:			
A jointly controlled entity	*6*	**1,042,964**	1,103,726
Other jointly controlled entities		**108,870**	128,552
Associates		**3,563**	5,662
Profit before taxation		**1,188,051**	1,255,345
Taxation	*7*	**(9,455)**	(17,775)
Profit for the period		**1,178,596**	1,237,570

	Note	Unaudited Six months ended 30 June **2009** ***RMB'000***	2008 *RMB'000*
Profit attributable to:			
Equity holders of the Company		**1,178,759**	1,236,441
Minority interests		**(163)**	1,129
		1,178,596	1,237,570
Basic earnings per share attributable to equity holders of the Company	*8*	**15.7 cents**	16.4 cents
Diluted earnings per share attributable to equity holders of the Company	*8*	**15.7 cents**	16.4 cents
Interim dividend	*9*	**225,561**	375,935

Condensed Consolidated Interim Statement of Comprehensive Income
For the six months ended 30 June 2009

	Unaudited Six months ended 30 June	
	2009	2008
	RMB'000	*RMB'000*
Profit for the period	**1,178,596**	1,237,570
Other comprehensive income:		
Currency translation differences	**(878)**	(19,253)
Total comprehensive income for the period	**1,177,718**	1,218,317
Total comprehensive income attributable to:		
Equity holders of the Company	**1,177,901**	1,219,744
Minority interests	**(183)**	(1,427)
	1,177,718	1,218,317

Condensed Consolidated Interim Balance Sheet
As at 30 June 2009

	Note	Unaudited As at 30 June 2009 RMB'000	Audited As at 31 December 2008 RMB'000
ASSETS			
Non-current assets			
Intangible asset		**896,398**	896,398
Leasehold land and land use rights		**36,171**	36,503
Property, plant and equipment		**44,929**	48,702
Investment properties		**49,651**	49,669
Interest in a jointly controlled entity	6	**6,325,036**	5,265,800
Interests in other jointly controlled entities		**1,361,065**	1,270,988
Interests in associates		**66,500**	64,889
		8,779,750	7,632,949
Current assets			
Inventories		**61,892**	70,788
Trade and other receivables	10	**93,283**	881,343
Current tax recoverable		**1,511**	1,506
Cash and bank balances			
— pledged bank deposits		**60,182**	5,721
— cash and cash equivalents		**4,905,422**	4,254,993
		5,122,290	5,214,351
Total assets		**13,902,040**	12,847,300
EQUITY			
Share capital and reserves attributable to equity holders of the Company			
Share capital		**757,118**	757,118
Reserves			
Proposed final dividend		**—**	150,374
Others		**12,922,518**	11,744,638
		13,679,636	12,652,130
Minority interests		**64,008**	67,586
Total equity		**13,743,644**	12,719,716

	Note	Unaudited As at 30 June 2009 RMB'000	Audited As at 31 December 2008 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings		—	752
Deferred tax liabilities		**36,004**	40,999
		36,004	41,751
Current liabilities			
Trade and other payables	*11*	**111,714**	76,205
Current tax liabilities		**9,447**	8,270
Borrowings		**1,231**	1,358
		122,392	85,833
Total liabilities		**158,396**	127,584
Total equity and liabilities		**13,902,040**	12,847,300
Net current assets		**4,999,898**	5,128,518
Total assets less current liabilities		**13,779,648**	12,761,467

Notes:

1 GENERAL INFORMATION

Denway Motors Limited (the "Company") and its subsidiaries (together the "Group") are 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.

This condensed consolidated interim financial information is presented in Renminbi ("RMB"), unless otherwise stated. This condensed consolidated interim financial information was approved for issue on 8 September 2009.

2 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2009 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants and should be read in conjunction with the annual financial statements for the year ended 31 December 2008, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

3 ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2008.

The following new standard, revised standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1 January 2009:

HKAS 1 (revised)	Presentation of Financial Statements
HKAS 23 (revised)	Borrowing Costs
HKAS 32 and HKAS 1 (amendments)	Puttable Financial Instruments and Obligations arising on Liquidation
HKFRS 1 and HKAS 27 (amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (amendment)	Vesting Conditions and Cancellations
HKFRS 7 (amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC) Int — 9 and HKAS 39 (amendments)	Embedded Derivatives
HK(IFRIC) Int — 13	Customer Loyalty Programmes
HK(IFRIC) Int — 15	Agreements for the Construction of Real Estate
HK(IFRIC) Int — 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC) Int — 18	Transfers of Assets from Customers

HKFRS 8 replaces HKAS 14, "Segment Reporting". It requires a "management approach" under which segment information is presented on the same basis as that used for internal reporting purposes. This has resulted in revision of disclosure on segment information.

