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

(Incorporated in the Cayman Islands with limited liability)
(Stock code: 175)

FINANCIAL HIGHLIGHTS:

	Year ended 31 December		
	2009	2008	Change
	RMB'000	*RMB'000*	%
		(Note)	
Turnover/Revenue	**14,069,225**	4,289,037	228
Share of results of associates	**(15,145)**	226,335	(107)
Profit for the year	**1,319,028**	866,053	52
Profit attributable to the equity holders of the Company	**1,182,740**	879,053	35
Earnings per share			
Basic	**RMB17.1 cents**	RMB15.0 cents	14
Diluted	**RMB16.7 cents**	RMB14.3 cents	17
Proposed final dividend (per ordinary share)	**HK$0.023**	HK$0.016	44

The Board decides to recommend payment of a final dividend of HK$0.023 per ordinary share (2008: HK$0.016 per ordinary share), and such proposal is subject to approval by shareholders of the Company at the annual general meeting to be held on Tuesday, 25 May 2010 at 10:00 a.m. (Hong Kong Time).

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 share of results of associates.

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2009

The Board of Directors (the "Board") of Geely Automobile Holdings Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2009, together with the comparative figures for 2008 as follows:

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2009

	Note	2009 RMB'000	2008 RMB'000
Turnover/Revenue	5	**14,069,225**	4,289,037
Cost of sales		**(11,528,489)**	(3,637,752)
Gross profit		**2,540,736**	651,285
Other income	6	**431,530**	357,512
Distribution and selling expenses		**(764,563)**	(219,807)
Administrative expenses		**(524,130)**	(282,536)
Finance costs		**(107,226)**	(60,952)
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	12	**5,245**	–
Excess of fair value of identifiable net assets acquired over cost	11	**–**	339,835
Share of results of associates	12	**(15,145)**	226,335
Impairment loss on interest in an associate		**–**	(100,000)
Profit before taxation		**1,550,460**	917,922
Taxation	7	**(231,432)**	(51,869)
Profit for the year	8	**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	10	**RMB17.1 cents**	RMB15.0 cents
Diluted	10	**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 share of results of associates (note 12).

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		**4,328,102**	3,289,276
Intangible assets		**1,069,679**	657,155
Goodwill		**6,222**	–
Interest in an associate	12	**7,302**	42,241
Prepaid land lease payments		**1,171,473**	1,051,745
		6,582,778	5,040,417
Current assets			
Prepaid land lease payments		**29,322**	26,611
Inventories		**640,504**	486,664
Trade and other receivables	13	**6,144,929**	2,840,255
Financial assets at fair value through profit or loss		**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	14	**7,328,825**	4,229,631
Taxation		**69,329**	57,551
Convertible bonds – embedded derivatives	16	**–**	12,432
Bank borrowings, secured		**1,509,635**	685,589
Convertible bonds	16	**–**	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	15	**136,993**	122,542
Reserves		**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	16	**1,442,153**	–
Long-term bank borrowings, secured		**1,318,000**	87,000
Deferred taxation	17	**37,727**	8,018
		2,797,880	95,018
		9,894,400	4,877,499

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2009

	Attributable to equity holders of the Company										
	Share capital	**Share premium**	**Capital reserve**	**Statutory and staff welfare reserve**	**Translation reserve**	**Share option reserve**	**Convertible bonds reserve**	**Accumulated profits**	**Sub-total**	**Minority interests**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*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	*19*	**(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)

	Note	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"). 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").

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 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").

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.

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 are 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*

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. 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

5. 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.

6. OTHER INCOME

	2009	2008
	RMB'000	*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.*

7. TAXATION

	2009	2008
	RMB'000	*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 17)*	**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.

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

	2009	2008
	RMB'000	*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 17)*	**24,263**	8,018
Effect of tax exemption granted to 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 PRC subsidiaries of the Company during the year.

8. PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging:

	2009	2008
	RMB'000	*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	2008
	RMB'000	*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

	2009	2008
	RMB'000	*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

9. 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 of the Company 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 of the Company in the forthcoming annual general meeting.

10. 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	2008
	RMB'000	*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.

11. 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 19).

