CHINA MEIDONG AUTO HOLDINGS LIMITED
中國美東汽車控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 1268

ANNUAL REPORT 2013

Contents

Geographical Coverage

Gansu (1)

In operation

- *Lanzhou Meidong*

Beijing & Hebei (3)

In operation

- *Beijing Zhongye*

Under Construction

- *Chengde Meibaohang (70%)*
- *Beijing Meibaohang (75%)*

Hubei (3)

MOUs

- *Xianning* 咸宁
- *Huanggang* 黄冈市
- *Xiaogan* 孝感市

Hunan (6)

In operation

- *Zhuzhou Meibaohang*
- *Hengyang Meibaohang*
- *Changsha Meidong*
- *Yiyang Dongxin*
- *Changde Meibaohang*

Under construction

- *Yueyang Meibaohang*

Guangdong (10)

In operation

- *Dongguan Dongbu*
- *Dongguan Dongmei*
- *Dongguan Dongxin*
- *Dongguan Anxin (49%)*
- *Donguan Guanfeng (70%)*
- *Heyuan Guanfenghang*
- *Dongguan Meidong (49%)*
- *Fenggang Dongmei*

Under Construction

- *Shantou Dongbao*
- *Foshan Dongbao*

Guangxi (1)

Under construction

- *Liuzhou Meidong*

Fujian (3)

In operation

- *Xiamen Meidong*
- *Quanzhou Meidong*

Under Construction

- *Longyan Meidong*

Notes:

(1) Apart from the stores marked by brackets, all other stores are 100% owned by the Group

(2) Including a joint venture and an associate in which the Group owns 49% equity interest (Dongguan Meidong and Donguan Anxin)

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Ye Fan (Chairman)
Ye Tao (Chief Executive Officer)
Liu Xuehua

Independent Non-Executive Directors

Li Lin
Pan Lu
Jip Ki Chi

AUTHORISED REPRESENTATIVES

Ye Tao
Yu Man To, Gerald

COMPANY SECRETARY

Yu Man To, Gerald

AUDIT COMMITTEE

Jip Ki Chi (Chairman)
Li Lin
Pan Lu

REMUNERATION COMMITTEE

Pan Lu (Chairman)
Ye Tao
Jip Ki Chi

NOMINATION COMMITTEE

Ye Tao (Chairman)
Pan Lu
Jip Ki Chi

REGISTERED OFFICE

Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman, KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN PRC

13th Floor, Unit A1
Tian An Tech Industry Building
Huangjin Road
Nancheng District, Dongguan
Guangdong, PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Rooms 2404
24th Floor, World-Wide House
19 Des Voeux Road, Central
Hong Kong

AUDITOR

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater House
Central, Hong Kong

COMPLIANCE ADVISOR

CCB International Capital Limited
12th Floor, CCB Tower
3 Connaught Road Central
Central, Hong Kong

CAYMAN ISLANDS SHARE REGISTRAR AND TRANSFER OFFICE

Codan Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman, KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

PRINCIPAL BANKERS

China CITIC Bank
Industrial Bank Co. Ltd.

STOCK CODE

1268

COMPANY'S WEBSITE

www.meidongauto.com

Chairman and CEO

Mr Ye Fan
Chairman

Mr Ye Tao
Chief Executive Officer

Chairman's Statement

On behalf of the board of directors (the "Board") of China MeiDong Auto Holdings Limited ("MeiDong Auto" or the "Company"), I am pleased to present the first annual results of the Company and its subsidiaries (the "Group") since the Group's listing.

The year 2013 presented both opportunities and challenges for the automobile dealers in China. Stimulated by the upgraded consumption structure in car market and the car purchase restrictions in urban areas, the growth rate of car sales in 2013 bounced back to 13.87% while new car output increased by 14.76%. In 2013, car ownership in China reached 137 million with higher demand for aftermarket services, and 4S dealerships universally strengthened their expansion into automotive aftermarket. In general, competition in automotive sales and aftermarket sales became fiercer.

To MeiDong Auto, 2013 marked a year for the Company to seize opportunities, promote growth and showcase its core competence.

For a long time, MeiDong Auto has established, improved and implemented a data-driven operation and management system and a personnel management system that underscores internal training and promotion, and has been on a rapid development path backed by outstanding operating results of each store unit. The Company leans toward the second-, third- and fourth-tier cities in terms of sales distributions, cranks up the proportion of luxury brands and strikes a balance between the quantity of dealers selling German cars and those selling Japanese cars. The Group applies these strategies to optimize its brand portfolios and enhance its overall profitability and risk resilience. Satisfactory results would not be achieved if not for the data-driven operation and management system and the personnel management system that underscores internal training and promotion, which, the Group believes, is also where the core competence of MeiDong Auto lies for its future development.

Our relentless effort and hard work have won the recognition and supports from capital market. On 5 December 2013, the Company was successfully listed on the main board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange"), which was a manifestation of the wide supports from investors and their recognition of the competitive edge of MeiDong Auto in relation to managerial capabilities, after-sale production efficiency and profitability and of the market prospects for mid-to-high end and luxury car business conducted in the second-, third- and fourth-tier cities of southern and central China under the Company's deployment strategy on regions and brands. The successful listing not only boosted capital sufficiency, but also endorsed the Group's future development, thus, accelerating the Group's momentum of a robust growth in future and enabling the Company's sharing of the operating fruits with numerous investors.

Chairman's Statement

UNDERSTAND THE GROWTH POTENTIAL OF THE AUTOMOBILE MARKET IN CHINA'S SECOND-, THIRD- AND FOURTH-TIER CITIES

China's wide spreading urbanization has shifted the weight of automobile market from first-tier cosmopolitans to the second-, third- and fourth-tier cities. The Group commenced its business in the second- and third-tier cities, as a result, the second-, third- and fourth-tier cities of southern and central China would be the key regions of the Group's future development. The Group is familiar with the automobile consumption habits of the residents in these regions, and has in-depth understanding of business expansion, operation and management in these regional markets. As at 31 December 2013, the Group had 14 stores in operation out of a total of 15 affiliated stores, 6 out of 7 stores under construction were located in the second-, third-, and fourth tier cities in China.

UNDERSTAND THE UPGRADING POTENTIAL OF THE AUTOMOBILE CONSUMPTION STRUCTURE

China's automobile consumption structure demonstrates an apparent trend of upgrading, as illustrated by the selling of old cars for new ones or the purchase for a second car which represent a significant share of sales of new cars. The upgrading is also illustrated by the consumer's choice of more advanced models and brands as well as the consumer's higher requirement on the after-sales services. With a comprehensive understanding of the upgrading trend of automobile consumption structure as MeiDong Auto arranges its brand portfolios and devises its business layout, the Company carries out the strategy that prioritizes the high-end and luxury bestsellers, and continues to raise the proportion of luxury brands. Meanwhile, MeiDong Auto vigorously enriches the products and service contents in relation to the automobile consumption sector, such as automobile finance, car replacement, membership, customer relationship management (CRM), which will be introduced in due course. Also, the Company will boost the efficiency of after-sale operation and management, so as to further enhance customers' satisfaction.

CONTINUE TO STRENGTHEN THE DATA-BASED OPERATION AND MANAGEMENT SYSTEM

The establishment and improvement of MeiDong Auto's operation and management system is and will always be of vital importance to the Company's robust and stable development. Data-driven and data-based management is the core of the management system. The concept of data-based management has fully penetrated into all links of the Group's daily operating management, and the management of the Group is equipped with the capabilities of data analysis and data-based decision-making and is used to the management based on data. Leveraging on the advancing software technologies, the Group will continue to improve the automation and visualization of the management system, so as to further enhance the execution efficiency of the management.

IMPROVE THE CORPORATE GOVERNANCE STRUCTURE

After the listing on the Stock Exchange, the Company will further raise the corporate governance standard to be in line with the international practice. The Company establishes audit committee, remuneration committee, nomination committee and compliance committee to consolidate and regulate corporate internal control and enhance risk resilience. In addition, the Group proactively maintains convenient and efficient communications with investors to give investors a comprehensive and true understanding of MeiDong Auto. The Group will release the latest information to investors in a timely fashion, and respond to investors' enquiries in details, so as to increase corporate transparency and guarantee investors' interests.

OUTLOOK

Looking ahead, the Company is confident about its managerial and personnel strengths which will enable the Company to identify the potential and grasp the opportunities in new car sales, automobile consumption structure upgrading and aftermarket. The Group will continue to dedicate ourselves to the development and business expansion in the familiar and promising second- and third-tier cities of southern and central China, continue to adhere to the balanced and constantly optimized brand portfolios, continue to raise the service standard and operation efficiency of the Group's after-sale services and continue to diversify our products and service mix.

The successful listing of the Company in 2013 has undoubtedly strengthened the Company's capability of identifying market potential and seizing market opportunities, and raised responsibility awareness of the Group to reward its customers, employees, shareholders and investors. The Group will continue to enhance its internal strengths, consolidate management, step up corporation and further upgrade the Group's status in the industry, so as to provide customers with the most satisfactory products and services, employees with a platform that enhances and maximizes their value, partners with most potential business, and investors and shareholders with best returns.

The achievements made by the Company in 2013 were attributable to the relentless efforts and loyal contributions of the Company's management and employees alike as well as the supports and encouragements from shareholders and business partners. On behalf of the Board, I would like to express our sincere gratitude to all the employees of the Group for their loyal services and contributions and to shareholders and business partners for their supports and encouragements.

Chairman
Ye Fan

CEO Report

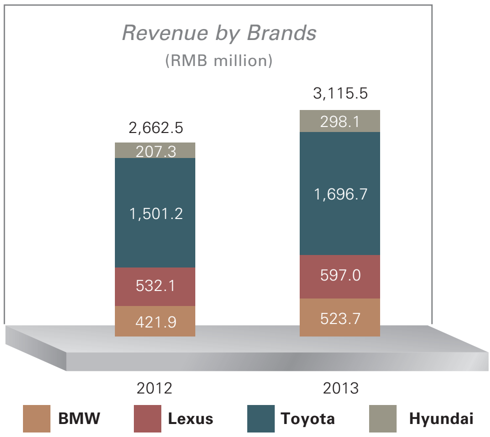
The year 2013 marked a milestone year for the development of MeiDong Auto. For many years, the adherence to the data-based management, the cultivation of internal personnel and the orderly development of high quality has morphed into the high-speed growth of MeiDong Auto and its successful listing on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

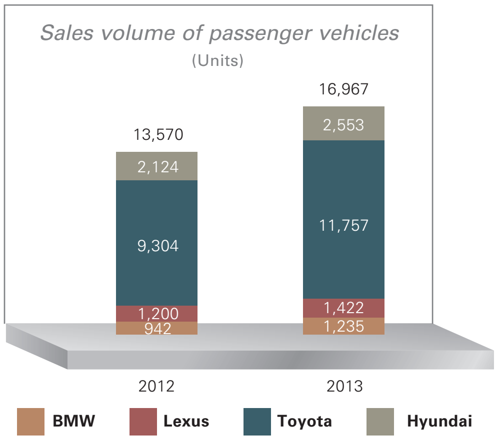
The growth and progress in 2013 demonstrated and consolidated the Company's strengths and bolstered the Company's confidence in its ability to fully grasp the opportunities in the automobile consumer market and realize the robust and rapid growth in future. Leveraging on the opportunities presented by 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.

BUSINESS REVIEW

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.



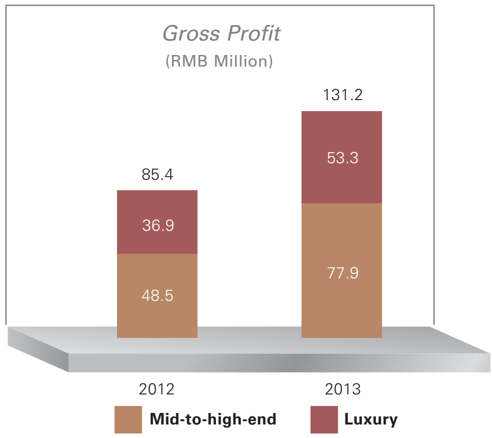


Note: Unless otherwise specified, references to ''Toyota'' include vehicles supplied to us by FAW Toyota and GAC Toyota;

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.

CEO Report

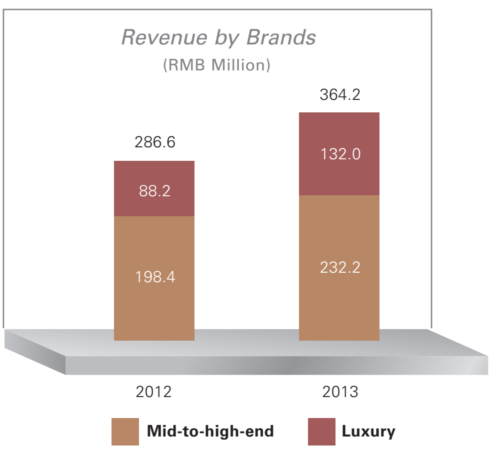
With the exception of Beijing Hyundai, the ASP for the other three brands has decreased slightly. However the overall gross profit margin for new vehicle sales increased from 3.2% in 2012 to 4.2% in 2013 with mid-to-high-end brands increasing from 2.8% to 3.9% and luxury brands increasing from 3.9% to 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.

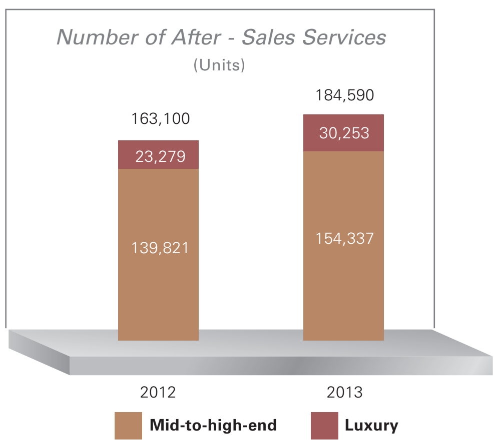


Note: Unless otherwise specified, references to ''Toyota'' include vehicles supplied to us by FAW Toyota and GAC Toyota;

After Sales Services

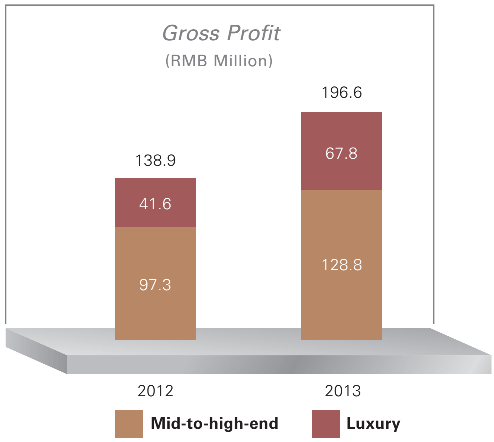
After sales services accounted for approximately 10.5% of our total revenue during the year ended 31 December 2013. After sales services principally consists of sales of spare parts and the provision of repair and maintenance services, and to a lesser extent, the provision of certain other automobile-related 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.





