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)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2009

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

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.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

This announcement for which the directors (the "Directors") of Mudan Automobile Shares Company Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors having made all reasonable enquires, confirm that, to the best of their knowledge and belief: (i) the information contained in this announcement is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this announcement misleading; and (iii) 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.

* *for identification purpose only*

FINANCIAL HIGHLIGHTS FOR THE YEAR ENDED 31 DECEMBER 2009

The Company's total turnover for the year ended 31 December 2009 amounted to RMB110,295,640, representing an increase of 930.96% compared to that of RMB10,698,243 generated in 2008.

The Company recorded a profit before taxation in the amount of RMB780,758 in 2009 (2008: loss before taxation in the amount of RMB78,519,809).

The Directors do not recommend the payment of final dividend in respect of the year ended 31 December 2009 (2008: Nil).

RESULTS

The Board of Directors ("**Board**") of Mudan Automobile Shares Company Limited (the "**Company**') is pleased to announced the audited consolidated results of the Company and its subsidiaries (collectively known as the "**Group**") for the year ended 31 December 2009, together with the audited comparative figures for the corresponding period in 2008 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2009

(Expressed in Renminbi)

	Notes	**2009**	2008
		RMB	*RMB*
Turnover	*4*	**110,295,640**	10,698,243
Cost of sales		**(133,530,190)**	(17,901,505)
Gross loss		**(23,234,550)**	(7,203,262)
Other operating income	*5*	**82,467,720**	8,125,997
Distribution expenses		**(3,141,898)**	(4,748,250)
General and administrative expenses		**(30,738,290)**	(65,323,353)
Other operating expenses	*6*	**(24,270,329)**	(12,914,195)
Net finance (expenses) income		**(301,895)**	3,543,254
Profit/(loss) before taxation	*7*	**780,758**	(78,519,809)
Income tax expenses	*8*	**–**	–
Profit/(loss) for the year attributable to the owners of the Company		**780,758**	(78,519,809)
Dividend	*9*	**–**	–
Earnings/(loss) per share	*10*		
– basic		**0.27 cents**	(27.6 cents)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2009

(Expressed in Renminbi)

	2009	2008
	RMB	*RMB*
Profit/(loss) for the year	**780,758**	(78,519,809)
Other comprehensive income:		
Exchange difference arising on translation of foreign operations	**–**	–
Total comprehensive income/(loss) for the year attributable to the owners of the Company	**780,758**	(78,519,809)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2009

(Expressed in Renminbi)

	Notes	**2009**	2008
		RMB	*RMB*
ASSETS AND LIABILITIES			
NON CURRENT ASSET			
Property, plant and equipment		**153,661,737**	171,643,007
CURRENT ASSETS			
Inventories		**15,526,468**	30,538,016
Trade and other receivables	*11*	**16,529,297**	5,005,494
Pledged bank deposits		**15,247,325**	9,089,340
Bank balances and cash		**6,660,902**	3,669,714
		53,963,992	48,302,564
CURRENT LIABILITIES			
Trade and other payables and bills payables	*12*	**125,116,837**	109,775,687
Amount due to a former shareholder		**1,045,306**	–
Amounts due to shareholders		**251,904**	5,147,671
Amount due to a related company		**9,509,793**	112,057,195
Bank borrowings		**10,000,000**	–
Income tax payable		**1,232,552**	1,232,552
		147,156,392	228,213,105
NET CURRENT LIABILITIES		**(93,192,400)**	(179,910,541)
NON-CURRENT LIABILITY			
Other borrowings		**67,956,113**	–
NET LIABILITIES		**(7,486,776)**	(8,267,534)
CAPITAL AND RESERVES			
Share capital		**284,800,000**	284,800,000
Statutory surplus reserve		**15,421,641**	15,421,641
Statutory public welfare fund		**15,421,641**	15,421,641
Accumulated losses		**(323,130,058)**	(323,910,816)
		(7,486,776)	(8,267,534)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2009
(Expressed in Renminbi)

