China MeiDong Auto Holdings Limited
中 國 美 東 汽 車 控 股 有 限 公 司

(Incorporated in the Cayman Islands with limited liabilities)

(Stock code: 1268)

2013 ANNUAL RESULTS ANNOUNCEMENT

FINANCIAL HIGHLIGHTS

- Turnover increased significantly to RMB3,479.7 million, representing an increase of 18.0%.
- Gross profit increased by 45.9% to RMB327.8 million.
- Gross profit margin for new passenger vehicle sales rose from 3.2% to 4.2%.
- Gross profit margin for after sales services increased from 48.6% to 54.0%.
- Profit after taxation attributable to equity shareholders of the Company increased by 122.4% to RMB106.0 million.

RESULTS

The board of directors (the "Board") of China MeiDong Auto Holdings Limited (the "Company" or "MeiDong Auto") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2013.

The audited consolidated results of the Group for the year ended 31 December 2013 together with the comparative figures of 2012 are as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2013

	Notes	**2013** **RMB'000**	2012 *RMB'000*
Turnover	*2*	**3,479,663**	2,949,497
Cost of sales		**(3,151,847)**	(2,724,735)
Gross profit		**327,816**	224,762
Other revenue and net income	*3*	**33,759**	19,800
Distribution costs		**(95,830)**	(89,368)
Administrative expenses		**(80,980)**	(58,519)
Profit from operations		**184,765**	96,675
Finance costs	*4(a)*	**(45,238)**	(43,158)
Share of profits/(losses) of an associate		**65**	(523)
Share of profits of a joint venture		**9,766**	8,586
Profit before taxation	*4*	**149,358**	61,580
Income tax	*5(a)*	**(39,164)**	(13,797)
Profit and total comprehensive income for the year		**110,194**	47,783
Profit and total comprehensive income for the year attributable to:			
Equity shareholders of the Company		**105,956**	47,647
Non-controlling interests		**4,238**	136
Profit for the year		**110,194**	47,783
Earnings per share	*6*	***RMB***	*RMB*
Basic and diluted		**0.14**	0.06

CONSOLIDATED BALANCE SHEET

At 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
Non-current assets			
Property, plant and equipment		**288,370**	180,567
Lease prepayments		**105,323**	110,282
Intangible assets		**11,438**	12,192
Interest in an associate		**4,211**	4,146
Interest in a joint venture		**23,368**	32,132
Deferred tax assets		**9,860**	10,311
		442,570	349,630
Current assets			
Inventories	*8*	**457,920**	290,754
Trade and other receivables	*9*	**242,354**	502,182
Pledged bank deposits		**181,590**	100,666
Cash and cash equivalents		**491,205**	158,571
		1,373,069	1,052,173
Current liabilities			
Loans and borrowings		**804,732**	508,625
Trade and other payables	*10*	**514,539**	360,067
Income tax payables	*5(c)*	**16,297**	11,092
		1,335,568	879,784
Net current assets		**37,501**	172,389
Total assets less current liabilities		**480,071**	522,019
Non-current liabilities			
Deferred tax liabilities		**2,859**	3,048
Loans and borrowings		**–**	60,000
		2,859	63,048
NET ASSETS		**477,212**	458,971
EQUITY			
Share capital		**78,620**	259,010
Reserves		**381,652**	191,321
Total equity attributable to equity shareholders of the Company		**460,272**	450,331
Non-controlling interests		**16,940**	8,640
TOTAL EQUITY		**477,212**	458,971

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 24 February 2012 as an exempted company with limited liability under the Companies Law (2011 Revision) (as consolidated and revised) of the Cayman Islands. Its registered address is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The Group is principally engaged in 4S dealership business in the People's Republic of China (the "PRC").

Pursuant to a group reorganisation completed in July 2013 (the "Reorganisation") to rationalise the Group's structure in preparation for the public offering (the "Offering") of the Company's shares on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") as defined in the Company's prospectus dated 22 November 2013 (the "Prospectus"), the Company became the holding company of the Group. Details of the Reorganisation are set out in the Prospectus. The Company's shares were listed on the Stock Exchange on 5 December 2013 (the "Listing Date").

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable 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 (the "HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Listing Rules").

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. For the purpose of these financial statements, the Group has adopted at the beginning of the earliest year presented, all the HKFRSs that have been issued and effective for the entire year, except for any new standards or interpretations that are not yet effective for the accounting year ended 31 December 2013.

(b) Basis of preparation of the consolidated financial statements

The consolidated financial statements for the year ended 31 December 2013 comprise the Group and the Group's interests in an associate and a joint venture.

The measurement basis used in the preparation of the consolidated financial statements is the historical cost basis.

These consolidated financial statements are presented in Renminbi ("RMB") which is the Group's presentation currency, rounded to the nearest thousands, except for earnings per share information.

The preparation of consolidated financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

2 TURNOVER AND SEGMENT REPORTING

(a) Turnover

The amount of each significant category of revenue recognised in turnover during the year is as follows:

	2013	2012
	RMB'000	*RMB'000*
Sales of passenger vehicles	**3,115,490**	2,662,417
After-sales services	**364,173**	287,080
	3,479,663	2,949,497

(b) Segment reporting

HKFRS 8, Operating Segments, requires identification and disclosure of operating segment information based on internal financial reports that are regularly reviewed by the Group's chief operating decision maker for the purpose of resources allocation and performance assessment. On this basis, the Group has determined that it only has one operating segment which is the sales of passenger vehicles and provision of after-sales services.

