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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)

ANNOUNCEMENT

**BREACH OF GEM LISTING RULES IN RELATION TO CERTAIN CONTINUING CONNECTED
TRANSACTIONS AND INABILITY OF THE AUDITORS TO CONFIRM CONTINUING
CONNECTED TRANSACTIONS EXEMPTED UNDER A WAIVER**

The board of Directors (the “**Board**”) announces that Mudan Automobile Shares Company Limited (the “**Company**”) had entered into certain continuing connected transactions during the years ended 31 December 2002 to 31 December 2004, which had not been disclosed in accordance with and constituted a breach of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**” and the “**GEM Listing Rules**” respectively).

For continuing connected transactions under the Raw Material Supply Agreement, the Auditors were unable to confirm the details as required under a Waiver.

For certain items stated in notes to the financial statements, the Auditors were unable to carry out auditing procedures necessary to satisfy themselves accuracy of their disclosure.

At the request of the Company, trading in the H Shares was suspended with effect from 2:30 p.m. on Tuesday, 29 March 2005 pending the release of this announcement. The trading of the Company’s shares remains suspended pending the release of the annual results for the year ended 31 December 2005 and the first quarterly results 2006 and the concerns of the Exchange have been satisfactorily addressed.

Delay in publication of annual results announcement for the year ended 31 December 2004

Reference is made to the announcement of the Company dated 15 March 2005 in relation to the meeting of the Board of the Company held on 28 March 2005 to consider and approve the annual results of the Company and its annual report for the year ended 31 December 2004.

The Board hereby announces that just before the meeting, it was discovered that only the English, but not the Chinese version of the auditors’ report of the Company for the year ended 31 December 2004 (the “**Auditors’ Report**”) was provided. Without the Chinese version, the Company was unable to produce the Chinese annual report for publication as required under Rule 18.03 of the GEM Listing Rules. In the previous years the Company had been used to receiving both English and Chinese versions of such auditors’ reports from its auditors. The Company changed its auditors in 2005 and assumed that the current auditors would provide the same. It was only until 28 March 2005 the Company discovered that the Chinese Auditors’ Report was not

provided and the Company was unable to pursue publishing both English and Chinese annual reports on 29 March 2005. Nevertheless, the Board approved the annual results at the meeting on 28 March 2005 based on the English version.

Due to the reasons stated above, the Company was unable to publish the preliminary announcement of its annual results for the year ended 31 December 2004 on 29 March 2005, the next business day after approval by the Board of the annual results, as required under Rule 18.49 of the GEM Listing Rules and breached the GEM Listing Rules .

The Company has later obtained the Chinese Auditors' Report and published the preliminary announcement of its annual results and the annual report for the year ended 31 December 2004 on 31 March 2005.

In order to comply with Rule 5.56 of the GEM Listing Rules, each of the Directors and supervisors of the Company confirmed to the Company and the Stock Exchange that they had not dealt in the Company's securities from 28 February 2005 to 31 March 2005; and the Board also reminded the Directors and the relevant professional parties to keep the confidentiality of the annual results during the time.

Certain continuing connected transactions which had not been disclosed in accordance with and constituted a breach of GEM Listing Rules

The Company had entered into certain continuing connected transactions during the years ended 31 December 2002 to 2004 which were not disclosed in accordance with the GEM Listing Rules.

1. Financial Assistance to Jiangsu Mudan Automobile Group Company Limited (“Jiangsu Mudan”)

Jiangsu Mudan is a controlling shareholder (as defined in the GEM Listing Rules) of the Company holding 35.23% interests in the issued share capital of the Company, transactions between the Company and Jiangsu Mudan therefore constitute connected transactions as defined in Chapter 20 of the GEM Listing Rules.

(a) Use of Bank Credit Lines to Transfer Money to Each Other

This category of transactions were incurred between the Company and Jiangsu Mudan in using their respective bank credit lines to transfer money to each other and constituted providing of financial assistance to the respective party.

(1) For year 2002

For the year ended 31 December 2002, (i) the Company used its bank credit line and transferred a total amount of RMB266,404,520 to Jiangsu Mudan, whereas (ii) Jiangsu Mudan during the same period of time using the same method transferred a total amount of RMB144,459,259 to the Company. The outstanding balance was settled as at 31 December 2002.