CEO Report

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.



Note: Unless otherwise specified, references to ''Toyota'' include vehicles supplied to us by FAW Toyota and GAC Toyota;

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.

CEO Report

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 Dongmei 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.

CEO Report

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.

PROPERTIES WITH DEFECTIVE TITLES – STATUS UPDATE

As disclosed in the Prospectus of the Company dated 22 November 2013, the Company will provide an update on the status of rectification of properties with title defects with respect to owned and leased properties as follows:

Properties Owned by the Group

(1) Changde Meibaohang

Changde Meibaohang commenced operations in January 2014; we have obtained the relevant valid title certificates prior to the commencement of operations.

(2) Chengde Meibaohang and Longyan Meidong

Chengde Meibaohang and Longyan Meidong have not yet commenced operations.

(3) Lanzhou Meidong

We are still liaising with the relevant government authorities in relation to the rectification of the title defects relating to Lanzhou.

Properties Leased by the Group

There have not been any updates regarding the rectification of leased properties with defective titles nor have we obtained any consent from automobile manufacturers, local government and landlords (collectively the "Stakeholders") for the potential relocations. However, we will continue to negotiate with the Stakeholders on the potential relocations should the relevant landlords fail to achieve title rectification by the designated timeframe.

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

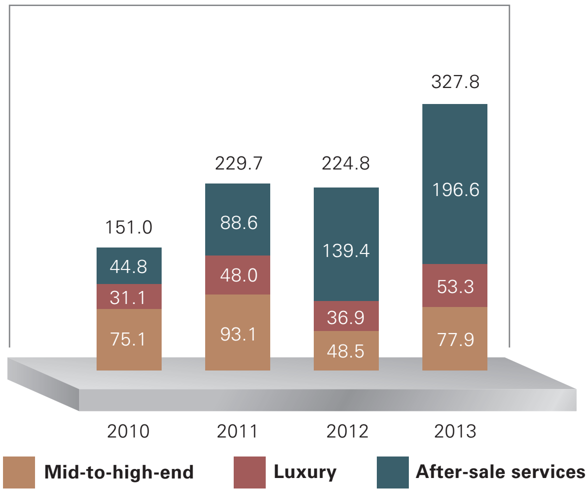
Gross profit increased significantly from RMB224,762,000 in 2012 to RMB327,816,000 in 2013, representing an increase of approximately 45.9%. Gross profit margin also increased from 7.6% recorded in 2012 to 9.4% this year. The increase is mainly attributed by: (1) higher gross margin in new car sales 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.

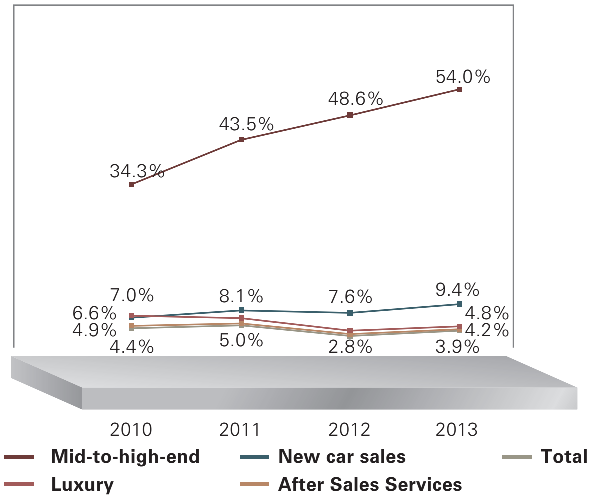
Distribution Costs and Administrative Expenses

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%.

CEO Report

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:

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

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 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 and were borrowed in RMB, of which RMB193,954,000 were at fixed interest rate. 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.

Final Dividend

In view of the stable after-sales services business, the Board recommended the payment of a final cash dividend for the year ended 31 December 2013 of RMB0.03 per share (2012: Nil).

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.

MeiDong Auto will leverage on its own strengths and fully grasp the development opportunities in the industry. 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 store-8 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.

Chief Executive Officer
Ye Tao

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Ye Fan *(Chairman)*

Mr. Ye Fan, aged 42, is founder of the Group. He is the younger brother of Mr. Ye Tao, and is the Chairman and an executive Director of the Company. He is primarily responsible for supervising the operations of the Group, planning its business and marketing strategies and overseeing the external relationship with banks, government and other business partners. Mr. Ye Fan was awarded a Bachelor degree in Inorganic Non-metallic Materials (無機非金屬材料) from South China University of Technology (華南理工大學) in July 1993. He is a non-permanent Hong Kong resident.

As the founder of the Group, Mr. Ye Fan started his career in the automobile sector by joining an automobile distributor in Dongguan, the PRC as general manager from 1995 to 1998. In 1999, he set up Dongguan Jucheng Auto Technical Services Co., Ltd. (東莞市聚成汽車技術服務有限公司) (a private company based in Dongguan, Guangdong which was principally engaged in the automobile distribution business) with a partner. In April 2003, Mr. Ye Fan set up Dongguan Guanfeng Auto Co., Ltd. (東莞市冠豐汽車有限公司) ("Dongguan Guanfeng"), which is the first member of the Group. This 4S dealership store was opened in May 2004 and held 4S distributorship for Beijing Hyundai Motor Company (北京現代汽車有限公司) vehicles. Before the establishment of Guangdong Dadong Auto Group Co., Ltd (廣東大東汽車集團有限公司) ("Dadong Group") in 2007, he made investments in a few enterprises (including members of the Group) which were principally engaged in automobile distribution of various brands. Following the establishment of Dadong Group in 2007, which has been solely owned by Mr. Ye Fan, Dadong Group has been making investments in 4S dealership stores of various brands.

Since 2003, Mr. Ye Fan has been acting as a director of Dongguan Guanfeng and various PRC members of the Group and has been responsible for supervising their daily operations and planning their business strategies. Mr. Ye Fan is currently a director of each of the subsidiaries of the Company.

Mr. Ye Tao *(Chief Executive Officer)*

Mr. Ye Tao, aged 47, is the elder brother of Mr. Ye Fan. He is an executive Director and the Chief Executive Officer of the Company. He is primarily responsible for overseeing the daily operations and management of the Group, planning its business and marketing strategies, supervising investor relationship and serving on the remuneration committee and the nomination committee. Mr. Ye Tao was awarded a Bachelor degree in Mechanics (力學) from Peking University (北京大學) in July 1989. He also obtained a Master of Science degree in Mechanical Engineering and a Master of Science degree in Management, both from Massachusetts Institute of Technology, in June 1996.

Biographical Details of Directors and Senior Management

Before he joined the Group, Mr. Ye Tao worked for Objectiva Software Solutions (Beijing) Inc. (奧博傑天(北京)軟件公司) as the chief executive and legal representative overseeing the overall operations of the company and in Document Sciences Corporation as the general manager of Asian Operations overseeing the management and operations in the Asian region.

In 2008, Mr. Ye Tao was invited by Mr. Ye Fan to work in the Group as the chief executive officer. Since then, he has been working together with Mr. Ye Fan closely in the expansion of the Group's business.

Ms. Liu Xuehua

Ms. Liu Xuehua, aged 50, is an executive Director of the Company. Ms. Liu is the spouse of Mr. Yu Bin, one of the senior management members. She is primarily responsible for general administration of the Group, focusing principally on accounting, treasury, administrative and human resources management of the Group. She is the key person-in-charge of the formulation, implementation and enhancement of the internal control polices of the Group. Ms. Liu obtained a Bachelor degree in Administration Management from Peking University (北京大學), through long distance learning in July 2002. By profession, she is an accountant, and her qualification was conferred by the Ministry of Finance of the PRC in 1994.

Ms. Liu joined the Group in February 2008 as the chief financial officer and was then in charge of financial and treasury management matters of the Group.

Ms. Liu has over 12 years working experience in accounting and finance. Between October 2001 and February 2008, before she joined the Group, Ms. Liu worked in Objectiva Software Solutions (Beijing) Inc. (奧博傑天(北京)軟件公司) as financial controller, and was in charge of financial management of such company.

Biographical Details of Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Li Lin

Mr. Li Lin, aged 72, was appointed as an independent non-executive Director of the Company with effect from November 2013. Mr. Li graduated from the Jilin University (吉林大學) (formerly Jilin University of Technology (吉林工業大學)) in July 1964 and studied in Chassis Engineering (底盤專業) at its automobile faculty.

Mr. Li worked as a civil servant of the PRC Government for over 20 years and his last office with the PRC Government is director at the bureau level (正局級司長) in the National Development and Reform Commission of the PRC (國家發展和改革委員會). Since 2007, he has been an independent director in Zhejiang Asia- pacific Mechanical and Electronic Co., Ltd. (''Zhejiang APME'') who shares are listed on Shenzhen Stock Exchange. He acts as a member at the board of directors and brings an independent judgment to the management of Zhejiang APME.

Mr. Pan Lu

Mr. Pan Lu, aged 54, was appointed as an independent non-executive Director of the Company with effect from November 2013. Mr. Pan started his full-time work in early 1980s. Mr. Pan is the founder of each of Dongguan Longcheng Real Estate Company (東莞市龍城房地產公司) and Dongguan Xinghui Real Estate Company (東莞市星輝房地產公司) which were established in 2005 and 2008 respectively. He is currently the chairman of each of such companies and is responsible for the companies' strategic development and coordination of social relationship. Mr. Pan completed a professional study programme in law in Beijing Broadcast Television University (北京廣播電視大學) in July 1988.

Mr. Jip Ki Chi

Mr. Jip Ki Chi, aged 43, was appointed as an independent non-executive Director of the Company with effect from November 2013. Mr. Jip is currently the chief financial officer and company secretary of Inventronics Holdings Limited. Mr. Jip was awarded a Bachelor degree of Business in Accountancy from Queensland University of Technology, Australia in 1994, and a Master degree in Business Administration from the University of Adelaide, Australia in 2008. Mr. Jip is a Certified Practising Accountant of CPA Australia (CPA (Aust.). He obtained his qualification as a fellow member of Hong Kong Institute of Certified Public Accountants in 2007 (FCPA). Mr. Jip has a wealth of experience in account, finance, management and company secretarial field and has worked as the chief financial officer and company secretary of Zhong Da Mining Limited, the financial controller and company secretary of Hao Tian Resources Group Limited (Stock code 474.HK) and the financial controller of Wah Shing Group.

SENIOR MANAGEMENT

Mr. Yu Man To Gerald *(Chief Financial Officer and Company Secretary)*

Mr. Yu Man To Gerald, aged 47, is the Chief Financial Officer and Company Secretary of our Company who joined our Group in May 2013. He is mainly responsible for the overall company secretarial and finance matters of our Group. Mr. Yu holds a Bachelor degree in Business and a Master degree in Business Administration. Mr. Yu is a Certified Practising Accountant of CPA Australia (CPA (Aust.) and a fellow member of the Hong Kong Institute of Certified Public Accountants (FCPA). Mr. Yu has a wealth of experience in accounting, finance, management and company secretarial field. Prior to joining the Company, Mr. Yu has worked as the chief financial officer and company secretary of Sound Global Limited (967.HK and E6E.SI), Wai Chun Mining Industry Group Company Limited (660.HK), Wai Chun Group Limited (1013.HK) and Towngas China Company Limited (1083.HK). Mr. Yu also worked as the company secretary of Sinolink Worldwide Holdings Limited. Mr. Yu was with Towngas China for almost nine years and was with an international accounting firm for over seven years prior to joining Towngas China.

Ms. Peng Hongmei

Ms. Peng Hongmei, aged 42, is the senior assistant to Chairman and to Chief Executive Officer. Currently, she is primarily responsible for special projects, mergers and acquisition of our Group. Ms. Peng was awarded a Bachelor degree in Marketing and Sales from Renmin University of China (中國人民大學) in 1996. Ms. Peng joined our Group as our chief marketing officer in March 2010 and was then in charge of marketing and special projects. Ms. Peng has over 10 years working experience in sales and marketing planning and project management. Before Ms. Peng joined our Group, she worked as the project manager, business-operating officer and Internet operation indicator officer of Horizon Research Consultancy Group, the chief marketing research officer and general manager of new media affairs of Linktone Consulting Limited Shanghai and the senior operating officer of Huayou century Communications Co., Ltd.

Mr. Yu Bin

Mr. Yu Bin, aged 51, is our vice president of after-sales operations. Mr. Yu is the spouse of Ms. Liu Xuehua, one of our executive Directors. Currently, he is primarily responsible for the overall management of the after-sales services of our Group. Mr. Yu holds a Bachelor degree in Engineering of Vehicle Transportation. Mr. Yu joined our Group as the chief officer in after-sales operations in August 2011 and was then in charge of the management of the after-sales services of our Group. Mr. Yu has over 30 years working experience in vehicle repair and technical training. Before Mr. Yu joined our Group, he worked as the vehicle repair officer, training and education officer, technical training supervisor vehicle repair and production technology supervisor for Beijing Public Transport Holding (Group) Co., Ltd. Repair Branch.

Biographical Details of Directors and Senior Management

Ms. Wang Feixue

Ms. Wang Feixue, aged 33, is our vice president of sales and marketing. Currently, she is primarily responsible for the overall management of the sales and marketing functions of our Group. Ms. Wang completed a two-year professional study programme in Chinese language and literature in Henan Broadcast Television University. Ms. Wang joined our Group as a sales consultant in July 2004 and was then in charge of sales of new vehicles. Ms. Wang left our Group in July 2006, then rejoined our Group as a corporate planning manager in July 2007. Before Ms. Wang rejoined our Group in July 2007, she worked for Dongguan Zhicheng Trading Company Limited as the sales manager, and was in charge of managing the sales department.

Ms. Luo Liuyu

Ms. Luo Liuyu, aged 30, is our vice president of human resources and administration. Currently, she is primarily responsible for the overall human resources management and planning of our Group, including recruitment, job allocation, training, formulating remuneration and fringe benefit policies, etc. Ms. Luo completed a three-year professional study programme in Finance in Dongguan University of Technology. Ms. Luo joined our Group as a finance supervisor in September 2007 and was then in charge of the management of the finance department, including fund and assets management, internal auditing, costs control management and financial statements preparation. Before Ms. Luo joined our Group, she worked for Dongguan Zhicheng Trading Company Limited as accounting supervisor, taking charge of the daily operations of finance department and other accounting functions.

Ms. Chen Saijin

Ms. Chen Saijin, aged 33, is our vice president of purchasing and projects. Currently, she is primarily responsible for the overall procurement of our Group and supervising our internal control matters. Ms. Chen was granted a technical certificate in computer software profession by the Guangdong Labour and Social Security Bureau. Ms. Chen also completed a three-year professional study programme in Accounting in Renmin University of China (中國人民大學) through Internet learning. Ms. Chen joined our Group as an accounting officer in October 2004 and was then in charge of the accounting function of the finance department. Before Ms. Chen joined our Group, she worked for Dongguan Hongyan Vehicle Trading Company Limited as the deputy manager of finance department, taking charge of the auditing of costs and other finance matters.