(i) Information about geographical area

All of the Group's revenue is derived from the sales of passenger vehicles and provision of after-sales services in mainland China and the principal non-current assets employed by the Group are located in mainland China. Accordingly, no analysis by geographical segments has been provided for the reporting period.

(ii) Information about major customers

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

3 OTHER REVENUE AND NET INCOME

	2013 RMB'000	2012 RMB'000
Other revenue:		
Commission income	**19,224**	15,758
Bank interest income	**2,341**	2,534
Interest income from Guangdong Dadong Automotive Group Co., Ltd. ("Dadong Group")	**8,324**	–
	29,889	18,292
Other net income:		
Net gain on disposal of property, plant and equipment and lease prepayment	**1,242**	338
Others	**2,628**	1,170
	3,870	1,508
	33,759	19,800

4 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

	Note	2013 RMB'000	2012 RMB'000
(a) Finance costs:			
Interest on loans and borrowings wholly repayable within 5 years		**44,228**	36,698
Other finance costs	*(i)*	**6,599**	6,460
Less: interest expense capitalized	*(ii)*	**(5,589)**	–
		45,238	43,158
(b) Staff costs:			
Salaries, wages and other benefits		**104,636**	91,928
Contributions to defined contribution retirement plans	*(iii)*	**4,396**	2,975
		109,032	94,903

(i) It mainly represents the interest expenses borne by the Group arising from discount of bills issued to automobile manufacturers.

(ii) The borrowing costs have been capitalised at a rate of 7.07% per annum for the year ended 31 December 2013 (2012: Nil).

(iii) Employees of the Group's PRC subsidiaries are required to participate in a defined contribution retirement scheme administered and operated by the local municipal government. The Group's PRC subsidiaries contribute funds which are calculated on certain percentages of the average employee salary as agreed by the local municipal government to the scheme to fund the retirement benefits of the employees.

The Group has no other material obligation for the payment of retirement benefits associated with the scheme beyond the annual contributions described above.

	2013	2012
	RMB'000	*RMB'000*
(c) Other items:		
Cost of inventories	**3,119,896**	2,694,000
Depreciation	**18,684**	20,089
Amortisation of lease prepayments	**2,943**	1,491
Amortisation of intangible assets	**754**	754

5 INCOME TAX

(a) Income tax in the consolidated statement of comprehensive income represents:

	2013	2012
	RMB'000	*RMB'000*
Current tax:		
Provision for PRC income tax for the year	**38,902**	19,634
Deferred tax:		
Reversal/(origination) of temporary differences	**262**	(5,837)
	39,164	13,797

(i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands.

No provision for Hong Kong Profits Tax was made for the subsidiary located in Hong Kong as the subsidiary did not have assessable profits subject to Hong Kong Profits Tax during the reporting period. The payments of dividends by Hong Kong companies are not subject to any Hong Kong withholding tax.

Under the Corporate Income Tax Law of the PRC (the "new CIT Law") which was passed by the Fifth Plenary Session of the Tenth National People's Congress, effective from 1 January 2008, the PRC's statutory income tax rate is 25%. The Group's PRC subsidiaries are subject to income tax at the statutory tax rate.

(ii) The new CIT Law and its relevant regulations also impose a withholding tax at 10%, unless reduced by a tax treaty/arrangement, for dividend distributions out of earnings accumulated beginning on 1 January 2008. Undistributed earnings generated prior to 1 January 2008 are exempted from such withholding tax. The Group has not recognised deferred tax liabilities as at 31 December 2013 in respect of undistributed earnings of RMB89,620,000 as the Company controls the dividend policy of the subsidiaries and it has been determined that these profits will not be distributable in the foreseeable future.

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2013	2012
	RMB'000	*RMB'000*
Profit before taxation	**149,358**	61,580
Notional tax on profit before taxation, calculated at the rates applicable in the jurisdictions concerned	**40,164**	15,395
Non-deductible expenses	**1,458**	418
(Non-taxable income)/non-deductible expenses on share of (profits)/losses of an associate	**(16)**	131
Non-taxable income on share of profits of a joint venture	**(2,442)**	(2,147)
Income tax	**39,164**	13,797

(c) Income tax payables in the consolidated balance sheet represent:

	2013	2012
	RMB'000	*RMB'000*
At the beginning of the year	**11,092**	12,643
Provision for current income tax for the year	**38,902**	19,634
Payment during the year	**(33,697)**	(21,185)
At the end of the year	**16,297**	11,092

6 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of RMB105,956,000 (2012: RMB47,647,000) and the weighted average 770,833,333 ordinary shares in issue (2012: 750,000,000 shares) during the year ended 31 December 2013. The weighted average number of ordinary shares in issue during the year ended 31 December 2013 and 2012 was based on the assumption that 750,000,000 ordinary shares were in issue as if these ordinary shares were outstanding throughout both years presented, calculated as follows:

Weighted average number of ordinary shares

	2013	2012
Issued ordinary shares at 1 January	**750,000,000**	750,000,000
Effect of shares issued on initial public offering	**20,833,333**	–
Weighted average number of ordinary shares at 31 December	**770,833,333**	750,000,000

There were no dilutive potential ordinary shares throughout the year, and therefore, the basic and diluted earnings per share are equivalent to basic earnings per share.

7 DIVIDENDS

Dividends payable to equity shareholders of the Company attributable to the year ended 31 December 2013:

	2013	2012
	RMB'000	*RMB'000*
Final dividend proposed after the balance sheet date of RMB0.03 per ordinary share (2012: RMB nil per ordinary share)	**30,000**	–

The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

During the year ended 31 December 2013, certain subsidiaries of the Group declared dividends of RMB166,609,000 and RMB3,310,000 to their then equity holder, Dadong Group and the non-controlling shareholder of a subsidiary of the Group, respectively. Of the RMB166,609,000, RMB126,180,000 was settled by way of set-off against outstanding amounts due from Dadong Group and the remaining RMB40,429,000 was paid in cash.

