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DENWAY MOTORS LIMITED
駿威汽車有限公司

(Incorporated in Hong Kong under the Companies Ordinance)

Website: <http://www.denway-motors.com>

(Stock Code: 203)

ANNOUNCEMENT OF RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2009

RESULTS

The board of directors (the “Board”) of Denway Motors Limited (the “Company”) announces that the consolidated results of the Company and its subsidiaries (together the “Group”), jointly controlled entities and associates for the year ended 31 December 2009, together with comparative figures for the corresponding period in 2008 are as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2009

	<i>Note</i>	Group	
		2009	2008
		<i>RMB'000</i>	<i>RMB'000</i>
Turnover	4	637,537	725,464
Cost of sales		(581,314)	(682,776)
Gross profit		56,223	42,688
Other income and other gains		108,286	115,467
Selling and distribution costs		(27,335)	(28,210)
General and administrative expenses		(68,709)	(67,260)
Other operating expenses		(296,235)	(48,210)
Operating (loss)/profit	5	(227,770)	14,475
Finance costs		(934)	(646)
Share of profits less losses of:			
A jointly controlled entity	6(a)	1,918,576	1,912,723
Other jointly controlled entities		242,682	217,608
Associates		8,148	5,784

		Group	
		2009	2008
	<i>Note</i>	RMB'000	RMB'000
Profit before taxation		1,940,702	2,149,944
Taxation	7	<u>(22,129)</u>	<u>(59,938)</u>
Profit for the year		<u>1,918,573</u>	<u>2,090,006</u>
Attributable to:			
Equity holders of the Company		1,914,530	2,094,259
Minority interests		<u>4,043</u>	<u>(4,253)</u>
		<u>1,918,573</u>	<u>2,090,006</u>
Earnings per share attributable to the equity holders of the Company	8		
Basic		<u>25.5 cents</u>	<u>27.9 cents</u>
Diluted		<u>25.4 cents</u>	<u>27.8 cents</u>
Dividends	9	<u>676,683</u>	<u>526,309</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2009

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

BALANCE SHEETS

As at 31 December 2009

		Group	
		2009	2008
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
ASSETS			
Non-current assets			
Intangible asset		896,398	896,398
Leasehold land and land use rights		35,669	36,503
Property, plant and equipment		42,993	48,702
Investment properties		52,560	49,669
Interest in a jointly controlled entity	6(a)	2,337,270	5,265,800
Interests in other jointly controlled entities	6(b)	1,475,145	1,270,988
Interests in associates		70,063	64,889
		4,910,098	7,632,949
Current assets			
Inventories		62,784	70,788
Trade and other receivables	10	2,162,869	881,343
Current tax recoverable		41	1,506
Cash and bank balances			
— pledged bank deposits		23,381	5,721
— cash and cash equivalents		7,277,426	4,254,993
		9,526,501	5,214,351
Total assets		14,436,599	12,847,300
EQUITY			
Share capital and reserves attributable to the equity holders of the Company			
Share capital		757,118	757,118
Reserves			
Proposed final dividend		451,122	150,374
Others		12,979,961	11,744,638
		14,188,201	12,652,130
Minority interests		68,200	67,586
Total equity		14,256,401	12,719,716

		Group	
		2009	2008
	<i>Note</i>	RMB'000	RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings		226	752
Deferred tax liabilities		<u>39,262</u>	<u>40,999</u>
		<u>39,488</u>	<u>41,751</u>
Current liabilities			
Trade and other payables	11	131,509	76,205
Current tax liabilities		8,675	8,270
Borrowings		<u>526</u>	<u>1,358</u>
		<u>140,710</u>	<u>85,833</u>
Total liabilities		<u>180,198</u>	<u>127,584</u>
Total equity and liabilities		<u>14,436,599</u>	<u>12,847,300</u>
Net current assets		<u>9,385,791</u>	<u>5,128,518</u>
Total assets less current liabilities		<u>14,295,889</u>	<u>12,761,467</u>

Notes:

1. GENERAL INFORMATION

The Group, jointly controlled entities and associates are principally engaged in the manufacturing, assembly and trading of motor vehicles, the manufacturing and trading of automotive equipment and parts in the People's Republic of China (the "PRC") and the manufacturing and trading of audio equipment in Hong Kong.

