駿威汽車有限公司
DENWAY MOTORS LIMITED
Stock Code: 203

ANNUAL REPORT 09

Contents

BOARD OF DIRECTORS

Executive Directors

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

Independent Non-Executive Directors

CHEUNG Doi Shu
LEE Ka Lun
FUNG Ka Pun

REGISTERED OFFICE

Room 801, Citicorp Centre
18 Whitfield Road
Causeway Bay, Hong Kong

WEBSITE

http://www.denway-motors.com

COMPANY SECRETARY

LEUNG Chong Shun

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants, Hong Kong

LEGAL ADVISERS

Woo, Kwan, Lee & Lo

SHARE REGISTRAR

Tricor Abacus Limited
26/F Tesbury Centre
28 Queen's Road East
Wanchai, Hong Kong

LISTING INFORMATION

The Stock Exchange of Hong Kong Limited
Stock Code : 00203

Mr. ZHANG Fangyou (Chairman)

To all Shareholders,

I hereby present the annual report of Denway Motors Limited (the "Company"), and the audited consolidated results of the Company and its subsidiaries (together the "Group"), jointly controlled entities and associates for the year ended 31 December 2009.

BUSINESS REVIEW

For the year ended 31 December 2009, turnover of the Group was approximately RMB637,537,000 (2008: RMB725,464,000), a decrease of 12.1% over the same period of last year. The consolidated profit attributable to the equity holders of the Company was approximately RMB1,914,530,000 (2008: RMB2,094,259,000), a decrease of 8.6% over the same period of last year. Basic earnings per share was approximately RMB25.5 cents (2008: RMB27.9 cents), a decrease of 8.6% over the same period of last year.

In the year of 2009, despite the global economic downturn, China economy after touching the bottom in early 2009 started to rebound and successfully achieved a steady growth in the second quarter. Driven by a series of economic stimulus measures implemented by the PRC government, including a relatively loose monetary policy, an aggressive fiscal policy and the revitalization proposals for ten key sectors, the PRC's gross domestic product ("GDP") of 2009 recorded a growth rate of 8.7% over the previous year, successfully achieving the 8% GDP growth target. With the PRC automobile market being promoted by a series of revitalization policies for the automobile industry, the number of motor vehicles produced and sold in 2009 exceeded 13 million units, the highest annual growth rate ever recorded. The number of passenger vehicles produced and sold exceeded 10 million units for the first time. Following the rapid development of the domestic automobile industry in 2009, China has become the world's top auto maker and car consumption market. According to the statistics from China Association of Automobile Manufacturers, the number of motor vehicles produced and sold nationwide in 2009 amounted to 13.791 million units and 13.6448 million units respectively, representing a growth of 48.30% and 46.15% respectively over the same period of last year. Of the total, 10.3838 million units produced and 10.3313 million units sold were passenger vehicles, representing a growth of 54.11% and 52.93% respectively over the same period of last year.

For the year ended 31 December 2009, an aggregate of 365,997 units and 365,623 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 18.7% and 19.4% respectively over the previous year. Such growth rates were slightly lower than the nationwide average growth rate as the Sedan Company has entered into a mature development stage.

As for Guangzhou Automobile Group Component Co., Ltd. ("Guangzhou Component"), in which the Group holds a 49% equity interest, its production and sales units as well as revenues for 2009 had over 10% growth over the previous year, thereby achieving its annual target. In 2009, Guangzhou Component had encountered various unfavourable factors such as price squeeze from the car manufacturers, continuous appreciation of yen, price surge in imported materials, uneven production schedule as well as unstable production volume of new models during the early launching stages. Despite the above, Guangzhou Component, through aggressive responses by its enterprise, fully utilizing the competitive edges of its existing resources, and the support from its key customers and joint-venture partners, finally managed to accomplish its business targets.

As the business environment has improved, the performance of other business of the Group, namely trading of vehicles, manufacturing of automotive equipment and parts and manufacturing and trading of audio equipment, also met the targets set by the Group at the beginning of 2009.

FUTURE PROSPECTS

Looking ahead to 2010, the PRC economy will continue to grow at a steady and rapid pace. The economic stimulus measures implemented in 2009 will continue to have favourable effects on the economy in 2010. As expressly confirmed at the Central Economic Work Conference held at the end of 2009, the main theme of policy planning for 2010 will be "promoting the transformation of economic development pattern while maintaining stable economic growth". Therefore, with the support of investment and domestic demand as well as significant improvement in the Europe and US markets, the PRC automobile industry is expected to have a faster growth under the consumption stimulation package by the PRC government. According to the forecast of the State Information Center, the annual growth of passenger vehicles in 2010 will be 18%. Based on the forecast of overall automobile market as well as its present production capacity of 360,000 units, the Sedan Company will take proactive measures to tackle technical and production bottleneck to further exploit production capacity. At the same time, an annual production and sales target of 386,000 units for 2010 has been set.

In 2010, Guangzhou Component will continue to monitor the development of relevant sedan plants and initiate project expansion strategies, which are in line with its economic development and the long-term interests. Guangzhou Component considering the business development and expansion of the Group as opportunities, Guangzhou Component strives to explore new pattern of scientific development with new thinking, for a breakthrough in developing the chassis and vehicle powertrain system. In 2010, Guangzhou Component will continue to expand automotive component market and products categories, to put more emphasis on indigenous innovation, to minimize costs and to enhance product quality so as to maintain steady growth.

In future, the Group will further exploit the automotive market as well as identifying 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 2009 was approximately RMB637,537,000, representing a decrease of approximately 12.1% compared with that in 2008. 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. Profit attributable to the equity holders of the Company was approximately RMB1,914,530,000, representing a decrease of approximately 8.6% compared with that in 2008.

The turnover of the trading of motor vehicles decreased by RMB64,835,000 which represented a drop of approximately 13.4% compared with that in 2008. The operating profit of this segment was approximately RMB6,698,000 in 2009 compared with operating loss of approximately RMB24,175,000 in 2008. The main reasons for such turnaround were that our management has scaled down the operations of its loss making motor vehicle trading company in order to minimize any subsequent effects as well as sales growth and effective cost control achieved by another motor vehicle trading company. The turnover of the manufacturing and trading of automotive equipment and parts decreased by RMB6,614,000 which represented a decrease of approximately 68.5% compared with that in 2008. The operating loss of this segment was approximately RMB214,868,000 in 2009 compared with operating profit of approximately RMB82,090,000 in 2008. The main reason for such decrease was due to an one-off donation to the 16th Asian Games Organising Committee. The turnover of the manufacturing and trading of audio equipment decreased by RMB16,478,000 which represented a decrease of approximately 7.1% over 2008, mainly due to a drop in sales orders. The operating profit of this segment was approximately RMB3,796,000 in 2009 compared with the operating loss of approximately RMB8,639,000 in 2008, such turnaround was mainly due to our effective cost control. The operating loss of other segment decreased by RMB11,405,000, mainly due to a decrease in net exchange loss as HKD/RMB exchange rate held steady. The order on hand of the Group for the business of the manufacturing and trading of audio equipment was approximately RMB38,174,000 as at 31 December 2009.

The total borrowings of the Group decreased from approximately RMB2,110,000 at the end of 2008 to approximately RMB752,000 as at 31 December 2009, mainly due to repayment of borrowings. The Group maintained low ratios of borrowings relative to total equity at approximately 0.01% as at 31 December 2009 and 0.02% as at 31 December 2008. The Group also maintained low ratios of total liabilities relative to total equity at approximately 1.3% as at 31 December 2009 and 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 RMB38,176,000 and pledged bank deposits of approximately RMB23,381,000. As at 31 December 2009, the Group had no contingent liabilities.

The Group had cash and bank balances of approximately RMB7,300,807,000 as at 31 December 2009. This included the net cash used in operating activities of approximately RMB330,079,000, net cash generated from investing activities of approximately RMB3,734,978,000 and net cash used in financing activities of approximately RMB379,955,000. During the year, the payment of dividends by the Company was financed by the receipt of cash dividend from investment vehicles.

The Group's general and administrative expenses for 2009 were approximately RMB68,709,000, representing an increase of approximately 2.2% compared with that in 2008. Finance cost increased by RMB288,000, 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 2,079 multiples in 2009 compared with that of approximately 3,329 multiples in 2008.

Share of profits of associates was approximately RMB8,148,000 in 2009, representing an increase of approximately 40.9% compared with that in 2008.

Share of profit of a jointly controlled entity was one of the major sources of profit of the Group, which contributed approximately RMB1,918,576,000, representing an increase of approximately 0.3% compared with that in 2008. As driven by a growth in sales volume of vehicles, turnover of the jointly controlled entity increased 11.3% compared with that in 2008. However, profit growth was affected by an increase in overall tax expense at a rate with annual increment due to the implementation of the PRC Corporate Income Tax Law which became effective in 2008.

Share of profit of other jointly controlled entities was another major source of profit of the Group, which contributed approximately RMB242,682,000, representing an increase of approximately 11.5% compared with that in 2008, mainly due to increases in units produced and sold as well as expansion of economies of scale. The percentage ratios of such profit to the profit of the Group were approximately 12.6% in 2009 and approximately 10.4% in 2008, continuously and effectively expanding the profit sources of the Group.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2009, the Group employed approximately 1,300 (2008: 1,300) staff in the PRC and Hong Kong.

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.

ACKNOWLEDGEMENTS

I would like to extend my appreciation to all shareholders for their support and to thank the directors for their guidance and the staff members for their dedication and hard work.

ZHANG Fangyou
Chairman

Hong Kong, 16 March 2010

The board of directors (the "Board") submits its report together with the audited financial statements for the year ended 31 December 2009.

PRINCIPAL ACTIVITIES AND SEGMENT INFORMATION

Denway Motors Limited (the "Company") is an investment holding company. The Company and its subsidiaries (together the "Group"), jointly controlled entities and associates are principally engaged in the manufacturing, assembly and trading of motor vehicles, the manufacturing and trading of automotive equipments and parts in the People's Republic of China (the "PRC") and the manufacturing and trading of audio equipment in Hong Kong. Details of segment information of the Group are set out in note 5 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated income statement on page 39. The Board recommends a final dividend of RMB6 cents (2008: RMB2 cents) per ordinary share for the year ended 31 December 2009. Together with the interim dividend of RMB3 cents per ordinary share paid, total dividends for year 2009 will be RMB9 cents (2008: RMB7 cents) per ordinary share. Subject to the approval of shareholders at the forthcoming annual general meeting, the final dividend will be paid on 9 June 2010 to shareholders whose names appeared on the register of members of the Company on 11 May 2010.

The proposed final dividend for the year 2009 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 proposed the distribution of final dividend. The proposed final dividend is equivalent to HK6.81965 cents per ordinary share at the Exchange Rate of HKD1.0 to RMB0.87981 on 16 March 2010.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 5 May 2010 to Tuesday, 11 May 2010, 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, 4 May 2010.

RESERVES

Movements in the reserves during the year are set out in note 26 to the consolidated financial statements. The Company had distributable reserves of RMB698,097,000 at 31 December 2009, calculated pursuant to section 79B of the Company Ordinance (2008: RMB530,797,000).

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment during the year are set out in note 17 to the consolidated financial statements.

PRINCIPAL PROPERTIES

Details of the investment properties held by the Group are set out on pages 103 and 104.

SHARE CAPITAL AND OPTIONS

Details of movements in the issued share capital and options of the Company during the year are set out in note 25 to the consolidated financial statements.

Details of movements in the share options granted by the Company during the year and options outstanding as at 31 December 2009 are set out in note 25(a) to the consolidated financial statements.

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.

PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries as at 31 December 2009 are set out in note 34 to the consolidated financial statements.

BANK LOANS, OVERDRAFTS AND OTHER BORROWINGS

Details of bank loans, overdrafts and other borrowings of the Group and of the Company as at 31 December 2009 are set out in note 27 to the consolidated financial statements.

DONATIONS

Charitable and other donations made by the Group during the year amounted to RMB301,560,000.

FIVE-YEAR FINANCIAL SUMMARY

The results, assets and liabilities of the Group for the current year and the last four financial years are as follows:

	2009	2008	2007	2006
	RMB'000	RMB'000	RMB'000	RMB'000
Profit attributable to the equity holders of the Company	**1,914,530**	2,094,259	2,170,395	2,273,629
Total assets	**14,436,599**	12,847,300	11,836,386	10,462,085
Total liabilities	**(180,198)**	(127,584)	(181,734)	(177,316)
Minority interests	**(68,200)**	(67,586)	(77,680)	(70,772)
	14,188,201	12,652,130	11,576,972	10,213,997

	2005
	HKD'000[1]
Profit attributable to the equity holders of the Company	1,905,529
Total assets	9,214,809
Total liabilities	(460,151)
Minority interests	(84,462)
	8,670,196

1 The average exchange rate of Hong Kong dollars to Renminbi for the year ended 2005 was 1.0535. The closing exchange rates of Hong Kong dollars to Renminbi as at 31 December 2005 was 1.0407.

DIRECTORS

The directors who held office during the year and up to the date of this report are:

Executive directors

Mr. ZHANG Fangyou
Mr. ZENG Qinghong
Mr. FU Shoujie
Mr. YAO Yiming
Mr. LI Tun *(appointed on 20 August 2009)*
Mr. YANG Dadong *(resigned on 2 June 2009)*
Mr. ZHANG Baoqing *(resigned on 20 August 2009)*

Independent non-executive directors

Mr. CHEUNG Doi Shu
Mr. LEE Ka Lun
Mr. FUNG Ka Pun

Messrs. ZHANG Fangyou, FU Shoujie and LEE Ka Lun will retire by rotation in accordance with the Article 101 of the Articles of Association of the Company and Mr. LI Tun, as a new director appointed during the year, will retire in accordance with the Article 92 of the Articles of Association of the Company. All retiring directors, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

The Company has received annual confirmation from each of the independent non-executive directors as regards their independence to the Company and considers that each of the independent non-executive directors is independent to the Company.

DIRECTORS AND SENIOR MANAGEMENT PROFILES

Biographical details of the directors of the Company and the senior management of the Group are set out as follows:

Executive Directors

Mr. ZHANG Fangyou, aged 53, joined the Group in 1997 and became the Chairman of the Company on 18 September 1998. He is also the Chairman and Managing Director of Guangzhou Automobile Industry Group Co., Ltd., the Chairman of Guangzhou Automobile Group Co., Ltd., the Chairman of Guangzhou Auto Group Corporation, the Chairman of GAC Changfeng Motors Co., Ltd. (SHA: 600991), the Chairman of Guangzhou Auto Group (Hong Kong) Ltd. and China Lounge Investments Ltd. Mr. ZHANG was the Chairman of GAC Toyota Motor Co., Ltd. He had held senior posts in the Zeng Cheng Municipal People's Government of Guangdong Province and was the Deputy Secretary-General of Guangzhou Municipal People's Government and the Director of the Automotive Industry Office of Guangzhou Municipal People's Government.

Mr. ZENG Qinghong, aged 48, joined the Group in 1999. Mr. ZENG was appointed as a Director of the Company on 16 January 2001 and promoted as the Vice Chairman of the Company on 30 July 2008. He is also the Vice Chairman of Guangzhou Automobile Industry Group Co., Ltd., the Vice Chairman and Managing Director of Guangzhou Automobile Group Co., Ltd., the Vice Chairman and Managing Director of Guangzhou Auto Group Corporation, the Chairman of Guangzhou Automobile Group Motor Co., Ltd., a Director of GAC Changfeng Motors Co., Ltd. (SHA: 600991) and the Vice Chairman of Guangzhou Auto Group (Hong Kong) Ltd. and China Lounge Investments Ltd. Mr. ZENG was the Deputy Managing Director of Guangzhou Automobile Industry Group Co., Ltd., the Chairman of Guangzhou Automobile Group Component Co., Ltd., Guangzhou Automobile Group Commerce and Trading Co., Ltd. and Guangqi Hino Motors Co., Ltd as well as the Executive Deputy Managing Director of Guangqi Honda Automobile Co., Ltd.

