Hong Kong Exchanges and Clearing Limited and the Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement

MEIDONG AUTO

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)

2015 ANNUAL RESULTS ANNOUNCEMENT

FINANCIAL HIGHLIGHTS

- Turnover increased significantly to RMB4,808.0 million, representing an increase of 24.7%.
- Gross profit increased by 15.1% to RMB452.0 million.
- Gross profit margin for new passenger vehicle sales decreased slightly from 5.3% to 4.4%.
- Gross profit margin for after-sales services increased slightly from 49.7% to 50.9%.
- Overall gross profit margin decreased from 10.2% to 9.4%.
- Net profit before compensation to bondholders amounted to RMB115.2 million, representing an increase of 0.4%.
- Net profit after compensation to bondholders decreased by 7.6% to RMB106.1 million.
- Profit after taxation attributable to shareholders of the Company amounted to RMB102.2 million.
- A final dividend of RMB0.046 per share is recommended.

RESULTS

The board (the "**Board**") of directors (the "**Director(s)**") of China MeiDong Auto Holdings Limited (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2015.

The audited consolidated results of the Group for the year ended 31 December 2015 together with the comparative figures of 2014 are as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2015
(Expressed in RMB'000)

	Note	2015	2014
Revenue	2	**4,807,980**	3,854,807
Cost of sales		**(4,355,932)**	(3,462,182)
Gross profit		**452,048**	392,625
Other income	3	**22,210**	29,283
Distribution costs		**(147,253)**	(120,760)
Administrative expenses		**(130,294)**	(98,936)
Profit from operations		**196,711**	202,212
Interest expenses		**(66,429)**	(63,003)
Compensation to bondholders		**(9,099)**	–
Net finance costs	4(a)	**(75,528)**	(63,003)
Share of profits of an associate		**6,671**	3,789
Share of profits of a joint venture		**18,733**	13,117
Profit before taxation	4	**146,587**	156,115
Income tax	5(a)	**(40,535)**	(41,367)
Profit and total comprehensive income for the year		**106,052**	114,748
Profit and total comprehensive income attributable to:			
Equity shareholders of the Company		**102,163**	110,680
Non-controlling interests		**3,889**	4,068
Profit and total comprehensive income for the year		**106,052**	114,748
Earnings per share	6		
Basic and diluted (RMB cents)		**9.69**	11.07

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2015
(Expressed in RMB'000)

	Note	31 December 2015	31 December 2014
Non-current assets			
Property, plant and equipment		**550,985**	437,039
Lease prepayments		**103,428**	102,511
Intangible assets		**11,155**	10,684
Interest in an associate		**14,671**	8,000
Interest in a joint venture		**46,387**	36,485
Other non-current assets		**22,829**	–
Deferred tax assets		**14,171**	8,729
		763,626	603,448
Current assets			
Inventories	*7*	**466,318**	641,529
Trade and other receivables	*8*	**373,773**	308,806
Bank deposits		**521,084**	428,748
Cash and cash equivalents		**253,915**	127,183
		1,615,090	1,506,266
Current liabilities			
Loans and borrowings		**641,606**	609,134
Trade and other payables	*9*	**782,285**	802,317
Income tax payables	*5(a)*	**16,923**	8,862
		1,440,814	1,420,313
Net current assets		**174,276**	85,953
Total assets less current liabilities		**937,902**	689,401
Non-current liabilities			
Loans and borrowings		**60,500**	120,476
Corporate bonds	*11*	**77,810**	–
Deferred tax liabilities		**4,451**	3,625
Other non-current liabilities		**1,488**	–
		144,249	124,101
NET ASSETS		**793,653**	565,300
EQUITY			
Share capital	*12*	**85,869**	78,620
Reserves		**678,887**	465,672
Total equity attributable to equity shareholders of the Company		**764,756**	544,292
Non-controlling interests		**28,897**	21,008
TOTAL EQUITY		**793,653**	565,300

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2015
(Expressed in RMB'000)

