



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

2010

THIRD QUARTERLY RESULTS REPORT FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2010

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “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 (the “Directors”) of Mudan Automobile Shares Company Limited 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 (the “GEM Listing Rules”) for the purpose of giving information with regard to Mudan Automobile Shares Company Limited. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

SUMMARY

- For the nine months ended 30 September 2010, the Group recorded a turnover of RMB166,268,355 (2009: RMB98,373,603), representing an increase of 69% as compared with the turnover of the Group for the corresponding period in 2009.
- For the nine months ended 30 September 2010, the Group recorded a profit attributable to owners of the Company of RMB3,919,191 (2009: profit of RMB38,750,088).
- For the nine months ended 30 September 2010, the earnings per share is approximately RMB1.38 cents (2009: earnings per share of approximately RMB13.61 cents).

UNAUDITED QUARTERLY RESULTS

The board of directors (the “Board”) of Mudan Automobile Shares Company Limited (the “Company” or “Mudan”) 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 2010, together with the comparative unaudited figures for the corresponding periods in 2009 as follows:

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENTS

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2010	2009	2010	2009
		RMB	RMB	RMB	RMB
Turnover	2	45,500,643	43,376,511	166,268,355	98,373,603
Cost of sales		(41,952,281)	(41,690,153)	(148,533,992)	(95,365,158)
Gross profit		3,548,362	1,686,358	17,734,363	3,008,445
Other income	3	4,337,911	7,984,563	4,486,681	83,491,623
Distribution expenses		(324,794)	(894,136)	(771,869)	(1,917,099)
General and administrative expenses		(6,848,717)	(6,513,782)	(16,652,232)	(20,115,546)
Other operating expense		–	(282,242)	(516,412)	(25,528,433)
Net finance expenses		(114,461)	(182,676)	(361,340)	(188,902)
Profit before taxation		598,301	1,798,085	3,919,191	38,750,088
Income tax expense	4	–	–	–	–
Profit for the period attributable to owners of the Company		598,301	1,798,085	3,919,191	38,750,088
Earnings per share					
– basic (cents)	5	0.21	0.63	1.38	13.61

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Three months		Nine months	
	ended 30 September		ended 30 September	
	2010	2009	2010	2009
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Profit for the period	598,301	1,798,085	3,919,191	38,750,088
Other comprehensive income:				
Exchange differences arising from translation of foreign operations	-	-	-	-
Total comprehensive income for the period	598,301	1,798,085	3,919,191	38,750,088
Attributable to:				
Owners of the Company	598,301	1,798,085	3,919,191	38,750,088

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 Hong Kong 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 2009 annual financial statements.

2. Turnover and segmental information

The principal activities of the Group are the manufacture and sales of automobiles in the 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	
	2010 RMB (Unaudited)	2009 RMB (Unaudited)	2010 RMB (Unaudited)	2009 RMB (Unaudited)
Sales of automobiles:				
The PRC	43,392,461	40,370,320	161,695,768	93,416,943
Overseas market	2,108,182	3,006,191	4,572,587	4,956,660
Total	45,500,643	43,376,511	166,268,355	98,373,603

3. Other income

	Three months ended 30 September		Nine months ended 30 September	
	2010 RMB (Unaudited)	2009 RMB (Unaudited)	2010 RMB (Unaudited)	2009 RMB (Unaudited)
Reversal of bad debts provision	-	7,917,299	-	19,410,412
Waiver of trade and other payables	4,337,911	-	4,337,911	-
Waiver of amount due to a former shareholder	-	-	-	63,281,111
Sundry income	-	67,264	148,770	800,100
Total	4,337,911	7,984,563	4,486,681	83,491,623

4. Income tax expense

No tax is payable on the profit for the nine months ended 30 September 2010 arising in the PRC since the assessable profit is wholly absorbed by tax losses brought forward from previous years.

5. Earnings per share

The calculation of earnings per share for the three months and the nine months ended 30 September 2010 is based on the unaudited profit for the period attributable to owners of the Company of RMB598,301 and RMB3,919,191 respectively divided by the number of shares in issue of the Company during the respective period.

The calculation of earnings 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 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 2010, the number of shares in issue is 284,800,000 and 284,800,000 respectively (2009: 284,800,000 and 284,800,000 respectively). No diluted earnings per share is presented as there were no dilutive potential ordinary shares outstanding.

6. Reserves

Other than the transfer of profit for the period, there were no movement to or from reserves of the Company during the nine months ended 30 September 2010 and 30 September 2009.

7. Dividend

The Board does not recommend the payment of an interim dividend for the nine months ended 30 September 2010 (2009: Nil).

