



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)



Third Quarterly Report 2009

THIRD QUARTERLY REPORT

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2009

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (“STOCK EXCHANGE”)

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Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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This report, for which the directors (“Directors”) of Mudan Automobile Shares Company Limited (“Company” or “Mudan Auto”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the 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 enquiries, 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 nine months ended 30 September 2009, the Group recorded a turnover of RMB98,373,603 (2008: RMB2,228,756), representing an increase of 4,313.83% as compared with the turnover of the Group for the corresponding period in 2008.
- For the nine months ended 30 September 2009, the Group recorded a profit attributable to owners of the Company of RMB38,750,088 (2008: loss of RMB50,026,192).
- For the nine months ended 30 September 2009, the earnings per share is approximately RMB13.61 cents (2008: loss per share of approximately RMB17.57 cents).

UNAUDITED QUARTERLY RESULTS

The board of directors (“**Board**”) of Mudan Automobile Shares Company Limited (“**Company**” or “**Mudan Auto**”) hereby announces the unaudited condensed consolidated third quarterly results of the Company and its subsidiaries (collectively, the “**Group**”) for the three months and nine months ended 30 September 2009, together with the comparative unaudited figures for the corresponding periods in 2008 as follows:

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2009	2008	2009	2008
		RMB	RMB	RMB	RMB
Turnover	2	43,376,511	–	98,373,603	2,228,756
Cost of sales		(41,690,153)	–	(95,365,158)	(1,966,649)
Gross profit		1,686,358	–	3,008,445	262,107
Other income	3	7,984,563	–	83,491,623	153,993
Distribution expenses		(894,136)	–	(1,917,099)	(340,440)
General and administrative expenses		(6,513,782)	(3,694,458)	(20,115,546)	(50,625,940)
Other operating expense		(282,242)	(22,299)	(25,528,433)	(23,392)
Net finance (expenses) income		(182,676)	(1,902)	(188,902)	547,480
Profit (loss) before taxation		1,798,085	(3,718,659)	38,750,088	(50,026,192)
Income tax expense	4	–	–	–	–
Profit (loss) for the period attributable to owners of the Company		1,798,085	(3,718,659)	38,750,088	(50,026,192)
Earnings (loss) per share					
– basic (cents)	5	0.63	(1.31)	13.61	(17.57)

UNAUDITED CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

	Three months		Nine months	
	ended 30 September		ended 30 September	
	2009	2008	2009	2008
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Profit (loss) for the period	1,798,085	(3,718,659)	38,750,088	(50,026,192)
Other comprehensive income:				
Exchange differences arising				
from translation				
of foreign operations	-	-	-	-
Total comprehensive income (loss)				
for the period	1,798,085	(3,718,659)	38,750,088	(50,026,192)
Attributable to:				
Owners of the Company	1,798,085	(3,718,659)	38,750,088	(50,026,192)

Notes:

1. Basis of preparation and accounting policies

The condensed quarterly financial information has been prepared in accordance with International Financial Reporting Standards (“IFRS”) promulgated by the International Accounting Standards Board and the disclosure requirements of the Companies Ordinance. IFRS includes International Accounting Standards and interpretations. These financial statements also comply with the applicable disclosure provisions of the GEM Listing Rules.

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

The accounting policies have been consistently applied by the Group and are consistent with those used in the Company’s annual audited financial statements for the year ended 31 December 2008.

2. Turnover and segmental information

The principal activities of the Group are the manufacture and sales of automobiles in the People’s Republic of China (“China” or “PRC”). Turnover represents income arising from the sales of automobiles net of value added tax.

The Board considers the Group operates within a single business. Accordingly, no detailed analysis of the Group’s business segment is disclosed.

An analysis of the Group's turnover by geographical regions is as follows:

	Three months ended 30 September		Nine months ended 30 September	
	2009 RMB (Unaudited)	2008 RMB (Unaudited)	2009 RMB (Unaudited)	2008 RMB (Unaudited)
Sales of automobiles:				
The PRC	40,370,320	–	93,416,943	2,228,756
Overseas market	3,006,191	–	4,956,660	–
Total	<u>43,376,511</u>	<u>–</u>	<u>98,373,603</u>	<u>2,228,756</u>

3. Other income

	Three months ended 30 September		Nine months ended 30 September	
	2009 RMB (Unaudited)	2008 RMB (Unaudited)	2009 RMB (Unaudited)	2008 RMB (Unaudited)
Reversal of bad debts provision	7,917,299	–	19,410,412	–
Waiver of amount due to a former shareholder	–	–	63,281,111	–
Sundry income	67,264	–	800,100	153,993
Total	<u>7,984,563</u>	<u>–</u>	<u>83,491,623</u>	<u>153,993</u>

4. Income tax expense

No provision for Hong Kong Profits Tax has been made in the financial statements as the Group's income neither arises in nor is derived from Hong Kong.

