



Mr. Zhang Fangyou (Chairman and Managing Director)

To all shareholders :

I would like to present the annual report of Denway Motors Limited (the “Company”) and the audited consolidated results of the Company and its subsidiaries (together the “Group”), associated companies and a jointly controlled entity for the year ended 31st December 2001.

BUSINESS REVIEW

For the year ended 31st December 2001, turnover of the Group was approximately HK\$1,295,908,000, an increase of 64.8% over that of the previous year (2000: HK\$786,390,000). Audited consolidated profit attributable to shareholders was approximately HK\$724,242,000, an increase of 59.8% over that of the previous year (2000: HK\$453,203,000). Earnings per share amounted to HK22.0 cents, an increase of 44.7% over that of the previous year (2000: HK15.2 cents).

Chairman's Statement

The Group through Guangzhou Auto Group Corporation owns 50% equity interest in Guangzhou Honda Automobile Co., Ltd. ("Guangzhou Honda"), which had achieved an annual output of 51,146 vehicles, and a sales volume of the 51,058 Honda Accord sedans in 2001, representing an increase of approximately 58% over both the output and sales of the previous year, which accounted for 28.9% of medium and high-end market of sedans in the People's Republic of China (the "PRC"). Production and operation targets set by the Board of Directors of Guangzhou Honda for the year were successfully achieved, and producing and selling 50,000 vehicles a year, a target set by the Chinese and Japanese partners at the time when Guangzhou Honda was first established, had been achieved ahead of time by four years.

While strictly controlling the quality of its products, the domestic component content level of vehicles produced by Guangzhou Honda also rises steadily. Up to now, the domestic component content level of two models, namely 2.3VTI and 2.0EXI, has topped 59.4% and 59.27% respectively, and for model 3.0V6, it has exceeded 50%. In the meantime, Guangzhou Honda has been working on the building and expansion of a sales service network to provide quality sales service to its customers. By the end of 2001, 100 odd franchised sales service outlets have been set up nationwide, which has substantially boosted the competitiveness of Guangzhou Honda's products.