The Company is a limited liability company incorporated in Hong Kong. The address of its registered office is Room 801, Citicorp Centre, 18 Whitfield Road, Causeway Bay, Hong Kong.

The Company's shares are listed on The Stock Exchange of Hong Kong Limited.

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

2. BASIS OF PREPARATION

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

3. CHANGES IN ACCOUNTING POLICIES

The following new standard, revised standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2009:

HKAS 1 (Revised)	Presentation of financial statements
HKAS 23 (Revised)	Borrowing costs
HKFRS 2 (Amendment)	Share-based payment — vesting conditions and cancellations
HKFRS 7 (Amendment)	Improving disclosures about financial instruments
HKFRS 8	Operating segments

The revised HKAS 1 prohibits the presentation of items of income and expenses (that is "non-owner changes in equity") in the statement of changes in equity, requiring "non-owner changes in equity" to be presented separately from owner changes in equity in a statement of comprehensive income. As a result the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. Comparative information has been re-presented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

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

HKFRS 8 replaces HKAS 14, "Segment reporting", and aligns segment reporting with the requirements of the US standard SFAS 131, "Disclosure about segments of an enterprise and related information". The new standard requires a "management approach" under which segment information is presented on the same basis as that used for internal reporting purposes. This has resulted in revision of disclosure on segment information. However, such revision in note disclosure does not have any impact on the balance sheets.

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

4. REVENUE AND SEGMENT INFORMATION

The chief operating decision-maker has been identified as the Board. The Board reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The Board considers the business from a product perspective. The Board assesses the performance of motor vehicles, automotive equipment and parts, and audio equipment. Motor vehicles are further separated into trading and manufacturing and assembly segments.

The Board assesses the performance of the operating segments based on operating income before interest and tax. Interest income and finance costs are also included in the results for each operating segment that is reviewed by the Board. Other information provided to the Board is measured in a manner consistent with that in the financial statements.

Revenue represents sales by the Company and its subsidiaries to external customers and comprises revenue from:

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

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

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

	Trading of motor vehicles 2008 <i>RMB'000</i>	Manufacturing and assembly of motor vehicles 2008 <i>RMB'000</i>	Manufacturing and trading of automotive equipment and parts 2008 <i>RMB'000</i>	Manufacturing and trading of audio equipment 2008 <i>RMB'000</i>	Other operations 2008 <i>RMB'000</i>	Total 2008 <i>RMB'000</i>
Revenue	<u>485,217</u>	<u>—</u>	<u>9,655</u>	<u>230,592</u>	<u>—</u>	<u>725,464</u>
Segment operating loss before interest income	(24,566)	—	(29,703)	(8,866)	(38,826)	(101,961)
Interest income	<u>391</u>	<u>—</u>	<u>111,793</u>	<u>227</u>	<u>4,025</u>	<u>116,436</u>
Segment operating (loss)/profit	(24,175)	—	82,090	(8,639)	(34,801)	14,475
Finance costs	(427)	—	—	(219)	—	(646)
Share of profits less losses of:						
A jointly controlled entity ¹	—	1,912,723	—	—	—	1,912,723
Other jointly controlled entities	—	—	217,608	—	—	217,608
Associates	<u>2,117</u>	<u>—</u>	<u>3,667</u>	<u>—</u>	<u>—</u>	<u>5,784</u>
(Loss)/profit before taxation	<u>(22,485)</u>	<u>1,912,723</u>	<u>303,365</u>	<u>(8,858)</u>	<u>(34,801)</u>	<u>2,149,944</u>
Segment assets	111,999	—	4,899,349	137,428	1,096,847	6,245,623
Interests in						
A jointly controlled entity	—	5,265,800	—	—	—	5,265,800
Other jointly controlled entities	—	—	1,270,988	—	—	1,270,988
Associates	<u>13,877</u>	<u>—</u>	<u>51,012</u>	<u>—</u>	<u>—</u>	<u>64,889</u>
Total assets	<u>125,876</u>	<u>5,265,800</u>	<u>6,221,349</u>	<u>137,428</u>	<u>1,096,847</u>	<u>12,847,300</u>
Total liabilities	<u>32,624</u>	<u>—</u>	<u>17,697</u>	<u>33,188</u>	<u>44,075</u>	<u>127,584</u>
Depreciation	1,597	—	1,028	4,033	2,622	9,280
Amortisation	—	—	—	156	639	795
Impairment loss	11,148	—	—	—	—	11,148
Expenditure for non-current assets	<u>869</u>	<u>—</u>	<u>879</u>	<u>2,178</u>	<u>53</u>	<u>3,979</u>