	Note	2015	2014
Operating activities:			
Cash generated from operations	*10*	**240,989**	168,537
Income tax paid	*5(c)*	**(37,732)**	(46,905)
Net cash generated from operating activities		**203,257**	121,632
Investing activities:			
Payment for the purchase of property, plant and equipment		**(181,031)**	(181,029)
Proceeds from disposal of property, plant and equipment and lease prepayment		**29,239**	13,126
Payment for purchase of lease prepayments		**(3,761)**	–
Payment for the acquisition of a subsidiary, net of cash acquired		**(14,900)**	–
Advances to related parties		**–**	(5,432)
Repayment of advances to related parties		**5,432**	114
Interest received		**10,592**	4,305
Decrease/(increase) in deposits with a bank		**145,400**	(145,400)
Dividends received from a joint venture		**8,831**	–
Net cash used in investing activities		**(198)**	(314,316)
Financing activities:			
Proceeds from loans and borrowings		**1,084,374**	2,702,866
Repayment of loans and borrowings		**(1,286,101)**	(2,777,988)
Proceeds from issuance of new shares, net of issuance expenses		**139,260**	–
Proceeds from issuance of bonds and warrants, net of issuance expenses		**80,102**	–
Payment for repurchase of own shares		**(5,436)**	–
Advances from related parties		**32,900**	121,000
Repayment of advances from related parties		**(32,900)**	(121,865)
Dividends declared and paid		**(30,000)**	(30,000)
Capital injection by non-controlling interests		**4,000**	–
Interest paid		**(53,427)**	(65,351)
Compensation paid to bondholders	*4(a)(i)*	**(9,099)**	–
Net cash used in financing activities		**(76,327)**	(171,338)
Net increase/(decrease) in cash and cash equivalents		**126,732**	(364,022)
Cash and cash equivalents at 1 January		**127,183**	491,205
Cash and cash equivalents at 31 December		**253,915**	127,183

NOTES TO THE FINANCIAL STATEMENTS

1 GENERAL INFORMATION AND THE BASIS OF PRESENTATION

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 Company and its subsidiaries (together, the "Group") are 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.

(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") and accounting principles generally accepted in Hong Kong and the disclosure requirement 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. Note 1(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2015 comprise the Company and its subsidiaries and the Group's interests in an associate and a joint venture.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value:

– derivative financial instruments.

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 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.

(c) Changes in accounting policies

The HKICPA has issued the following amendments to HKFRSs that are first effective for the current accounting period of the Group:

- Amendments to HKAS 19, Employee benefits: Defined benefit plans: Employee contributions
- Annual improvements to HKFRSs 2010-2012 Cycle
- Annual improvements to HKFRSs 2011-2013 Cycle

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

2 REVENUE AND SEGMENT REPORTING

(a) Revenue

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

	2015	2014
	RMB'000	*RMB'000*
Sales of passenger vehicles	**4,289,063**	3,433,618
After-sales services	**518,917**	421,189
	4,807,980	3,854,807

(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 INCOME

	2015 RMB'000	2014 RMB'000
Commission income	**20,610**	19,124
Bank interest income	**6,549**	9,016
Gain on a bargain purchase	**3,157**	–
Net loss on disposal of property, plant and equipment	**(4,485)**	(14)
Others	**(3,621)**	1,157
	22,210	29,283

4 PROFIT BEFORE TAXATION

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

		Note	2015 RMB'000	2014 RMB'000
(a)	**Net finance costs:**			
	Interest on			
	– loans and borrowings		**40,336**	52,952
	– corporate bonds		**12,332**	–
	Total borrowing costs		**52,668**	52,952
	Less: interest expense capitalised		**–**	(1,896)
			52,668	51,056
	Other finance cost	*(i)*	**13,761**	11,947
	Total interest expenses		**66,429**	63,003
	Compensation to bondholders (see note 11)		**9,099**	–
			75,528	63,003
(b)	**Staff costs:**			
	Salaries, wages and other benefits		**157,787**	134,769
	Equity settled share-based payment expenses	*(ii)*	**1,501**	3,340
	Contributions to defined contribution retirement plans	*(iii)*	**7,261**	6,181
			166,549	144,290

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

(ii) The Group recognised an expense of RMB1,501,000 (2014: RMB3,340,000) for the year ended 31 December 2015 in relation to share options granted to certain employees of the Group pursuant to a share option scheme.

(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.