Mr. Lo Bit Chee

Mr. Lo Bit Chee, aged 56, is our vice president of internal audit and information technology. Currently, he is primarily responsible for the overall management of the internal audit and information technology of our Group. Mr. Lo holds a Bachelor degree in Business Administration. Mr. Lo joined our Group as vice president of internal audit in January 2014 and was then appointed as vice president of information technology of our Group in March 2014. Mr. Lo has over 22 years working experience in PRC. Before Mr. Lo joined our Group, he worked as the administration director of a motor group in the PRC, Mr. Lo also has over 7 years internal audit experience in a large trading firm in Hong Kong.

Report of the Directors

The Board has pleasure in presenting the Report of the Directors and the audited consolidated financial statements of the Group for the year ended 31 December 2013.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its subsidiaries are principally engaged in automobile dealership business authorized by the respective automobile manufacturers of a particular brand in the PRC including the sale of new passenger cars, spare parts, service and survey. Particulars of the subsidiaries are set out in note 15 to the consolidated financial statements.

RESULTS AND FINAL DIVIDEND

The results of the Group for the year ended 31 December 2013 and the state of affairs of the Group as at that date are set out in the financial statements on page 44 to page 116 of this Annual Report.

The Directors have recommended the payment of a final dividend out of the share premium account of RMB0.03 per share (2012: Nil) to shareholders whose names are on the register of members of the Company on 19 May 2014. Subject to approval by shareholders at the AGM on 9 May 2014 and compliance with the Companies Law of the Cayman Islands, the final dividend will be paid on or about 3 June 2014 and the register of members of the Company will be closed from 15 May 2014 to 19 May 2014, both days inclusive, during which period no transfer of shares will be registered.

RESERVES

Details of movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity set out on page 48 of this Annual Report.

The Company's reserves available for distribution to shareholders as at 31 December 2013 amounted to RMB296,952,000 (2012: Nil), subject to the applicable statutory requirements under the laws of the Cayman Islands.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for each of the five financial years ended 31 December 2013 is set out on page 116 of this Annual Report.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant, equipment of the Group during the year are set out in note 12 to the consolidated financial statements.

Report of the Directors

TAX RELIEF

The Company is not aware of any tax relief available to shareholders by reason of their holdings in the Company's securities.

Under current practice of the Hong Kong Inland Revenue Department, no tax is payable in Hong Kong in respect of dividends paid by the Company.

SHARE CAPITAL

Details of the movement in the share capital of the Company during the year are set out in note 25(c) to the consolidated financial statements.

DIRECTORS

The Directors during the year and up to the date of this Annual Report were as follows:

Executive Directors

Mr. Ye Fan *(Chairman)* (1)
Mr. Ye Tao *(Chief Executive Officer)* (1)
Ms. Liu Xuehua (2)

Independent Non-executive Directors

Mr. Li Lin (2)
Mr. Pan Lu (2)
Mr. Jip Ki Chi (2)

Notes:

1. Mr. Ye Fan and Mr. Ye Tao were appointed on 24 February 2012 respectively.

2. Ms. Liu Xuehua, Mr. Li Lin, Mr. Pan Lu and Mr. Jip Ki Chi were all appointed on 13 November 2013 respectively.

The biographical details of the Directors and senior management of the Company are set out on page 18 of this Annual Report.

In accordance with Article 105 of the Articles of Association of the Company, Mr. Ye Fan and Mr. Ye Tao shall retire from office by rotation at the forthcoming annual general meeting of the Company (the "AGM") and, all of them being eligible, would offer themselves for re-election.

In accordance with Article 109 of the Articles of Association of the Company, Ms. Liu Xuehua, Mr. Li Lin, Mr. Pan Lu and Mr. Jip Ki Chi who were appointed during the year shall hold office until the AGM and, all of them being eligible, would offer themselves for re-election.

The Company has received an annual confirmation of independence from each of the Independent Non-executive Directors pursuant to Rule 3.13 of the Listing Rules. The Company considers all the Independent Non-executive Directors to be independent.

Directors' Service Contracts

Each of the Executive Directors has entered into a service agreement with the Company for an initial term of three years commencing with effect from 15 November 2013, which continues thereafter until terminated by either party giving not less than three months' notice in writing to the other party.

Each of the Independent Non-executive Directors has entered into a letter of appointment with the Company for an initial term of three years from 15 November 2013, which can be terminated by either party giving not less than three months' notice in writing to the other party. Each of the Independent Non-executive Directors is subject to the provisions for retirement by rotation and re-election at the AGM in accordance with the Company's Articles of Association.

Save as disclosed above, no Director proposed for re-election at the AGM has service agreement with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

Directors' Remuneration

Details of emoluments of the Directors are set out in note 8 to the consolidated financial statements.

Mr. Jip Ki Chi is entitled to a director's fee of HK$166,560 per annum. Each of Mr. Li Lin and Mr. Pan Lu is entitled to a director's fee of HK$100,000 per annum. Save for Director's fees, none of our Independent Non-executive Directors is expected to receive any other remuneration for holding their office as an Independent Non-executive Director.

The Directors' fees are subject to shareholders' approval at the AGM. Other emoluments are determined by the Company's Board of Directors with reference to the recommendations from the Remuneration Committee taking into account the directors' duties, responsibilities and performance and the results of the Group.

Interests in Contracts

Other than as disclosed in note 22 to the financial statements, there is no contract of significance to which the Company, its holding company, fellow subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Report of the Directors

Competing Business

Save as disclosed in this Annual Report, none of the Directors or their respective associates (as defined in the Listing Rules) had any interests in any business (apart from the Group's business), which competes or is likely to compete, either directly or indirectly, with the businesses of the Group during the year and up to the date of this report.

Directors' Interests or Short Positions in Shares and Underlying Shares

As at 31 December 2013, the interests and short positions of the Directors and chief executive in the shares of the Company (the "Shares") and underlying shares of the Company or any of, its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which were required pursuant to: (a) divisions 7 to 9 of Part XV of the SFO, to be notified to the Company and the Stock Exchange; (b) section 352 of Part XV of the SFO, to be entered in the register referred to therein; or (c) the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "Model Code") to be notified to the Company and the Stock Exchange, were as follows:

Long Positions or Short Positions in Shares and Underlying Shares

Name of Director	Capacity	Interest in shares Personal interest shares	 Family Interest	Total interest in shares	Approximate percentage of shareholding as at 31 December 2013
Mr. Ye Fan	Settlor of trust	–	750,000,000	750,000,000	75%

Mr. Ye Fan is the settlor of the Ye Family Trust, a revocable discretionary family trust. The entire capital of Apex Holdings is an asset of such family trust, and Apex Holdings in turn holds the entire issued share capital of Apex Sail. Apex Sail directly hold 750 million Shares and by virtue of the SFO, Mr. Ye Fan is deemed to be interested in the Shares of Apex Sail.

Directors' Rights to Acquire Shares

At no time after the Listing Date was the Company or any of its subsidiaries, a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of Shares in, or debentures of, the Company or any other body corporate, and none of the Directors, or any of their spouses or children under the age of 18, was granted any right to subscribe for equity or debt securities of the Company, nor had exercised any such right.

Save as disclosed above, as at 31 December 2013, none of the Directors of the Company had any interests or short positions in the Shares or underlying shares of the Company or any of its associated corporations (within the meaning of part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

On 20 January 2014, share options to subscribe for 4,150,000 Shares were granted under the SOS to two Directors, details of which are as follows:

Mr. Ye Tao	2,000,000
Ms. Liu Xue hua	2,150,000

SHARE OPTION SCHEME

Pursuant to a share option scheme adopted by the shareholders of the Company on 13 November 2013 (the "SOS"), the Company may, at their discretion, invite full-time or part-time employees of the Group, including Directors of the Company and its subsidiaries, and any suppliers, customers, consultants, agents and advisors, whether on a contractual or honorary basis and whether paid or unpaid, who have contributed or will contribute to the Group to take up options to subscribe for Shares. The exercise price of the share option will be determined at the higher of the average of closing prices of the Shares on the Stock Exchange on the five trading days immediately preceding the date of grant of the option, the closing price of the Shares on the Stock Exchange on the date of grant or the nominal value of the Shares.

The SOS will remain in force for a period of 10 years commencing on 13 November 2013.

The share options under the SOS are exercisable at any time for a period to be determined by the Directors, which shall not be more than 10 years after the date of grant.

The total number of Shares in respect of which options may be granted under the SOS is not permitted to exceed 10% of the Shares in issue on the Listing Date without prior approval from the Company's shareholders. No option may be granted in any 12-month period to any one employee which if exercised in full would result in the total number of Shares already issued and issuable to him under all the options previously granted to him and the said option exceeding 1% of the number of Shares issued and issuable under all the options which may be granted under the SOS or any other share option schemes at the time it is proposed to grant the relevant options to that employee.

Options granted under the SOS must be taken up within 21 days of the date of grant, upon payment of HK$1.00 per grant.

As at 31 December 2013, no share option was granted under the SOS and no share option was lapsed or cancelled during the year.

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. Details of the share options outstanding as at the date of this report are as follows:

Option Type	Date of Grant	Exercisable Period	Exercise Price
2014 Options	20.01.2014	01.01.2015 – 12.11.2023	HK$1.80
	20.01.2014	01.01.2016 – 12.11.2023	HK$1.80
	20.01.2014	01.01.2017 – 12.11.2023	HK$1.80
	20.01.2014	01.01.2018 – 12.11.2023	HK$1.80

Details of share options granted to the two Directors are as follows:

Mr. Ye Tao	2,000,000
Ms. Liu Xuehua	2,150,000

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2013, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that other than the interests disclosed above in respect of the Directors, the following shareholders (other than the Directors or chief executives of the Company as disclosed above) had notified the Company of relevant interests and short positions in the issued share capital of the Company:

Name of Shareholder	Capacity	Number of Shares Held	Approximate percentage of shareholding
Apex Sail	Beneficial owner	750,000,000	75%
Apex Holdings (1)	Interest in a controlled corporation	750,000,000	75%
Mr. Ye Fan (2)	Settlor of a trust	750,000,000	75%
Ms. Hu Huanran (2)	Interest of spouse	750,000,000	75%

(1) Apex Sail is wholly owned by Apex Holdings. The entire issued share capital of Apex Holdings is wholly owned by Fiducia Suisse as the trustee of the Ye Family Trust. The Ye Family Trust is a revocable discretionary family trust founded by Mr. Ye Fan as the settlor. The Ye Brothers and certain of their family members are the discretionary objects of the Ye Family Trust.

(2) Mr. Ye Fan is the settlor of the Ye Family Trust. By virtue of the SFO, Mr. Ye Fan is deemed to be interested in the Shares of Apex Sail. Mr. Ye fan's spouse, Ms. Hu Huanran, is deemed to be interested in such 750,000,000 Shares by virtue of the SFO.

Save for the shareholders as disclosed herein, the Directors are not aware of any persons who, as at 31 December 2013, were entitled to exercise or control the exercise of 5% or more of the voting power at general meetings of the Company and were also, as a practicable matter, able to direct or influence the management of the Company.

Short positions in Shares and underlying Shares in the Company

As at 31 December 2013, the Company had not been notified of any short positions being held by any substantial shareholder in the Shares or underlying Shares of the Company.

Other Persons

As at 31 December 2013, the Company had not been notified of any interests or short positions being held by any person (other than the Directors and chief executives and the substantial shareholders as disclosed above) in the share capital of the Company that was required to be disclosed under Division 2 and 3 of Part XV of the SFO and the Listing Rules.

CONNECTED TRANSACTION

During the year, the Group had no transaction which need to be disclosed as connected transaction in accordance with the requirements of the Listing Rules.

RELATED PARTY TRANSACTIONS

Details of the related party transactions undertaken in normal course of business are set out in note 28 to the consolidated financial statements.

BORROWINGS

Particulars of borrowings of the Group as at 31 December 2013 are set out in note 22 to the consolidated financial statements.

DONATIONS

During the year, the Group made charitable and other donations amounting to RMB15,000.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this report, there is sufficient public float of not less than 25% of the Company's issued shares as required under the Listing Rules.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the five largest customers of the Group accounted for approximately 0.3% of the total turnover and sales to the largest customer accounted for approximately 0.1% of the total turnover. The five largest suppliers of the Group in aggregate accounted for about 89.2% of its operating costs for the year. Purchases from the largest supplier accounted for about 34.9% of its operating costs for the year. None of the Directors, their associates, or any shareholder (who to the knowledge of the Directors owned more than 5% of the Company's Share capital) had any interest in the Group's five largest customers or suppliers.

PRE-EMPTIVE RIGHTS

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

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

There was no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries during the year ended 31 December 2013.

EMOLUMENT POLICY

As at 31 December 2013, the Group had a total of 1,731 employees, the majority of whom are situated in the PRC. 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 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 with his own remuneration.

The Company has adopted a share option scheme as an incentive to Directors and eligible employees, details of the schemes is set out in note 29(a) to the consolidated financial statements and under the heading "Share Option Scheme" in this report.

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.

AUDITOR

The consolidated financial statements of the Company for the year ended 31 December 2013 have been audited by KPMG, the Company's auditors. A resolution will be proposed at the AGM to re-appoint KPMG as the auditors of the Company.

On behalf of the Board
Ye Fan
Chairman

Hong Kong, 25 March 2013

Corporate Governance Report

The Directors and other members of the management team of the Company are dedicated to maintain high standards of corporate governance. They will continue to exercise leadership, enterprise, integrity and judgement so as to achieve continuing prosperity and to act in the best interests of the Company and its shareholders in a transparent and responsible manner. Strategic development with prudence and adherence to ethical principles form the cores of the Company's corporate governance practices.

The Company continues to devote efforts on promoting good corporate governance so as to ensure its ability to attract investment, protect the rights of shareholders and stakeholders, and enhance shareholders' value.

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions in the Corporate Governance Code (the "Code") contained in Appendix 14 to the Listing Rules as its own code on corporate governance practices. The Company has taken various measures to cope with the latest development in the corporate governance regime.

The Company has complied with the code provisions as set out in the Code since its listing date on 5 December 2013 ("Listing Date") until the year ended 31 December 2013, save and except for Code provision A.1.1 which is mentioned below under the section headed "Board Meetings".

BOARD OF DIRECTORS

Composition of the Board

As at the date of this Annual Report, the Board comprises six members as follows:

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

All Directors have distinguished themselves in their field of expertise, and have exhibited high standards of personal and professional ethics and integrity. The biographical details of each Director are disclosed on page 18 of this Annual Report.

The Company has arranged appropriate directors' and officers' liabilities insurance for Directors and officers of the Company. The insurance coverage is reviewed on an annual basis.