On 16 March 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the "New Law") by Order No. 63 issued by the Tenth National Peoples Congress. On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Law. Pursuant to the New Law and its implementation regulations, the Enterprise Income Tax for both domestic and foreign invested enterprises will be unified at 25% effective from 1 January 2008. There will be a transitional period for PRC subsidiaries that currently entitled to preferential tax treatments granted by the relevant tax authorities. PRC subsidiaries currently subject to an enterprise income tax rate lower than 25% will continue to enjoy the lower tax rate and be gradually transitioned to the new unified rate of 25% within five years after 1 January 2008.

No tax is payable on the profit for the nine months ended 30 September 2009 arising in the PRC since the assessable profit is wholly absorbed by tax losses brought forward from previous years.

5. Earnings (loss) per share

The calculation of earnings (loss) per share for the three months and the nine months ended 30 September 2009 is based on the unaudited profit for the period attributable to owners of the Company of RMB1,798,085 and RMB38,750,088 respectively (2008: loss of RMB3,718,659 and RMB50,026,192 respectively) divided by the number of shares in issue of the Company during the respective period. For the three months and the nine months ended 30 September 2009, the number of shares in issue is 284,800,000 and 284,800,000 respectively (2008: 284,800,000 and 284,800,000 respectively). No diluted earning (loss) per share is presented as there were no dilutive potential ordinary shares outstanding.

6. Reserves

Other than the transfer of profit (loss) for the period, there were no movement to or from reserves of the Company during the nine months ended 30 September 2009 and 30 September 2008.

7. Dividend

The Board does not recommend the payment of an interim dividend for the nine months ended 30 September 2009 (2008: Nil).

8. Related party transactions

Acquisition of shares in the Company by Chengdu New Dadi Motor Company Limited (“**Chengdu New Dadi**”), Foshan City Shunde Ganghua Shiye Company Limited (“**Shunde Ganghua**”), Foshan City Heli Car Trading Company Limited (“**Foshan Heli**”) and Foshan City Shunde Zhongyu Car Trading Company Limited (“**Shunde Zhongyu**”) from former shareholders of the Company was completed on 16 June 2009.

During the nine months ended 30 September 2009, the Group entered into the following transactions with existing shareholders and other related parties as follows:

	Relationship	Sales to related parties		Purchases from related parties	
		Three months ended 30 September 2009	Nine months ended 30 September 2009	Three months ended 30 September 2009	Nine months ended 30 September 2009
		RMB (Unaudited)	RMB (Unaudited)	RMB (Unaudited)	RMB (Unaudited)
Chengdu New Dadi	Shareholder	-	2,165,500	24,352,000	68,112,000
Shunde Zhongyu	Shareholder	-	33,300,000	-	-
		-	35,465,500	24,352,000	68,112,000

		Sales to related parties	Purchases from
		From 16 June 2009 to	related parties
		30 September 2009	From 16 June 2009 to
		RMB	30 September 2009
	Relationship	(Unaudited)	RMB
			(Unaudited)
Chengdu New Dadi	Shareholder	-	29,974,500
Shunde Zhongyu	Shareholder	-	-
		<hr/>	<hr/>
Total		-	29,974,500
		<hr/> <hr/>	<hr/> <hr/>

BUSINESS REVIEW AND OUTLOOK

The Board is pleased to announce that the Group has met the achievement of mass production of new type double-decker buses, such double-decker buses are one of the new products the Group developed during the period. On the basis of the previous trial production, the Group's technical research, development, production and manufacturing departments have continuously upgraded and improved the manufacturing technology and technical conditions.

1. Mudan Auto's testing center and quality system passed the examination

During the three months ended 30 September 2009, Mudan Auto's testing center passed the annual examination by the provincial quality and technological department. The approved testing center satisfies the testing requirements of the State applicable to newly produced automobiles, and has the capabilities and qualifications for opening for business of providing testing services to vehicles in use in the market.