(2) For year 2003

For the year ended 31 December 2003, (i) the Company transferred a total amount of RMB617,733,258 to Jiangsu Mudan, whereas (ii) Jiangsu Mudan transferred a total amount of RMB418,739,808 to the Company. The outstanding balance was settled as at 31 December 2003.

(3) For year 2004

For the year ended 31 December 2004, (i) the Company transferred a total amount of RMB395,080,685 to Jiangsu Mudan, whereas (ii) Jiangsu Mudan transferred a total amount of RMB242,799,800 to the Company. The outstanding balance of RMB152,280,885 was not settled as at 31 December 2004.

In addition to providing financial assistance to the other party, another purpose of using the bank credit lines to transfer money to the other party was that the principal banks of the Company and Jiangsu Mudan in the PRC would provide a discount on the interest rate if they used their bank credit lines to a certain level of amount. As compared to direct borrowing from the banks, the Company and Jiangsu Mudan could save some financial costs by use of this method.

(b) *Payment of raw materials*

This category of transactions were incurred when the Company and Jiangsu Mudan paid for the purchase of raw materials on behalf of each other.

(1) For year 2002

For the year ended 31 December 2002, (i) the Company made payments on behalf of Jiangsu Mudan for its purchases of raw materials for a total amount of RMB11,573,044, and (ii) Jiangsu Mudan also made payments on behalf of the Company for its purchases of raw materials for a total amount of RMB28,096,784. The outstanding balance was settled as at 31 December 2002.

(2) For year 2003

For the year ended 31 December 2003, (i) the Company made payments on behalf of Jiangsu Mudan for its purchases of raw materials for a total amount of RMB4,355,974 while (ii) Jiangsu Mudan also made payments on behalf of the Company for its purchases of raw materials for a total amount of RMB3,133,037. The outstanding balance was settled as at 31 December 2003.

(3) For year 2004

For the year ended 31 December 2004, (i) the Company made payments on behalf of Jiangsu Mudan for its purchases of raw materials for a total amount of RMB11,571,005 while (ii) Jiangsu Mudan also made payments on behalf of the Company for its purchases of raw materials for a total amount of RMB34,321,299. The outstanding balance of amounts owed by the Company to Jiangsu Mudan amounted to RMB22,750,294 and was not settled as at 31 December 2004.

(c) *Payment of expenses*

This category of transactions were incurred when the Company and Jiangsu Mudan paid on behalf of each other certain management expenses such as contributions made to the pension fund and social security fund.

(1) For year 2003

For the year ended 31 December 2003, Jiangsu Mudan made such payments on behalf of the Company in a total amount of RMB3,689,020 and the outstanding amount was settled as at 31 December 2003.

(2) For year 2004

For the year ended 31 December 2004, (i) the Company made such payments on behalf of Jiangsu Mudan in a total amount of RMB1,292,123 while (ii) Jiangsu Mudan made such payments on behalf of the Company in a total amount of RMB13,267,067. As a result, the outstanding balance owed by the Company to Jiangsu Mudan amounted to RMB11,974,944 and was not settled as at 31 December 2004.

(d) *Advances*

In addition to using bank credit lines for money transferring as described in paragraph (a) above, the Company and Jiangsu Mudan had also made some direct advances to each other.

(1) For year 2002

For the year ended 31 December 2002, (i) the Company advanced a total amount of RMB398,319,941 to Jiangsu Mudan, while (ii) Jiangsu Mudan advanced a total amount of RMB520,265,202 to the Company. The outstanding balance owed by the Company to Jiangsu Mudan was settled as at 31 December 2002.

(2) For year 2003

For the year ended 31 December 2003, (i) the Company advanced a total amount of RMB647,307,060 to Jiangsu Mudan, and (ii) Jiangsu Mudan advanced a total amount of RMB810,435,974 to the Company. The outstanding balance owed by the Company to Jiangsu Mudan was settled as at 31 December 2003.

(3) For year 2004

For the year ended 31 December 2004, (i) the Company advanced a total amount of RMB562,992,112 to Jiangsu Mudan while (ii) Jiangsu Mudan advanced a total amount of RMB550,458,853 to the Company. As a result of such advances, the outstanding balance owed by Jiangsu Mudan to the Company amounted to RMB12,533,259 and it was not settled as at 31 December 2004.