Each Independent Non-executive Director has confirmed, in accordance with the guidelines for assessing independence set out in Rule 3.13 of the Listing Rules that he is independent of the Company and the Company also considers that all of them are independent.

Except for the family relationship between Mr. Ye Fan and Mr. Ye Tao as disclosed in the biographical details on page 18 of this Annual Report, there is no relationship (including financial, business, family or other material/relevant relationship) between any members of the Board.

The list of directors is disclosed in all corporate communications issued by the Company from time to time pursuant to the Listing Rules. The Independent Non-executive Directors are expressly identified in all corporate communications pursuant to the Listing Rules.

Each of the Executive Directors has entered into a service agreement with the Company for an initial term of three years commencing from 15 November 2013, which continues thereafter until terminated by either party giving not less than three months' notice in writing to the other party.

Each of the Independent Non-executive Directors has entered into a letter of appointment with the Company for an initial term of three years from 15 November 2013, which can be terminated by either party giving not less than three months' notice in writing to the other party.

Pursuant to the Articles, at least one third of the Directors shall retire from office but are eligible for re-election by shareholders at each annual general meeting and each Director shall retire on a rotational basis at least once every three years.

During the year ended 31 December 2013, the Board had at all times met the requirements of the Listing Rules relating to the appointment of at least three Independent Non-executive Directors with at least one Independent Non-executive Director possessing appropriate professional qualifications or accounting or related financial management expertise pursuant to Rule 3.10 of the Listing Rules and the appointment of Independent Non-executive Directors representing at least one-third of the Board pursuant to Rule 3.10A of the Listing Rules.

Functions of the Board

The Board, headed by the Chairman, is responsible for formulation and approval of the Group's development, business strategies, policies, annual budgets and business plans, recommendation of any dividend and supervision of management.

Corporate Governance Report

The Executive Directors are responsible for day-to-day management of the Company's operations, financial management and conducting meetings with senior management of the Group, at which operational issues and financial performance are evaluated.

The Company considers that internal control system and risk management function are essential, and the Board plays an important role in implementing and monitoring internal control system and risk management function.

Matters specifically decided by the Board and those reserved for the management, such as daily management, administration, operation of the Company and so forth, are reviewed by the Board on a periodic basis. The management shall report back to the Board.

In addition, the Directors may seek independent professional advice in appropriate circumstances at the Company's expenses.

The Articles sets out the responsibilities and proceedings of the Board. The Board meets regularly, at least four times a year, to consider operational reports of the Company and policies. Significant operational policies are discussed and passed by the Board.

Corporate Governance Functions

The Board is responsible for performing corporate governance duties that include:

(a) developing and reviewing the Company's policies and practices on corporate governance and make recommendations to the Board;

(b) reviewing and monitoring the training and continuous professional development of the Directors and senior management;

(c) reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements;

(d) developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to employees and the Directors; and

(e) reviewing the Company's compliance with Appendix 14 to the Listing Rules and disclosure in the Corporate Governance Report.

During the period under review, the Board approved the terms of reference of the Board (with respect to corporate governance duties), and the terms of reference of the Nomination Committee, the Audit Committee and the Remuneration Committee and the Shareholders Communication Policy.

Directors' Training and Continuous Professional Development

Each newly appointed Director is provided with necessary induction and information to ensure that he/she has a proper understanding of the Company's operations and businesses as well as his/her responsibilities under the Listing Rules and other relevant regulatory requirements.

The Directors are regularly briefed on the amendments to or updates on the relevant laws, rules and regulations. In addition, the Company has been encouraging the Directors and management to enroll in a wide range of professional development courses and seminars relating to the Listing Rules, companies ordinance/act and corporate governance practices organized by professional bodies, independent auditors and/or chambers in Hong Kong so that they can continuously update and further improve their relevant knowledge and skills.

From time to time, the Company Secretary updates and provides written training materials on the latest developments of applicable laws, rules and regulations to the Directors.

Each of the Directors have attended training sessions arranged by our Company on the continuing obligations of listed companies and directors, disclosure obligations of listed companies and amendments to the Listing Rules and SFO in relation to "inside information".

In addition to the above-mentioned training sessions, some Directors and members of the senior management have also attended several presentations organized by our Company on the compliance of the Listing Rules and conducts of listed companies.

Board Meetings

Code provision A.1.1 of the Code prescribes that at least four regular board meetings should be held in each year at approximately quarterly intervals with active participation of majority of directors, either in person or through electronic means of communication. However, the Board did not hold any board meetings from the Listing Date to 31 December 2013.

Chairman and Chief Executive Officer

Code provision A.2.1 stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same person. The Chairman of the Board is Mr. Ye Fan and the Chief Executive Officer is Mr. Ye Tao. The roles of Chairman and Chief Executive Officer are separate. Such division of responsibilities has been clearly established. It allows a balance of power between the Board and the management of the Group, and ensures the independence and accountability of each of the Board and management of the Group. The Chairman oversees the Board so that it acts in the best interests of the Group. With the support of the Executive Directors and the Company Secretary, the Chairman seeks to ensure that all Directors are properly briefed on issues arising at Board meetings and that they receive adequate, clear, complete and reliable information in a timely manner. The Chairman has overall responsibility for providing leadership, vision and direction regarding business development of the Group and ensuring that good corporate governance practices and procedures are established.

The Chief Executive Officer, who is assisted by other Executive Directors, is responsible for the day-to-day business management and operations of the Group for formulating and successfully implementing policies and maintaining an effective executive support team. The Chief Executive Officer is accountable to the Board for keeping the Chairman and all the Directors fully informed of all major business developments and issues.

Responsibilities of the Directors

In the course of discharging their duties, the Directors act in good faith, with due diligence and care, and in the best interests of the Company and its shareholders. Their responsibilities include:

- attending regular Board meetings focusing on business strategy, operational issues and financial performance;
- active participation on the boards of subsidiaries and associated companies;
- approval of annual budgets for each operating company covering strategy, financial and business performance, key risks and opportunities;
- monitoring the quality, timeliness, relevance and reliability of internal and external reporting;
- consideration of misuse of corporate assets and abuse in related party transactions; and
- ensuring processes are in place to maintain the overall integrity of the Company, including financial statements, relationships with suppliers, customers and other stakeholders, and compliance with all laws and ethics.

To enable the Directors to meet their obligations, an appropriate organizational structure is in place with clearly defined responsibilities and limits of authority.

Board Committees

The Company has set up a number of committees of the Board, including the Remuneration Committee, the Audit Committee and the Nomination Committee, with specific terms of reference relating to their authority and duties, which strengthen the Board’s functions and enhance its expertise.

Remuneration Committee

The Remuneration Committee comprises one Executive Director, Mr. Ye Tao and two Independent Non-executive Directors, namely Mr. Pan Lu and Mr. Jip Ki Chi. Mr. Pan Lu is the chairman of the Remuneration Committee.

The Remuneration Committee was established in November 2013 and written terms of reference of the Remuneration Committee have been adopted by the Board and are posted on the websites of the Company and HKEx. The Remuneration Committee's responsibilities include but not limited to the review and consideration of the Company's remuneration policy for the Directors and senior management, the recommendations to the Board on the remuneration packages of individual Executive Director and senior management including benefits in kind, pension rights and compensation payments, and recommendations relating to remunerations of Independent Non-executive Directors.

The Remuneration Committee did not hold any meeting from its establishment to 31 December 2013.

The Group remunerates its employees based on their individual performance, job nature and responsibilities. The Group also provides training and various benefits for its employees including medical welfare, provident funds, bonuses and other incentives. The Group also encourages its employees to pursue a balanced life and provides a good working environment to maximize their potential and contribution to the Group.

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.

Nomination Committee

The Nomination Committee comprises one Executive Director, Mr. Ye Tao and two Independent Non-executive Directors, Mr. Pan Lu, and Mr. Jip Ki Chi. Mr. Ye Tao is the chairman of the Nomination Committee.

The Nomination Committee was established in November 2013 and written terms of reference of the Nomination Committee have been adopted by the Board and are posted on the websites of the Company and HKEx. The Nomination Committee's responsibilities include but not limited to formulating policy and making recommendation to the Board on nominations and appointments of Directors and Board succession.

The Nomination Committee is also responsible for reviewing the structure, size and composition of the Board, assessing independence of the Independent Non-executive Directors and making recommendations on any proposed changes to the Board.

The Nomination Committee did not hold any meeting from its establishment 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.

EXTERNAL AUDITOR

The external auditor of the Company is KPMG. KPMG provided services in respect of the audit of the Group's consolidated financial statements which were prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") for the year ended 31 December 2013.

For the year ended 31 December 2013, apart from the provision of annual audit services, the Company's external auditors, KPMG, were also the reporting accountants of the Company in relation to the Listing. The remuneration charged by the Company's auditors, KPMG, during the year ended 31 December 2013 is set out below:

Description of services performed

		RMB
(1)	Audit services	1,600,000
(2)	Non-audit services	3,498,000
		5,098,000

The statement of the Auditor of the Company regarding their reporting responsibilities for the financial statements is set out in the Independent Auditor's Report on pages 42 to 43 of this Annual Report.

DIRECTORS' RESPONSIBILITIES IN PREPARING FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for preparing the financial statements and ensuring that the preparation of the accounts is in accordance with statutory requirements and applicable accounting standards.

GOING CONCERN

The Directors, having made appropriate enquiries, consider that the Company has adequate resources to continue in operational existence for the foreseeable future and that, for this reason, it is appropriate to adopt the going concern basis in preparing the financial statements.

EFFECTIVENESS OF INTERNAL CONTROL SYSTEM

The Board is responsible for the Company's internal control system and for reviewing its effectiveness. The Group's internal audit department and senior management conduct reviews of the effectiveness of the internal control system of the Company and its subsidiaries. The Audit Committee reviews the findings and recommendations of the internal audit department and the senior management in their meetings held at least twice a year and reports to the Board on such review.

Prior to the listing of the Company's shares on The Stock Exchange of Hong Kong Limited, the Company engaged KPMG as the internal control consultant to review the effectiveness of the Group's internal control system covering all material controls, including financial, operational and compliance controls and risk management function. After adopting some of the recommendations by KPMG, we believe that there are no material internal controls deficiencies that may affect the shareholders of the Company and an effective system is in place to safeguard the assets of the Group. The Group will continue to enhance the system to cope with the changes in the business environment.

COMPANY SECRETARY

The Company Secretary is Mr. Yu Man To, Gerald. The Company Secretary has duly complied with the relevant training requirement under Rule 3.29 of the Listing Rules.

CONSTITUTIONAL DOCUMENTS

There were no changes to the memorandum of association and articles of association of the Company from the Listing Date.

A copy of the memorandum of association and articles of association of the Company is posted on the websites of the Company and HKEx.

COMMUNICATION WITH SHAREHOLDERS

The Directors are aware of the importance of maintaining good relations and communications with the Company's shareholders. The Board established a Shareholders Communication Policy setting out the principles of the Company in relation to shareholders' communications, with the objective of ensuring that its communication with the shareholders are timely and accurate.

The Company uses a range of communication tools, such as the annual general meeting (the "AGM"), the annual reports, various notices, announcements and circulars, to ensure its shareholders are kept well informed of the Group's key business imperatives.

The Company has maintained a website at www.meidongauto.com which serves as a forum for corporate communications with its shareholders and the general public. All corporate communications required under the Listing Rules are displayed and archived since the Listing Date on the Company's website and there are established procedures to ensure timely update in compliance with the Listing Rules.

At the AGM, separate resolutions will be proposed by the Chairman in respect of each issue itemized on the agenda, including the re-election of the Directors. The Chairman of the Board, the chairman of each of the Remuneration Committee, the Audit Committee and the Nomination Committee and members of senior management, together with representative from external auditor will attend the AGM to answer questions from the Company's shareholders.

The notice of the AGM will be distributed to all shareholders at least 20 clear business days prior to the AGM and the accompanying circular also sets out details of each proposed resolution and other relevant information as required under the Listing Rules.

The Company did not hold any general meeting during the year ended 31 December 2013.

SHAREHOLDERS' RIGHTS

Convening an Extraordinary General Meeting by Shareholders and Putting Forward Proposals

Under the Articles, an extraordinary general meeting (the "EGM") may be convened by the Board upon requisition by any one or more shareholders of the Company holding not less than one-tenth of the paid up capital of the Company which carries the right of voting at any general meetings. The shareholders shall make a written requisition to the Board or the Company Secretary of the Company at the head office of the Company in Hong Kong, specifying the shareholding information of the shareholders, their contact details and the proposal regarding any specifying transaction/business and its supporting documents.

If within 21 days of deposit of such written requisition, the Board does not proceed to convene such EGM, the requisitionist(s) himself/themselves may convene the EGM in the same manner as that in which such meeting may be convened by the Board, provided that such meeting so convened shall not be held after the expiration of two months from the date of deposit of such requisition.

Making Enquiries to the Board

Shareholders may send written enquiries, either by post or by facsimiles, together with his/her/its contact details, such as postal address or fax, addressing to the head office of the Company at 2404, 24th Floor, World-Wide House, 19 Des Voeux Road Central, Hong Kong or facsimile number (852) 2668 5798.

INDEPENDENT AUDITOR'S REPORT

Independent auditor's report to the shareholders of
China MeiDong Auto Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of China MeiDong Auto Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 44 to 115, which comprise the consolidated and company balance sheets as at 31 December 2013, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2013 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

25 March 2014

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2013

(Expressed in RMB'000)

	Note	2013	2012
Turnover	*4*	**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	*5*	**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	*6(a)*	**(45,238)**	(43,158)
Share of profits/(losses) of an associate	*16*	**65**	(523)
Share of profits of a joint venture	*17*	**9,766**	8,586
Profit before taxation	*6*	**149,358**	61,580
Income tax	*7(a)*	**(39,164)**	(13,797)
Profit and total comprehensive income for the year		**110,194**	47,783
Profit and total comprehensive income attributable to:			
Equity shareholders of the Company	*10*	**105,956**	47,647
Non-controlling interests		**4,238**	136
Profit and total comprehensive income for the year		**110,194**	47,783
Earnings per share	*11*		
Basic and diluted (RMB)		**0.14**	0.06

The notes on pages 50 to 115 form part of these financial statements.

CONSOLIDATED BALANCE SHEET

At 31 December 2013

(Expressed in RMB'000)

	Note	31 December 2013	31 December 2012
Non-current assets			
Property, plant and equipment	12	**288,370**	180,567
Lease prepayments	13	**105,323**	110,282
Intangible assets	14	**11,438**	12,192
Interest in an associate	16	**4,211**	4,146
Interest in a joint venture	17	**23,368**	32,132
Deferred tax assets	24(b)	**9,860**	10,311
		442,570	349,630
Current assets			
Inventories	18	**457,920**	290,754
Trade and other receivables	19	**242,354**	502,182
Pledged bank deposits	20	**181,590**	100,666
Cash and cash equivalents	21	**491,205**	158,571
		1,373,069	1,052,173
Current liabilities			
Loans and borrowings	22	**804,732**	508,625
Trade and other payables	23	**514,539**	360,067
Income tax payables	24(a)	**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

The notes on pages 50 to 115 form part of these financial statements.