During the year ended 31 December 2012, Xiamen Meidong Auto Sales and Services Co., Ltd., the Group's subsidiary declared and paid dividends in cash totalling RMB12,000,000 to its then equity holder, Dadong Group.

8 INVENTORIES

Inventories in the consolidated balance sheet comprise:

	2013	2012
	RMB'000	*RMB'000*
Motor vehicles	**434,043**	272,616
Others	**23,877**	18,138
	457,920	290,754

No inventory provision was made as at 31 December 2013 and 2012, and the inventories as at 31 December 2013 and 2012 were stated at cost.

9 TRADE AND OTHER RECEIVABLES

	2013	2012
	RMB'000	*RMB'000*
Trade receivables	**26,506**	14,021
Prepayments	**85,256**	61,991
Other receivables and deposits	**129,785**	117,377
Amounts due from third parties	**241,547**	193,389
Amounts due from related parties	**807**	308,793
Trade and other receivables	**242,354**	502,182

All of the trade and other receivables are expected to be recovered or recognised as expense within one year.

Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

Credit risk in respect of trade receivables is limited since credit sales are offered in rare cases subject to high level management's approval. Trade receivables balances mainly represent mortgage granted by major financial institutions to customers of the Group, which is normally settled within one month directly by major financial institutions. Normally, the Group does not obtain collateral from customers.

The ageing analysis of trade receivables that are neither individually nor collectively considered to be impaired is as follows:

	2013	2012
	RMB'000	*RMB'000*
Current	**26,093**	13,633
Less than 3 months past due	**237**	99
3 to 12 months past due	**94**	238
Over 12 months past due	**82**	51
Total amount past due	**413**	388
	26,506	14,021

10 TRADE AND OTHER PAYABLES

	2013	2012
	RMB'000	*RMB'000*
Trade payables	**27,248**	20,685
Bills payable	**339,758**	162,485
	367,006	183,170
Receipts in advance	**90,848**	86,757
Other payables and accruals	**54,921**	31,586
Amounts due to third parties	**512,775**	301,513
Amounts due to related parties	**1,764**	58,554
Trade and other payables	**514,539**	360,067

All trade and other payables are expected to be settled within one year.

An ageing analysis of trade and bills payables is as follows:

	2013	2012
	RMB'000	*RMB'000*
Due within 3 months	**357,078**	182,751
Due after 3 months but within 6 months	**9,928**	419
	367,006	183,170

FINANCIAL REVIEW

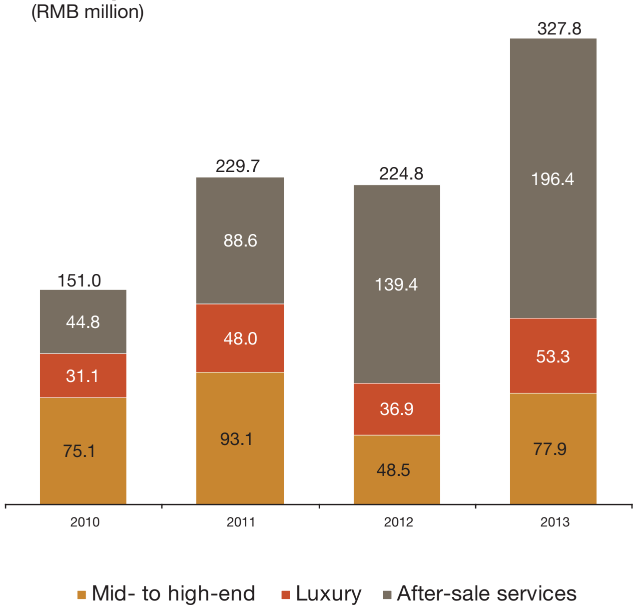
Turnover and Cost of Sales

For the year ended 31 December 2013, the Group recorded a turnover of RMB3,479,663,000, representing an increase of 18.0% from RMB2,949,497,000 recorded in 2012. The increase in turnover is made up of: (i) increase in sale of new passenger vehicles from existing stores of approximately 9.8%; (ii) increase in sales of new passenger vehicles from the two new stores opened in 2013 of approximately 5.6%; and (iii) increase in after sales services of approximately 2.6%. Cost of goods sold increased by 15.7% from RMB2,724,735,000 in 2012 to RMB3,151,847,000 in 2013. The increase in cost of goods sold is made up of: (i) increase in sale of new passenger vehicles from existing stores of approximately 9.3%; (ii) the cost incurred from new passenger vehicle sales of the two new stores opened in 2013 of approximately 5.7%; and (iii) increase in after sales services of approximately 0.7%.