(e) Receipts of sales receipts

This category of connected transactions were incurred in the situations when the Company and Jiangsu Mudan sold cars on behalf of each other and received sales receipts respectively; or when the customers confused the two companies and remitted payments to the wrong receiver and such situation and payments were not corrected duly.

(1) For year 2002

For the year ended 31 December 2002, (i) the Company received sales receipts on behalf of Jiangsu Mudan in an amount of RMB20,138,310 while (ii) Jiangsu Mudan received sales receipts on behalf of the Company in an amount of RMB16,087,782. The outstanding balance owed by the Company to Jiangsu Mudan was settled as at 31 December 2002.

(2) For year 2003

For the year ended 31 December 2003, Jiangsu Mudan received sales receipts on behalf of the Company in an amount of RMB1,645,000 and the amount was settled as at 31 December 2003.

(3) For year 2004

For the year ended 31 December 2004, (i) the Company received sales receipts on behalf of Jiangsu Mudan which amounted to RMB1,227,975 while (ii) Jiangsu Mudan received sales receipts on behalf of the Company which amounted to RMB70,630,102. As a result, the outstanding balance owed by Jiangsu Mudan to the Company amounted to RMB69,402,127 and it was not settled as at 31 December 2004,

(f) Refund to the Company

During the year ended 31 December 2004, Jiangsu Mudan purchased some chassis from an independent third party (the “**Chassis Supplier**”) and re-sold them to the Company. 34 chassis were later found by the Company with some defects. The Company returned the 34 chassis to Jiangsu Mudan which should pay the Company RMB4,773,600 as the refund money. As at 31 December 2004, Jiangsu Mudan had not repaid such amount.

(g) Miscellaneous payments and purchases

This category of transactions was classified as miscellaneous transactions by the Auditors of the Company.

This category of transactions were incurred when the Company and Jiangsu Mudan paid on behalf of each other certain management expenses.

For the year ended 31 December 2004, Jiangsu Mudan made payments on behalf of the Company for general and miscellaneous expenses during its operation and the amount as at 31 December 2004 was RMB1,088,495.

(h) Breach of GEM Listing Rules

The Company confirms that it has not entered into any agreement with Jiangsu Mudan in respect of the above connected transactions and neither party has taken any collateral for securing the repayments; all such outstanding amounts were interest free, and without fixed terms of repayment.

Save as all the transactions which involved payments by Jiangsu Mudan to the Company, i.e. (a)(1)(ii), (a)(2)(ii), (a)(3)(ii), (b)(1)(ii), (b)(2)(ii), (b)(3)(ii), (c)(1), (c)(2)(ii), (d)(1)(ii), (d)(2)(ii), (d)(3)(ii), (e)(1)(i), (e)(3)(i) and (g), which payments constituted financial assistance provided by Jiangsu Mudan to the Company on terms more beneficial to the Company than normal commercial terms without security over the assets of the Company and were therefore exempted from reporting, announcement and independent shareholders' approval requirements under Rule 20.65 (4) of the GEM Listing Rules (the "**Exempted Transactions**"), the remaining transactions from (a) to (g) above constituted a provision of financial assistance to connected persons under the GEM Listing Rules.

All the remaining transactions described in paragraphs (a) to (g) above required disclosures pursuant to Rules 17.15 and 17.17, and should have been included in the half-year, quarterly or annual report respectively pursuant to Rule 17.22.

All the remaining transactions described in paragraphs (a) to (g) above are subject to the reporting, announcement and independent shareholders' approval requirements pursuant to Rule 20.63.

The Company has failed to comply with the aforesaid respective requirements.

(i) The Solutions proposed by Jiangsu Mudan

The transactions described in paragraphs (a) to (g) above constituted series of connected transactions, the Company had in effect provided financial assistance to Jiangsu Mudan which amounted to RMB1,046,339,627 during the years and Jiangsu Mudan had in effect provided financial assistance to the Company which amounted to RMB843,163,489 during the years. The net outstanding balance owed by Jiangsu Mudan to the Company as at 31 December 2004 was RMB203,176,037.

In addition, during the year of 2005 until the date of this announcement, to the best knowledge of the Board, the Company is still incurring some of the above mentioned connected transactions with Jiangsu Mudan in effect of providing financial assistance to Jiangsu Mudan due to the reason that Jiangsu Mudan has borrowed money on behalf of the Company and the Company has to repay such money through Jiangsu Mudan to the creditors. The Company is in the process of finalizing such figures, the respective disclosure, announcement and independent shareholders' approval shall be conducted in accordance with the GEM Listing Rules as soon as the figures are finalized.