CONSOLIDATED BALANCE SHEET (Continued)

At 31 December 2013

(Expressed in RMB'000)

	Note	31 December 2013	31 December 2012
Non-current liabilities			
Deferred tax liabilities	*24(b)*	**2,859**	3,048
Loans and borrowings	*22*	**–**	60,000
		2,859	63,048
NET ASSETS		**477,212**	458,971
EQUITY			
Share capital	*25(c)*	**78,620**	259,010
Reserves	*25(d)*	**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

Approved and authorised for issue by the board of directors on 25 March 2014.

Ye Fan
Directors

Ye Tao
Directors

The notes on pages 50 to 115 form part of these financial statements.

BALANCE SHEET

At 31 December 2013

(Expressed in RMB'000)

	Note	31 December 2013	31 December 2012
Non-current assets			
Interests in a subsidiary	*15*	**335,572**	–
Current assets			
Trade and other receivables	*19*	**51,146**	–
Current liabilities			
Trade and other payables	*23*	**11,146**	–
Net current assets		**40,000**	–
Total assets less current liabilities		**375,572**	–
NET ASSETS		**375,572**	–
EQUITY	*25*		
Share capital		**78,620**	–
Reserves		**296,952**	–
TOTAL EQUITY		**375,572**	–

Approved and authorised for issue by the board of directors on 25 March 2014.

Ye Fan
Directors

Ye Tao
Directors

The notes on pages 50 to 115 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2013

(Expressed in RMB'000)

	Attributable to equity shareholders of the Company							
	Share capital	**Share premium**	**Capital reserves**	**PRC statutory reserves**	**Retained earnings**	**Sub-total**	**Non-controlling interests**	**Total equity**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(note 25(c))	*(note 25(d)(i))*	*(note 25(d)(ii))*	*(note 25(d)(iii))*				
Balance at 1 January 2012	206,000	–	13,460	13,022	140,717	373,199	5,739	378,938
Capital injection	56,010	–	–	–	–	56,010	–	56,010
Profit and total comprehensive income for the year	–	–	–	–	47,647	47,647	136	47,783
Change in the Group's interests in a subsidiary *(Note 25(e))*	(3,000)	–	235	–	–	(2,765)	2,765	–
Appropriation to reserves	–	–	–	5,360	(5,360)	–	–	–
Deemed distribution *(Note 25(f))*	–	–	(11,760)	–	–	(11,760)	–	(11,760)
Dividends declared and paid to then equity holder *(Note 25(b))*	–	–	–	–	(12,000)	(12,000)	–	(12,000)
Balance at 31 December 2012 and 1 January 2013	259,010	–	1,935	18,382	171,004	450,331	8,640	458,971
Capital injection	77,965	–	–	–	–	77,965	–	77,965
Profit and total comprehensive income for the year	–	–	–	–	105,956	105,956	4,238	110,194
Change in the Group's interests in a subsidiary *(Note 25(e))*	(7,500)	–	128	–	–	(7,372)	7,372	–
Appropriation to reserves	–	–	–	12,438	(12,438)	–	–	–
Deemed distribution *(Note 25(f))*	–	–	(18,530)	–	–	(18,530)	–	(18,530)
Dividends declared and paid to then equity holder *(Note 25(b))*	–	–	–	–	(166,609)	(166,609)	(3,310)	(169,919)
Capital injection in connection with reorganisation *(Note 1)*	50,000	–	–	–	–	50,000	–	50,000
Deemed distributions arising from reorganisation *(Note 1)*	(320,510)	–	(40,145)	–	–	(360,655)	–	(360,655)
Issue of ordinary shares by initial public offering, net of issuance costs *(Note 25(d)(i))*	19,655	309,531	–	–	–	329,186	–	329,186
Balance at 31 December 2013	78,620	309,531	(56,612)	30,820	97,913	460,272	16,940	477,212

The notes on pages 50 to 115 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2013

(Expressed in RMB'000)

	Note	2013	2012
Operating activities:			
Cash generated from operations	*21(b)*	**101,570**	62,911
Income tax paid	*24(a)*	**(33,697)**	(21,185)
Net cash generated from operating activities		**67,873**	41,726
Investing activities:			
Payment for purchase of property, plant and equipment		**(124,712)**	(51,720)
Proceeds from disposal of property, plant and equipment and lease prepayment		**12,084**	9,398
Payment for purchase of lease prepayments		**(1,736)**	(55,697)
Advances to related parties		**(196,919)**	(574,622)
Repayment of advances to related parties		**367,390**	522,150
Interest received		**10,665**	2,534
Net cash generated from/(used in) investing activities		**66,772**	(147,957)
Financing activities:			
Proceeds from loans and borrowings		**2,562,813**	1,999,098
Repayment of loans and borrowings		**(2,326,706)**	(1,808,475)
Proceeds from issue of ordinary shares by initial public offering, net of issuance costs		**334,320**	–
Advances from related parties		**52,955**	125,090
Repayment of advances from related parties		**(98,618)**	(152,108)
Dividends declared and paid	*25(b)*	**(43,739)**	(12,000)
Capital injection from equity holders of the Company		**127,965**	56,010
Interest paid		**(50,346)**	(43,032)
Payment to then equity holders arising from reorganization	*25(f)*	**(360,655)**	–
Net cash generated from financing activities		**197,989**	164,583
Net increase in cash and cash equivalents		**332,634**	58,352
Cash and cash equivalents at beginning of the year		**158,571**	100,219
Cash and cash equivalents at end of the year	*21(a)*	**491,205**	158,571

Note: Significant non-cash transaction: In May 2013, certain subsidiaries of the Group declared dividends totalling RMB 166,609,000 to their then equity holder, Guangdong Dadong Automotive Group Co., Ltd. ("Dadong Group"), of which RMB 126,180,000 was settled by way of set-off against outstanding amounts due from Dadong Group (note 25(b)).

The notes on pages 50 to 115 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

1 GENERAL INFORMATION AND THE BASIS OF PRESENTATION

China MeiDong Auto Holdings Limited (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 (the "Listing Date").

Prior to July 2013, the Group's 4S dealership businesses were primarily conducted through various domestic companies established in the PRC (the "PRC Operating Entities"), which were ultimately owned and controlled by Mr. Ye Fan (referred to as the "Controlling Shareholder"), through Dadong Group. Mr. Ye Fan and Dadong Group also held a 49% equity interest in Dongguan Anxin Toyota Auto Sales and Services Co., Ltd. ("Dongguan Anxin") and a 49% equity interest in Dongguan Meidong Automotive Service Co., Ltd. ("Dongguan Meidong"), respectively.

As part of the Reorganisation, Dadong Group and Mr. Ye Fan transferred their respective equity interests in the PRC Operating Entities, the 49% equity interest in Dongguan Anxin and the 49% equity interest in Dongguan Meidong to the Group, for total considerations of RMB310,655,000 as further described below.

Dongguan Meixin Business Consulting Co., Ltd. ("Dongguan Meixin") was established on 10 September 2012 by Dadong Group as an investment holding company in the PRC with a paid-in capital of RMB50,000,000. In March 2013 and as part of the Reorganisation, Dadong Group transferred its entire equity interests in Dongguan Meixin to China MeiDong Auto (HK) Limited ("MeiDong HK"), an indirectly wholly-owned subsidiary of the Company, at a consideration of RMB50,000,000, which was settled in cash in March 2013. In May 2013, Dadong Group and Mr. Ye Fan transferred their respective entire equity interests in the PRC Operating Entities and the 49% equity interest in Dongguan Anxin to Dongguan Meixin, at cash consideration of RMB288,027,000 and RMB5,880,000, respectively. In July 2013, Dadong Group transferred its 49% equity interest in Dongguan Meidong to Dongguan Meixin at a consideration of RMB16,748,000. The total considerations for the transfers of the entire equity interests in Dongguan Meixin, the PRC Operating Entities, 49% equity interest in Dongguan Anxin and 49% equity interest in Dongguan Meidong during the year totalling RMB360,655,000 have been recorded within equity as deemed distributions arising from the Reorganisation.

1 GENERAL INFORMATION AND THE BASIS OF PRESENTATION *(Continued)*

As all the companies now comprising the Group (including the PRC Operating Entities) that took part in the Reorganisation were ultimately controlled by the same Controlling Shareholder both before and after the Reorganisation, there was a continuation of the risks and benefits to the Controlling Shareholder. Accordingly, the Reorganisation has been accounted for using the principles set out in Accounting Guideline 5 "Merger Accounting for Common Control Combinations". These financial statements have been prepared as if the Group had always been in existence and the net assets of the companies now comprising the Group are consolidated using the existing book values from the Controlling Shareholder's perspective.

All material intra-group transactions and balances have been eliminated on consolidation.

2 SIGNIFICANT ACCOUNTING POLICIES

(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"). A summary of the significant accounting policies adopted by the Group is set out below.

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. The revised and new accounting standards and interpretations issued but not yet effective for the accounting year ended 31 December 2013 are set out in note 31.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Basis of preparation of the 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 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 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.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 3.

(c) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Subsidiaries and non-controlling interests *(Continued)*

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated balance sheet within equity, separately from equity attributable to the equity shareholder of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholder of the Company.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or a joint venture (see note 2(d)).

In the Company's balance sheet, an investment in subsidiary is stated at cost less impairment losses (see note 2(h)(ii)).

(d) Associates and joint ventures

An associate is an entity in which the Group has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A joint venture is an arrangement whereby the Group and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Associates and joint ventures *(Continued)*

An investment in an associate or a joint venture is accounted for in the consolidated financial statements under the equity method. Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see notes 2(h)(ii)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of comprehensive income, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of comprehensive income.

When the Group's share of losses exceeds its interest in the associate or the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate or the joint venture.

Unrealised profits and losses resulting from transactions between the Group and its associate and joint venture are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture or vice versa, retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated in the consolidated balance sheet at cost less accumulated depreciation and impairment losses (see note 2(h)(ii)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 2(t)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

–	Buildings	15-30 years
–	Leasehold improvements	over the shorter of the unexpired term of lease and 5 years
–	Plant and machinery	5-10 years
–	Passenger vehicles	4-5 years
–	Office equipment and furniture	3-5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Construction in progress represents property, plant and equipment under construction and equipment pending installation, and is stated at cost less impairment losses (see note 2(h)(ii)). Capitalisation of construction in progress costs ceases and the construction in progress is transferred to property, plant and equipment when substantially all of the activities necessary to prepare the assets for their intended use are completed.

No depreciation is provided in respect of construction in progress until it is substantially completed and ready for its intended use.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Intangible assets

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 2(h)(ii)).

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. Car dealership is amortised from the date of acquisition over its estimated useful life of 20 years.

(g) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

(ii) Lease prepayments

Lease prepayments represent cost of land use right paid to the PRC governmental authorities or third parties.

Lease prepayments are stated at cost less accumulated amortisation and impairment losses (see note 2(h)(ii)). Amortisation is charged to profit or loss on a straight-line basis over the respective periods of the rights.

(iii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Impairment of assets

(i) Impairment of investments in equity securities and other receivables

Investments in equity securities and other receivables that are stated at cost or amortised cost are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

– significant financial difficulty of the debtor;

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

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

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

– a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Impairment of assets *(Continued)*

(i) Impairment of investments in equity securities and other receivables *(Continued)*

If any such evidence exists, any impairment loss is determined and recognised as follows:

– For investments in associates and joint ventures accounted for under the equity method in the consolidated financial statements (see note 2(d)), the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 2(h)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 2(h)(ii).

– For trade and other receivables carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

  If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors and bills receivable included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors and bills receivable directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Impairment of assets *(Continued)*

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment;

– lease prepayments;

– intangible assets; and

– investment in a subsidiary in the Company's balance sheet.

If any such indication exists, the asset's recoverable amount is estimated.

– *Calculation of recoverable amount*
The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– *Recognition of impairment losses*
An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable), or value in use (if determinable).

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Impairment of assets *(Continued)*

(ii) Impairment of other assets *(Continued)*

– *Reversals of impairment losses*

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(i) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated on specific identification or weighted average basis as appropriate and comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(j) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see note 2(h)(i)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(l) Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(m) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

(n) Employee benefits

(i) Short-term employee benefits

Salaries and annual bonuses are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Defined contribution retirement plan

Contributions to PRC local retirement schemes pursuant to the relevant labour rules and regulations in the PRC are recognised as an expense in profit or loss as incurred.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(o) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to business combinations, or items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year/period, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(o) Income tax *(Continued)*

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

    – the same taxable entity; or

    – different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(p) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(q) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sale of goods

Revenue is recognised when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

(ii) Services income

Revenue arising from after-sales services is recognised when the relevant service is rendered without further performance obligations.

(iii) Commission income

Commission income is recognised at the time when the services concerned are rendered to customers.

(iv) Interest income

Interest income is recognised as it accrues using the effective interest method.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(r) Vendor rebates

Incentive rebates provided by vendors are recognized on an accrual basis based on the expected entitlement earned up to the reporting date pursuant to each relevant supplier contract.

Incentive rebates relating to vehicles purchased and sold are deducted from cost of sales, while incentive rebates relating to vehicle purchased but still held as inventories at the reporting date are deducted from the carrying value of such vehicles so that the cost of inventories is recorded net of applicable rebates.

(s) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss, except those arising from foreign currency borrowings used to hedge a net investment in a foreign operation which are recognised in other comprehensive income.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The results of foreign operations are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Balance sheet items are translated into RMB at the closing foreign exchange rates at the balance sheet date. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(t) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(u) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(u) Related parties *(Continued)*

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same Group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a Group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(v) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3 ACCOUNTING JUDGEMENT AND ESTIMATES

(a) Critical accounting judgements in applying the Group's accounting policies

In the process of applying the group's accounting policies, management has made the following accounting judgements:

(i) Recognition of income taxes and deferred tax assets

Determining income tax provision involves judgment on the future tax treatment of certain transactions. Management evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatments of such transactions are reconsidered periodically to take into account all changes in tax legislation. Deferred tax assets are recognised in respect of deductible temporary differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences can be utilised, management's judgment is required to assess the probability of future taxable profits. Management's assessment is revised as necessary and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered.

(b) Sources of estimation uncertainty

Key sources of estimation uncertainty are as follows:

(i) Depreciation and amortisation

As described in note 2(e), property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual value. As described in note 2(f), intangible assets are amortised on a straight-line basis over the estimated useful lives. Management reviews annually the useful lives of the assets and residual values, if any, in order to determine the amount of depreciation and amortisation expenses to be recorded during any reporting period. The useful lives and residual values are based on the Group's historical experience with similar assets and taking into account anticipated technological and other changes. The depreciation and amortisation expenses for future periods are adjusted if there are significant changes from previous estimates.