Mr. FU Shoujie, aged 46, joined the Group on 16 August 2007 as a Director of the Company. He is a Director of Guangzhou Automobile Industry Group Co. Ltd., a Director of Guangzhou Automobile Group Co. Ltd., a Director of Guangzhou Auto Group Corporation, the Chairman of Guangzhou Honda Automobile Co Ltd., the Managing Director of GAC Changfeng Motors Co., Ltd. (SHA: 600991), a Director of Guangzhou Automobile Group Motor Co., Ltd., Guangzhou Auto Group (Hong Kong) Ltd., and China Lounge Investments Ltd. In the last three years, Mr. FU had been the Executive Deputy Managing Director of Guangqi Honda Automobile Co Ltd., the Chairman of Guangzhou Honda Automobile Research & Development Co., Ltd. and a Director of Honda Automobile (China) Co, Ltd.

Mr. YAO Yiming, aged 52, joined the Group on 15 October 2008 as a Director of the Company. He is the Deputy General Manager of Guangzhou Automobile Group Co. Ltd., a Director of Guangzhou Auto Group Corporation, the Executive Deputy Managing Director of Guangqi Honda Automobile Co. Ltd., the Chairman of Guangzhou Honda Automobile Research & Development Co., Ltd. and a Director of Honda Automobile (China) Co., Ltd. In the last three years, he had been the Managing Director of Guangzhou Automobile Group Commerce and Trading Co. Ltd.

Mr. LI Tun, aged 49, joined the Group since 1999. Mr. LI was appointed as Executive Director, Managing Director and a member of the remuneration committee of the Board on 20 August 2009. He is also a Director of Guangzhou Automobile Group Co., Ltd., the Managing Director of Guangzhou Auto Group (Hong Kong) Ltd. and China Lounge Investments Ltd., the Chairman of Guangzhou Denway Enterprises Development Co. Ltd., a Director of Guangqi Honda Automobile Co., Ltd. and Guangzhou Automobile Group Component Co. Ltd.. Mr. LI was the Deputy General Manager of the Company, the Deputy General Manager of China Lounge Investments Ltd. and a Director of Guangzhou Denway Enterprises Development Co. Ltd. He was the Deputy General Manager of the Sales Division of Guangqi Honda Automobile Co. Ltd for the period from 2001 to 2007 and was the General Manager of Guangzhou Honda Automobile No. 1 Sales Co. Ltd.

Independent Non-Executive Directors

Mr. CHEUNG Doi Shu, aged 48, was appointed as an Independent Non-Executive Director on 16 April 1998, a member of the Audit Committee of the Company on 30 June 1999, the Chairman of the Remuneration Committee of the Company on 3 January 2005 and a member of the Nomination Committee on 2 September 2005. He is a qualified solicitor in the Australian Capital Territory, Hong Kong, Singapore and England and Wales and received his bachelor's and master's degree in Law from the University of London. Mr. CHEUNG is an Independent Non-Executive Director of GZI Transport Limited (HK Stock Code: 01052) and the senior partner of D.S. Cheung & Co.

Mr. LEE Ka Lun, aged 55, was appointed as an Independent Non-Executive Director and the Chairman of the Audit Committee of the Company on 30 June 1999, a member of the Remuneration Committee of the Company on 3 January 2005 and a member of the Nomination Committee of the Company on 2 September 2005. Mr. LEE is also an Independent Non-Executive Director of Yuexiu Property Company Limited (HK Stock Code: 00123), Chow Sang Sang Holdings International Limited

(HK Stock Code: 00116) and REXLot Holdings Limited (HK Stock Code: 00555). Mr. LEE is a Fellow of The Association of Chartered Certified Accountants in UK and has over 25 years of experience in banking and auditing.

Mr. FUNG Ka Pun, aged 64, was appointed as an Independent Non-Executive Director and a member of the Audit Committee of the Company on 23 September 2004, a member of the Remuneration Committee of the Company on 3 January 2005 and the Chairman of the Nomination Committee of the Company on 2 September 2005. He is also the Vice Chairman of CIAM Group Limited (HK Stock Code: 00378), an Independent Non-Executive Director of GZI Transport Limited (HK Stock Code: 01052), Lee Hing Development Limited (HK Stock Code: 00068) and Samling Global Limited (HK Stock Code: 03938).

Mr. FUNG is a member of Chinese People's Political Consultative Conference of Hubei Province and was a part-time member of the Central Policy Unit, the Government of the HKSAR. He is a fellow member of the Association of International Accountants and an associate member of the Institute of Chartered Secretaries and Administrators. He has more than 30 years of experience in finance, securities and futures trading and corporate finance.

Senior Management

Mr. HUANG Liji, aged 52, joined the Group as the Deputy General Manager and Financial Controller of the Company in 2007. He is also a Director of Guangzhou Denway Enterprises Development Co., Ltd and Guangzhou Automobile Group Component Co., Ltd.. He was the General Manager of Finance Division of Guangzhou Automobile Industry Co., Ltd.

Mr. HO Nai Ki, aged 60, is the Business Director of the Company. Prior to joining the Group in 1993, he had worked in various international financial institutions including the Chase Manhattan Bank and Sun Hung Kai Group.

DIRECTORS' SERVICE CONTRACTS

The term of service of all independent non-executive directors is two years (subject to renewal every two years).

There is no service contract, which is not determinable by the Company within one year without payment of compensation (other than statutory compensation), in respect of any directors of the Company proposed for re-election at the forthcoming annual general meeting.

DIRECTORS' INTEREST IN CONTRACTS

No contracts of significance in relation to the Group's business to which the Company, its fellow subsidiaries or its holding company was a party, and in which any directors of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

SHARE OPTION SCHEME

The shareholders of the Company approved adoption of a share option scheme ("Share Option Scheme") in the general meeting held on 6 June 2002. The purpose of the Share Option Scheme is (i) to provide the Company with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to the participants and to provide the participants with the opportunity to acquire proprietary interests in the Company and to encourage participants to work towards enhancing the value of the Company and its shares for the benefit of the Company and the shareholders as a whole and (ii) for such other purposes as the board of directors may approve from time to time. Participants includes (i) any executive or non-executive directors of the Group (or persons proposed to be appointed as such) or any employee of the Group; (ii) any discretionary object of a discretionary trust established by any employee, executive or non-executive director of the Group; (iii) any consultant(s) and professional adviser(s) to the Group (or persons, firms or companies proposed to be appointed for providing such services); (iv) chief executive or substantial shareholder of the Company; (v) associates of director, chief executive or substantial shareholder of the Company; and (vi) employees of substantial shareholder.

The Board may, at their discretion, invite any participant who has rendered service or will render service to the Group to take up options. An option is deemed to have been granted and accepted by the grantee upon his or her signing the duplicate letter comprising acceptance of the option and paying HKD1 by way of consideration for the grant thereof.

The subscription price for shares of the Company under the Share Option Scheme will be highest of (i) the closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheet on the offer date (which date must be a business day), (ii) a price being the average of the closing prices of the shares of the Company as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the offer date, and (iii) the nominal value of a share of the Company.

The total number of shares of the Company which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company shall not in aggregate exceed 10 per cent. of the total number of shares of the Company in issue as at the date of approval of the Scheme. An option may be exercised during a period to be determined by the directors in its absolute discretion and in any event such period shall not be longer than 10 years from the date upon which the option is granted.

The maximum entitlement for any one participant is that the total number of shares issued and to be issued upon exercise of the options granted to each participant under the Share Option Scheme in any 12-month period shall not exceed 1 per cent. of the total number of shares in issue of the Company. Any further grant of options in excess of the 1 per cent. limit shall be subject to shareholders' approval in general meeting with such participant and his or her associates abstaining from voting. The Share Option Scheme will remain in force for a period of 10 years from 6 June 2002.

Information disclosed in accordance with the Listing Rules in relation to the Share Option Scheme is as follows:

	Number of share options			
Grantee	**As at 1 January 2009**	**Transferred in/(out) during the year**	**As at 31 December 2009**	*Notes*
ZHANG Fangyou	8,528,000	—	8,528,000	*(1)*
ZENG Qinghong	5,664,000	—	5,664,000	*(1)*
YANG Dadong	5,664,000	(5,664,000)	—	*(2)*
ZHANG Baoqing	6,488,000	(6,488,000)	—	*(3)*
Aggregate total of other participants	—	12,152,000	12,152,000	*(1)*
	26,344,000		26,344,000	

Notes:

(1) These options were granted on 7 August 2003 at an adjusted exercise price of HKD2.1525* per share. The exercise period is from 7 August 2003 to 5 June 2012. The consideration paid by each grantee for the options granted was HKD1. The adjusted closing price of the share immediately before the date on which the options were granted was HKD2.075*.

(2) Mr. YANG Dadong retired and ceased to act as director of the Company at the annual general meeting held on 2 June 2009. The options held by him have been re-classified under "Aggregate total of other participants".

(3) Mr. ZHANG Baoqing resigned as director of the Company due to his retirement on 20 August 2009. The options held by him have been re-classified under "Aggregate total of other participants".

(4) No option was granted, exercised or cancelled or lapsed during the year.

* *adjusted per one for one bonus issue of shares in May 2004.*

Apart from the Share Option Scheme, at no time during the year ended 31 December 2009 was the Company or its holding companies or any of its subsidiaries or fellow subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

Save as disclosed above, during the year ended 31 December 2009, no rights to subscribe for equity or debt securities of the Company has been granted by the Company to, nor have any such rights been exercised by, any directors and chief executives of the Company.

DIRECTORS' INTEREST IN SHARES

As at 31 December 2009, the interests and short positions of the directors in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

(a) Long positions in shares of the Company

Name of Director	Number of shares Personal interest (as beneficial owner)	Percentage of shareholding as at 31 December 2009
YAO Yiming	1,132,000	0.02%
CHEUNG Doi Shu	3,000,000	0.04%

(b) Long positions in underlying shares in respect of share options granted by the Company

Name of Director	Number of underlying shares in respect of options granted Personal Interest (as beneficial owner)	Percentage of shareholding as at 31 December 2009
ZHANG Fangyou	8,528,000	0.11%
ZENG Qinghong	5,664,000	0.08%

Note: Details of the options held by the directors are disclosed in the section "SHARE OPTION SCHEME" in this report.

Save as disclosed above, as at 31 December 2009, none of the directors or chief executive of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

DIRECTORS' INTEREST IN COMPETING BUSINESS

The interests of the directors in the businesses which compete or may compete, either directly or indirectly, with the business of the Group, jointly controlled entities and associates ("Competing Business") were as follows:

1. Core business activities of the Group, jointly controlled entities and associates

(1) Manufacturing and trading of motor vehicles in the PRC.

(2) Manufacturing and trading of automotive equipment and parts in the PRC.

(3) Manufacturing and trading of audio equipment in Hong Kong.

2. Interests in Competing Business

To the best of the directors' knowledge, as at 31 December 2009, none of directors and their respective associates had any interest in a business which competes or may compete, either directly or indirectly, with the business of the Group as required to be disclosed pursuant to the Listing Rules.

Note: GAC Changfeng Motor Co., Ltd. ("GAC Changfeng") is owned as to 29% by Guangzhou Automobile Group Co. Ltd. Guangzhou Automobile Group Co. Ltd. is a subsidiary of Guangzhou Automobile Industry Group Co. Ltd., the ultimate holding company of the Company. The principal activities of GAC Changfeng are manufacture and sale of sport utility vehicle (SUV) and there is no business competition between the Group and GAC Changfeng.

SUBSTANTIAL INTERESTS IN THE SHARE CAPITAL OF THE COMPANY

As at 31 December 2009, the corporations having an interest in 5% or more of the issued share capital of the Company as recorded in the register of interests in shares and short positions required to be kept under Section 336 of the Part XV of SFO were as follows:

Name	**Long position in shares**	**Percentage of total shareholding as at 31 December 2009**	*Note*
China Lounge Investments Limited	2,849,544,904	37.90%	*(a)*
Guangzhou Automobile Group Co. Ltd.	2,849,544,904	37.90%	*(b)*
Guangzhou Automobile Industry Group Co. Ltd.	2,849,544,904	37.90%	*(c)*
Templeton Asset Management Limited	1,052,081,027	13.99%	*(d)*
Platinum Investment Management Limited	382,427,082	5.09%	*(e)*

Notes:

(a) As at 31 December 2009, China Lounge Investments Limited held 2,849,544,904 shares of Company.

(b) As at 31 December 2009, China Lounge Investments Limited was wholly-owned by Guangzhou Automobile Group Co. Ltd. which was accordingly deemed to be interested under the SFO in 2,849,544,904 shares.

(c) As at 31 December 2009, Guangzhou Automobile Group Co. Ltd. was 91.93% owned by Guangzhou Automobile Industry Group Co. Ltd. which was accordingly deemed to be interested under the SFO in 2,849,544,904 shares of the Company.

(d) Templeton Asset Management Limited was interested in 1,052,081,027 shares of the Company as investment manager.

(e) Platinum Investment Management Limited was interested in 382,427,082 shares of Company as investment manager.

Save as disclosed herein, no other person was recorded in the register of substantial shareholders maintained under Section 336 of Part XV of the SFO as having an interest in 5% or more of the issued share capital of the Company as at 31 December 2009.

RETIREMENT SCHEME

Details of the Group's retirement scheme are set out in note 13 to the consolidated financial statements.

INDEPENDENT NON-EXECUTIVE DIRECTORS' FEE

Each of the independent non-executive directors of the Company received RMB159,000 as director's fee for the year ended 31 December 2009.

MANAGEMENT CONTRACTS

No contract, other than the contracts of service with persons engaged in the full-time employment of the Company, concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year of 2009.

MAJOR SUPPLIERS

The percentage of purchase attributable to the Group's major suppliers for the continuing operations is as follows:

	2009	2008
	%	%
— the largest supplier	**64**	51
— five largest suppliers combined	**69**	66

MAJOR CUSTOMERS

During 2008 and 2009, the Group sold less than 30% of its goods and services to its five largest customers.

CONNECTED TRANSACTION

No connected transaction is required to be disclosed by the Group in this Annual Report in accordance with the Listing Rules.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the directors, as at the date of this report, there is sufficient public float of not less than 25% of the issued shares of the Company as required under the Listing Rules.

INDEPENDENT AUDITOR

The consolidated financial statements have been audited by PricewaterhouseCoopers, who retire and, being eligible, offer themselves for re-appointment, and a resolution to this effect will be proposed at the forthcoming annual general meeting of the Company.

By the order of the Board
ZHANG Fangyou
Chairman

Hong Kong, 16 March 2010

As an important member of automotive industry in the People's Republic of China (the "PRC"), Denway Motors Limited (the "Company") endeavors to maintain its high standard of corporate governance, and continues to review and reinforce its corporate governance measures.

DENWAY CODE ON CORPORATE GOVERNANCE

Code on Corporate Governance Practices (the "CG Code") in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") sets out in the principles of good corporate governance, and two levels of recommendations: (a) code provision; and (b) recommended best practices. A listed company may devise its own code on corporate governance practices on the terms it considers to be appropriate.

Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in Appendix 10 of the Listing Rules sets a required standard against which directors must measure their conduct regarding transactions in securities of their listed companies. A listed company may adapt its own code on terms no less exacting than those set out in the Model Code.