	2015	2014
	RMB'000	*RMB'000*
(c) Other items:		
Cost of inventories	**4,313,880**	3,425,499
Depreciation	**38,293**	26,886
Amortisation of lease prepayments	**2,844**	2,812
Amortisation of intangible assets	**796**	754
Operating lease charges	**19,881**	16,182
Net foreign exchange loss/(gain)	**4,649**	(540)
Auditors' remuneration	**3,500**	2,800

5 INCOME TAX

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

	2015	2014
	RMB'000	*RMB'000*
Current tax:		
Provision for PRC income tax for the year	**45,793**	39,470
Deferred tax:		
(Origination)/reversal of temporary differences	**(5,258)**	1,897
	40,535	41,367

(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 companies in Hong Kong 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 of PRC enterprises 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 2015 in respect of undistributed earnings of RMB329,821,000 (2014: RMB198,385,000) 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:

	2015	2014
	RMB'000	*RMB'000*
Profit before taxation	**146,587**	156,115
Notional tax on profit before taxation, calculated at the rates applicable in the jurisdictions concerned	**48,380**	40,680
Tax effect of non-deductible expenses	**1,831**	1,184
Tax effect of non-taxable income on share of profits of an associate	**(1,668)**	(947)
Tax effect of non-taxable income on share of profits of a joint venture	**(4,683)**	(3,279)
Tax effect of recognition of prior years' unused tax losses	**(3,667)**	–
Tax effect of unused tax losses not recognised	**342**	3,729
Actual tax expense	**40,535**	41,367

(c) Income tax payables in the consolidated statement of financial position represent:

	2015	2014
	RMB'000	*RMB'000*
At the beginning of the year	**8,862**	16,297
Provision for current income tax for the year	**45,793**	39,470
Payment during the year	**(37,732)**	(46,905)
At the end of the year	**16,923**	8,862

6 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of RMB102,163,000 (2014: RMB110,680,000) and the weighted average of 1,054,002,000 ordinary shares in issue (2014: 1,000,000,000 shares) during the year ended 31 December 2015.

Weighted average number of ordinary shares

	2015	2014
Issued ordinary shares at 1 January	**1,000,000,000**	1,000,000,000
Effect of new shares issued	**55,616,000**	–
Effect of shares repurchased	**(1,614,000)**	–
Weighted average number of ordinary shares at 31 December	**1,054,002,000**	1,000,000,000

The impact of share options and warrants to earnings per share was anti-dilutive for the year ended 31 December 2015 and therefore there were no dilutive potential ordinary shares during the year, as a result, the diluted earnings per share is equivalent to the basic earnings per share.

The impact of share options to earnings per share was anti-dilutive for the year ended 31 December 2014 and therefore there were no dilutive potential ordinary shares during the year, as a result, the diluted earnings per share is equivalent to the basic earnings per share.

7 INVENTORIES

Inventories in the consolidated statement of financial position comprise:

	2015	2014
	RMB'000	*RMB'000*
Motor vehicles	**428,341**	609,640
Others	**37,977**	31,889
	466,318	641,529

No inventory provision was made as at 31 December 2015 and 2014, and the inventories as at 31 December 2015 and 2014 were stated at cost.

8 TRADE AND OTHER RECEIVABLES

	2015	2014
	RMB'000	*RMB'000*
Trade receivables	**31,379**	23,671
Prepayments	**82,943**	42,792
Other receivables and deposits	**258,390**	236,506
Amounts due from third parties	**372,712**	302,969
Amounts due from related parties	**1,061**	5,837
Trade and other receivables	**373,773**	308,806

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.

As of the end of the reporting period, the ageing analysis of trade receivables (which are included in trade and other receivables) based on the invoice date that are neither individually nor collectively considered to be impaired is as follows:

	2015	2014
	RMB'000	*RMB'000*
Within 1 month	**28,142**	21,434
1 to 2 months	**1,632**	1,054
2 to 3 months	**182**	281
Over 3 months	**1,423**	902
	31,379	23,671

9 TRADE AND OTHER PAYABLES

	2015	2014
	RMB'000	*RMB'000*
Trade payables	**41,378**	31,428
Bills payable	**492,215**	544,296
	533,593	575,724
Receipts in advance	**178,211**	167,771
Other payables and accruals	**68,914**	55,708
Amounts due to third parties	**780,718**	799,203
Amounts due to related parties	**1,567**	3,114
Trade and other payables	**782,285**	802,317

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

As of the end of the reporting period, the ageing analysis of trade payables and bills payable (which are included in trade and other payables), based on the invoice date, is as follows:

	2015	2014
	RMB'000	*RMB'000*
Within 3 months	**477,384**	572,783
After 3 months but within 6 months	**56,209**	2,941
	533,593	575,724