3 ACCOUNTING JUDGEMENT AND ESTIMATES *(Continued)*

(b) Sources of estimation uncertainty *(Continued)*

(ii) Net realisable value of inventories

As described in note 2(i), net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated distribution expenses. These estimates are based on the current market condition and historical experience of selling products of similar nature. It could change significantly as a result of competitor actions in response to changes in market conditions.

Management reassesses these estimations at the end of reporting period to ensure inventory is shown at the lower of cost and net realisable value.

(iii) Impairment of trade and other receivables

Management determines the impairment of trade and other receivables on a regular basis. This estimate is based on the credit history of its customers and current market conditions. If the financial conditions of the customers were to deteriorate, actual write-off would be higher than estimated. Management reassesses the impairment of trade and other receivables at the end of reporting period.

4 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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

4 TURNOVER AND SEGMENT REPORTING *(Continued)*

(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.

5 OTHER REVENUE AND NET INCOME

	2013	2012
	RMB'000	*RMB'000*
Other revenue:		
Commission income	**19,224**	15,758
Bank interest income	**2,341**	2,534
Interest income from Dadong Group *(note 28(b))*	**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

6 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.

6 PROFIT BEFORE TAXATION *(Continued)*

		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
	Operating lease charges	**14,122**	10,072
	Net foreign exchange loss	**1,071**	–
	Auditors' remuneration	**1,600**	465

7 INCOME TAX IN THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(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 *(note 24(a))*	**38,902**	19,634
Deferred tax:		
Reversal/(origination) of temporary differences *(note 24(b))*	**262**	(5,837)
	39,164	13,797

7 INCOME TAX IN THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME *(Continued)*

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

	2013 *RMB'000*	2012 *RMB'000*
Profit before taxation	**149,358**	61,580
Notional tax on profit before taxation, calculated at the rates applicable in the jurisdictions concerned *(i)*	**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

(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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

8 DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows:

Year ended 31 December 2013

	Note	**Directors' fees** *RMB'000*	**Salaries, allowances and benefits in kind** *RMB'000*	**Discretionary bonuses** *RMB'000*	**Contributions to retirement benefit schemes** *RMB'000*	**Total** *RMB'000*
Executive directors						
Mr. Ye Fan		**–**	**140**	**–**	**–**	**140**
Mr. Ye Tao		**–**	**652**	**350**	**–**	**1,002**
Ms. Liu Xuehua	*(i)*	**–**	**241**	**200**	**17**	**458**
Non-executive directors						
Mr. Li Lin	*(i)*	**10**	**–**	**–**	**–**	**10**
Mr. Pan Lu	*(i)*	**10**	**–**	**–**	**–**	**10**
Mr. Jip Ki Chi	*(i)*	**16**	**–**	**–**	**–**	**16**
		36	**1,033**	**550**	**17**	**1,636**

Year ended 31 December 2012

	Note	Directors' fees *RMB'000*	Salaries, allowances and benefits in kind *RMB'000*	Discretionary bonuses *RMB'000*	Contributions to retirement benefit schemes *RMB'000*	Total *RMB'000*
Executive directors						
Mr. Ye Fan	*(ii)*	–	–	–	–	–
Mr. Ye Tao	*(ii)*	–	240	660	–	900
		–	240	660	–	900

(i) Ms. Liu Xue Hua, Mr. Li Lin, Mr. Pan Lu and Mr. Jip Ki Chi were appointed on 13 November 2013.

(ii) Mr. Ye Fan and Mr. Ye Tao were appointed on 24 February 2012.

8 DIRECTORS' REMUNERATION *(Continued)*

No directors of the Company waived or agreed to waive any remuneration during the year.

During the year, there were no amounts paid or payable by the Group to the directors or any of the five highest paid individuals set out in note 9 below as an inducement to join or upon joining the Group or as compensation for loss of office.

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, two (2012: one) are directors whose emoluments is disclosed in note 8. The aggregate of the emoluments in respect of the other three (2012: four) individuals are as follows:

	2013	2012
	RMB'000	*RMB'000*
Salaries, allowance and benefits in kind	**844**	1,078
Discretionary bonuses	**603**	618
Contributions to retirement benefit schemes	**3**	11
	1,450	1,707

The above individuals' emoluments are within the band of Nil to HK$1,000,000.

10 PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated profit attributable to equity shareholders of the Company for the year ended 31 December 2013 includes a loss of RMB12,579,000 (2012: RMB nil) which has been dealt with in the financial statements of the Company.

11 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 (see note 25(c)(ii))	**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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

12 FIXED ASSETS

The Group

	Buildings	Leasehold improvements	Plant and machinery	Passenger vehicles	Office equipment and furniture	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost:							
At 1 January 2012	104,773	11,086	15,758	24,557	18,230	13,806	188,210
Additions	238	872	981	20,497	2,483	34,964	60,035
Transfer	16,334	746	2,129	–	–	(19,209)	–
Disposals	–	(11)	(174)	(13,623)	(55)	–	(13,863)
At 31 December 2012 and 1 January 2013	121,345	12,693	18,694	31,431	20,658	29,561	234,382
Additions	9,418	2,687	7,227	21,661	6,310	87,347	134,650
Transfer	42,924	–	–	–	–	(42,924)	–
Disposals	(2,581)	(166)	(130)	(9,740)	(47)	(112)	(12,776)
At 31 December 2013	171,106	15,214	25,791	43,352	26,921	73,872	356,256
Accumulated depreciation:							
At 1 January 2012	**10,366**	**7,146**	**4,508**	**7,445**	**9,064**	**–**	**38,529**
Charge for the year	**5,897**	**2,959**	**1,678**	**6,247**	**3,308**	**–**	**20,089**
Written back on disposals	**–**	**(11)**	**(105)**	**(4,644)**	**(43)**	**–**	**(4,803)**
At 31 December 2012 and 1 January 2013	**16,263**	**10,094**	**6,081**	**9,048**	**12,329**	**–**	**53,815**
Charge for the year	**5,270**	**2,228**	**1,849**	**6,382**	**2,955**	**–**	**18,684**
Written back on disposals	**(1,247)**	**–**	**(115)**	**(3,205)**	**(46)**	**–**	**(4,613)**
At 31 December 2013	**20,286**	**12,322**	**7,815**	**12,225**	**15,238**	**–**	**67,886**
Net book value:							
At 31 December 2013	**150,820**	**2,892**	**17,976**	**31,127**	**11,683**	**73,872**	**288,370**
At 31 December 2012	105,082	2,599	12,613	22,383	8,329	29,561	180,567

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

12 FIXED ASSETS *(Continued)*

The Group's property, plant and equipment are located in the PRC.

The Group has yet to obtain property ownership certificates of certain buildings with an aggregate net book value of RMB106,289,000 as at 31 December 2013 (2012: RMB105,082,000). Notwithstanding this, the directors are of the opinion that the Group owned the beneficial title to these buildings as at 31 December 2013.

13 LEASE PREPAYMENTS

	The Group	
	2013	2012
	RMB'000	*RMB'000*
Cost:		
At 1 January	**114,684**	61,858
Additions	**663**	52,826
Disposal	**(3,457)**	–
At 31 December	**111,890**	114,684
Accumulated amortisation:		
At 1 January	**(4,402)**	(2,911)
Charge for the year	**(2,943)**	(1,491)
Written back on disposals	**778**	–
At 31 December	**(6,567)**	(4,402)
Net book value:		
At 31 December	**105,323**	110,282

Lease prepayments represent cost of land use rights in respect of land located in the PRC with a lease period of 34-40 years when granted.

Lease prepayments with net book value of RMB41,675,000 are pledged as security for bank loans (see note 22(b)(i)) as at 31 December 2013 (2012: RMB42,812,000).

14 INTANGIBLE ASSETS

The Group

	Car dealership *RMB'000*
Cost:	
At 1 January 2012, 31 December 2012 and 2013	15,083
Accumulated amortisation:	
At 1 January 2012	(2,137)
Charge for the year	(754)
At 31 December 2012 and 1 January 2013	(2,891)
Charge for the year	(754)
At 31 December 2013	(3,645)
Net book value:	
At 31 December 2013	11,438
At 31 December 2012	12,192

The Group's identifiable intangible assets represent a car dealership in the PRC, arising from the relationship with the automobile manufacturer, with an estimated useful life of 20 years. The intangible assets were recognised as a result of the acquisition of Beijing Zhongye Toyota Auto Sales and Services Co., Ltd. ("Beijing Zhongye") in 2009. The fair value of the car dealership as at the acquisition date was determined by using the multiple-period excess earning method.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

15 INTERESTS IN A SUBSIDIARY

	The Company	
	2013	2012
	RMB'000	*RMB'000*
Unlisted shares, at cost	**1**	–
Amount due from a subsidiary	**335,571**	–
	335,572	–

Amount due from a subsidiary is unsecured, interest fee and has no fixed terms of repayment but is not expected to be recovered within one year from the balance sheet date.

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

Name of company	Place of incorporation and business	Particulars of issued and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity
China MeiDong Auto International Limited ("MeiDong International") (中國美東汽車國際有限公司)	British Virgin Islands	100 shares of USD 1 each	100%	100%	–	Investment holding
MeiDong HK (中國美東汽車(香港)有限公司)	Hong Kong	10,000 shares of HK$1 each	100%	–	100%	Investment holding
Dongguan Meixin Business Consulting Co., Ltd. (東莞美信企業管理諮詢有限公司)	The PRC	RMB50,000,000	100%	–	100%	Investment holding
Beijing Zhongye (北京中業豐田汽車銷售服務有限公司)	The PRC	RMB12,000,000	100%	–	100%	Automobile dealership
Dongguan Guanfeng Auto Co., Ltd. (東莞市冠豐汽車有限公司)	The PRC	RMB10,000,000	70%	–	70%	Automobile dealership
Dongguan Dongbu Toyota Auto Sales and Services Co., Ltd. (東莞市東部豐田汽車銷售服務有限公司)	The PRC	RMB10,000,000	100%	–	100%	Automobile dealership

15 INTERESTS IN A SUBSIDIARY *(Continued)*

Name of company	Place of incorporation and business	Particulars of issued and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity
Dongguan Dongmei Toyota Auto Sales and Services Co., Ltd. (東莞東美豐田汽車銷售服務有限公司)	The PRC	RMB10,000,000	100%	–	100%	Automobile dealership
Dongguan Dongxin Auto Sales and Services Co., Ltd. (東莞市東鑫汽車銷售服務有限公司)	The PRC	RMB12,000,000	100%	–	100%	Automobile dealership
Xiamen Meidong Auto Sales and Services Co., Ltd. ("Xiamen Meidong") (廈門美東汽車銷售服務有限公司)	The PRC	RMB15,000,000	100%	–	100%	Automobile dealership
Zhuzhou Meibaohang Auto Sales and Services Co., Ltd. (株洲市美寶行汽車銷售服務有限公司)	The PRC	RMB30,000,000	100%	–	100%	Automobile dealership
Quanzhou Meidong Toyota Auto Sales and Services Co., Ltd. (泉州美東豐田汽車銷售服務有限公司)	The PRC	RMB10,000,000	100%	–	100%	Automobile dealership
Lanzhou Meidong Lexus Auto Sales and Services Co., Ltd. (蘭州美東雷克薩斯汽車銷售服務有限公司)	The PRC	RMB30,000,000	100%	–	100%	Automobile dealership
Yiyang Dongxin Auto Sales and Services Co., Ltd. (益陽市東鑫汽車銷售服務有限公司)	The PRC	RMB20,000,000	100%	–	100%	Automobile dealership
Heyuan Guanfenghang Auto Co., Ltd. (河源市冠豐行汽車有限公司)	The PRC	RMB10,000,000	100%	–	100%	Automobile dealership
Hengyang Meibaohang Auto Sales and Services Co., Ltd. (衡陽市美寶行汽車銷售服務有限公司)	The PRC	RMB10,000,000	100%	–	100%	Automobile dealership

NOTES TO THE FINANCIAL STATEMENTS

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15 INTERESTS IN A SUBSIDIARY *(Continued)*

Name of company	Place of incorporation and business	Particulars of issued and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity
Chengde Meibaohang Auto Sales and Services Co., Ltd. ("Chengde Meibaohang") (承德美寶行汽車銷售服務有限公司)	The PRC	RMB10,000,000	70%	–	70%	Automobile dealership
Beijing Meibaohang Auto Sales and Services Co., Ltd. ("Beijing Meibaohang") (北京美寶行汽車銷售服務有限公司)	The PRC	RMB30,000,000	75%	–	75%	Automobile dealership
Foshan Dongbao Auto Sales and Services Co., Ltd. (佛山東保汽車銷售服務有限公司)	The PRC	RMB5,010,000	100%	–	100%	Automobile dealership
Changsha Meidong Lexus Auto Sales and Services Co., Ltd. (長沙美東雷克薩斯汽車銷售服務有限公司)	The PRC	RMB30,000,000	100%	–	100%	Automobile dealership
Dongguan Dongyue Used Vehicles Co., Ltd. (東莞市東粵二手車有限公司)	The PRC	RMB5,000,000	100%	–	100%	Used vehicle trading
Changde Meibaohang Auto Sales and Services Co., Ltd. (常德市美寶行汽車銷售服務有限公司)	The PRC	RMB10,000,000	100%	–	100%	Automobile dealership
Shantou Dongbao Auto Sales and Services Co., Ltd. (汕頭市東保汽車銷售服務有限公司)	The PRC	RMB5,000,000	100%	–	100%	Automobile dealership
Longyan Meidong Lexus Auto Sales and Services Co., Ltd. (龍岩美東雷克薩斯汽車銷售服務有限公司)	The PRC	RMB30,000,000	100%	–	100%	Automobile dealership

Note:

(i) Except for MeiDong International and MeiDong HK, the English translation of the company names is for reference only. The official names of the companies established in the PRC are in Chinese.

16 INTEREST IN AN ASSOCIATE

	The Group	
	2013	2012
	RMB'000	*RMB'000*
Share of net assets	**4,211**	4,146

The following contains the particulars for the associate during the year, which is an unlisted limited liability company established in the PRC whose quoted market price is not available:

				Proportion of ownership interest			
Name of associate	**Form of business structure**	**Place of incorporation and business**	**Particulars of issued and paid up capital**	**Group's effective interest**	**Held by the Company**	**Held by a subsidiary**	**Principal activity**
Dongguan Anxin	Incorporated	The PRC	RMB12,000,000	49%	–	49%	Automobile dealership

The above associate is accounted for using the equity method in the consolidated financial statements.