12. INTEREST IN AN ASSOCIATE

	2009	2008
	RMB'000	*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:	2009	2008
	RMB'000	*RMB'000*
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:

	RMB'000	*RMB'000*
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.

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	2008
	RMB'000	*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.

13. 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.

(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 more than 1 year, all other trade and other receivables are expected to be recovered or recognised as expense within 1 year.

14. 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

(a) Trade payables

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

	2009 RMB'000	2008 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.

15. 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 approximate RMB175,390,000 of which approximately RMB4,419,000 was credited to share capital and the balance of RMB170,971,000 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 Group's accounting policy.

16. 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 HK$1.90 or RMB1.67 per share, subject to adjustment in certain events.

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	2008
	RMB'000	*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

	2009	2008
	RMB'000	*RMB'000*
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

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.

17. DEFERRED TAXATION

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

	2009	2008
	RMB'000	*RMB'000*
At 1 January	**8,018**	–
Acquisition of subsidiaries/businesses	**16,155**	–
Exchange differences	**2,238**	–
Charge to the income statement (note 7)	**11,316**	8,018
At 31 December	**37,727**	8,018

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	**Accelerated tax depreciation**	**Total**
	RMB'000	*RMB'000*	*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 differences	–	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.

18. WARRANTS

As set out in note 16, 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 or 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.

19. 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.

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

	Automatic transmissions business			Chengdu Gaoyuan and Lanzhou Geely			
	Carrying amount before combination	**Fair value adjustment**	**Fair value**	**Carrying amount before combination**	**Fair value adjustment**	**Fair value**	**Total fair value**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 1)	*(Note 1)*			*(Note 2)*		
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			–			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.

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

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

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 revenues, 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.

Outlook

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's sedan market in the future, thus enabling the Group to sustain a consistent longer-term profit growth.

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 (or 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 16 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.

PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

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.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S 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.

PROPOSED FINAL DIVIDEND

The directors have recommended the payment of a final dividend of HK$0.023 per ordinary share for the year ended 31 December 2009. The proposed dividend payments are subject to approval by the shareholders of the Company at the annual general meeting to be held on Tuesday, 25 May 2010 at 10:00 a.m. (Hong Kong Time). Upon shareholders' approval, the proposed final dividend will be paid on or before 30 June 2010 to shareholders whose names shall appear on the register of members of the Company on 25 May 2010.

CLOSING OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 19 May 2010 to Tuesday, 25 May 2010, both dates inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, 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, Wan Chai, Hong Kong, for registration not later than 4:00 p.m. (Hong Kong Time) on Tuesday, 18 May 2010.

CORPORATE GOVERNANCE

The Company has applied the principles and complied with the requirements as set out in the Code on Corporate Governance Practices (the "CG Code") in Appendix 14 of the Listing Rules on the Stock Exchange of Hong Kong Limited.

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 Officer (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.

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 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 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.

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

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held in Hong Kong on Tuesday, 25 May 2010 at 10:00 a.m. (Hong Kong Time). A notice of the annual general meeting will be issued and delivered to shareholders of the Company in due course.

SCOPE OF WORK OF THE AUDITORS

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2009 have been agreed by the Group's auditors, Grant Thornton (the ''Auditors''), to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by the Auditors in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the Auditors on the preliminary announcement.

ANNOUNCEMENT OF ANNUAL REPORT ON THE WEB SITES OF THE COMPANY AND THE STOCK EXCHANGE OF HONG KONG LIMITED

Pursuant to the requirements of the Listing Rules regarding the reporting period, the 2009 annual report will set out all information disclosed in the annual results announcement for 2009 and will be disclosed on the websites of the Company (http://www.geelyauto.com.hk) and the Stock Exchange of Hong Kong Limited (http://www.hkexnews.hk) on or before 30 April 2010.

By Order of the Board of
Geely Automobile Holdings Limited
Li Shu Fu
Chairman

Hong Kong, 12 April 2010

As at the date of this announcement, the executive directors of the Company are 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 and Dr. Zhao Fuquan and the independent non-executive directors of the Company are Mr. Lee Cheuk Yin, Dannis, Mr. Song Lin and Mr. Yeung Sau Hung, Alex.