10 RECONCILIATION OF PROFIT BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS:

	Note	**2015**	2014
Profit before taxation		**146,587**	156,115
Adjustments for:			
– Depreciation	*4(c)*	**38,293**	26,886
– Amortisation of lease prepayments	*4(c)*	**2,844**	2,812
– Amortisation of intangible assets	*4(c)*	**796**	754
– Net loss on disposal of property, plant and equipment and lease prepayment	*3*	**4,485**	14
– Net finance costs	*4(a)*	**75,528**	63,003
– Share of profits of an associate		**(6,671)**	(3,789)
– Share of profits of a joint venture		**(18,733)**	(13,117)
– Interest income	*3*	**(6,549)**	(9,016)
– Equity settled share-based payment expenses	*4(b)*	**1,501**	3,340
– Gain on a bargain purchase	*3*	**(3,157)**	–
Changes in working capital:			
Increase in inventories		**184,106**	(183,609)
Increase in trade and other receivables		**(70,868)**	(56,423)
Increase in pledged bank deposits		**(98,468)**	(101,758)
Increase in trade and other payables		**9,408**	283,325
Increase in other non-current assets		**(18,113)**	–
Cash generated from operations		**240,989**	168,537

11 CORPORATE BONDS

On 9 March 2015, the Company issued bonds in the aggregate principal amount of HK$101,400,000 and warrants (see note 12(c)) to certain third parties. The fair value of the bonds amounting to RMB67,126,000 was estimated at the issuance date using the Discounted Cashflow Method.

According to the terms and conditions of the bonds, the bonds bear an interest rate of 9% per annum and will mature in 3 years. The bonds may additionally bear a default interest rate of 25% per annum subject to the occurrence of certain default events. The bondholders were entitled to redeem the bonds after the second anniversary of the issuance date but no later than the date which is fourteen days before the bond maturity date, in a maximum principal amount equal to 50 percent of the principal amount. Unless previously redeemed or cancelled as provided herein, the Company shall redeem any outstanding bonds on the maturity date in an amount equal to the redemption amount and an additional redemption amount HK$22,815,000 on the bonds, to be payable to each bondholder pro-rata to the principal amount of the bonds held by that bondholder. The redemption rights of the bonds were separately evaluated with nil fair value at both the issuance date and the reporting period end.

In addition, the Company shall pay certain compensation in cash to bondholders if the Company breaches certain conditions stipulated in the bond instrument contract. During the year ended 31 December 2015, the Company settled the compensation of RMB9,099,000 payable to the bondholders due to the breach of such conditions, which was recorded in finance costs.

As at 31 December 2015, the balance of corporate bonds represented initial fair value of RMB67,126,000 and the amortised interests of RMB13,063,000, deducted by the corresponding interests of RMB2,379,000 at the nominal interest rate of 9% on the principal amount of the corporate bonds, which was recorded in trade and other payables.

The bonds were guaranteed by Mr. Ye Fan and Mr. Ye Tao and secured by 355,838,151 ordinary shares of the Company held by Apex Sail Limited ("Apex Sail").

12 CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

(i) Dividends payable to equity shareholders of the Company attributable to the year:

	2015	2014
	RMB'000	*RMB'000*
Final dividend proposed after the statement of financial position date of RMB0.046 per ordinary share (2014: RMB0.03 per ordinary share)	**50,054**	30,000

The final dividend proposed after the statement of financial position date has not been recognised as a liability at the statement of financial position date.

(ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year:

	2015	2014
	RMB'000	*RMB'000*
Final dividend in respect of the previous financial year, approved and paid during the year, of RMB0.03 per share (2014: RMB0.03 per share)	**30,000**	30,000

(b) Share capital

The share capital of the Group as at 31 December 2015 represented the amount of issued and paid-up capital of the Company with details set out below:

Authorised:

			2015		2014	
	Note	Par value *HK$*	**Number of shares *(thousand)***	**Nominal value of ordinary shares *HK$'000***	Number of shares *(thousand)*	Nominal value of ordinary shares *HK$'000*
At 31 December	*(i)*	0.1	**20,000,000**	**2,000,000**	20,000,000	2,000,000

Ordinary shares, issued and fully paid:

	Note	Number of ordinary shares *(thousand)*	Nominal value of ordinary shares *HK$('000)*
At 1 January 2014, 31 December 2014 and 1 January 2015		1,000,000	100,000
Shares repurchased and cancelled	*(i)*	(7,830)	(783)
Issuance of new shares	*12(d)*	100,000	10,000
At 31 December 2015		1,092,170	109,217
RMB equivalent ('000)			85,869

(i) ***Repurchase of own shares***

During the year, the Company repurchased its own ordinary shares on The Stock Exchange of Hong Kong Limited as follows:

Month/year	Number of shares repurchased *(thousand)*	Highest price paid per share *HK$*	Lowest price paid per share *HK$*	Aggregate price paid *HK$ ('000)*
August 2015	2,136	1.00	0.71	1,856
September 2015	1,202	0.92	0.81	1,058
October 2015	370	0.94	0.88	340
November 2015	3,528	0.94	0.70	2,860
December 2015	1,836	1.00	0.75	1,670

The Company repurchased 1,242,000 number of ordinary shares with aggregate price of HK$1,209,009 on 31 December 2015, which was not yet paid or cancelled as of 31 December 2015. Except for this, the repurchased shares were cancelled as of 31 December 2015 and, accordingly, the issued share capital of the Company was reduced by the nominal value of these shares. Pursuant to section 37(4) of the Companies Law of the Cayman Islands, an amount equivalent to the par value of the shares cancelled of RMB646,000 was transferred from the share premium to the capital redemption reserve. The premium paid on the repurchase of the shares of RMB4,790,000 was charged to the share premium account as well.

(c) Warrants

On 9 March 2015, the Company issued warrants, which entitled the holders thereof to subscribe up to RMB118,202,715 for 62,774,000 warrant shares at a subscription price of RMB1.883 per warrant share within three years after the issuance date. The fair value of warrants amounting to RMB13,103,000 net of direct warrant issuance expenses of RMB127,000 was credited to capital reserve.

During the year ended 31 December 2015, no warrants were exercised.

(d) Issuance of new shares

On 12 June 2015, the Company issued 100,000,000 new ordinary shares at the subscription price of HK$1.83 per share. The gross proceeds of HK$183,000,000 (RMB equivalent 144,473,000), net of direct share issuance expenses of HK$ 6,605,000 (RMB equivalent 5,213,000), were raised, of which RMB7,895,000 and RMB131,365,000 was credited to share capital and share premium account, respectively.

13 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

(a) Final dividend

After the end of the reporting period, the directors proposed a final dividend. Further details are disclosed in note 12(a).

(b) Share repurchase

The Company repurchased 2,798,000 ordinary shares with aggregate price of HK$2,455,034 in January 2016. On 3 March 2016, the Company cancelled 4,040,000 repurchased ordinary shares, including 1,242,000 ordinary shares repurchased on 31 December 2015 (see note 12(b)). As at the financial statements approval date, the number of the Company's ordinary shares in issue is 1,088,130,000.

FINANCIAL REVIEW

Turnover and Cost of Sales

For the year ended 31 December 2015, the Group recorded a turnover of RMB4,808.0 million, representing an increase of 24.7% from RMB3,854.8 million recorded in 2014. The increase in turnover is made up of: (i) increase in sale of new passenger vehicles from existing stores of approximately 16.8%; (ii) increase in sales of new passenger vehicles from the eight new stores opened during the year of approximately 5.4%; and (iii) increase in after sales services of approximately 2.5%. Cost of goods sold increased by 25.8% from RMB3,462.2 million in 2014 to RMB4,355.9 million for the year ended 31 December 2015. The increase in cost of goods sold is made up of: (i) increase in sale of new passenger vehicles from existing stores of approximately 19.0%; (ii) the cost incurred from new passenger vehicle sales of the new stores opened in 2015 of approximately 5.5%; and (iii) increase in after sales services of approximately 1.3%.

Gross Profit

Gross profit increased significantly from RMB392.6 million in 2014 to RMB452.0 million for the year ended 31 December 2015, representing an increase of approximately 15.1%. Gross profit margin decreased slightly from 10.2% recorded in 2014 to 9.4% for the year ended 31 December 2015. The decrease is mainly attributed by: (1) higher gross margin in new car sales with the release of the new Toyota RAV 4 and Toyota Vios in the second half of 2014 slightly offset by the release of the Toyota Corolla in 2015; and (2) with the exception of Lexus which released the NX, EX and RX models, no new major models released for our other brands; but offset by the higher margins Porsche stores. After-sales gross profit margin increased from 49.7% for the year ended 31 December 2014 to 50.3% for the year ended 31 December 2015. The increase in the after-sales service margin is mainly due to the increase in service fees received from license registration services and commission received from the brokerage of financial services, gross profit margins from maintenance and repair services has continued to enjoy a slight increase from year to year.

