Chinese Wisdom • World Quality

Annual Report 2009

吉利汽車控股有限公司
GEELY AUTOMOBILE HOLDINGS LIMITED

(Stock Code : 0175)

“New Geely
Through Brand Building”

Contents

Key Figures

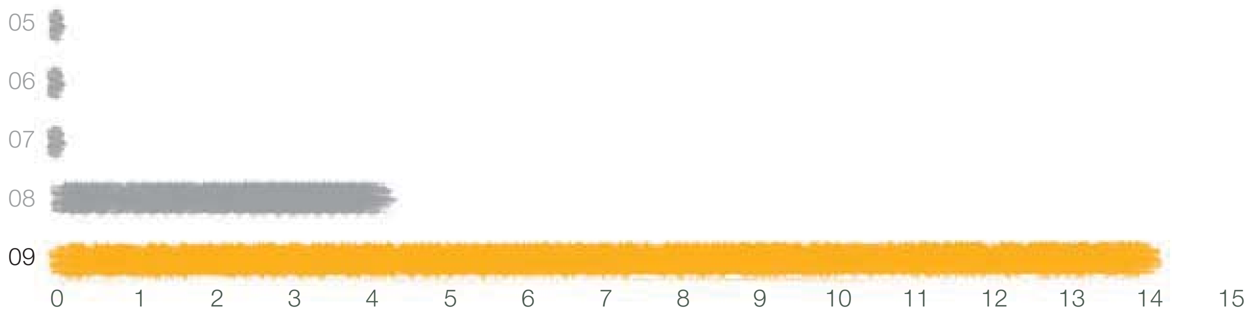
FIVE YEAR FINANCIAL SUMMARY

A SUMMARY OF THE RESULTS AND THE ASSETS AND LIABILITIES OF THE GROUP FOR THE LAST FIVE FINANCIAL YEARS, AS EXTRACTED FROM THE AUDITED FINANCIAL STATEMENTS, IS SET OUT BELOW:

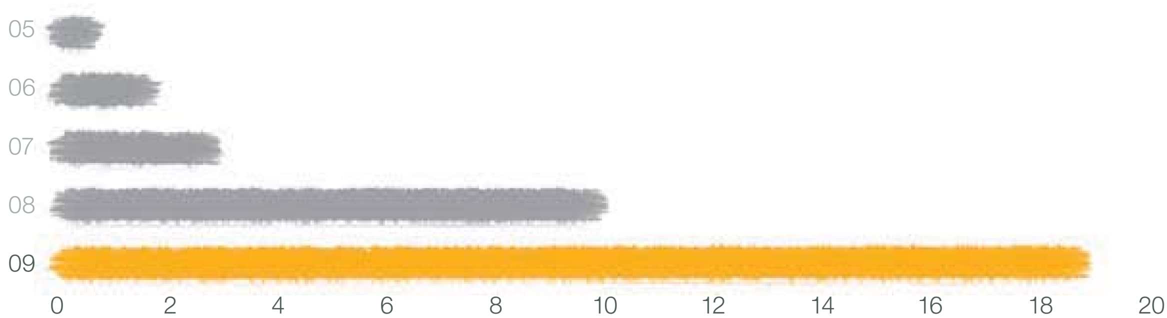
THE GROUP

	2009 RMB'000	2008 RMB'000	2007 RMB'000	2006 RMB'000	2005 RMB'000
Turnover/Revenue	14,069,225	4,289,037	131,720	127,006	105,467
Profit before taxation	1,550,460	917,922	307,373	215,734	119,992
Taxation	(231,432)	(51,869)	(1,606)	(1,585)	–
Profit for the year	1,319,028	866,053	305,767	214,149	119,992
Attributable to:					
Equity holders of the Company	1,182,740	879,053	302,527	208,752	115,260
Minority interests	136,288	(13,000)	3,240	5,397	4,732
	1,319,028	866,053	305,767	214,149	119,992
Assets and Liabilities					
Total assets	18,802,189	10,150,969	2,920,351	1,844,068	896,107
Total liabilities	(11,705,669)	(5,368,488)	(373,281)	(794,142)	(56,730)
Total equity	7,096,520	4,782,481	2,547,070	1,049,926	839,377
Represented by:					
Equity attributable to equity holders of the Company	6,375,613	4,197,862	2,343,845	1,030,157	830,003
Minority interests	720,907	584,619	203,225	19,769	9,374
	7,096,520	4,782,481	2,547,070	1,049,926	839,377

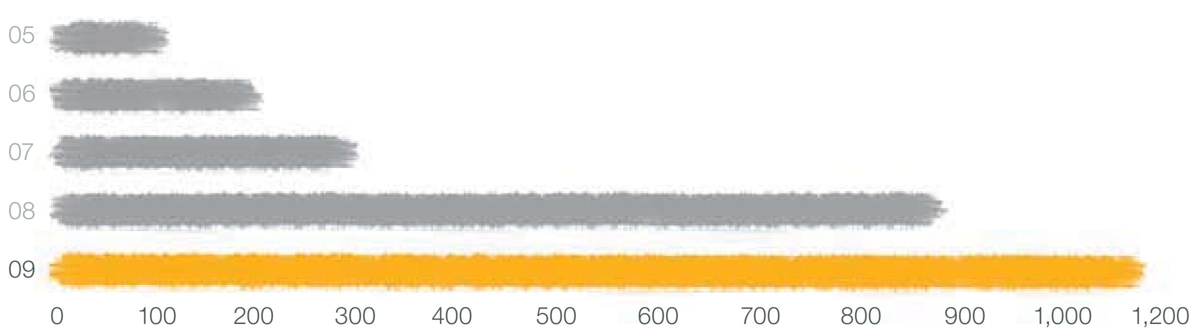
Turnover
(RMB'Billion)



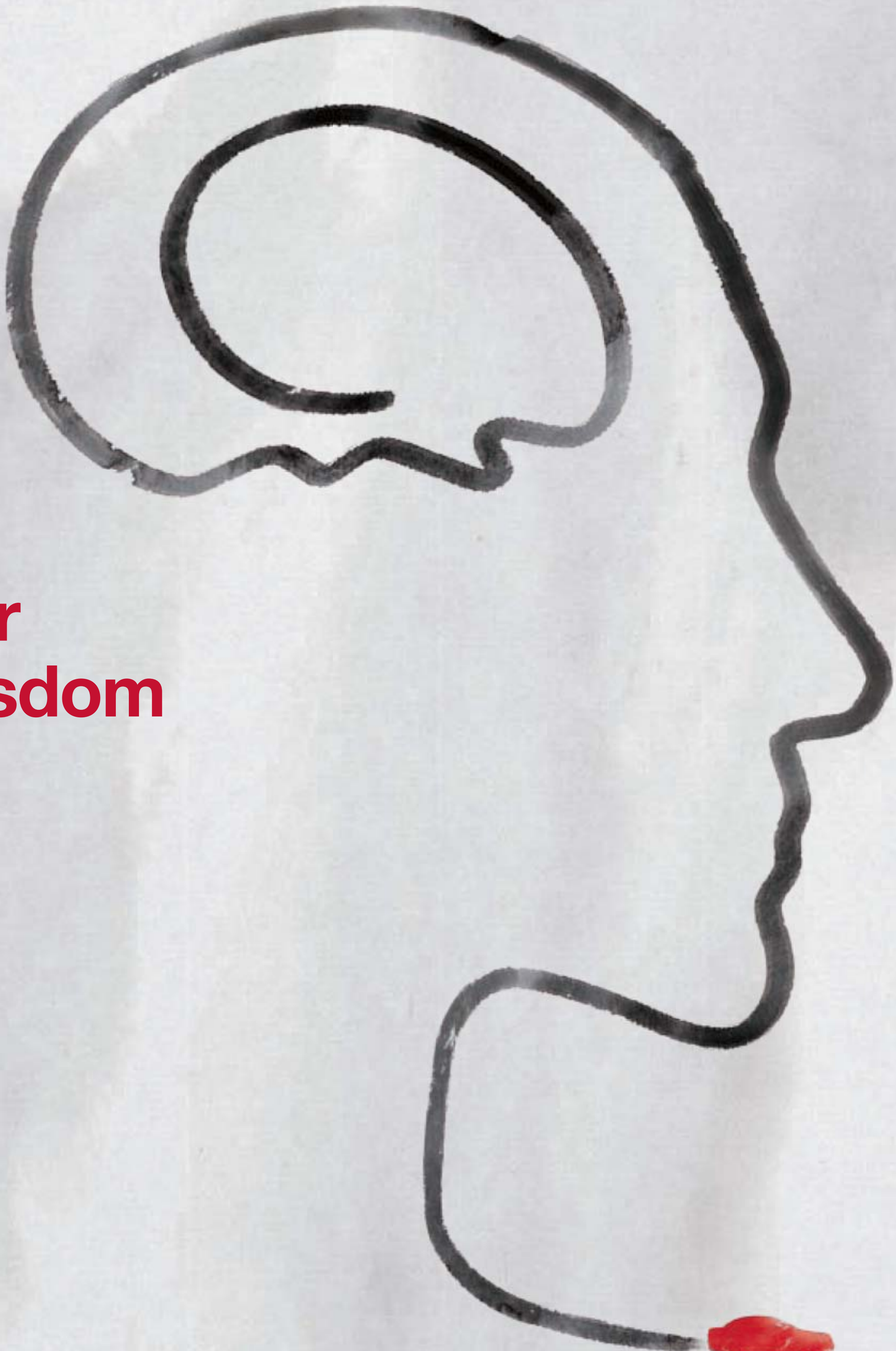
Total assets
(RMB'Billion)



Profit attributable to equity holders of the Company
(RMB'Million)



Our Wisdom



Geely Automobile was awarded “The State Technology Achievement Class 2 Award” for its achievements in technological innovations, making Geely the only automobile company to receive this honour in 2009, signifying Geely’s leading position in technological development and innovations in China and reflecting the official endorsement and recognition by the Central Government of its technological achievements.

Letter to Shareholders

Li Shu Fu
Chairman

On behalf of the Board of Directors (the "Board") of Geely Automobile Holdings Limited (the "Company"), I am pleased to present to you the 2009 results of the Company and its subsidiaries (collectively, the "Group").

FINANCIAL REVIEW

The Group continued its transition into the "New Geely*" during 2009. The "Strategic Transformation" implemented since mid-2007 continued to yield very encouraging results as evidenced by the rising market share of Geely sedans in China in 2009. The increase was partly helped by the government's policies to promote economy sedans, but also as a result of the improving product quality and rising customers' satisfaction over Geely's products as measured by J.D. Power's various product and service quality studies in China during 2009.

While the Chinese sedan market had experienced exceptionally strong growth in 2009, recovery in our major export markets has been slow throughout the year. Despite this, the very strong growth in the Chinese sedan market and our higher market share had enabled the Group to record substantial increase in turnover to RMB14.1 billion for the year ended 31 December 2009. The strong growth in turnover was also partly due to the full consolidation of the financial results of the Group's key operating subsidiaries since July 2008 after completion of the acquisition of additional stakes in these subsidiaries (the "Acquisitions"). Profit attributable to the equity holders of the Company amounted to RMB1.18 billion, representing an increase of 35% over 2008, due to the strong growth in profit contributions from the Group's five major operating subsidiaries – Zhejiang Geely Automobile Company Limited ("Zheijang Geely"), Shanghai Maple Guorun Automobile Company Limited ("Shanghai Maple"), Zhejiang Kingkong Automobile Company Limited ("Zhejiang Kingkong"), Zhejiang Ruhoo Automobile Company Limited ("Zhejiang Ruhoo") and Hunan Geely Automobile Components Company Limited ("Hunan Geely") – (collectively referred as the "operating subsidiaries"). The growth in their profit contribution was partly due to our higher shareholdings in these operating entities from 46.81% to 91% after the completion of the Acquisitions in mid 2008, and the continued success achieved by the Group's "Strategic Transformation" which has achieved initial success of transforming the Group's competitiveness from 'price competitive' to 'technology and performance competence', thus resulting in significant increase in sales volume, improvement in product mix towards higher-end sedans, and product price stability during the period. The strong 2009 results were despite a continued weak export market and the start up costs for the new projects like the acquisitions of automatic transmissions manufacturer – Drivetrain Systems International Pty Limited ("DSI") – and the acquisitions of two manufacturing plants in Lanzhou and Chengdu from the Group's major shareholder Zhejiang Geely Holding Group Company Limited ("Geely Holding") during the year.

* *"New Geely" means transforming Geely's competitive advantage from price competitive to technology and performance competence.*

DIVIDEND

The Board recommends the payment of final dividend of HK2.3 cents (2008: HK1.6 cents) per share for 2009.

BUSINESS OVERVIEW

The growth of sedan demand in the China market speeded up in 2009, helped by improving consumer sentiment following the Chinese government's implementation of a series of stimulation programmes, aiming at sheltering Chinese economy from the global financial crisis started in late 2008, and the promulgation of some specific policies targeting at stimulating demand for smaller size vehicles. As a result, total sales volume of passenger cars in China increased by 48% over the previous year to a total of 7.47 million units in 2009 according to figures from China Association of Automobile Manufacturers ("CAAM"), making China one of the largest car markets in the World in 2009. Cost pressure also subsided a lot during the year due to continued weak demand outside China. Prices for key raw materials and components have been relatively stable during most of 2009. Although automobile demand in most of the Group's export markets remained very weak during 2009, this had been more than offset by the exceptional strong demand in the China market.

Despite those challenges and difficulties like shortage of production capacity and weak export demand, the Group still managed to capitalize on the strong demand in the domestic market, enabling the Group to raise its domestic market share and achieve another record year in terms of sales volume and profitability in 2009, helped by the significant effort by the Group's operating subsidiaries to improve customer satisfactions, production quality and reliability and to further enhance their brand images during 2009.

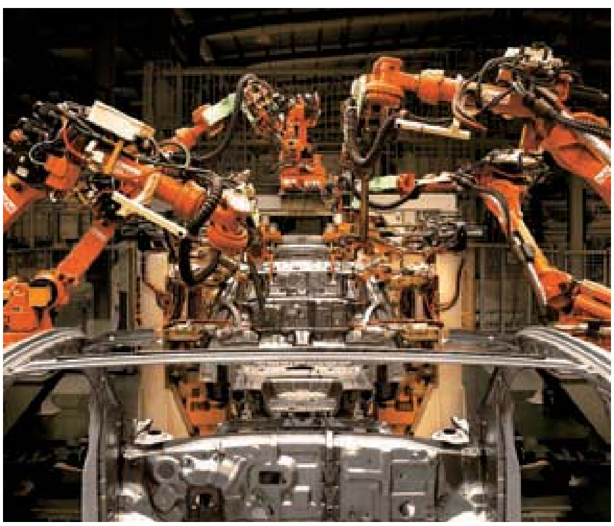
To cope with the rapid changes in market environment, the Group has embarked on a major "Strategic Transformation" since May 2007, through expansion into higher-end and larger-sized vehicles and major investments to enhance the Group's technology competence and product branding, aiming at transforming its competitive advantages from price competitive to technology and performance competent. The "Strategic Transformation" continued to yield obvious positive results in 2009, enabling the Group to achieve remarkable results despite an increasingly competitive sedan market in both China and abroad. Thanks to the initial success in the Group's "Strategic Transformation", the Group has successfully migrated to the new "Multi-brand Strategy" in product sales and marketing and fully implemented the "Platform Strategy" in new product development during the year.

The Group sold a total of 326,710 units of sedans in 2009, up 60% over 2008, raising its share in the China's sedan market to over 4%. Of which, 6% or 19,350 units were sold abroad, down 49% from last year. In the Chinese market, the Group's sales volume was up 85% over last year to 307,360 units in 2009. During the year, the Group's profit margin was well protected by stable product prices and production costs helped by better economies of scales and strengthened relationship with major suppliers, offsetting the lower profitability in the export markets as a result of sharp drop in export volume and relatively higher expenses. Total net profit of the Group was up over 52% to RMB1.32 billion on 228% growth in revenue, both are record highs in the Group's history. After minority interests, net profit attributable to shareholders of the Company was up 35% to RMB1.18 billion in 2009.

PROSPECTS

Like last year, 2010 should continue to be full of opportunities and challenges as the global automobile industry is undergoing its largest transformation in its history. With the timely implementation of its "Strategic Transformation" three years ago and the very positive results achieved so far, I believe the "Strategic Transformation" should continue to strengthen the Group's competitive advantages in the coming years, putting the Group in a strong position to benefit substantially from the big changes happening in the global automobile industry, thereby enabling the management to further enhance the returns to the Company's shareholders.

The Group will continue to focus on the operation and expansion of its automobile business, to actively seek for ways and opportunities to further broaden its product line to include higher value-added products, and to expand its operations into the global market, with an aim to become a leading supplier for the safest, the most environmental friendly and the most energy efficient vehicles in the global market. To achieve this, the Group will continue to invest heavily in the research and development of new product platforms, new technologies and new models in a bid to narrow the technology gap between the Group and the major international automobile companies. More effort has been spent in the areas of quality control, technology development and innovation, parts and component procurement, marketing and distribution and customer services to further strengthen the Group's brand image and overall competitiveness.



I believe 2010 would be a very challenging year for the Group given the high bases for comparison in terms of sales volume and profitability in the previous year, higher overall cost base due to addition of two new plants, the launches of three new brands and their associated sales networks in previous year, and the planned launches of a record number of new products in the coming year. Motor vehicles sales in most parts of the World market remains fragile. As a result, our exports business could continue to face major challenges given the fierce competition and our short history of operation in our major export markets.

In view of the continued challenging environment, we have speeded up the exploration of other new markets like Taiwan and Central America in the past year. These new markets should start to contribute meaningfully to our overall export sales in 2010. We shall continue to proceed with the remaining steps under our "Strategic Transformation" to further improve the competitiveness of our products. The timely acquisition of DSI's key operating assets and business last year has significantly enhanced the competitiveness of our products, enabling the Group to offer a full range of sedan models equipped with automatic transmissions. Our other focus in 2010 also includes major effort to enhance customer satisfactions, brand recognition, quality control, innovation capability, sales and marketing, financial management and human resources management.

On the positive front, the demand for sedans in China remained very strong so far in 2010. With China's very low penetration rate for motor vehicles, I believe China's motor vehicle market should remain one of the best performing markets in the World in the coming year. Further, the Chinese government has promulgated more policies since the beginning of 2010 to stimulate motor vehicle demand with focus on promoting fuel-efficient and environmental friendly economy sedans, aiming to ensure positive growth in motor vehicle demand in 2010.

With the successful completion of the initial phase of our "Strategic Transformation" and the planned launches of new products and technologies to further strengthen the Group's competitiveness, I believe the Group is well positioned to further expand its market shares in the China market in 2010, thus enabling the Group to sustain its earnings growth in the coming few years.

Li Shu Fu
Chairman

12 April 2010

Our Quality

Geely Panda received a very high 45.3 points in the recent C-NCAP crash test, making the model the first small size sedan from the local brands to receive the top five-star rating in the crash test. Geely Panda also becomes one of the safest small cars available in the China market.

Performance & Governance

THE GROUP SOLD A TOTAL OF 326,710 UNITS OF VEHICLES IN 2009, UP 60% FROM 2008.

OVERALL PERFORMANCE

In 2009, the Group continued to deliver a strong set of results with both its sales volume and net profit reaching record highs during the period, despite challenging market conditions, especially in our major export markets, where our sales volume in the export market declined by 49% from the previous year. The "Strategic Transformation" implemented since mid 2007, however, has significantly enhanced the Group's capabilities to deliver sustainable growth under difficult economic and market conditions. As a result, the Group's performance in 2009 was very encouraging, helped by the strong demand for economy sedans in the China market, mainly as a combined result of the Chinese Government's automobile stimulus package promulgated at the beginning of 2009 and the strong economic growth in China during the period.

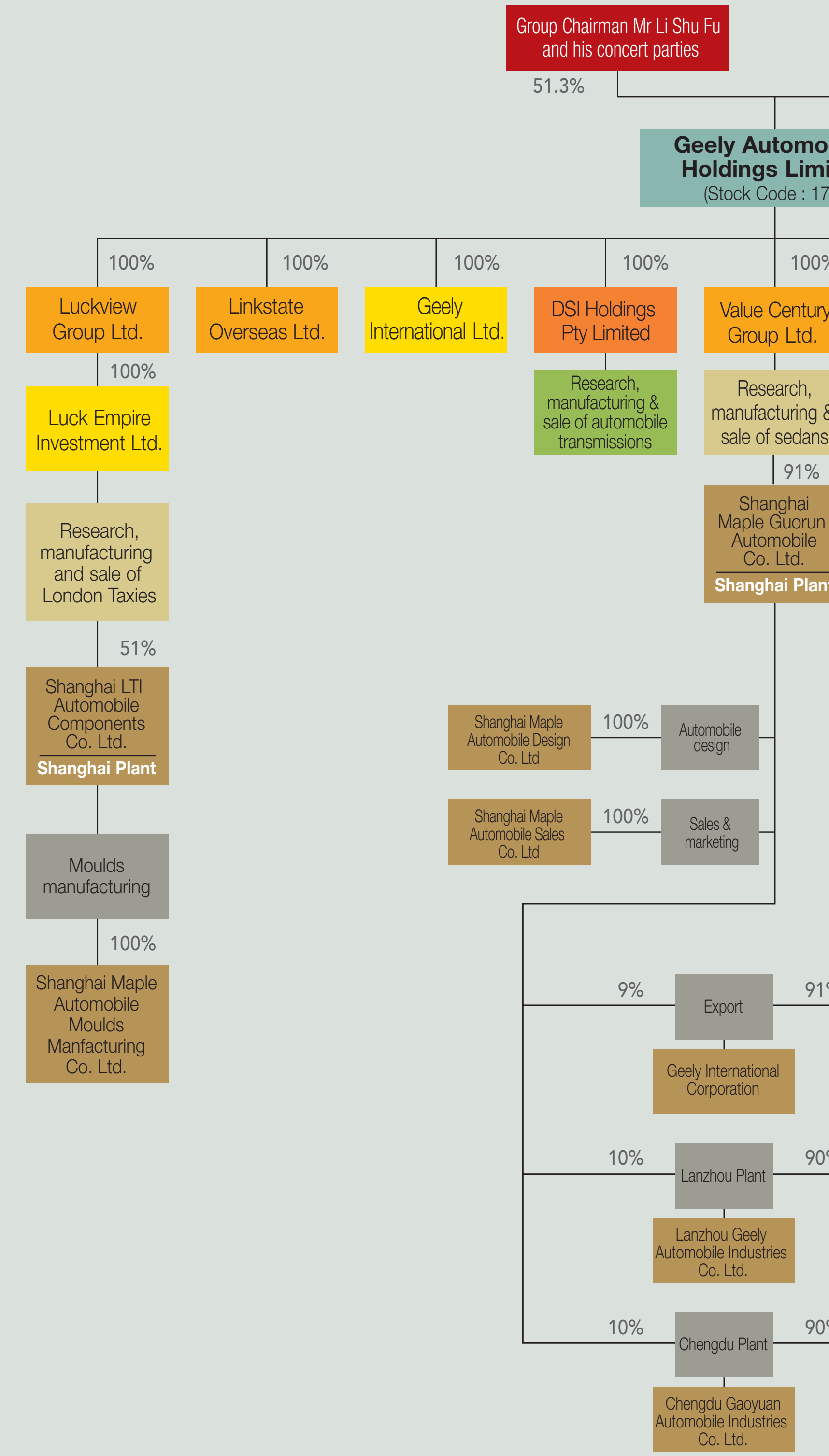
The Group sold a total of 326,710 units of vehicles in 2009, up 60% from 2008. This compared with 48% growth in China's overall passenger car sales volume during the same period. Total revenue was up substantially by 228% to RMB14.1 billion during the period mainly due to the full consolidation of the financial results of the Group's vehicle manufacturing operations since July 2008 and the strong underlying growth of the Group's sales volume in China. The Group's profit attributable to the equity holders was up 35% to RMB1.18 billion in 2009, as a combined result of the higher shareholdings in vehicle manufacturing operations since July 2008 and the strong natural growth achieved by the Group due to higher vehicles sales volume, stable product prices and production costs.

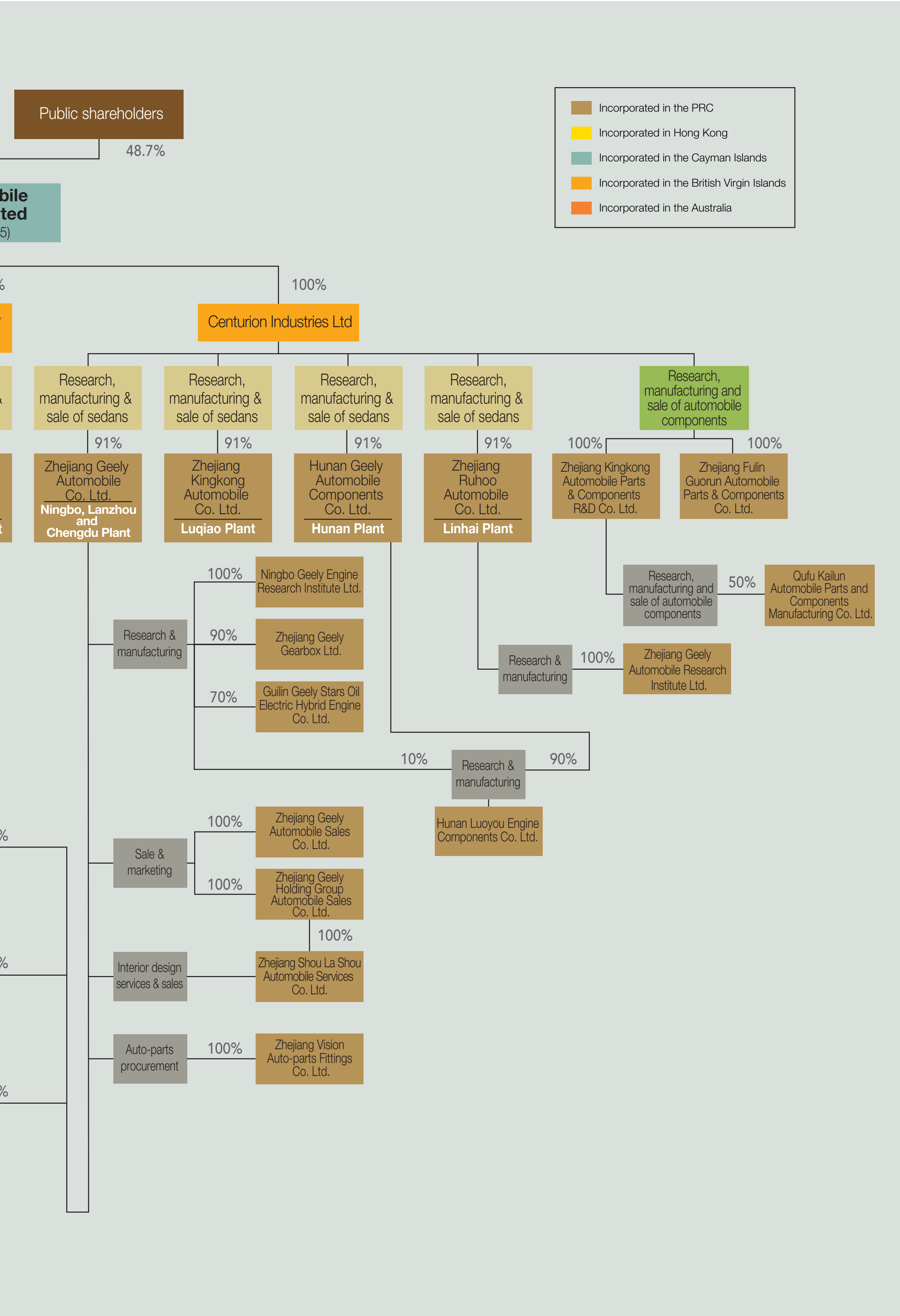
ACQUISITION OF DRIVETRAIN SYSTEMS INTERNATIONAL

The Group's 100%-owned subsidiary DSI Holdings Pty Limited ("DSIH") completed the acquisition of the key operating assets of Drivetrain Systems International Pty Ltd. ("DSI") for a total consideration of A$54.6 million on 15 June 2009. DSI, one of the two independent automatic transmission manufacturers globally, is principally engaged in the design, development and manufacture of automotive transmissions, focusing on supplying automatic transmission for original equipment manufacturers like Ford Australia, Mahindra and Mahindra, SsangYong Motor and Taganrog Automobile. DSI's Headquarter and Technology Centre are located in Springvale, Victoria of Australia and its manufacturing facilities are located in Albury, New South Wales of Australia, with a production capacity of 200,000 units per annum. DSI's key products are four-speed and six-speed rear wheel drive automatic transmissions. In addition to a new six-speed front wheel drive transmissions, DSI is also developing a range of new products including high torque seven-speed and eight-speed automatic transmissions, hybrid transmissions, Dual Clutch Transmissions ("DCT") and Continuously Variable Transmissions ("CVT"). DSI was placed under bankruptcy protection on 9 January 2009 and was subsequently in court receivership.

Organisation Chart

(At 31 December 2009)




Incorporated in the PRC
Incorporated in Hong Kong
Incorporated in the Cayman Islands
Incorporated in the British Virgin Islands
Incorporated in the Australia
Public shareholders
48.7%
bile
ted
5)
100%
Centurion Industries Ltd
Research, manufacturing & sale of sedans
91%
Zhejiang Geely Automobile Co. Ltd.
Ningbo, Lanzhou and Chengdu Plant
Zhejiang Kingkong Automobile Co. Ltd.
Luqiao Plant
Hunan Geely Automobile Components Co. Ltd.
Hunan Plant
Zhejiang Ruhoo Automobile Co. Ltd.
Linhai Plant
Research, manufacturing and sale of automobile components
100%
Zhejiang Kingkong Automobile Parts & Components R&D Co. Ltd.
Zhejiang Fulin Guorun Automobile Parts & Components Co. Ltd.
Research, manufacturing and sale of automobile components
50%
Qufu Kailun Automobile Parts and Components Manufacturing Co. Ltd.
Research & manufacturing
Zhejiang Geely Automobile Research Institute Ltd.
Ningbo Geely Engine Research Institute Ltd.
90%
Zhejiang Geely Gearbox Ltd.
70%
Guilin Geely Stars Oil Electric Hybrid Engine Co. Ltd.
10%
Hunan Luoyou Engine Components Co. Ltd.
Sale & marketing
Zhejiang Geely Automobile Sales Co. Ltd.
Zhejiang Geely Holding Group Automobile Sales Co. Ltd.
Interior design services & sales
Zhejiang Shou La Shou Automobile Services Co. Ltd.
Auto-parts procurement
Zhejiang Vision Auto-parts Fittings Co. Ltd.