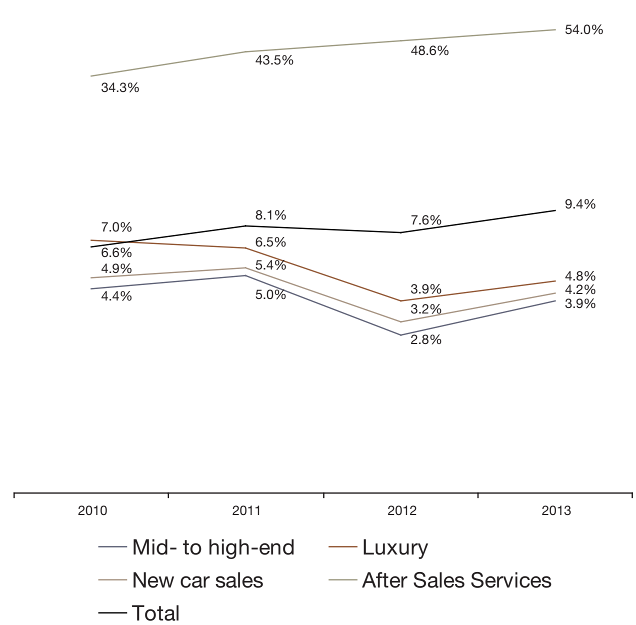
Gross Profit

Gross profit increased significantly from RMB224,762,000 in 2012 to RMB327,816,000 in 2013, representing an increase of approximately 45.9%. Gross profit margin also increased from 7.6% recorded in 2012 to 9.4% this year. The increase is mainly attributed by: (1) higher gross margin in new car sales with the release of the new Toyota models in the second half of 2013; (2) higher number of units sold in the higher margin luxury brands from new stores that opened in 2013; and (3) increase in after-sales gross profit margin from 48.6% in 2012 to 54.0% in 2013 which is mainly due to the increase in the number of units serviced from the higher service fee luxury brands that opened in 2013.

Gross profit
(RMB million)



Gross margins of different businesses



Distribution Costs and Administrative Expenses

Distribution costs increased to RMB95,830,000 in 2013 from RMB89,368,000 recorded in 2012 representing an increase of approximately 7.2%. Excluding expenses relating to the listing of the Company's shares on the Stock Exchange of RMB12,579,000, administrative expenses increased to RMB68,401,000 in 2013 from RMB58,519,000 recorded in 2012 representing an increase of approximately 16.9%. The increase in both distribution costs and administrative expenses are in line with the increase in turnover, which accounts for approximately 2.8% and 2.3% of revenue respectively in 2013, this is a slight decrease as a percentage of revenue from approximately 3.0% for distribution costs and has remained stable for administrative expenses of 2.0% recorded in 2012. During 2013, the Group's thirteen operating subsidiaries were carrying the administrative expenses of the seven stores that were under construction which could not be capitalized such as land leases or amortization, the salary and wages of the store's general manager, sales manager or after-sales manager that have been assigned/deployed for these new stores. As those seven stores commence operations, revenue generated by these stores will further absorb the distribution costs and administrative expenses as a percentage of revenue, which is a demonstration of the Group's ability to expand at a healthy pace without sacrificing profitability.

Finance Costs

Finance costs have remained stable at RMB45,238,000 in 2013, representing an increase of approximately 4.8% from RMB43,158,000 recorded in 2012, however as a percentage of revenue, finance costs accounted for approximately 1.3%, a decrease from the 1.5% recorded in 2012.

Other Revenue and Net Income

Other revenue and net income increased from RMB19,800,000 in 2012 to RMB33,759,000 in 2013, representing an increase of approximately 70.5%. The increase is attributable by: (1) interest income from Dadong Group of RMB8,324,000 from nil in 2012, for the outstanding balance of non-recurring advances that certain subsidiaries granted to Dadong Group. No interest was charged for advances granted to Dadong Group prior to 2013, as Dadong Group was the holding company of our PRC subsidiaries prior to reorganization of the Group for the Listing (details of the reorganization can be found in the Prospectus); and (2) from the general increase in insurance commission due to the increase in the number of new cars sold.

Associated Company and Joint Venture Company

Share of results of associated company and share of results of joint venture increased by approximately 21.9% from RMB8,063,000 in 2012 to RMB9,831,000 in 2013. The increase is mainly attributable by the higher profit achieved by Dongguan MeiDong Lexus store, the day-to-day operations of which is managed by the Group.

Taxation

Taxation increased significantly from RMB13,797,000 in 2012 to RMB39,164,000 in 2013, representing an increase of approximately 183.9%. The effective tax rate also increased from 22.4% in 2012 to 26.2% in 2013. Adjusted for the non-deductible listing expenses incurred in 2013, the effective tax rate was 24.7%. The Group's PRC subsidiaries are subject to a tax rate of 25%.

Absorption Rate

Absorption rate is an indicator we use to measure our dealership-level services operations, which represents the recovery rate of a dealership's operating costs solely from the after-sales services. The absorption rate is calculated as follows:

$$\text{Absorption Rate} = \frac{\text{After-sales services gross profit}}{\text{Distribution Costs + Administarive Expenses}}$$

An absorption rate of 100%, or close to 100%, indicates that the dealership's operating costs can essentially be supported by after sales services alone. For the year ended 31 December 2013, our absorption rate for the Group (adjusted for the listing expenses) was at 119.7%, representing a significant increase from 94.2% recorded in 2012.

Listing of the Company's Shares on the SEHK

On 5 December 2013, the Company's ordinary shares were successfully listed on the Stock Exchange at a price of HK$1.8 per share with net proceeds from the listing (after deducting commission and other expenses relating to the listing) amounted to approximately RMB316,607,000. The net proceeds from the listing will be used for opening of new 4S dealership stores (50%), acquisition of other 4S dealership stores (30%), new lines of business such as used vehicles or IT system upgrades (10%), and as general working capital (10%).