The revised HKAS 1 prohibits the presentation of items of income and expenses (that is "non-owner changes in equity") in the statement of changes in equity, requiring "non-owner changes in equity" to be presented separately from owner changes in equity. All "non-owner changes in equity" are required to be shown in a performance statement. Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). The Group has elected to present two statements: an income statement and a statement of comprehensive income. The interim financial information has been prepared under the revised disclosure requirements.

Amendment to HKFRS 7 increases the disclosure requirements about fair value measurement and amends the disclosure about liquidity risk. The amendment introduces a three-level hierarchy for fair value measurement disclosures about financial instruments and requires some specific quantitative disclosures for those instruments classified in the lowest level in the hierarchy. These disclosures will help to improve comparability between entities about the effects of fair value measurements. In addition, the amendment clarifies and enhances the existing requirements for the disclosure of liquidity risk primarily requiring a separate liquidity risk analysis for derivative and non-derivative financial liabilities. It also requires a maturity analysis for financial assets where the information is needed to understand the nature and context of liquidity risk. The Group will make additional relevant disclosures in its financial statements ending 31 December 2009.

Other than those above, the adoption of the above revised standards, amendments to standards and interpretations did not have any significant financial impact to the Group.

The following revised standards, amendments to standards and interpretations have been issued but are not effective for the financial year beginning 1 January 2009 and have not been early adopted:

HKAS 39 (amendment)	Eligible Hedged Items
HKFRS 1 (revised)	First-time Adoption of HKFRS
HKFRS 1 (amendment)	Additional Exemption for First-time Adopters
HKFRS 2 (amendment)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 and HKAS 27 (revised)	Business Combinations and Consolidated and Separate Financial Statements
HK(IFRIC) Int — 17	Distributions of Non-cash Assets to Owners

HKICPA's improvements to HKFRS published in May 2009

4 REVENUE AND SEGMENT INFORMATION

The chief operating decision-maker has been identified as the Board of Directors (the "Board"). The Board reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The Board considers the business from a product perspective. The Board assesses the performance of motor vehicles, automotive equipment and parts, and audio equipment. Motor vehicles are further separated into trading and manufacturing and assembly segments.

The Board assesses the performance of the operating segments based on operating income before interest and taxation. Interest income and finance costs are also included in the result for each operating segment that is reviewed by the Board. Other information provided to the Board is measured in a manner consistent with that in the financial statements.

Revenue represents sales by the Company and its subsidiaries to external customers and comprises turnover from:

	Unaudited Six months ended 30 June	
	2009	2008
	RMB'000	*RMB'000*
Trading of motor vehicles	**169,262**	252,462
Manufacturing and trading of automotive equipment and parts	**3,339**	6,220
Manufacturing and trading of audio equipment	**91,334**	102,506
	263,935	361,188

	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	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Six months ended 30 June 2009 (unaudited):						
Revenue	**169,262**	**—**	**3,339**	**91,334**	**—**	**263,935**
Segment operating loss before interest income	**(2,560)**	**—**	**(9,406)**	**(1,398)**	**(7,803)**	**(21,167)**
Interest income	**136**	**—**	**53,688**	**36**	**447**	**54,307**
Segment operating (loss)/profit	**(2,424)**	**—**	**44,282**	**(1,362)**	**(7,356)**	**33,140**
Finance costs	**(452)**	**—**	**(2)**	**(32)**	**—**	**(486)**
Share of profits less losses of:						
A jointly controlled entity	**—**	**1,042,964**	**—**	**—**	**—**	**1,042,964**
Other jointly controlled entities	**—**	**—**	**108,870**	**—**	**—**	**108,870**
Associates	**1,146**	**—**	**2,417**	**—**	**—**	**3,563**
Segment (loss)/profit before taxation	**(1,730)**	**1,042,964**	**155,567**	**(1,394)**	**(7,356)**	**1,188,051**
Amortisation	**—**	**—**	**—**	**—**	**316**	**316**
Depreciation	**502**	**—**	**467**	**1,650**	**1,292**	**3,911**
Impairment loss	**—**	**—**	**194**	**—**	**—**	**194**
Expenditure for non-current assets	**482**	**—**	**—**	**61**	**14**	**557**
Six months ended 30 June 2008 (unaudited):						
Revenue	252,462	—	6,220	102,506	—	361,188
Segment operating loss before interest income	(12,851)	—	(14,342)	(22)	(7,064)	(34,279)
Interest income	252	—	49,592	157	1,791	51,792
Segment operating (loss)/profit	(12,599)	—	35,250	135	(5,273)	17,513
Finance costs	(7)	—	(10)	(91)	—	(108)
Share of profits less losses of:						
A jointly controlled entity	—	1,103,726	—	—	—	1,103,726
Other jointly controlled entities	—	—	128,552	—	—	128,552
Associates	632	—	5,030	—	—	5,662
Segment (loss)/profit before taxation	(11,974)	1,103,726	168,822	44	(5,273)	1,255,345
Amortisation	—	—	—	—	324	324
Depreciation	1,183	—	536	2,023	1,411	5,153
Impairment loss	11,145	—	—	—	—	11,145
Expenditure for non-current assets	94	—	247	489	36	866