吉利汽车
GEELY AUTOMOBILE

Geely Tiger

The acquisition of the key operating assets of DSI has significantly enhanced the Group's technological and manufacturing capabilities in the areas of automatic transmissions, which is strategically important to the Group's core business of automobile manufacturing. The Group plans to use DSI to supply some of the Group's in-house requirements for automatic transmissions as well as the requirements of other automobile manufacturers. In addition to DSI's existing production base in Australia, the Group is implementing plans to build new manufacturing facilities for DSI in China to expand DSI's share in the China market and to further reduce DSI's production costs. The acquisition was mainly funded by the proceeds from a share placement in May 2009.

ACQUISITION OF NEW MANUFACTURING FACILITIES IN CHENGDU, LANZHOU AND JINAN

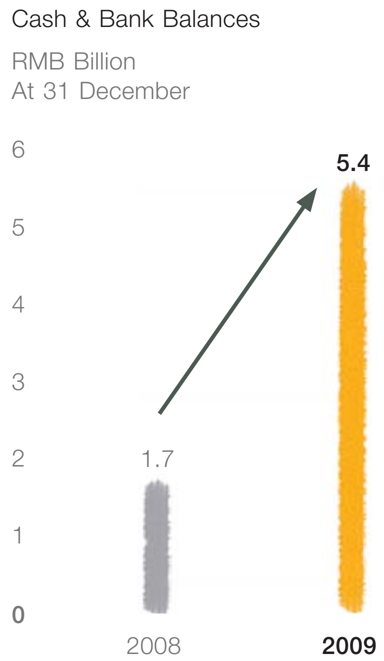
To further expand the Group's automobile manufacturing capacity to meet the rapidly rising demand for its products, the Group, via its 91%-owned subsidiaries Zhejiang Geely and Shanghai Maple, agreed to acquire 100% interests in each of the three new manufacturing plants in Chengdu, Lanzhou and Jinan from the Group's parent Geely Holding for a total consideration of RMB333.4 million in cash in October 2009. The consideration of RMB333.4 million was determined with reference to the unaudited net asset value of the three plants as at 30 June 2009.

The three new plants have a total production capacity of 220,000 units per annum. The Lanzhou plant started commercial production in September 2007, while both the Chengdu and Jinan plants are under trial production and scheduled to start commercial production within 2010. The acquisition of both the Chengdu plant and Lanzhou plant were completed before the end of 2009, while the acquisition of Jinan plant was completed in January 2010.

FINANCIAL RESOURCES

The Group funds its short-term working capital requirement mainly through its own operational cash flow, short-term bank loans from commercial banks in China and Hong Kong and the credit from its suppliers. For its longer-term capital expenditures including product and technology development costs, investment in the construction, expansion and upgrading of production facilities, the Group's strategy is to fund these longer-term capital commitments by a combination of its operational cash flow, long-term bank loans from commercial banks in China and Hong Kong and fund raising exercises in the international capital market.

Despite total capital expenditures of RMB1 billion in 2009, the significant increase in operating profit during the year, together with a placing of new shares to institutional investors in May 2009, enabled the Group to maintain its net cash position at healthy level throughout the year.



The Group's cash position towards the end of 2009 was further boosted by the issue of RMB1,671 million (approximately HK$1,897 million) 3% coupon Convertible Bond due 2014 and 299.5 million Warrant to GS Capital Partners VI Fund L.P., an affiliate of The Goldman Sachs Group, Inc., on 11 November 2009. On full conversion of the Convertible Bond and full exercise of the Warrant, the investor would hold approximately 15.1% of the Company's enlarged issued share capital.

As a result, total value of cash and bank balances of the Company increased from RMB1.7 billion at the end of 2008 to RMB5.4 billion at the end of 2009. Total bank borrowings (excluding notes payable and convertible bonds outstanding) also increased from RMB773 million at the end of 2008 to RMB2,828 million at the end of 2009 as the Group made good use of the low interest rate environment to increase its bank loans.

At the request of the holders of the Company's zero coupon convertible bonds due 2011, the Group redeemed all its outstanding 2011 convertible bonds for a total amount of approximately HK$366 million (approximately RMB322 million) on 10 April 2009.

To fund the acquisition of the key operating assets of DSI and to restore the public float of the Company to meet the minimum required level of the Listing Rules, the Group issued and placed 570 million new shares to various institutional investors at a price of HK$1.35 per share on 20 May 2009. The net proceeds of the placing amounted to approximately HK$750 million.

Budgeted capital expenditures of the Group amount to about RMB1.5 billion in 2010, including the funding for the research and development of new vehicle models, new engines and gearboxes, the expansion and upgrading of production facilities at Shanghai LTI, Luqiao plant, Linhai plant and Xiangtan plant, and the financing of the construction of new production facilities at Chengdu, Lanzhou and Jinan. The Group plans to fund the capital expenditures with its operational cash flow, its cash reserve and additional bank borrowings.

VEHICLE MANUFACTURING (91% INTERESTS)

The Group sold a total of 326,710 units of vehicles in 2009, up 60% from 2008, well above the Group's 2009 sales volume target of 250,000 units set at the beginning of 2009. The Group's strong sales performance in 2009 was mainly due to the strong demand for its key models like "Free Cruiser", "Geely Kingkong" and "Vision" in the China market and the better than expected sales of its new product Emgrand EC718 mid-size sedans, which more than offset the 49% drop in export sales volume during the period. The Group's domestic sales volume in 2009 was up 85% from the previous year to 307,360 units, compared with the 48% increase in sales volume in China's overall passenger car market during the same period. Exports sales accounted for only 6% of the Group's total sales volume in 2009 compared with 19% in 2008.

"Free Cruiser" remained the Group's best selling models during the 2009, achieving 49% YoY increase in sales volume to 110,700 units, accounting for 34% of the Group's total sales volume during the period, making it one of the best selling 1.3L sedans in the China market during the period. Helped by the launch of second generation of "Geely Kingkong" model in April 2009, the sales volume of "Geely Kingkong" increased by 46% to 83,590 units in 2009. The launch of 1.5L version of "Vision" in April 2009 enabled "Vision" model to benefit from the government's new tax incentives for passenger cars with engine size of 1.6L or below. As a result, total sales volume of "Vision" also increased by 124% to 52,702 units in 2009.

Although all the Group's different models recorded significant sales volume growth in 2009, there was a shift of demand to smaller sized and lower-priced "Free Cruiser" models in 2009 due to the Chinese government's tax incentives for passenger cars with engine size of 1.6L or below launched in early 2009. This, however, was largely offset by the new addition of higher priced models like EC7 series of sedans and TX4 London Taxies to the Group's product lines, thus enabling the Group to maintain its ex-factory average sales price at around RMB40,000 level during the year.

Although the bulk of the Group's sales volume in 2009 still came from the Group's vehicle models using the existing "Geely" and "Maple" brands, the Group started to implement the "Multi-brand Strategy" in 2008, aiming to improve the Group's overall brand images and to enable tailored-made services and brand positioning for different product lines within the Group. The first brand for smaller size sedans called "Global Eagle" or "GLEagle" was launched at the end of 2008. Two more new brands for larger size vehicles, the "Englon" brand and the "Emgrand" brand, were also successfully launched in June and July 2009, respectively.

GLEAGLE BRAND

Although “Geely Panda”, the first model from the Group’s new small car platform and the first model marketed under the Group’s new “GLEagle” brand and distribution network, was only launched at the end of 2008, over 28,000 units “Geely Panda” were sold in 2009, which was a respectful performance given the still limited geographical coverage of the new GLEagle sales network and the premium pricing achieved by the model. More resources have been allocated to strengthen the “GLEagle” brand and support the expansion of its associated sales network in 2010, including the planned launches of several strategic new models under the “GLEagle” brand during the year. “GLEagle” (or “Global Eagle”) is the Group’s entry level brand, signifying those attributes like “Style”, “Passion” and “Dream”.

GLEagle GV515

ENGLON BRAND

Sales volume of “Maple” sedans manufactured by the Group’s production plant in Shanghai improved significantly in the second half of 2009, reversing a 11% sales volume decline in the first half of 2009, finishing the full year of 2009 with a 8% increase in sales volume to 39,814 units, helped by the commencement of production of a new mid-size model “SC7” series of sedans, based on the Group’s “Vision” platform but marketed under the new “Englon” brand. The new “Englon” brand will be shared by models from the Group’s Shanghai plant as well as models from the Group’s 51%-owned Shanghai LTI Automobile Components Company Limited (“Shanghai LTI”). The new “Englon” brand was officially launched in June 2009 through the introduction of the “TX4” London Taxi models manufactured by Shanghai LTI. Englon (or “Shanghai England”) brand will cover the Group’s classic and professional models, characterized such features like “Classic” and “British” and “Noble”

GLEagle EK-2

EMGRAND BRAND

The “Emgrand” brand was launched in July 2009, signifying the Group’s first entry into the B segment of China’s sedan market. The “Emgrand” brand will start with two B segment models: the “EC718” sedans and “EC718-RV” hatchback wagons, which were officially launched at the end of 2009 through more than 20 new 4S “Emgrand” shops in China. The “Emgrand” sales network has since then been expanded to include more than 100 4S stores in 2010. The “Emgrand” brand symbolizes the concepts of “Luxury”, “Solid” and “Power”, demonstrating the unique

Englon SC618

Englon TX4 London Taxi

Emgrand EX925

Emgrand EC718

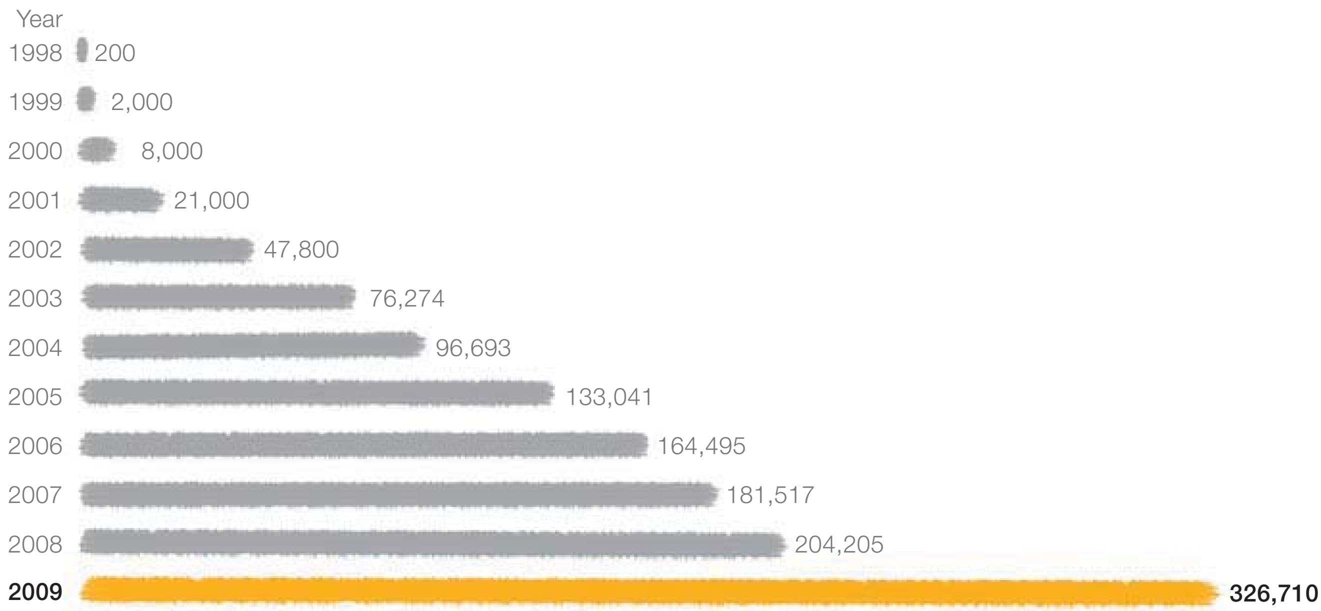
characteristics of "Chinese Wisdom with World Quality". The "Emgrand" brand will eventually cover the Group's models in higher-end Sedans in B and C segments, Sport Utility Vehicles "SUVs", Multi-purpose Vehicles "MPV" and higher-end Pick-up Trucks.

PRODUCTION PLANTS

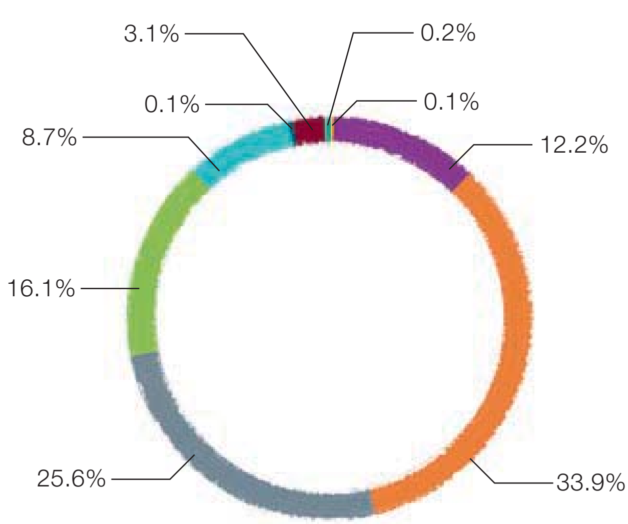
The Group owns five automobile manufacturing facilities in Ningbo, Shanghai, Linhai, Luqiao and Xiangtan respectively with a total annual production capacity of 420,000 units per shift by the end of 2009. The five production plants are all fully-integrated plants, comprising stamping, welding, painting and assembly facilities, with supporting production facilities including four engines plants located in Ningbo, Shanghai and Linhai with a total annual capacity of 400,000 units of engines and a gearbox plant in Ningbo with annual capacity of 400,000 units of gearboxes at the end of 2009. The acquisition of the operating assets of DSI in Australia in 2009 not only added another 200,000 units of annual production capacity of automatic gearboxes, but also helped to eliminate a key constraining factor to the Group's sales growth, being the lack of a reliable in-house supply of advanced automatic transmissions. DSIH, the holding company of most DSI's operating assets, is scheduled to start supplying advanced electronic-controlled automatic gearboxes to the Group's existing and new models in the 4th quarter of 2010.

The Group's strategy is to continue the expansion and upgrading of its five production plants to further improve quality and reduce costs. In addition, the Group also plans to build new production facilities at different locations in China for the benefit of proximity to new demand, lower costs and access to additional financial and other resources available in other provinces. To minimize the Group's financial burdens and the investment risks and to allow the new plants to become eligible for more investment incentives offered by the local governments, the construction of the new plants in new locations would be initially undertaken by the Group's parent Geely Holding, which has agreed to transfer its interests in these new plants to the Group when mass production started. The Group agreed to acquire three of the four new plants constructed by the Group's parent in Chengdu, Lanzhou and Jinan during the year at a total cash consideration of RMB333.4 million, being the net book value of these three plants at the end of June 2009. The acquisition of Chengdu and Lanzhou plants were completed before the end of 2009, while the acquisition of Jinan plant was completed in January 2010. The Lanzhou plant started production of Free Cruiser models and the construction of Phase II plant also started at the end of last year to expand its annual production capacity from 20,000 units to 120,000 units by 2012. Both the Chengdu and Jinan plant have started trial production and are scheduled to start commercial production before the end of 2010.

Annual Sales Volume of Geely Sedans



Breakdown of sales volume by models in 2009



Models	Sales volume (Unit)
Merrie/Ulion	*522*
China Dragon	*421*
Maple	*39,814*
Free Cruiser	*110,700*
Geely Kingkong	*83,590*
Vision	*52,702*
Geely Panda	*28,500*
Englon TX4	*263*
Emgrand EC7	*10,198*
Total	***326,710***

Merrie/Ulion
China Dragon
Maple
Free Cruiser
Geely Kingkong
Vision
Geely Panda
Englon TX4
Emgrand EC7

Production Plants

The Group's longer-term plan is to expand its total annual production capacity to 2 million units by the end of 2015. In addition to the expansion of existing plants, the capacity expansion target would be achieved through the planned construction of new plants in different locations in China and the setting up of SKD/CKD cooperative assembly arrangements with local partners overseas. A new 100,000 unit plant in Cixi of Zhejiang province is being constructed by the Group's parent and is scheduled to start commercial production by the end of 2011. The Group has so far set up four SKD/CKD manufacturing arrangements in Russia, Ukraine, Indonesia and Taiwan. Details about the Group's eight existing production plants are summarized below:

Name	Interests	Planned Annual Production Capacity (units per shift)	Models
Existing 5 plants			
Linhai plant	91.0%	60,000	Geely Panda (1.0L, 1.3L)
Luqiao plant	91.0%	100,000	Geely Kingkong (1.5L) Geely Jin Ying (1.5L)
Ningbo plant	91.0%	150,000	Free Cruiser (1.3L, 1.5L) Emgrand EC7 (1.8L)
Xiangtan plant	91.0%	50,000	Vision (1.8L)
Shanghai plant (Phase II)	91.0%	60,000	Maple series (1.3L, 1.5L, 1.8L)
	SUB-TOTAL	420,000	
Others			
Shanghai plant (Phase I) (lessee: Shanghai LTI)	91.0% 51.0%	40,000	TX4 (2.5L diesel)
Lanzhou plant	91.0%	50,000	Free Cruiser (1.3L)
Chengdu plant	91.0%	70,000	GX7 (1.8L)
Jinan plant	91.0%	100,000	EC8 (2.5L)
	SUB-TOTAL	260,000	
	TOTAL	**680,000**	

CAPITAL EXPENDITURES

Total capital expenditures of the Group's vehicle manufacturing operation amounted to approximately RMB1 billion in 2009, mainly for the funding of the expansion and upgrading of the five existing plants, and the development of new products and new auto-related technologies. The capital expenditures were mainly funded by the operational cash flows and bank borrowings. Major capital expenditure projects completed in 2009 included the construction of Ningbo Phase II plant for the production of EC7 series of sedans, the construction of Shanghai Maple Automobile Moulds Manufacturing Company Ltd., a new moulds manufacturer under Shanghai LTI, and the expansion and upgrading of Xiangtan plant in Hunan province.

In addition, the Group spent A$54.6 million in the acquisitions of key operating assets of DSI and agreed to acquire from the parent the new manufacturing facilities in Chengdu, Lanzhou and Jinan for a total of RMB333.4 million during the year. The acquisitions were funded by a placing of 570 million new shares, raising a total of HK$750 million, and by using the Group's internal cash reserves, respectively.

The budgeted capital expenditures of the Group's vehicle manufacturing operation should amount to RMB1.5 billion in 2010. Major capital investment projects planned for 2010 include:

1. Construction of Geely Hangzhou Technology Centre to further strengthen the Group's product and technology development capabilities;
2. The last phase construction of Chengdu and Jinan plants to facilitate the production of EC8 series of mid-size sedans and GX series of high-end SUVs and Pickup trucks;
3. The expansion of the production capacity of Lanzhou plant from 20,000 units to 100,000 units per annum;
4. The technological upgrading projects at Xiangtan, Luqiao and Linhai plants
5. The construction of three automatic gearbox plants in Jining of Shandong province, Xiangtan of Hunan province and Chongqing city, which together will produce 300,000 units of automatic gearboxes per annum.

New Products

THE GROUP PLANS TO LAUNCH A TOTAL OF 21 NEW AND UPGRADE MODELS IN 2010. MAJOR NEW MODELS PLANNED FOR 2010 ARE SUMMARIZED BELOW:

EC8 EX7

IN 2010, THE GROUP PLANS TO LAUNCH THE FOLLOWING NEW PRODUCTS:
1. “GC515” mid-size sedan (1.5L)
2. “GC515-RV” mid-size hatchback (1.5L)
3. “GX718” SUV (1.8L)
4. “EC825” large-size sedan (2.0L, 2.5L)

GLEagle *Englon* *Emgrand*

GC515 *GX313*

In addition, the Group also plans to launch upgraded models for “Panda”, “EC7” and “TX4”, featuring new technologies like more efficient engines and advanced automatic gearboxes.

With the full employment of platform strategy in the Group’s new products since 2008, the Group’s product development focuses now call for the development of 5 core technology platforms, 15 product platforms and 42 brand new models by 2015, within same technology platform aiming at increasing the proportion of shared parts between different models up to 70-80% so as to achieve better economies of scale, much lower product development costs, shorter development cycle and easier and more effective quality control.

In the 14th Beijing International Automobile Industry Exhibition held in April 2010, the Group will unveil 21 brand new models under the Group’s three new brands, spanning from B and C segment sedans to SUVs and MPVs.

EXPORTS

The Group exported close to 19,350 units of Geely and Maple sedans in 2009, down 49% from 2008, and accounted for 6% of the Group's total sales volume. The Group's share of China's total exports of sedans, however increased from 15% in 2008 to 19% in 2009. "Free Cruiser" and "Geely Kingkong" were the most popular export models in terms of sales volume in 2009, accounting for 42% and 39%, respectively, of the Group's total export sales volume during the period. The sharp drop in export sales in 2009 was mainly attributed to the substantial decrease in demand from the Eastern Europe and Central America markets after the outbreak of the global financial crisis in the 4th quarter in 2008. The significantly lower export sales volume in 2009 had an adverse impact on the operating efficiency and profitability of the Group's export businesses during the year.

Middle East, Eastern Europe, Africa, South East Asia, and Central and South America, remained the most important markets for the Group's exports. Despite the sharp drop in the Group's exports sales volume in the first half of 2009, the Group has implemented various measures to boost export demand, including the restructuring of the Group's distribution channels in some of its major markets, and the speeding up of entry to a number of new markets like Cuba and Taiwan. The Group's exports performance has started to show sign of improvement in the second half of 2009, when the Group's export volume more than doubled when compared to the first half of 2009. With substantial efforts to boost exports demand in 2009, the management believes that the Group's export performance will continue to improve in 2010.

The Group sold its products to 34 countries through 34 sales agents and 383 service outlets overseas, most of which are located in Eastern Europe, Middle East, Africa and Central America. The Group also assembles some of the models sold overseas using contract manufacturing arrangements with several local partners in Russia, Ukraine, Indonesia and Taiwan.

QUALITY CONTROL

The Group has set up a quality control system satisfying the ISO9000 quality certifications and has completed the transition to "Total Quality Management" during the year. The Ningbo plant, the Group's most important production base, the Luqiao plant, and the Group's engine plants in Ningbo and Shanghai were awarded official certifications in accordance with the requirements of ISO/TS16949:2002. In 2009, the Group had achieved its overall quality control targets by reducing the amount of warranty claims per car and the product defect rates by over 50% during the year. A major restructuring of the Group's suppliers of automobile parts and components was implemented in 2008, including the introduction of a new evaluation and management system for all the Group's suppliers, the elimination of some suppliers that failed to satisfy the Group's new quality requirements and the building up of the Group's core supplier base. In 2009, a total of 88 suppliers were disqualified and eliminated from the Group's list of suppliers. During the same time, the Group added 69 new suppliers, of which 37 are leading international players. In addition to levels of warranty costs and product defect rates, customers' satisfaction was also included as one of the parameters to evaluate the Group's and its suppliers' quality control achievements. As a result, the Group's product quality has registered substantial improvements as measured by IQS PP100 quality study by J.D. Power (advanced three places), CSI customer service study by J.D. Power (advanced eight places), and APEAL performance and design study by J.D. Power (advanced seven places) in 2009. The target of the Group in the area of quality control in 2010 is to further reduce the amount of warranty costs per car by 20% and to cut product defect rates by another 50%

COMPLIANCE WITH GOVERNMENT REGULATIONS

To prepare for the Chinese government's increasingly stringent requirements on emission control and to prepare for large scale exports in the coming years, the Group has completed the upgrading of its products to comply with the "Guo IV" and Euro IV emission standards, which are now required in most major cities in China and most of our export countries. The Group will continue to upgrade its products to meet more stringent safety, fuel efficient and emission requirements imposed by the Chinese government with the target of requiring all newly launched product platform to comply with "Guo V" and "Euro V" emission standards.

EC7

EC7-RV

MARKETING AND BRAND BUILDING

As an important part of the Group's "Strategic Transformation" and to cope with the much wider price range of the Group's products following the introduction of more higher priced models, the Group started to introduce the "Multi-brand Strategy" in 2008, aiming to improve the Group's overall brand images and to enable tailored made services and brand positioning for different product lines within the Group. In addition to the existing "Geely" and "Maple" brands, the Group had introduced three more product brands since the end of 2008. "Geely Panda" is the first new product under the first new brand: "Global Eagle", which was launched at the end of 2008. "TX4" London Taxies and "SC7" mid size sedans produced by the Shanghai plant and launched in the second half of 2009 are the first new products introduced under the new brand: "Englon". The highly successful "EC7" series of mid-size sedans is the first new products introduced under the higher-end "Emgrand" brand. The "Multi-brand Strategy" has so far been very successful, judging from the initial encouraging sales response to "Geely Panda" and "EC7" and the improved pricing power achieved by Group's different product lines during 2009. All the Group's new products in the future will only be launched under the three new brands, thus allowing the three new brands to gradually replace the two old brands in the coming years.

SALES AND DISTRIBUTION

By the end of 2009, the Group had established a comprehensive distribution and service networks in China and foreign countries, comprising over 633 independent franchisee stores, including 271 4S stores, and over 1,024 independent service stations in China, and 34 exclusive sales agents plus 383 sales service spots in 34 foreign countries. Over 40% of the Group's local dealers are now grouped and branded under the Group's three new brands.

To cope with an increasingly competitive market in China, the Group has adopted a more pro-active approach towards the management and supervision of their distribution and service networks in China, aiming at further improving customer satisfaction, rationalization of distribution network and improving market coverage. The initial results of the new strategy have been very encouraging with the Group achieving major improvement in ratings in the J.D. Power Customer Service Index Study ("CSI") in 2009.

RESEARCH AND DEVELOPMENT

The major focus of the Group's research and development ("R&D") function includes new car model design, development of engine, gearbox, electronic and electric components. With its extensive investment in research and development, the Group's R&D team is capable of launching four to five new models every year, reflecting its leading position in R&D and technology innovation capabilities in China's automobile sector.

In addition to the development of new vehicle models, the Group's R&D focus also includes emission control, quality certifications, collision test, automobile electronics, vibration control, noise reduction, weight reduction, and alternate energy vehicles like pure electric, hybrid and flex-fuel vehicles.

To further improve the Group's technological advantages, a restructuring of the Group's R&D function was started in early 2007, aiming to further streamline the Group's R&D organizations through centralization of management, resources allocation and project planning, and through division of responsibilities and assignment of focuses amongst different R&D organizations.

Geely CVVT Engines

In addition to the R&D centre in Linhai of Zhejiang province, which is the key location for new model design and the Group's major testing centre, the Group has set up several R&D centres in different locations: including a R&D centre in Shanghai focusing on new energy, green and clean fuels, hybrid and electric power and the design and development of classic vehicles, and a R&D centre in Ningbo emphasizing on power-train development and research. In addition, the Group started the construction of Geely Hangzhou Technology Centre in Hangzhou in 2009 to further expand its R&D capabilities.

Key achievements by the Group's R&D operations in 2009 included:

- Ministry of Science's "The State Technology Achievement Class 2 Award" for its achievements in technological innovations, making Geely the only automobile company to receive this honour in 2009, signifying Geely's leading position in technological development and innovations in China and reflecting the official endorsement and recognition by the Central Government of its technological competence;

- "Geely Panda" received a very high 45.3 points in the recent Chinese NCAP crash test (C-NCAP), making the model the first small size sedan for the local brands to receive the top five-star rating in the crash test.

Award Certificate from Ministry of Science

By the end of 2009, the Group together with Geely Holding owns a total of 1,600 technology patents. The number of the Group's R&D staff exceeded 1,400, representing close to 12% of the total number of staff of the Group, reflecting the Group's emphasis on R&D capabilities. The number of R&D staff is expected to increase to 1,600 by the end of 2010.

TX4 model

SHANGHAI LTI (51% INTEREST)

51%-owned Shanghai LTI Automobile Components Company Limited ("Shanghai LTI") is a production joint-venture between the Group and UK-listed Manganese Bronze Holdings plc ("MBH"). Shanghai LTI was established in June 2007 to achieve volume production of the iconic London Taxies at a significant lower cost and for the production of other higher-end saloon cars for sale to the domestic and the World market.

Shanghai LTI started the production of the localized TX4 models in early 2009 and commenced commercial production and sales of TX4 in both the domestic and oversea markets on the passing of European homologation in the third quarter of 2009. Since only the diesel version of TX4 was available at the initial stage, Shanghai LTI sold a total of 260 units of TX4 vehicles in 2009, of which over half were exported to oversea countries. Shanghai LTI plans to start production of petroleum version of TX4 in 2010 and offers automatic gearbox version by the end of 2010. We expect sales volume of Shanghai LTI to increase to over 1,000 units in 2010.

Although Shanghai LTI was in its first year of operation, its group recorded a net profit of RMB2.8 million on revenue of RMB45 million in 2009, helped by a RMB20 million government grant and RMB5.6 million interest income during the period.

To further improve Shanghai LTI's revenue base and thus its profitability, Shanghai LTI acquired 100% interest in Shanghai Maple Automobile Moulds Manufacturing Company Limited, a new moulds manufacturer under construction, from the Group in September 2009. Shanghai Maple Automobile Moulds Manufacturing Company Limited manufactures moulds mainly for the Group's own use and will start commercial production before mid-2010.

Shanghai LTI also started supplying body kits, chassis and panels to MBH in 2010 for assembly of TX4 models by MBH in the UK. We expect MBH to continue to increase procurement of more parts from Shanghai LTI in a bid to improve its profitability in the future.

MANGANESE BRONZE HOLDINGS PLC (19.97% INTEREST)

In addition to its 48% stake in Shanghai LTI, Manganese Bronze Holdings PLC derives most of its revenues and profit from manufactures and sales of London taxies in the UK market. MBH's performance in 2009 continued to be adversely affected by the uncertain economic conditions in the UK. As a result, MBH reported a net loss of GBP6.9 million in 2009, including operating loss of GBP6.3 million. The new vehicles sales volume amounted to 1,724 units in 2009, compared with 1,951 units in 2008. The Group's share of loss from MBH amounted to RMB15 million in 2009.

DSI HOLDINGS PTY LIMITED (100% INTEREST)

DSI Holdings Pty Limited ("DSIH") was set up in March 2009 to acquire and operate the key operating assets of DSI, which was placed under bankruptcy protection on 9 January 2009 and was subsequently in court receivership. DSIH started commercial operation by resuming supply of automatic gearboxes to the existing customers of DSI in August 2009. With virtually no bank borrowing and thus a very healthy balance sheet, DSIH managed to report a small net loss of A$0.866 million on revenue of A$25.7 million in its first year of operation in 2009. DSIH manufactured and sold 15,082 sets of automatic gearboxes in 2009 and plans to sell 64,000 units of automatic gearboxes in 2010, helped by the commencement of supply to the Group's vehicle manufacturing division towards the end 2010.