The Company has been building a sound product quality management system continuously, laying a foundation for enhancing the quality of Mudan Auto's complete vehicle products. During the three months ended 30 September 2009, the quality management system of the Company has passed the annual inspection by external experts.

2. Trial production of electric automobiles commenced

Electric automobile is one of the main directions of the development of new energy vehicles in China. Mudan Auto's electric automobiles research and development project has been well on track since July 2009. It is expected that the trial production of two sample vehicles will be completed towards the end of the year when the testing stage will begin accordingly. Relevant departments of Zhangjiagang Municipal Government and Jiangsu Provincial Government have paid great attention and devoted extensive support to Mudan Auto's electric automobiles trial production project.

3. Three new models of Mudan launched in the market with small scale production

Upgrading and face lifting of three models of Mudan Auto, namely MD6703, MD6110 and MD5061 were completed in the quarter. The trial production of new models was successful and limited quantity of which was launched in the market, among which, the double-decker MD6110, one of the new products of the Company, has enjoyed relatively high profit margin and satisfactory market response.

Results performance

Turnover for the nine months ended 30 September 2009 amounted to RMB98,373,603 (2008: RMB2,228,756) and a profit of RMB38,750,088 (2008: loss of RMB50,026,192), among which the turnover represented an increase of approximately 4,313.83% as compared to that for the corresponding period in 2008.

During the period ended 30 September 2009, earnings per share is approximately RMB13.61 cents (2008: loss per share of RMB17.57 cents).

The unaudited turnover for the three months ended 30 September 2009 amounted to RMB43,376,511 (2008: Nil). The unaudited profit for the three months ended 30 September 2009 was RMB1,798,085 (2008: loss of RMB3,718,659).

Sales of light, medium and large-sized buses

For the nine months ended 30 September 2009, the sales of light-sized, medium-sized, large-sized buses and bus body processing parts amounted to RMB11,152,347, RMB15,581,940, RMB69,758,974 and RMB1,880,342 respectively. (2008: RMB1,695,679, RMB533,077, RMB Nil and RMB Nil).

For the three months ended 30 September 2009, the sales of light-sized, medium-sized, large-sized buses and bus body processing parts amounted to RMB5,393,863, RMB6,642,476, RMB29,459,830 and RMB1,880,342 respectively. (2008: Nil).

The Board is of the opinion that Mudan Auto brand, which has a history of over 30 years, has established its reputation in both mainland China and overseas markets. The Group is in the process of strengthening its internal control, it is expected that Mudan Auto will be able to have its further development and growth.

CONTINGENT LIABILITIES

As at the date of this report, the Company has contingent liabilities amounting to approximately RMB2,843,106 in respect of the involvement in a number of litigations in the PRC, the details of which are set out as follows:

1. On or about 21 April 2008, 安徽江淮汽車股份有限公司 (Anhui Jianghuai Vehicles Share Company Limited) (“Jianghuai Vehicles”) filed its writ with 合肥市中級人民法院 (the Hefei City Middle People’s Court) against the Company. It was stated in the writ that the Company had failed to pay a total of RMB36,337,910 in relation to the chassis provided by the plaintiff.

Pursuant to the final judgment (2009) Wan Min Er Zhong Zi No. 0004 by 安徽省高級人民法院 (the Anhui Provincial High People’s Court) and settlement agreement signed between both parties on 6 June 2009, it was agreed that the Company shall pay RMB33,662,434 (included in the payables) to Jianghuai Vehicles and pay the relevant enforcement cost amounting to RMB2,675,476 to 合肥市中級人民法院 (the Hefei City Middle People’s Court) by 20 December 2011. As at 30 September 2009, the amount outstanding was RMB19,987,857.

2. On or about 25 June 2008, 東風杭州汽車有限公司 (Dongfeng Hangzhou Vehicle Co., Ltd) filed a writ with 張家港市人民法院 (the Zhangjiagang City People’s Court) against the Company. It was stated in the writ that the Company had failed to pay the debt of RMB5,239,754 in relation to chassis.

Pursuant to the settlement agreement signed between both parties on 14 May 2009 (the “Agreement”), the Company shall pay principal and legal expenses amounting to RMB4,823,439 (of which RMB4,778,409 is the principal (included in the payables), and the legal cost is RMB45,030 to 東風杭州汽車有限公司 (Dongfeng Hangzhou Vehicle Co., Ltd) by 30 October 2010. If the Company were to pay the said amount

on time and in full as stipulated in the Agreement, 東風杭州汽車有限公司 (Dongfeng Hangzhou Vehicle Co., Ltd) would waive of the payment of interest by the Company. On 30 September 2009, the amount outstanding was RMB3,114,509 and the Company is in the progress of performing the settlement agreement.