Since 2005, the Company has adopted its own Code on Corporate Governance (the "Denway Code"), which covers all mandatory code provisions of the CG Code and recommended best practices considered by the Board as reasonable and appropriate as well as a set of model code for securities transactions by the directors on terms no less exacting than those set out in Model Code. In fact, while implementing the Denway Code, the Company has exceeded the requirements of the CG Code in various aspects, which include:

(1) Establishing a clear corporate governance framework, which covers the relationship and responsibilities of relevant external and internal related parties;

(2) Including shareholders' rights that set out in the Principles of Corporate Governance published by the highly regarded Organization for Economic Co-operation and Development;

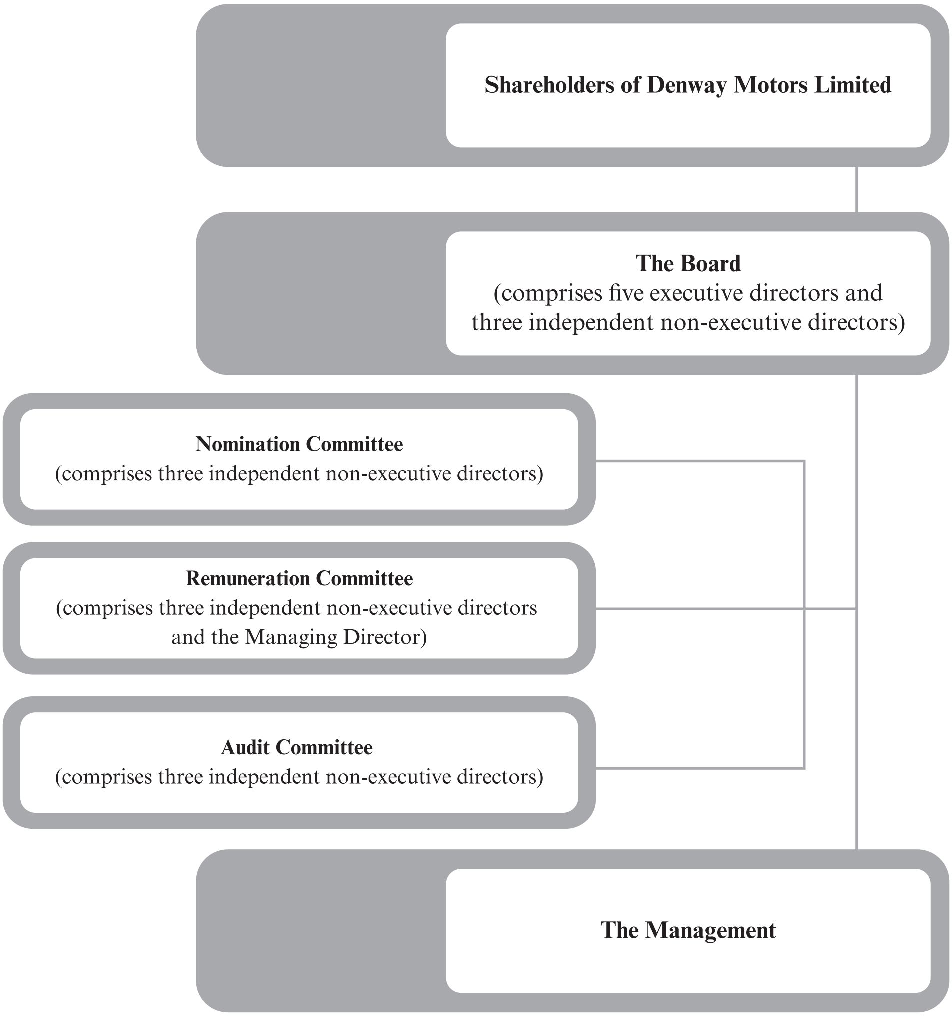
(3) Consistently complying with the Company's Code of Conduct; and

(4) The Audit Committee and the Nomination Committees comprising only independent non-executive directors.

During 2009, the Company complied with all code provisions as set out in the CG Code.

DENWAY CORPORATE GOVERNANCE STRUCTURE

The Company's corporate governance structure is as follows:



The Company is led by an efficient, high-caliber and responsible Board which ensures the Company and its subsidiaries (together the "Group") maintain a high standard in corporate governance complemented by comprehensive internal control systems, so as to meet the requirements of the Group's overall business development and enhance shareholder value. The corporate governance structure of the Company is under constant review by the Board and may be adjusted from time to time so as to meet the need of the Company.

SHAREHOLDERS

All the directors recognize that they are collectively responsible for the management and operations of the Company. By fulfilling their fiduciary duties and exercising care, skill and diligence, they represent the interests of the shareholders and enhance shareholder value.

Shareholders have the basic rights to:

(1) secure methods of ownership registration;

(2) convey or transfer shares;

(3) obtain relevant and important information of the Company in a timely manner and on a regular basis;

(4) attend and vote in general meetings;

(5) elect and remove directors; and

(6) share the profits of the Company.

The Company has a policy of open communication and fair disclosure. Disclosure is a key means to enhance corporate governance standards. It provides shareholders and other stakeholders with information necessary for them to form their own judgment and to provide feedback to the Company. Information relating to the Group's business review, future prospects and financial summary, are disclosed in the 2009 Annual Report and the Company's website at www.denway-motors.com.

The annual general meeting (the "AGM") is considered as an annual precious event of the Company. The AGM provides an important opportunity for constructive communication between the Board and shareholders. Directors and senior management attend the AGM and answer questions raised by shareholders.

In 2009, in respect of each substantially separate issue, a separate resolution was proposed for the approval of shareholders by way of poll at general meeting.

All registered shareholders receive notice of the annual general meeting and extraordinary general meeting by post. The notice of the general meetings contains an agenda, resolutions proposed and a voting form. All registered shareholders, whose names are registered in the register of members, are entitled to attend the general meetings. Shareholders who cannot attend the general meetings can appoint their proxies or the chairman of the general meetings to attend on their behalf by completing the proxy form enclosed with the notice of the general meetings and returning it to the Company's share registrar.

The Company appoints the representative of its share registrar as scrutineer, ensuring that votes cast are properly counted and recorded. The Company announced results of the poll in the manner prescribed under Rule 13.39(5) of the Listing Rules.

THE BOARD

1. Board Composition

The Board currently comprises five executive directors, who are experienced in the PRC automotive industry, and three independent non-executive directors who possess appropriate professional qualifications. In 2009, the directors are as follows:

Executive Directors
Mr. ZHANG Fangyou *(Chairman)*
Mr. ZENG Qinghong *(Vice Chairman)*
Mr. FU Shoujie
Mr. YAO Yiming
Mr. LI Tun *(Managing Director)* (*appointed on 20 August 2009)*
Mr. YANG Dadong *(resigned on 2 June 2009)*
Mr. ZHANG Baoqing *(resigned on 20 August 2009)*

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

Mr. YANG Dadong retired and ceased to act as executive director of the Company at the annual general meeting held on 2 June 2009 and Mr. ZHANG Baoqing resigned as executive director and managing director of the Company on 20 August 2009 due to his retirement. Mr. YANG Dadong and Mr. ZHANG Baoqing respectively confirmed that they had no disagreement with the Board and there were no other matters relating to their resignation that need to be brought to the attention of the shareholders of the Company.

The nomination committee of the Company made recommendations to the Board after considering the resignation of Mr. ZHANG Baoqing and collecting opinions of the management regarding the nomination of Mr. LI Tun to fill the causal vacancy of Mr. ZHANG Baoqing as executive director and managing director of the Company. The Board approved the resignation of Mr. ZHANG Baoqing as executive director and managing director with effect from 20 August 2009 and appointment of Mr. LI Tun as executive director and managing director with effect from 20 August 2009. Pursuant to the Articles of Association of the Company, Mr. LI Tun will be subject to re-election by shareholders at the first general meeting after his appointment.

Biographies for all directors (including the number and nature of their posts in public companies and other information related to material commitment information) are set out in the section headed “Directors and Senior Management Profiles” in this Annual Report.

There are no relationship, whether financial, business, family or other material/relevant aspects, between the directors.

During 2009, all corporate correspondence which set out the names of the directors expressly identified the identities of all independent non-executive directors. The independent non-executive directors possess appropriate professional qualifications, of which two have accounting and related financial management expertise. Each independent non-executive director confirmed to the Stock Exchange his independence in accordance with the requirements of the Listing Rules, and has also submitted an annual confirmation to the Company confirming his independence during 2009.

2. The Operation of the Board

The Board assumes responsibility for leadership and control of the Company and is responsible for promoting the success of the Company by directing and supervising the Company's affairs. The directors take decisions objectively in the interests of the Company and fulfill their fiduciary duties.

The responsibilities of the Board include, but not limited to:

(1) establishing strategic direction for the Company;

(2) setting objectives for the management;

(3) monitoring performance of the management;

(4) overseeing the management's relationships with stakeholders;

(5) ensuring a framework of prudent and effective control is in place to assess and management risks; and

(6) setting the values and standards of the Company.

The Board establishes written procedures determining which issues require a decision of the full Board and which issues may be delegated to the Board committee or management and the Company reviews such arrangements on a periodic basis.

Matters reserved to the full Board for decision include the setting of strategic direction for the Group, any matters involving a conflict of interest for a substantial shareholder or a director, material acquisition and disposals of assets, investments, capital projects, authority levels, major treasury policies, risk management policies and key human resources issues.

When the Board delegates management and administrative functions to the management, it gives clear directions on the powers of the management with respect to the circumstances where the management is to report back and should obtain prior approval from the Board before making decisions or entering into any commitment on behalf of the Company.

The task of the management and staff is to implement the strategies and directions determined by the Board. In doing so, they apply business principles and ethics, which are consistent with those expected by shareholders, the Board and other stakeholders.

The directors actively participate in the Board meetings to discuss the overall strategies and business directions of the Group. During 2009, the Company held four regular and 9 non-regular Board meetings. In each of the regular Board meetings, most of the directors who were entitled to attend the meetings attended in person.

In 2009, directors' attendance was as follows:

		No. of Attendance *(Note)*
Executive Directors		
Mr. ZHANG Fangyou *(Chairman)*		2
Mr. ZENG Qinghong *(Vice Chairman)*		4
Mr. FU Shoujie		2
Mr. YAO Yiming		4
Mr. LI Tun *(Managing Director)*	*(appointed on 20 August 2009)*	2
Mr. YANG Dadong	*(resigned on 2 June 2009)*	1
Mr. ZHANG Baoqing	*(resigned on 20 August 2009)*	2
Independent Non-Executive Directors		
Mr. CHEUNG Doi Shu		3
Mr. LEE Ka Lun		4
Mr. FUNG Ka Pun		3

Note: The above figures do not take into account non-regular Board meetings. Directors who attended such meetings included Mr. ZHANG Fangyou (8), Mr. ZENG Qinghong (9), Mr. FU Shoujie (4), Mr. YAO Yiming (5), Mr. LI Tun (2), Mr. YANG Dadong (1), Mr. ZHANG Baoqing (5), Mr. CHEUNG Doi Shu (1), Mr. LEE Ka Lun (1) and Mr. FUNG Ka Pun (1).

The Board has made arrangements to provide opportunities for all directors to include the proposed matters for discussion in the agenda of regular Board meetings.

At least 14 days' notice is given in respect of regular Board meetings. For all other Board meetings, reasonable notice is given.

An agenda and accompanying Board papers are circulated to all directors at least 3 days before regular Board meetings. Draft versions of minutes are sent to all directors after regular Board meetings. After expressing opinions on the draft versions of minutes and accompanying Board papers of other Board meetings complies with the above arrangement on a best effort basis.

The management provides the Board and Board committees with adequate and timely information which is complete and reliable. It enables the directors to make informed decision on matters placed before them. The management also provides such explanation and analysis to the Board so as to enable the directors to make an informed assessment of the financial and other information put before them for approval. In addition, the Board and each director have separate and independent access to the Company's senior management.

Minutes of each Board meeting and Board committee meeting are kept by the company secretary (the "Company Secretary") and are available for inspection by any director. Minutes record in sufficient detail the matters considered by the Board and the decisions reached.

All directors have free access to the advice and services of the Company Secretary with a view to ensuring that Board procedures are followed and that applicable laws and regulations, including obligations on the directors relating to disclosure of interests in securities, disclosure of any conflict of interest in a transaction involving the Company, prohibitions on dealing in securities and restrictions on disclosure of price-sensitive information, are complied with and on any matter relating to the application and implementation of Denway Code.

The Board adopts a system whereby the directors may seek independent professional advice in appropriate circumstances in furtherance of their duties and for the associated fees to be borne by the Company.

If a substantial shareholder or a director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter will be dealt with by holding a Board meeting or a Board committee meeting set up for that purpose pursuant to a resolution passed in a Board meeting. In addition, only independent non-executive directors who, and whose associates, have no material interest in the transaction concerned should be present at such meeting. Any director concerned should declare his/her interest at a prior to the Board meeting or the Board committee meeting in question and consider withdrawal from the meeting when the matter is discussed. The directors concerned must abstain from voting on any Board resolution or Board committee resolution and will not be counted in the quorum.

The Company maintains a directors' and officers' liability insurance.

3. Responsibilities of directors

The directors recognise that they are collectively and individually responsible to the shareholders, as well as to the operations, business activities and developments of the Company, and they perform their duties in accordance with the Denway Code. Independent non-executive directors have the same duties of care and fiduciary duties as executive directors.

Directors acknowledge their responsibility for preparing the accounts. Directors do not aware of material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern and present the accounts on a going concern basis. The relevant statement by the auditor about their reporting responsibilities set out in the section headed "Independent Auditor's Report" in the Annual Report.

In 2009, all directors gave sufficient time and attention to the affairs of the Company.

The Company appointed Mr. LI Tun as an executive director and managing director on 20 August 2009. Pursuant to the established guidelines for newly appointed directors, the Company offered Mr. LI Tun a comprehensive, formal and tailored induction on the first occasion of his appointment, to ensure that he has a proper understanding of the operations and business of the Company and that he is fully aware of his responsibilities as an executive director under statute and common law, the Listing Rules, applicable legal requirements and other regulatory requirements and the business and governance policies of the Company.

Independent non-executive directors of the Company give the Board and Board committees they are serving the benefit of their skills, expertise, varied backgrounds and qualifications through attending Board meetings and Board committee meetings. The responsibilities of independent non-executive directors include:

(1) participating in Board meetings to bring an independent judgment on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conduct;

(2) taking the lead where potential conflicts of interests arise;

(3) serving on the Audit Committee, Remuneration Committee, Nomination Committee and other Board committees; and

(4) scrutinising the Company's performance in achieving agreed corporate goals and objectives, and monitoring the reporting performance.

All independent non-executive directors attend Board meetings regularly and serve in the Audit Committee, Remuneration Committee and Nomination Committee.

Denway Code covers model code for securities transactions by directors on terms no less exacting than those set out in the Model Code in Appendix 10 of the Listing Rules on the Stock Exchange. Having made specific enquiries, all directors confirmed that they strictly complied with the Mode Code and the model code for securities transactions by the directors stated in Denway Code throughout 2009.

The Company's staff handbook states clearly that, among other things, other than under specific circumstances, employees of the Company are prohibited to deal in stocks and related derivatives of the Company.

Directors' interests in the shares of the Company as at 31 December 2009 are disclosed in the section headed "Report of the Directors" in Annual Report.

Directors' interests as at 31 December 2009 in any business that could or may compete with the business of the Group are disclosed in the section headed "Report of the Directors" in this Annual Report.

4. Appointments, re-election and removal of Directors

The Company has a formal, considered and transparent procedure for the appointment of new directors to the Board and has plans in place for orderly succession for appointments to the Board.

The Company has the Nomination Committee. For further details, please refer to the section headed "Nomination Committee" in this report. The appointment of a new director is a matter for consideration by the Nomination Committee and decision by the Board.

All directors appointed to fill a casual vacancy are subject to election by shareholders at the first general meeting after their appointment.

Every director is subject to retirement by rotation at least once every 3 years and is eligible to re-election. The names and biographical details of the directors who offer themselves for re-election in 2009 are contained in a circular to shareholders to assist them in making an informed decision on their election.

The term of service of all independent non-executive directors is two years (subject to renewal every two years). They are also subject to retirement by rotation and re-election at least once every 3 years in accordance with the Company's Articles of Association.