	Trading of motor vehicles RMB'000	Manufacturing and assembly of motor vehicles RMB'000	Manufacturing and trading of automotive equipment and parts RMB'000	Manufacturing and trading of audio equipment RMB'000	Other operations RMB'000	Total RMB'000
As at 30 June 2009 (unaudited):						
Segment assets	**151,642**	**—**	**4,761,759**	**137,448**	**1,098,590**	**6,149,439**
Interests in:						
A jointly controlled entity	**—**	**6,325,036**	**—**	**—**	**—**	**6,325,036**
Other jointly controlled entities	**—**	**—**	**1,361,065**	**—**	**—**	**1,361,065**
Associates	**13,070**	**—**	**53,430**	**—**	**—**	**66,500**
Total assets	**164,712**	**6,325,036**	**6,176,254**	**137,448**	**1,098,590**	**13,902,040**
As at 31 December 2008 (audited):						
Segment assets	111,999	—	4,899,349	137,428	1,096,847	6,245,623
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
Total assets	125,876	5,265,800	6,221,349	137,428	1,096,847	12,847,300

The Group operates in three main geographical areas. Revenue from external customers attributable to each region/country is as follows:

	Unaudited Six months ended 30 June	
	2009	2008
	RMB'000	*RMB'000*
PRC	**169,262**	252,462
Hong Kong	**91,334**	102,506
Australia	**3,339**	6,220
	263,935	361,188

Non-current assets located in each region/country are as follows:

	Unaudited As at 30 June 2009 ***RMB'000***	Audited As at 31 December 2008 *RMB'000*
PRC	**8,662,665**	7,512,142
Hong Kong	**117,085**	120,210
Australia	**—**	597
Total non-current assets	**8,779,750**	7,632,949

For the six months ended 30 June 2009, revenues of approximately RMB29,954,000 (for the six months ended 30 June 2008: RMB28,803,000) and RMB26,844,000 (for the six months ended 30 June 2008: RMB27,437,000) are derived from two external customers. These revenues are attributable to the audio equipment products.

5 OPERATING PROFIT

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

	Unaudited Six months ended 30 June	
	2009	2008
	RMB'000	*RMB'000*
Staff costs (including directors' emoluments)	**20,739**	23,775
Amortisation of leasehold land and land use rights	**316**	324
Depreciation of property, plant and equipment	**3,911**	5,153
Impairment loss on property, plant and equipment	**194**	11,145

6 INTEREST IN A JOINTLY CONTROLLED ENTITY

This is a Sino-foreign equity joint venture in which 50% (2008: 50%) of the equity capital, voting power and profit sharing is held by a 100% (2008: 100%) owned subsidiary of the Company. The Group's investment cost in this company is RMB551,000,000 (2008: 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% (2008: 50%) share of assets and liabilities, income and expenses of the jointly controlled entity:

	Unaudited As at 30 June 2009	Audited As at 31 December 2008
	RMB'000	*RMB'000*
Assets:		
Non-current assets[1]	**2,954,911**	2,882,882
Current assets	**8,005,973**	7,334,971
	10,960,884	10,217,853
Liabilities:		
Non-current liabilities	**(3,000)**	(3,000)
Current liabilities	**(4,628,405)**	(4,944,830)
	(4,631,405)	(4,947,830)
Minority interests	**(4,443)**	(4,223)
	6,325,036	5,265,800

