



Mudan Automobile Shares Company Limited*
牡丹汽車股份有限公司

(a joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock Code: 8188)



First Quarterly Report 2008

FIRST QUARTERLY RESULTS ANNOUNCEMENT FOR THE THREE MONTHS ENDED 31 MARCH 2008

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This report, for which the directors (the “Directors”) of Mudan Automobile Shares Company Limited (the “Company” or “Mudan”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (“GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable requires, confirm that, to the best of their knowledge and belief: (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

SUMMARY

- For the three months ended 31 March 2008, the Company recorded a turnover of RMB 1,180,816 (2007: RMB113,463,697), representing a dramatic decrease of 98.96% as compared with the corresponding period in 2007.
- For the three months ended 31 March 2008, the Company recorded a loss attributable to equity holders of RMB3,057,172 (2007: loss of RMB 14,434,317).
- For the three months ended 31 March 2008, loss per share was RMB0.011.

QUARTERLY OPERATING RESULTS (UNAUDITED)

The board of Directors of the Company (the “Board”) hereby announces the unaudited quarterly results for the three months ended 31 March 2008, together with the comparative unaudited figures of the corresponding period in 2007 as follows:

		For the three months ended 31 March 2008	For the three months ended 31 March 2007
	<i>Notes</i>	<i>RMB</i>	<i>RMB</i>
Turnover	2	1,180,816	113,463,697
Cost of sales		(1,017,158)	(109,257,879)
Gross profit		163,658	4,205,818
Other operating income		9,840	772,613
Distribution expenses		(340,440)	(6,466,942)
General and administrative expenses		(3,443,159)	(10,948,051)
Other operating expense		(1,093)	(259,596)
Net finance income (costs)		554,022	(1,738,159)
Loss before taxation		(3,057,172)	(14,434,317)
Income tax expenses	3	–	–
Loss attributable to equity holders		(3,057,172)	(14,434,317)
Loss per share			
– basic	4	(0.011)	(0.051)

Notes:

1. Basis of preparation and accounting policies

The principal accounting policies adopted in preparing the unaudited quarterly results conform with the International Financial Reporting Standards issued by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance. These unaudited quarterly results for the three months ended 31 March 2008 also comply with the applicable disclosure provisions of the GEM Listing Rules.

The measurement basis used in the preparation of the quarterly operating results is historical cost convention except for certain financial instruments which are measured at fair values.

The accounting policies have been consistently applied by the Company and are consistent with those used in the 2007 annual financial statements.

2. Turnover and distribution

The Company is primarily engaged in a single business of automobile manufacture and sales. Turnover represents income arising from the sales of automobiles net of sales tax and value added tax.

The Company's revenue from sales by geographical region is as follows:

	For the three months ended 31 March	
	2008	2007
	RMB	<i>RMB</i>
Sales of automobiles:		
The PRC	1,180,816	105,938,825
Overseas market	-	7,524,872
	<hr/>	<hr/>
Total	<u>1,180,816</u>	<u>113,463,697</u>

3. Income tax expenses

No provision for PRC income tax had been made as the Company did not derive any assessable profits for the both periods.

4. Basic loss per share

For the three months ended 31 March 2008, the calculation of basic loss per share is based on the unaudited loss attributable to equity holders of approximately RMB 3,057,172 (2007: the unaudited loss was approximately RMB14,434,317) divided by the weighted average number of share capital in issue of the Company during the period. For the three months ended 31 March 2008, the weighted average number of share capital in issue is 284,800,000 (2007: 284,800,000). No diluted loss per share is presented as there were no dilutive potential ordinary shares outstanding.

RESERVE

Other than the loss after taxation for the three months ended 31 March 2008, there was no movement to or from reserves of the Company during the quarter (2007: Nil).

DIVIDEND

The Board does not recommend the payment of an interim dividend for the three months ended 31 March 2008 (2007: Nil).

BUSINESS REVIEW AND OUTLOOK

1. Operating performance

Turnover for the quarter of the Company amounted to RMB1,180,816 (2007: RMB 113,463,697), representing approximately a dramatic decrease of 98.96% as compared with the corresponding period in 2007. The reason for dramatically decrease in turnover was due to suspension of production since October 2007. The loss attributable to equity holders of the Company recorded RMB3,057,172 (2007: net loss RMB14,434,317).

2. *Sales of light, medium and large-sized buses*

For the three months ended 31 March 2008, the sales of light-sized, medium-sized and large-sized buses amounted to RMB161,880, RMB1,018,936 and RMB nil respectively. (2007: RMB27,703,109, RMB78,112,870 and RMB 7,647,718).

3. *Overseas sales*

The Company had no overseas sales in the quarter (2007: RMB7,524,872).

Based on the Company's present situation, the Board of Directors is of the opinion that Mudan Auto brand has a history of over 30 years, it enjoys rather high reputation in both mainland China and abroad, Mudan Auto has apparent competitive advantage in production facilities, manufacturing skills and product quality etc.

Although the Company is now in the production suspension stage, the Board of Directors is of the view that if there is sufficient injection of capital, the Company can re-start production business and can further strengthen internal control, standardize management of the Company, Mudan Automobile will be able to further develop and grow.

INTEREST DISCLOSEABLE UNDER THE SECURITIES AND FUTURES ORDINANCE (CHAPTER 571 OF THE LAWS OF HONG KONG) (THE "SFO")

Directors, supervisors and chief executive of the Company

For the three months ended 31 March 2008, none of the Directors, supervisors and chief executive of the Company and their respective associates (as defined in the GEM Listing Rules) had any interest and short position in shares, underlying shares of the Company or any associated corporation (within the meaning of Part XV of the SFO), which will be required, pursuant to section 352 of the SFO, to be entered in the register of the Company or which will be required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 of the GEM Listing Rules.