The Company has been negotiating with Jiangsu Mudan for the repayment of the outstanding debts. To the best knowledge of the Board, for the purpose of eventually eliminating the ground of incurring any further financial assistance to Jiangsu Mudan, shareholders of Jiangsu Mudan has preliminarily agreed to make injection into Jiangsu Mudan by way of cash and fixed assets (including land, plant and equipment etc.) into the Company to settle the payables owed to the Company.

As at this date, Jiangsu Mudan has repaid a sum of RMB111,980,648.23 to the Company and settled part of the outstanding liabilities due to the Company. After the said repayment, there remains an outstanding sum of RMB91,195,388.77 due from Jiangsu Mudan to the Company.

The said repayment by Jiangsu Mudan to the Company was a result of corporate restructuring of Jiangsu Mudan pursuant to which all existing shareholders of Jiangsu Mudan had sold their equity interests to new shareholders, which had further injected capital into Jiangsu Mudan for repayment of liabilities owed to the Company. The change of shareholding structure was implemented in the end of December 2005. The Company has been informed by Jiangsu Mudan that the transfer of Jiangsu Mudan's entire share capital to the new shareholders would be implemented soon upon the completion of business registration amendment procedure. As the details of the change in shareholders of Jiangsu Mudan are not readily available, they will be disclosed in due course.

The injection proposal between the Company and Jiangsu Mudan is still under negotiation and no binding contract or agreement has been entered between them. The Company will make announcement as to any documents signed and details of further cash and/or assets injections as soon as that have been confirmed in accordance with the GEM Listing Rules. The Company expects that such arrangements will provide a solution to solve the historical connected transactions and provide sufficient fund for the Company's further development.

Notwithstanding the aforesaid, the Company considers its credit facilities, amounted to RMB55 million, now available from its principal bankers are sufficient for the Company to operate its business as a going concern. The total bank balance as at 30 April, 2006 was RMB53,390,000. The Company confirms that it can operate its business without the financial assistance of Jiangsu Mudan.

2. Transactions with Zhangjiagang Jishun Transportation Industrial Co., Ltd. ("ZJTI")

ZJTI is a Sino-foreign joint venture established under the PRC laws in 1999 between Jiangsu Mudan and two foreign parties: Gold Crane Group Limited ("**Gold Crane**") and Mr. Wong Muk ("**Mr. Wong**"). ZJTI has a registered capital of US\$5 million of which 33% was held by Jiangsu Mudan, 17% was held by Gold Crane and 50% was held by Mr. Wong. The shareholding structure remains the same up to this date of the announcement.

On 10 December 1999, ZJTI and Mr. Wong entered into a contracting agreement (the "**Agreement**") whereby the operation and management of ZJTI was contracted to Mr. Wong in consideration of periodical contracting fees payable to Jiangsu Mudan. The arrangement is still existing and valid to this date of announcement. As Jiangsu Mudan no longer has control of the operation and management of ZJTI, the Company considered that ZJTI was not an associate of Jiangsu Mudan as defined under the GEM Listing Rules and therefore was not a connected person under the GEM Listing Rules.

The following transactions were incurred between the Company and ZJTI for the years ended 31 December 2002 to 2004.

(a) Purchase of raw materials from ZJTI

The Company had purchased raw materials from ZJTI for its production of automobiles.

For year 2002

For the year ended 31 December 2002, the Company purchased raw materials from ZJTI which amounted to RMB6,534,848. Such purchases were made continuously throughout the year. The Company had entered into agreement for such purchases and the amount was not settled as at 31 December 2002.

For year 2003

For the year ended 31 December 2003, the Company purchased raw materials from ZJTI which amounted to RMB12,602,861. Such purchases were made continuously throughout the year. The Company had not entered into any agreement for such purchases and the amount was not settled as at 31 December 2003.

For year 2004

For the year ended 31 December 2004, the Company purchased raw materials from ZJTI which amounted to RMB16,540,245. Such purchases were made continuously throughout the year. The Company had not entered into any agreement for such purchases and the amount was not settled as at 31 December 2004.

The outstanding balances for the above purchases have been fully settled by the Company.