	Unaudited Six months ended 30 June	
	2009	2008
	RMB'000	*RMB'000*
Income	**11,138,285**	10,528,536
Expenses	**(10,095,321)**	(9,424,810)
Profit for the period	**1,042,964**	1,103,726

[1] Included in this balance is a goodwill of approximately RMB150,420,000 (2008: 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 30 June 2009, the Group's share of capital commitments of the jointly controlled entity itself in respect of non-current assets was as follows:

	Unaudited As at 30 June 2009	Audited As at 31 December 2008
	RMB'000	*RMB'000*
Authorised but not contracted for	**—**	—
Contracted but not provided for	**196,530**	85,467

7 TAXATION

Hong Kong profits tax has been provided at the rate of 16.5% (2008: 16.5%) on the estimated assessable profits for the period. Taxation on overseas profits has been calculated on the estimated assessable profits for the period at the rates of taxation prevailing in the countries in which the Group operates.

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

	Unaudited Six months ended 30 June	
	2009	2008
	RMB'000	*RMB'000*
Current taxation		
Hong Kong profits tax	**33**	(607)
PRC enterprise income tax	**14,417**	18,062
	14,450	17,455
Deferred taxation		
Hong Kong profits tax	**(293)**	320
PRC enterprise income tax	**(4,702)**	—
	(4,995)	320
	9,455	17,775

8 EARNINGS PER SHARE

Basic

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

	Unaudited Six months ended 30 June	
	2009	2008
	RMB'000	*RMB'000*
Profit attributable to equity holders of the Company	**1,178,759**	1,236,441
Weighted average number of ordinary shares in issue *('000)*	**7,518,698**	7,518,698
Basic earnings per share *(RMB cents)* attributable to equity holders of the Company	**15.7**	16.4

Diluted

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

	Unaudited Six months ended 30 June	
	2009	2008
	RMB'000	*RMB'000*
Profit attributable to equity holders of the Company	**1,178,759**	1,236,441
Weighted average number of ordinary shares in issue *('000)*	**7,518,698**	7,518,698
Adjustments for — share options *('000)*	**7,213**	16,855
Weighted average number of ordinary shares for diluted earnings per share *('000)*	**7,525,911**	7,535,553
Diluted earnings per share *(RMB cents)* attributable to equity holders of the Company	**15.7**	16.4

9 INTERIM DIVIDEND

	Unaudited Six months ended 30 June	
	2009	2008
	RMB'000	*RMB'000*
Interim, declared, of RMB3 cents (2008: RMB5 cents) per ordinary share *(note (a))*	**225,561**	375,935

(a) At a board meeting held on 8 September 2009, the Board declared an interim dividend of RMB3 cents (2008: RMB5 cents) per ordinary share for the year ending 31 December 2009. This interim dividend is not reflected as dividend payable in this condensed consolidated interim financial information, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2009.

10 TRADE AND OTHER RECEIVABLES

Included in this balance are trade receivables of approximately RMB30,371,000 (2008: RMB36,047,000). At 30 June 2009, the ageing analysis of the trade receivables, net of provision, was as follows:

	Unaudited As at 30 June 2009 *RMB'000*	Audited As at 31 December 2008 *RMB'000*
Within 3 months	**29,961**	30,022
4–6 months	**403**	5,429
7–12 months	**—**	67
Over 12 months	**7**	529
	30,371	36,047

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

11 TRADE AND OTHER PAYABLES

Included in this balance are trade payables of approximately RMB35,094,000 (2008: RMB34,155,000). At 30 June 2009, the ageing analysis of the trade payables was as follows:

	Unaudited As at 30 June 2009 *RMB'000*	Audited As at 31 December 2008 *RMB'000*
Within 3 months	**34,902**	26,592
4–6 months	**192**	6,362
7–12 months	**—**	82
Over 12 months	**—**	1,119
	35,094	34,155

Certain other payables of the Group totalling RMB59,300,000 (2008: RMB16,130,000) are secured by pledged bank deposits of the Group.

INTERIM DIVIDEND

The Board has resolved to pay an interim dividend for the year ending 31 December 2009 of RMB3 cents per ordinary share which will be payable on or about Thursday, 5 November 2009 to shareholders whose names appear on the register of members of the Company on Friday, 23 October 2009.