8. Related party transactions

During the three months and nine months ended 30 September 2010, 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 2010 RMB (Unaudited)	Nine months ended 30 September 2010 RMB (Unaudited)	Three months ended 30 September 2010 RMB (Unaudited)	Nine months ended 30 September 2010 RMB (Unaudited)
Chengdu New Dadi Motor Company Limited	Shareholder	-	-	37,423,000	48,523,000

BUSINESS REVIEW AND OUTLOOK

The Board is pleased to announce that the Group has conducted the following items during the three months ended 30 September 2010:

1. Participation in the Suzhou Energy Saving and Environmental Products & Technology Expo

The Company has participated in the “2010 Suzhou Energy Saving and Environmental Products & Technology Expo” held at the Suzhou International Expo Center in the PRC at the beginning of September 2010. The expo is titled “To develop a low carbon economy and promote green growth” and promoted the focus areas, technologies, products and projects of energy saving and environmental protection. Mudan’s electric buses participated in the expo as a new energy, energy saving and environmental protection product and fully demonstrated the advantages of Mudan’s electric buses in the field of new energy application, which has become one of the highlights of the expo.

2. Tianjin Lishen visited Mudan

For steady promotion of Mudan’s electric buses project, the president and senior vice president of Tianjin Lishen Battery Joint-Stock Co., Ltd., a professional manufacturer of Li-ion battery in the PRC, have conducted an on-site visit to Mudan as both parties have reached a basic consensus on the strategic cooperation on the electric buses project.

3. Establishment of the R & D team for electric minibus

The seven-metre Art Minibus is one of Mudan's traditional and mature minibus products. During the period, the Company established the "R & D Team for the Seven-Metre Art Electric Minibus" for the research and development of Mudan's new electric buses, so as to meet the expected market demand for medium-sized and light-sized electric buses.

Results performance

Turnover for the nine months ended 30 September 2010 amounted to RMB166,268,355 (2009: RMB98,373,603) and a profit of RMB3,919,191 (2009: profit of RMB38,750,088), among which the turnover represented an increase of approximately 69% as compared to that for the corresponding period in 2009.

During the period ended 30 September 2010, earnings per share is approximately RMB1.38 cents (2009: earnings per share of RMB13.61 cents).

The unaudited turnover for the three months ended 30 September 2010 amounted to RMB45,500,643 (2009: RMB43,376,511). The unaudited profit for the three months ended 30 September 2010 was RMB598,301 (2009: profit of RMB1,798,085).

Sales of light, medium and large-sized buses

For the nine months ended 30 September 2010, the sales of light-sized, medium-sized, large-sized buses and bus body processing parts amounted to RMB5,302,980, RMB12,039,649, RMB148,632,479 and RMB293,247 respectively. (2009: RMB11,152,347, RMB15,581,940, RMB69,758,974 and RMB1,880,342).

For the three months ended 30 September 2010, the sales of light-sized, medium-sized, large-sized buses and bus body processing parts amounted to RMB2,016,896, RMB3,397,849, RMB40,085,898 and Nil respectively. (2009: RMB5,393,863, RMB6,642,476, RMB29,459,830 and RMB1,880,342).

The Board is of the opinion that Mudan 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 will be able to have its further development and growth.

LITIGATIONS AND CONTINGENT LIABILITIES

As at 30 September 2010, the Company had recognised liabilities in trade and other payables amounting to approximately RMB51,474,932 in respect of involvements in a number of litigations in the PRC, details of which are set out as follows:

- (i) 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 principal of RMB1,539,902 and the legal cost, custody fee and execution fee of RMB46,460 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 25 December 2009, of which RMB1,500,000 was applied as the Company's chassis working capital for 2009. Up to 30 September 2010, the Company had paid RMB780,000 to this plaintiff. As at 30 September 2010, the amount outstanding was RMB806,362.

- (ii) 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 南京市雨花台區人民法院 (the Nanjing City Yuhuatai 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 南京市雨花台區人民法院 (the Nanjing City Yuhuatai 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 2010, the amount outstanding was RMB556,340.

- (iii) 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 settlement agreement signed between both parties in July 2010, the Company shall repay RMB32,000,000 to Jianghuai Vehicles. Up to 30 September 2010, the Company had paid RMB13,810,000 for the agreement. As at 30 September 2010, the amount outstanding was RMB18,190,000.

- (iv) 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 a total of RMB4,778,409 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 cost amounting to RMB4,823,439 (of which RMB4,778,409 is the principal and RMB45,030 is the legal cost to 東風杭州汽車有限公司) 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 would waive of the payment of interest by the Company. Up to 30 September 2010, the Company had paid RMB1,350,000 for this plaintiff.

Pursuant to a new settlement agreement (the “New Agreement”) signed between both parties in August 2010, the Company shall pay in aggregate, RMB2,778,751 to 東風杭州汽車有限公司. Up to 30 September 2010, the Company had paid RMB300,000 for the New Agreement. As at 30 September 2010, the amount outstanding was RMB2,478,751.