17 INTEREST IN A JOINT VENTURE

	The Group	
	2013	2012
	RMB'000	*RMB'000*
Share of net assets	**23,368**	32,132

17 INTEREST IN A JOINT VENTURE *(Continued)*

Details of the Group's interest in the joint venture, which is accounted for using the equity method in the consolidated financial statements, are as follows:

				Proportion of ownership interest			
Name of Joint venture	**Form of business structure**	**Place of incorporation and business**	**Particulars of issued and paid up capital**	**Group's effective interest**	**Held by the Company**	**Held by a subsidiary**	**Principal activity**
Dongguan Meidong	Incorporated	The PRC	RMB20,000,000	49%	–	49%	Automobile dealership

Dongguan Meidong is structured as a separate vehicle and provides the Group rights to the net assets of the entity. Accordingly, the Group has classified the investment in Dongguan Meidong as a joint venture.

Dongguan Meidong, the only joint venture in which the Group participates, is an unlisted corporate entity whose quoted market price is not available.

17 INTEREST IN A JOINT VENTURE *(Continued)*

Summarised financial information of the joint venture and a reconciliation to the carrying amount in the consolidated financial statements, are disclosed below:

	2013	2012
	RMB'000	*RMB'000*
Gross amounts of Dongguan Meidong's		
Current assets	**130,763**	144,000
Non-current assets	**21,338**	20,558
Current liabilities	**(104,411)**	(98,983)
Equity	**47,690**	65,575
Included in the above assets and liabilities:		
Cash and cash equivalents	**45,273**	47,712
Current financial liabilities (excluding trade and other payables and provisions)	**(51,157)**	(53,543)
Revenue	**665,598**	718,341
Profit and total comprehensive income	**19,931**	17,522
Deemed distribution to Dadong Group *(see note 25(f))*	**18,530**	11,760
Included in the above profit:		
Depreciation and amortisation	**(1,930)**	(2,082)
Interest income	**(452)**	(483)
Interest expense	**(2,957)**	(2,811)
Income tax expense	**(6,769)**	(5,897)
Reconciled to the Group's interest in Dongguan Meidong		
Gross amounts of Dongguan Meidong's net assets	**47,690**	65,575
Group's effective interest	**49%**	49%
Group's share of Dongguan Meidong's net assets and carrying amount in the consolidated financial statements	**23,368**	32,132

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

18 INVENTORIES

(a) Inventories in the consolidated balance sheet comprise:

	The Group	
	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.

(b) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	The Group	
	2013	2012
	RMB'000	*RMB'000*
Carrying amount of inventories sold	**3,119,896**	2,694,000

Inventories with carrying amount of RMB159,948,000 have been pledged as security for the bills payable (see note 23(b)) as at 31 December 2013 (2012: RMB132,438,000).

Inventories with carrying amount of RMB170,934,000 have been pledged as security for loans and borrowings from other financial institutions (see note 22(b)(i)) as at 31 December 2013 (2012: RMB108,815,000).

19 TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2013	2012	**2013**	2012
	RMB'000	*RMB'000*	***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 *(note 28(c))*	**807**	308,793	**51,146**	–
Trade and other receivables	**242,354**	502,182	**51,146**	–

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

Other receivables with carrying amount of RMB31,700,000 have been pledged as security for loans and borrowings from other financial institutions (see note 22(b)(i)) as at 31 December 2013 (2012: RMB27,800,000).

Prepayments with carrying amount of RMB6,907,000 have been pledged as security for loans and borrowings from other financial institutions (see note 22(b)(i)) as at 31 December 2013 (2012: RMB5,449,000).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

19 TRADE AND OTHER RECEIVABLES *(Continued)*

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

	The Group	
	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

Details on the Group's credit policy are set out in note 26.

20 PLEDGED BANK DEPOSITS

Guarantee deposits in respect of:

	The Group	
	2013	2012
	RMB'000	*RMB'000*
Bills payable *(note 23)*	**181,590**	100,666

The pledged bank deposits will be released upon the settlement of relevant bills payable.

21 CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents comprise:

	The Group	
	2013	2012
	RMB'000	*RMB'000*
Cash at banks and in hand	**491,205**	158,571

(b) Reconciliation of profit before taxation to cash generated from operations:

	Note	**2013**	2012
Profit before taxation		**149,358**	61,580
Adjustments for:			
– Depreciation	*6(c)*	**18,684**	20,089
– Amortisation of lease prepayments	*6(c)*	**2,943**	1,491
– Amortisation of intangible assets	*6(c)*	**754**	754
– Net gain on disposal of property, plant and equipment and lease prepayment	*5*	**(1,242)**	(338)
– Finance costs	*6(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)
– Interest income	*5*	**(10,665)**	(2,534)
Changes in working capital:			
Increase in inventories		**(167,166)**	(16,745)
(Increase)/decrease in trade and other receivables		**(48,848)**	713
(Increase)/decrease in pledged bank deposits		**(80,924)**	30,706
Increase/(decrease) in trade and other payables		**203,269**	(67,900)
Cash generated from operations		**101,570**	62,911

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

22 LOANS AND BORROWINGS

(a) At 31 December 2013, loans and borrowings were repayable as follows:

	The Group	
	2013	2012
	RMB'000	*RMB'000*
Within 1 year or on demand	**804,732**	508,625
After 1 year but within 2 years	**–**	60,000
	804,732	568,625

(b) At 31 December 2013, loans and borrowings were secured as follows:

	The Group	
	2013	2012
	RMB'000	*RMB'000*
Unsecured bank loans	**276,183**	278,500
Unsecured loans from third parties	**120,000**	–
Unsecured borrowings from other financial institutions	**4,590**	7,746
	400,773	286,246
Secured bank loans *(i)*	**201,910**	153,485
Secured borrowings from other financial institutions *(i)*	**202,049**	128,894
	403,959	282,379
	804,732	568,625

22 LOANS AND BORROWINGS *(Continued)*

(b) At 31 December 2013, loans and borrowings were secured as follows: *(Continued)*

(i) Loans and borrowings were secured by the following assets of the Group:

	The Group	
	2013	2012
	RMB'000	*RMB'000*
Inventories	**170,934**	108,815
Other receivables	**31,700**	27,800
Prepayments	**6,907**	5,449
Lease prepayments	**41,675**	42,812
	251,216	184,876

(ii) Loans and borrowings of RMB124,000,000 were guaranteed by certain related parties as at 31 December 2013 (2012: RMB568,625,000) (see note 28(d)).

23 TRADE AND OTHER PAYABLES

	The Group		The Company	
	2013	2012	**2013**	2012
	RMB'000	*RMB'000*	***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	**11,146**	–
Amounts due to third parties	**512,775**	301,513	**11,146**	–
Amounts due to related parties *(note 28(c))*	**1,764**	58,554	**–**	–
Trade and other payables	**514,539**	360,067	**11,146**	–

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

23 TRADE AND OTHER PAYABLES *(Continued)*

(b) Bills payable were secured by the following assets of the Group:

	The Group	
	2013	2012
	RMB'000	*RMB'000*
Pledged bank deposits	**181,590**	100,666
Inventories	**159,948**	132,438
	341,538	233,104

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

	The Group	
	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

24 INCOME TAX IN THE CONSOLIDATED BALANCE SHEET

(a) Current taxation in the consolidated balance sheet represents:

	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

24 INCOME TAX IN THE CONSOLIDATED BALANCE SHEET *(Continued)*

(b) Deferred tax assets and liabilities recognised

(i) The components of deferred tax assets/(liabilities) recognised in the consolidated balance sheet and the movements during the year are as follows:

	Fair value adjustment arising from a business combination	Depreciation/ amortisation charges in excess of depreciation/ amortisation allowances	Unused tax losses	Accruals	Capitalised interest	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Deferred tax (liabilities)/ assets arising from:						
At 1 January 2012	(3,237)	852	2,535	1,276	–	1,426
Credited to profit or loss *(note 7(a))*	189	162	3,676	1,810	–	5,837
At 31 December 2012	(3,048)	1,014	6,211	3,086	–	7,263
At 1 January 2013	**(3,048)**	**1,014**	**6,211**	**3,086**	**–**	**7,263**
Credited/(charged) to profit or loss *(note 7(a))*	**189**	**(552)**	**584**	**914**	**(1,397)**	**(262)**
At 31 December 2013	**(2,859)**	**462**	**6,795**	**4,000**	**(1,397)**	**7,001**

Deferred tax assets in respect of unused tax losses are related to subsidiaries that were established in recent years, which are progressing to their normal operating stage and are expected to derive profits in the foreseeable future. Accordingly, it is considered probable that sufficient taxable profits will be available to utilise their unused tax losses before they expire.

24 INCOME TAX IN THE CONSOLIDATED BALANCE SHEET *(Continued)*

(b) Deferred tax assets and liabilities recognised *(Continued)*

(ii) Reconciliation to consolidated balance sheet:

	The Group	
	2013	2012
	RMB'000	*RMB'000*
Representing:		
Net deferred tax assets	**9,860**	10,311
Net deferred tax liabilities	**(2,859)**	(3,048)
	7,001	7,263

(c) Deferred tax liabilities not recognised

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.

25 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year ended 31 December 2013 are set out below:

The Company

	Share capital *RMB'000* *(Note 25(c))*	Share premium *RMB'000* *(Note 25(d)(i))*	Accumulated losses *RMB'000*	Total *RMB'000*
Balance at 24 February 2012 (date of incorporation)	–	–	–	–
Balance at 31 December 2012 and 1 January 2013	**–**	**–**	**–**	**–**
Issue of shares upon reorganisation *(note 25(c)(ii))*	**58,965**	**–**	**–**	**58,965**
Shares issued under initial public offering net of issuance costs *(note 25(c)(ii))*	**19,655**	**309,531**	**–**	**329,186**
Total comprehensive income for the year	**–**	**–**	**(12,579)**	**(12,579)**
Balance at 31 December 2013	**78,620**	**309,531**	**(12,579)**	**375,572**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

25 CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(b) 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, the Group's subsidiary declared and paid dividends in cash totalling RMB12,000,000 to its then equity holder, Dadong Group.

(c) Share capital

For the purpose of this report, share capital of the Group as at 31 December 2012 represents the issued and paid-up capital of the Company and the aggregate amount of the Company's share of nominal value of the issued and paid-up capital of the companies comprising the Group, after elimination of investments in subsidiaries.

The share capital of the Group as at 31 December 2013 represented the amount of issued and paid-up capital of the Company with details set out below:

Authorised:

			2013		2012	
	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**	100,000	10,000

25 CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(c) Share capital *(Continued)*

Ordinary shares, issued and fully paid:

	Note	Par value	Number of ordinary shares	Nominal value of ordinary shares
	Note	*HK$*	*(thousand)*	*HK$('000)*
At 24 February 2012 (date of incorporation)			–	–
At 31 December 2012 and 1 January 2013			**–**	**–**
Issue of shares upon reorganisation	*(ii)*	0.1	**750,000**	**75,000**
Shares issued under initial public offering	*(ii)*	0.1	**250,000**	**25,000**
At 31 December 2013			**1,000,000**	**100,000**
RMB equivalent *('000)*				**78,620**

(i) Authorised share capital

The Company was incorporated on 24 February 2012 with an authorised capital of HK$10,000,000 divided into 100,000,000 ordinary shares of HK$0.1 each.

Pursuant to a resolution dated 16 October 2013 passed by its sole shareholder, Apex Sail Limited ("Apex Sail"), the authorized share capital of the Company was increased from HK$10,000,000 to HK$2,000,000,000 by the creation of 19,900,000,000 new share of HK$0.1 each.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

25 CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(c) Share capital *(Continued)*

(ii) Issued and fully paid share capital

The Company was incorporated on 24 February 2012 with 1,000,000 issued ordinary share of HK$100,000, as nil paid.

On 16 October 2013, the Company issued and allotted 749,000,000 shares of HK$0.1 each at par and nil paid, to Apex Sail.

The total outstanding subscription amount of HK$75,000,000 (equivalent to RMB58,965,000) on the 750,000,000 shares that were previously allotted and issued to Apex Sail (representing the 1,000,000 shares issued on 24 February 2012 and the aforementioned 749,000,000 shares) were subsequently paid up on 24 October 2013.

On 5 December 2013, the Company issued 250,000,000 new ordinary shares of HK$0.1 each by way of the Offering to Hong Kong and overseas investors. Consequently, HK$25,000,000 (equivalent to RMB19,655,000) was recorded in share capital.

(d) Nature and purpose of reserves

(i) Share premium

Share premium represents the difference between the total amount of the par value of shares issued and the amount of the net proceeds received from the public offering on 5 December 2013. Under the Companies Law of the Cayman Islands, the share premium account of the Company is distributable to the equity shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company would be in a position to pay off its debts as they fall due in the ordinary course of business.

On 5 December 2013, the Company issued 250,000,000 new ordinary shares of HK$0.1 each at a price of HK$1.8 per share by way of the Offering to Hong Kong and overseas investors. Net proceeds from the Offering amounted to RMB329,186,000 (after offsetting issuance costs of RMB24,604,000), out of which RMB19,655,000 and RMB309,531,000 were recorded in share capital and share premium, respectively.

25 CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(d) Nature and purpose of reserves *(Continued)*

(ii) Capital reserves

Capital reserve comprises contributions by the Controlling Shareholder at the respective dates and balances arising from transactions with owners in their capacity as the equity owners.

(iii) PRC statutory reserves

Statutory reserves were established in accordance with the relevant PRC rules and regulations and the articles of association of the companies comprising the Group which are incorporated in the PRC until the reserve balance reaches 50% of their registered capital. The transfer to this reserve must be made before distribution of a dividend to equity shareholders.

For the entity concerned, statutory reserves can be used to make good previous years' losses, if any, and may be converted into capital in proportion to the existing equity interests of equity shareholders, provided that the balance of the reserve after such conversion is not less than 25% of the entity's registered capital.

(e) Change in the Group's interests in subsidiaries

In July 2012, the Group disposed of 30% equity interests in Chengde Meibaohang to third parties for RMB3,000,000, decreasing the Group's equity interests in Chengde Meibaohang from 100% to 70%. The carrying amount of Chengde Meibaohang's net assets on the date of disposal was RMB9,217,000. The Group recognised an increase in non-controlling interests of RMB2,765,000 and an increase in capital reserves of RMB235,000.

In May 2013, the Group disposed of 25% equity interests in Beijing Meibaohang to third parties for RMB7,500,000, decreasing the Group's equity interests in Beijing Meibaohang from 100% to 75%. The carrying amount of Beijing Meibaohang's net assets on the date of disposal was RMB29,489,000. The Group recognised an increase in non-controlling interests of RMB7,372,000 and an increase in capital reserves of RMB128,000.

25 CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(f) Deemed distribution

Deemed distribution of RMB18,530,000 during the year ended 31 December 2013 represents the dividend declared and paid by Dongguan Meidong, the Group's joint venture to Dadong Group (2012: RMB11,760,000).