To expand DSIH's sales in China and to improve the cost competitiveness of its products, DSIH set up a joint-venture with Hunan Geely, one of the Group's operating subsidiaries, to develop and manufacture automatic transmissions in China. The joint venture, called Hunan Jisheng International Drivetrain Systems Co., Ltd. ("Hunan Jisheng"), is located in Xiangtan city of Hunan province. Total investment and the registered capital of the joint venture is estimated to be around RMB200 million and RMB80 million, respectively. In addition to Hunan Jisheng, DSIH plans to set up two more automatic transmission manufacturing facilities in Jining of Shandong province and Chongqing city in the Central Western part of China.

What Next?

After three years of large scale restructuring under its "Strategic Transformation", the Group's overall competitiveness has strengthened significantly. With both the Chengdu and Jinan plants scheduled to start commercial production and the planned launches of a large number of new models developed under the Group's new "Platform Strategy" during the year, 2010 should be a very fruitful year for the Group, provided that demand for sedans in China would remain strong during the period. In addition, the successful implementation of "Multi-brand Strategy" in the area of product marketing has helped to improve the Group's image in China's sedan market, thus putting the Group in a strong position to meet any new market challenges in the future.

With the effort spent in the past few years to further strengthen its export business, through continued improvement in distribution capabilities and revamping of its manufacturing arrangements in major export markets, and the introduction of more tailor-made models for the export market, the Group's export performance is set to improve in the coming years. This should provide the Group with a cushion to buffer any possible cyclical downturn in the China sedan market in the future, thus enabling the Group to sustain a consistent longer-term profit growth.

TO SET OUR 2010 SALES VOLUME TARGET AT 400,000 UNITS, UP 22% FROM 2009

Despite the Group's strong sales performance in the first few months of 2010, the Group's Board of Directors, however, decided to take a more conservative stance and to set our 2010 sales volume target at 400,000 units, up 22% from 2009, after taking into account the very rapid sales volume growth achieved by the Group in the past year and the possible short term impact from the potential capacity constraints in some key components if production continued to grow at current rate in the remainder of the year.

In the medium to longer term, the Group will continue to upgrade and expand its production facilities to improve quality and reduce costs, to invest in product and technology innovation in order to differentiate its products from the rest of the market, and to establish strategic alliances with other international auto-related companies and major suppliers to improve its access to different markets in the World and to reduce volatility of raw material and component costs, with an aim to develop the Group into an internationally competitive automobile manufacturer.

CAPITAL STRUCTURE AND TREASURY POLICIES

The Group funds its short-term working capital requirement mainly through its own operational cash flow, short-term bank loans from commercial banks in China and Hong Kong and the credit from its suppliers. For its longer-term capital expenditures including product and technology development costs, investment in the construction, expansion and upgrading of production facilities, the Group's strategy is to fund these longer-term capital commitments by a combination of its operational cash flow, long-term bank loans from commercial banks in China and Hong Kong and fund raising exercises in the capital market. As at 31 December 2009, the Group's shareholders' funds amounted to approximately RMB6.4 billion (As at 31 December 2008: approximately RMB4.2 billion). The Company issued 570 million ordinary shares upon the top-up placement in May 2009 and 251.1 million ordinary shares upon exercise of share options during the year. Also, the Company issued RMB1,671 million (equivalent to HK$1,897 million) 3% coupon convertible bonds due 2014 ("CB 2014") in November 2009 and the equity element of the CB 2014 of approximately RMB232,864,000 is recognized as convertible bonds reserve under the equity in the consolidated balance sheet.

EXPOSURE TO FOREIGN EXCHANGE RISK

The Group considers that fluctuations in exchange rate do not impose a significant risk to the Group since the Group's operations are principally in the Mainland China and Hong Kong and the Group's assets and liabilities are mainly denominated either in Renminbi or Hong Kong dollars.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2009, the Group's current ratio (current assets/current liabilities) was 1.37 (As at 31 December 2008: 0.97) and the gearing ratio of the Group was 67% (As at 31 December 2008: 25%) which was calculated on the Group's total borrowings to total shareholders' equity. As at 31 December 2009, the substantial increase in receivables (in particular, the notes receivable) was mainly due to (a) the continual strong sales momentum for the Group's models particularly in the fourth quarter of the current year (i.e. the traditional peak seasons for automobile industry) and the Group received huge amount of notes receivable from its customers during that period; and (b) thanks to the relatively low interest environment and ample internal cash reserve, the Group did not elect to discount much of these notes receivable without recourse but wait to hold them until maturity. In addition, the significant increase in cash and bank balances as at 31 December 2009 was mainly attributable to (a) the issue of convertible bonds as set out in note 23 to the consolidated financial statements which have affected the capital structure of the Group and (b) the significant increase in bank borrowings as the Group made good use of low interest rate environment during the year. Accordingly, the significant increase in receivables and cash and bank balances primarily accounted for the increase in current ratio at the end of year 2009 over the previous year. Total borrowings (excluding trade and other payables) as at 31 December 2009 amounted to approximately RMB4.3 billion (As at 31 December 2008: approximately RMB1.1 billion) were mainly the Company's convertible bonds and bank borrowings. For the Company's convertible bonds, they were unsecured, interest-bearing and repaid on early redemption or maturity. For the bank borrowings, they were secured, interest-bearing and repaid on maturity. The significant increase in gearing ratio during the year was mainly due to (a) the issue of the CB 2014; and (b) the significant increase in bank borrowings as the Group made good use of the low interest rate environment. Should other opportunities arise requiring additional funding, the Directors believe the Group is in a good position to obtain such financing.

EMPLOYEES' REMUNERATION POLICY

As at 31 December 2009, the total number of employees of the Group was about 12,282 (As at 31 December 2008: 9,945). Employees' remuneration packages are based on individual experience and work profile. The packages are reviewed annually by the management who takes into account the overall performance of the working staff and market conditions. The Group also participates in the Mandatory Provident Fund Scheme in Hong Kong and state-managed retirement benefit scheme in the PRC. In addition, employees are eligible for share options under the share option scheme adopted by the Company.

EXECUTIVE DIRECTORS

Mr. Li Shu Fu, aged 46, joined the Group on 9 June 2005 as Chairman and Executive Director, and is responsible for the overall strategic planning and formulation of the corporate policies of the Group. Mr. Li holds a Master degree in engineering from Yan Shan University. Presently, Mr. Li is the controlling shareholder, founder, chairman of the board of Zhejiang Geely Holding Group Company Limited ("Geely Holding") (a company incorporated in the PRC, and is ultimately owned by Mr. Li and his associates). Geely Holding and its subsidiaries are principally engaged in manufacturing and sales of automobiles in the PRC. Mr. Li has over 20 years of experience in the investment and management of the automobile manufacturing business and real estate business in the PRC. Mr. Li is a member of the Chinese People's Political Consultative Conference. Mr. Li was accredited as one of the "50 Most Influential Persons in China's Automotive Industry in the 50 Years" by a pertinent organization in China.

Mr. Yang Jian, aged 48, joined the Group on 9 June 2005 as Executive Director, and is responsible for the overall administration of the Group. Mr. Yang is also the President of Geely Holding. Mr. Yang is also the chairman of the five 91%-owned subsidiaries of the Group, namely, Zhejiang Geely Automobile Company Limited ("Zhejiang Geely"), Shanghai Maple Guorun Automobile Company Limited ("Shanghai Maple"), Zhejiang Kingkong Automobile Company Limited ("Zhejiang Kingkong"), Zhejiang Ruhoo Automobile Company Limited ("Zhejiang Ruhoo") and Hunan Geely Automobile Components Company Limited ("Hunan Geely"). Mr. Yang graduated from Zhejiang Radio and Television University with focus on production management; holds Senior Economist and Senior Engineer designations; and is an EMBA postgraduate student. Since joining Geely Holding in 1995, Mr. Yang was involved in a number of different job functions within the group including product R&D, engineering and construction, manufacturing, quality improvement, marketing and after-sales service to current overall responsibility for the operating and management of the Group. Mr. Yang was appointed as the Vice Chairman of the Company with effect from 1 July 2008.

Mr. Gui Sheng Yue, aged 46, joined the Group on 9 June 2005 as Executive Director and is responsible for the administration of the Company. Mr. Gui has over 20 years experience in administration and project management. Mr. Gui had also worked with China Resources (Holdings) Company Limited. Mr. Gui holds a Bachelor of Science degree in mechanical engineering from Xian Jiaotong University and a Master degree in business administration from University of San Francisco. Mr. Gui was appointed as the Chief Executive Officer of the Company with effect from 23 February 2006.

Mr. Ang Siu Lun, Lawrence, aged 49, joined the Group on 23 February 2004 as Executive Director and is mainly responsible for the international business development, capital market and investors' relationship of the Group. Mr. Ang holds a Bachelor of Science degree in physics and computer science and a Master of Business Administration degree from the Chinese University of Hong Kong. Prior to joining the Group, Mr. Ang worked in a number of major international investment banks for seventeen years with extensive experience in equity research, investment banking and financial analysis, focusing on China asset market, automobile industry and investment banking business. Mr. Ang is an Independent Non-executive Director of Wang Sing International Holdings Group Limited (HK Stock Code: 2389). Mr. Ang is also a Non-executive Director of Manganese Bronze Holdings Plc (London Stock Exchange Code: MNGS).

Mr. Yin Da Qing, Richard, aged 60, joined the Group on 9 June 2005 as Executive Director. Mr. Yin is also the Vice President and Chief Financial Officer of Geely Holding. Mr. Yin has 35 years of experience in accounting and finance and held key executive positions in various Chinese and multinational companies in China including Dupont Textile, Dupont Agricultural Chemicals, Brilliance Holding and Shenyang Jinbei Passenger Vehicle Manufacturing Co. Ltd. Mr. Yin was accredited as one of "The 10 Most Outstanding Chief Financial Officers" in the PRC in year 2006. Mr. Yin is currently a part-time professor in Zhejiang Automobile Engineering Institute.

Mr. Liu Jin Liang, aged 43, joined the Group on 9 June 2005 as Executive Director. Mr. Liu is responsible for the overall operations of Shanghai Maple and Shanghai LTI Automobile Components Company Limited. Mr. Liu is also the Vice President of Geely Holding. Mr. Liu graduated from the Capital University of Economics and Business, focusing on industrial management. Prior to joining Geely Holding in 1995, Mr. Liu held a number of management positions in several major hotels in China. Mr. Liu has about 10 years experience in the marketing and sales of motor vehicles in China.

Mr. Zhao Jie, aged 43, joined the Group on 15 September 2005 as Executive Director and is responsible for the export business of the Group. Mr. Zhao is also the Vice President of Geely Holding and founder of Geely International Corporation. Mr. Zhao has over 8 years of experience in exploitation and marketing management of the international automotive market. Mr. Zhao holds a graduation certificate of EMBA program in the Enterprise Research Centre of Peking University and has 10 years of experience in the management of various government departments.

Dr. Zhao Fuquan, aged 46, joined the Group on 17 November 2006 as Executive Director. Dr. Zhao is also the Vice President of Geely Holding, Head of Zhejiang Geely Technology Centre, President of Zhejiang Geely Automobile Research Institute Limited and President of Zhejiang Automobile Engineering Institute. Dr. Zhao is also the chairman of DSI Holdings Pty Limited. Dr. Zhao got a doctorate degree in engineering science of Hiroshima University in Japan and has years of on-the-job work experience in Japan, United Kingdom and United States of America. Prior to joining Geely Holding, Dr. Zhao was the Research Executive of Technical Affairs of DaimlerChrysler and Vice President of Shenyang Brilliance JinBei Automobile Company Limited and General Manager of its Research & Development (R&D) Centre. Dr. Zhao, one of the main authors in international automobile magazines, has written 5 English books and has published more than 100 academic dissertation papers on automobile technology. Dr. Zhao was awarded 2 patents in United States of America and has won many prizes and awards, including the Forest R. McFarland Award in year 2001 by the Society of Automotive Engineers (SAE). Dr. Zhao was accredited as a Fellow by the SAE in April 2006. Dr. Zhao is currently a part-time professor in Jilin University, Tongji University, Tianjin University, Huazhong University of Science & Technology, Dalian University of Technology and Hunan University. Dr. Zhao is a Non-executive Director of Manganese Bronze Holdings Plc (London Stock Exchange Code: MNGS).

NON-EXECUTIVE DIRECTOR

Mr. Xu Gang, aged 48, joined the Group on 9 June 2005 as Executive Director and was subsequently re-designated as Non-executive Director with effect from 1 September 2007. Mr. Xu resigned as Non-executive Director with effect from 1 April 2010. Mr. Xu graduated from the Guanghua Management School of Beijing University and holds an EMBA degree. Mr. Xu is a professional expert in business management and has 23 years of experience in the management and leadership of various government departments, including Zhejiang Provincial Finance Bureau and Zhejiang Local Taxation Bureau. Mr. Xu was accredited as "The 10 Best Chinese Management Talents", "The Best CEO/President of Private Automobile Enterprises in 2003" and "The 10 Best Economic Youths in Shanghai in 2005" by pertinent organizations in China.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Song Lin, aged 47, joined the Group as Independent Non-executive Director on 27 September 2004. Mr. Song holds a Bachelor's degree in Solid Mechanics from the University of Tong Ji in Shanghai, China. He is concurrently Chairman of China Resources (Holdings) Company Limited and China Resources National Corporation. Mr. Song is also Chairman of China Resources Power Holdings Company Limited (HK Stock Code: 836), the Chairman of China Resources Microelectronics Limited (HK Stock Code: 597), the Deputy Chairman of China Vanke Co., Ltd., which is a listed company in China, and a Non-executive Director of The Bank of East Asia (China) Limited. Mr. Song was previously the Chairman of China Resources Enterprise, Limited (HK Stock Code: 291) and China Resources Land Limited (HK Stock Code: 1109) and resigned from such positions on 30 April 2009 and 18 June 2009 respectively. Mr. Song was also the Chairman of China Resources Logic Limited (now renamed as China Resources Gas Group Limited) (HK Stock Code: 1193) and an Independent Non-executive Director of China Merchants Bank Co., Ltd. (HK Stock Code: 3968).

Mr. Lee Cheuk Yin, Dannis, aged 39, joined the Group as Independent Non-executive Director on 28 June 2002. He graduated from Texas A & M University, the USA. He is an associate member of the Hong Kong Institute of Certified Public Accountants and a member of the American Institute of Certified Public Accountants. He possesses over 10 years of experience in accounting and auditing field. Mr. Lee is a Non-Executive Director of Kam Hing International Holdings Limited (HK Stock Code: 2307). Mr. Lee was an Executive Director of AMVIG Holdings Limited (HK Stock Code: 2300) until 1 March 2010.

Mr. Yeung Sau Hung, Alex, aged 60, joined the Group as Independent Non-executive Director on 6 June 2005. Mr. Yeung is presently a managing partner of Wyndham Advisors Limited after his retirement from the role of Chief Executive Officer of DBS Vickers Hong Kong. Mr. Yeung is also a consultant to Sun Fook Kong Group, one of the leading construction companies in Hong Kong. Mr. Yeung is a MBA graduate from the University of Southern California and brings with him more than 30 years' experience in the financial services industry. His experience includes investment research, securities operations, equity sales, primary equities origination and syndication and general management. Prior to joining DBS Vickers Securities, Mr. Yeung was the Deputy Chairman of the management committee of a listed consumer electronics company for four years. Before that, he was the Country Head of Greater China Equities and the Managing Director of Deutsche Securities Hong Kong.

SENIOR MANAGEMENT

Mr. Zhang Peng, Peter, aged 43, joined the Group on 26 February 2007 as Vice President and is responsible for Group's internal control and international business development. He holds a Bachelor's degree in mechanical engineering, a Master's degree in economics and a PhD degree in economics from leading Chinese universities. Mr. Zhang has rich experience in business development, project management, operational management, strategy and planning to corporate governance and internal controls. He has got more than 10 years working history with major multinational companies. In his most recent roles in BP plc, he was an advisor for Group Internal Control after he returned from BP's North Sea strategy team in Aberdeen.

Mr. Cheung Chung Yan, David, aged 34, joined the Group as the Financial Controller and Company Secretary on 17 May 2005. Mr. Cheung holds a Bachelor's degree in business administration in accounting from the Hong Kong University of Science and Technology in 1997. He is a fellow member of the Association of Chartered Certified Accountants. Mr. Cheung has over 10 years of experience in auditing, accounting and financial management.

The Company and its subsidiaries (collectively known as the "Group") continue to strive for a high standard of corporate governance with an emphasis on a strong and balanced board, and transparency and accountability to all shareholders of the Company.

The Company has complied with the Code of Corporate Governance Practice (the "CG Code") in Appendix 14 of the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 31 December 2009.

The paragraphs below describe how the principles and code provisions are applied by the Company.

THE BOARD

The board of directors (the "Board") of the Company is responsible for overall management of the business and strategic orientations.

BOARD COMPOSITION

As at 31 December 2009, the Board of the Company comprised eight executive directors, one non-executive director and three independent non-executive directors. CG Code A.4.2 stipulates that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. According to the Article 116 of the Company's Articles of Association, at each annual general meeting, one third of the directors for the time being or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation provided that each director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years at the annual general meeting.

The composition of the Board is reviewed regularly to ensure that it has a good balance of expertise, skills and experience which can meet the requirements of the business of the Company. In considering the nomination of a new director, the Board will take into account the qualification, ability, working experience, leadership and professional ethics of the candidates. The Board considers that the existing human resources policy in recruitment of new senior staff is also applicable to the nomination of new directors. Further, as the whole Board is jointly responsible for selection and approval of candidates for appointment as directors to the board, the Company does not operate a Nomination Committee. For directors' biographical information, please refer to pages 35 to 37 of this annual report.

The following illustrates the membership and structure of the Company's Board of Directors and the two specialized committees of the Board as at 31 December 2009:

EXECUTIVE DIRECTORS

Mr. Li Shu Fu *(Chairman)*
Mr. Yang Jian *(Vice Chairman)*
Mr. Gui Sheng Yue *(Chief Executive Officer)*
Mr. Ang Siu Lun, Lawrence
Mr. Yin Da Qing, Richard
Mr. Liu Jin Liang
Mr. Zhao Jie
Dr. Zhao Fuquan

NON-EXECUTIVE DIRECTOR

Mr. Xu Gang (subsequently resigned on 1 April 2010)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lee Cheuk Yin, Dannis
Mr. Song Lin
Mr. Yeung Sau Hung, Alex

AUDIT COMMITTEE

Mr. Lee Cheuk Yin, Dannis *(Committee Chairman)*
Mr. Song Lin
Mr. Yeung Sau Hung, Alex

REMUNERATION COMMITTEE

Mr. Gui Sheng Yue *(Committee Chairman)*
Mr. Lee Cheuk Yin, Dannis
Mr. Yeung Sau Hung, Alex

CHAIRMAN OF THE BOARD AND CHIEF EXECUTIVE OFFICER

CG Code A.2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual to ensure a balance of power and authority. Throughout the financial year of 2009, the roles of Chairman and Chief Executive Officer of the Company were taken by Mr. Li Shu Fu and Mr. Gui Sheng Yue respectively. The Chairman of the Group is primarily responsible for the management of the Board, whereas the Chief Executive Officer is primarily responsible for the daily operations of the Group with the assistance from other executive directors and senior management.

RELATIONSHIP OF THE BOARD MEMBERS

There is no family relationship between any of the Directors, nor is there any financial, business or other material or relevant relationships amongst the members of the Board.

NON-EXECUTIVE DIRECTOR

The non-executive director provides checks and balances to safeguard the interest of the Group and its shareholders. His participation in the Board brings independent judgment on issues relating to the Group's strategy, performance and conflicts of interest to ensure that the interests of all shareholders of the Company have been duly considered.

The non-executive director is appointed for a specific term of 3 years, subject to retirement by rotation at least once every three years at the annual general meeting pursuant to the Company's Articles of Association.

INDEPENDENT NON-EXECUTIVE DIRECTORS

As at 31 December 2009, there were three independent non-executive directors and one of whom has appropriate professional qualifications or accounting or related financial management expertise. The Board confirms that the Company has received from each of the independent non-executive directors a confirmation of independence for the year ended 31 December 2009 pursuant to Rule 3.13 of the Listing Rules and considers all of the independent non-executive directors as independent during the year ended 31 December 2009. None of the independent non-executive director has served the Group for more than nine years.

Each of the independent non-executive directors is appointed for a specific term of 3 years, subject to retirement by rotation at least once every three years at the annual general meeting pursuant to the Company's Articles of Association.

All independent non-executive directors are identified as such in all corporate communications containing the names of the relevant directors.

RESPONSIBILITY OF DIRECTORS

The Board is responsible for ensuring continuity of leadership, development of sound business strategies, availability of adequate financial and managerial resources to implement the business strategies adopted, adequacy of systems of internal controls and conduct of business in conformity with applicable laws and regulations. All directors have given sufficient time and attention to the affairs of the Board and the Board has always acted in the best interests of the Company and its shareholders as a whole.

The Executive Directors and senior management are delegated with respective levels of authorities for them to discharge their responsibilities. Management is responsible for the day-to-day operations of the Group with divisional heads responsible for different aspects of the business.

The Board acknowledges their responsibility to prepare financial statements for each financial year in order to provide a true and fair view of the financial status of the Group. The Directors aim to present a balanced, clear and understandable assessment of the Group's financial and operational performance, position and prospects in the interim and annual financial statements, and relevant announcements to shareholders. The Group has adopted the Hong Kong Financial Reporting Standards ("HKFRSs") in preparing the financial statements, appropriate accounting policies have been adopted and applied consistently, and reasonable and prudent judgment and estimates have been made where appropriate. The release of key operational information and the publication of financial statements of the Group were organized in a timely manner.

The Board has reviewed the financial projections of the Group and the Board is not aware of any material uncertainties relating to events or conditions which may cast significant doubt over the Group's ability to continue as a going concern. Accordingly, the Board has continued to adopt the going concern basis in preparing the financial statements of the Group.

DIRECTORS' SECURITIES TRANSACTIONS

During the year, the Company adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own Code for Securities Transactions by Officers (the "Code"). Having made specific enquiry, all directors of the Company have confirmed their compliance during the year ended 31 December 2009 with the required standards set out in the Model Code.

BOARD MEETINGS

The Board conducts meetings on a regular basis and on an ad-hoc basis, as required by business needs. During the year, the Board held a total of twelve (12) regular board meetings and twenty two (22) ad-hoc board meetings. The attendance record, on a named basis, at these meetings is set out in the table on page 44 of this report.

For regular board meetings, 14-day notices are given to directors beforehand. For other type of board meetings, reasonable notices are given to directors as well. Board papers (including the board meeting agenda) are circulated before the board meetings to enable the directors to make informed decisions on matters to be raised. The directors are provided with opportunities to include matters in the agenda for board meetings. The Company Secretary attends all board meetings to advise on corporate governance, statutory compliance, accounting and financial matters when necessary. Directors have full access to information on the Group and are able to obtain independent professional advice whenever deemed necessary by the directors. The Company Secretary prepares minutes and keep records of matters discussed and decisions resolved at all board meetings. Draft and finalized minutes of board meetings are circulated to all Directors for their comments and records respectively as soon as practicable after each meeting. All minutes are open for inspection at any reasonable time on request by any Director.

Before each board meeting, the Directors have to declare for their interests in the subject matter to be considered in the relevant board meeting. Any director or his associates who has/have any material interest in any proposed board resolutions will not be counted as a quorum in the relevant board meeting nor vote for the board resolutions. The independent non-executive Directors who have no material interest in the matter will attend the meeting to deal with the matter if it is considered appropriate.

Each newly-appointed director will be provided with a package of orientation materials setting out the duties and responsibilities of directors under the Listing Rules, related ordinances and relevant regulatory requirements of Hong Kong. Updates are provided to directors when necessary to ensure that directors are aware of the latest changes in the commercial and regulatory environment in which the Group conducts its business.

RESPONSIBILITIES OF COMPANY SECRETARY

The Company Secretary is accountable to the Board for ensuring that board procedures are followed and that the Board is fully briefed on all legislative, regulatory and corporate governance developments and that it has regard to them when making decisions. The Company Secretary is also directly responsible for the Group's compliance with the continuing obligations of the Listing Rules, the Codes on Takeovers and Mergers and Share Repurchases, the Companies Ordinance, the Securities and Futures Ordinance and the other applicable laws, rules and regulations.

INTERNAL CONTROL

The Board acknowledges the responsibilities of ensuring the effectiveness of the system of internal control and risk management, and is also reviewing the effectiveness of such internal control system on an annual basis.

With the assistance of internal audit department of Zhejiang Geely Holding Group Company Limited ("Geely Holding"), the Board conducted an annual review of the internal control system of the Group during the year and was not aware of any material internal control weaknesses and/or breaches. Throughout the year ended 31 December 2009, the Board was satisfied with the adequacy of resources, qualifications and experience of staff working in the accounting and financial reporting functions. The Board was also contented that such staff have been undergoing adequate continuous training to keep abreast of the latest developments in accounting and financial disciplines.

The internal audits are designed to provide the Board with reasonable assurance that an effective internal controls system is in force so as to manage the risks associated with the achievement of the Group's business objectives to acceptable levels. During the year, the internal audit department of Geely Holding conducted internal audits of the Group, typically over a three-year cycle. The adequacy of the frequency and the audit scope of each subsidiary are independently assessed based on the risk approach. Any significant internal audit findings or identified risks are closely examined so that proper actions can be timely taken. Also, the internal audit department would closely perform follow-up and tracking to ensure that all control inadequacies identified are promptly addressed.

In addition to its routine audit schedule, the internal audit department of Geely Holding may be assigned to help the Group conduct special audits on other projects such as construction works, as may be required whenever necessary.

AUDIT COMMITTEE

The Listing Rules require every listed issuer to establish an Audit Committee comprising at least three members who must be non-executive directors only, and the majority thereof must be independent non-executive directors, at least one of whom must have appropriate professional qualifications, or accounting or related financial management expertise. The Audit Committee currently comprises Mr. Lee Cheuk Yin, Dannis, Mr. Song Lin and Mr. Yeung Sau Hung, Alex, who are the independent non-executive directors of the Company. A set of written terms of reference, which described the authority and duties of the Audit Committee, was adopted by the Board on 31 December 2004 and the contents of which are in compliance with the Code Provisions of the CG Code. The said terms of reference of the Audit Committee adopted by the Board are available on the Company's website (http://www.geelyauto.com.hk).

The Audit Committee is accountable to the Board and the primary duties of the Audit Committee include the review and supervision of the Group's financial reporting process and internal controls. The Committee is equipped with adequate resources to enable it to fully discharge its duties.

During the year, the Audit Committee held two meetings and the external auditors were in attendance in all these meetings. The attendance record, on a named basis, at these meetings is set out in the table on page 44 of this report.

During the year, the Audit Committee has reviewed with the management of the Company and the auditors of the Company, the accounting principles and practices adopted by the Group and has discussed auditing, internal controls and financial reporting matters, including the review of the interim report and interim results announcement of the Company for the six months ended 30 June 2009 and the annual report and annual results announcement of the Company for the year ended 31 December 2008.

For the year ended 31 December 2009, the auditors of the Group received approximately RMB2.7 million (2008: RMB2.4 million) for the Group's audit service. During the year, the auditors of the Group did not render any non-audit services to the Group.

REMUNERATION COMMITTEE AND REMUNERATION OF DIRECTORS

The Remuneration Committee currently comprises two independent non-executive directors and one executive director. It is chaired by an executive director.

The objectives of the Remuneration Committee are to establish and maintain an appropriate and competitive level of remuneration to attract, retain and motivate directors and key executives to run the Company successfully. The Remuneration Committee also ensures that the remuneration policies and systems of the Group support the Group's objectives and strategies. The Committee is provided with other resources enabling it to discharge its duties fully. A set of written terms of reference, which described the authority and duties of the Remuneration Committee, was adopted by the Board on 31 December 2004 and the contents of which are in compliance with the Code Provisions of the CG Code. The said terms of reference of the Remuneration Committee adopted by the Board are available on the Company's website (http://www.geelyauto.com.hk).

During the year, the Remuneration Committee held two meetings. The attendance record, on a named basis, at the meeting is set out in the table on page 44 of this report.

The Remuneration Committee had considered the following proposals and made recommendation to the Board during the year:

- Annual salary review and discretionary bonus payment of directors and senior executives; and
- Review of employment terms for a new senior executive

INVESTOR RELATIONS

GENERAL MEETINGS

Four general meetings were held during the year. The first general meeting was an annual general meeting held on Monday, 25 May 2009 at 10:00 a.m.. The Chairman of the Board attended the annual general meeting of the Company held on 25 May 2009. For detailed voting results of the annual general meeting, please refer to the Company's announcement dated 25 May 2009 (which can be downloaded from the websites of The Stock Exchange of Hong Kong Limited (http://www.hkexnews.hk) and the Company (http://www.geelyauto.com.hk)).

The second general meeting was an extraordinary general meeting held on Wednesday, 23 September 2009 at 10:00 a.m. For detailed voting results of the extraordinary general meeting, please refer to the Company's announcement dated 23 September 2009 (which can be downloaded from the websites of The Stock Exchange of Hong Kong Limited (http://www.hkexnews.hk) and the Company (http://www.geelyauto.com.hk)).

The third general meeting was an extraordinary general meeting held on Monday, 7 December 2009 at 10:00 a.m. For detailed voting results of the extraordinary general meeting, please refer to the Company's announcement dated 7 December 2009 (which can be downloaded from the websites of The Stock Exchange of Hong Kong Limited (http://www.hkexnews.hk) and the Company (http://www.geelyauto.com.hk)).

The fourth general meeting was an extraordinary general meeting held on Thursday, 31 December 2009 at 10:00 a.m. For detailed voting results of the extraordinary general meeting, please refer to the Company's announcement dated 31 December 2009 (which can be downloaded from the websites of The Stock Exchange of Hong Kong Limited (http://www.hkexnews.hk) and the Company (http://www.geelyauto.com.hk)).

COMMUNICATION CHANNELS

It is the Company's aim to maintain open and effective communication with the shareholders. To this end, the Company insists on full, honest, equal and timely disclosure of all essential information regarding its business to the investor community. The Company has established various channels to facilitate and enhance communication:

(i) the general meetings provide a platform for shareholders of the Company to raise comments and exchange views with the Board;

(ii) critical information regarding the Company's operations and/or deals goes out to shareholders and investors in the form of announcements and/or circulars in line with Stock Exchange's requirements and other applicable regulatory requirements;

(iii) up-to-date key information of the Group is available on the Company's website at www.geelyauto.com.hk to enable the shareholders of the Company and the investor community to have timely access to information about the Group; and

(iv) the Company's website publicizes contact details of the Executive Director and other senior management staff.