Financial Resources and Position

As at 31 December 2013, the Group's borrowings amounted to RMB804,732,000, representing an increase of approximately 11.5% from RMB721,664,000 as at 30 June 2013, the date on which the financials were audited. All borrowings were short term in nature. As at 31 December 2013, the Group had a current ratio of 1.0 times and a gearing ratio of (bank borrowings less cash and cash equivalents and pledged deposits divided by equity attributable to equity shareholders of the Company) of 27.6%. As at 31 December 2013, total facilities granted by banks and automobile manufacturer's captive finance companies available to the Group amounted to RMB1,925.0 million of which approximately RMB966.1 million have been utilized.

Cash and cash equivalents and pledged bank deposits amounted to RMB672,795,000 as at 31 December 2013, of which RMB181,590,000 has been pledged for securing bills payable. Cash and cash equivalents are mostly denominated in Renminbi and Hong Kong Dollars. As the Group's businesses are conducted in the PRC, therefore the Group does not expect to be exposed to any material foreign exchange risks.

As at 31 December 2013, assets pledged by the Group amounted to RMB251,216,000 to secure borrowings of the Group.

The operating and capital expenditure of the Group is funded by cash flow from operations, internal liquidity and financing agreements with banks and automobile manufacturer's captive finance companies. The Group has adequate financial resources to meet all contractual obligations and operating requirements.

Contingent Liabilities

The Group had no material contingent liabilities as at 31 December 2013.

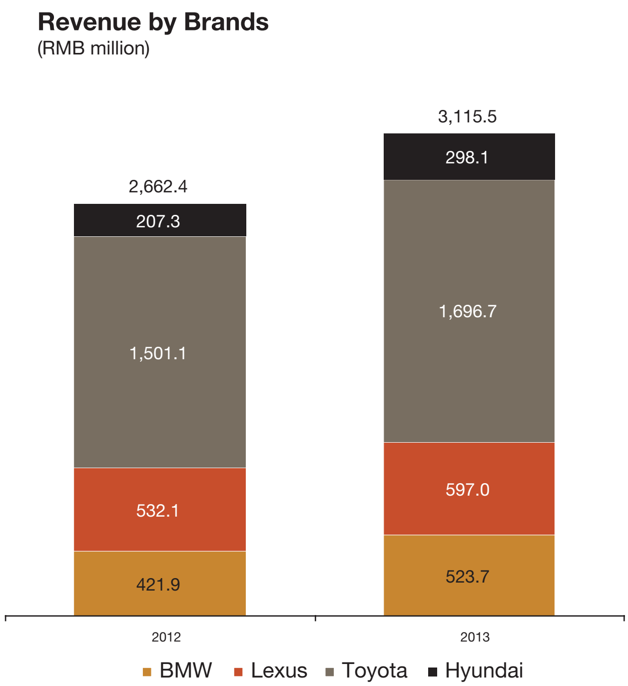
BUSINESS REVIEW

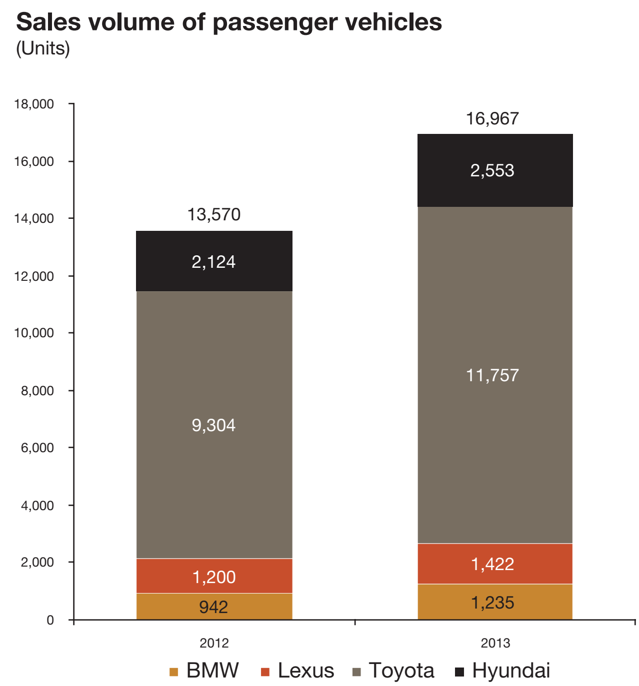
The year 2013 marked a milestone year for the development of MeiDong Auto. For many years, the adherence to the data-based management, the cultivation of internal personnel and the orderly development of high quality has morphed into the high-speed growth of MeiDong Auto and its successful listing on the main board of the Stock Exchange in 2013, winning itself greater trust and support from investors and partners.

The growth and progress in 2013 demonstrated and consolidated the Company's strengths and bolstered the Company's confidence in its ability to fully grasp the opportunities in the automobile consumer market and realize the robust and rapid growth in future. Leveraging on the opportunities presented by urbanization in China and automobile consumption structure upgrading as well as newly arrived models from brand manufacturers, the Group expanded its scale, further enhanced the operating efficiency of the Company and laid a solid foundation for its future growth.