Deemed distribution arising from the Reorganisation for the year ended 31 December 2013 represents the total considerations of RMB360,655,000 for the transfer of the entire equity interests in Dongguan Meixin, the PRC Operating Entities, the 49% equity interest in Dongguan Anxin and 49% equity interest in Dongguan Meidong from their then equity holders to the Group in connection with the Reorganisation (see note 1). Such consideration was accounted for as a deemed distribution to the then equity holders arising from the Reorganisation.

(g) Distributability of reserves

As at 31 December 2013, the aggregate amount of reserves available for distribution to equity shareholders of the Company, including share premium and accumulated losses, was RMB 296,952,000 (2012: RMB nil). After the end of the reporting period, the directors proposed a final dividend of RMB0.03 per ordinary share, amounting to RMB30,000,000 (note 25(b)). This dividend has not been recognized as a liability at the balance sheet date.

(h) Capital risk management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholder and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of the adjusted net debt-to-capital ratio. This ratio is calculated as adjusted net debt divided by adjusted equity. The Group defines adjusted net debt as loans and borrowings and bills payable plus unaccrued proposed dividends, less pledged bank deposits and cash and cash equivalents and adjusted capital is defined as the total equity less unaccrued proposed dividends.

During the year ended 31 December 2013, the Group's strategy, which was unchanged from 2012, was to maintain the adjusted net debt-to-capital ratio at a range considered reasonable by management. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to equity shareholders, issue new shares, return capital to equity shareholders or raise new debt financing.

25 CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(h) Capital risk management *(Continued)*

The adjusted net debt-to-capital ratio at 31 December 2013 was as follows:

		The Group	
		2013	2012
	Note	***RMB'000***	*RMB'000*
Current liabilities:			
Loans and borrowings	*22*	**804,732**	508,625
Bills payable	*23*	**339,758**	162,485
		1,144,490	671,110
Non-current liabilities:			
Loans and borrowings	*22*	**–**	60,000
Total debt:		**1,144,490**	731,110
Add: Proposed dividends	*25(b)*	**30,000**	–
Less: Pledged bank deposits	*20*	**(181,590)**	(100,666)
Cash and cash equivalents	*21(a)*	**(491,205)**	(158,571)
Adjusted net debt		**501,695**	471,873
Total equity		**477,212**	458,971
Less: Proposed dividends	*25(b)*	**(30,000)**	–
Adjusted total equity		**447,212**	458,971
Adjusted net debt-to-capital ratio		**1.12**	1.03

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

26 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables. 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.

At the end of reporting period, the Group has certain concentration of credit risk as prepayments to vendors and other receivables due from vendors constitute a large portion of trade and other receivables. The receivables from the five largest debtors at 31 December 2013 represented 32% of the total trade and other receivables (2012: 70%), while 11% of the total trade and other receivables were due from the largest single debtor (2012: 61%).

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 19.

26 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS *(Continued)*

(b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group's policy is to regularly monitor current and expected liquidity requirements, and to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following are the contractual maturities at the end of the reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay.

	The Group At 31 December 2013 Contractual undiscounted cash outflow			
	Within 1 year or on demand	**More than 1 year but less than 2 years**	**Total**	**Balance sheet carrying amount**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
Loans and borrowings	**821,458**	**–**	**821,458**	**804,732**
Trade and other payables	**514,539**	**–**	**514,539**	**514,539**
	1,335,997	**–**	**1,335,997**	**1,319,271**

26 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS *(Continued)*

(b) Liquidity risk *(Continued)*

	The Group At 31 December 2012 Contractual undiscounted cash outflow			
	Within 1 year or on demand *RMB'000*	More than 1 year but less than 2 years *RMB'000*	Total *RMB'000*	Balance sheet carrying amount *RMB'000*
Loans and borrowings	521,025	64,244	585,269	568,625
Trade and other payables	360,067	–	360,067	360,067
	881,092	64,244	945,336	928,692

26 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS *(Continued)*

(c) Interest rate risk

(i) Interest rate profile

Cash at bank, pledged bank deposits and interest-bearing borrowings are the major types of the Group's financial instruments subject to interest rate risk. Cash at bank are with fixed interest rates ranging from 0.35% to 0.50% per annum as at 31 December 2013 (2012: 0.35% to 0.50%).

The Group's interest-bearing borrowings and interest rates at the end of the reporting period are set out as follows:

	Interest Rate	The Group 2013	2012
	%	***RMB'000***	*RMB'000*
Fixed rate borrowings			
Bank loans	6.60-7.20	**193,954**	218,485
Variable rate borrowings			
Bank loans	5.88-7.20	**284,139**	213,500
Borrowings from other financial institutions	8.25-8.89	**206,639**	136,640
		490,778	350,140
		684,732	568,625

26 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS *(Continued)*

(c) Interest rate risk *(Continued)*

(ii) Sensitivity analysis

The Group does not account for any fixed rate borrowings at fair value through profit or loss. Therefore a change in interest rate at the reporting date would not affect profit or loss.

The following table indicates the instantaneous change in the Group's profit after tax (and retained profits) and other components of consolidated equity that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the end of the reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of the reporting period, the impact on the Group's profit after tax (and retained profits) and other components of consolidated equity is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis during the reporting period for 2012.

	Increase/ (decrease) in basis points	(Decrease)/ increase in profit after tax and retained profits for the year *RMB'000*
At 31 December 2013		
Basis points	**100**	**(3,681)**
Basis points	**(100)**	**3,681**
At 31 December 2012		
Basis points	100	(2,626)
Basis points	(100)	2,626

26 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS *(Continued)*

(d) Foreign currency risk

The Group's businesses are principally conducted in RMB and most of the Group's monetary assets and liabilities are denominated in RMB. Accordingly, the directors considered the Group's exposure to foreign currency risk is not significant. The Group does not employ any financial instruments for hedging purposes.

On the other hand, RMB is not a freely convertible currency and the PRC government may at its discretion restrict access to foreign currencies for current account transactions in the future. Changes in the foreign exchange control system may prevent the Group from satisfying sufficient foreign currency demands and the Group may not be able to pay dividend in foreign currencies to its shareholders.

(e) Fair values

At 31 December 2013, all financial assets and liabilities were carried at amounts not materially different from their fair values.

At 31 December 2012, all financial assets and liabilities were carried at amounts not materially different from their fair values, except for the amounts due from/to related parties which have no fixed repayment terms. Given these terms, it is not meaningful to disclose the fair value of such balances.

27 COMMITMENTS

(a) Capital commitments

Capital commitments of the Group in respect of plant, property and equipment outstanding at 31 December 2013 not provided for in the consolidated financial statements were as follows:

	The Group	
	2013	2012
	RMB'000	*RMB'000*
Contracted for	**43,722**	36,885
Authorised but not contracted for	**353,721**	–
	397,443	36,885

(b) Operating lease commitments

At 31 December 2013, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	The Group	
	2013	2012
	RMB'000	*RMB'000*
Within one year	**10,717**	8,915
After 1 year but within 5 years	**35,637**	28,241
After 5 years	**93,440**	94,900
	139,794	132,056

The Group is the lessee in respect of a number of land and properties held under operating leases. The leases typically run for an initial period of 1 to 20 years, with an option to renew the leases when all the terms are renegotiated.

28 MATERIAL RELATED PARTY TRANSACTIONS

During the year ended 31 December 2013, the directors are of the view that the following companies and persons are related parties of the Group:

Name of party	Relationship
Ye Fan 葉帆	Controlling Shareholder
Hu Huanran 胡煥然	Close family member of the Controlling Shareholder
Ye Nian'en 葉念恩	Close family member of the Controlling Shareholder
Ye Tao 葉濤	Close family member of the Controlling Shareholder
Liu Shuchang 劉樹昌	Non-controlling shareholder of a subsidiary
Liu Haiming 劉海銘	Non-controlling shareholder of a subsidiary
Wang Shenwu 王慎武	Non-controlling shareholder of subsidiaries
Liu Rong 劉榮	Non-controlling shareholder of a subsidiary
Dadong Group 廣東大東汽車集團有限公司	Controlled by the Controlling Shareholder
Dongguang Meidong 東莞美東汽車服務有限公司	Joint venture
Dongguan Anxin 東莞安信豐田汽車銷售服務有限公司	Associate
Hunan Meibohang Auto Sales and Services Co., Ltd. ("Hunan Meibohang") 湖南省美博行汽車銷售服務有限公司	Controlled by the Controlling Shareholder before 14 May 2013

Notes: The English translation of the company names is for reference only. The official names of the companies established in the PRC are in Chinese.

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28 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(a) Recurring transactions

	The Group	
	2013	2012
	RMB'000	*RMB'000*
Rental expense:		
Dadong Group	**228**	–

The Company's directors are of the opinion that the above related party transactions were conducted on terms no less favourable to the Group than terms available to or from independent third parties and in the ordinary course of business.

(b) Non-recurring transactions

	The Group	
	2013	2012
	RMB'000	*RMB'000*
Sales of passenger vehicles:		
Dongguan Meidong	**17,726**	14,586
Purchases of passenger vehicles:		
Dongguan Meidong	**12,705**	2,753
Dongguan Anxin	**226**	–
	12,931	2,753

28 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(b) Non-recurring transactions *(Continued)*

	The Group	
	2013	2012
	RMB'000	*RMB'000*
Advance to related parties:		
Dadong Group	**196,169**	574,622
Hunan Meibohang	**750**	–
	196,919	574,622
Repayment of advance to related parties:		
Dadong Group	**365,880**	522,094
Hunan Meibohang	**750**	–
Ye Fan	**760**	–
	367,390	522,094
Advance from related parties:		
Dadong Group	**52,310**	119,607
Hunan Meidong	**–**	3,649
Ye Fan	**645**	1,834
	52,955	125,090
Repayment of advance from related parties:		
Dadong Group	**95,118**	152,108
Hunan Meidong	**3,500**	–
	98,618	152,108
Disposal of fixed assets and lease prepayment to related parties:		
Dadong Group	**4,775**	–
Interest income:		
Dadong Group	**8,324**	–

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

28 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(b) Non-recurring transactions *(Continued)*

In 2013, the PRC Operating Entities charges Dadong Group interest expenses for the advances granted to Dadong Group at an annual interest rate of 6.4%. The directors of the Company have confirmed that the above transactions will not be continued in the future.

(c) Balances with related parties

At 31 December 2013, the Group had the following balances with related parties:

	The Group	
	2013	2012
	RMB'000	*RMB'000*
Other receivables due from:		
Dadong Group	**114**	308,033
Dongguan Meidong	**693**	–
Ye Fan	**–**	760
	807	308,793
Other payables due to:		
Dadong Group	**74**	51,062
Hunan Meibohang	**146**	3,649
Ye Fan	**645**	3,843
Dongguan Anxin	**899**	–
	1,764	58,554

The amounts due from/to related parties are unsecured, interest free and have no fixed terms of repayment.

The directors have confirmed that the above balances have been settled as at the date of this report.

28 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(d) Guarantees issued by related parties

	The Group	
	2013	2012
	RMB'000	*RMB'000*
Guarantees issued by related parties in respect of loans and borrowings borrowed by the Group:		
– Ye Fan	**–**	106,695
– Ye Fan/Dadong Group	**54,000**	143,800
– Ye Fan/Hu Huanran	**–**	15,000
– Ye Fan/Hu Huanran/Dadong Group	**–**	243,130
– Ye Fan/Ye Tao	**–**	30,000
– Ye Fan/Wang Shenwu/Liu Haiming/Ye Tao	**–**	30,000
– Wang Shenwu/Liu Haiming	**15,000**	–
– Ye Fan/Ye Tao/Dadong Group	**55,000**	–
	124,000	568,625

The directors have confirmed that the above guarantees issued by Mr. Ye Fan, Mr. Ye Tao and Dadong Group in respect of loans and borrowings borrowed by the Group amounting to RMB 79,000,000 have been released as at the date of this report.

(e) Key management personnel remuneration

Key management personnel remuneration is disclosed in note 8 and note 9.

(f) Applicability of the Listing Rules relating to connected transactions

The related party transactions in respect of rental expense disclosed above constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules, however they are exempt from the disclosure requirements in Chapter 14A of the Listing Rules.

29 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

(a) Share option scheme

The board of directors of the Company announced that on 20 January 2014, 11,400,000 share options were granted to certain eligible employees under the share option scheme adopted by the Company on 13 November 2013, to subscribe for 11,400,000 shares of the Company in aggregate with an exercise price of HK$1.8, among which 2,000,000 and 2,150,000 share options were granted to Mr. Ye Tao and Ms. Liu Xuehua, the executive directors of the Company, respectively.

(b) Final dividend

After the end of the reporting period, the directors proposed a final dividend. Further details are disclosed in note 25(b).

30 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

At 31 December 2013, the directors consider the immediate parent of the Group to be Apex Sail, which is incorporated under the laws of the British Virgin Islands, and the ultimate controlling party of the Group to be Mr. Ye Fan.

31 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2013

Up to the date of issue of the financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2013 and which have not been adopted in the financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 10, HKFRS 12 and HKAS 27, *Investment entities*	1 January 2014
Amendments to HKAS 32, *Financial instruments: Presentation – Offsetting financial assets and financial liabilities*	1 January 2014
Amendments to HKAS 36, *Recoverable amount disclosures for non-financial assets*	1 January 2014
HK(IFRIC) 21, *Levies*	1 January 2014
Amendments to HKAS 19, *Employee benefits: Defined benefit plans: Employee contribution*	1 July 2014
Annual Improvements to HKFRSs 2010-2011 Cycle	1 July 2014
Annual Improvements to HKFRSs 2011-2013 Cycle	1 July 2014

The directors have confirmed that the Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

FINANCIAL SUMMARY

RESULTS

	Year ended 31 December			
	2010	2011	2012	**2013**
	RMB'000	*RMB'000*	*RMB'000*	***RMB'000***
Turnover	2,279,597	2,824,058	2,949,497	**3,479,663**
Profit before taxation	65,398	101,060	61,580	**149,358**
Taxation	(15,092)	(22,983)	(13,797)	**(39,164)**
Profit for the year	50,306	78,077	47,783	**110,194**
Profit attributable to equity shareholders of the Company	49,080	76,677	47,647	**105,956**
Non-controlling interests	1,226	1,400	136	**4,238**
Profit for the year	50,306	78,077	47,783	**110,194**
	RMB	*RMB*	*RMB*	***RMB***
Earnings per share Basic and diluted	0.07	0.10	0.06	**0.14**

ASSETS AND LIABILITIES

	As at 31 December			
	2010	2011	2012	**2013**
	RMB'000	*RMB'000*	*RMB'000*	***RMB'000***
Total Assets	844,818	1,222,235	1,401,803	**1,815,639**
Total Liabilities	(641,957)	(843,297)	(942,832)	**(1,338,427)**
	202,861	378,938	458,971	**477,212**
Equity attributable to equity shareholders of the Company	198,522	373,199	450,331	**460,272**
Non-controlling interests	4,339	5,739	8,640	**16,940**
Total Equity	202,861	378,938	458,971	**477,212**