5. Chairman and Managing Director

Chairman and the Managing Director (for the purpose of this report, the "Managing Director" has the same capacity as the "Chief Executive Officer" referred to in Appendix 23 of the Listing Rules) are two separate roles and are not performed by the same individuals. Mr. ZHANG Fangyou, the Chairman, is responsible for managing the Board and Mr. ZHANG Baoqing (resigned on 20 August 2009) and Mr. LI Tun (appointed on 20 August 2009), the Managing Directors, are responsible for managing the Company's business. The division of responsibilities between the Chairman and Managing Director is clearly established and set out in writing Denway Code.

The responsibilities of the Chairman include, but not limited to:

(1) providing leadership for the Board;

(2) ensuring all directors are properly briefed on matters to be discussed at Board meetings;

(3) ensuring all directors receive adequate, complete and reliable information in a timely manner;

(4) ensuring that the Board works effectively, discharges its responsibilities and discusses all key issues in a timely manner;

(5) ensuring that, the Company Secretary settles and approves the agenda for Board meeting on the Chairman's behalf, taking into account any matters proposed by other directors for inclusion in the agenda;

(6) providing effective communication with shareholders and ensuring that views of shareholders are communicated to the Board as a whole;

(7) ensuring good corporate governance practices and procedures are in place;

(8) ensuring each director has an opportunity to express his/her views at Board meetings, encouraging all directors to fully contribute to the Board's affairs and ensuring that the Board acts in the best interests of the Company; and

(9) facilitating the effective contribution of all directors, in particular independent non-executive directors, and building constructive relations between executive and independent non-executive directors.

The Managing Director is appointed by the Board. The responsibilities of the Managing Director include, but not limited to:

(1) providing leadership for the management;

(2) implementing and reporting to the Board on the Company's strategy;

(3) overseeing the realization of the objectives set by the Board;

(4) providing all necessary information to the Board to enable it to monitor the performance of management;

(5) leading the management's relationship with its stakeholders;

(6) putting in place programmes for management development and succession;

(7) together with the head of finance, establishing and maintaining proper internal controls and systems as well as disclosure controls and procedures; and

(8) discharging such duties and authority as may be delegated in writing to him/her by the Board.

NOMINATION COMMITTEE

The objectives of the Nomination Committee are to lead the process for Board appointments and to identify and nominate candidate for the approval of the Board.

The Nomination Committee was set up on 2 September 2005. It comprises three independent non-executive directors. The Nomination Committee is chaired by Mr. FUNG Ka Pun. The Nomination Committee is provided with sufficient resources to discharge its duties and is authorized by the Board to obtain independent legal or other professional advices.

The Nomination Committee held 2 committee meetings in 2009. The committee had discussed the acceptance of resignation of Mr. ZHANG Baoqing, nomination of Mr. LI Tun as executive director and managing director, retirement of directors by rotation and re-election of retiring directors.

During 2009, except for the retirement of Mr. YANG Dadong as executive director, the resignation of Mr. ZHANG Baoqing as executive director and managing director and appointment of Mr. LI Tun as executive director, there was no change to the composition of the Board and no resignation or removal of a director. The Nomination Committee recommended the re-election of Mr. ZENG Qinghong, YANG Dadong and YAO Yiming as the Company's executive directors and Mr. CHEUNG Doi Shu as the Company's independent non-executive directors at the 2009 AGM.

For the forthcoming 2010 AGM, the Nomination Committee recommended the re-election of Mr. ZHANG Fangyou, Mr. FU Shoujie and Mr. LI Tun as the Company's executive directors and Mr. LEE Ka Lun as the Company's independent non-executive director.

The Nomination Committee reported to the Board its conclusions and recommendations following each committee meeting.

In 2009, the attendance of committee members of the Nomination Committee was as follows:

Nomination Committee Members	No. of Attendance
Mr. CHEUNG Doi Shu *(Independent Non-Executive Director)*	2
Mr. LEE Ka Lun *(Independent Non-Executive Director)*	2
Mr. FUNG Ka Pun *(Independent Non-Executive Director)* *(Chairman of the Nomination Committee)*	2

The roles and functions of the Nomination Committee include:

(1) reviewing the structure, size and composition of the Board on a regular basis and making recommendations to the Board regarding any proposed changes;

(2) identifying individuals suitably qualified to become Board members and selecting or making recommendations to the Board on the selection of, individuals nominated for directorships;

(3) assessing the independence of independent non-executive directors;

(4) making recommendations to the Board on relevant matters relating to the appointment or re-appointment of directors and succession planning for directors; and

(5) considering other topics, as defined by the Board.

Terms of reference of the Nomination Committee have been published on the Company's website at www.denway-motors.com.

REMUNERATION COMMITTEE

The objectives of the Remuneration Committee are to discharge the Board's responsibilities relating to the compensation of the Company's directors and senior management, to oversee the administration of the Company's compensation plan and to prepare any report on executive compensation required by the applicable rules and regulations.

The Remuneration Committee was set up on 3 January 2005. It comprises three independent non-executive directors and the Managing Director. The Remuneration Committee is chaired by Mr. CHEUNG Doi Shu. The Remuneration Committee is provided with sufficient resources to discharge its duties and is authorized by the Board to obtain independent legal or other professional advices.

The Remuneration Committee held 3 committee meetings in 2009 to discuss the remuneration for the directors and the senior management.

Directors' fees and other emolument paid to directors are disclosed on a named basis in the section headed "Notes to the Consolidated Financial Statements" in this Annual Report in accordance with the requirements of the Listing Rules.

The Remuneration Committee reported to the Board its conclusions and recommendations following each committee meeting.

In 2009, the attendance of committee members of the Remuneration Committee was as follows:

Remuneration Committee Members	**No. of Attendance**
Mr. CHEUNG Doi Shu *(Independent Non-Executive Director)* *(Chairman of the Remuneration Committee)*	3
Mr. LEE Ka Lun *(Independent Non-Executive Director)*	3
Mr. FUNG Ka Pun *(Independent Non-Executive Director)*	3
Mr. LI Tun *(Executive Director and Managing Director)* *(appointed on 20 August 2009)*	1
Mr. ZHANG Baoqing *(Executive Director and Managing Director)* *(resigned on 20 August 2009)*	0

The roles and functions of the Remuneration Committee include:

(1) making recommendations to the Board on the policy and structure for all remuneration of directors, senior management and all other employees of the corporate office and on the establishment of a formal and transparent procedure for developing policy on such remuneration;

(2) determining the specific compensation packages of all executive directors and senior management, and making recommendations to the Board of the remuneration of non-executive directors;

(3) reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time;

(4) reviewing and approving the compensation payable to executive directors and senior management in connection with any loss or termination of their office or appointment to ensure that such compensation is determined in accordance with relevant contractual terms;

(5) reviewing and approving compensation arrangements relating to dismissal or removal of directors for misconduct to ensure that such arrangements are determined in accordance with relevant contractual terms;

(6) ensuring that no director or any of his associates is involved in deciding his/her own remuneration;

(7) consulting the Managing Director about their proposals relating to the remuneration of other executive directors; and

(8) considering other topics, as defined by the Board.

Terms of reference of the Remuneration Committee have been published on the Company's website at www.denway-motors.com.

AUDIT COMMITTEE

The objectives of the Audit Committee are to monitor integrity of the financial statements contained in the annual reports, interim reports and, if prepared for publication, the quarterly reports of the Company and to review significant financial reporting judgments contained in them, to create a climate of discipline, risk management awareness and control, to enable the independent non-executive directors sitting on the Board committees to contribute an independent judgment and play a positive role, to help the head of finance by providing a forum in which he can raise issues, to strengthen the position of external auditor by providing a channel of communication and forum for issues of concern, to provide a framework within which the external auditor can assert his independence in the event of a dispute with management, to increase public confidence in the creditability and objectively of financial statement and of the Board.

The Audit Committee was set up on 30 June 1999. It comprises three independent non-executive directors. The Audit Committee is chaired by Mr. LEE Ka Lun. The Audit Committee is provided with sufficient resources to discharge its duties and is authorized by the Board to obtain independent legal or other professional advices.

The Audit Committee held 3 committee meetings in 2009 and the external auditor of the Company attended 3 of the committee meetings. During the 3 meetings, members of the Audit Committee reviewed financial statements contained in 2008 annual report and 2009 interim report, and review significant financial reporting judgments contained in them. The Audit Committee discussed with the external auditor and the management and reviewed the system of internal control and financial control and also discussed the engagement of the external auditor and its remuneration.

The Audit Committee has reviewed the results of the Group for the year ended 31 December 2009.

In addition, the Audit Committee made recommendation to the Board on the re-appointment of the external auditor, and approved the remuneration and terms of engagement of the external auditor in 2009. The Audit Committee also reviewed and monitored the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with appropriate standard and implemented policy on the engagement of the external auditor to supply non-audit services.

The Audit Committee reported to the Board its conclusions and recommendations following each committee meeting.

For the year ended 31 December 2009, audit fee paid by the Company to PricewaterhouseCoopers (the external auditor of the Company) was RMB2,732,000. Non-auditing fee paid amounted to RMB285,000, representing RMB106,000, RMB119,000 and RMB60,000 for non-auditing advice, taxation services and other fees, respectively.

In 2009, the attendance of committee members of the Audit Committee was as follow:

Audit Committee Members	No. of Attendance
Mr. CHEUNG Doi Shu *(Independent Non-Executive Director)*	3
Mr. LEE Ka Lun *(Independent Non-Executive Director)* *(Chairman of the Audit Committee)*	3
Mr. FUNG Ka Pun *(Independent Non-Executive Director)*	2

The roles and functions of the Audit Committee include:

Relationship with the external auditor

(1) being primarily responsible for making recommendation to the Board on the appointment, re-appointment and removal of the external auditor, and approving the remuneration and terms of engagement of the external auditor, and any questions of resignation or dismissal of that auditor;

(2) reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards, and discussing with the external auditor the nature and scope of the audit and reporting obligations before the audit commences;

(3) develop and implementing policy on the engagement of the external auditor to supply non-audit services.

Review of financial information

(1) monitoring integrity of financial statements contained in the Company's annual report and interim report, and reviewing significant financial reporting judgments contained in them;

(2) liaising with the Board, the senior management and the Company's qualified accountant, and meeting, at least once a year, with the external auditor; and

(3) considering any significant or unusual items that are, or may need to be, reflected in such reports and accounts and giving due consideration to any matters that have been raised by the Company's qualified accountant and the external auditor.

Oversight of financial reporting system and internal control procedures

(1) reviewing the Company's financial controls, internal control and risk management systems;

(2) discussing with the management the system of internal control and ensuring that the management has discharged its duty to have an effective internal control system;

(3) considering any findings of major investigations of internal control matters as delegated by the Board or on its own initiative and the management's response;

(4) reviewing the Group's financial and accounting policies and practices;

(5) reviewing the external auditor's management letter;

(6) ensuring that the Board will provide a timely response to the issues raised in the external auditor's management letter;

(7) reporting to the Board on the matters set out in the CG Code as required by the Stock Exchange; and

(8) considering other topics, as defined by the Board.

Terms of reference of the Audit Committee have been published on the Company's website at www.denway-motors.com.

INTERNAL CONTROL

The Board is responsible for maintaining a sound and effective internal control system for the Group to minimize potential material errors and non-compliance by timely monitoring. The system is for the interests of the shareholders by safeguarding the shareholders' investments and the assets of the Group.

The audit department with the approval of the Board is in order to strengthen the internal control function of the Group and communicate the results of the monitoring to the Board regularly to enable the Board to build up cumulative assessment of the state of control in the Group and the effectiveness with which risk is being managed.

The Company's internal control system, which is based on the "Internal Control and Risk Management — A Basic Framework" issued by the Hong Kong Institute of Certified Public Accountants in June 2005, is a set of procedures for providing reasonable guarantees, with a view to meeting the following objectives:

(1) Effectiveness and efficiencies of operations;

(2) Reliability of financial reporting; and

(3) Compliance with the applicable laws and regulations.

The Board empowered the management with the responsibilities and the necessary authorities to develop, implement and maintain an effective system of internal controls.

Business objectives set by the Board were fully discussed and analyzed among the management team at the beginning of the year. Risks associated with achieving or not achieving these objectives were identified and assessed during these management discussions in order to formulate annual operating development strategies. These strategies include but not limited to the plan for the development and the implementation of the necessary control activities, maintenance of highly efficient and comprehensive information flow and management monitoring process. Periodic review on the effectiveness of these business strategies are performed by the management to ensure the necessary adjustments be made to accommodate the changes in internal and external environment.

In addition, a comprehensive and effective risk management guide has been introduced by the Group to incorporate risk management into corporate management and business process. As such, a system of internal control with risk management functions has been set up.

In 2009, the Board completed a review of the effectiveness of the system of internal control of the Group. The review covered all material controls, including financial, operational and compliance controls and risk management functions.

Furthermore, the Board's 2009 annual review, in particular, considered the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget.

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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF DENWAY MOTORS LIMITED

(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Denway Motors Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 39 to 102, which comprise the consolidated and company balance sheets as at 31 December 2009, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, and the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2009 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 16 March 2010

Consolidated Income Statement

FOR THE YEAR ENDED 31 DECEMBER 2009

	Note	Group 2009 RMB'000	Group 2008 RMB'000
Turnover	5	**637,537**	725,464
Cost of sales		**(581,314)**	(682,776)
Gross profit		**56,223**	42,688
Other income and other gains	6	**108,286**	115,467
Selling and distribution costs		**(27,335)**	(28,210)
General and administrative expenses		**(68,709)**	(67,260)
Other operating expenses		**(296,235)**	(48,210)
Operating (loss)/profit	7	**(227,770)**	14,475
Finance costs	8	**(934)**	(646)
Share of profits less losses of:			
A jointly controlled entity	20(a)	**1,918,576**	1,912,723
Other jointly controlled entities		**242,682**	217,608
Associates	21	**8,148**	5,784
Profit before taxation		**1,940,702**	2,149,944
Taxation	9	**(22,129)**	(59,938)
Profit for the year		**1,918,573**	2,090,006
Attributable to:			
Equity holders of the Company	10	**1,914,530**	2,094,259
Minority interests		**4,043**	(4,253)
		1,918,573	2,090,006
Earnings per share attributable to the equity holders of the Company	11		
Basic		**25.5 cents**	27.9 cents
Diluted		**25.4 cents**	27.8 cents
Dividends	12	**676,683**	526,309

The notes on pages 45 to 102 are an integral part of these financial statements.

FOR THE YEAR ENDED 31 DECEMBER 2009

	Group	
	2009	2008
	RMB'000	RMB'000
Profit for the year	**1,918,573**	2,090,006
Other comprehensive income:		
Currency translation differences	**(2,539)**	(8,033)
Total comprehensive income for the year	**1,916,034**	2,081,973
Total comprehensive income attributable to:		
Equity holders of the Company	**1,912,027**	2,090,182
Minority interests	**4,007**	(8,209)
	1,916,034	2,081,973

The notes on pages 45 to 102 are an integral part of these financial statements.