(b) Sales of steel to ZJTI

As the Company can obtain steel at a cheaper price, ZJTI has been purchasing steel from the Company instead of from the market. The steel was then processed by ZJTI and sold back to the Company as raw materials. Such arrangement has reduced the production costs for both sides.

For the year ended 31 December 2002, the total amount of sales from the Company to ZJTI was RMB12,829,835.93; for the year ended 31 December 2003, the total amount was RMB19,833,911.50; and for the year ended 31 December 2004, the total amount was RMB13,437,900. Such amounts were not settled as at 31 December of the respective years.

The outstanding balances for the above sales have been fully settled by ZJTI.

The aforesaid transactions between the Company and ZJTI constituted continuing connected transactions under the GEM Listing Rules and the Company had not disclosed such transactions in accordance with the GEM Listing Rules.

The amounts of the transactions were not exempted under Rule 20.34 and were subject to reporting, announcement and independent shareholders' approval requirements under the GEM Listing Rules. The Company's failure to comply with the announcement and independent shareholders' approval requirements constituted breaches of the relevant GEM Listing Rules.

3. Sales of scrap materials to Zhangjiagang Mudan Bus Parts Co., Ltd. (“ZMBPC”)

For the year ended 31 December 2004, the Company had sold scrap materials to ZMBPC which amounted to RMB1,525,673. Such sales were made continuously throughout the year. These transactions were conducted pursuant to agreements executed between the Company and ZMBPC in every quarter of the year. The agreements did not specify the exact amount of scrap materials to be sold but provided for a fixed price for each tonne of such scrap materials for each quarter. The Company obtained such agreements through public tendering and the price was determined with reference to the market rate.

ZMBPC is a promoter of the Company and such transactions constituted continuing connected transactions of the Company under Rule 20.13 of the GEM Listing Rules. The Company had not disclosed such sales of scrap materials in accordance with the GEM Listing Rules.

The amount of the transactions was not exempted under Rule 20.33(3) and were subject to reporting and announcement requirements under the GEM Listing Rules. The Company’s failure to comply with the announcement requirements constituted breaches of the relevant GEM Listing Rules.

Delay in providing Historical Figures regarding Connected Transactions for years 2002 to 2004 and Future Actions

During the preparation of its annual results for the year 2004, the Board discovered that there were connected transactions which incurred in the years 2002 and 2003 which has not been disclosed.

The Company has had difficulties in retrieving the historical records for ascertaining details of each specific connected transaction in the aforesaid paragraphs 1 to 3 due to certain changes of personnel, including the change of responsible personnel in the accounting department, the resignation of the qualified accountant in mid-2004 and the change of reporting auditor at the end of year 2004.

The above continuing connected transactions were not disclosed in accordance with the GEM Listing Rules as a result of the insufficient communication and management of the Company including the lack of periodical inspections of the management accounts by the senior management and Directors, lack of proper understanding of the GEM Listing Rules by the accounting personnel of the Company, and lack of communication between the senior management and Directors and the accounting personnel.

In order to prevent happening of similar events in the future and enable the shareholders to better appraise the position of the Company, the Company proposed and resolved the following matters: -

- (a) As provided in the section of “The Solutions proposed by Jiangsu Mudan” above, Jiangsu Mudan will inject cash and assets into the Company to set off the outstanding balance owed to the Company, and Jiangsu Mudan would become a purely holding company without carrying any business in the future, which will ultimately eliminate the ground of incurring any continuing connected transactions between Jiangsu Mudan and the Company, save as those which have been disclosed and/or approved by the shareholders;
- (b) With respect to the connected transactions described in sections 2 and 3 above, the Company confirms that such transactions between the Company and the connected persons are still continuing and the Company shall seek the independent shareholders’ approval at the next shareholders’ meeting;

- (c) The Company has recruited a new qualified accountant on 12 May 2005, the position which has been fallen into vacancy for a number of months and this would inevitably strengthen the internal financial control of the Company. Please refer to the announcement of the Company dated 12 May 2005;
- (d) The Company will seek external professional advice in the provision of training to personnel responsible for financial operations in addition to the management level so that relevant procedures will be consistently followed;
- (e) The Company will timely provide the Board with the latest amendments of the GEM Listing Rules and the relevant laws and regulations from time to time to improve its information disclosure management system to keep the Stock Exchange and its shareholders informed of relevant information;
- (f) The Company is formulating internal control procedures in order to enhance its management control system. The Company will carry out periodic inspections of the internal control system of the Company and will promptly improve such control system if necessary; and
- (g) The Company will adopt a new “Rules, Procedures and Corporate Governance Practices adopted by the Company in compliance with the GEM Listing Rules”.