3. On or about 27 August 2009, 上海銘馭體育策劃有限公司 (Shanghai Mingyu Physical Scheme Co., Ltd) filed a writ with 張家港人民法院 (the Zhangjiagang City People's Court) against the Company. It was stated in the writ that the Company had failed to pay RMB210,561 in relation to goods sold and delivered.

Pursuant to the settlement agreement between both parties on 10 October 2009, the Company shall repay RMB105,000 to 上海銘馭體育策劃有限公司 (Shanghai Mingyu Physical Scheme Co., Ltd.) on or before 30 October 2009 and the Company has included in payables on 3 October 2009 accordingly.

4. On or about 28 September 2009, 廣東海派律師事務所 (Guangdong Haipai Law Office) filed a writ with 深圳市福田區人民法院 (the Shenzhen Futian District People's Court) against the Company. It was stated in the writ that the Company had failed to pay RMB17,600 in relation to service.

OTHER PAYABLES

Save as disclosed above under the section headed “Contingent liabilities”, as at 30 September 2009, the Company had amounts included in the payables of approximately RMB53,899,094 in respect of involvements in a number of litigations in the PRC, the details of which are set out as follows:

1. On or about 17 September 2007, 湖南汽車車橋廠 (Hunan Vehicle Chassis Factory) filed its writ with 天津市人民法院 (the Tianjin City People’s Court) against the Company. It was stated in the writ that the Company had failed to pay a total of RMB 331,193 to the plaintiff for payment of the chassis supplied by the plaintiff to the Company. As at 30 September 2009, the amount outstanding was RMB317,063.
2. On or about 5 September 2007, 東風襄樊旅行車有限公司 (Dongfeng Xiangfan Traveling Vehicles Limited) filed its writ with 襄樊市襄城區人民法院 (the Xiangfan City Xiangcheng County People’s Court) against the Company. It was stated in the writ that the Company had failed to pay a total of RMB1,539,902 to the plaintiff for payment of the chassis supplied by the plaintiff to the Company.

Pursuant to a commercial agreement between both parties on 3 June 2009, the said amount shall be paid in full before the end of 25 December 2009, of which RMB1,500,000 was applied as the Company’s chassis working capital for 2009. On 30 September 2009, the amount outstanding was RMB1,539,902.

3. On or about 7 April 2008, 南京康尼機電新技術有限公司 (Nanjing Hongne Mechanical New Technology Limited) filed its writ with 南京市雨花區人民法院 (the Nanjing City Yufa District People’s Court) against the Company. It was stated in the writ that the Company had failed to pay a total of RMB556,340 in relation to the vehicle accessories and materials provided by the plaintiff.

Pursuant to the initial judgment (2008) Yu Min Er Chu No. 23 by 南京市雨花區人民法院 (the Nanjing City Yufa District People's Court), the Company shall repay RMB556,340 to 南京康尼機電新技術有限公司 (Nanjing Hongne Mechanical New Technology Limited). As at 30 September 2009, the amount outstanding was RMB351,840.

4. On or about 21 April 2008, 安徽江淮汽車股份有限公司 (Anhui Jianghuai Vehicles Share Company Limited) ("Jianghuai Vehicles") filed its writ with 合肥市中級人民法院 (the Hefei City Middle People's Court) against the Company. It was stated in the writ that the Company had failed to pay a total of RMB36,337,910 in relation to the chassis provided by the plaintiff.

Pursuant to the final judgment (2009) Wan Min Er Zhong Zi No. 0004 by 安徽省高級人民法院 (the Anhui Provincial High People's Court) and settlement agreement signed between both parties on 6 June 2009, it was agreed that the Company shall pay RMB33,662,434 to Jianghuai Vehicles and pay the relevant enforcement cost amounting to RMB2,675,476 to 合肥市中級人民法院 (the Hefei City Middle People's Court) by 20 December 2011. As at 30 September 2009, the amount outstanding was RMB19,987,857.

5. On or about 25 June 2008, 東風杭州汽車有限公司 (Dongfeng Hangzhou Vehicle Co., Ltd) filed a writ with 張家港市人民法院 (the Zhangjiagang City People's Court) against the Company. It was stated in the writ that the Company had failed to pay the debt of RMB5,239,754 in relation to the chassis.