Substantial shareholders of the Company and other persons

Save as disclosed below, as at 31 March 2008, the Directors are not aware of any other interests and short positions of any substantial shareholders (as defined in the GEM Listing Rules) of the Company and other persons (other than a Director or chief executive of the Company) in the shares or underlying shares of the Company, which will have to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO, or which will be required, pursuant to section 336 of the SFO, to be entered in the register referred to therein.

Long positions in the shares

Name of shareholder	Number of shares (domestic shares)	Nature of interest	Percentage of the Issued Share Capital (Domestic shares and H shares)
Zhangjiagang Municipal Public Assets Management Co., Ltd ("ZMPAM")	95,310,000	Beneficial owner	33.47%
Jiangsu Mudan Automobile Group Co., Ltd ("Jiangsu Mudan")	100,340,000	Beneficial owner	35.23%
Zhangjiagang Jin Mao Investment Development Co., Ltd. ("Jin Mao")	100,340,000	Interest of a controlled corporation (<i>Note 1</i>)	35.23%
張家港市虹達運輸有限公司 (「虹達」)	100,340,000	Interest of a controlled corporation (<i>Note 1</i>)	35.23%

Notes:

1. Jin Mao and 虹達 each has 19.35% interests in Jiangsu Mudan. Accordingly, Jin Mao and 虹達 is entitled to exercise or control the exercise of one-third or more of the voting rights in general meeting of Jiangsu Mudan. Under the SFO, Jin Mao and 虹達 is deemed to be interested in 100,340,000 domestic shares held by Jiangsu Mudan, representing 35.23% of the issued share capital (domestic shares and H Shares) of the Company.

COMPETING INTERESTS

Current Directors has not discovered any event in which any of the original Directors, supervisors, management shareholders or substantial shareholders of the Company and their respective associates (as defined in the GEM Listing Rules) has any interest in any businesses which compete or are likely to compete directly or indirectly with the business of the Company as of 31 March 2008.

AUDIT COMMITTEE

The Audit Committee of the Company was established with written terms of reference based upon the guidelines published by the Hong Kong Institute of Certified Public Accountants. The primary duties of the Audit Committee were to review and monitor the financial reporting process and internal control of the group. As of 31 March 2008, Mr. JIANG Lei, Mr. HUANG Zhen Hua and Ms. XIAO Wei Hong were members of the Audit Committee of the Company. However, they were dismissed at the Extraordinary General Meeting held on 3 March 2008. As at the date of the announcement, the Audit Committee of the Company comprised three Independent Non-executive Directors, namely Mr. WANG Cheng Cai, Mr. GAO Xue Fei and Mr. YAO Zhi Ming, of which Mr. WANG Cheng Cai is also the Chairman. The Company's unaudited quarterly results for the three months ended 31 March 2008 had been reviewed by the Audit Committee which was of the opinion that such statements complied with the applicable accounting standards, the Stock Exchange and legal requirements, and that adequate disclosure had been made.

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

During the three months ended 31 March 2008, the Company and any of its subsidiaries have not purchased, sold or redeemed any of its listed securities.

DISCLOSURE OF TRADE RECEIVABLE PURSUANT TO RULES 17.15 AND 17.17 OF THE GEM LISTING RULES

As at 31 March 2008, there were 284,800,000 shares of the Company in issue. Based on the closing price of the Company's shares of HK\$0.34 per share on 29 March 2005, the date on which the trading of the shares of the Company was suspended, the total market capitalization for the Company was approximately HK\$96,832,000 as at 31 March 2008.

As at 31 March 2008, trade receivable from a customer of the Company (the "Trade Receivable"), 廣州白雲華港汽貿中心 (Guangzhou Baiyun Huagang Automobile Trade Center, the "Customer"), a company which is independent of, and not connected with, the Company, the Directors, chief executive or substantial shareholders of the Company or their respective associates (as defined in the GEM Listing Rules), amounted to approximately HK\$18,738,905 (RMB18,193,912), representing approximately 19.4% of the Company's total market capitalization as at 31 March 2008. The Company had lost contact with the Customer and the Trade Receivables had been written off on the balance sheet date of 2005.

The Trade Receivable was resulted from sales to the Customer by the Company in its ordinary course of business and on normal commercial terms. It is unsecured and interest free, and repayable on normal terms. Due to the nature of the transactions and business practice, trade receivables can only be settled after month end, and such balances need to be verified and confirmed by customers pursuant to the normal trading practices and relevant trading terms in respect of such receivables. As the Trade Receivable of the Customer is recorded for the three months ended 31 March 2008, it is subject to disclosure pursuant to the requirement under rule 17.17 of the GEM Listing Rules.

By order of the board

Mudan Automobile Shares Company Limited

GUO ZHI RONG

Chairman of the board

Zhangjiagang City, Jiangsu Province, China

14 May 2008

As at the date hereof, the Board comprises nine (9) directors, of which three (3) are executive directors, namely Mr. GUO Zhi Rong (Chairman of the Board), Mr. HOU Cheng Bao and Mr. JIANG Bin; three (3) are non-executive directors, namely Mr. LI Jian Hua, ZHU Hui Liang and Mr. ZHOU Pei Lin and three (3) are independent non-executive directors, namely Mr. WANG Cheng Cai, Mr. GAO Xue Fei and Mr. YAO Zhi Ming.

The announcement will remain on the GEM website at <http://www.hkgem.com> on the "Latest Company Announcements" page for at least 7 days from the date of its posting and will be published on the website of the Company (<http://www.mudanauto.com>).