AS AT 31 DECEMBER 2009

	Note	Group 2009 RMB'000	Group 2008 RMB'000	Company 2009 RMB'000	Company 2008 RMB'000
ASSETS					
Non-current assets					
Intangible asset	15	**896,398**	896,398	**—**	—
Leasehold land and land use rights	16	**35,669**	36,503	**—**	—
Property, plant and equipment	17	**42,993**	48,702	**2,248**	1,136
Investment properties	18	**52,560**	49,669	**12,480**	12,550
Investments in subsidiaries	19	**—**	—	**1,681,450**	1,681,450
Interest in a jointly controlled entity	20(a)	**2,337,270**	5,265,800	**—**	—
Interests in other jointly controlled entities	20(b)	**1,475,145**	1,270,988	**—**	—
Interests in associates	21	**70,063**	64,889	**—**	—
		4,910,098	7,632,949	**1,696,178**	1,695,136
Current assets					
Inventories	22	**62,784**	70,788	**—**	—
Trade and other receivables	23	**2,162,869**	881,343	**2,069,936**	1,887,882
Current tax recoverable		**41**	1,506	**—**	—
Cash and bank balances					
— pledged bank deposits	24	**23,381**	5,721	**—**	—
— cash and cash equivalents	24	**7,277,426**	4,254,993	**159,341**	156,349
		9,526,501	5,214,351	**2,229,277**	2,044,231
Total assets		**14,436,599**	12,847,300	**3,925,455**	3,739,367

AS AT 31 DECEMBER 2009

	Note	Group 2009 RMB'000	Group 2008 RMB'000	Company 2009 RMB'000	Company 2008 RMB'000
EQUITY					
Share capital and reserves attributable to the equity holders of the Company					
Share capital	25	**757,118**	757,118	**757,118**	757,118
Reserves					
Proposed final dividend	12 & 26	**451,122**	150,374	**451,122**	150,374
Others	26	**12,979,961**	11,744,638	**2,627,414**	2,760,862
		14,188,201	12,652,130	**3,835,654**	3,668,354
Minority interests		**68,200**	67,586	**—**	—
Total equity		**14,256,401**	12,719,716	**3,835,654**	3,668,354
LIABILITIES					
Non-current liabilities					
Borrowings	27	**226**	752	**—**	—
Deferred tax liabilities	28	**39,262**	40,999	**—**	—
		39,488	41,751	**—**	—
Current liabilities					
Trade and other payables	29	**131,509**	76,205	**84,040**	65,244
Current tax liabilities		**8,675**	8,270	**5,761**	5,769
Borrowings	27	**526**	1,358	**—**	—
		140,710	85,833	**89,801**	71,013
Total liabilities		**180,198**	127,584	**89,801**	71,013
Total equity and liabilities		**14,436,599**	12,847,300	**3,925,455**	3,739,367
Net current assets		**9,385,791**	5,128,518	**2,139,476**	1,973,218
Total assets less current liabilities		**14,295,889**	12,761,467	**3,835,654**	3,668,354

On behalf of the Board

Zhang Fangyou — *Chairman*

Li Tun — *Director*

The notes on pages 45 to 102 are an integral part of these financial statements.

FOR THE YEAR ENDED 31 DECEMBER 2009

	Note	Attributable to the equity holders of the Company			
		Share capital	**Reserves**	**Minority interests**	**Total**
	Note	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
Balance at 1 January 2008		757,118	10,819,854	77,680	11,654,652
Profit for the year		—	2,094,259	(4,253)	2,090,006
Other comprehensive income:					
Currency translation differences	26	—	(4,077)	(3,956)	(8,033)
Total comprehensive income for 2008		—	2,090,182	(8,209)	2,081,973
2007 final dividend paid	26	—	(451,122)	—	(451,122)
2007 special dividend paid	26	—	(187,967)	—	(187,967)
2008 interim dividend paid	26	—	(375,935)	—	(375,935)
Dividend paid to a minority shareholder		—	—	(1,885)	(1,885)
Balance at 31 December 2008		757,118	11,895,012	67,586	12,719,716
Balance at 1 January 2009		**757,118**	**11,895,012**	**67,586**	**12,719,716**
Profit for the year		**—**	**1,914,530**	**4,043**	**1,918,573**
Other comprehensive income:					
Currency translation differences	26	**—**	**(2,503)**	**(36)**	**(2,539)**
Total comprehensive income for 2009		**—**	**1,912,027**	**4,007**	**1,916,034**
2008 final dividend paid	26	**—**	**(150,374)**	**—**	**(150,374)**
2009 interim dividend paid	26	**—**	**(225,561)**	**—**	**(225,561)**
Elimination upon disposals of subsidiaries		**—**	**(21)**	**(251)**	**(272)**
Acquisition of shares held by minority shareholders		**—**	**—**	**(480)**	**(480)**
Dividends paid to minority shareholders		**—**	**—**	**(2,662)**	**(2,662)**
Balance at 31 December 2009		**757,118**	**13,431,083**	**68,200**	**14,256,401**

The notes on pages 45 to 102 are an integral part of these financial statements.

FOR THE YEAR ENDED 31 DECEMBER 2009

	Note	Group 2009 RMB'000	Group 2008 RMB'000
Cash flows from operating activities			
Net cash used in operations	30(a)	**(307,149)**	(111,066)
Interest paid		**(934)**	(646)
Hong Kong profits tax paid		**(483)**	(2,285)
Overseas income tax paid		**(21,513)**	(23,499)
Net cash used in operating activities		**(330,079)**	(137,496)
Cash flows from investing activities			
Purchase of property, plant and equipment		**(3,293)**	(3,979)
Proceeds from disposal of property, plant and equipment		**7,766**	1,953
Cash outflow from disposal of subsidiaries		**(204)**	—
Purchase of shares held by minority shareholders		**(480)**	—
Purchase of investment properties		**—**	(2,488)
Dividends received from a jointly controlled entity		**3,618,991**	1,407,915
Dividends received from other jointly controlled entities		**18,793**	20,108
Dividends received from associates		**3,875**	1,601
Interest received		**107,190**	97,479
Net change in bank deposits pledged		**(17,660)**	21,331
Net cash generated from investing activities		**3,734,978**	1,543,920
Cash flows from financing activities			
Repayment of bank loans and other loans		**(1,358)**	(2,753)
Dividends paid to minority shareholders		**(2,662)**	(4,769)
Dividends paid		**(375,935)**	(1,015,024)
Net cash used in financing		**(379,955)**	(1,022,546)
Increase in cash and cash equivalents		**3,024,944**	383,878
Cash and cash equivalents at 1 January		**4,254,993**	3,869,231
Effect of foreign exchange rate changes		**(2,511)**	1,884
Cash and cash equivalents at 31 December		**7,277,426**	4,254,993

The notes on pages 45 to 102 are an integral part of these financial statements.

1 GENERAL INFORMATION

The Group, jointly controlled entities and associates 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.

These consolidated financial statements are presented in Renminbi ("RMB"), unless otherwise stated. These consolidated financial statements were approved by the Board of Directors (the "Board") for issue on 16 March 2010.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

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

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 4.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Basis of preparation (Continued)

The following new standard, revised standards and amendments to standards 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
HKFRS 2 (Amendment)	Share-based payment — vesting conditions and cancellations
HKFRS 7 (Amendment)	Improving disclosures about financial instruments
HKFRS 8	Operating segments

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 in a statement of comprehensive income. As a result the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. Comparative information has been re-presented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

Amendment to HKFRS 7 requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. As the change in accounting policy only results in additional disclosures, there is no impact on earnings per share.

HKFRS 8 replaces HKAS 14, "Segment reporting", and aligns segment reporting with the requirements of the US standard SFAS 131, "Disclosure about segments of an enterprise and related information". The new standard 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. However, such revision in note disclosure does not have any impact on the balance sheets.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Basis of preparation (Continued)

The following standard, revised standards, amendment to standard and interpretation have been issued but are not effective for the financial year beginning 1 January 2009 and have not been early adopted. The directors are currently assessing the impact on their adoption.

HKFRS 1 (Amendment)	Additional exemptions for first-time adopters
HKFRS 2 (Amendment)	Group cash-settled share-based payment transactions
HKFRS 3 (Revised)	Business combinations
HKFRS 9	Financial instruments
HKAS 24 (Revised)	Related party disclosures
HKAS 27 (Revised)	Consolidated and separate financial statements
HKAS 32 (Amendment)	Classification of rights issues
HKAS 39 (Amendment)	Eligible hedged items
HK(IFRIC) — Int 14	Prepayments of a minimum funding requirement
HK(IFRIC) — Int 17	Distributions of non-cash assets to owners
HK(IFRIC) — Int 19	Extinguishing financial liabilities with equity instrument

HKICPA's improvements to HKFRS published in April/May 2009.

(b) Consolidation

(i) Subsidiaries

Subsidiaries are those entities over which the Company has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the consolidated income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Consolidation (Continued)

(i) Subsidiaries (Continued)

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary in the consolidated financial statements to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet, the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(ii) Transactions with minority interests

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group and are recorded in the income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

(iii) Jointly controlled entities

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity. Interests in jointly controlled entities are accounted for using the equity method of accounting and are initially recognised at cost. The Group's interests in jointly controlled entities include goodwill and technology on acquisition (net of any accumulated impairment loss) (see note 2(c)(i) and (ii)).

The Group's share of its jointly controlled entities' post-acquisition profits or losses is recognised in the consolidated income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

Accounting policies of jointly controlled entities have been changed where necessary in the consolidated financial statements to ensure consistency with the policies adopted by the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Consolidation (Continued)

(iv) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investments in associates include goodwill (on acquisition net of any accumulated impairment loss) (see note 2(c)(i)).

The Group's share of its associates' post-acquisition profits or losses is recognised in the consolidated income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary in the consolidated financial statements to ensure consistency with the policies adopted by the Group.

(c) Intangible assets

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiaries/associates/jointly controlled entities at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates and jointly controlled entities is included in respective investments and is tested for impairment as part of the overall balance. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Intangible assets (Continued)

(i) Goodwill (Continued)

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose identified according to operating segment.

(ii) Technology

Technology is shown at historical cost. Technology has a definite useful life and is carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of technology over its estimated useful lives.

(d) Property, plant and equipment

(i) Depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs, including related borrowing costs, of bringing the asset to its present working condition and location for its intended use.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their costs over their estimated useful lives, as follows:

Buildings	2%–5%
Plant and machinery	10%
Office equipment and leasehold improvements	20%
Motor vehicles	20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

(ii) Gain or loss on disposal of property, plant and equipment

Gains and losses on disposals are eliminated by comparing the proceeds with the carrying amount and are recognised in the consolidated income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Investment properties

Investment properties principally comprise leasehold land and buildings that are held for long-term rental yields and are not occupied by the Group.

Investment property is carried at fair value, representing open market value determined annually by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. These valuations are reviewed annually by external valuers, changes in fair values are recorded in the consolidated income statement.

(f) Impairment of investments in subsidiaries, jointly controlled entities, associates and non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Impairment testing of the investments in subsidiaries, jointly controlled entities or associates is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary, jointly controlled entity or associate in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

(g) Inventories

Inventories comprise stocks and work in progress and are stated at the lower of cost and net realisable value. Cost, calculated on the weighted average basis, comprises materials, direct labour and an appropriate proportion of all production overhead expenditure. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Financial assets — Loans and other receivables

Classification of financial assets depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. The Group has no financial assets other than loans and receivables.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the balance sheet (notes 2(j) and 2(k)).

(i) Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for that financial asset because of financial difficulties; or

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Impairment of financial assets (Continued)

- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

  (i) adverse changes in the payment status of borrowers in the portfolio;

  (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

The Group first assesses whether objective evidence of impairment exists.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan on investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

(j) Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

(k) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(m) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(n) Current and deferred income tax

The tax expense comprises current and deferred tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised directly in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries, jointly controlled entities and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred income tax is determined on the basis of the tax laws enacted or substantially enacted at the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Current and deferred income tax (Continued)

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, jointly controlled entities and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(o) Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(p) Revenue recognition

Revenue in respect of the sales of motor vehicles and related equipment and parts, and other goods is recognised, net of sales tax, on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and the title has passed.

Dividend income is recognised when the right to receive payment is established.

Interest income is recognised on a time-proportion basis using the effective interest method.

Operating lease rental income is recognised on a straight-line basis over the lease period.

Handling service charges for motor vehicle registration is recognised when the service is rendered.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases net of any incentives received from the lessor, including upfront payment made for leasehold land and land use rights, are charged to the consolidated income statement on a straight-line basis over the lease periods.

(r) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in RMB, which is the Company's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement within "other operating expenses".

(iii) Group companies

The results and financial position of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates; and
- all resulting exchange differences are recognised as a separate component of equity.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Foreign currency translation (Continued)

(iii) Group companies (Continued)

On consolidation, exchange differences arising from the translation of the net investment in foreign entities are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, such exchange differences that are recorded in equity are recognised in the consolidated income statement as part of the gain or loss on sale.

(s) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and overtime leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and overtime leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Profit sharing and bonus plans

The Group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(iii) Pension obligations

The Group participates in a number of defined contribution plans, the assets of which are generally held in independently administered funds. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no future payment obligation once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Share-based compensation

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total amount expensed is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At each balance sheet date, the entity revises its estimates of the number of options that are expected to become vested. It recognises the impact of the revision of original estimates, if any, in the income statement, with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

(u) Provisions

Provisions for environmental restoration, restructuring costs and legal claims are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the presented value of the expenditures expected to be required to settle obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

(v) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board that makes strategic decisions.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: foreign exchange risk, credit risk, liquidity risk and cash flow and fair value interest-rate risk. The Group's overall risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effect on the Group's financial performance. The Group regularly monitors its exposure and currently considers not necessary to hedge any of these financial risks.

(a) Foreign exchange risk

Majority of the subsidiaries of the Group operate in the PRC with most of the transactions denominated in RMB. The Group is exposed to foreign exchange risk arising from the exposure of Hong Kong Dollars ("HKD") and United States dollars ("USD") against RMB. It has not hedged its foreign exchange rate risk, as management does not anticipate significant foreign exchange rate risk associated with these assets or liabilities.

As at 31 December 2009, if RMB had strengthened/weakened by 1% against HKD and USD with all other variables held constant, post-tax profit for the year would have been approximately RMB1,704,000 lower/higher, mainly as a result of foreign exchange gains/losses on translation of certain borrowings (note 27) and cash and bank balances (note 24) denominated in foreign currencies.

(b) Credit risk

The Group has no significant concentrations of credit risk. The carrying amount of trade and other receivables, pledged bank deposits, cash and cash equivalents included in the consolidated balance sheet represents the Group's maximum exposure to credit risk in relation to its financial assets.

As at 31 December 2008 and 2009, the majority of the Group's cash and bank balances are deposited in major banks which are entities incorporated in the PRC. Management believes all these financial institutions have no significant credit risk.

The Group's credit sales are only made to customers with an appropriate credit history and normally under a credit period of 90 days. The Group has policies in place to ensure that trade receivables are followed on a timely basis.

The Group is of the view that there is low recoverability issue for dividend receivables from jointly controlled entities included in other receivables because these jointly controlled entities have repayment capabilities.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(c) Liquidity risk

The Group operates in an industry with intensive capital requirement. The liquidity risk of the Group is controlled by maintaining sufficient cash and cash equivalents, which is mainly generated from operations in the PRC.

The table below presents a maturity analysis for non-derivative financial liabilities that shows the remaining contractual maturities. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than one year RMB'000	**Between one and two years** RMB'000	**Between two and five years** RMB'000
Group			
At 31 December 2009			
Borrowings	540	230	—
Trade and other payables	131,509	—	—
At 31 December 2008			
Borrowings	1,401	540	230
Trade and other payables	76,205	—	—
Company			
At 31 December 2009			
Trade and other payables	84,040	—	—
At 31 December 2008			
Trade and other payables	65,244	—	—

At 31 December 2009, total liabilities of the Group amounted to approximately RMB180,198,000 (2008: RMB127,584,000), while cash and cash equivalents amounted to approximately RMB7,277,426,000 (2008: RMB4,254,993,000). With sufficient cash and cash equivalents on hand to cover all the debts and the strong cash flows generated from investing activities amounted to approximately RMB3,734,978,000 (2008: RMB1,543,920,000), management believe that the Group's current cash flows are sufficient for financing its capital commitments in the near future and for working capital purposes.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(d) Cash flow and fair value interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates and the Group has no significant interest-bearing assets except for cash and bank balances, details of which have been disclosed in note 24.

Financial assets and liabilities at fixed rates expose the Group to fair value interest-rate risk. The Group currently does not hedge its exposure to interest rate risk. Financial assets and liabilities at variable rates expose the Group to cash flow interest rate risk. The Group's exposure to changes in interest rates is mainly attributable to its cash and bank balances and borrowings.