- (v) On or about 16 July 2008, 南京依維柯汽車有限公司 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 a total of RMB28,486,438. As at 30 September 2010, the Company had not repaid the said amount.

- (vi) On or about 28 September 2009, 廣東海派律師事務所 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. Pursuant to the settlement agreement signed between both parties in August 2010, the Company shall repay RMB15,840 to 廣東海派律師事務所. As at 30 September 2010, the Company had not repaid the said amount.

- (vii) On 5 April 2009, 江陰華士汽車座椅有限公司 filed its writ with 江陰市人民法院 (the Jiangyin City People's Court) against the Company. It was stated in the writ that the Company had failed to pay a total of RMB97,868. As at 30 September 2010, the amount outstanding was RMB97,868. The final judgement of the case was made by Wuxi City Middle People's Court.

- (viii) On or about 9 November 2009, 杭州華通機械電器制造有限公司 filed its 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 a total of RMB768,670. As at 30 September 2010, the amount outstanding was RMB683,333.

- (ix) On or about 9 February 2010, 張家港市七彩制漆有限公司 filed its 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 a total of RMB577,686. Settlement agreement signed between both parties on 23 March 2010, it was agreed that the Company shall pay RMB414,575 to 張家港市七彩制漆有限公司. Up to 30 September 2010, the Company had paid RMB254,575 for the agreement. As at 30 September 2010, the amount outstanding was RMB160,000.

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 2010, the interests and short positions of the Directors, the supervisors (as if the requirements applicable to the Directors under the SFO had applied to the supervisors) and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporation (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuers as referred to in Rule 5.46 of the GEM Listing Rules were as follows:

Long positions in the shares of the Company:

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
Mr. Li Zi Hao (“Mr. Li”)	100,340,000 Domestic shares (Note 1)	Interest of controlled corporation	51.13%	35.23%
	95,310,000 Domestic shares (Note 2)	Interest of spouse	48.57%	33.47%
	10,080,824 H shares (Note 3)	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
Ms. PAN Li Chan ("Ms. Pan")	95,310,000 Domestic shares (Note 2)	Interest of controlled corporation	48.57%	33.47%
	100,340,000 Domestic shares (Note 1)	Interest of spouse	51.13%	35.23%
	10,080,824 H shares (Note 3)	Interest of spouse	11.38%	3.54%
Mr. PAN Jin Rong ("Mr Pan")	300,000 Domestic shares (note 4)	Interest of controlled corporation	0.15%	0.11%
	300,000 Domestic shares (note 5)	Interest of spouse	0.15%	0.11%

Notes:

1. Chengdu New Dadi Motor Company Limited (“Chengdu New Dadi”), a limited company incorporated in the PRC, is owned as to 50% by Foshan City Shunde Rixin Development Company Limited (“Shunde Rixin”) and 50% by 中汽聯汽車技術(成都)有限責任公司 (China Auto Union (Chengdu) Company Limited) (“CAU”). Each of Mr. Li and Ms. Pan is a director of Chengdu New Dadi. 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. Each of Shunde Rixin and CAU is deemed to be interested in the 100,340,000 domestic shares held by Chengdu New Dadi.
2. Foshan City Shunde Ganghua Shiye Company Limited (“Shunde Ganghua”), a limited company incorporated in the PRC, is wholly and beneficially owned by Ms. Pan, who is also the sole director of Shunde Ganghua. By virtue of the provisions of part XV of the SFO, Ms Pan is deemed to be interested in the 95,310,000 domestic shares held by Shunde Ganghua and Mr. Li, as the spouse of Ms. Pan, is deemed to be interested in 95,310,000 domestic shares in which Mr. Li is interested.
3. Cheerbond Investment International Limited (“Cheerbond”), a limited company incorporated in Hong Kong, is wholly and beneficially owned by Mr. Li, who is the spouse of Ms. Pan and the sole director of Cheerbond. By virtue of the provisions of part XV of the SFO, Mr. Li is deemed to be interested in the 10,080,824 H shares held by Cheerbond and Ms. Pan, as the spouse of Mr. Li, is deemed to be interested in the 10,080,824 H shares in which Mr. Li is interested.
4. 佛山市合力汽車貿易有限公司 (Foshan City Heli Car Trading Company Limited) (“Foshan Heli”), a limited company incorporated in the PRC, is interested in 300,000 domestic shares. Foshan Heli is beneficially owned as to 90% by Mr. Pan, a non-executive Director and the brother of Ms. Pan, who is also the sole director of Foshan Heli, and 10% by Ms. LIANG You Fu, the mother of Mr. Pan.