	Share capital *RMB*	Statutory surplus reserve *RMB*	Statutory public welfare fund *RMB*	Accumulated losses *RMB*	Total capital and reserves *RMB*
At 1 January 2008	284,800,000	15,421,641	15,421,641	(245,391,007)	70,252,275
Loss for the year and total comprehensive loss for the year	–	–	–	(78,519,809)	(78,519,809)
At 31 December 2008 and 1 January 2009	284,800,000	15,421,641	15,421,641	(323,910,816)	(8,267,534)
Profit for the year and total comprehensive income for the year	–	–	–	780,758	780,758
At 31 December 2009	284,800,000	15,421,641	15,421,641	(323,130,058)	(7,486,776)

INDEPENDENT AUDITOR'S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

The auditor of the Company, Lo and Kwong C.P.A. Company Limited (the "Auditor"), made the disclaimer opinion in the independent auditor's report for the year ended 31 December 2009 as follow:

"MATERIAL FUNDAMENTAL UNCERTAINTY RELATING TO THE GOING CONCERN BASIS

In forming our opinion, we have considered the adequacy of the disclosures made in the consolidated financial statements concerning the adoption of the going concern basis for preparation. As set out in note 2 to the consolidated financial statements, the consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the successful implementation of certain financing and share capital restructuring plans and the debt restructuring result reached with the creditors, the financial support from the substantial shareholders and, among other things, the Group would be able to meet in full its financial obligations as they fall due for the foreseeable future. We consider that appropriate disclosures have been made in such consolidated financial statements concerning the relevant material uncertainty, but the inherent uncertainties surrounding the circumstances under which the Group might successfully continue to adopt the going concern basis are so extreme, we have disclaimed our opinion on material uncertainty relating to the going concern basis.

The consolidated financial statements of the Group do not include any adjustment that would be necessary if the Group failed to operate as a going concern. Had the going concern basis not been used, adjustments would have to be made to reduce the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liability as current assets and current liabilities respectively.

DISCLAIMER OF OPINION: DISCLAIMER ON VIEW GIVEN BY CONSOLIDATED FINANCIAL STATEMENTS

Because of the significance of the matters described in the material fundamental uncertainty relating to going concern basis paragraphs, we do not express an opinion on the consolidated financial statements as to whether they give a true and fair view of the state of affairs of the Group as at 31 December 2009 and of its profit and cash flows for the year then ended in accordance with International Financial Reporting Standards. In all other respects, in our opinion, the consolidated financial statements have been properly prepared in accordance with the Hong Kong Companies Ordinance."

1. General

Mudan Automobiles Shares Company Limited (the "Company") was established in The People's Republic of China (the "PRC") on 18 September 1998 as a joint stock company with limited liability, and its shares are listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The address of the registered office and place of business of the Company is No. 30 Lehong Road, LeYu Town, Zhangjiagang City, Jiangsu Province, PRC. After transfer of shareholding of the Company, Chengdu New Dadi Motor Company Limited, a private owned enterprise established in the PRC, is the Company's ultimate holding company.

The consolidated financial statements are presented in Renminbi ("RMB"), which is same as the functional currency of the Company and its subsidiaries (collectively known as the "Group").

The principal activity of the Group is manufacturing and distribution of automobiles.

The Company's H shares are listed on the Stock Exchange. As requested by the Company, trading of the H shares of the Company has been suspended since 2:30pm of 29 March 2005 and will remain to be suspended until further notice.

2. Basis of preparation of consolidated financial statements

As at 31 December 2009 the Group had net current liabilities and net liabilities of RMB93,192,400 and RMB7,486,776 respectively.

The Group had involved a number of litigations with its creditors. Part of the bank accounts of the Group have already been frozen following filing of the lawsuits. Up to the date of this announcement, the Group does not have enough cash to satisfy in full the claims stated in the writs above.

The directors of the Company have taken the following measures to improve its financial position:

(i) Carry out debt restructuring with its creditors. Up to the date of this announcement, the Company has reached agreements with some of its creditors in respect of debt restructuring and the court litigations with these creditors have been discharged;

(ii) The directors of the Company are considering to strengthen the capital base of the Company and provide immediate cash flow through various financing activities and capital restructuring;

(iii) The directors of the Company will continue to take action to strengthen cost control in respect of various administrative and other operating expenses, and is actively seeking new investment and business opportunities to pursue profitable businesses that would bring positive cash flow;

(iv) The directors of the Company are in the opinion that the Group would obtain continuous financial support from the substantial shareholders for the production and operation.