The Directors possess sufficient knowledge and understanding of the GEM Listing Rules and are fully aware of the requirements thereunder as well as their obligations to ensure compliance with the same. The Directors will ensure such requirements are fully observed by responsible personnel in the future.

The Auditors were unable to confirm the details of continuing connected transactions under a Raw Material Supply Agreement as required under the Waiver

Pursuant to a Raw Material Supply Agreement dated 22 October 2003 (the “**Agreement**”) entered into between the Company and Jiangsu Mudan, Zhangjiagang Mudan Automobile Accessories Co., Ltd. (“**ZMAAC**”), ZMBPC and Zhangjiagang Automobile Accessories Factory (“**ZAAF**”) (together the “**Suppliers**”), the Suppliers agreed to supply steel, automobile parts and components to the Company at a price no higher than that of similar products sold to independent third parties. The Suppliers are all promoters of the Company and hence the transactions under the Raw Material Supply Agreement constituted continuing connected transactions of the Company under the GEM Listing Rules and the Company had obtained independent shareholders’ approval for a waiver from strict compliance with Rules 20.35 and 20.36 of the GEM Listing Rules at an Extraordinary General Meeting held on 29 December 2003 with an annual cap of RMB47,000,000, RMB56,000,000 and RMB62,000,000 respectively for the three financial years ending 31 December 2004, 2005 and 2006 for the transactions under the Agreement.

For the year ended 31 December 2004, the Company purchased goods, mainly steel, automobile parts and components under the Agreement from ZMAAC, ZMBPC and ZAAF and the total purchases amounted to approximately RMB38,794,002.

Despite the fact that such amount was below the annual cap of RMB47,000,000 for the year ended 31 December 2004, the Auditors had expressed qualified opinions in the audited financial statements of the Company concerning transactions under the Agreement and were unable to confirm the matters as required to be disclosed in the Company’s announcement dated 22 October 2003.

Qualified opinion given by the regarding accuracy of disclosure of certain items stated in the Company's financial statements for the financial year ended 31 December 2004

Reference is made to the financial statements in relation to the results of the Company for the year ended 31 December 2004 wherein the Auditors of the Company have given a qualified opinion of the Company's financial statements.

At the request of the Stock Exchange and to keep the public and the shareholders informed on the matters therein, the Company hereby clarifies and announces that the Company had kept proper books and records for the preparation of financial statements for the financial year ended 31 December 2004. The reason why the Auditors were not able to carry out auditing procedures for disclosure of certain items was due to insufficient time given to the Company to provide the relevant supporting documents as requested by the Auditors. Reasons for the insufficient time include resignation of the former qualified accountant of the Company in July 2004, recruitment of new financial personnel who needed time to familiarize themselves with the business operation of the Company as well as replacement of the Auditors in the year 2004 which had postponed the first auditing of the Company from October 2004 to February 2005 resulting in the tight time schedule. As the new qualified accountant of the Company was appointed in May 2005, the situation has now been improving.

In view of the above disclosed continuing connected transactions, the Exchange is concerned as to whether the Company has systems and controls in place to properly discharge its obligations including financial disclosure obligations under the GEM Listing Rules.

The trading of the Company's shares will remain suspended pending the announcement of its 2005 final results and the 2006 1st quarterly results and the concerns of the Exchange have been properly addressed.

By Order of the Board
Mudan Automobile Shares Company Limited
SUN Min Biao
Chairman

Zhangjiagang City, Jiangsu Province, the PRC
22 June 2006

As at the date hereof, the Board comprises eight (8) Directors, of which three (3) are executive Directors, namely Mr. SUN Min Biao, Mr. YANG De Xiang and Mr. HOU Cheng Bao; two (2) are non-executive Directors, namely Mr. LU Guo Zhang and Mr. ZHOU Pei Lin and three (3) are independent non-executive Directors, namely Mr. JIANG Lei, Mr. HUANG Zhen Hua and Ms. XIAO Wei Hong.

This announcement, for which 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 Growth Enterprise Market (the “GEM”) of the Stock Exchange 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: (1) the information contained in this announcement 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 announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

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>).

** For identification purpose only*