As the Group's continuous commitment to transparent communications, the Company receives wide coverage amongst the institutional investor community, with key local and international research houses regularly publishing reports on the Group and its activities. The Group strives to develop closer ties with the investor community, and our senior management team regularly attends investor conferences organized by securities houses in Hong Kong, China and overseas.

The directors are also available at the general meetings to answer questions raised by shareholders of the Company or other interested parties. To facilitate enforcement of shareholders' rights, substantially different issues at general meetings are dealt with under separate resolutions.

OTHER INFORMATION

This Annual Report is available in both English and Chinese. A copy prepared in the language different from that in which you have received is available by writing to the Company's Share Registrar, Union Registrars Limited, at 18/F., Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong. This Annual Report is also available (in both English and Chinese) on the Company's website at www.geelyauto.com.hk and the Stock Exchange's website at www.hkexnews.hk.

If you have any queries about how to obtain copies of this Annual Report or how to access those documents on the Company's website, please call the Company's hotline at (852) 2598 3333.

Attendance record at the meetings of the Board of Directors and specialized board committees held during the year ended 31 December 2009:

	Board				Audit Committee		Remuneration Committee	
Name and designation	No. of regular meetings	Attendance	No. of ad-hoc meetings	Attendance	No. of meetings	Attendance	No. of meetings	Attendance
Executive Directors								
Mr. Li Shu Fu	12	11	22	11	N/A	N/A	N/A	N/A
Mr. Yang Jian	12	12	22	12	N/A	N/A	N/A	N/A
Mr. Gui Sheng Yue	12	11	22	21	N/A	N/A	2	2
Mr. Ang Siu Lun, Lawrence	12	12	22	20	2	2	N/A	N/A
Mr. Yin Da Qing, Richard	12	12	22	11	N/A	N/A	N/A	N/A
Mr. Liu Jin Liang	12	11	22	12	N/A	N/A	N/A	N/A
Mr. Zhao Jie	12	12	22	10	N/A	N/A	N/A	N/A
Dr. Zhao Fuquan	12	11	22	10	N/A	N/A	N/A	N/A
Non-executive Director								
Mr. Xu Gang (Subsequently resigned on 1 April 2010)	12	4	22	6	N/A	N/A	N/A	N/A
Independent Non-executive Directors								
Mr. Lee Cheuk Yin, Dannis	12	10	22	14	2	2	2	2
Mr. Song Lin	12	2	22	8	2	0	N/A	N/A
Mr. Yeung Sau Hung, Alex	12	9	22	17	2	2	2	2

"N/A": Not applicable

The Directors present their annual report together with the audited consolidated financial statements of the Company for the year ended 31 December 2009.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of the Company's subsidiaries are set out in note 39 to the consolidated financial statements.

RESULTS

The results of the Group for the year ended 31 December 2009 are set out in the consolidated income statement and consolidated statement of comprehensive income on page 62 and page 63, respectively of the annual report. The directors now recommend the payment of a final dividend of HK$0.023 per share to the shareholders on the register of members of the Company on 25 May 2010, amounting to about RMB148,166,000.

CLOSING OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 19 May 2010 to 25 May 2010, both dates inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividends and voting at the annual general meeting to be held on 25 May 2010, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar in Hong Kong, Union Registrars Limited, at 18/F., Fook Lee Commercial Centre Town Place, 33 Lockhart Road, Wanchai, Hong Kong, for registration not later than 4:00 p.m. on 18 May 2010.

FINANCIAL SUMMARY

A summary of the results and assets and liabilities of the Group for the past five financial years is set out on page 2 of the annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of movements during the year in the property, plant and equipment of the Group are set out in note 15 to the consolidated financial statements. During the year, there was also a significant increase in the property, plant and equipment and intangible assets. Such increase was a combination of (a) the acquisition of subsidiaries or businesses (mainly the key operating assets of DSI and the two manufacturing plants in Lanzhou and Chengdu); and (b) the additions used for the research and development of new vehicle models, new engines and gearboxes, the expansion and upgrading of production facilities of the Group.

SHARE CAPITAL

Details of the share capital of the Company are set out in note 27 to the consolidated financial statements.

RESERVES

Details of the movements during the year in the reserves of Group are set out in the consolidated statement of changes in equity on page 65 of the annual report.

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

EXECUTIVE DIRECTORS:

Mr. Li Shu Fu *(Chairman)*
Mr. Yang Jian *(Vice Chairman)*
Mr. Gui Sheng Yue *(Chief Executive Officer)*
Mr. Ang Siu Lun, Lawrence
Mr. Liu Jin Liang
Mr. Yin Da Qing, Richard
Mr. Zhao Jie
Dr. Zhao Fuquan

NON-EXECUTIVE DIRECTOR:

Mr. Xu Gang (Resigned on 1 April 2010)

INDEPENDENT NON-EXECUTIVE DIRECTORS:

Mr. Lee Cheuk Yin, Dannis
Mr. Song Lin
Mr. Yeung Sau Hung, Alex

In accordance with Articles 99 and 116 of the Company's Articles of Association, Mr. Yang Jian, Mr. Yin Da Qing, Richard, Mr. Liu Jin Liang and Dr. Zhao Fuquan shall retire from office at the forthcoming annual general meeting and, being eligible, offer themselves for re-election. No director proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

The independent non-executive directors all have a fixed term of 3-year service and will be subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's Articles of Association.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SECURITIES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 December 2009, the interests and short positions of the directors in the securities of the Company and its associated corporations, within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Part XV of the SFO, including interest and short positions which they were deemed or taken to have under such provisions of the SFO, or which are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") to be notified to the Company and the Stock Exchange were as follows:

(I) INTERESTS AND SHORT POSITIONS IN THE SECURITIES OF THE COMPANY

Name of director	**Capacity**	**Number of securities in the Company**		**Shareholding percentage (%)**
Shares				
		Long position	*Short position*	
Mr. Li Shu Fu *(Note 1)*	Interest in controlled corporation	3,751,159,000	–	51.31%
Mr. Ang Siu Lun, Lawrence	Personal	4,270,000	–	0.06%
Dr. Zhao Fuquan	Personal	12,000,000	–	0.16%
Mr. Yeung Sau Hung, Alex	Personal	500,000	–	0.01%
Share options				
Mr. Yang Jian	Personal	8,000,000 *(Note 2)*	–	0.11%
Mr. Gui Sheng Yue	Personal	8,000,000 *(Note 2)*	–	0.11%
Mr. Liu Jin Liang	Personal	6,000,000 *(Note 2)*	–	0.08%
Mr. Zhao Jie	Personal	6,000,000 *(Note 2)*	–	0.08%
Mr. Yin Da Qing, Richard	Personal	7,000,000 *(Note 2)*	–	0.10%
Dr. Zhao Fuquan	Personal	11,000,000 *(Note 2)*	–	0.15%
Mr. Song Lin	Personal	1,500,000 *(Note 2)*	–	0.02%
Mr. Lee Cheuk Yin, Dannis	Personal	1,500,000 *(Note 2)*	–	0.02%

Note:

(1) Proper Glory Holding Inc. ("Proper Glory") and its concert parties in aggregate hold 3,751,159,000 shares, representing approximately 51.31% of the issued share capital of the Company as at 31 December 2009. Proper Glory is a private company incorporated in the British Virgin Islands and is beneficially wholly owned by Mr. Li Shu Fu and his associate.

(2) This share option interest is also referred to in the section headed "Share Options" below. The percentage of holding is calculated on the basis (i) that the options are fully exercised; and (ii) the number of issued share capital of the Company when the options are exercised is the same as that as 31 December 2009.

(II) INTERESTS AND SHORT POSITIONS IN THE SECURITIES OF THE ASSOCIATED CORPORATIONS OF THE COMPANY

Name of Director	Name of its associated corporations	Number of shares in its associated corporations		Shareholding percentage (%)
		Long position	*Short position*	
Mr. Li Shu Fu	Proper Glory Holding Inc.	*(Note 1)*	–	*(Note 1)*
Mr. Li Shu Fu	Geely Group Limited	50,000	–	100
Mr. Li Shu Fu	Zhejiang Geely Holding Group Company Limited	*(Note 2)*	–	*(Note 2)*
Mr. Li Shu Fu	Zhejiang Geely Merrie Automobile Company Limited	*(Note 3)*	–	*(Note 3)*
Mr. Li Shu Fu	Shanghai Maple Automobile Company Limited	*(Note 4)*	–	*(Note 4)*
Mr. Li Shu Fu	Zhejiang Haoqing Automobile Manufacturing Company Limited	*(Note 5)*	–	*(Note 5)*
Mr. Li Shu Fu	Zhejiang Geely Automobile Company Limited	*(Note 6)*	–	*(Note 6)*
Mr. Li Shu Fu	Shanghai Maple Guorun Automobile Company Limited	*(Note 7)*	–	*(Note 7)*
Mr. Li Shu Fu	Zhejiang Kingkong Automobile Company Limited	*(Note 8)*	–	*(Note 8)*
Mr. Li Shu Fu	Zhejiang Ruhoo Automobile Company Limited	*(Note 9)*	–	*(Note 9)*
Mr. Li Shu Fu	Hunan Geely Automobile Components Company Limited	*(Note 10)*	–	*(Note 10)*
Mr. Li Shu Fu	Chengdu Gaoyuan Automobile Industries Company Limited	*(Note 11)*	–	*(Note 11)*
Mr. Li Shu Fu	Lanzhou Geely Automobile Industries Company Limited	*(Note 12)*	–	*(Note 12)*

Notes:

(1) Proper Glory Holding Inc. is a private company incorporated in the British Virgin Islands and is owned as to 68% by Zhejiang Geely Holding Group Company Limited ("Geely Holding") and as to 32% by Geely Group Limited. Geely Group Limited is a private company incorporated in the British Virgin Islands and is wholly owned by Mr. Li Shu Fu. Geely Holding is a private company incorporated in the PRC and is beneficially wholly owned by Mr. Li Shu Fu and his associate.

(2) Geely Holding is a private company incorporated in the PRC and is beneficially wholly owned by Mr. Li and his associate.

(3) Zhejiang Geely Merrie Automobile Company Limited ("Zhejiang Geely Merrie") is a private company incorporated in the PRC and is beneficially wholly owned by Mr. Li Shu Fu and his associate.

(4) Shanghai Maple Automobile Company Limited ("Shanghai Maple Automobile") is a private company incorporated in the PRC and is beneficially wholly owned by Mr. Li Shu Fu and his associate.

(5) Zhejiang Haoqing Automobile Manufacturing Company Limited ("Zhejiang Haoqing") is a private company incorporated in the PRC and is beneficially wholly owned by Mr. Li Shu Fu and his associate.

(6) Zhejiang Geely Automobile Company Limited is incorporated in the PRC and is 9% directly owned by Zhejiang Geely Merrie. Zhejiang Geely Merrie is incorporated in the PRC and is 100%-owned by Mr. Li Shu Fu and his associate.

(7) Shanghai Maple Guorun Automobile Company Limited is incorporated in the PRC and is 9% directly owned by Shanghai Maple Automobile. Shanghai Maple Automobile is incorporated in the PRC and is 100%-owned by Mr. Li Shu Fu and his associate.

(8) Zhejiang Kingkong Automobile Company Limited is incorporated in the PRC and is 9% directly owned by Zhejiang Haoqing. Zhejiang Haoqing is incorporated in the PRC and is 100%-owned by Mr. Li Shu Fu and his associate.

(9) Zhejiang Ruhoo Automobile Company Limited is incorporated in the PRC and is 9% directly owned by Zhejiang Haoqing. Zhejiang Haoqing is incorporated in the PRC and is 100%-owned by Mr. Li Shu Fu and his associate.

(10) Hunan Geely Automobile Components Company Limited is incorporated in the PRC and is 9% directly owned by Zhejiang Haoqing. Zhejiang Haoqing is incorporated in the PRC and is 100%-owned by Mr. Li Shu Fu and his associate.

(11) Chengdu Gaoyuan Automobile Industries Company Limited is a private company incorporated in the PRC and is owned as to 90% by Zhejiang Geely Automobile Company Limited ("Zhejiang Geely") and as to 10% by Shanghai Maple Guorun Automobile Company Limited ("Shanghai Maple"). Zhejiang Geely and Shanghai Maple is 9% directly owned by Zhejiang Geely Merrie and Shanghai Maple Automobile, respectively. Both Zhejiang Geely Merrie and Shanghai Maple Automobile are private companies incorporated in the PRC and are beneficially wholly owned by Mr. Li Shu Fu and his associate.

(12) Lanzhou Geely Automobile Industries Company Limited is a private company incorporated in the PRC and is owned as to 90% by Zhejiang Geely Automobile Company Limited ("Zhejiang Geely") and as to 10% by Shanghai Maple Guorun Automobile Company Limited ("Shanghai Maple"). Zhejiang Geely and Shanghai Maple is 9% directly owned by Zhejiang Geely Merrie and Shanghai Maple Automobile, respectively. Both Zhejiang Geely Merrie and Shanghai Maple Automobile are private companies incorporated in the PRC and are beneficially wholly owned by Mr. Li Shu Fu and his associate.

Save as disclosed above, as at 31 December 2009, none of the directors or their associates had any personal, family, corporate or other interests in the equity securities of the Company or any of its associated corporations as defined in the SFO.

INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY HELD BY OTHER PERSONS

As at 31 December 2009, the following persons (other than the directors or the chief executive of the Company) had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

SUBSTANTIAL SHAREHOLDERS

(as defined in the SFO)

Name	Capacity	Number of shares held		Shareholding Percentage (%)
		Long position	*Short position*	
Proper Glory *(Note 1)*	Beneficial owner	2,462,400,000	–	33.68
Geely Holding *(Note 1)*	Beneficial owner	3,751,072,000	–	51.31
Zhejiang Geely Merrie *(Note 2)*	Interest in controlled corporation	776,408,000	–	10.62
Geely Group Ltd. *(Note 1)*	Beneficial owner	87,000	–	0.001
	Interest in controlled corporation	2,462,400,000	–	33.68
FMR LLC	Beneficial owner	437,430,000	–	5.98
The Goldman Sachs Group, Inc.	Beneficial owner	1,297,974,003	–	17.75
Gehicle Investment Holdings (Delaware) LLC	Interest in controlled corporation	1,144,958,578	–	15.66
Gehicle Investment Parallel Holdings	Interest in controlled corporation	152,991,322	–	2.09

Note:

1 Proper Glory Holding Inc. ("Proper Glory") and its concert parties in aggregate hold 3,751,159,000 shares, representing approximately 51.31% of the issued share capital of the Company as at 31 December 2009. Proper Glory is a private company incorporated in the British Virgin Islands and is beneficially wholly owned by Mr. Li Shu Fu and his associate.

2. Zhejiang Geely Merrie is a private company incorporated in the PRC and is beneficially owned by Mr. Li Shu Fu and his associate.

Save as disclosed above, the Company had not been notified of any other person (other than the directors or the chief executive of the Company) who had an interest or a short position in the shares and underlying shares of the Company as at 31 December 2009 as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

SHARE OPTIONS

Particulars of the Company' share option scheme are set out in note 32 to the consolidated financial statements.

The following table discloses movements in the Company's share options during the year.

	Exercise Period	Exercise price per share HK$	Outstanding at 1.1.2009	Exercised during the year	Cancelled/ Lapsed during the year	Outstanding at 31.12.2009
Director						
Mr. Ang Siu Lun, Lawrence	23.2.2004-22.2.2009	0.95	35,000,000	–	(35,000,000)	–
	5.8.2005 – 4.8.2010	0.70	10,000,000	(10,000,000)	–	–
	8.5.2008 – 7.5.2013	0.92	6,000,000	(6,000,000)	–	–
Mr. Gui Sheng Yue	5.8.2005 – 4.8.2010	0.70	23,000,000	(23,000,000)	–	–
	8.5.2008 – 7.5.2013	0.92	8,000,000	–	–	8,000,000
Mr. Xu Gang	5.8.2005 – 4.8.2010	0.70	23,000,000	(23,000,000)	–	–
Mr. Yang Jian	5.8.2005 – 4.8.2010	0.70	23,000,000	(23,000,000)	–	–
	8.5.2008 – 7.5.2013	0.92	8,000,000	–	–	8,000,000
Mr. Liu Jin Liang	5.8.2005 – 4.8.2010	0.70	18,000,000	(18,000,000)	–	–
	8.5.2008 – 7.5.2013	0.92	6,000,000	–	–	6,000,000
Mr. Yin Da Qing, Richard	5.8.2005 – 4.8.2010	0.70	16,000,000	(16,000,000)	–	–
	8.5.2008 – 7.5.2013	0.92	7,000,000	–	–	7,000,000
Mr. Zhao Jie	5.8.2005 – 4.8.2010	0.70	18,000,000	(18,000,000)	–	–
	8.5.2008 – 7.5.2013	0.92	6,000,000	–	–	6,000,000
Dr. Zhao Fuquan	28.11.2006 – 27.11.2011	0.89	12,000,000	(12,000,000)	–	–
	8.5.2008 – 7.5.2013	0.92	11,000,000	–	–	11,000,000
Mr. Song Lin	10.7.2006 – 16.5.2011	0.93	1,000,000	(1,000,000)	–	–
	8.5.2008 – 7.5.2013	0.92	1,500,000	–	–	1,500,000
Mr. Lee Cheuk Yin, Dannis	10.7.2006 – 16.5.2011	0.93	1,000,000	(1,000,000)	–	–
	8.5.2008 – 7.5.2013	0.92	1,500,000	–	–	1,500,000
Mr. Yeung Sau Hung, Alex	10.7.2006 – 16.5.2011	0.93	1,000,000	(1,000,000)	–	–
	8.5.2008 – 7.5.2013	0.92	1,500,000	(1,500,000)	–	–
Continuous contract employees	5.8.2005 – 4.8.2010	0.70	86,600,000	(81,400,000)	(3,400,000)	1,800,000
	10.7.2006 – 16.5.2011	0.93	9,420,000	–	(5,400,000)	4,020,000
	28.11.2006 – 27.11.2011	0.89	3,000,000	(3,000,000)	–	–
	18.9.2007 – 17.9.2012	1.06	28,500,000	(3,000,000)	(8,000,000)	17,500,000
	8.5.2008 – 7.5.2013	0.92	141,900,000	(10,200,000)	(8,400,000)	123,300,000
	5.6.2008 – 4.6.2013	0.98	2,000,000	–	(2,000,000)	–
			508,920,000	(251,100,000)	(62,200,000)	195,620,000

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the share options disclosed above, at no time during the year was the Company, its holding company or any of its subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Details of transactions between the Group and other companies under the control of Mr. Li Shu Fu, the chairman and executive director of the Company during the year are set out in note 34 to the consolidated financial statements.

Save as disclosed above, no contracts of significance to which the Company, its holding company or any of its subsidiaries, was a party and in which a director 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.

CONNECTED TRANSACTIONS & CONTINUING CONNECTED TRANSACTIONS

During the year, the Group entered into certain related party transactions which also constitute connected transactions under the Listing Rules. All the connected transactions and continuing connected transactions (as defined under the Listing Rules) during the year were listed below and some of these transactions are also set out in note 34 to the consolidated financial statements. The following transactions between certain connected parties and the Group has been entered into is ongoing for which relevant announcement had been made by the Company in accordance with the requirements of the Listing Rules.

CONNECTED TRANSACTIONS

1. SUBSCRIPTION OF 385,000 NEW ORDINARY SHARES OF MANGANESE BRONZE

On 9 June 2009, Manganese Bronze Holdings Plc ("Manganese Bronze") announced the placing, subject to a number of conditions, to raise approximately GBP10 million (approximately RMB110 million) before expenses through the issue of 5,347,593 new Manganese Bronze Shares. Pursuant to the placing letter dated 9 June 2009, the Company agreed to subscribe for 385,000 new Manganese Bronze Shares in the placing at the issue price of 187 pence (approximately RMB20.98) per new Manganese Bronze Share, at the aggregate cost of GBP719,950 (approximately RMB8,078,000). Upon completion of the placing, the Group's shareholding in Manganese Bronze has been diluted from approximately 22.69% to approximately 19.97%.

2. PURCHASE OF LAND USE RIGHT OF THE LAND FROM KAILUN QUFU

Pursuant to the sales and purchase agreement dated 20 August 2009, the Group agreed with Kailun (Qufu) Property Investment Limited ("Kailun Qufu") for the purchase of land use right of the land located in Qufu City, Shangdong Province, the PRC at a total consideration of RMB15,520,100.

3. SALE OF THE PROPERTY TO THE COLLEGE

Pursuant to the sales and purchase agreement dated 20 August 2009, the Group agreed with Zhejiang Automotive Vocational and Technical College ("the College") for the disposal of campus and its facilities located in Linhai City, Zhejiang Province, the PRC at a total consideration of RMB82,580,000.

4. **PURCHASE OF ASSETS FROM GEELY HOLDING**

Pursuant to the sales and purchase agreement dated 20 August 2009, the Group agreed with Zhejiang Geely Holding Group Company Limited ("Geely Holding") for the purchase of production assets (mainly comprising spot welding machines, hydraulic punching machines and cranes) at a total consideration of RMB29,760,000.

5. **PURCHASE OF TX4 PROTOTYPE CAR AND SAMPLE PARTS FROM SHANGHAI MAPLE AUTOMOBILE**

Pursuant to the sales and purchase agreement dated 20 August 2009, Shanghai LTI Automobile Components Company Limited ("Shanghai LTI") entered into transactions with Shanghai Maple Automobile Company Limited ("Shanghai Maple Automobile") for the purchase of TX4 prototype car and sample parts at a total consideration of RMB12,861,536.

6. **ACQUISITION OF 100% INTEREST IN THE REGISTERED CAPITAL OF CHENGDU GAOYUAN**

Pursuant to the equity transfer agreement dated 27 October 2009, Shanghai Maple Automobile Company Limited ("Shanghai Maple Automobile") entered into a transaction with Zhejiang Geely Automobile Company Limited ("Zhejiang Geely") to transfer 90% interest in the registered capital of Chengdu Gaoyuan Automobile Industries Company Limited ("Chengdu Gaoyuan") to Zhejiang Geely at a consideration of RMB42,669,910; and Zhejiang Geely Holding Group Company Limited ("Geely Holding") entered into a transaction with Shanghai Maple Guorun Automobile Company Limited ("Shanghai Maple") to transfer 10% interest in the registered capital of Chengdu Gaoyuan to Shanghai Maple at a consideration of RMB4,741,101, representing an aggregate consideration of RMB47,411,011.

7. **ACQUISITION OF 100% INTEREST IN THE REGISTERED CAPITAL OF JINAN GEELY**

Pursuant to the equity transfer agreement dated 27 October 2009, Zhejiang Geely Holding Group Company Limited ("Geely Holding") entered into a transaction with Zhejiang Geely Automobile Company Limited ("Zhejiang Geely") to transfer 90% interest in the registered capital of Jinan Geely Automobile Company Limited ("Jinan Geely") to Zhejiang Geely at a consideration of RMB162,000,000; and Zhejiang Haoqing Automobile Manufacturing Company Limited ("Zhejiang Haoqing") entered into a transaction with Shanghai Maple Guorun Automobile Company Limited ("Shanghai Maple") to transfer 10% interest in the registered capital of Jinan Geely to Shanghai Maple at a consideration of RMB18,000,000, representing an aggregate consideration of RMB180,000,000. Nevertheless, the completion of the acquisition of 100% interest in the registered capital of Jinan Geely took place in January 2010.

8. **ACQUISITION OF 100% INTEREST IN THE REGISTERED CAPITAL OF LANZHOU GEELY**

Pursuant to the equity transfer agreement dated 27 October 2009, Zhejiang Haoqing Automobile Manufacturing Company Limited ("Zhejiang Haoqing") entered into a transaction with Zhejiang Geely Automobile Company Limited ("Zhejiang Geely") to transfer 90% interest in the registered capital of Lanzhou Geely Automobile Industries Company Limited ("Lanzhou Geely") to Zhejiang Geely at a consideration of RMB95,348,760; and Zhejiang Geely Merrie Automobile Company Limited ("Geely Merrie") entered into a transaction with Shanghai Maple Guorun Automobile Company Limited ("Shanghai Maple") to transfer 10% interest in the registered capital of Lanzhou Geely to Shanghai Maple at a consideration of RMB10,594,306, representing an aggregate consideration of RMB105,943,066.

The following transactions between certain connected parties and the Group has been entered into is ongoing for which relevant announcement had been made by the Company in accordance with the requirements of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

1. SUPPLY AND PURCHASE AGREEMENT FOR AUTOMOBILE PARTS, COMPONENTS AND SUB-ASSEMBLY BETWEEN SHANGHAI LTI AND SHANGHAI MAPLE AUTOMOBILE

Pursuant to the Supply and Purchase Agreement for Automobile Parts, Components and Sub-Assembly dated 2 April 2007, the Shanghai LTI Automobile Components Company Limited ("Shanghai LTI") agrees to supply to the Shanghai Maple Automobile Company Limited ("Shanghai Maple Automobile") and Shanghai Maple Automobile agrees to purchase from the Shanghai LTI the automobile parts, components and sub-assembly to be used in the LTI TX Series Products and saloon cars in accordance with product specification set out in the Supply and Purchase Agreement for Automobile Parts, Components and Sub-Assembly.

The aforesaid continuing connected transactions have been reviewed by the independent non-executive directors of the Company. The independent non-executive directors confirmed that the aforesaid connected transactions were entered into (a) in the ordinary and usual course of business of the Group; (b) either on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; (c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole; and (d) had been determined to be RMB44 million which, did not exceed the annual cap of RMB2,676 million for the year ended 31 December 2009 as approved by the Stock Exchange and the Independent Shareholders.

Based on the work performed, the auditors of the Company have confirmed that the aforesaid continuing connected transactions (a) have been approved by the board of directors of the Company; (b) have been entered into in accordance with the terms of the relevant agreements governing the transactions; and (c) had been determined to be RMB44 million which, did not exceed the annual cap of RMB2,676 million for the year ended 31 December 2009 as approved by the Stock Exchange and the Independent Shareholders.

2. SERVICES AGREEMENT BETWEEN THE COMPANY AND GEELY HOLDING

- *Sales of CKDs and Sedan Tool Kits from the Group to the Geely Holding Group*

  Pursuant to the Services Agreement dated 17 September 2007, Geely Automobile Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") agrees to supply to the Zhejiang Geely Holding Group Company Limited ("Geely Holding") and its subsidiaries (collectively, the "Geely Holding Group"), Complete Knock Down Kits ("CKDs") and sedan tool kits in accordance with the product specifications set out in the Services Agreement.

  The aforesaid continuing connected transactions have been reviewed by the independent non-executive directors of the Company. The independent non-executive directors confirmed that the aforesaid connected transactions were entered into (a) in the ordinary and usual course of business of the Group; (b) either on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; (c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole; and (d) had been determined to be RMB11,552 million for sales of CKDs and sedan tool kits which did not exceed the annual cap of RMB12,724 million for sales of CKDs and sedan tool kits for the year ended 31 December 2009 as approved by the Stock Exchange and the Independent Shareholders.

  Based on the work performed, the auditors of the Company have confirmed that the aforesaid continuing connected transactions (a) have been approved by the board of directors of the Company; (b) have been entered into in accordance with the terms of the relevant agreements governing the transactions; and (c) had been determined to be RMB11,552 million for sales of CKDs and sedan tool kits which did not exceed the annual cap of RMB12,724 million for sales of CKDs and sedan tool kits for the year ended 31 December 2009 as approved by the Stock Exchange and the Independent Shareholders.

- *Sales of CBUs, automobile parts and components; and provision of process manufacturing services from Geely Holding Group to the Group*

  Pursuant to the Services Agreement dated 17 September 2007 and the Supplemental Parts and Components Agreement dated 20 August 2009, Geely Holding Group agreed to sell to the Group the complete buildup units (CBUs), automobile parts and components; and provide process manufacturing process to the Group in accordance with the product and service specifications set out in the Services Agreement.

  The aforesaid continuing connected transactions have been reviewed by the independent non-executive directors of the Company. The independent non-executive directors confirmed that the aforesaid connected transactions were entered into (a) in the ordinary and usual course of business of the Group; (b) either on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; (c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole; and (d) had been determined to be RMB19,707 million for purchases of CBUs, automobile parts and components and provision of process manufacturing services which did not exceed the annual cap of RMB21,169 million for purchases of CBUs, automobile parts and components and provision of process manufacturing services for the year ended 31 December 2009 as approved by the Stock Exchange and the Independent Shareholders.

  Based on the work performed, the auditors of the Company have confirmed that the aforesaid continuing connected transactions (a) have been approved by the board of directors of the Company; (b) have been entered into in accordance with the terms of the relevant agreements governing the transactions; and (c) had been determined to be RMB19,707 million for purchases of CBUs, automobile parts and components and provision of process manufacturing services which did not exceed the annual cap of RMB21,169 million for purchases of CBUs, automobile parts and components and provision of process manufacturing services for the year ended 31 December 2009 as approved by the Stock Exchange and the Independent Shareholders.

3. LOAN GUARANTEE AGREEMENT BETWEEN THE COMPANY AND GEELY HOLDING

Pursuant to the Loan Guarantee Agreement dated 17 September 2007, Geely Automobile Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") agrees to provide guarantees (including the pledge of certain lands, buildings and facilities of the subsidiaries) on loans obtained or to be obtained by the Zhejiang Geely Holding Group Company Limited ("Geely Holding") and its subsidiaries (collectively, the "Geely Holding Group") on behalf of the Group's subsidiaries in relation to the manufacture and research and development of sedans of the Group.

The aforesaid continuing connected transactions have been reviewed by the independent non-executive directors of the Company. The independent non-executive directors confirmed that the aforesaid connected transactions were entered into (a) in the ordinary and usual course of business of the Group; (b) either on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; (c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole; and (d) had been determined to be RMB770 million which, did not exceed the annual cap of RMB850 million for the year ended 31 December 2009 as approved by the Stock Exchange and the Independent Shareholders.

Based on the work performed, the auditors of the Company have confirmed that the aforesaid continuing connected transactions (a) have been approved by the board of directors of the Company; (b) have been entered into in accordance with the terms of the relevant agreements governing the transactions; and (c) had been determined to be RMB770 million which, did not exceed the annual cap of RMB850 million for the year ended 31 December 2009 as approved by the Stock Exchange and the Independent Shareholders.

4. LEASE AGREEMENT BETWEEN THE COMPANY, GEELY HOLDING AND ZHEJIANG AUTOMOTIVE VOCATIONAL AND TECHNICAL COLLEGE (PREVIOUSLY KNOWN AS "ZHEJIANG ECONOMIC MANAGEMENT COLLEGE")

Pursuant to the Lease Agreement dated 17 September 2007, Geely Automobile Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") agrees to lease properties located in Zhejiang Province, to the Zhejiang Geely Holding Group Company Limited ("Geely Holding") and its subsidiaries (collectively, the "Geely Holding Group") and Zhejiang Automotive Vocational and Technical College (previously known as "Zhejiang Economic Management College").