5. 佛山市順德眾裕汽車貿易有限公司 (Foshan Shunde Zhongyu Car Trading Company Limited) ("Shunde Zhongyu"), a company incorporated in the PRC, is interested in 300,000 domestic shares of the Company. Shunde Zhongyu is wholly and beneficially owned by Ms. WU Shuyun, who is the wife of Mr. Pan. Ms. WU Shuyun is also the sole director of Shunde Zhongyu. Mr. Pan as the spouse of Ms. WU Shuyun is deemed to be interested in the 300,000 domestic shares in which Ms. WU Shuyun is interested.

Save as disclosed above, as at 30 September 2010, none of the Directors, supervisors and chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuer as referred to in Rule 5.46 of the GEM Listing Rules.

2. Substantial shareholders of the Company and other persons

After making reasonable enquiry, as at 30 September 2010, the interests or short positions of person in the shares and underlying shares and 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 of the Company whose interests or short positions were 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 of the Company:

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%
CAU	100,340,000 Domestic shares (Note 1)	Interest of controlled corporation	51.13%	35.23%
Shunde Rixin	100,340,000 Domestic shares (Note 1)	Interest of controlled corporation	51.13%	35.23%
Shunde Ganghua	95,310,000 Domestic shares (Note 2)	Beneficial owner	48.57%	33.47%
Cheerbond	10,080,824 H shares (Note 3)	Beneficial owner	11.38%	3.54%
Innovation Assets Limited ("Innovation")	5,890,000 H shares (Note 4)	Interest of controlled corporation	6.65%	2.07%
SW Kingsway Capital Group Limited ("Kingsway Group")	5,890,000 H shares (Note 4)	Interest of controlled corporation	6.65%	2.07%

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
World Developments Limited ("World Developments")	5,890,000 H shares (<i>Note 4</i>)	Interest of controlled corporation	6.65%	2.07%
Kingsway Lion Spur Technology Limited ("Lion Spur")	4,900,000 H shares (<i>Note 4</i>)	Beneficial owner	5.53%	1.72%

Notes:

1. Chengdu New Dadi, a limited company incorporated in the PRC, is owned as to 50% by Shunde Rixin and 50% by CAU. Each of Mr. Li and Ms. Pan is a director of Chengdu New Dadi. 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. Each of Shunde Rixin and CAU is deemed to be interested in the 100,340,000 domestic shares held by Chengdu New Dadi.
2. Shunde Ganghua, a limited company incorporated in the PRC, is wholly and beneficially owned by Ms. Pan, who is also the sole director of Shunde Ganghua. By virtue of the provisions of part XV of the SFO, Ms Pan is deemed to be interested in the 95,310,000 domestic shares held by Shunde Ganghua and Mr. Li, as the spouse of Ms. Pan, is deemed to be interested in 95,310,000 domestic shares in which Mr. Li is interested.
3. Cheerbond, a limited company incorporated in Hong Kong, is wholly and beneficially owned by Mr. Li, who is the spouse of Ms. Pan and the sole director of Cheerbond. By virtue of the provisions of part XV of the SFO, Mr. Li is deemed to be interested in the 10,080,824 H shares held by Cheerbond and Ms. Pan, as the spouse of Mr. Li, is deemed to be interested in the 10,080,824 H shares in which Mr. Li is interested.

4. Kingsway Brokerage Limited, wholly owned by Kingsway Group, is beneficially interested in 990,000 H shares. Lion Spur is wholly owned by Kingsway Group, which is wholly owned by SW Kingsway Capital Holdings Limited. SW Kingsway Capital Holdings Limited is owned as to 74% by World Developments, which is wholly owned by Innovation Assets. By virtue of the provisions of Part XV of the SFO, Kingsway Group, World Developments and Innovation Assets are deemed to be interested in the 4,900,000 H shares held by Lion Spur and the 990,000 H shares held by Kingsway Brokerage Limited.

Save as disclosed above, as at 30 September 2010, the Directors are not aware of any other person (other than the Directors, supervisors and chief executive of the Company) who had an interest or a short position 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.

DIRECTORS' RIGHTS TO ACQUIRE H SHARES

As at 30 September 2010, 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 of the Company 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 2010.

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. WU Bing Jian, Mr. LIANG Bo Qi and Mr. HUANG Chengye, of which Mr. WU Bing Jian is also the Chairman of the Audit Committee. The Company's unaudited condensed consolidated results for the nine months ended 30 September 2010 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 SHARES OF THE COMPANY

During the nine months ended 30 September 2010, 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

12 November 2010

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. PAN Jin Rong; and three (3) are independent non-executive Directors, namely Mr. HUANG Chengye, Mr. LIANG Bo Qi and Mr. WU Bing Jian.