
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Mudan Automobile Shares Company Limited (“**Company**”), you should at once hand this circular and the accompanying form of proxy to the purchaser, the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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)

**CHANGE OF COMPOSITION OF THE BOARD;
PROPOSED AMENDMENT TO THE ARTICLES
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

This circular, for which the directors of the Company (“**Directors**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited 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 circular 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 circular misleading; and (3) all opinions expressed in this circular have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

This circular will remain on the website of the Growth Enterprise Market 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>).

CHARACTERISTICS OF GEM

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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.

DEFINITIONS

In this circular, the following expressions have the following meanings unless the context otherwise requires:

“Articles”	the articles of association of the Company (as amended from time to time)
“Board”	the board of Directors
“Chengdu New Dadi”	成都新大地汽車有限責任公司 (Chengdu New Dadi Motor Company Limited*), a limited company incorporated in the PRC
“Company”	牡丹汽車股份有限公司 (Mudan Automobile Shares Company Limited*), a company incorporated in the PRC with limited liability, the H Shares of which are listed on GEM, if not suspended
“Director(s)”	director(s) of the Company
“Domestic Shares”	domestic shares of RMB1.00 each issued by the Company
“EGM”	the extraordinary general meeting to be held at 11:30 a.m. on Thursday, 29 April 2010 to consider and, if thought fit, approve the Proposed Appointment and the proposed amendment to the Articles, the notice of which is set out on pages 7 and 8 of this circular
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“H Shares”	H Shares of RMB1.00 each issued by the Company
“Latest Practicable Date”	10 March 2010, being the latest practicable date prior to the date of this circular for the purpose of ascertaining certain information contained in this circular
“PRC”	the People’s Republic of China, and for the purpose of this circular, excluding the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan

DEFINITIONS

“Proposed Appointment”	the proposed appointment of the candidates as Directors, the details of whom are set out in this circular
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	share(s) of RMB1.00 each in the share capital of the Company, which comprises of the Domestic Shares and the H Shares
“Shareholder(s)”	holder(s) of Share(s)
“Shunde Ganghua”	佛山市順德港華實業有限公司 (Foshan City Shunde Ganghua Shiye Company Limited*), a company incorporated in the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

* *For identification purpose only*

LETTER FROM THE BOARD



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)

Executive Directors:

Mr. LI Zi Hao (*Chairman*)

Mr. PAN Li Chan

Non-executive Director

Mr. CHAN Man

Registered office:

No. 30 Lehong Road

Le Yu Town

Zhangjiagang City

Jiangsu Province

PRC

Independent non-executive Directors:

Mr. HUANG Chengye

Mr. WANG Ruihua

*Head office and principal place of business
in Hong Kong:*

2610-11, 26/F

Tower II, Lippo Centre

89 Queensway, Hong Kong

12 March 2010

To the Shareholders

Dear Sir or Madam,

CHANGE OF COMPOSITION OF THE BOARD AND PROPOSED AMENDMENT TO THE ARTICLES

INTRODUCTION

Reference is made to the Company's announcement dated 11 March 2010.

The purpose of this circular is to provide you with details of (i) the candidates of the Proposed Appointment, (ii) the proposed amendment to the Articles and (iii) to give you notice of EGM.

CHANGE OF COMPOSITION OF THE BOARD

The Board received resignation letters from the following Directors:

1. on 1 March 2010, Mr. GUO Hong, an independent non-executive Director, tendered his resignation from his office with effect from 3 March 2010 due to his other business engagements which require more of his dedication;

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LETTER FROM THE BOARD

2. on 6 March 2010, Mr. WANG Ruihua, an independent non-executive Director, tendered his resignation from his office with effect from the conclusion of the EGM due to his personal and other business engagements which require more of his dedication; and
3. on 10 March 2010, Mr. CHAN Man, an non-executive Director, tendered his resignation from his office with effect from the conclusion of the EGM due to his personal and other business engagements which require more of his dedication.

Each of Mr. CHAN Man, Mr. GUO Hong and Mr. WANG Ruihua has confirmed that he has no disagreements with the Board and there are no matters necessary to be brought to the attention to the Shareholders in respect of their resignations as a Director.

The Board would like to take this opportunity to thank Mr. CHAN Man, Mr. GUO Hong and Mr. WANG Ruihua for their valuable contribution and services to the Company during their tenures of office.