The directors of the Company believe that, in the light of the measures taken to date, together with the expected results of other measures in progress, the Group will have sufficient working capital to finance its operations and remain as a going concern in the foreseeable future. Accordingly, notwithstanding the Group had overdue debts and net current liabilities and net liabilities as at 31 December 2009, the directors of the Company are of the opinion that it is appropriate to prepare these consolidated financial statements on a going concern basis.

3. Significant accounting policies

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair values as explained in the accounting policies as set out below:

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (the "IFRSs") issued by the International Accounting Standards Board (the "IASB"). IFRSs include International Financial Reporting Standards and Interpretations.

These consolidated financial statements also comply with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure requirements of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange.

In the current year, the Group has applied, for the first time, all the revised IFRSs, International Accounting Standards ("IASs"), Amendments to Standards and Interpretations ("INT(s)") (hereinafter collectively referred to as "New IFRSs") issued by the International Accounting Standard Board ("IASB") which became effective for the Group's financial year beginning on 1 January 2009.

Except as described below, the adoption of the New IFRSs had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

i. IAS 1 (Revised 2007) Presentation of Financial Statements

IAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the consolidated financial statements.

ii. IFRS 8 Operating Segments

IFRS 8 is a disclosure standard that has resulted in a redesignation of the Group's reportable segments (see note 4).

iii. Improving Disclosures about Financial Instruments (Amendments to IFRS 7 Financial Instruments: Disclosures)

The amendments to IFRS 7 expand the disclosures required in relation to fair value measurements and liquidity risk. The Group has not presented comparative information for the expanded disclosures in accordance with the transitional provision set out in the amendments.

The Group has not early applied the following new and revised standards, amendments or INTs that have been issued but are not yet effective.

IFRSs (Amendments)	Amendments to IFRS 5 as part of Improvements to IFRSs 2008[1]
IFRSs (Amendments)	Improvements to IFRSs 2009[2]
IAS 24 (Revised)	Related Party Disclosures[3]
IAS 27 (Revised)	Consolidated and Separate Financial Statements[4]
IAS 32 (Amendment)	Classification of Rights Issues[5]
IAS 39 (Amendment)	Eligible Hedged Items[4]
IFRS 1 (Revised)	First-time Adoption of International Financial Reporting Standards[4]
IFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[6]
IFRS 2 (Amendment)	Group Cash-settled Share based Payment Transactions[6]
IFRS 3 (Revised)	Business Combinations[4]
IFRS 9	Financial Instruments[7]
IFRIC – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[3]
IFRIC – Int 17	Distributions of Non-cash Assets to Owners[4]
IFRIC – Int 19	Extinguishing Financial Liabilities with Equity Instruments[8]

1 Effective for annual periods beginning on or after 1 July 2009.

2 Effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate.

3 Effective for annual periods beginning on or after 1 January 2011.

4 Effective for annual periods beginning on or after 1 July 2009.

5 Effective for annual periods beginning on or after 1 February 2010.

6 Effective for annual periods beginning on or after 1 January 2010.

7 Effective for annual periods beginning on or after 1 January 2013.

8 Effective for annual periods beginning on or after 1 July 2010.

The application of IFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. IAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary.

IFRS 9 Financial Instruments introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The New IFRSs requires all recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. In addition, under the Standard, changes in fair value of equity investments are generally recognised in other comprehensive income, with only dividend income recognized in profit or loss. The application of IFRS 9 might affect the classification and measurement of the Group's financial assets.

In addition, as part of the Improvements to IFRSs (2009), IAS 17 Leases has been amended in relation to the classification of leasehold land. The amendments became effective from 1 January 2010, with earlier application permitted. Before the amendments to IAS 17, leases were required to classify leasehold land as operating leases and presented as prepaid lease payments in the consolidated statement of financial position. The amendments have removed such a requirement. Instead, the amendments require the classification of leasehold land to be based on the general principles set out in IAS 17, that are based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee. The application of the amendments to IAS 17 might affect the classification and measurement of the Group's leasehold land at revalued amount.

The directors of the Company anticipate that the application of the other new and revised standards, amendments or INTs will have no material impact on the consolidated financial statements.

4. Turnover and segment information

Turnover represents revenue arising from the sales of automobiles net of value added tax, discounts and returns.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services provided. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. The Group had only one operation for the two years ended 31 December 2009 and 2008, which was production and sale of automobiles.