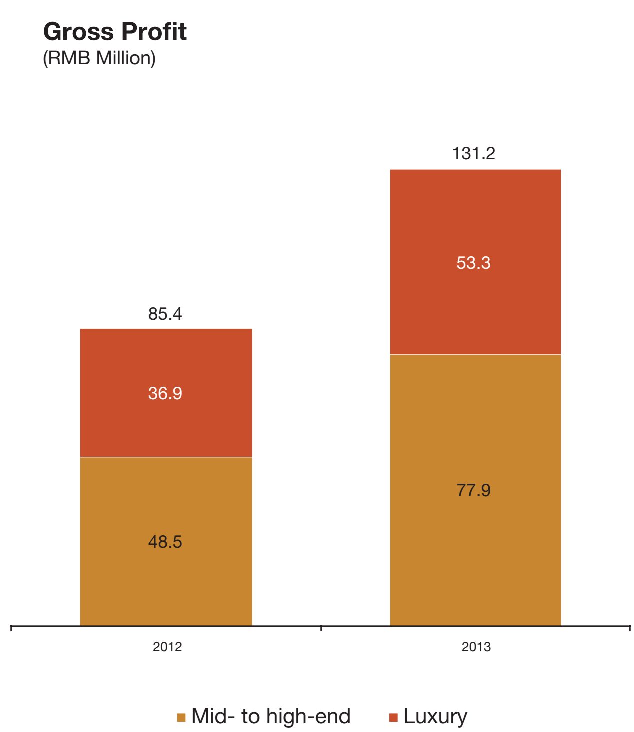
New Passenger Vehicle Sales

New passenger vehicle sales accounted for approximately 89.5% of total revenue of our Group during the year ended 31 December 2013, which also includes the sales of bundled accessories that are included in the sales of new passenger vehicles. The Group sold a total of 16,967 units of new passenger vehicles in 2013, representing a significant increase of approximately 25.0% from the 13,570 units sold in 2012.





New passenger vehicle sales for all our brands enjoyed a healthy growth in 2013 with Lexus being the lowest at 18.5% to BMW being the highest at 31.1%. Toyota has recovered from the decline in sales during the second half of 2012 as a result of the territorial dispute between China and Japan over the Diaoyu Islands with an increase in the units sold of approximately 26.4% in 2013.

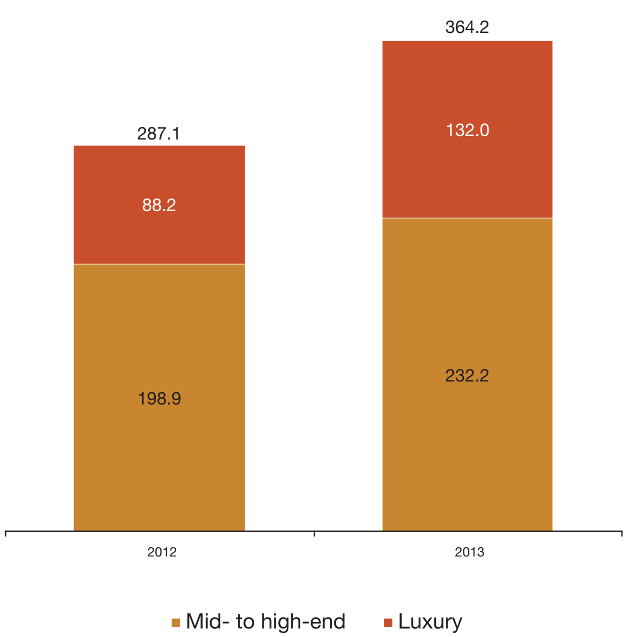


With the exception of Beijing Hyundai, the ASP for the other three brands has decreased slightly. However the overall gross profit margin for new vehicle sales increased from 3.2% in 2012 to 4.2% in 2013 with mid-to-high-end brands increasing from 2.8% to 3.9% and luxury brands increasing from 3.9% to 4.8%. The increase in the gross profit margin is primarily due to: (1) the recovery from over-supply of situation experienced as well as the Diaoyu Islands incident in 2012; (2) the release of new models by automobile manufacturers such as Toyota in the second half of 2013; and (3) continued effort by our management to improve margins while keeping the inventory turns high.

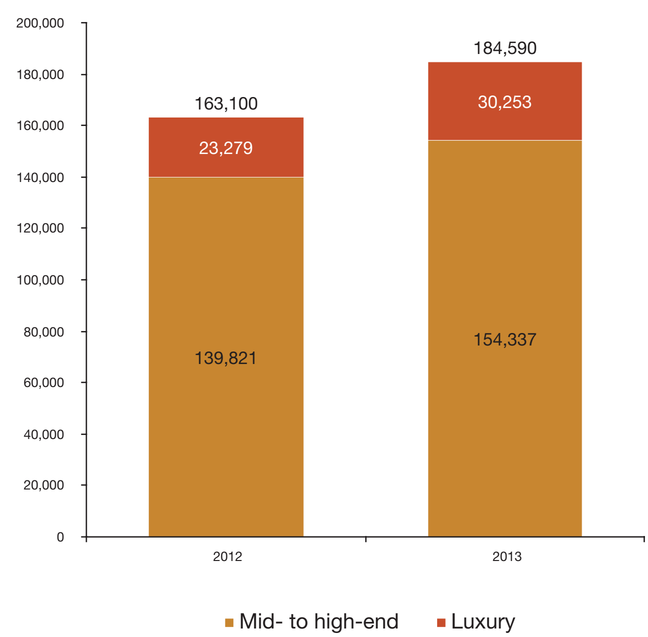
After Sales Services

After sales services accounted for approximately 10.5% of our total revenue during the year ended 31 December 2013. After sales services principally consists of sales of spare parts and the provision of repair and maintenance services, and to a lesser extent, the provision of certain other automobile-related services such as fees from vehicle registration services and commission income from mortgage loan application services. The Group serviced a total of 184,590 after sales services in 2013, representing a significant unit increase of approximately 13.2% from the 163,100 services in 2012.