The interim dividend will be calculated in Renminbi, and paid in Hong Kong dollars. The relevant exchange rate (the "Exchange Rate") will be the average middle rate of Hong Kong dollars to Renminbi as announced by the People's Bank of China at the date on which the Board declared the distribution of the interim dividend. The declared interim dividend is equivalent to HK3.4043 cents per ordinary share at the Exchange Rate of HKD1.0 to RMB0.88125 on 8 September 2009.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 19 October 2009 to Friday, 23 October 2009, both days inclusive, during which no transfer of shares will be registered. In order to qualify for the interim dividend, all share certificates with completed transfer forms either overleaf or separately 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 Friday, 16 October 2009.

BUSINESS REVIEW

For the six months ended 30 June 2009, unaudited turnover of the Group was approximately RMB263,935,000 (2008H1: RMB361,188,000), a decrease of 26.9% over the same period of last year; unaudited interim consolidated profit attributable to equity holders of the Company was approximately RMB1,178,759,000 (2008H1: RMB1,236,441,000), a decrease of 4.7% over the same period of last year. Basic earnings per share was RMB15.7 cents (2008H1: RMB16.4 cents), a decrease of 4.3% over the same period of last year.

Even during the ongoing global financial crisis, China's macro-economy have recorded positive changes in the first half of 2009, due to stimulated by the effect of a series of economic stimulus measures implemented by the China's government, including an aggressive fiscal policy, moderately loose monetary policy as well as revitalization packages for 10 key sectors. Being proved by the fact that worsened domestic economy started to improve and overall economy showed signs of recovery. With a range of economic stimulus measures being rolled out, domestic economy is getting back to growth path. In the first half of 2009, the gross domestic product (GDP) of the PRC grew 7.1% over the same period a year ago. In the second quarter, GDP achieved 7.9% quarter on quarter growth, which was 1.8 percentage point higher than in the first quarter. As driven by a series of favorable policies, such as the Plan on Adjusting and Revitalizing the Automotive Industry, the PRC automotive market has hit the bottom and started to rebound. According to the statistics from China Association of Automobile Manufacturers, the number of motor vehicles produced and sold nationwide in the first half of 2009 amounted to approximately 5.9908 million units and 6.0988 million units respectively, representing a growth of 15.22% and 17.69% respectively over the same period of last year. Of the total, 4.4189 million units produced and 4.5338 million units sold were passenger vehicles, up 20.96% and 25.62% respectively over the same period of last year. Due to the policy of levy half of purchase tax regarding vehicles with 1.6L (or less) emission introduced by the China's government, sales of sedans with 1.6L (or less) emission soared by

42.8% over the same period of last year, but only 1.9% growth recorded in sales of mid-high end class sedans. Such substantial differences reflect high growth rate of passenger vehicles was mainly attributable to the growth of low-emission sedans.

For the six months ended 30 June 2009, an aggregate of 160,467 units and 163,364 units of vehicles were produced and sold respectively by the Company through a jointly controlled entity (hereinafter "Sedan Company") which is directly owned by the Company's wholly-owned subsidiary, Guangzhou Auto Group Corporation, representing a steady growth of 9.5% and 14.8% respectively at a relatively fast pace over the same period of last year. Even though the growth of the sub-market of mid-high end class sedan has slowed down, sales performance of one of the core mid-high class sedans under Sedan Company were extraordinarily well with an aggregate of 79,993 units sold in the first half of 2009, an increase of 8.9% over the same period of last year. While endeavoring to enhance production capacity of one of its mid class sedans, Sedan Company stepped up its efforts in marketing. As a result, the sales of this vehicle model recorded 11,878 units in June, approximately six months after its launch. Has the success of the new vehicle model not only diversified Sedan Company's product portfolio, but also enhanced the competitiveness of its products.

Aggravated by volume shrinkage, price slump as well as payment of preliminary expenses of new projects in the first half of 2009, the overall profit of Guangzhou Automobile Group Component Co., Ltd. ("Guangzhou Component"), in which the Group holds a 49% equity interest, decreased over the same period of last year. After conducting an analysis of relevant information collected, we concluded that some automotive manufacturers, who are the purchasers for the products of Guangzhou Component, was adversely affected by uncertainty over the entire automotive market in the beginning of this year, downward adjustment made to their production plans directly affecting Guangzhou Component production value. Despite the above unfavorable factors, Guangzhou Component adopted a series of aggressive measures in the first half of this year, such as enhancing cooperation, tapping potentials and reducing consumption, controlling costs, expanding vehicle component market, enlarging customer base, advancing technology and increasing production capacity as well as progressing new projects, in order to enhance its comprehensive operating efficiency, minimize loss, maximize earnings and be persistent in achieving its goals set in the beginning of the year.