The aforesaid continuing connected transactions have been reviewed by the independent non-executive directors of the Company. The independent non-executive directors confirmed that the aforesaid connected transactions were entered into (a) in the ordinary and usual course of business of the Group; (b) either on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; (c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole; and (d) had been determined to be RMB11 million which, did not exceed the annual cap of RMB16 million for the year ended 31 December 2009 as approved by the Stock Exchange and the Independent Shareholders.

Based on the work performed, the auditors of the Company have confirmed that the aforesaid continuing connected transactions (a) have been approved by the board of directors of the Company; (b) have been entered into in accordance with the terms of the relevant agreements governing the transactions; and (c) had been determined to be RMB11 million which, did not exceed the annual cap of RMB16 million for the year ended 31 December 2009 as approved by the Stock Exchange and the Independent Shareholders.

5. R&D AGREEMENT BETWEEN THE COMPANY AND GEELY HOLDING

Pursuant to the R&D Agreement dated 20 August 2009, Geely Holding and its subsidiaries (collectively, the "Geely Holding Group") agreed to sell to Geely Automobile Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") the R&D products and services in accordance with the product and service specification set out in the R&D Agreement by the Company and Geely Holding and vice versa.

The aforesaid continuing connected transactions have been reviewed by the independent non-executive directors of the Company. The independent non-executive directors confirmed that the aforesaid connected transactions were entered into (a) in the ordinary and usual course of business of the Group; (b) either on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; (c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole; and (d) had been determined to be RMB48 million for sales of R&D products and services which did not exceed the annual cap of RMB148 million for sales of R&D products and services for the year ended 31 December 2009 as approved by the Stock Exchange and the Independent Shareholders.

Based on the work performed, the auditors of the Company have confirmed that the aforesaid continuing connected transactions (a) have been approved by the board of directors of the Company; (b) have been entered into in accordance with the terms of the relevant agreements governing the transactions; and (c) had been determined to be RMB48 million for sales of R&D products and services which did not exceed the annual cap of RMB148 million for sales of R&D products and services for the year ended 31 December 2009 as approved by the Stock Exchange and the Independent Shareholders.

6. SERVICES AGREEMENT BETWEEN THE COMPANY AND GEELY HOLDING

Pursuant to the Services Agreement dated 20 August 2009, Geely Holding and its subsidiaries (collectively, the "Geely Holding Group") agreed to sell to Geely Automobile Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") the processed automobile parts and components.

The aforesaid continuing connected transactions have been reviewed by the independent non-executive directors of the Company. The independent non-executive directors confirmed that the aforesaid connected transactions were entered into (a) in the ordinary and usual course of business of the Group; (b) either on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; (c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole; and (d) had been determined to be RMB3 million for sales of processed automobile parts and components which did not exceed the annual cap of RMB31 million for sales of processed automobile parts and components for the year ended 31 December 2009 as approved by the Stock Exchange and the Independent Shareholders.

Based on the work performed, the auditors of the Company have confirmed that the aforesaid continuing connected transactions (a) have been approved by the board of directors of the Company; (b) have been entered into in accordance with the terms of the relevant agreements governing the transactions; and (c) had been determined to be RMB3 million for sales of processed automobile parts and components which did not exceed the annual cap of RMB31 million for sales of processed automobile parts and components for the year ended 31 December 2009 as approved by the Stock Exchange and the Independent Shareholders.

7. CBU AGREEMENT BETWEEN THE COMPANY AND GEELY HOLDING

Pursuant to the CBU Agreement dated 20 August 2009, Geely Automobile Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") agreed to sell to Geely Holding and its subsidiaries (collectively, the "Geely Holding Group") the complete buildup units (CBUs), in accordance with the product and service specifications set out in the CBU Agreement.

The aforesaid continuing connected transactions have been reviewed by the independent non-executive directors of the Company. The independent non-executive directors confirmed that the aforesaid connected transactions were entered into (a) in the ordinary and usual course of business of the Group; (b) either on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; (c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole; and (d) had been determined to be RMB3 million for sales of CBUs which did not exceed the annual cap of RMB45 million for sales of CBUs for the year ended 31 December 2009 as approved by the Stock Exchange and the Independent Shareholders.

Based on the work performed, the auditors of the Company have confirmed that the aforesaid continuing connected transactions (a) have been approved by the board of directors of the Company; (b) have been entered into in accordance with the terms of the relevant agreements governing the transactions; and (c) had been determined to be RMB3 million for sales of CBUs which did not exceed the annual cap of RMB45 million for sales of CBUs for the year ended 31 December 2009 as approved by the Stock Exchange and the Independent Shareholders.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

During the year, the Company adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as its own Code for Securities Transactions by the Officers (the "Code"). All directors of the Company have confirmed their compliance during the year with the required standards set out in the Model Code and the Code.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2009.

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up by the human resources department of the Group on the basis of their merits, qualifications and competence.

The emolument policy of the directors of the Company is decided by the Remuneration Committee, having regard to the Company's operating results, individual duties and performance and comparable market statistics.

The Company has adopted a share option scheme as an incentive to directors and eligible employees, details of the scheme are set out in note 32 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association, or the laws of Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

MAJOR CUSTOMERS AND SUPPLIERS

The percentage of purchases attributable to the Group's five largest suppliers and the largest supplier are 73% and 59%, respectively, of the Group's total purchases for the year. Zhejiang Geely Automobile Parts and Components Company Limited and Shanghai Maple Engine Company Limited, both of them are related companies controlled by the substantial shareholder of the Company, is the Group's first largest supplier and second largest supplier, respectively.

The percentage of sales attributable to the Group's five largest customers and the largest customer are 8% and 2% respectively, of the Group's total sales for the year.

Save as disclosed above, at no time during the year did the directors, their associates, or shareholders of the Company, which to the knowledge of the directors own more than 5% of the Company's share capital, have an interest in any of the Group's five largest customers or suppliers.

CORPORATE GOVERNANCE REPORT

Details of the Corporate Governance Report are set out on pages 38 to 44 of the annual report.

AUDIT COMMITTEE

The Company has an audit committee which was established in accordance with the requirements of the Corporate Governance Code as defined in the Listing Rules for the purpose of reviewing and providing supervision over the Group's financial reporting processes and internal controls. The audit committee comprises Messrs. Lee Cheuk Yin, Dannis, Song Lin and Yeung Sau Hung, Alex who are the independent non-executive directors of the Company.

SUFFICIENCY OF PUBLIC FLOAT

Rule 8.08 of the Listing Rules requires at least 25% of the issued share capital of the Company to be held in public hands. Based on the information available and within the knowledge of the directors as at the latest practicable date prior to the issue of the annual report, the Company has maintained the prescribed public float as required under the Listing Rules.

COMPETING BUSINESSES

The Group is principally engaged in the research, production, marketing and sales of sedans and related automobile components in the PRC.

Zhejiang Geely Holding Group Company Limited ("Geely Holding"), which is ultimately owned by Mr. Li Shu Fu ("Mr. Li"), the Company's Chairman, and his associates, has signed agreements or been in negotiations with local governments in the PRC and other entities to set up production plants for the manufacturing and distribution of Geely sedans. The potential production and distribution of Geely sedans by Zhejiang Geely Holding Group Company Limited will constitute competing businesses (the "Competing Businesses") for the businesses currently carried on by the Group. Mr. Li has undertaken to the Company (the "Undertaking") that upon being notified of any decision by the Company pursuant to a resolution approved by a majority of the independent non-executive Directors, he will, and will procure his associates (other than the Group) to sell to the Group all of the Competing Businesses and related assets, subject to compliance with applicable requirements of the Listing Rules and other applicable laws and regulations upon terms to be mutually agreed as fair and reasonable.

Geely Holding has also recently entered into a sale and purchase agreement with Ford Motor Company to purchase Volvo Car Corporation, which manufactures of Volvo cars, a range of family sedans, wagons and sport utility cars, and has 2,500 dealerships in 100 markets (the "Volvo Acquisition"). We understand that the completion of the Volvo Acquisition is expected to take place in September 2010. We are not party to the Volvo Acquisition nor in any discussions with Geely Holding to cooperate with Geely Holding in relation to the Volvo Acquisition, but Geely Holding has provided an irrevocable undertaking to us on 27 March 2010 to the effect that upon being notified of any decision by the Company pursuant to a resolution approved by a majority of the independent non-executive Directors, Geely Holding will, and will procure its associates (other than the Group) to sell to the Group all or any part of the businesses and related assets of the Volvo Acquisition, and such transfer will be subject to the terms and conditions being fair and reasonable, and being in compliance with applicable requirements of the Listing Rules, other applicable laws and regulations and other necessary approvals and consents on terms to be mutually agreed.

AUDITORS

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Grant Thornton as the auditors of the Company.

On behalf of the Board

Li Shu Fu
Chairman
12 April 2010

Grant Thornton
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Member of Grant Thornton International Ltd

To the members of Geely Automobile Holdings Limited
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Geely Automobile Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 62 to 127, which comprise the consolidated balance sheet 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 CONSOLIDATED 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 disclosure requirements of 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 consolidated 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.

AUDITORS' 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, 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and true and fair presentation of the consolidated 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 consolidated 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 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 disclosure requirements of the Hong Kong Companies Ordinance.

Grant Thornton
Certified Public Accountants
6th Floor, Nexxus Building
41 Connaught Road Central
Hong Kong

12 April 2010

Consolidated Income Statement
for the year ended 31 December 2009

	Note	2009 RMB'000	2008 RMB'000
Turnover/Revenue	6	**14,069,225**	4,289,037
Cost of sales		**(11,528,489)**	(3,637,752)
Gross profit		**2,540,736**	651,285
Other income	8	**431,530**	357,512
Distribution and selling expenses		**(764,563)**	(219,807)
Administrative expenses		**(524,130)**	(282,536)
Finance costs	9	**(107,226)**	(60,952)
Loss on early redemption of convertible bonds	23	**(15,987)**	–
Fair value gain on embedded derivative components of convertible bonds		**–**	6,250
Gain on deemed disposal of interest in an associate	19	**5,245**	–
Excess of fair value of identifiable net assets acquired over cost	10	**–**	339,835
Share of results of associates	19	**(15,145)**	226,335
Impairment loss on interest in an associate		**–**	(100,000)
Profit before taxation		**1,550,460**	917,922
Taxation	11	**(231,432)**	(51,869)
Profit for the year	9	**1,319,028**	866,053
Attributable to:			
Equity holders of the Company		**1,182,740**	879,053
Minority interests		**136,288**	(13,000)
		1,319,028	866,053
Earnings per share			
Basic	13	**RMB17.1 cents**	RMB15.0 cents
Diluted	13	**RMB16.7 cents**	RMB14.3 cents

Note: Effective from 1 July 2008, the Company acquired additional interests of 44.19% in the PRC associated companies and therefore these PRC associated companies become subsidiaries of the Company. As a result, the comparative figures presented above only include the line by line results of these PRC subsidiaries from 1 July 2008 to 31 December 2008 and their results from 1 January 2008 to 30 June 2008 were included in shares of results of associates (note 19).

Consolidated Statement of Comprehensive Income
for the year ended 31 December 2009

	2009 RMB'000	2008 RMB'000
Profit for the year	**1,319,028**	866,053
Other comprehensive income:		
Exchange differences on translation of foreign operations recognised	**21,576**	(4,728)
Total comprehensive income for the year	**1,340,604**	861,325
Attributable to:		
Equity holders of the Company	**1,204,316**	874,325
Minority interests	**136,288**	(13,000)
	1,340,604	861,325

Consolidated Balance Sheet
as at 31 December 2009

	Note	2009 RMB'000	2008 RMB'000
Non-current assets			
Property, plant and equipment	15	**4,328,102**	3,289,276
Intangible assets	16	**1,069,679**	657,155
Goodwill	18	**6,222**	–
Interest in an associate	19	**7,302**	42,241
Prepaid land lease payments	17	**1,171,473**	1,051,745
		6,582,778	5,040,417
Current assets			
Prepaid land lease payments	17	**29,322**	26,611
Inventories	20	**640,504**	486,664
Trade and other receivables	21	**6,144,929**	2,840,255
Financial assets at fair value through profit or loss	22	**12,209**	10,461
Tax recoverable		**–**	3,205
Pledged bank deposits		**894,292**	853,948
Bank balances and cash		**4,498,155**	889,408
		12,219,411	5,110,552
Current liabilities			
Trade and other payables	24	**7,328,825**	4,229,631
Taxation		**69,329**	57,551
Convertible bonds – embedded derivatives	23	**–**	12,432
Bank borrowings, secured	25	**1,509,635**	685,589
Convertible bonds	23	**–**	288,267
		8,907,789	5,273,470
Net current assets (liabilities)		**3,311,622**	(162,918)
Total assets less current liabilities		**9,894,400**	4,877,499
CAPITAL AND RESERVES			
Share capital	27	**136,993**	122,542
Reserves	28	**6,238,620**	4,075,320
Equity attributable to equity holders of the Company		**6,375,613**	4,197,862
Minority interests		**720,907**	584,619
Total equity		**7,096,520**	4,782,481
Non-current liabilities			
Convertible bonds	23	**1,442,153**	–
Long-term bank borrowings, secured	25	**1,318,000**	87,000
Deferred taxation	26	**37,727**	8,018
		2,797,880	95,018
		9,894,400	4,877,499

The consolidated financial statements on pages 62 to 127 were approved and authorised for issue by the Board of Directors on 12 April 2010 and are signed on its behalf by:

Li Shu Fu
Director

Gui Sheng Yue
Director

Consolidated Statement of Changes in Equity
for the year ended 31 December 2009

	Attributable to equity holders of the Company										
	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Statutory and staff welfare reserve RMB'000	Translation reserve RMB'000	Share option reserve RMB'000	Convertible bonds reserve RMB'000	Accumulated profits RMB'000	Sub-total RMB'000	Minority interests RMB'000	Total RMB'000
At 1 January 2008	108,291	1,579,886	85,064	1,226	28,566	18,821	–	521,991	2,343,845	203,225	2,547,070
Change in functional currency	(8,430)	(55,566)	–	–	43,797	(945)	–	21,144	–	–	–
Transfers	–	–	–	26,001	–	–	–	(26,001)	–	–	–
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	384,098	384,098
Profit for the year	–	–	–	–	–	–	–	879,053	879,053	(13,000)	866,053
Other comprehensive income:											
Exchange differences on translation of foreign operations recognised	–	–	–	–	(4,728)	–	–	–	(4,728)	–	(4,728)
Total comprehensive income for the year	–	–	–	–	(4,728)	–	–	879,053	874,325	(13,000)	861,325
Transactions with owners:											
Recognition of share-based payments	–	–	–	–	–	26,909	–	–	26,909	–	26,909
Capital contribution from a minority shareholder	–	–	–	–	–	–	–	–	–	10,000	10,000
Issue of shares	22,681	986,607	–	–	–	–	–	–	1,009,288	–	1,009,288
Dividend paid	–	–	–	–	–	–	–	(59,500)	(59,500)	–	(59,500)
Deemed contribution from shareholders (Note)	–	–	2,995	–	–	–	–	–	2,995	296	3,291
Total transactions with owners	22,681	986,607	2,995	–	–	26,909	–	(59,500)	979,692	10,296	989,988
At 31 December 2008	122,542	2,510,927	88,059	27,227	67,635	44,785	–	1,336,687	4,197,862	584,619	4,782,481
Transfers	–	–	–	682	–	–	–	(682)	–	–	–
Utilisation of reserve	–	–	–	(6,775)	–	–	–	6,775	–	–	–
Issue of convertible bonds	–	–	–	–	–	–	232,864	–	232,864	–	232,864
Profit for the year	–	–	–	–	–	–	–	1,182,740	1,182,740	136,288	1,319,028
Other comprehensive income:											
Exchange differences on translation of foreign operations recognised	–	–	–	–	21,576	–	–	–	21,576	–	21,576
Total comprehensive income for the year	–	–	–	–	21,576	–	–	1,182,740	1,204,316	136,288	1,340,604
Transactions with owners:											
Shares issued under share option scheme	4,419	170,971	–	–	–	(13,220)	–	–	162,170	–	162,170
Recognition of share-based payments	–	–	–	–	–	7,337	–	–	7,337	–	7,337
Transfer upon expiration of share options	–	–	–	–	–	(3,824)	–	3,824	–	–	–
Transfer upon cancellation of share options	–	–	–	–	–	(4,071)	–	4,071	–	–	–
Issue of shares	10,032	652,408	–	–	–	–	–	–	662,440	–	662,440
Dividend paid	–	–	–	–	–	–	–	(91,376)	(91,376)	–	(91,376)
Total transactions with owners	14,451	823,379	–	–	–	(13,778)	–	(83,481)	740,571	–	740,571
At 31 December 2009	136,993	3,334,306	88,059	21,134	89,211	31,007	232,864	2,442,039	6,375,613	720,907	7,096,520

Note: Deemed contribution from shareholders mainly represented difference between the consideration paid/received and the fair value of net assets acquired/disposed of by the associates and subsidiaries of the Group from/to Zhejiang Geely Holding Group Company Limited and its subsidiaries (collectively referred to as "Zhejiang Geely Holding Group"). Zhejiang Geely Holding Group Company Limited is the Company's ultimate holding company.

Consolidated Cash Flow Statement
for the year ended 31 December 2009

	Note	2009 RMB'000	2008 RMB'000
Cash flows from operating activities			
Profit for the year before taxation		**1,550,460**	917,922
Adjustments for:			
Depreciation and amortisation		**364,598**	141,053
Interest income		**(73,845)**	(49,725)
Finance costs		**107,226**	60,952
Share of results of associates		**15,145**	(226,335)
Impairment loss on interest in an associate		**–**	100,000
Loss on disposal of property, plant and equipment		**7,419**	4,079
Intangible assets write off		**8,547**	–
Gain on disposal of prepaid land leases		**(8,754)**	–
Net exchange loss (gain)		**15,311**	(26,938)
Loss on early redemption of convertible bonds		**15,987**	–
Fair value gain on embedded derivative components of convertible bonds		**–**	(6,250)
Gain on deemed disposal of interest in an associate		**(5,245)**	–
Net gain on forward foreign exchange contracts not used for hedging		**–**	(1,655)
Net (gain) loss on investments held for trading		**(1,748)**	110
Share-based payment expense		**7,337**	26,909
Excess of fair value of identifiable net assets acquired over cost		**–**	(339,835)
Operating profit before working capital changes		**2,002,438**	600,287
Inventories		**(103,937)**	235,933
Trade and other receivables		**(2,665,932)**	458,876
Amount due to an associate		**–**	(122)
Trade and other payables		**1,921,369**	(753,790)
Cash from operations		**1,153,938**	541,184
Income taxes (paid) refunded		**(205,133)**	9,793
Net cash from operating activities		**948,805**	550,977
Cash flows from investing activities			
Purchase of property, plant and equipment		**(716,542)**	(459,763)
Proceeds from disposal of property, plant and equipment		**114,251**	20,197
Purchase of prepaid land lease payments		**(16,938)**	(11,567)
Proceeds from disposal of prepaid land lease payments		**29,803**	–
Purchase of intangible assets		**(395,870)**	(333,228)
Change in pledged bank deposits		**(40,344)**	(853,948)
Acquisition of businesses / subsidiaries	*37*	**(346,073)**	1,186,887
Investment in associates		**(8,078)**	(64,053)
Dividends received from associates		**–**	185,059
Proceeds from settlement of derivatives in respect of forward foreign exchange contracts		**–**	6,149
Interest received		**73,845**	49,725
Net cash used in investing activities		**(1,305,946)**	(274,542)

	2009 RMB'000	2008 RMB'000
Cash flows from financing activities		
Dividends paid	**(91,376)**	(59,500)
Proceeds from issuance of shares	**677,161**	–
Share issuance costs	**(14,721)**	–
Proceeds from issuance of shares upon exercise of share options	**162,170**	–
Issuance of convertible bonds	**1,669,363**	–
Redemption of convertible bonds	**(322,069)**	–
Capital contribution from a minority shareholder	**–**	10,000
Short-term bank borrowings, net, in respect of bank borrowings arising from discounted bills	**291,048**	(5,463)
Proceeds from borrowings	**2,650,354**	337,278
Repayment of borrowings	**(966,356)**	(386,180)
Interest paid	**(89,192)**	(44,846)
Net cash from (used in) financing activities	**3,966,382**	(148,711)
Increase in cash and cash equivalents	**3,609,241**	127,724
Cash and cash equivalents at beginning of year	**889,408**	761,684
Effect of foreign exchange rate changes	**(494)**	–
Cash and cash equivalents at end of year, represented by		
Bank balances and cash	**4,498,155**	889,408

1. GENERAL INFORMATION AND BASIS OF PREPARATION

The Company is a public listed limited liability company incorporated in the Cayman Islands as an exempted limited liability company and its shares are listed on The Stock Exchange of Hong Kong Limited (the "SEHK"). The addresses of the registered office and principal place of business of the Company are disclosed in "Directory" to the annual report. At 31 December 2009, the directors consider the ultimate holding company of the Company to be Zhejiang Geely Holding Group Company Limited (浙江吉利控股集團有限公司), which is incorporated in the People's Republic of China ("PRC").

The Company is an investment holding company. The principal activities of the Company's subsidiaries are set out in note 39 to the consolidated financial statements.

As set out in the Company's 2008 annual financial statements, the Company changed its functional currency from Hong Kong dollar to Renminbi with effect from 1 July 2008. The comparative figures for the year ended 31 December 2008 have also been restated to change the presentation currency to Renminbi accordingly.

2. STATEMENT OF COMPLIANCE

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs"), and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), and the disclosure requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the SEHK (the "Listing Rules"). A summary of the significant accounting policies adopted by the Group is set out in note 4 below.

In the current year, the Group has applied, for the first time, the following new standards, amendments and interpretations ("new HKFRSs") issued by the HKICPA that are applicable to the Group, which are effective for the Group's financial year beginning on 1 January 2009.

HKFRSs (Amendments)	Annual Improvements to HKFRSs 2008
HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Share-Based Payment – Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures About Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC) – Int 9 & HKAS 39 (Amendments)	Embedded Derivatives

Other than as noted below, the adoption of these new and revised HKFRSs did not change the Group's accounting policies as followed in the preparation of the Group's annual financial statements for the year ended 31 December 2008.

HKAS 1 (Revised) Presentation of Financial Statements

The adoption of HKAS 1 (Revised) makes certain changes to the format and titles of the primary financial statements and to the presentation of some items within these statements. It also gives rise to additional disclosures. The measurement and recognition of the Group's assets, liabilities, income and expenses is unchanged. However, some items that were recognised directly in equity are now recognised in other comprehensive income. HKAS 1 affects the presentation of owner changes in equity and introduces a "Statement of comprehensive income". Comparatives have been restated to conform with the revised standard. However, the changes to the comparatives have not affected the consolidated balance sheet at 1 January 2008 and accordingly this statement is not presented.

2. STATEMENT OF COMPLIANCE *(Continued)*

HKAS 27 Amendments – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate

The amendment requires the investor to recognise dividends from a subsidiary, jointly controlled entity or associate in profit or loss irrespective the distributions is out of the investee's pre-acquisition or post-acquisition reserves. In prior years, the Company recognised dividends out of pre-acquisition reserves as a recovery of its investment in the associates (i.e. a reduction of the cost of investment). Only dividends out of post-acquisition reserves were recognised as income in profit or loss.

Under the new accounting policy, if the dividend distribution is excessive, the investment would be tested for impairment according to the Company's accounting policy on impairment of non-financial assets.

The new accounting policy has been applied prospectively as required by the amendments to HKAS 27, and therefore no comparatives have been restated.

HKFRS 8 Operating Segments

The adoption of HKFRS 8 has not affected the identified and reportable operating segments for the Group. However, reported segment information is now based on internal management reporting information that is regularly reviewed by the chief operating decision maker. In the previous annual financial statements, segments were identified by reference to the dominant source and nature of the Group's risks and returns. The Group's internal management reporting information is not reported by segments because the Group is principally engaged in the manufacturing and trading of automobiles and automobile parts and related automobile components. Therefore the adoption of HKFRS 8 has no effect on the presentation and disclosure of financial statements.

Annual Improvements to HKFRSs 2008

In October 2008, the HKICPA issued its first Annual Improvements to HKFRSs which set out amendments to a number of HKFRSs. There are separate transitional provisions for each standard. The adoption of the annual improvements to HKFRSs 2008 has no material impact on the Company's financial statements.

3. EFFECTS OF APPLICATION OF HKFRSs NOT YET EFFECTIVE

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs 2009[1]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[3]
HKFRS 3 (Revised)	Business Combinations[2]
HKFRS 9	Financial Instruments[4]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[2]
HKAS 39 (Amendments)	Eligible Hedged Items[2]
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners[2]

1 Effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate
2 Effective for annual period beginning on or after 1 July 2009
3 Effective for annual period beginning on or after 1 January 2010
4 Effective for annual period beginning on or after 1 January 2013

3. EFFECTS OF APPLICATION OF HKFRSs NOT YET EFFECTIVE *(Continued)*

The HKICPA has issued *Improvements to Hong Kong Financial Reporting Standards 2009*. Most of the amendments become effective for annual periods beginning on or after 1 January 2010. The Group expects the amendment to HKAS 17 Leases to be relevant to the Group's accounting policies. Prior to the amendment, HKAS 17 generally required a lease of land to be classified as an operating lease. The amendment requires a lease of land to be classified as an operating or finance lease in accordance with the general principles in HKAS 17. The Group will need to reassess the classification of its unexpired leases of land at 1 January 2010 on the basis of information existing at the inception of those leases in accordance with the transitional provisions for the amendment. The amendment will apply retrospectively except where the necessary information is not available. In that situation, the leases will be assessed on the date when the amendment is adopted. The directors are currently assessing the possible impact of the amendment on the Group's results and financial position in the first year of application.

The application of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. The revised standard continues to apply the acquisition method to business combinations, with some significant changes, including all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the consolidated income statement. There is a choice on an acquisition by acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The Group will apply HKFRS 3 (Revised) prospectively to all business combinations from 1 January 2010.

HKAS 27 (Revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. It also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value and a gain or loss is recognised in profit or loss. The Group will apply HKAS 27 (Revised) prospectively to transactions with non-controlling interests from 1 January 2010.

HKFRS 9 addresses the classification and measurement of financial assets. The new standard reduces the number of measurement categories of financial assets and all financial assets will be measured at either amortised cost or fair value based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. Fair value gains and losses will be recognised in profit or loss except for those on certain equity investments which will be presented in other comprehensive income. The directors are currently assessing the possible impact of the new standard on the Group's results and financial position in the first year of application.

The directors of the Company anticipate that the application of other new and revised standards and interpretations but not yet effective will have no material impact on the results and the financial position of the Group.

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair values, as explained in the accounting policies set out below.

(a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries. A subsidiary is an entity in which the Company, directly or indirectly, has the power to govern the financial and operating policies so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of the subsidiaries to bring their accounting policies in line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

(b) Goodwill

Goodwill represents the excess of cost of a business combination or an investment in an associate over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities assumed as at the date of acquisition.

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment. In respect of associates, the carrying amount of goodwill is included in the carrying amount of the interest in the associate.

Any excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of a business combination or an investment in an associate is recognised immediately in the income statement. Any excess of the Group's interest in the attributable net carrying amount in the identifiable assets, liabilities and contingent liabilities in respect of the acquisition of additional interests in the subsidiary over the cost of the additional investment is recognised immediately in the income statement.

On disposal of a cash-generating unit or an associate, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Interests in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any identified impairment loss. When the Group's share of losses of an associate equals to or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

Where necessary, adjustments are made to the financial statements of associates to bring their accounting policies in conformity with those used by the Group.

(d) Intangible assets (other than goodwill)

Intangible assets acquired separately are recognised initially at cost. After initial recognition, intangible assets with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on straight-line basis over their estimated useful lives. The following useful lives are applied:

Capitalised development costs	5 to 10 years

Research and development costs

Costs associated with research activities are expensed in the income statement as they occur. Costs that are directly attributable to the development phase are recognised as intangible assets provided they meet the following recognition requirements:

(i) demonstration of technical feasibility of the prospective product for internal use or sale;

(ii) there is intention to complete the intangible asset and use or sell it;

(iii) the Group's ability to use or sell the intangible asset is demonstrated;

(iv) the intangible asset will generate probable economic benefits through internal use or sale;

(v) sufficient technical, financial and other resources are available for completion; and

(vi) the expenditure attributable to the intangible asset can be reliably measured

Direct costs include employee costs incurred on development along with an appropriate portion of relevant overheads. The costs of internally generated product developments are recognised as intangible assets. They are subject to the same subsequent measurement method as externally acquired intangible assets.

All other development costs are expensed as incurred.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and, where applicable, cost of conversion and other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the weighted average method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(f) Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in income statement in the period in which they arise, except for exchange difference arising on a monetary item that forms part of the Company's net investment in a foreign operation, in which case such exchange differences are recognised in other comprehensive income. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in income statement for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Company (i.e. Renminbi) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in a separate component of equity (the translation reserve). Such exchange differences are recognised in income statement in the period in which the foreign operation is disposed of.

(g) Financial instruments

Financial assets and financial liabilities are recognised on the consolidated balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in income statement.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Financial instruments *(Continued)*

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables) are initially recognised at fair value, and are subsequently measured at amortised cost using the effective interest method less any identified impairment losses. An impairment loss is recognised in income statement when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

Objective evidence of impairment of individual financial assets includes observable data that comes to the attention of the Group about one or more of the following loss events:

– Significant financial difficulty of the debtor;

– A breach of contract, such as a default or delinquency in interest or principal payments;

– It becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and

– Significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

Loss events in respect of a group of financial assets include observable data indicating that there is a measurable decrease in the estimated future cash flows from the group of financial assets. Such observable data includes but not limited to adverse changes in the payment status of debtors in the group and, national or local economic conditions that correlate with defaults on the assets in the group.

Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss has two subcategories, including financial assets held for trading and those designated as at financial assets at fair value through profit or loss on initial recognition.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or

- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as financial assets at fair value through profit or loss upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Financial instruments *(Continued)*

Financial assets at fair value through profit or loss (Continued)

- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as financial assets at fair value through profit or loss.

At each balance sheet date subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in the income statement in the period in which they arise. The net gain or loss recognised in the income statement includes any dividend or interest earned on the financial assets.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Other financial liabilities

Other financial liabilities (including bank borrowings and trade and other payables) are initially recognised at their fair values, and are subsequently measured at amortised cost, using the effective interest method.