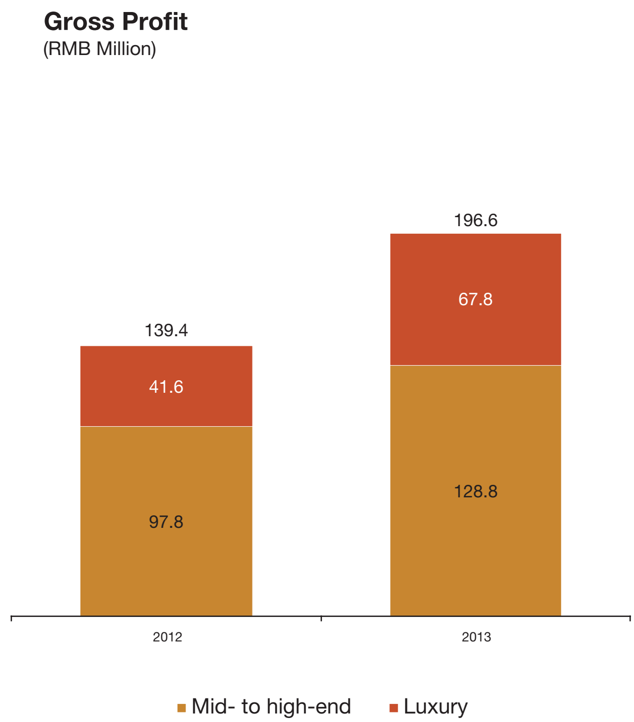
Revenue by Brands
(RMB million)



Number of After-Sales Services
(Units)



Increase in the number of services performed was higher for the luxury brands than for the mid-to-high-end brands as the new stores opened in 2013 were luxury brand stores. In addition, the mid-to-high-end brand stores are in general more mature compared to the luxury brand stores.



All brands enjoyed a healthy increase in the ASP for services with Toyota being the lowest 4.5% to Hyundai being the highest at 18.6%. The overall ASP for services increased by 12.1% for the year ended 31 December 2013 compared to 2012. However the gross profit margin increased significantly for all brands with the overall gross profit margin for after sales services increased from 48.6% in 2012 to 54.0% in 2013 with mid-to-high-end brands increasing from 49.2% to 55.5% and luxury brands increasing from 47.1% to 51.3%. The increase is primarily due to the increase in the ASP but related costs per service actually reduced, which accounted for approximately 3.2% of the increase. The increase in the number of services accounted for the remaining 2.2% of the increase. New service from new passenger cars sales as well as continued management effort to increase service satisfaction and to improve efficiencies is a major factor in the increase.

New Store Openings

In June of this year, two wholly owned stores were opened taking the number of operating 4S dealership stores to 15 (13 subsidiary stores, one joint venture store that is operated by us and an associate store). One new Lexus store was opened in the city of Changsha, Hunan Province and a new BMW store in the city of Hengyang, also in the Hunan Province. With our internally trained management team, an aligned corporate culture and an internally generated KPI data capture and management approach, not to mention hard work and dedication, these stores set another milestone for the Group as both of these stores broke single month profitability within three months with the Hengyang BMW store being profitable in the first month. Not taking into account of the losses incurred prior to commencement of operations, these stores have remained profitable since which makes all our operating stores profitable for the year ended 31 December 2013.

New Stores under Construction

As at 31 December 2013, we have seven stores under construction being one Toyota store, one Lexus store, three BMW stores and two Porsche stores. The progress as listed in our Prospectus is as follows:

Store	Prospectus	Actual or Revised
Fenggang Domgmei Toyota	Q1 2014	Q1 2014
Changde Meibaohang BMW	Q1 2014	Q1 2014
Chengde Meibaohang BMW	Q1 2014	Q2 2014
Longyan Meidong Lexus	Q2 2014	Q2 2014
Foshan Dongbao Porsche	Q3 2014	Q3 2014
Beijing Meibaohang BMW	Q1 2015	Q1 2015
Shantou Dongbao Porsche	Q1 2015	Q1 2015

Fenggang Dongmei Toyota and Changde Meibaohang BMW opened in January 2014. The opening of Chengde Meibaohang BMW has been deferred to Q2 2014 due to harsher than expected cold weather condition experienced during the recent months affecting the construction progress of the store. All other stores are on track.

New Authorisations

In 2014, we obtained two additional authorisations, one from Lexus in the city of Liuzhou in the Guangxi Zhuang Autonomous Region ("Guangxi") of the PRC and one from BMW in the city of Yueyang in the Hunan Province of the PRC.

Liuzhou

Liuzhou is a prefecture-level city in north-central Guangxi with a population of more than 3.7 million and recorded a GDP of RMB184.6 billion in 2012. Currently there are three luxury brand 4S dealership stores operating in the city of Liuzhou and they are Mercedes Benz, BMW and Audi. This will be the first Lexus 4S dealership store in the city of Liuzhou.

Yueyang

Yueyang is a prefecture-level city in northeastern corner of Hunan and according to the Hunan Provincial Bureau of Statistics, Yueyang has a population of more than 5.52 million and recorded a GDP of RMB219.99 billion in 2012. Currently, Chrysler is the only other luxury brand 4S dealership store operating in the city of Yueyang. This will be the first BMW 4S dealership store in the city of Yueyang.

NEW MOUs FOR NEW PROJECTS

On 21 March 2014, we received three memorandums of understanding ("MOUs") from BMW China Automotive Trading Ltd. (寶馬（中國）汽車貿易有限公司) to open a BMW 4S dealership store in each of the city of Xianning (咸寧市), Huanggang (黃岡市) and Xiaogan (孝感市) in the Hubei Province of the PRC. However these MOUs are subject to, among other things, BMW's approval of the store site before a formal authorization letter will be issued.