The Board proposed that, subject to the Shareholders' approval, the Company shall appoint the following candidates as new Directors:

Proposed non-executive Director

Mr. PAN Jin Rong (“Mr. Pan”)

Mr. Pan, aged 38, graduated from Shunde Normal School in 1990. Mr. Pan is the brother of Ms. PAN Li Chan, an executive Director, and the brother-in-law of Mr. LI Zi Hao, the chairman of the Company and an executive Director. He has over 20 years of working experience and is currently an executive director of Zhangjiagang City Rixin Tong Yun Logistics Equipment Limited* (張家港日新通運物流裝備有限公司) and Chengdu Yu Zhong Composite Materials Technology Limited* (成都裕眾複合材料科技有限公司). Mr. Pan is the sole executive director and holds 90% interests of Foshan Heli Car Trading Company Limited (佛山市合力汽車貿易公司), which was a Shareholder holding 300,000 Domestic Shares as at the Latest Practicable Date.

Proposed independent non-executive Directors

Mr. LIANG Bo Qi (“Mr. Liang”)

Mr. Liang, aged 44, is a certified public tax collector and a non-practiced registered accountant in the People's Republic of China (“PRC”), qualified as an industry accountant (intermediate level)* (工業會計師(中級)). Mr. Liang holds a bachelor's degree in modern economic management* (現代經濟管理). Mr. Liang has extensive working experience in economic and financial fields.

LETTER FROM THE BOARD

Mr. WU Bing Jian (“Mr. Wu”)

Mr. Wu, aged 49, is qualified as an economist and completed his study in finance through internet learning from the Southwestern University of Finance and Economics in 2007. Mr. Wu has over 30 years of working experience in the banking industry.

General disclosures

According to the Articles, Mr. Pan, Mr. Liang and Mr. Wu will each be appointed for a term of three years commencing from the date of the EGM.

The remuneration package of each of Mr. Pan, Mr. Liang and Mr. Wu will be determined after their appointments have been approved by the Shareholders at the EGM. The Company will take into account the duties and responsibilities, the remuneration benchmark in the industry and the prevailing market conditions to determine their remuneration package.

Save as disclosed above,

- (i) each of Mr. Pan, Mr. Liang and Mr. Wu did not hold any directorships in other listed company in the last three years and did not have any other major appointments and qualifications nor hold any other position with the Company or other members of the Group;
- (ii) each of Mr. Pan, Mr. Liang and Mr. Wu does not have any relationship with any other Directors, senior management of the Company, substantial Shareholders or controlling Shareholders;
- (iii) each of Mr. Pan, Mr. Liang and Mr. Wu does not have any interests in the Shares within the meaning of Part XV of the SFO; and
- (iv) there is no other matters concerning Mr. Pan, Mr. Liang and Mr. Wu that need to be brought to the attention of the Shareholders in relation to the Proposed Appointment and there is no other information which is discloseable pursuant to any of the requirements set out in Rule 17.50(2)(h) to (v) of the GEM Listing Rules.

NON-COMPLIANCE WITH MINIMUM NUMBER REQUIREMENT FOR INDEPENDENT NON-EXECUTIVE DIRECTORS

Upon the resignation of Mr. GUO Hong with effect from 3 March 2010, the Company has only two independent non-executive Directors and two members of audit committee commencing from 3 March 2010. The Company will in accordance with Rule 5.06 and Rule 5.33 of the GEM Listing Rules and subject to the approval of Shareholders, appoint one additional independent non-executive Director to meet the minimum number required under Rule 5.05(1) of the GEM Listing Rules and the minimum number of member of audit committee required under Rule 5.28 of the GEM Listing Rules within three months after failing to meet such requirement.

LETTER FROM THE BOARD

PROPOSED AMENDMENT TO THE ARTICLES

Article no. 14 of the Articles provides that the scope of business of the Company shall be manufacturing of vehicles, production and sales of vehicle parts.

In view of the expansion of the scope of business of the Company to include sales of vehicles (excluding sedan), the Board would like to propose amendment to the Articles. Details of the proposed amendments to the Articles are set out in resolution no. 4 set out in the notice of the EGM.

As confirmed by the legal advisers of the Company as to the PRC laws, the proposed amendment to the Articles comply with the PRC Company Law and 到境外上市公司章程必備條款 (the Mandatory Provisions for the Articles of Association of Companies Seeking a Listing Outside the PRC) promulgated on 27 August 1994 by the Securities Commission of the State Council and 中國國家經濟體制改革委員會 (the State Commission for Restructuring the Economic System of the PRC) in force.