Details of the borrowings have been disclosed in note 27 to the consolidated financial statements. The Group has not used any interest rate swaps to hedge its exposure to interest rate risk. Management does not anticipate significant impact resulted from the changes in interest rates because the interest-bearing bank borrowings as disclosed in note 27 are immaterial to the Group.

Management analyses its interest rate exposure on cash and bank balances by way of sensitivity analysis. If the market interest rates had been 0.5% higher/lower with all other variables held constant at 31 December 2009, profit would have been approximately RMB14,032,000 (2008: RMB3,199,000) higher/lower as a result of higher/lower interest income on floating rate cash and bank balances.

3.2 Fair value estimation

The carrying value less impairment provision of trade and other receivables, trade and other payables are a reasonable approximation of their fair values.

3.3 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Capital risk management (Continued)

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total borrowings divided by total equity less minority interests as shown in the consolidated balance sheet. Total borrowings include non-current borrowings and current borrowings.

During 2009, the Group's strategy, which was unchanged from 2008, was to maintain a minimal stable gearing ratio. The gearing ratios at 31 December 2008 and 2009 were as follows:

	Group	
	2009	2008
	RMB'000	RMB'000
Total borrowings *(note 27)*	**752**	2,110
Total equity (excluding minority interests)	**14,188,201**	12,652,130
Gearing ratio	**0.01%**	0.02%

The decrease in the gearing ratio during 2009 resulted primarily from the decrease in utilisation of bank borrowing facilities.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets or liabilities are discussed below.

(a) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 2(c)(i). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(b) Estimated useful lives and impairment of property, plant and equipment

The Group's management determines the estimated useful lives of its property, plant and equipment. This estimate is based on historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. Management will increase the depreciation charge where useful lives are less than previously estimated lives, and will write-off or write-down technically obsolete assets that have been abandoned.

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts have been determined based on value-in-use calculations or market valuations. These calculations require the use of judgements and estimates.

(c) Estimate of fair value of investment properties

The fair value of investment properties has been determined with reference to independent valuations. The best evidence of fair value is current price in an active market for similar lease and other contracts. The Group employed an independent firm of professional surveyor to determine the open market values for the investment properties of the Group. These valuations require the use of judgement and estimates.

(d) Taxation

The Group is subject to various taxes. Significant judgement is required in determining the provision for these taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax provisions in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised as management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred taxation assets and taxation in the periods in which such estimate is changed.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(e) Provision

Provisions including but not limited to royalty and warranty provisions are based on management's best estimates of the expenditure required to settle the obligations. Management estimates the provisions based on historical information, as well as recent trends that might suggest that past information may differ from future occurrence. The amount of the provisions contains uncertainties because it requires management to make assumptions and apply judgement regarding past occurrence. Any increase or decrease in the actual occurrence will affect profit or loss in future years.

At 31 December 2009, the Group recognised a provision for royalty fee based on the terms of the agreements and other existing known circumstances. The Group is in negotiation with the joint venture partner relating to the royalty fee. Management believes that the provision for royalty fee to be adequate based on current development.

5 REVENUE AND SEGMENT INFORMATION

The chief operating decision-maker has been identified as 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 tax. Interest income and finance costs are also included in the results 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 revenue from:

	Group	
	2009	2008
	RMB'000	RMB'000
Trading of motor vehicles	**420,382**	485,217
Manufacturing and trading of automotive equipment and parts	**3,041**	9,655
Manufacturing and trading of audio equipment	**214,114**	230,592
	637,537	725,464

5 REVENUE AND SEGMENT INFORMATION (Continued)

	Trading of motor vehicles 2009 RMB'000	Manufacturing and assembly of motor vehicles 2009 RMB'000	Manufacturing and trading of automotive equipment and parts 2009 RMB'000	Manufacturing and trading of audio equipment 2009 RMB'000	Other operations 2009 RMB'000	Total 2009 RMB'000
Revenue	420,382	—	3,041	214,114	—	637,537
Segment operating profit/(loss) before interest income	5,829	—	(314,610)	3,752	(24,193)	(329,222)
Interest income	869	—	99,742	44	797	101,452
Segment operating profit/(loss)	6,698	—	(214,868)	3,796	(23,396)	(227,770)
Finance costs	(884)	—	(2)	(48)	—	(934)
Share of profits less losses of:						
A jointly controlled entity[1]	—	1,918,576	—	—	—	1,918,576
Other jointly controlled entities	—	—	242,682	—	—	242,682
Associates	3,894	—	4,254	—	—	8,148
Profit/(loss) before taxation	9,708	1,918,576	32,066	3,748	(23,396)	1,940,702
Segment assets	171,062	—	9,120,567	144,755	1,117,737	10,554,121
Interests in						
A jointly controlled entity	—	2,337,270	—	—	—	2,337,270
Other jointly controlled entities	—	—	1,475,145	—	—	1,475,145
Associates	13,400	—	56,663	—	—	70,063
Total assets	184,462	2,337,270	10,652,375	144,755	1,117,737	14,436,599
Total liabilities	82,967	—	13,876	39,577	43,778	180,198
Depreciation	668	—	831	3,836	2,672	8,007
Amortisation	—	—	—	154	631	785
Impairment loss	—	—	194	—	—	194
Expenditure for non-current assets	965	—	323	193	1,812	3,293

1 Share of profits of a jointly controlled entity includes a share of revenue amounting to RMB24,945,551,000 and a share of expenses amounting to RMB23,026,975,000.

5 REVENUE AND SEGMENT INFORMATION (Continued)

	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
Revenue	485,217	—	9,655	230,592	—	725,464
Segment operating loss before interest income	(24,566)	—	(29,703)	(8,866)	(38,826)	(101,961)
Interest income	391	—	111,793	227	4,025	116,436
Segment operating (loss)/profit	(24,175)	—	82,090	(8,639)	(34,801)	14,475
Finance costs	(427)	—	—	(219)	—	(646)
Share of profits less losses of:						
A jointly controlled entity[1]	—	1,912,723	—	—	—	1,912,723
Other jointly controlled entities	—	—	217,608	—	—	217,608
Associates	2,117	—	3,667	—	—	5,784
(Loss)/profit before taxation	(22,485)	1,912,723	303,365	(8,858)	(34,801)	2,149,944
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
Total liabilities	32,624	—	17,697	33,188	44,075	127,584
Depreciation	1,597	—	1,028	4,033	2,622	9,280
Amortisation	—	—	—	156	639	795
Impairment loss	11,148	—	—	—	—	11,148
Expenditure for non-current assets	869	—	879	2,178	53	3,979

[1] Share of profits of a jointly controlled entity includes a share of revenue amounting to RMB22,414,913,000 and a share of expenses amounting to RMB20,502,190,000.

5 REVENUE AND SEGMENT INFORMATION (Continued)

The Group is mainly domiciled in PRC and operates in three main geographical areas. Revenue from external customers and total non-current assets attributable to each region/country is as follows:

	Revenue 2009 RMB'000	Total non-current assets 2009 RMB'000
PRC	**420,382**	**4,792,268**
Hong Kong	**214,114**	**117,830**
Australia	**3,041**	**—**
	637,537	**4,910,098**

	Revenue 2008 RMB'000	Total non-current assets 2008 RMB'000
PRC	485,217	7,512,142
Hong Kong	230,592	120,210
Australia	9,655	597
	725,464	7,632,949

For the year ended 31 December 2009, revenues of approximately RMB70,980,000 (2008: RMB66,986,000) are derived from a single external customer. These revenues are attributable to the manufacturing and trading of audio equipment.

6 OTHER INCOME AND OTHER GAINS

	Group	
	2009	2008
	RMB'000	RMB'000
Other income:		
Interest income	**101,452**	116,436
Gross rental income from investment properties	**1,809**	1,817
Handling service charges for motor vehicles registration	**1,765**	1,073
Rental income from leasing of motor vehicles	**—**	375
	105,026	119,701
Other gains:		
Fair value gains/(losses) on investment properties *(note 18)*	**2,944**	(4,734)
Others	**316**	500
	3,260	(4,234)
	108,286	115,467

7 OPERATING (LOSS)/PROFIT

	Group	
	2009	2008
	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 *(note 22)*	**525,792**	622,157
Auditor's remuneration	**2,732**	3,142
Staff costs (including directors' emoluments) *(note 13)*	**42,906**	42,286
Operating lease rentals in respect of land and buildings	**8,488**	9,066
Outgoings in respect of investment properties	**1,041**	1,056
Outgoings in respect of other properties	**33**	33
Amortisation of leasehold land and land use rights *(note 16)*	**785**	795
Depreciation of property, plant and equipment *(note 17(a))*	**8,007**	9,280
Gain on disposal of subsidiaries	**(37)**	—
(Gain)/loss on disposal of property, plant and equipment	**(7,216)**	33
Provision for impairment loss of property, plant and equipment *(note 17(a))*	**194**	11,148
Donations	**301,560**	19,241

8 FINANCE COSTS

	Group	
	2009	2008
	RMB'000	RMB'000
Interest on bank borrowings	**48**	173
Interest on other loans — wholly repayable within five years	**886**	473
	934	646

9 TAXATION

Hong Kong profits tax has been provided at the rate of 16.5% (2008: 16.5%) 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.

	Group	
	2009	2008
	RMB'000	RMB'000
Current taxation		
Hong Kong profits tax	**11**	—
PRC enterprise income tax	**25,830**	14,666
(Over)/under-provision in prior year	**(1,975)**	5,237
	23,866	19,903
Deferred taxation		
Recognition of deferred withholding tax	**—**	29,127
Reversal and origination of other temporary differences	**(1,275)**	10,853
Impact of change in Hong Kong tax rate	**—**	55
Over-provision in prior year	**(462)**	—
	(1,737)	40,035
Taxation charge	**22,129**	59,938

9 TAXATION (Continued)

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

	Group	
	2009	2008
	RMB'000	RMB'000
(Loss)/profit before taxation, less share of profits less losses of jointly controlled entities and associates	**(228,704)**	13,829
Calculated at a tax rate of 25% (2008: 25%)	**(57,176)**	3,457
Effect of different tax rates in different tax jurisdictions	**1,959**	(1,733)
Income not subject to tax	**(659)**	(661)
Expenses not deductible for tax purposes	**79,696**	17,144
Tax losses not recognised	**746**	7,312
Impact of change in Hong Kong tax rate	**—**	55
(Over)/under-provision in prior year	**(2,437)**	5,237
Recognition of deferred withholding tax	**—**	29,127
Taxation charge	**22,129**	59,938

10 PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

Included in the Group's profit attributable to the equity holders of the Company of approximately RMB1,914,530,000 (2008: RMB2,094,259,000) is a profit of approximately RMB543,235,000 (2008: RMB900,233,000), which is dealt with in the Company's own financial statements.

11 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.

	2009	2008
	RMB'000	RMB'000
Profit attributable to the equity holders of the Company	**1,914,530**	2,094,259
Weighted average number of ordinary shares in issue ('000)	**7,518,699**	7,518,699
Basic earnings per share (RMB cents)	**25.5**	27.9

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.

	2009	2008
	RMB'000	RMB'000
Profit attributable to the equity holders of the Company	**1,914,530**	2,094,259
Weighted average number of ordinary shares in issue ('000)	**7,518,699**	7,518,699
Adjustments for share options ('000)	**10,114**	9,886
Weighted average number of ordinary shares for diluted earnings per share ('000)	**7,528,813**	7,528,585
Diluted earnings per share (RMB cents)	**25.4**	27.8

12 DIVIDENDS

	Company	
	2009	2008
	RMB'000	RMB'000
Interim, paid, of RMB3 cents (2008: RMB5 cents) per ordinary share	**225,561**	375,935
Final, proposed, of RMB6 cents (2008: RMB2 cents) per ordinary share *(note (a))*	**451,122**	150,374
	676,683	526,309`

(a) The Board has recommended the payment of a final dividend of RMB6 cents per ordinary share. Total dividends for year 2009 will be RMB9 cents per ordinary share. The proposed final dividend is to be approved by shareholders at the annual general meeting on 11 May 2010 and is 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 2010.

13 STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	Group	
	2009	2008
	RMB'000	RMB'000
Wages and salaries	**39,675**	39,762
Pension costs — retirement benefit costs	**3,231**	2,524
	42,906	42,286

The Company and certain of its Hong Kong subsidiaries (the "Employers") participate in a defined contribution scheme as defined in the Occupational Retirement Schemes Ordinance (the "ORSO Scheme") and a mandatory provident fund scheme ("MPF Scheme"). Contributions to the schemes by the employers and employees are calculated as a percentage of employees' basic salaries.

The Group's contributions are reduced by contributions forfeited by those employees who leave the ORSO Scheme prior to vesting fully in the contributions. There was no forfeited contribution utilised during the years ended 31 December 2008 and 2009. There was no outstanding balance available at the balance sheet dates of 2008 and 2009 to reduce future contributions. As at 31 December 2009, contributions totalling RMB62,000 (2008: RMB63,000) were payable to the ORSO Scheme and MPF Scheme and are included in other payables. The assets of the schemes are held separately from those of the Group in independently administered funds.

The subsidiaries of the Group in the PRC participate in an employees' retirement scheme of Guangzhou city. The implementation of such scheme by the Guangzhou Municipal Government is an administrative measure to provide pensions for retired employees. Pursuant to the relevant provisions, the subsidiaries in the PRC make a monthly defined contribution of 20% of the entire payroll of its staff while the employees need to contribute 8% of their payroll. The pension plan has been paying monthly pensions to the retired employees of these subsidiaries. In 2009 and 2008, there was no material contribution forfeited by employees who left the scheme prior to vesting fully in such contributions. The Group has no further obligations for the actual payment of the pensions or post-retirement benefits beyond the annual contributions made.

The Group's retirement benefit costs were expensed as incurred and the total amount charged to the consolidated income statement for the year was approximately RMB3,231,000 (2008: RMB2,524,000).

14 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) The remuneration of every director for the year ended 31 December 2009 is set out below:

Name of Director	Fees RMB'000	Salaries, allowances, and benefits in kind RMB'000	Retirement benefit costs RMB'000	Total RMB'000
Executive director:				
Zhang Fangyou	**881**	**—**	**—**	**881**
Zeng Qinghong	**705**	**—**	**—**	**705**
Fu Shoujie	**264**	**—**	**—**	**264**
Yao Yiming[4]	**264**	**—**	**—**	**264**
Li Tun[1]	**264**	**1,297**	**41**	**1,602**
Yang Dadong[3]	**—**	**—**	**—**	**—**
Zhang Baoqing[2]	**—**	**924**	**38**	**962**
	2,378	**2,221**	**79**	**4,678**
Independent non-executive director:				
Cheung Doi Shu	**159**	**—**	**—**	**159**
Lee Ka Lun	**159**	**—**	**—**	**159**
Fung Ka Pun	**159**	**—**	**—**	**159**
	477	**—**	**—**	**477**
	2,855	**2,221**	**79**	**5,155**

14 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (Continued)

(a) (Continued)

The remuneration of every director for the year ended 31 December 2008 is set out below:

Name of Director	Fees RMB'000	Salaries, allowances, and benefits in kind RMB'000	Retirement benefit costs RMB'000	Total RMB'000
Executive director:				
Zhang Fangyou	892	—	—	892
Zeng Qinghong	713	—	—	713
Yang Dadong[3]	713	—	—	713
Zhang Baoqing[2]	268	1,167	64	1,499
Fu Shoujie	268	—	—	268
Yao Yiming[4]	268	—	—	268
Lu Zhifeng[5]	—	—	—	—
	3,122	1,167	64	4,353
Independent non-executive director:				
Cheung Doi Shu	161	—	—	161
Lee Ka Lun	161	—	—	161
Fung Ka Pun	161	—	—	161
	483	—	—	483
	3,605	1,167	64	4,836

1 The director was appointed on 20 August 2009.

2 The director resigned on 20 August 2009.

3 The director resigned on 2 June 2009.

4 The director was appointed on 15 October 2008.

5 The director resigned on 10 July 2008.

No director waived any emoluments and no emoluments were paid to the directors as an inducement fee to join or as compensation for loss of office during the years ended 31 December 2008 and 2009.