Distribution Costs and Administrative Expenses

Distribution costs increased to RMB147.3 million for the year ended 31 December 2015 from RMB120.8 million recorded in 2014 representing an increase of approximately 21.9%. Administrative expenses increased to RMB130.3 million for the year ended 31 December 2015 from RMB98.9 million recorded during 2014 representing an increase of approximately 31.7%. The increase in both distribution costs and administrative expenses mainly relates to the increase in wages and salaries, depreciation charges, professional fees, marketing and advertising, operating leases, other taxes (which includes taxes such as property taxes on owned properties), repairs and maintenance, and traveling and transportation expenses accounting for approximately 31.7%, 17.2%, 11.5%, 7.6%, 6.4%, 5.3%, 2.9% and 4.2% respectively. The increase in professional fees mainly related to the increase in audit fees, for the holding company as well as for the new stores, and fees incurred in relation to the offshore loan as well as for the bonds. Other increases mainly attributable to the new stores that opened during the period where there is slight mismatch between revenue and expenses. At the end of 2015, the Group had twenty seven operating stores and four stores under construction. The administrative expenses of the stores that were under construction and prior to their respective openings 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 were charged to the income statement. As these stores commences operation, 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. As a result, administrative expenses as a percentage of turnover increased slightly from 2.6% in 2014 to 2.7% in 2015, which is mainly the result of the increase in costs for new stores under construction or opened during the year where there was no revenue to off-set the expenses incurred by these stores but distribution costs as a percentage of turnover has remained at 3.1% which is the same as in 2014 because distribution costs are only incurred when these stores becomes operational.

Finance Costs

Finance costs excluding the compensation paid to bond holders ("operating finance cost") increased by 5.4% to RMB66.4 million for the year ended 2015, from RMB63.0 million recorded in 2014. The increase was mainly attributable by the increase in the number of operating stores. However, operating finance cost as a percentage of turnover decreased significantly from 1.6% for the year ended 31 December 2014 to 1.4% for the year ended 31 December 2015.

Other Income

Other income decreased slightly from RMB29.3 million for the year ended 31 December 2014 to RMB22.2 million for the year ended 31 December 2015, representing a decrease of approximately 24.2%. The decrease was attributable by the decrease in interest income from bank deposits, loss on disposal of property, plant and equipment and others. However, commission income from motor vehicle brokering increased slightly from RMB19.1 million recorded in 2014 to RMB20.6 million in 2015.

Associated Company and Joint Venture Company

Share of results of associated company and joint venture increased by approximately 50.3% from RMB16.9 million for the year ended 31 December 2014 to RMB25.4 million for the year ended 31 December 2015. The increase was 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 decreased from RMB41.4 million for the year ended 31 December 2014 to RMB40.5 million for the year ended 31 December 2015, representing a decrease of approximately 2.2%. The effective tax rate has increased slightly from 26.5% for the year ended 31 December 2014 to 27.7% for the year ended 31 December 2015. The Group's PRC subsidiaries are subject to a tax rate of 25%.

Absorption Ratio

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:

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

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 2015, our absorption rate for the Group was at 94.1%, representing a slight decrease from 95.3% for the year ended 31 December 2014. The decrease was attributable by the increase in administrative expenses as a result of the increase in costs for new stores under construction or opened during the year where there was no services revenue to off-set the expenses incurred by these stores (Please see explanation under the paragraph "Distribution Costs and Administrative Expenses" above).

Use of Proceeds from Listing of the Company's Shares on the Stock Exchange

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 designated use of the net proceeds from the listing was allocated 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%). As at 31 December 2015, the use of proceeds is as follows:

Purpose	Per Prospectus	Utilized	Remaining
New Dealership Stores	RMB158,303,500	RMB158,303,500	Nil
Acquisition	RMB94,982,100	RMB15,515,000	RMB79,467,100
New Businesses	RMB31,660,700	RMB6,000,000	RMB25,660,700
Working Capital	RMB31,660,700	RMB31,660,700	Nil
Total	RMB316,607,000	RMB211,479,200	RMB105,127,800

Financial Resources and Position

As at 31 December 2015, the Group's loans and borrowings and corporate bonds amounted to RMB779.9 million, representing an increase of approximately 6.9% from RMB729.6 million as at 31 December 2014. With the exception of RMB138.3 million (including the corporate bonds issued by the Company) that matures after one year but within three years, all other loans are short term in nature. As at 31 December 2015, the Group had a current ratio of 1.1 times and a gearing ratio of (loans and borrowings and corporate bonds less cash and cash equivalents and bank deposits divided by equity attributable to shareholders of the Company) of 0.64%. As at 31 December 2015, total facilities available to the Group amounted to RMB3,955.0 million of which approximately RMB879.1 million have been utilized.