Convertible bonds

In the case that the conversion options are not settled by the exchange of a fixed amount for fixed number of equity instrument, the issuer recognises the convertible bonds as liabilities with embedded derivatives. Derivatives embedded in the financial instrument are treated as separate derivatives when their economic risks and characteristics are not closely related to those of the host contract (the liability component) and the host contract is not carried at fair value through profit or loss. An embedded option-based derivative (such as a put, call, and conversion) is separated from its host contract on the basis of the stated terms of the option feature. At the date of issue, both the embedded derivatives and liability component are recognised at fair value.

Issue costs are apportioned between the liability component and the conversion option derivative of the convertible bonds based on their relative fair value at the date of issue. The portion relating to the conversion option derivative is charged directly to the income statement and the remaining portion is deducted from the liability component.

Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument. On initial recognition, the fair value of the liability component is determined using the prevailing market interest rate of similar non-convertible debts. The difference between the gross proceeds of the issue of the convertible bonds and the fair value assigned to the liability component, representing the conversion option for the holder to convert the bonds into equity, is included in equity (convertible bonds reserve).

The liability component is subsequently measured at amortised cost, using the effective interest method. The interest charged on the liability component is calculated by applying the original effective interest rate. The difference between this amount and the interest paid (if any) is added to the carrying amount of the liability component. In the case that the conversion options are not settled by the exchange of a fixed amount for fixed number of equity instrument, the embedded derivatives are subsequently measured at their fair values at each balance sheet date with changes in fair value recognised in income statement.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Financial instruments *(Continued)*

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised directly in equity, if any, is recognised in income statement.

For financial liabilities, they are removed from the Group's balance sheet when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid or payable is recognised in income statement.

(h) Property, plant and equipment

Property, plant and equipment, other than freehold land and construction in progress, are stated at cost less subsequent accumulated depreciation and accumulated impairment loss. Freehold land is stated at cost less any subsequent impairment losses, if any.

Depreciation is provided to write off the cost of items of property, plant and equipment (other than freehold land and construction in progress) over their estimated useful lives and after taking into account their estimated residual values, using the straight-line method.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is derecognised.

Property, plant and equipment, other than freehold land and construction in progress, are depreciated on a straight-line basis at the following useful lives:

Leasehold buildings	30 years
Buildings on freehold land	10 to 30 years
Plant and machinery	7 to 10 years
Leasehold improvements	Over the shorter of the lease terms and 3 years
Furniture and fixtures, office equipment and motor vehicles	5 to 10 years

Construction in progress is stated at cost less accumulated impairment losses. Cost includes all construction expenditure and other direct costs, including interest costs, attributable to such projects. Costs on completed construction works are transferred to the appropriate asset category. No depreciation is provided in respect of construction in progress until it is completed and available for use.

(i) Impairment

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

(j) Cash equivalents

For the purpose of consolidated cash flow statement, cash equivalents represent short-term highly liquid investments which are readily convertible into known amounts of cash which are subject to an insignificant risk of changes in value.

(k) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for goods sold in the normal course of businesses, net of discounts and related sales taxes.

Income from sales of automobiles and automobile parts and components is recognised when the products are delivered and title has been passed.

Claim income on defected materials purchased is recognised when the claim has been made to relevant suppliers.

Interest income from financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

(l) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) Taxation *(Continued)*

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to other comprehensive income or equity, in which case the deferred tax is also dealt with in other comprehensive income or equity.

(m) Equity-settled share-based transactions

For share options granted to employees, the fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share option reserve).

At each balance sheet date, the Group revises its estimates of the number of options that are expected to ultimately vest. The effect of the change in estimate, if any, is recognised in income statement with a corresponding adjustment to share option reserve.

At the time when the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to accumulated profits.

(n) Retirement benefit costs

Payments to the Group's Mandatory Provident Fund Scheme ("MPF Scheme") in Hong Kong, the state-managed retirement benefit scheme in the People's Republic of China and defined contribution superannuation funds in other overseas countries are charged as expenses as they fall due.

(o) Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rentals payable under operating leases are charged to income statement on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

(p) Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate. Government grants relating to the purchase of prepaid land leases and property, plant and equipment are included in non-current liabilities as deferred government grants and are recognised in the income statement on a straight line basis over the expected lives of the related assets.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(q) Related parties

A party is related to the Group if:

(i) directly, or indirectly through one or more intermediaries, the party controls, is controlled by, or is under common control with, the Group; or has an interest in the Group that gives it significant influence over the Group; or has joint control over the Group;

(ii) the party is an associate of the Group;

(iii) the party is a joint venture in which the Group is a venturer;

(iv) the party is a member of the key management personnel of the Group or its shareholders;

(v) the party is a close member of the family of any individual referred to in (i) or (iv);

(vi) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or

(vii) the party is a post-employment benefit plan for the benefit of employees of the Group, or any entity that is a related party of the Group.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

Fair value of derivatives and other financial instruments

As described in notes 23 and 36 to the consolidated financial statements, the valuation techniques applied by the external valuers for financial instruments not quoted in an active market have been agreed with the directors. The directors use their judgement to determine whether valuation techniques applied are appropriate to the circumstances of the Group.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Key sources of estimation uncertainty *(Continued)*

Allowance for bad and doubtful debts

The provisioning policy for bad and doubtful debts of the Group is based on the evaluation by management of the collectability of the trade and other receivables. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including assessing the current creditworthiness and the past collection history of each customer. If the financial conditions of these customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowance will be required.

Allowance for inventories

The Company's management reviews the condition of inventories, as stated in note 20 to the consolidated financial statements, at each balance sheet date, and makes allowance for inventories that are identified as obsolete, slow-moving or no longer recoverable or suitable for use in production. The Group carries out the inventory review on a product-by-product basis and makes allowances by reference to the latest market prices and current market conditions.

Impairment of long lived assets

If circumstances indicate that the net book value of a long lived asset may not be recoverable, the asset may be considered "impaired" and an impairment loss may be recognised in accordance with HKAS 36 "Impairment of Assets". The carrying amounts of long lived assets are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to the recoverable amount. The recoverable amount is the greater of the net selling price and the value in use. It is difficult to precisely estimate selling prices because quoted market prices for the Group's assets are not readily available. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant estimation relating to level of sales volume, selling prices and the amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of sales volume, selling prices and the amount of operating costs.

Depreciation

Property, plant and equipment is depreciated on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual value. The Group reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation expense to be recorded during any reporting period. The useful lives are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

Impairment of investments

The Company assesses annually and at interim reporting date if investment in an associate has suffered any impairment in accordance with HKAS 36. Details of the approach are stated in the respective accounting policies. The assessment requires an estimation of future cash flows, including expected dividends, from the assets and the selection of appropriate discount rates. Future changes in financial performance and position of these entities would affect the estimation of impairment loss and cause the adjustments of their carrying amounts.

6. TURNOVER/REVENUE

Turnover/revenue represents the consideration received and receivable from sales, net of discounts, returns and related sales taxes, of automobiles and automobile parts and components.

The Group's customer base is diversified and no customer with whom the transactions has exceeded 10% of the Group's revenue.

7. SEGMENTS

Segment information

No segment information has been presented for the years ended 31 December 2009 and 2008 as the Group is principally engaged in manufacturing and trading of automobiles and automobile parts and related automobile components which accounts for the total turnover and trading profits of the Group for the years. The Group uses consolidated profit before taxation as a measure of segment profit or loss. The Group's consolidated turnover represents the revenue from external customers as the Group has only one segment.

Geographical information

The following tables set out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's property, plant and equipment, intangible assets, interest in an associate, goodwill and prepaid land lease payments ("specified non-current assets"). The geographical location of customers is based on the location at which the services are provided or the goods are delivered. The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of property, plant and equipment and prepaid land lease payments, the location of the operation to which they are allocated, in the case of intangible assets and goodwill, and the location of operations, in the case of interest in an associate.

	2009	2008
	RMB'000	RMB'000
Revenue from external customers		
Hong Kong, place of domicile	**–**	–
PRC	**13,363,686**	3,475,915
Australia	**91,610**	–
Europe	**386,191**	456,540
Other countries	**227,738**	356,582
	14,069,225	4,289,037

	2009	2008
	RMB'000	RMB'000
Specified non-current assets		
Hong Kong, place of domicile	**103**	253
PRC	**6,173,867**	4,997,923
Australia	**401,506**	–
The United Kingdom	**7,302**	42,241
	6,582,778	5,040,417

8. OTHER INCOME

	2009 RMB'000	2008 RMB'000
Bank interest income	**73,845**	49,725
Net gain on financial instruments at fair value through profit or loss that are classified as held for trading (forward foreign exchange contracts not used for hedging)	**–**	1,655
Unrealised gain on financial instruments at fair value through profit or loss that are classified as held for trading (investments held for trading)	**1,748**	–
Rental income (note 1)	**15,422**	6,245
Net claims income on defected materials purchased	**43,217**	17,517
Gain on disposal of scrap materials	**50,442**	40,435
Gain on disposal of prepaid land leases	**8,754**	–
Net exchange gain	**–**	10,133
Subsidy income from government (note 2)	**216,080**	203,119
Sundry income	**22,022**	28,683
	431,530	357,512

Note:

1: Rental income net of outgoings for the year ended 31 December 2009 is RMB11,523,000 (2008: RMB4,692,000).

2: Subsidy income mainly relates to cash subsidies in respect of research and development activities from government which are either unconditional grants or grants with conditions having been satisfied.

9. PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging:

	2009 RMB'000	2008 RMB'000
Finance costs		
Effective interest expense on convertible bonds	**18,034**	16,106
Interest on bank borrowings wholly repayable within five years	**89,139**	44,846
Interest expenses paid to a related party	**53**	–
	107,226	60,952

	2009 RMB'000	2008 RMB'000
Staff costs (including directors' emoluments)		
Salaries, wages and other benefits	**520,001**	200,817
Retirement benefit scheme contributions	**36,064**	20,291
Recognition of share-based payments (included in administrative expenses)	**7,337**	26,909
	563,402	248,017

9. PROFIT FOR THE YEAR *(Continued)*

	2009 RMB'000	2008 RMB'000
Other items		
Cost of inventories recognised as expense	**11,528,489**	3,637,752
Auditors' remuneration	**2,745**	2,444
Depreciation	**283,796**	108,646
Amortisation of prepaid land lease payments	**26,551**	13,653
Amortisation of intangible assets	**54,251**	18,754
Net exchange loss	**2,272**	–
Intangible assets write off	**8,547**	–
Loss on disposal of property, plant and equipment	**7,419**	4,079
Operating leases charges on premises	**6,017**	5,054
Research and development costs	**65,380**	32,519
Unrealised loss on financial instruments at fair value through profit or loss that are classified as held for trading (investments held for trading)	**–**	110

10. EXCESS OF FAIR VALUE OF IDENTIFIABLE NET ASSETS ACQUIRED OVER COST

The amount represented excess of fair value of identifiable net assets acquired over cost in respect of acquisition of subsidiaries for the year ended 31 December 2008 (note 37).

11. TAXATION

	2009 RMB'000	2008 RMB'000
Current tax:		
PRC foreign enterprise income tax	**221,824**	18,716
Other overseas tax	**1,747**	–
Withholding tax	**–**	25,135
Overprovision in prior years	**(3,455)**	–
	220,116	43,851
Deferred taxation (note 26)	**11,316**	8,018
	231,432	51,869

Hong Kong profits tax has not been provided for the year as the companies within the Group had no estimated assessable profits in Hong Kong.

Pursuant to the relevant laws and regulations in the PRC, the Group's PRC subsidiary is entitled to an exemption from PRC foreign enterprise income tax for the two years starting from its first profit-making year, followed by a 50% reduction for the next three years. The income tax provision is calculated at the applicable tax rates on the estimated assessable profits for the year based on existing legislation, interpretations and practices in respect thereof.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

11. TAXATION *(Continued)*

The tax charge for the year can be reconciled from the profit before taxation per consolidated income statement as follows:

	2009 **RMB'000**	2008 RMB'000
Profit before taxation	**1,550,460**	917,922
Tax at the PRC foreign enterprise income tax rate of 25% (2008: 25%)	**387,615**	229,481
Tax effect of expenses not deductible in determining taxable profit	**27,399**	104,823
Tax effect of non-taxable income	**(19,830)**	(122,867)
Tax effect of unrecognised temporary differences	**–**	1,723
Tax effect of unrecognised tax losses	**12,011**	3,670
Utilisation of previously unrecognised tax losses	**(1,287)**	–
Tax effect of different tax rates of entities operating in other jurisdictions	**6,602**	5,397
Withholding tax on retained earnings distributed	**–**	25,135
Deferred tax charge on distributable profits withholding tax (note 26)	**24,263**	8,018
Effect of tax exemption granted to the PRC subsidiaries	**(201,886)**	(203,511)
Overprovision in prior years	**(3,455)**	–
Tax expense for the year	**231,432**	51,869

The applicable tax rate is the PRC foreign enterprise income tax rate of 25% (2008: 25%). On 16 March 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC. On 6 December 2007, the State Council issued Implementation Regulations of the New Law. The New Law and Implementation Regulations will change the tax rate from 33% to 25% from 1 January 2008. In respect of tax holidays, for those enterprises which have already started their tax holidays before 2008, they are able to enjoy the remaining tax holidays until expiry whereas for those enterprises which have not yet started their tax holidays before 2008, the tax holidays will be deemed to start from 1 January 2008 and they are able to enjoy the remaining tax holidays until expiry.

Pursuant to the New Law, the Group will be liable to withholding tax on dividends to be distributed from the Group's foreign-invested enterprises in the PRC in respect of its profits generated from 1 January 2008. Deferred tax liability of RMB24,263,000 (2008: RMB8,018,000) and current income tax of nil (2008: RMB25,135,000) were recognised for the distributable profits not yet paid out as dividends and dividends paid out from distributable profits respectively that are generated by the PRC subsidiaries of the Company during the year.

12. DIVIDENDS

A final dividend for the year ended 31 December 2008 of HK$0.016 per share amounting to approximately RMB91,376,000 were paid to the shareholders during the year.

A final dividend for the year ended 31 December 2009 of HK$0.023 per share amounting to approximately RMB148,166,000 has been proposed by the Board of Directors after the balance sheet date. The proposed dividend will be accounted for as an appropriation of accumulated profits in the year ending 31 December 2010 if it is approved by the shareholders in the forthcoming annual general meeting.

13. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of the basic earnings per share is based on the profit attributable to equity holders of the Company of RMB1,182,740,000 (2008: RMB879,053,000) and weighted average number of ordinary shares of 6,926,525,450 shares (2008: 5,845,419,450 shares), calculated as follows:

(i) Weighted average number of ordinary shares

	2009	2008
Issued ordinary shares at 1 January	**6,489,755,450**	5,201,083,450
Effect of new shares issued	**334,191,781**	644,336,000
Effect of shares issued upon exercise of share options	**102,578,219**	–
Weighted average number of ordinary shares at 31 December	**6,926,525,450**	5,845,419,450

(b) Diluted earnings per share

The calculation of diluted earnings per share for the year ended 31 December 2009 is based on the profit attributable to equity holders of the Company of RMB1,195,391,000 (2008: RMB888,909,000) and the weighted average number of ordinary shares of 7,175,028,650 shares (2008: 6,225,339,910 shares), calculated as follows:

(i) Profit attributable to equity holders of the Company (diluted)

	2009 RMB'000	2008 RMB'000
Earnings for the purpose of basic earnings per share (Profit attributable to equity holders)	**1,182,740**	879,053
After tax effect of effective interest on the liability component of convertible bonds	**12,651**	16,106
After tax effect of fair value gain on the derivative embedded in convertible bonds	**–**	(6,250)
Earnings for the purpose of diluted earnings per share	**1,195,391**	888,909

(ii) Weighted average number of ordinary shares (diluted)

	2009	2008
Weighted average number of ordinary shares for the purpose of basic earnings per share	**6,926,525,450**	5,845,419,450
Effect of deemed conversion of convertible bonds	**136,770,274**	365,413,793
Effect of deemed exercise of warrants	**17,259,926**	–
Effect of deemed issue of shares under the Company's share option scheme	**94,473,000**	14,506,667
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**7,175,028,650**	6,225,339,910

The effect of deemed conversion of convertible bonds redeemed during the year is anti-dilutive up to the date of redemption for the year ended 31 December 2009.

14. DIRECTORS' REMUNERATION AND EMPLOYEES' EMOLUMENTS

(a) Directors' remuneration

The emoluments paid or payable to each of the twelve (2008: twelve) directors are as follows:

2009

Name of director	Fees RMB'000	Salaries RMB'000	Rental allowance RMB'000	Contribution to retirement benefit scheme RMB'000	Sub-total RMB'000	Share based payment (Note) RMB'000	Total RMB'000
Mr. Gui Sheng Yue	–	1,332	151	11	1,494	290	1,784
Mr. Ang Siu Lun, Lawrence	–	1,332	–	11	1,343	218	1,561
Mr. Zhao Jie	–	647	–	11	658	218	876
Dr. Zhao Fuquan	9	–	–	–	9	399	408
Mr. Li Shu Fu	–	370	–	11	381	–	381
Mr. Lee Cheuk Yin, Dannis	106	–	–	–	106	54	160
Mr. Yeung Sau Hung, Alex	106	–	–	–	106	54	160
Mr. Song Lin	106	–	–	–	106	54	160
Mr. Liu Jin Liang	9	–	–	–	9	218	227
Mr. Xu Gang	9	–	–	–	9	–	9
Mr. Yang Jian	9	–	–	–	9	290	299
Mr. Yin Da Qing, Richard	9	–	–	–	9	254	263
	363	3,681	151	44	4,239	2,049	6,288

2008

Name of director	Fees RMB'000	Salaries RMB'000	Rental allowance RMB'000	Contribution to retirement benefit scheme RMB'000	Sub-total RMB'000	Share based payment (Note) RMB'000	Total RMB'000
Mr. Gui Sheng Yue	–	1,373	158	11	1,542	966	2,508
Mr. Ang Siu Lun, Lawrence	–	1,509	–	11	1,520	725	2,245
Mr. Zhao Jie	–	667	–	11	678	725	1,403
Dr. Zhao Fuquan	9	–	–	–	9	1,329	1,338
Mr. Li Shu Fu	–	343	–	10	353	–	353
Mr. Lee Cheuk Yin, Dannis	106	–	–	–	106	181	287
Mr. Yeung Sau Hung, Alex	106	–	–	–	106	181	287
Mr. Song Lin	106	–	–	–	106	181	287
Mr. Liu Jin Liang	9	–	–	–	9	725	734
Mr. Xu Gang	9	–	–	–	9	–	9
Mr. Yang Jian	9	–	–	–	9	966	975
Mr. Yin Da Qing, Richard	9	–	–	–	9	846	855
	363	3,892	158	43	4,456	6,825	11,281

No director waived any emoluments during the years ended 31 December 2009 and 2008.

14. DIRECTORS' REMUNERATION AND EMPLOYEES' EMOLUMENTS *(Continued)*

(a) Directors' remuneration *(Continued)*

Note: These represent the estimated value of share options granted to the directors under the Company's share option scheme. The value of these share options is measured according to the Group's accounting policies for share-based payment transactions as set out in note 4(m) and, in accordance with that policy, includes adjustments to reverse amounts accrued in previous years where grants of equity instruments are forfeited prior to vesting.

The details of these benefits in kind, including the principal terms and number of options granted, are disclosed under the paragraph "Share Options" in the directors' report and in note 32 to the consolidated financial statements.

(b) Employees' emoluments

Of the five individuals with the highest emoluments in the Group, two (2008: three) were directors of the Company whose emoluments are included in the disclosures in note 14(a) above. The emoluments of the remaining individuals for the year ended 31 December 2009 are as follows:

	2009	2008
	RMB'000	RMB'000
Basic salaries and allowances	**3,883**	2,359
Retirement benefits scheme contributions	**186**	18
Share-based payment expense	**109**	1,120
	4,178	3,497

Their emoluments were all (2008: all) within HK$1,000,000 to HK$2,000,000.

15. PROPERTY, PLANT AND EQUIPMENT

	Construction in progress RMB'000	Freehold land and buildings RMB'000	Leasehold buildings RMB'000	Plant and machinery RMB'000	Leasehold improvements RMB'000	Furniture and fixtures, office equipment and motor vehicles RMB'000	Total RMB'000
COST							
At 1 January 2008	6,878	–	–	22,702	3,038	3,349	35,967
Acquisition of subsidiaries	305,724	–	1,319,459	1,529,049	–	116,933	3,271,165
Additions	516,026	–	19,443	29,615	548	25,515	591,147
Transfer	(363,379)	–	127,631	233,085	–	2,663	–
Disposals	–	–	(19,460)	(9,753)	–	(1,686)	(30,899)
At 31 December 2008	465,249	–	1,447,073	1,804,698	3,586	146,774	3,867,380
Acquisition of subsidiaries/businesses	227,969	61,901	63,325	193,365	–	6,480	553,040
Exchange differences	8,591	8,577	–	22,758	–	321	40,247
Additions	442,867	142	28,408	352,832	423	41,337	866,009
Transfer	(560,800)	–	230,346	305,917	15,394	9,143	–
Disposals	(57,966)	–	(10,556)	(56,034)	–	(5,767)	(130,323)
At 31 December 2009	**525,910**	**70,620**	**1,758,596**	**2,623,536**	**19,403**	**198,288**	**5,196,353**
DEPRECIATION							
At 1 January 2008	–	–	–	3,679	540	791	5,010
Acquisition of subsidiaries	–	–	93,502	337,418	–	40,151	471,071
Charge for the year	–	–	20,798	75,505	749	11,594	108,646
Disposals	–	–	(717)	(4,870)	–	(1,036)	(6,623)
At 31 December 2008	–	–	113,583	411,732	1,289	51,500	578,104
Acquisition of subsidiaries/businesses	–	–	4,592	9,367	–	1,045	15,004
Charge for the year	–	1,853	46,395	207,242	1,689	26,617	283,796
Disposals	–	–	(1,161)	(5,232)	–	(2,260)	(8,653)
At 31 December 2009	**–**	**1,853**	**163,409**	**623,109**	**2,978**	**76,902**	**868,251**
NET BOOK VALUE							
At 31 December 2009	**525,910**	**68,767**	**1,595,187**	**2,000,427**	**16,425**	**121,386**	**4,328,102**
At 31 December 2008	465,249	–	1,333,490	1,392,966	2,297	95,274	3,289,276

The Group's freehold land is located outside Hong Kong.

16. INTANGIBLE ASSETS

	Capitalised development cost RMB'000
COST	
At 1 January 2008	–
Acquisition of subsidiaries	342,681
Additions	333,228
At 31 December 2008	675,909
Acquisition of subsidiaries/businesses	62,065
Exchange differences	1,867
Additions	416,072
Write off	(8,547)
At 31 December 2009	**1,147,366**
AMORTISATION	
At 1 January 2008	–
Charge for the year	18,754
At 31 December 2008	18,754
Acquisition of subsidiaries/businesses	4,682
Charge for the year	54,251
At 31 December 2009	**77,687**
NET BOOK VALUE	
At 31 December 2009	**1,069,679**
At 31 December 2008	657,155

The amortisation charge for the year is included in administrative expenses in the consolidated income statement.

During the year, the Group carried out a review of the recoverable amount of its intangible assets based on their value in use, having regard to its ongoing programme of product development and research and development activities. The review led to the recognition of a write off of RMB8,547,000 (note 9) which is included in administrative expenses. The discount rate used in measuring value in use was 6% per annum.

17. PREPAID LAND LEASE PAYMENTS

	2009 RMB'000	2008 RMB'000
The Group's prepaid land lease payments comprise:		
Outside Hong Kong, held on:		
– Leases of between 10 to 50 years	**1,200,795**	1,078,356
Analysed for reporting purposes as:		
Current assets	**29,322**	26,611
Non-current assets	**1,171,473**	1,051,745
	1,200,795	1,078,356
Opening net carrying amount	**1,078,356**	–
Additions	**16,898**	25,627
Acquisition of businesses/subsidiaries	**153,141**	1,066,382
Disposals	**(21,049)**	–
Annual charges of prepaid land lease payments	**(26,551)**	(13,653)
Closing net carrying amount	**1,200,795**	1,078,356

18. GOODWILL

	2009 RMB'000	2008 RMB'000
Carrying amount		
Arising on acquisition of subsidiaries (note 37)	**6,222**	–

The recoverable amount of goodwill was determined based on value-in-use calculations, which is based on an annual cash flow budget plan covering a five-year period with a long-term average growth rate of 15% per annum for the operation. A discount factor of 6% per annum was applied in the value in use model. The key assumptions include stable profit margins, which have been determined based on the expectations for market share after taking into consideration current economic environment and market forecast. The directors believe that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the carrying amount of the unit to exceed the aggregate recoverable amount.

19. INTEREST IN AN ASSOCIATE

	2009 RMB'000	2008 RMB'000
Share of net assets	**89,120**	124,059
Goodwill	**18,182**	18,182
Impairment loss recognised	**(100,000)**	(100,000)
	7,302	42,241
Represented by:		
Cost of investment in an associate		
Listed overseas	**197,788**	189,710
Share of post-acquisition losses and reserves	**(90,486)**	(47,469)
Impairment loss recognised	**(100,000)**	(100,000)
	7,302	42,241
Fair value of listed investments	**69,595**	38,049
Movement of interest in associates:		
Opening carrying amount	**42,241**	2,040,437
Dividends received	**–**	(181,641)
Share of results	**(15,145)**	226,335
Investment in associates	**8,078**	64,053
Exchange difference	**(33,117)**	(4,728)
Acquisition of subsidiaries	**–**	(2,002,215)
Gain on deemed disposal of interest in an associate	**5,245**	–
Impairment loss recognised	**–**	(100,000)
Closing carrying amount	**7,302**	42,241

Having considered the significant drop in the market value of the shares in Manganese Bronze Holdings plc ("MBH") and the projected future profitability and cash flows of MBH, the Company has recognised an impairment loss of RMB100,000,000 for the year ended 31 December 2008. Despite the substantial increase in fair value, MBH continues to make loss for the year and in view of prudence, the impairment made in previous year is not reversed.

During the year, the Group and other parties subscribed for additional shares in the associate. Therefore, the Group's interest in the associate decreases from 22.69% to 19.97% and hence a gain on deemed disposal amounting to RMB5,245,000 was recognised. The Group retains significant influence over the associate through representation on the board.

19. INTEREST IN AN ASSOCIATE *(Continued)*

At 31 December 2009, the Group had interest in the following associate:

Name of company	Place of establishments and operations	Paid-up capital	Attributable equity interest indirectly held by the Group	Principal activities
Manganese Bronze Holdings plc	United Kingdom	£7,617,482	19.97%	UK-based speciality automotive and taxi services group

The summarised financial information in respect of the Group's associates is set out below:

	2009 RMB'000	2008 RMB'000
Total assets	**757,721**	979,941
Total liabilities	**(320,856)**	(433,851)
Net assets	**436,865**	546,090
Group's share of net assets of associates	**89,120**	124,059
Revenue	**781,797**	6,808,982
(Loss) Profit for the year attributable to equity holders of the associates	**(76,646)**	396,805
Group's share of results of associates for the year	**(15,145)**	226,335

The above summarised financial information in respect of income statement items for the year ended 31 December 2008 included results of those PRC associates from 1 January 2008 to 30 June 2008 when they became subsidiaries effective from 1 July 2008.

20. INVENTORIES

	2009 RMB'000	2008 RMB'000
At costs:		
Raw materials	**272,498**	213,680
Work in progress	**111,571**	87,265
Finished goods	**256,435**	185,719
	640,504	486,664

21. TRADE AND OTHER RECEIVABLES

	Note	2009 RMB'000	2008 RMB'000
Trade and notes receivables			
Trade receivables			
– From third parties		**558,769**	263,681
– From related companies controlled by the substantial shareholder of the Company		**179,686**	391,839
	(a)	**738,455**	655,520
Notes receivable	(b)	**4,432,019**	1,196,694
		5,170,474	1,852,214
Deposit, prepayment and other receivables			
Deposit, prepayment and other receivables			
– Advance payment to suppliers		**380,843**	56,139
– Deposits paid for acquisition of property, plant and equipment		**294,974**	300,628
– Utility deposits and other receivables		**275,403**	126,849
		951,220	483,616
Amounts due from related parties	(c)	**23,235**	504,425
		6,144,929	2,840,255

(a) Trade receivables

The Group allows a credit period of 30 days to 90 days to its local PRC trade customers. For overseas trade customers, the Group may allow a credit period of over 1 year. The following is an aged analysis of the trade receivables at the balance sheet dates:

	2009 RMB'000	2008 RMB'000
0 – 60 days	**419,146**	535,295
61 – 90 days	**59,751**	84,684
Over 90 days	**259,558**	35,541
	738,455	655,520

Included in the Group's trade receivables balance are debtors with a carrying amount of RMB96,158,000 (2008: RMB35,541,000) which are past due at the balance sheet date for which the Group has not provided for impairment loss. The age of these past due but not impaired debtors are between 90 days to 365 days. The Group does not hold any collateral over these balances. No material impairment has been made to the trade receivables balance. For those receivables that are neither past due nor impaired are mainly due from large corporations which the Group have long trading history and therefore these debtors are considered to have good credit quality.

21. TRADE AND OTHER RECEIVABLES *(Continued)*

(b) Notes receivable

All notes receivable are denominated in Renminbi and are primarily notes received from third parties for the year ended 31 December 2009 and 2008 respectively for settlement of trade receivable balances. At 31 December 2009 and 2008, all notes receivables were guaranteed by established banks in the PRC and have maturities of six months or less from 31 December.

During the year, the Group has discounted notes receivable to banks in exchange for cash with recourse in the ordinary course of business. The Group continues to recognise the full carrying amount of notes receivable and has recognised the cash received as secured short-term bank borrowings, which is wholly repayable within one year, as reported in the consolidated balance sheet. At the balance sheet date, the carrying amount of discounted notes receivable and the associated financial liabilities was RMB305,281,000 (2008: RMB14,233,000). The effective interest rate for the short-term bank borrowings on discounting notes receivable is approximately 2.5% (2008: 2.5%) per annum. In addition, the Group has pledged notes receivable of RMB239,033,000 (2008: RMB101,217,000) to banks to secure the Group's notes payable.

(c) Amounts due from related parties

Amounts due from related parties namely represent deposits paid for purchases of raw materials from entities controlled by the substantial shareholder of the Company. The amounts due are unsecured and interest-free.

Except for trade receivable amounting to RMB163,400,000 (2008: nil) which is expected to be recovered after 1 year from the balance sheet date, all other trade and other receivables are expected to be recovered or recognised as expense within 1 year.

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2009 **RMB'000**	2008 RMB'000
Listed investments:		
– Equity securities listed outside Hong Kong	**12,209**	10,461

The fair value of the listed investments is based on the quoted market price available.