EGM

The notice convening the EGM is set out on pages 7 and 8 of this circular. At the EGM, resolutions will be proposed for the purpose of considering and if thought fit, approving, the Proposed Appointment and the proposed amendment to the Articles by way of poll pursuant to the GEM Listing Rules.

A form of proxy for use at the EGM is also enclosed with this circular. To be valid, the form of proxy must be completed in accordance with the instructions printed thereon and deposited, together with the power of attorney or other authority at Hong Kong Registrars Limited, the Company's branch share registrar and transfer office in Hong Kong (for holders of H Shares), at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong or the registered office of the Company in Zhangjiagang, the PRC (for holders of Domestic Shares) as soon as possible but in any event not less than 24 hours before the time appointed for holding the EGM or any adjourned meeting. Completion and delivery of the form of proxy will not preclude you from attending and voting at the EGM or the adjourned meeting if you so wish.

RECOMMENDATION

The Directors consider that the Proposed Appointment and the proposed amendment to the Articles are in the interests of the Company and the Shareholders as a whole and recommend the Shareholders to vote in favour of all resolutions to be proposed at the EGM.

On behalf of the Board
LI Zi Hao
Chairman

NOTICE OF EXTRAORDINARY GENERAL MEETING



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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the extraordinary general meeting (“EGM”) (or any adjournment thereof) of Mudan Automobile Shares Company Limited (“**Company**”) will be held at 11:30 a.m. on Thursday, 29 April 2010 at Sheraton Shunde Hotel of 11 Desheng Zhong Road, Dailiang, Shunde District, Foshan, Guangdong Province, the People's Republic of China for the following purposes:

To consider and, if thought fit, pass each of the following resolutions as an ordinary resolution:

ORDINARY RESOLUTIONS

1. To approve the appointment of Mr. PAN Jin Rong as a director of the Company,
2. To approve the appointment of Mr. LIANG Bo Qi as a director of the Company.
3. To approve the appointment of Mr. WU Bing Jian as a director of the Company.

SPECIAL RESOLUTION

To consider and, if thought fit, pass the following resolution as a special resolution:

4. To add “sales of vehicles (excluding sedan)” behind “sales” in the second paragraph of article 14 of the articles of association of the Company.

By Order of the Board

Mudan Automobile Shares Company Limited*

LI Zi Hao

Chairman

Shunde, Foshan City, Guangdong Province, the PRC

12 March 2010

Notes:

1. The register of the members of the Company will be closed from Monday, 29 March 2010 to Thursday, 29 April 2010 (both days inclusive). No transfer of shares will be registered during this period. Holders of domestic shares and H shares whose names appear on the register of the Company as at 4:00 p.m. Monday,

* For identification purpose only

NOTICE OF EXTRAORDINARY GENERAL MEETING

29 March 2010 are entitled to attend and vote at the EGM mentioned above and may appoint one or more proxies in writing to attend and vote on their behalf in accordance with the Articles of Association of the Company. Shareholders may appoint one or more proxies to attend the EGM and vote on their behalf. A proxy need not be a member of the Company.

2. In order to be valid, the proxy form, under which it is signed, must be deposited by hand or post, for holders of H shares of the Company at the Company's branch share registrar and transfer office, Hong Kong Registrars Limited ("Company's Share Registrar") at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong and, for holders of domestic shares, to the Company not less than 24 hours before the time specified for holding the EGM (or any adjourned meeting thereof). If the proxy form is signed by a person under a power of attorney or other authority, a notarised power of attorney or authority shall be deposited at the same time as mentioned in the proxy form.
3. Shareholders or their proxies shall produce their identity documents when attending the EGM.
4. Shareholders who intend to attend the EGM should complete and return the enclosed reply slip and return it by hand or post to the Company's Share Registrar (for holders of H shares) or to the registered address of the Company (for holders of domestic shares) before 4:00 p.m. on Friday, 9 April 2010.
5. Shareholders attending the EGM shall be responsible for their own travel and accommodation expenses.
6. The registered address of the Company and the details of the secretarial office of the Board are as follows:

No. 30 Lehong Road
Le Yu Town
Zhangjiagang City
Jiangsu Province
The PRC
Tel: (512) 5860 5003
Fax: (512) 5896 9632
Post Code: 215621
7. As required under the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited, the above resolutions will be decided by way of a poll.

As at the date hereof, the Board comprises five (5) 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 two (2) are independent non-executive directors, namely Mr. HUANG Chengye, Mr. WANG Ruihua.

This notice, for which the directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Company. The directors of the Company, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this notice 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 notice misleading; and (3) all opinions expressed in this notice have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

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