14 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (Continued)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest for the year include three (2008: two) of the directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two (2008: three) individuals during the year are as follows:

	Group	
	2009	2008
	RMB'000	RMB'000
Basic salaries and allowances	**2,158**	2,500

The emoluments fell within the following bands:

	Number of individuals	
Emolument bands	**2009**	2008
Below HKD1,000,000	**—**	2
HKD1,000,001–HKD1,500,000	**2**	1

During the year, no emoluments were paid to the five highest paid individuals as an inducement fee to join or as compensation for loss of office.

15 INTANGIBLE ASSET

	Group Goodwill RMB'000
At 1 January 2008, 31 December 2008 and 2009	
Cost	**896,398**

Goodwill is allocated to the Group's cash-generating units (CGUs) identified according to business segment.

A segment-level summary of the goodwill is presented below.

	2009			2008		
	Trading of motor vehicles	**Manufacturing and assembly of motor vehicles**	**Manufacturing and trading of automotive equipment and parts** *(note 20(b))*	Trading of motor vehicles	Manufacturing and assembly of motor vehicles	Manufacturing and trading of automotive equipment and parts *(note 20(b))*
	RMB'000	**RMB'000**	**RMB'000**	RMB'000	RMB'000	RMB'000
PRC	**26,241**	**870,157**	**215,897**	26,241	870,157	215,897

In accordance with HKAS 36 "Impairment of Assets", and following the allocation of goodwill to CGUs, the impairment test for goodwill was carried out by comparing the recoverable amounts to the carrying amounts as at the balance sheet date. The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering the financial year of 2009/10. Cash flows from the financial year of 2010 onwards are projected based on conservative financial forecasts using the estimated growth rates of 8% for manufacturing and trading CGUs. The forecast profitability is based on past performance and expected future changes in costs and sales prices. Future cash flows are discounted at 12%. The discount rate used is pre-tax and reflects specific risks relating to the relevant CGUs. There was no evidence of impairment arising from tests of reasonable variations of the assumptions used.

16 LEASEHOLD LAND AND LAND USE RIGHTS

	Group	
	2009	2008
	RMB'000	RMB'000
At 1 January	**36,503**	39,595
Exchange differences	**(49)**	(2,297)
Amortisation of leasehold land and land use rights *(note 7)*	**(785)**	(795)
At 31 December	**35,669**	36,503

The Group's interests in leasehold land and land use rights represent prepaid operating lease payments and their net book values are analysed as follows:

	2009	2008
	RMB'000	RMB'000
In Hong Kong, held on:		
Leases of over 50 years	**3,767**	3,807
Leases of between 10 to 50 years	**30,486**	31,230
Outside Hong Kong, held on:		
Leases of between 10 to 50 years	**1,416**	1,466
	35,669	36,503

At 31 December 2009, certain leasehold land with a total net book value of approximately RMB3,737,000 (2008: RMB4,507,000) were pledged as securities for the Group's bank borrowings (note 27).

17 PROPERTY, PLANT AND EQUIPMENT

(a)

	Group				
	Buildings RMB'000	**Plant and machinery RMB'000**	**Office equipment and leasehold improvements RMB'000**	**Motor vehicles RMB'000**	**Total RMB'000**
At 1 January 2009					
Cost	66,060	45,219	23,317	13,009	147,605
Accumulated depreciation and accumulated impairment	(39,049)	(33,854)	(17,461)	(8,539)	(98,903)
Net book amount	27,011	11,365	5,856	4,470	48,702
Year ended 31 December 2009					
Opening net book amount	**27,011**	**11,365**	**5,856**	**4,470**	**48,702**
Exchange differences	**(25)**	**57**	**13**	**30**	**75**
Additions	**—**	**359**	**508**	**2,426**	**3,293**
Disposals	**—**	**(364)**	**—**	**(186)**	**(550)**
Depreciation *(note 7)*	**(1,920)**	**(2,514)**	**(2,503)**	**(1,070)**	**(8,007)**
Impairment *(note 7)*	**—**	**(134)**	**(14)**	**(46)**	**(194)**
Disposal of subsidiaries	**—**	**(160)**	**(23)**	**(143)**	**(326)**
Closing net book amount	**25,066**	**8,609**	**3,837**	**5,481**	**42,993**
At 31 December 2009					
Cost	**52,866**	**28,079**	**22,986**	**11,888**	**115,819**
Accumulated depreciation and accumulated impairment	**(27,800)**	**(19,470)**	**(19,149)**	**(6,407)**	**(72,826)**
Net book amount	**25,066**	**8,609**	**3,837**	**5,481**	**42,993**

17 PROPERTY, PLANT AND EQUIPMENT (Continued)

(a) (Continued)

	Group				
	Buildings RMB'000	Plant and machinery RMB'000	Office equipment and leasehold improvements RMB'000	Motor vehicles RMB'000	Total RMB'000
At 1 January 2008					
Cost	69,083	46,711	26,960	13,129	155,883
Accumulated depreciation and accumulated impairment	(29,186)	(32,336)	(17,051)	(7,880)	(86,453)
Net book amount	39,897	14,375	9,909	5,249	69,430
Year ended 31 December 2008					
Opening net book amount	39,897	14,375	9,909	5,249	69,430
Exchange differences	(1,235)	(808)	(287)	37	(2,293)
Additions	368	1,315	1,289	1,007	3,979
Disposals	—	(18)	(1,928)	(40)	(1,986)
Depreciation *(note 7)*	(2,354)	(2,990)	(2,798)	(1,138)	(9,280)
Impairment *(note 7)*	(9,665)	(509)	(329)	(645)	(11,148)
Closing net book amount	27,011	11,365	5,856	4,470	48,702
At 31 December 2008					
Cost	66,060	45,219	23,317	13,009	147,605
Accumulated depreciation and accumulated impairment	(39,049)	(33,854)	(17,461)	(8,539)	(98,903)
Net book amount	27,011	11,365	5,856	4,470	48,702

The above assets were carried at cost at 31 December 2009 and 2008.

At 31 December 2009, certain buildings with total net book value of approximately RMB6,592,000 (2008: RMB2,881,000) were pledged as securities for the Group's bank borrowings (note 27).

17 PROPERTY, PLANT AND EQUIPMENT (Continued)

(b)

	Company		
	Office equipment and leasehold improvements RMB'000	**Motor vehicles RMB'000**	**Total RMB'000**
At 1 January 2008			
Cost	4,400	2,616	7,016
Accumulated depreciation	(3,343)	(2,164)	(5,507)
Net book amount	1,057	452	1,509
Year ended 31 December 2008			
Opening net book amount	1,057	452	1,509
Additions	53	—	53
Depreciation	(319)	(107)	(426)
Closing net book amount	791	345	1,136
At 31 December 2008			
Cost	4,453	2,616	7,069
Accumulated depreciation	(3,662)	(2,271)	(5,933)
Net book amount	791	345	1,136
Year ended 31 December 2009			
Opening net book amount	**791**	**345**	**1,136**
Additions	**129**	**1,478**	**1,607**
Depreciation	**(314)**	**(181)**	**(495)**
Closing net book amount	**606**	**1,642**	**2,248**
At 31 December 2009			
Cost	**4,583**	**2,921**	**7,504**
Accumulated depreciation	**(3,977)**	**(1,279)**	**(5,256)**
Net book amount	**606**	**1,642**	**2,248**

18 INVESTMENT PROPERTIES

(a)

	Group	
	2009	2008
	RMB'000	RMB'000
At 1 January	**49,669**	54,358
Exchange differences	**(53)**	(2,443)
Additions	**—**	2,488
Fair value gains/(losses) *(note 6)*	**2,944**	(4,734)
At 31 December	**52,560**	49,669

Investment properties were revalued at 31 December 2009 on the basis of their open market values by Colliers International (Hong Kong) Limited, a member of the Hong Kong Institute of Surveyors.

The Group's interests in investment properties at their net book values are analysed as follows:

	2009	2008
	RMB'000	RMB'000
In Hong Kong, held on:		
Leases of over 50 years	**13,369**	12,003
Leases of between 10 to 50 years	**24,007**	22,497
Outside Hong Kong, held on:		
Leases of over 50 years	**705**	599
Leases of between 10 to 50 years	**14,479**	14,570
	52,560	49,669

At 31 December 2009, certain investment properties with a total net book value of approximately RMB27,847,000 (2008: RMB25,707,000) were pledged as securities for the Group's bank borrowings (note 27).

18 INVESTMENT PROPERTIES (Continued)

(b)

	Company	
	2009	2008
	RMB'000	RMB'000
At 1 January	**12,550**	11,771
Additions	**—**	2,488
Fair value losses	**(70)**	(1,709)
At 31 December	**12,480**	12,550

The Company's interests in investment properties at their net book values are analysed as follows:

	2009	2008
	RMB'000	RMB'000
Outside Hong Kong, held on:		
Leases of over 50 years	**705**	599
Leases of between 10 to 50 years	**11,775**	11,951
	12,480	12,550

19 INVESTMENTS IN SUBSIDIARIES

	Company	
	2009	2008
	RMB'000	RMB'000
Investments at cost		
Unlisted investments	**1,752,859**	1,752,859
Provision for impairment losses	**(71,409)**	(71,409)
	1,681,450	1,681,450

Particulars of principal subsidiaries are set out in note 34 to the consolidated financial statements.

20 INTERESTS IN JOINTLY CONTROLLED ENTITIES

(a) Interest in a jointly controlled entity

	Group	
	2009	2008
	RMB'000	RMB'000
Share of net assets	**2,337,270**	5,265,800

The jointly controlled entity is same as last year as set out in the previous year's financial statements:

Place of establishment	Principal activities	Effective interest held
PRC	Manufacturing and assembly of motor vehicles in the PRC	50%

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.

20 INTERESTS IN JOINTLY CONTROLLED ENTITIES (Continued)

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

The following amounts represent the Group's 50% (2008: 50%) share of assets and liabilities, income and expenses of the jointly controlled entity:

	2009 RMB'000	2008 RMB'000
Assets:		
Non-current assets[1]	**2,745,803**	2,882,882
Current assets	**7,928,348**	7,334,971
	10,674,151	10,217,853
Liabilities:		
Non-current liabilities	**(3,000)**	(3,000)
Current liabilities	**(8,329,418)**	(4,944,830)
	(8,332,418)	(4,947,830)
Minority interests	**(4,463)**	(4,223)
	2,337,270	5,265,800
Income	**24,945,551**	22,414,913
Expenses	**(23,026,975)**	(20,502,190)
Profit for the year	**1,918,576**	1,912,723

1 Included in this balance is goodwill of approximately RMB134,292,000 (2008: RMB150,420,000) arising from the acquisition of the motor vehicle manufacturing business in Guangzhou by the jointly controlled entity.

20 INTERESTS IN JOINTLY CONTROLLED ENTITIES (Continued)

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

Capital commitments

At 31 December 2009, 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:

	2009	2008
	RMB'000	RMB'000
Authorised but not contracted for	**—**	—
Contracted but not provided for	**189,654**	85,467

(b) Interests in other jointly controlled entities

	Group	
	2009	2008
	RMB'000	RMB'000
Share of net assets	**1,106,265**	894,544
Intangible assets		
— Technology	**152,983**	160,547
— Goodwill *(note 15)*	**215,897**	215,897
	368,880	376,444
	1,475,145	1,270,988

Included in this balance is goodwill (note 15) of approximately RMB215,897,000 (2008: RMB215,897,000) arising from the acquisition of shares and shareholder's loan by the Group.

20 INTERESTS IN JOINTLY CONTROLLED ENTITIES (Continued)

(b) Interests in other jointly controlled entities (Continued)

Particulars of the principal jointly controlled entity are as follows:

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

This is a Sino-foreign equity joint-venture in which 49% (2008: 49%) of the equity capital is held by a 100% (2008: 100%) owned subsidiary of the Company. The Group's investment cost in this company is RMB740,388,000 (2008: RMB740,388,000). The Group has no unilateral control over the joint venture company. The joint venture period is 40 years from September 2005.

21 INTERESTS IN ASSOCIATES

	Group	
	2009	2008
	RMB'000	RMB'000
At 1 January	**64,889**	61,607
Share of results	**8,148**	5,784
Dividends	**(2,974)**	(2,502)
At 31 December	**70,063**	64,889

21 INTERESTS IN ASSOCIATES (Continued)

Particulars of a principal associate are as follows:

Name	**Place of establishment**	**Principal activities**	**Registered capital**	**Effective Interest indirectly held**
Shanghai Guangqi Automotive Trading and Services Company Limited	PRC	Wholesale and retail of various types of motor vehicles in the PRC	RMB10,000,000	30%

This associate is indirectly held by a subsidiary of the Company. The Group's investment cost in this company is approximately RMB3,000,000 (2008: RMB3,000,000). The operation period is 30 years from March 1999.

22 INVENTORIES

	Group	
	2009	2008
	RMB'000	RMB'000
Raw materials	**12,651**	18,346
Work in progress	**8,943**	14,279
Finished goods	**45,719**	42,130
Less: provision	**(4,529)**	(3,967)
	62,784	70,788

The cost of inventories recognised as expense and included in cost of sales amounted to RMB525,792,000 (2008: RMB622,157,000) (note 7).

23 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade receivables *(note (a))*	**60,753**	38,197	**—**	—
Less: provision for impairment of receivables	**(2,015)**	(2,150)	**—**	—
	58,738	36,047	**—**	—
Due from subsidiaries *(note (b))*	**—**	—	**2,066,027**	1,883,215
Due from the single largest shareholder of the Company *(note (b))*	**—**	102	**—**	102
Due from a jointly controlled entity *(note (b))*	**20,801**	5,087	**—**	—
Dividend receivable from a jointly controlled entity *(note (b))*	**2,014,401**	786,286	**—**	—
Dividend receivable from other jointly controlled entities *(note (b))*	**19,732**	—	**—**	—
Dividend receivable from an associate *(note (b))*	**—**	901	**—**	—
Other receivables and deposits	**49,197**	52,920	**3,909**	4,565
	2,162,869	881,343	**2,069,936**	1,887,882

(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.

23 TRADE AND OTHER RECEIVABLES (Continued)

At 31 December 2009, the ageing analysis of the trade receivables was as follows:

	Group	
	2009	2008
	RMB'000	RMB'000
Within 3 months	**55,139**	30,022
4–6 months	**3,510**	7,242
7–12 months	**87**	67
Over 12 months	**2,017**	866
	60,753	38,197

As at 31 December 2009, trade receivables of RMB2,015,000 (2008: RMB2,150,000) were impaired. The amount of the provision was RMB2,015,000 as at 31 December 2009 (2008: RMB2,150,000). The individually impaired receivables mainly relate to smaller customers which are in financial difficulties. The ageing of these impaired receivables is as follows:

	Group	
	2009	2008
	RMB'000	RMB'000
1–6 months	—	1,813
Over 12 months	**2,015**	337
	2,015	2,150

As at 31 December 2009, trade receivables of RMB3,599,000 (2008: RMB6,025,000) 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:

	Group	
	2009	2008
	RMB'000	RMB'000
1–6 months	**3,510**	5,429
7–12 months	**87**	67
Over 12 months	**2**	529
	3,599	6,025

23 TRADE AND OTHER RECEIVABLES (Continued)

Trade and other receivables are denominated in the following currencies:

	Group		Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
HKD	**6,264**	6,089	**462,223**	483,261
USD	**24,243**	23,484	**6,468**	6,476
RMB	**2,132,362**	851,121	**1,601,245**	1,398,145
Others	**—**	649	**—**	—
	2,162,869	881,343	**2,069,936**	1,887,882

24 CASH AND BANK BALANCES

	Group		Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Cash at bank and in hand	**2,773,105**	145,553	**6,698**	13,098
Short-term bank deposits	**4,527,702**	4,115,161	**152,643**	143,251
	7,300,807	4,260,714	**159,341**	156,349

Cash and bank balances are denominated in the following currencies:

	Group		Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
HKD	**35,891**	34,767	**4,424**	20,534
USD	**155,197**	136,020	**153,745**	134,971
RMB *(note (a))*	**7,108,547**	4,088,651	**—**	—
Others	**1,172**	1,276	**1,172**	844
	7,300,807	4,260,714	**159,341**	156,349

(a) RMB is not a freely convertible currency. The conversion of RMB into foreign currencies is subject to the rules and regulations of the foreign exchange control promulgated by the PRC government.