Since difficult business environment is not over, 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 below the targets set by the Group in the beginning of 2009.

FUTURE PROSPECTS

Looking to the second half of 2009, uncertainty over the global economy still exists and it needs time to recovery. In fact, sustainability of China's economic recovery in the first half of this year is subject to a number of challenges and economic growth in the latter half of this year may be inevitably affected by some uncertain factors, such as sustainability of the effectiveness of domestic consumption stimulus measures and profit pressure of state-owned enterprises. However, the implementation of the 4 trillion yuan stimulus package and the revitalization packages for 10 key sectors by the China's government in the first half of 2009 are expected to bring positive effects on sustainable economic growth in the second half of 2009. Furthermore, we believe that the China's government will continue to introduce more appropriate measures against the domestic and global situation for stimulating economic growth. We concur with the latest projections conducted by the State Information Center of

China that "over 11 million units of vehicles will be sold and produced in the year, representing an increase of 17% over last year". Once the projections achieved, China will overtake the US as the world's largest automotive consumer for the first time. As such, Sedan Company will endeavor to capitalize on those opportunities arising by adjusting its production plan as well as optimizing its product portfolio with an aim to achieve the target set in the beginning of this year. More importantly, certain unfavorable factors in the market should not be neglected. We realized from an analysis of statistics that production volume of major automotive manufacturers planned for the first half of 2009 are accounting for approximately 40% of their plans for annual production and sales. It is mainly because the domestic automotive market experienced a steep slide in the third and fourth quarter last year, resulting in the automotive manufacturers setting their production targets in the beginning of this year generally in an irresolute and jittery manner. However, the automotive market has bottom out since the beginning of the second quarter as driven by the PRC government policies implemented, the automotive manufacturers have timely taken initiatives to adjust their production guidelines and production plans with the aim of accelerating production and increasing annual targets of productions and sales. Therefore, more ferocious market competition in the second half of this year is expected, and changes in supply and demand within a period of time as well as price fluctuations in the automotive market will be inevitable. In the face of such complicated market environment, Sedan Company will closely monitor the market development and adapt itself to market changes by timely adjusting its market supply and product categories through a flexible linkage mechanism between production and sales.

Looking ahead to the second half of 2009, given the rebound of the overall automotive market, and most of Guangzhou Component supplied automotive manufacturers have expressly indicated to lift their production in the second half of 2009, some manufacturers have even decided to expand their annual production plans. In such circumstances, Guangzhou Component will endeavor to adjust the factors and rhythm of production to fulfill increasing orders. In addition, Guangzhou Component will develop an expansion strategy which is in its long-term interests and in line with the patterns of economic development, further enhance the product quality, put more emphasis on indigenous innovation, improve matching capacity to catch up with the requirements of new product technology, expand automotive component market and product categories so as to achieve its annual targets of production and sales set in the beginning of this year and even a double-digit growth in turnover.

The Group will further develop in the automotive market as well as identify and capitalize 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 six months ended 30 June 2009 was approximately RMB263,935,000, representing a decrease of approximately 26.9% compared with the same period in 2008. The main reason for such decrease was that our management has scaled down the operations of its loss making motor vehicle trading company in order to minimize any subsequent effects, and a drop in 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 RMB1,178,759,000, representing a decrease of approximately 4.7% compared with the same period in 2008.

The turnover of the trading of motor vehicles decreased by RMB83,200,000 which represented a drop of approximately 33.0% compared with the same period in 2008. This segment operating loss was approximately RMB2,424,000 compared with segment operating loss of approximately RMB12,599,000 in the same period of 2008. The main reason for such decrease was that our management has scaled down the operations of its loss making motor vehicle trading company in order to minimize any subsequent effects. The turnover of the manufacturing and trading of automotive equipment and parts decreased by RMB2,881,000 which represented a decrease of approximately 46.3% compared with the same period in 2008. This segment operating profit increased by RMB9,032,000 over the same period in 2008, mainly due to an ongoing increase in interest income. The turnover of the manufacturing and trading of audio equipment decreased by RMB11,172,000 which represented a decrease of approximately 10.9% over the same period in 2008, mainly due to a drop in sales orders. This segment operating loss was approximately RMB1,362,000 compared with segment operating profit of approximately RMB135,000 in the same period of 2008, 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 segment operating loss of other operations increased by RMB2,083,000, mainly due to a drop in interest income. The order on hand of the Group for the business of the manufacturing and trading of audio equipment was approximately RMB43,803,000 as at 30 June 2009.