Cash and cash equivalents and bank deposits amounted to RMB775.0 million as at 31 December 2015, of which RMB521.1 million have been pledged for securing facilities granted to the Group. 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 2015, assets pledged by the Group amounted to RMB491.5 million 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 2015.

BUSINESS REVIEW

This year has been a year of recovery in the auto dealership sector. There was significant improvement in the balance between supply and demand resulting in more stable margins for new vehicle sales, a much lower investment costs for opening in stores and abundant opportunities for acquisitions in the sector.

New Passenger Vehicle Sales

New passenger vehicle sales accounted for approximately 89.2% of total revenue during the year ended 31 December 2015, which also included the sales of bundled accessories that were included in the sales of new passenger vehicles. The Group sold a total of 21,411 units of new passenger vehicles during the year ended 31 December 2015, representing an increase of approximately 20.7% from the 17,746 units sold during 2014.

New passenger vehicle sales enjoyed a healthy growth during the year ended 31 December 2015. All brands enjoyed healthy sales quantity growths with Porsche being the highest at 625.2%, followed by BMW at 36.4%, Lexus at 29.2%, Hyundai at 23.0% and Toyota at 9.0%.

The overall gross profit margin for new vehicle sales decreased slightly from 5.3% for the year ended 31 December 2014 to 4.4% for the year ended 31 December 2015 with mid-to-high-end brands decreasing from 5.1% to 3.6% and luxury brands (including Porsche) decreasing from 5.6% to 5.2%. The decrease in the gross profit margin is primarily due to: a much more stable market with a good balance between supply and demand for new vehicle sales thus no special rebates were given out by the manufacturers during the second half of 2015; with the exception of Lexus which released the NX, EX and RX models, no new major models released for our other brands, but offset by the higher margins Porsche stores; and continued effort by our management to improve margins while keeping the inventory turns high.

After Sales Services

After Sales Services accounted for approximately 10.8% of our total revenue during the year ended 31 December 2015. 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 216,886 after sales services for the year ended 31 December 2015, representing an unit increase of approximately 5.2% from the 206,104 units serviced during 2014.

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 2014 and in 2015 were luxury brand stores. In addition, the mid-to-high-end brand stores are in general more mature compared to the luxury brand stores and there were a lot more repairs relating to water damaged vehicles in 2014 due to flooding in the Southern part of China resulting in an decreased in the units serviced 2015 when compared to 2014.

With the exception of BMW, all brands enjoyed a slight increase in the ASP for services. The ASP for BMW decreased by approximately 12.0% is mainly due to the lower efficiency in terms of labour deployment for the new stores that opened in 2015. The overall ASP (including service fees received from license registration services and commission received from the brokerage of financial services) increased by 42.3% for the year ended 31 December 2015 compared to the same period in 2014. The gross profit margin has remained quite stable for all brands during the year ended 31 December 2015 when compared with the same period of last year.

New Stores

During the year, eight new stores were added of these, six new stores were opened and two stores were acquired, taking the number of operating 4S dealership stores to 27. The name, brand and location of these stores are as follows:

	Brand	City	Province	Commencement
(1)	BMW	Huanggang	Hubei	December
(2)	BMW	Jingdezhen	Jiangxi	December
(3)	BMW	Yueyang	Hunan	February
(4)	Lexus	Longyan	Fujian	January
(5)	Lexus	Zhuhai	Guangdong	December
(6)	Porsche	Shantou	Guangdong	September
(7)	Toyota	Jiujiang*	Jiangxi	November
(8)	Toyota	Xinyu*	Jiangxi	September

* *Acquired Stores*

However, the acquisition of the Jiujiang Toyota store had not been completed as of 31 December 2015 pending the approval from the manufacturer which will be subsequently obtained in 2016. As disclosed in the announcement issued by the Company dated 20 August 2015 in relation to the acquisition of the two stores, we have entered into management agreement to manage the Jiujiang Toyota store, as such, the Jiujiang Toyota store profit and loss had been accounted for from 1 September 2015 to 31 December 2015.

In February 2016, we opened another Lexus store in the city of Foshan, taking the total number of stores to 28.