23. CONVERTIBLE BONDS

All the convertible bonds outstanding at 1 January 2009 have been early redeemed at HK$365,988,000 (approximately RMB322,069,000) by the bondholders during the year. The loss on early redemption which represented the difference between the redemption amount and the total carrying amounts of liability component and embedded derivatives amounting to RMB15,987,000 has been recognised in the income statement. Details of the terms of these convertible bonds redeemed are set out in the Company's annual report for the year ended 31 December 2008.

On 22 September 2009, the Company entered into an agreement ("Subscription Agreement") pursuant to which certain investors ("Investors") have agreed to subscribe for convertible bonds and warrants (collectively, the "Instruments") of the Company. The Subscription Agreement was subsequently supplemented by agreements in which the Company and Investors agreed the redenomination of the Instruments from Hong Kong dollar to Renminbi. The Company currently has outstanding convertible bonds of RMB1,671 million (approximately HK$1,897 million) 3% coupon convertible bonds due 2014 ("CB 2014") and none of the convertible bonds has been converted since the issue date of 11 November 2009.

The CB 2014 are convertible into fully paid ordinary shares of HK$0.02 each of the Company at an initial conversion price of RMB1.67 (equivalent to HK$1.90) per share, subject to adjustment in certain events.

23. CONVERTIBLE BONDS *(Continued)*

Redemption

The bondholders of CB 2014 have the option to require the Company to redeem any outstanding bonds held by them at any time on the third anniversary of the issue of the bonds and on each date falling at intervals of 6 months thereafter until the maturity date of the bonds.

Unless previously converted or redeemed, the CB 2014 will be redeemed at 100% of their outstanding principal amount on 11 November 2014.

The CB 2014 contains a liability component and a conversion option which is included in the equity of the Company.

The movements of the convertible bonds for the year are set out below:

	2009 RMB'000	2008 RMB'000
Liability component		
Carrying amount brought forward	**288,267**	296,903
Exchange adjustments	**–**	(24,742)
Issued during the year	**1,436,499**	–
Accrued effective interest charges	**18,034**	16,106
Redeemed during the year	**(293,650)**	–
	1,449,150	288,267
Fair value of embedded derivative in respect of the put option and conversion option		
Carrying amount brought forward	**37,770**	54,508
Exchange adjustments	**–**	(4,542)
Changes in fair value	**–**	(12,196)
Eliminated upon redemption	**(37,770)**	–
	–	37,770
Less: Fair value of embedded derivative in respect of the call option		
Carrying amount brought forward	**25,338**	35,826
Exchange adjustments	**–**	(2,986)
Changes in fair value	**–**	(7,502)
Eliminated upon redemption	**(25,338)**	–
	–	25,338
	–	12,432
Liability component is represented by:		
Convertible bonds	**1,442,153**	288,267
Accrued interests included in trade and other payables	**6,997**	–
	1,449,150	288,267

23. CONVERTIBLE BONDS *(Continued)*

The principal amount outstanding at 31 December 2009 is RMB1,671 million (2008: RMB280 million).

CB 2014 contains two components, liability and equity elements. The equity element is presented in equity as convertible bonds reserve. The effective interest rate of liability component on initial recognition is 6.582% per annum. The redemption option of CB 2014 is included in liability component and not separately recognised. The liability component is measured at amortised cost.

24. TRADE AND OTHER PAYABLES

	Note	2009 RMB'000	2008 RMB'000
Trade and notes payables			
Trade payables			
– To third parties		**1,600,761**	603,723
– To related parties controlled by the substantial shareholder of the Company		**901,450**	569,099
	(a)	**2,502,211**	1,172,822
Notes payable			
– To third parties		**1,734,565**	1,759,234
– To related parties controlled by the substantial shareholder of the Company		**–**	75,000
	(b)	**1,734,565**	1,834,234
		4,236,776	3,007,056
Other payables			
Accrued charges and other creditors			
– Receipts in advance from customers		**1,460,015**	499,044
– Deferred income related to government grants which conditions have not yet been satisfied		**453,976**	60,200
– Payables for acquisition of property, plant and equipment		**280,851**	131,384
– Accrued staff salaries and benefits		**120,313**	62,579
– Business and other taxes		**95,410**	3,619
– Other accrued charges		**507,529**	396,737
		2,918,094	1,153,563
Amounts due to related parties	(c)	**902**	69,012
Loan from a related company	(d)	**3,053**	–
Amount due to ultimate holding company	(e)	**170,000**	–
		3,092,049	1,222,575
		7,328,825	4,229,631

24. TRADE AND OTHER PAYABLES *(Continued)*

(a) Trade payables

The following is an aged analysis of trade payables at the balance sheet dates:

	2009	2008
	RMB'000	RMB'000
0 – 60 days	**2,191,688**	1,113,253
61 – 90 days	**211,281**	16,419
Over 90 days	**99,242**	43,150
	2,502,211	1,172,822

(b) Notes payable

At 31 December 2009 and 2008, all notes payable have maturities of less than 1 year.

(c) Amounts due to related parties

The amounts due to related parties controlled by the substantial shareholder of the Company are unsecured, interest-free and have no fixed repayment terms.

(d) Loan from a related company

Loan from a related company controlled by the substantial shareholder of the Company is unsecured, interest bearing at 5.31% per annum and repayable within one year.

(e) Amount due to ultimate holding company

The amount due to ultimate holding company is unsecured, interest-free and has no fixed repayment terms.

25. BANK BORROWINGS

		2009	2008
	Note	**RMB'000**	RMB'000
Bank loans secured by the Group's assets	(a)	**1,220,000**	323,373
Bank loans guaranteed by the ultimate holding company	(b)	**1,037,000**	225,000
Other bank loans	(c)	**522,881**	140,000
Collateralised borrowings, secured	(d)	**47,754**	84,216
		2,827,635	772,589

25. BANK BORROWINGS *(Continued)*

At the balance sheet date, the Group's bank borrowings were repayable as follows:

	2009 RMB'000	2008 RMB'000
On demand or within one year	**1,509,635**	685,589
In the second year	**485,000**	87,000
In the third to fifth year	**833,000**	–
	2,827,635	772,589
Less: amounts due within one year shown under current liabilities	**(1,509,635)**	(685,589)
	1,318,000	87,000

Note:

(a) These bank loans, together with notes payable, are secured by the Group's property, plant and equipment of RMB1,060,658,000 (2008: RMB911,768,000), prepaid land lease payments of RMB533,994,000 (2008: RMB472,605,000), notes receivable of RMB305,281,000 (2008: RMB14,233,000) (note 21(b)), inventories of nil (2008: RMB15,417,000) and bank deposits of RMB894,292,000 (2008: RMB800,055,000) and carry interest at 5.04% to 5.40% (2008: 2.5% to 7.47%) per annum.

(b) These bank loans are guaranteed by the Company's ultimate holding Company and carry interest at 4.05% to 5.40% (2008: 6.03% to 7.84%) per annum.

(c) Other bank loans represent bank loans obtained by a subsidiary of the Company which are guaranteed by its fellow subsidiary within the Group and carry interest at 1.83% to 5.40% (2008: 5.31% to 7.47%) per annum.

(d) Collateralised borrowings are secured by bank deposits of nil (2008: RMB53,893,000) and trade receivables of RMB68,220,000 (2008: RMB184,663,000). Collateralised borrowings carry interest at 2% (2008: 4.78%) per annum.

Of the above total bank borrowings, approximately RMB1,079,881,000 (2008: RMB365,449,000) and RMB1,747,754,000 (2008: RMB407,140,000) are fixed-rate bank borrowings and variable-rate bank borrowings respectively.

26. DEFERRED TAXATION

The following is the deferred taxation recognised and movements thereon during the year:

	2009 RMB'000	2008 RMB'000
At 1 January	**8,018**	–
Acquisition of subsidiaries/businesses	**16,155**	–
Exchange differences	**2,238**	–
Charge to the income statement (note 11)	**11,316**	8,018
At 31 December	**37,727**	8,018

26. DEFERRED TAXATION *(Continued)*

Deferred tax assets

	Provisions RMB'000
At 1 January 2009	–
Acquisition of subsidiaries/businesses	14,536
Exchange differences	2,013
Charge to the income statement	(2,290)
At 31 December 2009	14,259

The deferred tax assets have been offset against certain deferred tax liabilities on the balance sheet as they are related to the same group entity.

Deferred tax liabilities

	Undistributed profit of subsidiaries RMB'000	**Accelerated tax depreciation** RMB'000	**Total** RMB'000
At 1 January 2008	–	–	–
Charge to the income statement	8,018	–	8,018
At 1 January 2009	8,018	–	8,018
Acquisition of subsidiaries/businesses	–	30,691	30,691
Exchange difference	–	4,251	4,251
Charge (Credit) to the income statement	24,263	(15,237)	9,026
At 31 December 2009	32,281	19,705	51,986

Under the New Law of the PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has been provided for in the consolidated financial statements in respect of temporary differences attributable to the profits earned by the PRC subsidiaries based on the expected dividends payout ratio of these PRC subsidiaries. The unrecognised temporary differences attributable to the profits earned by the PRC subsidiaries amounting to approximately RMB1,301 million (2008: RMB330 million).

At the balance sheet date, the Group has unused tax losses of approximately RMB84 million (2008: RMB41 million) available for offset against future profits that may be carried forward for 5 years from the year of incurring the loss. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams.

27. SHARE CAPITAL

	Number of shares	Nominal value RMB'000
Authorised:		
Ordinary shares of HK$0.02 each		
At 31 December 2008 and 31 December 2009	12,000,000,000	246,720
Issued and fully paid:		
Ordinary shares of HK$0.02 each		
At 1 January 2008	5,201,083,450	108,291
Change in functional currency	–	(8,430)
Issue of shares for acquisition of subsidiaries	1,288,672,000	22,681
At 31 December 2008 and 1 January 2009	6,489,755,450	122,542
Issue of shares for cash	570,000,000	10,032
Shares issued under share option scheme	251,100,000	4,419
At 31 December 2009	7,310,855,450	136,993

During the year, the Company issued 570,000,000 ordinary shares of HK$0.02 each at a subscription price of HK$1.35 per share for cash to provide for additional working capital of the Group and to finance the existing and future acquisitions. These shares rank pari passu with the existing shares in all respects.

During the year, options were exercised to subscribe for 251,100,000 ordinary shares in the Company at a consideration of approximately RMB162,170,000 of which approximately RMB4,419,000 was credited to share capital and the balance of RMB157,751,000 was credited to the share premium account. RMB13,220,000 has been transferred from the share option reserve to the share premium account in accordance with the accounting policy set out in note 4(m).

28. RESERVES

(a) Share premium

Share premium represents the excess of the net proceeds from issuance of the Company's shares over its par value.

(b) Statutory and staff welfare reserve

As stipulated by the relevant laws and regulations for foreign-invested enterprises in the PRC, the Company's subsidiaries incorporated in the PRC are required to maintain certain statutory reserves.

In addition, the directors of the Company's subsidiaries in the PRC have the discretion to maintain a reserve for staff welfare and bonus utilisation in accordance with the articles of the PRC entities.

(c) Capital reserve

Capital reserve represents differences between the consideration paid/received and the fair value of net assets acquired/disposed of by the associates of the Group from/to Zhejiang Geely Holding Group.

(d) Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in note 4(f).

(e) Share option reserve

Share option reserve represents the fair value of share options granted to employees recognised and is dealt with in accordance with the accounting policy set out in note 4(m).

(f) Convertible bonds reserve

Convertible bonds reserve represents the amount allocated to the unexercised equity component of convertible bonds issued by the Company recognised in accordance with the accounting policy adopted for convertible bonds in note 4(g).

(g) Reserves of the Company

At 31 December 2009, the aggregate amount of reserves available for distribution to equity shareholders of the Company was RMB2,705,855,000 (2008: RMB2,039,668,000).

The consolidated profit attributable to equity shareholders of the Company includes a loss of RMB73,711,000 (2008: RMB154,988,000) which has been dealt with in the financial statements of the Company.

29. MAJOR NON-CASH TRANSACTION

During the year ended 31 December 2009, the Group acquired certain property, plant and equipment, prepaid land lease and intangible assets, of which RMB280,851,000 (2008: RMB131,384,000), RMB14,020,000 (2008: RMB14,060,000) and RMB20,202,000 (2008: nil) respectively have not yet been settled as at the balance sheet date.

30. COMMITMENTS

Capital expenditure commitments

During the year ended 31 December 2009, the Group entered into agreements to acquire 100% interests in Jinan Geely Automobile Company Limited from Zhejiang Geely Holding Group at a consideration of RMB180 million to be satisfied fully by cash. As at the balance sheet date, the acquisition has not yet been completed (note 37). In addition, capital commitments contracted for but not provided for, net of deposits paid, in respect of property, plant and machinery and intangible assets outstanding as at 31 December 2009 amounted to RMB845,790,000 (2008: RMB677,203,000) and RMB6,150,000 (2008: RMB13,947,000) respectively.

Operating lease commitments

At the balance sheet date, the Group had commitments for future minimum lease payments in respect of office and factory premises and other assets under non-cancellable operating leases which fall due as follows:

	2009 RMB'000	2008 RMB'000
Office and factory premises		
Within one year	**6,620**	3,245
In the second to fifth year inclusive	**11,091**	2,600
After five years	**5,850**	6,500
	23,561	12,345
Other assets		
Within one year	**1,838**	–
In the second to fifth year inclusive	**1,330**	–
	3,168	–
	26,729	12,345

Leases are negotiated and rental are fixed for an average term of four (2008: two) years.

31. RETIREMENT BENEFITS SCHEME

The Group participates in MPF Scheme established under the Mandatory Provident Fund Ordinance in December 2000. The assets of the scheme are held separately from those of the Group in funds under the control of trustees.

For members of the MPF Scheme, the Group contributes 5% of relevant payroll costs to the scheme which is matched by the employee. Both the employer's and the employees' contributions are subject to a maximum of monthly earnings of HK$20,000 per employee.

The employees of the Company's subsidiary in the PRC are members of a state-managed retirement benefit scheme operated by the government of the PRC. The subsidiary is required to contribute 17% of the employee's basic salary to the retirement benefit scheme to fund the benefit. The only obligation of the Group in respect of the retirement benefit scheme is to make the specified contributions.

Contributions are made by the Company's subsidiary in other overseas countries to defined contribution superannuation funds in accordance with the relevant laws and regulations in these countries.

For the year ended 31 December 2009, the aggregate employer's contributions made by the Group and charged to the income statement are RMB36,064,000 (2008: RMB20,291,000).

32. SHARE-BASED PAYMENT TRANSACTIONS

Equity-settled share option scheme

Pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 31 May 2002, a share option scheme (the "Scheme") was adopted by the Company.

The Scheme was adopted for the purpose of providing eligible 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 its shareholders as a whole. All directors, full-time employees and any other persons who, in the sole discretion of the board of directors, have contributed or will contribute to the Group are eligible to participate in the Scheme.

The maximum number of shares to be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option schemes of the Company must not in aggregate exceed 30% of the issued share capital of the Company from time to time.

Shares which may be issued upon exercise of all options to be granted under the Scheme or any other share option schemes adopted by the Company must not in aggregate exceed 10% of the shares of the Company in issue on the date of adoption.

Unless approved by shareholders of the Company, the total number of shares of the Company issued and to be issued upon the exercise of the options granted to each participant (including both exercised and unexercised options) under the Scheme or any other share option schemes adopted by the Company in any twelve month period must not exceed 1% of the issued share capital of the Company.

The period within which the options must be exercised will be specified by the Company at the time of grant. This period must expire no later than 10 years from the date of grant of the options. At the time of grant of the options, the Company may specify a minimum period for which an option must be held before it can be exercised. The offer of a grant of share options may be accepted within 5 business days from the date of offer, the offer is delivered to that participant and the amount payable on acceptance of options is HK$1.

32. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

Equity-settled share option scheme *(Continued)*

Approximately 33% of the options will be automatically vested at the date of grant and the remaining 67% will be vested one year from the date of grant if the grantee remains as an employee of the Group.

The subscription price for the shares under the Scheme shall be a price determined by the directors, but not less than the highest of (i) the closing price of shares as stated on the Stock Exchange on the date of the offer of grant; (ii) the average closing price of the shares as stated on the Stock Exchange's daily quotations sheet for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of the shares.

No options may be granted under the Scheme after the date of the tenth anniversary of its adoption.

The following table discloses details of the Company's share options under the Scheme held by directors and senior employees and movements in such holdings:

2009

	Exercisable period	Exercise price per share HK$	Outstanding at 1 January	Exercised during the year	Lapsed during the year	Cancelled during the year	Outstanding at 31 December	Exercise date	Weighted average share price at exercise date HK$
Directors									
Mr. Ang Siu Lun, Lawrence	23 February 2004 to 22 February 2009	0.95	35,000,000	–	(35,000,000)	–	–		
	5 August 2005 to 4 August 2010	0.70	10,000,000	(10,000,000)	–	–	–	14 July 2009	1.61
	8 May 2008 to 7 May 2013	0.92	6,000,000	(6,000,000)	–	–	–	22 September 2009	1.79
Mr. Gui Sheng Yue	5 August 2005 to 4 August 2010	0.70	23,000,000	(23,000,000)	–	–	–	14 July 2009	1.61
	8 May 2008 to 7 May 2013	0.92	8,000,000	–	–	–	8,000,000		
Mr. Xu Gang	5 August 2005 to 4 August 2010	0.70	23,000,000	(23,000,000)	–	–	–	14 July 2009	1.61
Mr. Yang Jian	5 August 2005 to 4 August 2010	0.70	23,000,000	(23,000,000)	–	–	–	14 July 2009	1.61
	8 May 2008 to 7 May 2013	0.92	8,000,000	–	–	–	8,000,000		
Mr. Liu Jin Liang	5 August 2005 to 4 August 2010	0.70	18,000,000	(18,000,000)	–	–	–	14 July 2009	1.61
	8 May 2008 to 7 May 2013	0.92	6,000,000	–	–	–	6,000,000		
Mr. Yin Da Qing, Richard	5 August 2005 to 4 August 2010	0.70	16,000,000	(16,000,000)	–	–	–	14 July 2009	1.61
	8 May 2008 to 7 May 2013	0.92	7,000,000	–	–	–	7,000,000		

32. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

Equity-settled share option scheme *(Continued)*

2009 *(Continued)*

	Exercisable period	Exercise price per share HK$	Outstanding at 1 January	Exercised during the year	Lapsed during the year	Cancelled during the year	Outstanding at 31 December	Exercise date	Weighted average share price at exercise date HK$
Directors									
Mr. Zhao Jie	5 August 2005 to 4 August 2010	0.70	18,000,000	(18,000,000)	–	–	–	14 July 2009	1.61
	8 May 2008 to 7 May 2013	0.92	6,000,000	–	–	–	6,000,000		
Dr. Zhao Fuquan	28 November 2006 to 27 November 2011	0.89	12,000,000	(12,000,000)	–	–	–	15 December 2009	4.40
	8 May 2008 to 7 May 2013	0.92	11,000,000	–	–	–	11,000,000		
Mr. Song Lin	10 July 2006 to 16 May 2011	0.93	1,000,000	(1,000,000)	–	–	–	14 December 2009	4.08
	8 May 2008 to 7 May 2013	0.92	1,500,000	–	–	–	1,500,000		
Mr. Lee Cheuk Yin, Dannis	10 July 2006 to 16 May 2011	0.93	1,000,000	(1,000,000)	–	–	–	14 July 2009	1.61
	8 May 2008 to 7 May 2013	0.92	1,500,000	–	–	–	1,500,000		
Mr. Yeung Sau Hung, Alex	10 July 2006 to 16 May 2011	0.93	1,000,000	(1,000,000)	–	–	–	14 July 2009	1.61
	8 May 2008 to 7 May 2013	0.92	1,500,000	(1,500,000)	–	–	–	21 September 2009	1.79
			237,500,000	(153,500,000)	(35,000,000)	–	49,000,000		

32. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

Equity-settled share option scheme *(Continued)*

2009 *(Continued)*

	Exercisable period	Exercise price per share HK$	Outstanding at 1 January	Exercised during the year	Lapsed during the year	Cancelled during the year	Outstanding at 31 December	Exercise date	Weighted average share price at exercise date HK$
Employees	5 August 2005 to 4 August 2010	0.70	86,600,000	(81,400,000)	–	(3,400,000)	1,800,000	2-14 July 2009	1.57
	10 July 2006 to 16 May 2011	0.93	9,420,000	–	–	(5,400,000)	4,020,000		
	28 November 2006 to 27 November 2011	0.89	3,000,000	(3,000,000)	–	–	–	11 December 2009	4.20
	18 September 2007 to 17 September 2012	1.06	28,500,000	(3,000,000)	–	(8,000,000)	17,500,000	22 September 2009	1.79
	8 May 2008 to 7 May 2013	0.92	141,900,000	(10,200,000)	–	(8,400,000)	123,300,000	14 July 2009 –11 December 2009	3.04
	5 June 2008 to 4 June 2013	0.98	2,000,000	–	–	(2,000,000)	–		
			508,920,000	(251,100,000)	(35,000,000)	(27,200,000)	195,620,000		

	HK$	HK$	HK$	HK$	HK$
Weighted average exercise price per share	0.84	0.73	0.95	0.87	0.93

Weighted average remaining contractual life of options outstanding at 31 December 2009	3.2 years
Number of options exercisable at 31 December 2009	195,620,000

	HK$
Weighted average exercise price per share of options exercisable at 31 December 2009	0.93

32. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

Equity-settled share option scheme *(Continued)*

2008

	Exercisable period	Exercise price per share HK$	Outstanding at 1 January	Granted during the year	Outstanding at 31 December
Directors					
Mr. Ang Siu Lun, Lawrence	23 February 2004 to 22 February 2009	0.95	35,000,000	–	35,000,000
	5 August 2005 to 4 August 2010	0.70	10,000,000	–	10,000,000
	8 May 2008 to 7 May 2013	0.92	–	6,000,000	6,000,000
Mr. Gui Sheng Yue	5 August 2005 to 4 August 2010	0.70	23,000,000	–	23,000,000
	8 May 2008 to 7 May 2013	0.92	–	8,000,000	8,000,000
Mr. Xu Gang	5 August 2005 to 4 August 2010	0.70	23,000,000	–	23,000,000
Mr. Yang Jian	5 August 2005 to 4 August 2010	0.70	23,000,000	–	23,000,000
	8 May 2008 to 7 May 2013	0.92	–	8,000,000	8,000,000
Mr. Liu Jin Liang	5 August 2005 to 4 August 2010	0.70	18,000,000	–	18,000,000
	8 May 2008 to 7 May 2013	0.92	–	6,000,000	6,000,000
Mr. Yin Da Qing, Richard	5 August 2005 to 4 August 2010	0.70	16,000,000	–	16,000,000
	8 May 2008 to 7 May 2013	0.92	–	7,000,000	7,000,000
Mr. Zhao Jie	5 August 2005 to 4 August 2010	0.70	18,000,000	–	18,000,000
	8 May 2008 to 7 May 2013	0.92	–	6,000,000	6,000,000
Dr. Zhao Fuquan	28 November 2006 to 27 November 2011	0.89	12,000,000	–	12,000,000
	8 May 2008 to 7 May 2013	0.92	–	11,000,000	11,000,000

32. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

Equity-settled share option scheme *(Continued)*

2008 *(Continued)*

	Exercisable period	Exercise price per share HK$	Outstanding at 1 January	Granted during the year	Outstanding at 31 December
Directors					
Mr. Song Lin	10 July 2006 to 16 May 2011	0.93	1,000,000	–	1,000,000
	8 May 2008 to 7 May 2013	0.92	–	1,500,000	1,500,000
Mr. Lee Cheuk Yin, Dannis	10 July 2006 to 16 May 2011	0.93	1,000,000	–	1,000,000
	8 May 2008 to 7 May 2013	0.92	–	1,500,000	1,500,000
Mr. Yeung Sau Hung, Alex	10 July 2006 to 16 May 2011	0.93	1,000,000	–	1,000,000
	8 May 2008 to 7 May 2013	0.92	–	1,500,000	1,500,000
			181,000,000	56,500,000	237,500,000
Employees	5 August 2005 to 4 August 2010	0.70	86,600,000	–	86,600,000
	10 July 2006 to 16 May 2011	0.93	9,420,000	–	9,420,000
	28 November 2006 to 27 November 2011	0.89	3,000,000	–	3,000,000
	18 September 2007 to 17 September 2012	1.06	28,500,000	–	28,500,000
	8 May 2008 to 7 May 2013	0.92	–	141,900,000	141,900,000
	5 June 2008 to 4 June 2013	0.98	–	2,000,000	2,000,000
			308,520,000	200,400,000	508,920,000

	HK$	HK$	HK$
Weighted average exercise price per share	0.78	0.92	0.84

Weighted average remaining contractual life of options outstanding at 31 December 2008	2.75 years
Number of options exercisable at 31 December 2008	375,320,000
	HK$
Weighted average exercise price per share of options exercisable at 31 December 2008	0.81

32. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

Equity-settled share option scheme *(Continued)*

One-third of options vested immediately upon the grant and the remaining options granted will vest after one year.

No option was granted during the year ended 31 December 2009. During the year ended 31 December 2008, options were granted on 8 May 2008 and 5 June 2008. The estimated total fair values of the options granted in 2008 is approximately RMB31,604,000.

These fair values were calculated using the Black-Scholes-Merton Option pricing model. The inputs into the model were as follows:

	2008			
Grant date	5 June 2008		8 May 2008	
	(Lot 1)	(Lot 2)	(Lot 1)	(Lot 2)
Exercise price	HK$0.98	HK$0.98	HK$0.92	HK$0.92
Expected volatility	47.12%	48.20%	45.74%	45.74%
Expected life	1.24 year	1.24 year	1.25 year	1.25 year
Risk-free rate	1.596%	2.204%	1.352%	1.352%
Expected dividend yield	1.35%	1.35%	1.41%	1.41%

Expected volatility was determined by using historical volatility of the Company's share price over the previous one year, adjusted for any expected changes to future volatility based on publicly available information. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non transferability, exercise restrictions and behavioural considerations.

The Group recognised total expense of RMB7,337,000 (2008: RMB26,909,000) for the year ended 31 December 2009 in relation to share options granted by the Company.

Subsequent to the balance sheet date, the Company granted an aggregate of 515,800,000 share options to eligible grantees under the share option scheme to subscribe for an aggregate of 515,800,000 new shares of HK$0.02 each in the share capital of the Company. The exercise price of the share options granted is HK$4.07 per share and the share options are valid for a period of 10 years from 18 January 2010 to 17 January 2020. One-tenth of options granted will vest in every year from the grant date. As at the grant date of 18 January 2010, the estimated total fair value of the options granted is approximately RMB893 million.

33. WARRANTS

As set out in note 23, during the year, the Company issued 299,526,900 warrants to certain investors with a subscription price of HK$1 for all the warrants. The warrants are convertible into fully paid ordinary shares of HK$0.02 each of the Company at an initial exercise price of RMB2.0262 (equivalent to HK$2.3) per share, subject to adjustment in certain events. The warrants are exercisable in part or in whole at any time from the issue date of the warrants on 11 November 2009 to the fifth anniversary of the issuance of the warrants and are freely transferable, but in minimum tranches of 250,000 warrants. The warrants have been classified as equity instruments of the Company.

During the year, none of the warrants issued has been exercised.

34. CONNECTED AND RELATED PARTY TRANSACTIONS

Certain transactions fell under the definition of continuing connected transactions under the Listing Rules are disclosed in Directors' Report.

In addition to the transactions/information disclosed elsewhere in these consolidated financial statements, during the year, the Group had the following material transactions with connected and related parties:

(a) Transactions

Name of related parties	Nature of transactions	2009 RMB'000	2008 RMB'000
Associates			
Zhejiang Geely Automobile Company Limited* (浙江吉利汽車有限公司)	Sales of automobile parts and components	–	66,902
	Dividend income	–	84,993
Shanghai Maple Guorun Automobile Company Limited* (上海華普國潤汽車有限公司)	Dividend income	–	12,935
	Rental expense	–	2,264
Zhejiang Kingkong Automobile Company Limited* (浙江金剛汽車有限公司)	Dividend income	–	78,039
	Rental expense	–	240
Zhejiang Ruhoo Automobile Company Limited* (浙江陸虎汽車有限公司)	Dividend income	–	2,764
Manganese Bronze Holdings plc	Dividend income	–	2,910

* These associates become subsidiaries of the Company effective from 1 July 2008.

34. CONNECTED AND RELATED PARTY TRANSACTIONS *(Continued)*

(a) Transactions *(Continued)*

Name of related parties	Nature of transactions	2009 RMB'000	2008 RMB'000
Related companies (Note 1)			
Zhejiang Geely Merrie Automobile Company Limited (浙江吉利美日汽車有限公司)	Sales of complete knock down kits and sedan tool kits	**3,365,296**	1,376,434
	Sales of automobile parts and components	**119,206**	75,753
	Claims income on defected materials purchased	**65,543**	41,602
	Purchase of complete buildup unit	**3,498,283**	1,525,539
	Purchase of automobile parts and components	**–**	116
	Sub-contracting fee paid	**3,000**	1,791
	Claims paid on defected materials sold	**63,226**	43,954
	Acquisition of property, plant and equipment	**1,650**	–
	Acquisition of a subsidiary	**10,594**	–
Shanghai Maple Automobile Company Limited (上海華普汽車有限公司)	Sales of complete knock down kits and sedan tool kits	**1,556,005**	535,210
	Sales of automobile parts and components	**95,978**	9,935
	Claims income on defected materials purchased	**34,829**	13,964
	Purchase of complete buildup unit	**2,116,368**	550,680
	Claims paid on defected materials sold	**34,859**	16,936
	Purchase of automobile parts and components	**66,411**	–
	Purchase of intangible assets	**48,060**	–
	Acquisition of a subsidiary	**42,670**	–

34. CONNECTED AND RELATED PARTY TRANSACTIONS *(Continued)*

(a) Transactions *(Continued)*

Name of related parties	Nature of transactions	2009 RMB'000	2008 RMB'000
Related companies (Note 1)			
Zhejiang Haoqing Automobile Manufacturing Company Limited (浙江豪情汽車製造有限公司)	Sales of complete knock down kits and sedan tool kits	**6,469,227**	1,296,912
`	Sales of automobile parts and components	**2,810**	809
	Claims income on defected materials purchased	**82,831**	36,852
	Purchase of complete buildup unit	**6,715,905**	1,830,444
	Purchase of automobile parts and components	**106**	393
	Sub-contracting fee paid	**39,319**	17,453
	Claims paid on defected materials sold	**74,200**	–
	Acquisition of property, plant and equipment	**21,382**	–
	Acquisition of a subsidiary	**95,349**	–
Zhejiang Geely Automobile Parts and Components Company Limited (浙江吉利汽車零部件採購有限公司)	Claims income on defected materials purchased	**124,164**	82,480
	Purchase of automobile parts and components	**6,404,626**	2,048,557
	Claims paid on defected materials sold	**9,997**	1,341
Shanghai Maple Engine Company Limited (上海華普發動機有限公司)	Claims income on defected materials purchased	**33,761**	17,986
	Purchase of automobile parts and components	**928,671**	532,203
Zhejiang Automotive Vocational and Technical College (浙江汽車職業技術學院) (Formerly known as "Zhejiang Economic Management College (浙江經濟管理專修學院)")	Rental income	**10,781**	5,348
	Sales of leasehold buildings and prepaid land leases	**82,580**	–
Lanzhou Geely Automobile Industries Company Limited (蘭州吉利汽車工業有限公司)	Sales of automobile parts and components	**58,388**	–
Taizhou Geely Automobile Sales Company Limited (台州吉利汽車銷售有限公司)	Sales of automobile parts and components	**921**	–
	Sales of complete buildup units	**2,555**	–

34. CONNECTED AND RELATED PARTY TRANSACTIONS *(Continued)*

(a) Transactions *(Continued)*

Name of related parties	Nature of transactions	2009 RMB'000	2008 RMB'000
Related companies (Note 1)			
Zhejiang Wisdom Electronics Equipment Company Limited (浙江智慧電裝有限公司)	Purchase of automobile parts and components	**2,825**	–
Shareholder of the subsidiary			
Kailun (QuFu) Property Investment Limited (凱倫置業(曲阜)有限公司)	Loan advances	**3,000**	–
	Interest paid	**53**	–
	Purchase of prepaid land leases	**15,520**	–
Ultimate holding company			
Zhejiang Geely Holding Group Company Limited (浙江吉利控股集團有限公司)	Rental income	**460**	230
	Sales of complete knock down kits and sedan tool kits	**694**	–
	Acquisition of a subsidiary	**4,741**	–

Note 1: The Group and the related companies are under the common control of the substantial shareholder of the Company's ultimate holding company.