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

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

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

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

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

5. OPERATING (LOSS)/PROFIT

	<u>Group</u>	
	2009 <i>RMB'000</i>	2008 <i>RMB'000</i>
Expenses included in cost of sales, selling and distribution costs, general and administrative expenses and other operating expenses are analysed as follows:		
Cost of inventories sold	525,792	622,157
Auditor's remuneration	2,732	3,142
Staff costs (including directors' emoluments)	42,906	42,286
Operating lease rentals in respect of land and buildings	8,488	9,066
Outgoings in respect of investment properties	1,041	1,056
Outgoings in respect of other properties	33	33
Amortisation of leasehold land and land use rights	785	795
Depreciation of property, plant and equipment	8,007	9,280
Gain on disposal of subsidiaries	(37)	—
(Gain)/loss on disposal of property, plant and equipment	(7,216)	33
Provision for impairment loss of property, plant and equipment	194	11,148
Donations	<u>301,560</u>	<u>19,241</u>

6. INTERESTS IN JOINTLY CONTROLLED ENTITIES

(a) Interest in a jointly controlled entity

	Group	
	2009	2008
	<i>RMB'000</i>	<i>RMB'000</i>
Share of net assets	<u>2,337,270</u>	<u>5,265,800</u>

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

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

This is a Sino-foreign equity joint-venture in which 50% (2008: 50%) of the equity capital, voting power and profit sharing is held by a 100% (2008: 100%) owned subsidiary of the Company. The Group's investment cost in this company is RMB551,000,000 (2008: RMB551,000,000). The Group has no unilateral control over the joint venture company. The joint venture period is 30 years from May 1998.

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

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

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

Capital commitments

At 31 December 2009, the Group's share of capital commitments in respect of construction and purchase of property, plant and equipment of the jointly controlled entity itself was as follows:

	2009 <i>RMB'000</i>	2008 <i>RMB'000</i>
Authorised but not contracted for	<u>—</u>	<u>—</u>
Contracted but not provided for	<u>189,654</u>	<u>85,467</u>

(b) Interests in other jointly controlled entities

	<u>Group</u>	
	2009 <i>RMB'000</i>	2008 <i>RMB'000</i>
Share of net assets	<u>1,106,265</u>	<u>894,544</u>
Intangible assets		
— Technology	152,983	160,547
— Goodwill	<u>215,897</u>	<u>215,897</u>
	<u>368,880</u>	<u>376,444</u>
	<u>1,475,145</u>	<u>1,270,988</u>

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

Particulars of the principal jointly controlled entity are as follows:

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

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

7. TAXATION

Hong Kong profits tax has been provided at the rate of 16.5% (2008: 16.5%) on the estimated assessable profits for the year. Taxation on overseas profits has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the countries in which the Group operates.

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

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

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

8. EARNINGS PER SHARE

Basic

Basic earnings per share is calculated by dividing the profit attributable to the equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

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

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has share options outstanding during the year which are dilutive potential ordinary shares. Calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average daily market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

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

9. DIVIDENDS

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

- (a) The Board has recommended the payment of a final dividend of RMB6 cents per ordinary share. Total dividends for year 2009 will be RMB9 cents per ordinary share. The proposed final dividend is to be approved by shareholders at the annual general meeting on 11 May 2010 and is not reflected as dividend payable in these financial statements but will be reflected as an appropriation of retained earnings for the year ending 31 December 2010.

10. TRADE AND OTHER RECEIVABLES

	<u>Group</u>	
	2009	2008
	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables (<i>note (a)</i>)	60,753	38,197
Less: provision for impairment of receivables	<u>(2,015)</u>	<u>(2,150)</u>
	58,738	36,047
Due from the single largest shareholder of the Company (<i>note (b)</i>)	—	102
Due from a jointly controlled entity (<i>note (b)</i>)	20,801	5,087
Dividend receivable from a jointly controlled entity (<i>note (b)</i>)	2,014,401	786,286
Dividend receivable from other jointly controlled entities (<i>note (b)</i>)	19,732	—
Dividend receivable from an associate (<i>note (b)</i>)	—	901
Other receivables and deposits	<u>49,197</u>	<u>52,920</u>
	<u>2,162,869</u>	<u>881,343</u>

(a) The Group allows its trade customers an average credit period of 90 days.