At 31 December 2009, bank balances of the Group totalling RMB23,381,000 (2008: RMB5,721,000) were pledged as collateral for the Group's bank borrowing facilities (note 27).

The effective interest rate on short-term bank deposits was 2.08% (2008: 2.97%); these deposits have an average maturity of approximately 140 days (2008: 120 days).

25 SHARE CAPITAL

	Ordinary shares of HKD0.1 each		
	No. of shares	**HKD'000**	**RMB'000**
Authorised:			
At 1 January 2008, 31 December 2008 and 2009	10,000,000,000	1,000,000	
Issued and fully paid:			
At 1 January 2008, 31 December 2008 and 2009	7,518,698,534	751,870	757,118

(a) A share option scheme was approved at an extraordinary general meeting of the Company held on 6 June 2002 under which the directors may, at their discretion, invite any participant who has rendered services or will render services to the Group to take up options. Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2009		2008	
	Average exercise price in HKD per share	**Options ('000)**	Average exercise price in HKD per share	Options ('000)
At 1 January	**2.1525**	**26,344**	2.1525	39,692
Forfeited	**2.1525**	**—**	2.1525	(13,348)
At 31 December	**2.1525**	**26,344**	2.1525	26,344

All of the above outstanding options were exercisable. No options were exercised in 2009 (2008: Nil).

Share options outstanding at the end of the year have the following expiry date and exercise price:

	Exercise price in	**Options ('000)**	
Expiry date	**HKD per share**	**2009**	2008
5 June 2012	2.1525	**26,344**	26,344

26 RESERVES

	Group		Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Share premium[1]				
At 1 January and at 31 December	**2,380,439**	2,380,439	**2,380,439**	2,380,439
Exchange reserve				
At 1 January	**(9,604)**	(5,527)	**—**	—
Currency translation differences of financial statements of foreign subsidiaries, jointly controlled entities and associates	**(2,503)**	(4,077)	**—**	—
Elimination upon disposal of subsidiaries	**(21)**	—	—	—
At 31 December	**(12,128)**	(9,604)	**—**	—
Retained earnings *(note (a))*				
At 1 January	**7,836,028**	6,938,622	**530,797**	645,588
Profit for the year	**1,914,530**	2,094,259	**543,235**	900,233
2008 final dividend paid/2007 final dividend paid	**(150,374)**	(451,122)	**(150,374)**	(451,122)
2007 special dividend paid	**—**	(187,967)	**—**	(187,967)
Interim dividend paid	**(225,561)**	(375,935)	**(225,561)**	(375,935)
Transfer to capital reserve	**(109,760)**	(181,829)	**—**	—
At 31 December	**9,264,863**	7,836,028	**698,097**	530,797
Capital reserve *(note (b))*				
At 1 January	**1,688,149**	1,506,320	**—**	—
Transfer from retained earnings	**109,760**	181,829	**—**	—
At 31 December	**1,797,909**	1,688,149	**—**	—
Total reserves	**13,431,083**	11,895,012	**3,078,536**	2,911,236

1 As at 31 December 2009, the share premium, in terms of HKD, amounted to approximately HKD2,504,231,000 (2008: HKD2,504,231,000).

26 RESERVES (Continued)

(a) Retained earnings

	Group	
	2009	2008
	RMB'000	RMB'000
Company and subsidiaries	**8,441,627**	4,189,727
A jointly controlled entity	**218,355**	3,211,732
Other jointly controlled entities	**602,529**	437,391
Associates	**2,352**	(2,822)
	9,264,863	7,836,028

(b) The reserve represents transfers made to reserve funds and enterprise development funds set up by certain subsidiaries, jointly controlled entities and associates in the PRC, pursuant to regulations in the PRC. According to the regulations, reserve funds may be used for making up losses, if any, and increasing capital while enterprise development funds may be used for increasing capital.

27 BORROWINGS

	Group 2009 RMB'000	Group 2008 RMB'000
Non-current		
Long-term bank loans	**226**	752
Current		
Current portion of long-term bank loans	**526**	1,358
Total borrowings	**752**	2,110

The maturity of bank borrowings is as follows:

	Group 2009 RMB'000	Group 2008 RMB'000
Within one year	**526**	1,358
In the second year	**226**	526
In the third to fifth year inclusive	**—**	226
	752	2,110

(a) Borrowings of the Group totalling RMB752,000 (2008: RMB2,110,000) are secured by certain leasehold land and buildings, investment properties and pledged bank balances (notes 16, 17, 18 and 24) of the Group.

(b) The effective interest rate for bank loans at the balance sheet date was 3.58% (2008: 3.94%).

(c) The carrying amounts of all borrowings approximate their fair values and are denominated in HKD.

28 DEFERRED TAXATION

Deferred taxation is calculated in full on temporary differences under the liability method using the applicable income tax rate.

The movement on the deferred tax liabilities during the year is as follows:

	Group			
	Accelerated tax depreciation RMB'000	**Withholding tax RMB'000**	**Interest income RMB'000**	**Total RMB'000**
At 1 January 2008	964	—	—	964
Charged to income statement *(note 9)*	148	29,127	10,760	40,035
At 31 December 2008	1,112	29,127	10,760	40,999
Credited to income statement *(note 9)*	(293)	—	(1,444)	(1,737)
At 31 December 2009	819	29,127	9,316	39,262

Deferred income tax assets are only recognised for tax losses carried forward to the extent that realisation of the related tax benefits through the future taxable profits is probable. The Group did not recognise deferred income tax assets in respect of losses amounting to RMB91,725,000 (2008: RMB89,632,000) that can be carried forward against future taxable income. Except for tax losses amounting to RMB30,488,000 (2008: RMB28,210,000) which expire in 2013, the remaining losses have no expiry date. Total potential deferred tax assets not provided for in the financial statements are as follows:

	Group		Company	
	2009 RMB'000	2008 RMB'000	**2009 RMB'000**	2008 RMB'000
Tax losses	**17,726**	17,187	**8,758**	8,630

Deferred income tax liabilities of RMB162,438,000 (2008: RMB66,509,000) have not been recognised for the withholding tax and other taxes that would be payable on the unremitted earnings of certain subsidiaries. Unremitted earnings totalled RMB3,248,760,000 at 31 December 2009 (2008: RMB1,330,184,000). The Group has no plan to distribute such unremitted earnings in the foreseeable future.

29 TRADE AND OTHER PAYABLES

	Group		Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Due to a subsidiary *(note (a))*	—	—	**75,251**	56,098
Due to the single largest shareholder of the Company *(note (a))*	**390**	846	**—**	—
Due to a fellow subsidiary *(note (a))*	**717**	713	**—**	—
Due to an associate *(note (a))*	**846**	—	**—**	—
Due to a minority shareholder of a subsidiary *(note (a))*	**—**	391	**—**	—
Trade payables	**30,416**	34,155	**—**	—
Bills payables *(note (b))*	**75,000**	16,130	**—**	—
Other payables, deposits received and accrued charges	**24,140**	23,970	**8,789**	9,146
	131,509	76,205	**84,040**	65,244

(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 2009, the ageing analysis of the trade payables was as follows:

	Group	
	2009	2008
	RMB'000	RMB'000
Within 3 months	**30,297**	26,592
4–6 months	**119**	6,362
7–12 months	**—**	82
Over 12 months	**—**	1,119
	30,416	34,155

29 TRADE AND OTHER PAYABLES (Continued)

Trade and other payables are denominated in the following currencies:

	Group		Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
HKD	**37,245**	33,679	**8,243**	65,244
RMB	**89,709**	38,774	**75,754**	—
Others	**4,555**	3,752	**43**	—
	131,509	76,205	**84,040**	65,244

30 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of profit before taxation to net cash used in operations:

	2009	2008
	RMB'000	RMB'000
Profit before taxation	**1,940,702**	2,149,944
Interest income	**(101,452)**	(116,436)
Interest expense	**934**	646
Share of profits less losses of:		
A jointly controlled entity	**(1,918,576)**	(1,912,723)
Other jointly controlled entities	**(242,682)**	(217,608)
Associates	**(8,148)**	(5,784)
Fair value (gains)/losses on investment properties	**(2,944)**	4,734
Amortisation of leasehold land and land use rights	**785**	795
Depreciation of property, plant and equipment	**8,007**	9,280
(Gain)/loss on disposal of property, plant and equipment	**(7,216)**	33
Provision for impairment loss of property, plant and equipment	**194**	11,148
Gain on disposal of subsidiaries	**(37)**	—
Operating loss before working capital changes	**(330,433)**	(75,971)
Decrease in inventories	**7,142**	22,088
(Increase)/decrease in trade and other receivables	**(41,521)**	29,874
Increase/(decrease) in trade and other payables	**57,663**	(87,057)
Net cash used in operations	**(307,149)**	(111,066)

31 COMMITMENTS

(a) Commitments under operating leases

At 31 December 2009, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	Group	
	2009	2008
	RMB'000	RMB'000
Not later than one year	**5,407**	8,779
Later than one year and not later than five years	**17,107**	30,049
Later than five years	**48,762**	74,919
	71,276	113,747

The Company had no operating lease commitments as at 31 December 2008 and 2009.

(b) Capital commitments

The Group and the Company had no capital commitments as at 31 December 2008 and 2009.

32 RELATED PARTY TRANSACTIONS

(a) Related parties

The Company's single largest shareholder is China Lounge Investments Limited (incorporated in Hong Kong), which owns 37.90% (2008: 37.90%) of the Company's shares. The remaining 62.10% (2008: 62.10%) of its shares are widely held. China Lounge Investments Limited is a subsidiary of Guangzhou Automobile Industry Group Company Limited (incorporated in the PRC).

Related parties are those parties which have the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Saved as disclosed in note 20 in the consolidated financial statements, the table set forth below summarised the name of significant party and nature of relationship with the Company as at 31 December 2009:

Significant related party	Relationship with the Company
Guangzhou GABC Automobile Services Company Limited	Fellow subsidiary

32 RELATED PARTY TRANSACTIONS (Continued)

(b) Transactions with related parties

The following is a summary of significant transactions with related parties during the year:

	Group	
	2009	2008
	RMB'000	RMB'000
Purchase from a jointly controlled entity	**329,376**	308,602
Sales to a fellow subsidiary	**—**	6,632

(c) Balances with related parties

Save as disclosed in notes 23 and 29 in the consolidated financial statements, there are no other significant balances with related parties.

(d) Key management compensation

	Group	
	2009	2008
	RMB'000	RMB'000
Salaries and other short-term employee benefits	**5,076**	4,772
Retirement benefits	**79**	64
	5,155	4,836

33 OTHER INFORMATION

A jointly controlled entity (the "Joint Venture") in which 50% of the equity capital, voting power and profit sharing is held by a 100% owned subsidiary of the Company, is in a negotiation with its joint venture partners in respect of relevant issues of the Joint Venture, including but not limited to adjustment on price of its products and change in terms of licenses, etc. As at the date of this report, no agreement has been reached. Management considers that the outcome of the negotiation may have a significant impact on the profits of the Joint Venture, which may in turn have a significant impact on the Group's financial results.

34 SUBSIDIARIES

The following includes the principal subsidiaries of the Company which, in the opinion of the directors, are significant to the results for the year ended 31 December 2009 or formed a substantial portion of the net assets of the Group at 31 December 2009:

Name	Place of incorporation/ establishment and kind of legal entity	Principal activities	Registered capital/ issued share capital	Effective interest held
Interest held directly:				
Guangzhou Denway Enterprises Development Company Limited	PRC, limited liability company	Investment holding and management	USD87,272,700	100%
Easeco Enterprises Limited	Hong Kong, limited liability company	Property holding	HKD2	100%
Gardex Development Limited	Hong Kong, limited liability company	Property holding	HKD2	100%
National Grade Limited	Hong Kong, limited liability company	Property holding	HKD2	100%
Interest held indirectly:				
Guangzhou Auto Group Corporation	PRC, limited liability company	Investment holding and management	RMB468,200,000	100%
Guangzhou Honda Automobile No.1 Sales Company Limited	PRC, limited liability company	Trading of sedans	RMB18,000,000	51%
Promowide Technology Limited	Hong Kong, limited liability company	Investment holding and management	HKD42,394,938	63%
Arkon Industrial Limited	Hong Kong, limited liability company	Investment holding and management	HKD10,000,000	63%
Art Sea Metal Works Limited	Hong Kong, limited liability company	Manufacturing of metal parts	HKD400,000	63%
Uni-Art Precise Products Limited	Hong Kong, limited liability company	Manufacturing of audio equipment	HKD400,000	63%
Classic Tech Development Limited	Hong Kong, limited liability company	Property holding	HKD35,010,000	63%

Note:

All subsidiaries above mainly operate in their respective places of incorporation/establishment.

Particulars of investment properties held by the Group at 31 December 2009 are as follows:

Location	Gross area (sq. ft.)	Type	Tenure
Rooms 807 and 808 8th Floor, Citicorp Centre, No. 18 Whitfield Road, Causeway Bay, Hong Kong	2,304	Commercial	Medium lease
Unit 5 on 4th Floor, Eastern Building, No. 305 Huan Shi Road Central, Guangzhou, People's Republic of China	1,039	Commercial	Medium lease
Offices 1, 2, 3, 4 and 5 on 23rd Floor, Shun Feng International Centre, No. 182 Queen's Road East, Wanchai, Hong Kong	2,228	Commercial	Medium/long lease (The property is held partly under medium lease and partly under long lease)
Unit 6 on 23rd Floor, 118 Connaught Road West, Sheung Wan, Hong Kong	1,474	Commercial	Long lease
Duplex Unit C on the 8th and 9th Floors of Block 16, Classical Gardens, (with one level of basement car park) No. 10 Ma Wo Road, Tai Po, New Territories	1,563	Residential and car park	Medium lease
Car Park No. 592A on Basement (Designated as Basement 2 in Occupation Permit), Laguna City, Kwun Tong, Kowloon	—	Car park	Medium lease
Flat E on 10th Floor of Tower 1 (Sau Ming Court), Yue Xiu Plaza, No. 9 Ning Yuen Street, Sang Po Kong, Kowloon	749	Commercial	Medium lease

Location	Gross area (sq. ft.)	Type	Tenure
Unit A on 15th Floor, Eu Yan Sang Tower, Nos 11–15 Chatham Road South, Tsim Sha Tsui, Kowloon	658	Commercial	Medium lease
Office 08 on 7th Floor, Empress Plaza, Nos 17–19 Chatham Road South, Tsim Sha Tsui, Kowloon	765	Commercial	Medium lease
Unit 2 on 7th Floor, Jingshan Burlingame Commercial Centre, Degshikou Street, Dong Cheng, Beijing, People's Republic of China	808	Commercial	Medium lease
Unit 206, 56 Yong Tai Road, Tienhe District, Guangzhou, People's Republic of China	1,276	Commercial	Medium lease
Ground Floor, 54 Yong Tai Road, Tienhe District, Guangzhou, People's Republic of China	15,488	Commercial	Medium lease
Carpark B110–B117, B148–B150 and B166 58 Yong Tai Road Guangzhou, People's Republic of China	—	Carpark	Medium lease