Note 2: The Group does not have the automobile catalogue issued by the National Development Reform Commission in the PRC which is required to facilitate payment of the PRC consumption tax. The related parties referred to above have the relevant automobile catalogue licence and therefore the sales of complete knock down kits and sedan tool kits to and purchase of complete buildup unit from related parties as set out above have been presented on a net basis in the consolidated income statement (to the extent that they are back-to-back transactions) since the said related parties in effect only act as a channel to facilitate the payment of the PRC consumption tax. For the same reason, the related claims income from and claims expenses paid to these related parties have also been presented on a net basis as long as they are back-to-back transactions.

(b) Compensation of key management personnel

The remuneration of directors and other members of key management during the year were as follows:

	2009 RMB'000	2008 RMB'000
Short-term benefits	**14,531**	7,686
Retirement benefits scheme contribution	**601**	72
Share-based payments	**7,337**	26,909
	22,469	34,667

The remuneration of directors and key management are determined by the remuneration committee having regard to the performance of individuals and market trends.

34. CONNECTED AND RELATED PARTY TRANSACTIONS *(Continued)*

(c) Pledge of assets

At 31 December 2009, certain prepaid land lease payments and property, plant and equipment with carrying amounts of RMB195,810,000 (2008: RMB450,607,000) and RMB302,982,000 (2008: RMB634,606,000) respectively, have been pledged to secure banking facilities granted to the Company's ultimate holding company and such pledge of assets is subject to the guarantee provided by the Group amounting to RMB420,000,000 (2008: RMB770,000,000). During the year, the maximum guarantee provided by the Group was determined to be RMB770,000,000 (2008: RMB770,000,000).

35. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debt (which includes borrowings and convertible bonds) and equity attributable to equity holders of the Company, comprising issued share capital and reserves.

Gearing ratio

The Group's Board of Directors reviews the capital structure on a regular basis. As part of this review, the Board of Directors considers the cost of capital and the risks associated with each class of capital. The Group does not have a specific target gearing ratio determined as the proportion of debt to equity but closely monitors the fluctuations of the gearing ratio.

The gearing ratio at the balance sheet date was as follows:

	2009 **RMB'000**	2008 RMB'000
Debt (i)	**4,269,788**	1,060,856
Equity (ii)	**6,375,613**	4,197,862
Debt to equity ratio	**67%**	25%

(i) Debt comprising borrowings and convertible bonds as detailed in notes 25 and 23 to the consolidated financial statements respectively.

(ii) Equity includes all capital and reserves attributable to equity holders of the Company.

The fluctuation in the gearing ratio is mainly due to (a) the issue of convertible bonds as set out in note 23 to the consolidated financial statements which have affected the capital structure of the Group and (b) the significant increase in bank borrowings as the Group made good use of low interest rate environment during the year.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Exposure to market risk (including interest rate risk and currency risk), credit and liquidity risks arises in the normal course of the Group's business. Market risk exposures are measured using sensitivity analysis. There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk.

These risks are limited by the Group's financial management policies and practices described below.

Credit risk

The Group's credit risk is primarily attributable to trade receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade and other receivables, credit evaluations are performed on customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic and business environment in which the customer operates. Normally, the Group does not obtain collateral from customers. In addition, most of the debtors have good credit quality as set out in note 21(a) to the consolidated financial statements.

The maximum exposure to credit risk without taking account of any collateral held is represented by the carrying amount of each financial asset, excluding financial assets at fair value through profit or loss, in the balance sheet after deducting any impairment allowance. In addition, as set out in note 34(c) to the consolidated financial statements, certain of the Group's assets have been pledged to secure banking facilities granted to the Company's ultimate holding company. The directors consider the Company's ultimate holding company has sufficient financial strength and the probability of default is low. The Group does not provide any other guarantees which would expose the Group to credit risk.

Bank balances and cash of the Group have been deposited into established banks in the PRC, Australia and Hong Kong.

Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including short term investment of cash surpluses and the raising of loans to cover expected cash demands. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following table details the remaining contractual maturities at the balance sheet date of the Group's financial assets and financial liabilities, which are based on contractual undiscounted cash flows including interest and the contractual maturities.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Liquidity risk *(Continued)*

	Weighted average effective interest rate %	0 to 60 days RMB'000	61 to 90 days RMB'000	91 days to 1 year RMB'000	1 to 2 years RMB'000	Over 2 years RMB'000	Total undiscounted cash flows RMB'000	Total carrying amount as at 31 December RMB'000
2009								
Loans and receivables								
Trade receivables	–	173,203	96,052	305,800	163,400	–	738,455	738,455
Notes receivable	–	1,565,513	750,962	2,115,544	–	–	4,432,019	4,432,019
Other receivables	–	40,034	62,226	61,279	–	–	163,539	163,539
Amounts due from related parties	–	23,235	–	–	–	–	23,235	23,235
Pledged bank deposits	1.56	908,083	–	–	–	–	908,083	894,292
Bank balances and cash	0.37	4,493,695	20,987	–	–	–	4,514,682	4,498,155
Financial assets at fair value through profit or loss	–	12,209	–	–	–	–	12,209	12,209
		7,215,972	930,227	2,482,623	163,400	–	10,792,222	10,761,904
Financial liabilities at amortised cost								
Trade payables	–	332,447	506,731	1,663,033	–	–	2,502,211	2,502,211
Notes payable	–	197,599	61,529	1,475,437	–	–	1,734,565	1,734,565
Other payables	–	144,880	70,386	215,605	–	–	430,871	430,871
Amount due to related parties	–	902	–	–	–	–	902	902
Amount due to ultimate holding company	–	170,000	–	–	–	–	170,000	170,000
Loan from a related company	5.31	–	–	3,161	–	–	3,161	3,053
Bank borrowings	4.55	452,764	80,655	1,073,382	485,000	833,000	2,924,801	2,827,635
Convertible bonds	6.58	8,232	4,117	37,732	50,081	1,812,608	1,912,770	1,442,153
		1,306,824	723,418	4,468,350	535,081	2,645,608	9,679,281	9,111,390

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Liquidity risk *(Continued)*

	Weighted average effective interest rate %	0 to 60 days RMB'000	61 to 90 days RMB'000	91 days to 1 year RMB'000	1 to 2 years RMB'000	Over 2 years RMB'000	Total undiscounted cash flows RMB'000	Total carrying amount as at 31 December RMB'000
2008								
Loans and receivables								
Trade receivables	–	120,225	522,182	13,113	–	–	655,520	655,520
Notes receivable	–	306,994	339,191	550,509	–	–	1,196,694	1,196,694
Other receivables	–	83,044	41,227	262	–	–	124,533	124,533
Pledged bank deposits	4.78	853,948	–	–	–	–	853,948	853,948
Bank balances and cash	3.78	849,408	40,248	–	–	–	889,656	889,408
Financial assets at fair value through profit or loss	–	10,461	–	–	–	–	10,461	10,461
		2,224,080	942,848	563,884	–	–	3,730,812	3,730,564
Financial liabilities at amortised cost								
Trade payables	–	59,569	881,091	232,162	–	–	1,172,822	1,172,822
Notes payable	–	516,200	248,000	1,070,034	–	–	1,834,234	1,834,234
Other payables	–	172,961	53,123	372,722	–	–	598,806	598,806
Bank borrowings	6.88	56,965	98,809	553,066	87,000	–	795,840	772,589
Convertible bonds	11.73	–	322,069	–	–	–	322,069	288,267
Financial liabilities at fair value through profit or loss								
Convertible bonds – embedded derivatives (Note 1)	–	–	–	–	–	–	–	12,432
		805,695	1,603,092	2,227,984	87,000	–	4,723,771	4,679,150

Note 1: Convertible bonds – embedded derivatives do not incur net cash flows and its accounting policy has been set out in note 4(g) to the consolidated financial statements.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Interest rate risk

The Group's fair value interest rate risk relates primarily to convertible bonds (note 23) and fixed-rate bank borrowings (note 25). The Group does not apply any derivatives to hedge the fair value interest rate risk.

The Group's cash flow interest rate risk relates primarily to variable-rate borrowings in respect of discounting notes receivable (note 21(b)) and variable-rate bank borrowings (note 25).

The interest rate profile of the Group as at the balance sheet date has been set out in the liquidity risk section of this note.

At 31 December 2009, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's profit after tax and retained profits by approximately RMB13 million (2008: RMB3 million).

Currency risk

Majority of the Group's sales and purchases are conducted with currencies that are denominated in a currency which is also the functional currency of the operations to which they relate.

The following table details the Group's exposure at the balance sheet date to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate.

	2009			2008		
	Hong Kong dollars RMB'000	**United States dollars RMB'000**	**British pounds RMB'000**	Hong Kong dollars RMB'000	United States dollars RMB'000	British pounds RMB'000
Bank balances and cash	**1,687,744**	**336,703**	**541**	50,190	70,133	4,181
Trade and other receivables	**960**	**302,654**	**–**	–	185,602	–
Bank borrowings	**(17,600)**	**(47,745)**	**–**	–	–	–

As the Group is mainly exposed to the effects of fluctuation in United States dollars/Hong Kong dollars, the following table indicates the approximate change in the Group's profit after tax and retained earnings. The sensitivity analysis includes outstanding foreign currency denominated monetary items and foreign currency forward contracts not used for hedging, and adjusts their translation at the period end for a 5% change in foreign currency rate. The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next annual balance sheet date. Results of the analysis as presented in the below table represent an aggregation of the effects on each of the group entities' profit after tax and retained earnings measured in the respective functional currencies, translated into Renminbi at the exchange rate ruling at the balance sheet date for presentation purposes.

	Impact of United States dollars		**Impact of Hong Kong dollars**	
	2009 RMB'000	2008 RMB'000	**2009 RMB'000**	2008 RMB'000
Profit after tax/Retained earnings	**22,185**	9,590	**69,769**	2,095

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Fair value of financial instruments

The fair value of financial assets and financial liabilities are determined as follows:

- the carrying amounts of the Group's current financial assets, including trade and other receivables and bank balances and cash, and the Group's current financial liabilities, including bank borrowings, trade and other payables approximate their fair values due to their short maturities;

- the fair value of financial assets and financial liabilities (including derivative instruments) with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices and ask prices respectively; and

- the fair value of other financial assets and financial liabilities (including derivative instruments and convertible bonds) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as input. For an option-based derivative, the fair value is estimated using option pricing model (for example, the binomial model).

Except as detailed in the following table, the directors consider that the carrying amounts of financial assets and financial liabilities recorded in the consolidated financial statements approximate their fair values:

	2009		2008	
	Carrying amount RMB'000	**Fair value RMB'000**	Carrying amount RMB'000	Fair value RMB'000
Convertible bonds	**1,442,153**	**1,478,230**	288,267	323,799

The following table presents the carrying value of the Group's financial instruments measured at fair value at the balance sheet date across the three levels of the fair value hierarchy defined in HKFRS 7, Financial Instruments: Disclosures, with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

Level 1 (highest level) : fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments

Level 2 : fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data

Level 3 (lowest level) : fair values measured using valuation techniques in which any significant input is not based on observable market data

2009	**Level 1 RMB'000**	**Level 2 RMB'000**	**Level 3 RMB'000**	**Total RMB'000**
Assets				
Financial assets at fair value through profit or loss	**12,209**	**–**	**–**	**12,209**

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Fair value of financial instruments *(Continued)*

2008	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Financial assets at fair value through profit or loss	10,461	–	–	10,461
Liabilities				
Convertible bonds- embedded derivatives	–	12,432	–	12,432

There was no transfer between instruments in Level 1 and Level 2 for the year ended 31 December 2009 and 2008.

37. BUSINESS COMBINATIONS

For the year ended 31 December 2009

Automatic transmissions business

On 15 June 2009, the Group acquired the business of designing, developing and manufacturing automatic transmissions in Australia from an independent third party (with receivers and managers appointed). The consideration is cash of A$47.4 million (approximately RMB226.2 million) plus adjustment on working capital determined on the completion date. The final consideration after adjustment on working capital is A$54.6 million (approximately RMB293,696,000). Details of the acquisition have been set out in the Company's announcement dated 27 March 2009.

Chengdu Gaoyuan Automobile Industries Company Limited and Lanzhou Geely Automobile Industries Company Limited

On 27 October 2009, the Company entered into agreements with Zhejiang Geely Holding Group to acquire 100% interests in Chengdu Gaoyuan Automobile Industries Company Limited ("Chengdu Gaoyuan"), Jinan Geely Automobile Company Limited and Lanzhou Geely Automobile Industries Company Limited ("Lanzhou Geely"). The acquisitions in Chengdu Gaoyuan Automobile Industries Company Limited and Lanzhou Geely Automobile Industries Company Limited were completed on 7 December 2009 and 8 December 2009 respectively. Subsequent to the balance sheet date, the acquisition of Jinan Geely Automobile Company Limited has been completed. Details of the acquisitions have been set out in the Company's circular dated 17 November 2009.

37. BUSINESS COMBINATIONS *(Continued)*

The net assets acquired in the above transactions are as follows:

	Automatic transmissions business			Chengdu Gaoyuan and Lanzhou Geely			
	Carrying amount before combination RMB'000 (Note 1)	**Adjustments** RMB'000 (Note 1)	**Fair value** RMB'000	**Carrying amount before combination** RMB'000	**Fair value adjustment** RMB'000 (Note 2)	**Fair value** RMB'000	**Total fair value** RMB'000
Net assets acquired:							
Property, plant and equipment	252,307	38,150	290,457	247,579	–	247,579	538,036
Intangible assets	–	13,475	13,475	43,908	–	43,908	57,383
Prepaid land lease payments	–	–	–	153,141	–	153,141	153,141
Trade and other receivables	43,082	17,497	60,579	578,163	–	578,163	638,742
Inventories	11,981	24,218	36,199	13,704	–	13,704	49,903
Cash and cash equivalents	–	–	–	100,977	–	100,977	100,977
Trade and other payables	(19,717)	(71,142)	(90,859)	(740,340)	–	(740,340)	(831,199)
Bank borrowings	–	–	–	(80,000)	–	(80,000)	(80,000)
Loan from a related company	–	–	–	(170,000)	–	(170,000)	(170,000)
Deferred taxation	6,043	(22,198)	(16,155)	–	–	–	(16,155)
	293,696	–	293,696	147,132	–	147,132	440,828
Goodwill (note 18)			–			6,222	6,222
			293,696			153,354	447,050
Total consideration satisfied by:							
Cash			293,696			153,354	447,050
Net cash outflow arising on acquisition:							
Cash consideration paid			(293,696)			(153,354)	(447,050)
Bank balances and cash acquired			–			100,977	100,977
			(293,696)			(52,377)	(346,073)

Note 1: The above carrying amounts of assets and liabilities of the business acquired are based on the book values of the business acquired as provided by the receivers. In addition to fair value adjustments, certain financial assets and liabilities have also been adjusted based on the final settlement accounts provided by the receivers.

Note 2: The directors assessed that the differences between fair values and carrying amounts of assets and liabilities are insignificant.

37. BUSINESS COMBINATIONS *(Continued)*

Goodwill arose because the consideration paid included amounts in relation to the revenue growth, future market development and the nature of the specialised industry of the businesses acquired.

The businesses acquired did not make any significant contribution to the revenue or profit of the Group for the period between the acquisition date/beginning period date and the balance sheet date. Jinan Geely Automobile Company Limited is not material to the Group and therefore its financial information is not presented.

For the year ended 31 December 2008

On 1 July 2008, the acquisition of additional interests in the associates of Zhejiang Geely Automobile Company Limited, Shanghai Maple Guorun Automobile Company Limited, Zhejiang Ruhoo Automobile Company Limited, Zhejiang Kingkong Automobile Company Limited and Hunan Geely Automobile Components Company Limited as set out in the circular dated 31 October 2007 and the announcement dated 4 July 2008 was completed. These PRC associates are incorporated in the PRC and engage in the manufacturing and sales of automobiles and related components in the PRC. The Company acquired additional 44.19% of the registered capital of these PRC associates. After the acquisition of additional interests, these PRC associates become 91% owned subsidiaries of the Company. The consideration paid is satisfied by the issuance of 1,288,672,000 ordinary shares of the Company. The net assets acquired in the transaction are as follows:

	Acquiree's carrying amount before combination RMB'000	**Fair value adjustment** RMB'000	**Fair value** (note) RMB'000
Net assets acquired:			
Property, plant and equipment	2,800,094	–	2,800,094
Prepaid land leases	1,066,382	–	1,066,382
Intangible assets	342,681	–	342,681
Long-term investment	1,800	–	1,800
Goodwill	204,842	(204,842)	–
Trade and other receivables	3,233,688	–	3,233,688
Investments held for trading	10,571	–	10,571
Inventories	708,679	–	708,679
Cash and cash equivalents	1,472,499	–	1,472,499
Trade and other payables	(4,800,801)	–	(4,800,801)
Bank borrowings	(807,258)	–	(807,258)
Minority interests	(31,687)	–	(31,687)
	4,201,490	(204,842)	3,996,648
Minority interests			(359,698)
Excess of fair value of identifiable net assets acquired over cost			(339,835)
			3,297,115
Total consideration satisfied by:			
Fair value of the Company's shares issued			1,009,288
Cash			285,612
Carrying value of interest in associates			2,002,215
			3,297,115
Net cash inflow arising on acquisition:			
Cash consideration paid			(285,612)
Bank balances and cash acquired			1,472,499
			1,186,887

37. BUSINESS COMBINATIONS *(Continued)*

Note: Other than the goodwill, the directors assessed that the differences between fair values and carrying amounts of other assets and liabilities are insignificant.

The fair value of the Company's ordinary shares issued are based on the quoted market price at the date of acquisition. Although the acquisition had been approved by the independent shareholders of the Company prior to 31 December 2007, the acquisition was only completed on 1 July 2008 when government approvals were obtained.

The excess of fair value of identifiable net assets acquired over cost arose in the business combination because the quoted market price of the Company's shares decreased significantly from the date of entering into formal contracts on acquisition to the completion date and there was no adjustment clause to the number of shares issued.

In addition, the net asset values of the associates have increased in respect of the operating profits during the period since the entering of sales and purchase agreement. Therefore, the Company agreed to pay additional cash compensation to the vendor.

The above acquirees contributed approximately RMB385 million to the Group's profit for the period between the date of acquisition and the balance sheet date.

If the acquisition had been completed on 1 January 2008, total group revenue for the year ended 31 December 2008 would have been approximately RMB8,409 million and profit for the year ended 31 December 2008 would have been approximately RMB1,166 million. The proforma information is for illustrative purposes only and is not necessarily an indication of revenue and results of the Group that actually would have been achieved had the acquisition been completed on 1 January 2008, nor is it intended to be a projection of future results.

38. BALANCE SHEET OF THE COMPANY

	2009 RMB'000	2008 RMB'000
Non-current assets		
Property, plant and equipment	**103**	253
Investments in subsidiaries	**293,697**	1
Investment in an associate	**97,788**	89,710
	391,588	89,964
Current assets		
Other receivables	**960**	913
Amounts due from subsidiaries	**3,985,658**	2,399,565
Bank balances and cash	**199,274**	19,667
	4,185,892	2,420,145
Current liabilities		
Other payables	**11,009**	2,416
Short-term borrowings	**17,600**	–
Convertible bonds	**–**	288,267
Convertible bonds – embedded derivatives	**–**	12,432
	28,609	303,115
Net current assets	**4,157,283**	2,117,030
Total assets less current liabilities	**4,548,871**	2,206,994
Capital and reserves		
Share capital	**136,993**	122,542
Reserves	**2,969,725**	2,084,452
Total equity	**3,106,718**	2,206,994
Non-current liabilities		
Convertible bonds	**1,442,153**	–
	4,548,871	2,206,994

39. SUBSIDIARIES

Details of the Company's subsidiaries at 31 December 2009 are as follows:

Name of company	Place of incorporation/ registration and operations	Issued and fully paid share/ registered capital	Percentage of equity interests held Directly	Indirectly	Principal activities
Centurion Industries Limited	British Virgin Islands	USD1	100%	–	Investment holding
Value Century Group Limited	British Virgin Islands	USD1	100%	–	Investment holding
吉利國際貿易有限公司 Geely International Limited	Hong Kong	HK$2	100%	–	Inactive
浙江福林國潤汽車零部件有限公司 Zhejiang Fulin Guorun Automobile Parts & Components Co., Ltd.*	PRC	USD15,959,200	–	100%	Research, production, marketing and sales of automobile parts and related components in the PRC
Linkstate Overseas Limited	British Virgin Islands	USD1	100%	–	Inactive
Luckview Group Limited	British Virgin Islands	USD1	100%	–	Investment holding
帝福投資有限公司 Luck Empire Investment Limited	Hong Kong	HK$1	–	100%	Investment holding
DSI Holdings Pty Limited	Australia	A$54,563,403	100%	–	Design, development and manufacturing of automatic transmissions
上海英倫帝華汽車部件有限公司 Shanghai LTI Automobile Components Company Limited^	PRC	USD54,297,150	–	51%	Research, development, production, marketing and sales of sedans and related automobile components in the PRC
浙江金剛汽車零部件研究開發有限公司 Zhejiang Kingkong Automobile Parts & Components R&D Company Limited*	PRC	USD14,900,000	–	100%	Research and development of automobile parts and components in the PRC
浙江吉利汽車有限公司 Zhejiang Geely Automobile Company Limited^	PRC	USD231,008,000	–	91%	Research, development, production, marketing and sales of sedans and related automobile components in the PRC
上海華普國潤汽車有限公司 Shanghai Maple Guorun Automobile Company Limited^	PRC	USD99,763,600	–	91%	Research, development, production, marketing and sales of sedans and related automobile components in the PRC

39. SUBSIDIARIES *(Continued)*

Name of company	Place of incorporation/ registration and operations	Issued and fully paid share/ registered capital	Percentage of equity interests held Directly	Percentage of equity interests held Indirectly	Principal activities
浙江吉利汽車銷售有限公司 Zhejiang Geely Automobile Sales Company Limited#	PRC	RMB15,000,000	–	100%	Sales of automobile parts and components in the PRC
浙江吉利控股集團汽車銷售有限公司 Zhejiang Geely Holding Group Automobile Sales Company Limited#	PRC	RMB20,000,000	–	100%	Marketing and sales of sedans in the PRC
上海吉利美嘉峰國際貿易股份有限公司 Geely International Corporation#	PRC	RMB20,000,000	–	100%	Export of sedans outside the PRC
浙江吉利汽車研究院有限公司 Zhejiang Geely Automobile Research Institute Limited#	PRC	RMB30,000,000	–	100%	Research and development of sedans and related automobile components in the PRC
寧波吉利發動機研究所有限公司 Ningbo Geely Engine Research Institute Limited#	PRC	RMB10,000,000	–	100%	Research and development of automobile engines in the PRC
上海華普汽車銷售有限公司 Shanghai Maple Automobile Sales Company Limited#	PRC	RMB20,000,000	–	100%	Marketing and sales of sedans in the PRC
浙江陸虎汽車有限公司 Zhejiang Ruhoo Automobile Company Limited^	PRC	RMB394,647,000	–	91%	Research, development, production, marketing and sales of sedans and related automobile components in the PRC
浙江金剛汽車有限公司 Zhejiang Kingkong Automobile Company Limited^	PRC	RMB235,000,000	–	91%	Research, development, production and sales of sedans and related automobile components in the PRC
浙江吉利變速器有限公司 Zhejiang Geely Gearbox Limited#	PRC	RMB10,000,000	–	90%	Production of automobile components in the PRC
湖南吉利汽車部件有限公司 Hunan Geely Automobile Components Company Limited^	PRC	USD25,000,000	–	91%	Research, development, production, marketing and sales of sedans and related automobile components in the PRC
上海華普汽車模具製造有限公司 Shanghai Maple Automobile Moulds Manufacturing Company Limited#	PRC	RMB40,000,000	–	100%	Production of moulds for automobile parts and components in the PRC

39. SUBSIDIARIES *(Continued)*

Name of company	Place of incorporation/ registration and operations	Issued and fully paid share/ registered capital	Percentage of equity interests held Directly	Indirectly	Principal activities
桂林吉星電子等平衡動力有限公司 Guilin Geely Stars Oil Electric Hybrid Engine Company Limited#	PRC	RMB80,000,000	–	70%	Research and development of electric hybrid engines in the PRC
浙江遠景汽配有限公司 Zhejiang Vision Auto-parts Fittings Company Limited#	PRC	RMB50,000,000	–	100%	Procurement of automobile parts and components in the PRC
浙江手拉手汽車服務有限公司 Zhejiang Shou La Shou Automobile Services Company Limited#	PRC	RMB5,000,000	–	100%	Sales of sedans and provision of automobile services
蘭州吉利汽車工業有限公司 Lanzhou Geely Automobile Industries Company Limited#	PRC	RMB120,000,000	–	100%	Research, development, production, marketing and sales of sedans and related automobile components in the PRC
成都高原汽車工業有限公司 Chengdu Gaoyuan Automobile Industries Company Limited#	PRC	RMB50,000,000	–	100%	Research, development, production, marketing and sales of sedans and related automobile components in the PRC
上海華普汽車設計有限公司 Shanghai Maple Automobile Design Company Limited#	PRC	RMB10,000,000	–	100%	Not yet commenced business
湖南羅佑發動機部件有限公司 Hunan Luoyou Engine Components Company Limited#	PRC	RMB33,300,000	–	100%	Not yet commenced business
曲阜凱倫汽車零部件製造有限公司@ Qufu Kailun Automobile Parts and Components Manufacturing Company Limited#	PRC	RMB20,000,000	–	50%	Research, development and production of automobile parts and components in the PRC

* The Company's subsidiary in the PRC is wholly foreign-owned enterprise established for a period of 30 to 50 years.

^ The Company's subsidiary in the PRC is sino-foreign equity joint venture established for a period of 30 to 50 years.

@ The Company has control over this subsidiary through contractual agreement with the minority shareholder.

\# Translation of registered name in Chinese for identification purpose

None of the subsidiaries had issued any debt securities during the year or at the end of the year.

Directory

EXECUTIVE DIRECTORS:
Mr. Li Shu Fu *(Chairman)*
Mr. Yang Jian *(Vice Chairman)*
Mr. Gui Sheng Yue
(Chief Executive Officer)
Mr. Ang Siu Lun, Lawrence
Mr. Yin Da Qing, Richard
Mr. Liu Jin Liang
Mr. Zhao Jie
Dr. Zhao Fuquan

NON-EXECUTIVE DIRECTOR:
Mr. Xu Gang
(Resigned on 1 April 2010)

INDEPENDENT NON-EXECUTIVE DIRECTORS:
Mr. Lee Cheuk Yin, Dannis
Mr. Song Lin
Mr. Yeung Sau Hung, Alex

AUDIT COMMITTEE:
Mr. Lee Cheuk Yin, Dannis
(Committee's Chairman)
Mr. Song Lin
Mr. Yeung Sau Hung, Alex

REMUNERATION COMMITTEE:
Mr. Gui Sheng Yue
(Committee's Chairman)
Mr. Lee Cheuk Yin, Dannis
Mr. Yeung Sau Hung, Alex

COMPANY SECRETARY:
Mr. Cheung Chung Yan, David

AUDITORS:
Grant Thornton

LEGAL ADVISOR ON HONG KONG LAW:
Sidley Austin

LEGAL ADVISOR ON CAYMAN ISLANDS LAW:
Maples and Calder

PRINCIPAL BANKERS IN HONG KONG:
Standard Chartered Bank
(Hong Kong) Limited
The Hong Kong and Shanghai
Banking Corporation Limited
CITIC Ka Wah Bank Limited

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS:
Room 2301, 23rd Floor,
Great Eagle Centre
23 Harbour Road, Wanchai,
Hong Kong
Telephone: (852) 2598 3333
Facsimile: (852) 2598 3399
Email: general@geelyauto.com.hk

REGISTERED OFFICE:
P.O. Box 309, George Town,
Grand Cayman, Cayman Islands,
British West Indies

HONG KONG BRANCH SHARE REGISTRARS & TRANSFER OFFICE:
Union Registrars Limited
18/F., Fook Lee Commercial Centre
Town Place, 33 Lockhart Road,
Wanchai, Hong Kong.

INVESTOR & MEDIA RELATIONS:
Prime International
Consultants Limited

DESIGN & PRODUCTION:
HeterMedia Services Limited

LISTING INFORMATION:
The Stock Exchange of
Hong Kong Limited
Stock Code: 0175

COMPANY'S WEBSITE:
http://www.geelyauto.com.hk

吉利汽車控股有限公司
GEELY AUTOMOBILE HOLDINGS LIMITED

Room 2301, 23rd Floor, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong
香 港 灣 仔 港 灣 道 2 3 號 鷹 君 中 心 2 3 樓 2 3 0 1 室