The Group has adopted IFRS 8 Operating Segments with effect from 1 January 2009. IFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the directors of the company for the purpose of allocating resources to segments and assessing their performance. In contrast, the predecessor Standard (IAS 14, Segment Reporting) required an entity to identify two sets of segments (business and geographical) using a risks and returns approach. The application of IFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with IAS 14. Nor has the adoption of IFRS 8 changed the basis of measurement of segment profit or loss.

The directors of the company consider the business from both product and geographic perspective. From a product perspective, the chief operating decision maker assesses the performance of production and sale of automobiles. In addition, the chief operating decision maker further evaluated the result on a geographical basis (PRC and other countries).

(a) Segment revenues and results and segment assets and liabilities

The Group had only one business segment for the two years ended 31 December 2009 and 2008, which was production and sale of automobiles, no separate disclosure of segmental revenues and results and segment assets and liabilities would be made.

(b) Geographical information

The Group's revenue from external customers and assets by geographical location are detailed below:

	PRC		Other countries		Total	
	2009	2008	**2009**	2008	**2009**	2008
	RMB	*RMB*	***RMB***	*RMB*	***RMB***	*RMB*
Revenue:						
Sales to external customers	**103,137,608**	10,698,243	**7,158,032**	–	**110,295,640**	10,698,243
Segment assets	**207,625,729**	219,945,571	**–**	–	**207,625,729**	219,945,571
Unallocated assets					**–**	–
Total assets					**207,625,729**	219,945,571
Capital expenditure	**694,629**	61,589	**–**	–	**694,629**	61,589
Unallocated capital expenditure					**–**	–
Total capital expenditure					**694,629**	61,589

Sales are based on the country in which the Group's customers are located and segment assets and capital expenditure are where the assets are located.

(c) Information about major customers

Included in revenues arising from the Company attained an achievement in respect of establishment of sales team, the choice of sales platforms and timely release of new products RMB77,637,350 (2008:RMB4,670,085) are revenues of approximately RMB28,461,538 (2008:RMB4,670,085) which arose from sales to the Group's largest customer.

5. Other operating income

	2009	2008
	RMB	*RMB*
Waiver of other borrowings	**63,281,111**	–
Recovery the allowance for bad and doubtful for debts	**18,509,369**	–
Other income	**677,240**	–
Net income from sales of scrap materials and steels	**–**	311,802
Waive of a trade payable	**–**	1,770,000
Waive of welfare fund payable	**–**	6,044,195
	82,467,720	8,125,997

6. Other operating expenses

	2009	2008
	RMB	*RMB*
Litigation claims	**24,114,135**	12,912,943
Donations	**156,194**	–
Others	**–**	1,252
	24,270,329	12,914,195

7. Profit/(loss) before taxation

Profit/(loss) before taxation is arrived at after charging (crediting):

	2009	2008
	RMB	*RMB*
(a) Net finance (expenses) income:		
Interest on bank borrowings	**(293,849)**	–
Interest on discounting of bills receivable	**(53,391)**	–
Bank charges	**(36,642)**	(48,383)
Interest from pledged bank deposits	**81,987**	387,618
Interest income from installment sales	**–**	3,204,019
	(301,895)	3,543,254
(b) Other items:		
Auditors' remuneration	**449,740**	456,995
Impairment losses on trade and other receivables	**–**	41,119,806
Depreciation on property, plant and equipment	**18,513,705**	18,211,376

8. Income tax expenses

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profits tax rate from 17.5% to 16.5% effective from the year of assessment 2008/2009. Therefore, Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiary is 25% from 1 January 2008 onwards. For the years ended 31 December 2009, the EIT rate applicable to the Group's operations in the PRC was 15% (2008: 15%).

No Hong Kong profits tax has been provided in both years as the Group did not generate any assessable profits arising in Hong Kong for the years ended 31 December 2009 and 2008.

No profits taxes have been provided for the subsidiaries operating outside Hong Kong as these subsidiaries have not generated any assessable profits in their respective jurisdictions.