Pursuant to the settlement agreement signed between both parties on 14 May 2009 (the “Agreement”), the Company shall pay principal and legal expenses amounting to RMB4,823,439 (of which RMB4,778,409 is the principal (included in the payables), and the legal cost is RMB45,030 (excluded in the payables and subject to the debit amount by the court)) to 東風杭州汽車有限公司 (Dongfeng Hangzhou Vehicle Co., Ltd) by 30 October 2010. If the Company were to pay the said amount on time and in full as stipulated in the Agreement, 東風杭州汽車有限公司 (Dongfeng Hangzhou Vehicle Co., Ltd) would waive of the payment of interest by the Company. On 30 September 2009, the amount outstanding was RMB3,114,509 and the Company is in the progress of performing the settlement agreement.

6. On or about 16 July 2008, 南京依維柯汽車有限公司 (Nanjing Iveco Motor Company Ltd.) filed its writ with 南京市玄武區人民法院 (the Nanjing City Xuan Wu District People’s Court) against the Company. It was stated in the writ that the Group had failed to pay the debt of RMB28,486,438. As at 30 September 2009, the Company had not repaid the said amount.
7. On or about 16 March 2009, 張家港市城市五金交電貿易有限公司 (Zhangjiagang City City Hardware, Transportation and Electrical Appliances Trading Co., Ltd) filed a writ with 張家港人民法院 (the Zhangjiagang City People’s Court) against the Company. It was stated in the writ that the Company had failed to pay RMB308,133 in relation to hardware accessories. As at 30 September 2009, the amount outstanding was RMB308,431.

Pursuant to the settlement agreement between both parties on 9 September 2009, the Company shall repay RMB261,912 to 張家港市城市五金交電貿易有限公司 (Zhangjiagang City City Hardware, Transportation and Electrical Appliances Trading Co., Ltd) on or before 30 October 2009. As at 30 September 2009, the amount outstanding was RMB3,617.

8. On or about 6 May 2009, 江陰市汽車座椅有限公司 (Jiangyin City Vehicle Seat Co., Ltd) filed a writ with 江陰華士法庭 (the Jiangyin Huashi Court) against the Company. It was stated in the writ that the Company had failed to pay RMB97,868 in relation to goods sold and delivered.

INTERESTS DISCLOSEABLE UNDER THE SECURITIES AND FUTURES ORDINANCE (CHAPTER 571 OF THE LAWS OF HONG KONG) (“SFO”)

1. Directors, supervisors and chief executive of the Company

As at 30 September 2009, none of the persons holding the offices of the Directors, supervisors and chief executive of the Company as at 30 September 2009 and their respective associates (as defined in the GEM Listing Rules) had any interest and short position in shares (“Shares”), underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO), which would be required, pursuant to Section 352 of the SFO, to be entered in the register of the Company or which would be required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 of the GEM Listing Rules.

2. Substantial shareholders of the Company and other persons

As at 30 September 2009, the interests or short positions of person in the Shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Long positions in the Shares:

Name	Number of Shares held	Nature of Interests	Approximate percentage of shareholding in same class of securities	Approximate percentage of shareholding in the registered capital
Chengdu New Dadi	100,340,000 Domestic Shares (Note 1)	Beneficial owner	51.13%	35.23%
Foshan City Shunde Rixin Development Company Limited, ("Shunde Rixin")	100,340,000 Domestic Shares (Note 2)	Interest of controlled corporation	51.13%	35.23%
Shunde Ganghua	95,310,000 Domestic Shares (Note 3)	Beneficial owner	48.57%	33.47%
Li Zi Hao ("Mr. Li")	100,340,000 Domestic Shares (Note 4)	Interest of controlled corporation	51.13%	35.23%
	95,310,000 Domestic Shares (Note 4)	Interest of spouse	48.57%	33.47%
	10,080,824 H Shares (Note 5)	Interest of controlled corporation	11.38%	3.54%

Name	Number of Shares held	Nature of Interests	Approximate percentage of shareholding in same class of securities	Approximate percentage of shareholding in the registered capital
Pan Li Chan ("Ms. Pan")	95,310,000 Domestic Shares (Note 6)	Interest of controlled corporation	48.57%	33.47%
	100,340,000 Domestic Shares (Note 6)	Interest of spouse	51.13%	35.23%
	10,080,824 H Shares (Note 7)	Interest of spouse	11.38%	3.54%
Cheerbond Investment International Limited ("Cheerbond")	10,080,824 H Shares (Note 5)	Beneficial owner	11.38%	3.54%