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, all new stores opened or acquired during 2015 recorded a net profit for the month of December 2015. The turn around of the acquired stores is a demonstration of the Group's outstanding management capabilities as the Xinyu Toyota store had been in operations for 3 years prior to our acquisition, it recorded an unaudited loss for the year ended 31 December 2014 of approximately RMB3.4m. The Jiujiang Toyota store had been in operations for 3 years prior to the framework agreement; it recorded an unaudited loss for the year ended 31 December 2014 of approximately RMB5.7m. The Xinyu store and the Jiujiang store recorded net profits on the fourth month and on the second month of operations under our management respectively.

New Projects and Acquisition Targets

Currently, we have a number of projects under development or planning for development. Due to changes in certain criteria or conditions or we have not been able to secured the right piece of land, we have released some of the authorizations previously obtained such as the BMW project in Chengdu. The following projects are under construction or scheduled for commencement of construction as follows:

	Brand	**City**	**Province**
(1)	BMW	Yangjiang	Guangdong
(2)	BMW	Yongzhou	Hunan
(3)	BMW	Zengcheng	Guangdong
(4)	Toyota	Zhongtang	Guangdong

In addition to the four projects above, we have a number of authorizations in hand and we continue to obtain more authorizations in 2016. As for the acquisition targets, the pipeline is quite sizable and we hope to close a few of these acquisitions in 2016.

Staff Training and Development

As at 31 December 2015, the Group had a total of 2,240 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.

Prospects

In 2016, MeiDong Auto will continue to fully leverage on our excellent management strength and the "single city, single brand" network strategy to increase in both operational scale as well as profits, optimize its business structure and improve operating efficiency, and further enhance the profitability and risk management capability of the Group.

We will fully grasp the development opportunities and continue to develop through operations of our new stores and mergers and acquisitions. We will accelerate the establishment of new stores, adhering to our luxury brands and "single city, single brand" strategies, and concentrate on developing luxury brands in third-tier and fourth-tier cities in southern China and in areas neighboring Beijing. With quick build out and low investment costs, aided with our excellent management, we aim for all new stores to attain single month profit within half a year, and achieve double-digit growth in number of stores in near future. In terms of merger, acquisition and expansion, we will seek and seize market opportunities to, within the Group's human resources, capital and ability to control the market, acquire dealership stores or groups with poor operation results and achieve a turnaround within a short period with low minimal investments.

We will persist in enhancing the data-driven management system, in particular sales and inventory management and after-sales services operational efficiency, and increase value-added services. Within the value chain of automobile industry, we will also explore sectors other than traditional automobile dealership such as automobile battery manufacturing, automobile financing and vehicle modification, so as to facilitate our rapid response to ever changing market conditions in maintaining our industry leading position in new car, inventory and after-sales efficiency.

In 2016, we will further strengthen our operational and management, exert a greater control over operating costs and financial expenses, improve our cash flow and optimise our company operational structure, continue to increase sales, profit and cash flow of the Company, expand the business scale of the Group and increase returns for our shareholders.

OTHER INFORMATION

Purchase, Sale or Redemption of the Company's Listed Securities

On 12 June 2015, a total of 100,000,000 new Shares were subscribed for by Apex Sail, details of which are set out in the announcements dated 1 and 12 June 2015.

The Company repurchased an aggregate of 9,072,000 Shares on the market during the year ended 31 December 2015. Subsequent to 31 December 2015, the Company repurchased an aggregate of 2,798,000 Shares on the market during the period from 11 January 2016 to 20 January 2016.

Save as disclosed above, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of any listed securities of the Company during the year and until the date of this annual results announcement.

Corporate Governance

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") during the year ended 31 December 2015. Details of the corporate governance of the Group are set out in the section headed "Corporate Governance Report" in the annual report of the Company for the year ended 31 December 2015.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code 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 2015.

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.

An Audit Committee meeting was held on 21 March 2016 to review the audited annual financial report for the year ended 31 December 2015.

Annual General Meeting

An annual general meeting of the Company (the "**AGM**") will be held on 16 May 2016. For details of the AGM, please refer to the Notice of AGM which is expected to be published on or about 13 April 2016.

Final Dividend

The Board recommended the payment of a final cash dividend out of the share premium account under reserves of the Company of RMB0.046 per share (2014: RMB0.03 per share) to shareholders whose names are on the register of members of the Company on 26 May 2016, 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 10 June 2016.

Closure of Register of Members

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

1. from 11 May 2016 to 16 May 2016, 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 23 May 2016 to 26 May 2016, 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, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on 10 May 2016 and 20 May 2016 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 period. 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, 21 March 2016

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 PAN Lu
Mr WANG, Michael Chou
Mr JIP Ki Chi