(b) The balances are unsecured, interest-free and repayable on demand.

The carrying amounts of trade and other receivables approximate their fair values.

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

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

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

	<u>Group</u>	
	2009	2008
	<i>RMB'000</i>	<i>RMB'000</i>
1–6 months	—	1,813
Over 12 months	<u>2,015</u>	<u>337</u>
	<u>2,015</u>	<u>2,150</u>

As at 31 December 2009, trade receivables of RMB3,599,000 (2008: RMB6,025,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these past due but not impaired receivables is as follows:

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

Trade and other receivables are denominated in the following currencies:

	<u>Group</u>	
	2009	2008
	<i>RMB'000</i>	<i>RMB'000</i>
HKD	6,264	6,089
USD	24,243	23,484
RMB	2,132,362	851,121
Others	<u>—</u>	<u>649</u>
	<u>2,162,869</u>	<u>881,343</u>

11. TRADE AND OTHER PAYABLES

	<u>Group</u>	
	2009	2008
	<i>RMB'000</i>	<i>RMB'000</i>
Due to the single largest shareholder of the Company (<i>note (a)</i>)	390	846
Due to a fellow subsidiary (<i>note (a)</i>)	717	713
Due to an associate (<i>note (a)</i>)	846	—
Due to a minority shareholder of a subsidiary (<i>note (a)</i>)	—	391
Trade payables	30,416	34,155
Bills payables (<i>note (b)</i>)	75,000	16,130
Other payables, deposits received and accrued charges	<u>24,140</u>	<u>23,970</u>
	<u>131,509</u>	<u>76,205</u>

(a) The balances are unsecured, interest-free and repayable on demand.

(b) Bills payables are due for payments within 6 months.

The carrying amounts of trade and other payables approximate their fair values.

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

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

Trade and other payables are denominated in the following currencies:

	Group	
	2009	2008
	<i>RMB'000</i>	<i>RMB'000</i>
HKD	37,245	33,679
RMB	89,709	38,774
Others	<u>4,555</u>	<u>3,752</u>
	<u>131,509</u>	<u>76,205</u>

12. OTHER INFORMATION

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

PROPOSED FINAL DIVIDEND

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

The proposed final dividend for the year 2009 will be calculated in Renminbi, and paid in Hong Kong dollars. The relevant exchange rate (the “Exchange Rate”) will be the average middle rate of Hong Kong dollars to Renminbi as announced by the People’s Bank of China at the date on which the Board proposed the distribution of final dividend. The proposed final dividend is equivalent to HK6.81965 cents per ordinary share at the Exchange Rate of HKD1.0 to RMB0.87981 on 16 March 2010.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 5 May 2010 to Tuesday, 11 May 2010, both days inclusive, during which no transfer of shares will be registered. In order to qualify for the proposed final dividend, all completed transfer forms

with the relevant share certificates must be lodged with the Company's Registrars, Tricor Abacus Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Tuesday, 4 May 2010.

BUSINESS REVIEW

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

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

For the year ended 31 December 2009, an aggregate of 365,997 units and 365,623 units of vehicles were produced and sold respectively by the Company through a jointly controlled entity ("Sedan Company") which is directly owned by the Company's wholly-owned subsidiary, Guangzhou Auto Group Corporation, representing an increase of 18.7% and 19.4% respectively over the previous year. Such growth rates were slightly lower than the nationwide average growth rate as the Sedan Company has entered into a mature development stage.

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

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

FUTURE PROSPECTS

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

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

In future, the Group will further exploit the automotive market as well as identifying opportunities under such intricate market environment, in order to effectively implement its business targets and thereby increasing returns for its shareholders.

FINANCIAL SUMMARY

The Group's turnover for the year ended 31 December 2009 was approximately RMB637,537,000, representing a decrease of approximately 12.1% compared with that in 2008. The main reason for such decrease was that our management has scaled down the operations of its loss making vehicle trading company in order to minimize any subsequent effects. Profit attributable to the equity holders of the Company was approximately RMB1,914,530,000, representing a decrease of approximately 8.6% compared with that in 2008.

