

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 22 October 2001 to Wednesday, 24 October 2001, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong share registrars, Abacus Share Registrars Limited at 5th floor, Wing On Centre, 111 Connaught Road Central, Hong Kong, for registration not later than 4:00 p.m. on Friday, 19 October 2001.

BUSINESS REVIEW

For the six months ended 30 June 2001, the total turnover of the Group was HK\$589,334,000 (2000: HK\$327,545,000), and the interim unaudited consolidated profit attributable to shareholders was HK\$374,150,000 (2000: HK\$160,875,000). Earnings per share was HK11.44 cents (2000: HK5.60 cents).

For the six months ended 30 June 2001, Guangzhou Honda Automobile Co., Ltd. ("Guangzhou Honda"), a jointly-controlled entity, being the principal business of the Group had produced a total of 25,638 Guangzhou Honda Accord sedans, representing an increase of approximately 110.3% over the same period of last year, and the sales amounted to 25,454 vehicles, an increase of approximately 111.2% over the same period of last year. The percentage increases in both production and sales of sedans were ranked the top position nationwide. (The aggregate production for the sedan market in the PRC for the period from January to June this year amounted to approximately 317,000 vehicles, an increase of approximately 14.3% over the same period of last year; sales amounted to approximately 337,000 vehicles, an increase of approximately 28.9% over the same period of last year). The Group has surpassed all the production and operation targets for the first half of this year.

At present, market share of the Honda Accord sedans produced by Guangzhou Honda has risen from 4.6% for the same period of last year to 7.6%, whereas the market share of Honda Accord sedans accounted for 29.3% of medium to high-end sedans in the PRC, representing a leading position. Following the launching of 2.3Vti-E/L and 2.0Exi, the 3.0V6 model was launched in the first half of 2001, and the domestic component content level of the new 3.0V6 model product which passed the acceptance test of the PRC amounted to 42.12%, whereas the domestic component content levels of other products have attained 57.74%. Production cost of Guangzhou Honda has been gradually reduced while the quality of product is being maintained.

The "four-in-one" franchisee shops pioneered by Guangzhou Honda in the PRC have grown to 80 in number, and they are of increasing importance in the sales and after-sales service for the products of Guangzhou Honda. Given the fact that the technology level of Guangzhou Honda is parallel with that of Honda Japan, the right pricing of Guangzhou Honda's products, and with its comprehensive after-sales service, the demand for Guangzhou Honda Accord sedans has been outstripping supply. Increased production and sales results have been witnessed since they were first commissioned into production.

The various targets of the medium-term plan laid down at the beginning of this year in respect of other business of the Group have also been completed, in particular, sales and trading of motor vehicles recorded a significant increase over the same period of last year. The transaction in relation to the acquisition of 51% shareholding interest in Guangzhou Honda Automobile No.1 Sales Co., Limited ("GZ Honda Sales"), a wholly-owned subsidiary of Guangzhou Automobile Group Company Limited (the ultimate controlling shareholder of the Company) by Guangzhou Auto Group Corporation, an indirect non-wholly owned subsidiary of the Company, has been completed. The connected transaction was duly disclosed on 15 January 2001. The turnover and profit after tax of GZ Honda Sales after acquisition for the first half of the year were RMB183,580,000 (equivalent to approximately HK\$171,570,000) and RMB7,254,000 (equivalent to approximately HK\$6,779,000) respectively.

In order to better position ourselves in the management of the invested business in the PRC, the Group has completed the renaming of “Guangzhou Weida Machinery Enterprises Corporation Limited” to “Guangzhou Denway Enterprises Development Co., Ltd.”.

FUTURE PROSPECTS

With China’s imminent accession to the WTO and in accordance with the rules and development requirements imposed by the WTO, the relevant authorities of the PRC are putting forth considerable efforts in the amendments and drafting of “Policy for the automobile industry” and “Policy for automobile consumption”, with a view to promoting the continued and healthy development of car production and consumption in the PRC. Moreover, the “Tenth Five-year Plan” of the PRC has expressly communicated policies such as the broadening of the scope of consumerism, encouraging automobile consumption and stepping up the construction of highways. Given the favorable trend of national economic growth of the PRC, we are of the view that a high rate of expansion of the automobile market of the PRC will be seen.

The demand for those sedans embracing advanced technology, innovations, reliable quality, reasonable pricing and thoughtful service continues to grow. By leveraging on the advantage that Guangzhou Honda Accord sedans have been a preferred product by the consumers in general since the first sedan rolled off the plants, Guangzhou Honda determines to boost its investment and speed up the rate of construction, aiming at bringing about a better and more efficient structure for Guangzhou Honda during the grace period upon China’s accession to WTO.

While Guangzhou Honda has set the target to sell 50,000 Guangzhou Honda Accord sedans this year, it is also undertaking in full swing to upgrade and expand its plants for a much larger scale of production in future, in preparation for the scheduled production and launching onto the market of its new products, namely, ODYSSEY and 2003 converted Accord new model. Moreover, Guangzhou Honda has decided to move forward the production timetable for the economy model of sedans in order to cope with the market changes and competition in the PRC as well as to meet the demand of different levels of users by offering more product models and higher production capacity. In doing so, it will ensure a top position for the Group in the severe market competition, and under the competitive environment we will be able to grow and expand.

With safeguarding its brand name and maintaining its high quality, Guangzhou Honda moves steadily towards heightening its domestic component content level by putting more efforts on management and reducing costs and expenses. This year, the service-oriented “four-in-one” (car sales, after-sales service, spare parts supply and information feedback) sales network will continue to expand and improve with a view to establishing 120 sales outlets, which will further enhance the competitiveness of Guangzhou Honda Accord sedans.

In the second half of the year, the Group will embark on adjustments of the production site of its enterprises to cope with the expansion of Guangzhou Honda.

The directors believe that given the combined strength of its PRC and Japanese partners, Guangzhou Honda, the principal business of the Group, will be able to grasp any opportunity arising and speed up its development, as such, it will secure an important position in PRC’s sedan market. The other areas of the Group’s business will also see significant growth, and the Group will be able to create better return for the shareholders.