STAFF TRAINING AND DEVELOPMENT

As at 31 December 2013, the Group had a total of 1,731 employees, the majority of whom are situated in China. In addition to offering competitive remuneration packages to employee discretionary bonuses and share options may also be granted to eligible employees based on individual performance.

The Group continues to improve its training courses, enhance personnel training and cultivation and perfect the personnel promotion system with the combination of KPI evaluation system. The new personnel of about 30 for management posts throughout the year were trained for and transferred to the Group with rate of brain drain less than 5%, forming a personnel pool of over 100 strong.

The Group also encourages its employees to pursue a balanced life and provides a good working environment for its employees to maximise their potential and contribution to the Group.

The remuneration committee of the Company, having regard to the Company's operating results, individual performance and comparable market statistics, decides the emoluments of the Directors. No Director, or any of his associates, and executive, is involved in dealing his own remuneration.

On 20 January 2014, share options to subscribe for 11,400,000 shares were granted under the SOS to two Directors and eligible employees (the "Grant"). The Grant represents approximately 1.14% of the issued share capital of the Company as at the date of this report.

PROSPECTS

MeiDong Auto believes that the urbanization and the automobile consumption structure upgrading will be the driving force for the continued growth in China's automobile industry for a long time, and that purchase restrictions in cities are expected to serve as a stimulant to such growth in the next 2 to 3 years. Moreover, there are apparent gaps between China's automobile consumption market and the developed ones, which include types and penetration rates of sales and after-sales related products, such as the penetration rate of mortgage loans and the replacement rate of second-hand automobiles, as well as corporate operation efficiency, such as service reservation rate and one-off repair rate, showing great room for further improvement.

We will accelerate the application and construction process for new projects in targeted regions (southern China and the second-, third- and fourth-tier cities of central China) and with targeted brands (mainly luxury and ultra-luxury ones). It is expected that we will continue to obtain authorizations for new projects with new stores opened successively. And most newly authorized projects and newly established stores mainly focus on luxury and ultra-luxury brands. Meanwhile, we will also seek acquisition targets in the targeted areas, and choose the right time to enter into acquisitions that are conducive to the Company's growth and in line with the shareholders' interests.

We will constantly improve the Company's marketing and sales capabilities, production efficiency of after-sale services and service standards through the diversification and innovation of the products' types and forms, the perfection of the training system and the data-based KPI evaluation management system. We will also further optimize the mix of expenditures. We believe that these measures will enhance the operating capability of each store unit in a continuous manner and shorten the cycle for profitability and investment returns.

We will continue to emphasize the cultivation of personnel with equal stress on data and management. Our advocacy of service philosophy of "putting customers first" wins the satisfaction from customers, our promoting of "growing with your team" wins the loyalty of employees, and our implementation of "pursuing excellence" wins the respect and support from investors, manufacturers and partners. We are confident in seizing the opportunities in the automobile consumer market and realizing the Group's rapid development of high quality.

OTHER INFORMATION

Purchase, Sale or Redemption of Listed Securities

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2013.

Corporate Governance

Save as disclosed below, the Company has complied with the code provisions as set out in the Corporate Governance Code as contained in Appendix 14 to the Listing Rules (the "Code") since its Listing Date until the year ended 31 December 2013. In respect of code provision A.1.1 of the Code, the Board did not hold any board meetings from the Listing Date to 31 December 2013.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transaction by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "Model Code") as the code of conduct regarding securities transactions by the Directors. All directors have confirmed, following specific enquiries by the Company that they have complied with the required standards set out in the Model Code throughout the year ended 31 December 2013.

Audit Committee

The Company has an audit committee (the "Audit Committee") which was established in accordance with the requirements of the Listing Rules for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls.

A meeting of the Audit Committee was held on 25 March 2014 to review the Group's consolidated financial statements for the year ended 31 December 2013, in conjunction with the Group's internal auditors and KPMG, the Group's external auditor.

Annual General Meeting

The Annual General Meeting (the "AGM") will be held on Friday, 9 May 2014. For details of the AGM, please refer to the Notice of AGM which is expected to be published on or about Thursday, 3 April 2014.

Final Dividend

The Board recommended the payment of a final cash dividend out of the share premium account under reserves of the Company of RMB0.03 per share (2012: Nil) to shareholders whose names are on the register of members on 19 May 2014, which is subject to approval by shareholders at the AGM and compliance with the Companies Law of the Cayman Islands.

It is expected that the cheques for cash dividends will be sent by ordinary mail to shareholders at their own risk on or about 3 June 2014.

Closure of Register of Members

The register of members of the Company will be closed for the following periods:

(1) from 7 May 2014 to 9 May 2014, both days inclusive, during which period no transfer of shares will be registered for the purpose of ascertaining the shareholders entitled to attend and vote at the AGM; and

(2) from 15 May 2014 to 19 May 2014, both days inclusive, during which period no transfer of shares will be registered for the purpose of ascertaining the shareholders entitled to the final dividend to be approved at the AGM.

All completed transfer forms accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Tricor Investor Services Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on 6 May 2014 and 14 May 2014 respectively.

Appreciation

On behalf of the Board, I would like to take this opportunity to express my gratitude to all the staff and management team for their contribution during the year. I would also like to express my appreciation to the continuous support of our shareholders and investors.

By Order of the Board
YE Tao
Chief Executive Officer

Hong Kong, 25 March 2014

As at the date of this announcement, the Board comprises:

Executive Directors:
Mr YE Fan *(Chairman)*
Mr YE Tao *(Chief Executive Officer)*
Ms LIU Xuehua

Independent Non-executive Directors:
Mr Li Lin
Mr PAN Lu
Mr JIP Ki Chi