The turnover of the trading of motor vehicles decreased by RMB64,835,000 which represented a drop of approximately 13.4% compared with that in 2008. The operating profit of this segment was approximately RMB6,698,000 in 2009 compared with operating loss of approximately RMB24,175,000 in 2008. The main reasons for such turnaround were that our management has scaled down the operations of its loss making motor vehicle trading company in order to minimize any subsequent effects as well as sales growth and effective cost control achieved by another motor vehicle trading company. The turnover of the

manufacturing and trading of automotive equipment and parts decreased by RMB6,614,000 which represented a decrease of approximately 68.5% compared with that in 2008. The operating loss of this segment was approximately RMB214,868,000 in 2009 compared with operating profit of approximately RMB82,090,000 in 2008. The main reason for such decrease was due to an one-off donation to the 16th Asian Games Organising Committee. The turnover of the manufacturing and trading of audio equipment decreased by RMB16,478,000 which represented a decrease of approximately 7.1% over 2008, mainly due to a drop in sales orders. The operating profit of this segment was approximately RMB3,796,000 in 2009 compared with the operating loss of approximately RMB8,639,000 in 2008, such turnaround was mainly due to our effective cost control. The operating loss of other segment decreased by RMB11,405,000, mainly due to a decrease in net exchange loss as HKD/RMB exchange rate held steady. The order on hand of the Group for the business of the manufacturing and trading of audio equipment was approximately RMB38,174,000 as at 31 December 2009.

The total borrowings of the Group decreased from approximately RMB2,110,000 at the end of 2008 to approximately RMB752,000 as at 31 December 2009, mainly due to repayment of borrowings. The Group maintained low ratios of borrowings relative to total equity at approximately 0.01% as at 31 December 2009 and 0.02% as at 31 December 2008. The Group also maintained low ratios of total liabilities relative to total equity at approximately 1.3% as at 31 December 2009 and 1.0% as at 31 December 2008. The Group's borrowings (including other payables) were secured by leasehold land, buildings and investment properties with a total net book value of approximately RMB38,176,000 and pledged bank deposits of approximately RMB23,381,000. As at 31 December 2009, the Group had no contingent liabilities.

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

The Group's general and administrative expenses for 2009 were approximately RMB68,709,000, representing an increase of approximately 2.2% compared with that in 2008. Finance cost increased by RMB288,000, mainly due to an increase in the number of bills payables used in a low interest rate environment. The interest cover remained at a high level of approximately 2,079 multiples in 2009 compared with that of approximately 3,329 multiples in 2008.

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

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

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

EMPLOYEES AND REMUNERATION POLICY

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

Remuneration policies and packages for the Group's employees are based on individual qualifications, performance and experience. In addition, various training sessions are offered to employees to enhance their knowledge. The remuneration of directors is determined according to their expertise, knowledge and contributions to the Group with reference to the Group's profitability and the prevailing market conditions. The Company has also adopted a share option scheme under which directors and employees of the Group may be granted share options to subscribe for shares in the Company for the purposes of recognizing their contributions.

CORPORATE GOVERNANCE

Since 2005, the Company has adopted its own Code on Corporate Governance (the "Denway Code"), which covers all mandatory code provisions of the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and recommended best practices considered by the Board as reasonable and appropriate as well as a set of model code for securities transactions by the directors on terms no less exacting than those set out in Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") as set out in Appendix 10 of the Listing Rules.

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

Having made specific enquiries, all directors have confirmed that they have strictly complied with the required standards set out in the Model Code throughout 2009.

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

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year.

DISCLOSURE OF INFORMATION ON THE WEBSITE OF THE STOCK EXCHANGE

The 2009 Annual Report of the Company containing all the information required by Appendix 16 to the Listing Rules will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.denway-motors.com) and will be sent to shareholders of the Company in due course.

LIST OF DIRECTORS

As at the date of this announcement, the Board comprised the following directors:

Executive Directors:

Mr. ZHANG Fangyou, Mr. ZENG Qinghong, Mr. LI Tun, Mr. FU Shoujie and Mr. YAO Yiming.

Independent Non-Executive Directors:

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

By order of the Board
ZHANG Fangyou
Chairman

Hong Kong, 16 March 2010