The total borrowings of the Group decreased from approximately RMB2,110,000 at the end of 2008 to approximately RMB1,231,000 as at 30 June 2009, mainly due to repayment of borrowings. The Group maintained a low ratio of borrowings relative to total equity at approximately 0.01% as at 30 June 2009 and 0.02% as at 31 December 2008. The ratio of total liabilities relative to total equity slightly increased to approximately 1.2% as at 30 June 2009 from approximately 1.0% as at 31 December 2008. The Group's borrowings (including other payables) were secured by leasehold land, buildings and investment properties with a total net book value of approximately RMB33,114,000 and pledged bank deposits of approximately RMB60,182,000. As at 30 June 2009, the Group had no contingent liabilities.

The Group had cash and cash equivalents of approximately RMB4,965,604,000 as at 30 June 2009. This included the net cash generated from operating activities of approximately RMB18,706,000, net cash generated from investing activities of approximately RMB786,584,000 and net cash used in financing activities of approximately RMB153,917,000. During the period, 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 six months ended 30 June 2009 were approximately RMB27,174,000, representing a decrease of approximately 9.1% compared with the same period in 2008, mainly due to our effective cost control. Finance cost increased by RMB378,000, mainly due to an increase in the number of bills payables used in a low interest rate environment. The interest cover remained at a high level of approximately 2,446 multiples compared with approximately 11,625 multiples in the same period of 2008.

Share of profits of associates was approximately RMB3,563,000 for the six months ended 30 June 2009, representing a decrease of approximately 37.1% compared with the same period in 2008.

Share of profit of a jointly controlled entity was one of our major sources of profit of the Group, which contributed approximately RMB1,042,964,000, representing a decrease of approximately 5.5% compared with the same period in 2008, mainly due to an adjustment of our sales mix as well as contribution of additional research and development expenses in developing new vehicle model.

Share of profit of other jointly controlled entities was another major source of profit of the Group, which contributed approximately RMB108,870,000, representing a decrease of approximately 15.3% compared with that in the same period of 2008, mainly due to volume shrinkage, price slump as well as payment of preliminary expenses of new projects. The percentage ratios of such profit to the profit of the Group were approximately 9.2% for the six months ended 30 June 2009 and approximately 10.4% for the same period in 2008, continuously and effectively expanding the profit sources of the Group.

EMPLOYEES

As at 30 June 2009, the Group employed approximately 1,300 (2008: 1,500) staff in the PRC, Hong Kong and Australia.

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

CORPORATE GOVERNANCE

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

During the six months ended 30 June 2009, the Company complied with all code provisions as set out in the CG Code.

The Company has adopted the Model Code as the codes of conduct regarding securities transactions by the directors. Having made specific enquiry, all directors have confirmed that they have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2009.

The Audit Committee comprises three independent non-executive directors, namely Mr. LEE Ka Lun, Mr. CHEUNG Doi Shu and Mr. FUNG Ka Pun. The Audit Committee reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the unaudited consolidated interim results for the six months ended 30 June 2009.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

The Company has not redeemed any of its shares during the six months ended 30 June 2009. Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2009.

LIST OF DIRECTORS

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

Executive Directors
Mr. ZHANG Fangyou *(Chairman)*
Mr. ZENG Qinghong *(Vice Chairman)*
Mr. LI Tun *(Managing Director)*
Mr. FU Shoujie
Mr. YAO Yiming

Independent Non-Executive Directors
Mr. CHEUNG Doi Shu
Mr. LEE Ka Lun
Mr. FUNG Ka Pun

Notes:

(1) Mr. YANG Dadong retired and ceased to act as executive director of the Company at the annual general meeting held on 2 June 2009.

(2) Mr. ZHANG Baoqing resigned due to his retirement as executive director and managing director of the Company on 20 August 2009 and Mr. LI Tun was appointed as executive director and managing director of the Company on 20 August 2009.

By the Order of the Board
Zeng Qinghong
Vice Chairman

Hong Kong, 8 September 2009