Notes:

1. Chengdu New Dadi, a limited company incorporated in the PRC, is owned as to 50% by Shunde Rixin and 50% by 中汽聯汽車技術(成都)有限責任公司 (Auto Union (Chengdu) Company Limited).
2. Shunde Rixin is a limited company incorporated in the PRC and is owned as to 80% by Mr. Li and 20% by Ms. Pan, who are both executive Directors (appointed on 29 October 2009).
3. Shunde Ganghua, a limited company incorporated in the PRC, is wholly and beneficially owned by Ms. Pan.

4. The interest of Mr. Li included 100,340,000 domestic Shares owned by Chengdu New Dadi and 95,310,000 domestic Shares in which Ms. Pan, being the spouse of Mr. Li, is interested.
5. Cheerbond, a limited company incorporated in Hong Kong, is wholly and beneficially owned by Mr. Li, who is the spouse of Ms. Pan.
6. The interest of Ms. Pan included 95,310,000 domestic Shares owned by Shunde Ganghua which is wholly and beneficially owned by her and she is the director of Shunde Ganghua. The interest of Ms. Pan also included the 100,340,000 domestic Shares in which Mr. Li, being the spouse of Ms. Pan, is interested.
7. The interest of Ms. Pan included 10,080,824 H Shares in which Mr. Li, being the spouse of Ms. Pan, is interested.

Save as disclosed above, as at 30 September 2009, the Directors were not aware of any other person who had an interest or short position in the Shares, underlying shares or debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who is, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Company, or any other substantial Shareholders whose interests or short positions were recorded in the register required to be kept by the Company under Section 336 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE H SHARES

As at 30 September 2009, none of the Directors, supervisors and chief executive of the Company was granted options to subscribe for H Shares or had any rights to acquire H Shares.

COMPETING INTEREST

The Directors, supervisors, management Shareholders and substantial Shareholders and their respective associates (as defined in the GEM Listing Rules) did not have any interest in any businesses which directly or indirectly compete or may compete with the business of the Company for the nine months ended 30 September 2009.

AUDIT COMMITTEE

The audit committee of the Company ("**Audit Committee**") 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 at the date of this report, the Audit Committee comprised three independent non-executive Directors, namely Mr. HUANG Chengye, Mr. GUO Hong and Mr. WANG Ruihua. The Group's unaudited condensed consolidated third quarterly results for the nine months ended 30 September 2009 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.

ACQUISITION OF SHARES IN THE COMPANY AND MANDATORY UNCONDITIONAL CASH OFFER

Reference is made to the joint announcement of the Company, Chengdu New Dadi, Shunde Rixin, Foshan Heli, Shunde Zhongyu (collectively as the "**Purchasers**") and Cheerbond dated 21 September 2009 and the composite offer and response document dated 31 August 2009 in relation to, among other matters, mandatory unconditional cash offer by Grand Vinco Capital Limited for and on behalf of Cheerbond for all issued Shares (other than those Shares already owned and/or agreed to be acquired by the Purchasers, Cheerbond or parties acting in concert with any one of them) ("**Offer**").

Upon the close of the Offer at 4:00 p.m. on 21 September 2009, (i) an aggregate of 10,080,824 H Shares, representing approximately 3.5% of the total issued share capital of the Company, and approximately 11.4% of the total number of issued H Shares; and (ii) an aggregate of 203,490,825 Shares (including Domestic Shares and H Shares), representing approximately 72.4% of the total issued share capital of the Company were held, controlled or directed by the Purchasers, Cheerbond or parties acting in concert with them.

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

During the nine months ended 30 September 2009, the Company and any of its subsidiaries has not purchased, sold or redeemed any of the listed Shares.

By order of the Board
**Mudan Automobile Shares
Company Limited**
LI Zi Hao
Chairman

Shunde, Foshan City, Guangdong Province, the PRC
13 November 2009

As at the date of this report, the Board comprises six (6) Directors, of which two (2) are executive Directors, namely Mr. LI Zi Hao (Chairman of the Board) and Ms. PAN Li Chan; one (1) is non-executive Director, namely Mr. CHAN Man and three (3) are independent non-executive Directors, namely Mr. HUANG Chengye, Mr. GUO Hong and Mr. WANG Ruihua.