The tax charge for the year can be reconciled to the profit/(loss) before taxation per the consolidated income statements as follows:

	2009	2008
	RMB	*RMB*
Profit/(loss) before taxation	**780,758**	(78,519,809)
Tax at applicable tax rate	**195,189**	(19,629,952)
Tax effect of income not taxable for tax purpose	**(15,820,277)**	–
Tax effect of tax losses not recognised	**15,625,088**	19,629,952
Income tax expenses	**–**	–

9. Dividend

No dividend was paid or proposed for the year ended 31 December, 2009, nor has any dividend been proposed since the end of the reporting period (2008: Nil).

10. Earnings/(loss) per share

The calculation of the basic earnings per share is based on the profit attributable to the owners of the Company of RMB780,758 (2008: loss of RMB78,519,809) and based on the weighted average number of shares in issue during the year of 284,800,000 (2008: 284,800,000).

No diluted earnings/(loss) per share have been presented for the two years ended 31 December 2009 and 2008 as there was no dilutive potential ordinary share outstanding for both years.

11. Trade and other receivables

	2009	2008
	RMB	*RMB*
Trade and other receivables	**72,610,388**	79,547,269
Less: Allowance for doubtful trade and other receivables	**(56,939,235)**	(75,448,604)
	15,671,153	4,098,665
Advance deposits to suppliers	**391,078**	165,992
Other debtors	**467,066**	740,837
	16,529,297	5,005,494

An aging analysis of trade and other receivables (net of allowance for doubtful debts) are as follows:

	2009	2008
	RMB	*RMB*
Within 3 months	**8,487,800**	1,227,636
Over 3 months but less than 6 months	**7,043,353**	70,000
Over 6 months but less than 1 year	**–**	–
Over 1 year but less than 2 years	**–**	2,801,029
Over 2 years	**140,000**	–
	15,671,153	4,098,665

12. Trade and other payables and bills payables

	2009	2008
	RMB	*RMB*
Trade payables	**82,631,493**	70,649,182
Accrued salaries, bonus and welfare fund	**6,045,673**	743,423
Bills payables	**15,205,068**	–
Other payables	**21,234,603**	38,383,082
	125,116,837	109,775,687

An aging analysis of trade payables was as follows:

	2009	2008
	RMB	*RMB*
Due within 3 months	**40,234,321**	18,486,460
Due after 3 months within 6 months	**1,180,651**	–
Due after 6 months within 1 year	**16,720**	–
Due over 1 year	**41,199,801**	52,162,722
	82,631,493	70,649,182

EVENT AFTER THE REPORTING PERIOD

Possible cancellation of listing status of the Company

The board of directors of the Company (the "Board") has received a notice (the "Notice") from the Stock Exchange on 12 October 2007 that the Stock Exchange proposed to proceed to the cancellation of the listing of the shares of the Company pursuant to Rule 9.14 of the GEM Listing Rules.

The Company has yet to address the Exchange's concern on the Company's failure to meet its continuing obligations under the GEM Listing Rules. Trading in the H shares of the Company had remained suspended as the Company has failed to keep the market informed of its developments and financial results pursuant to the GEM Listing Rules and the Company's shareholders do not have the necessary information to appraise the position of the Company. Given the continued suspension for a prolonged period without the Company taking adequate action to obtain a restoration of listing, the Stock Exchange proposes to exercise its right to cancel the listing of the H shares of the Company pursuant to Rule 9.14 of the GEM Listing Rules.

Pursuant to the Notice, the Company is given a period of six months to remedy those matters that give rise to the Stock Exchange's proposal to cancel the listing. In this connection, the Company should demonstrate its compliance with the GEM Listing Rules and fulfil the following conditions for resumption to the satisfaction of the Stock Exchange:

i Address the issues that have been raised by the Stock Exchange to the Company including the issues related to certain continuing connected transactions of the Company;

ii Publish all outstanding financial results of the Company as required under the GEM Listing Rules;

iii Address any concern raised by the auditors of the Company through the qualification of their annual report on the financial statements of the Company published after the suspension; and

iv Demonstrate that the Company has in place adequate financial reporting system and internal control procedures to enable the Company to meet its obligations under the GEM Listing Rules.

If the Company fails to take adequate action to meet the conditions for resumption as required and obtained a restoration of listing, the listing division of the Stock Exchange will seek the approval of the GEM Listing Committee of the Stock Exchange to cancel the listing of the Company on the expiry of six months from the date of the Notice.

BUSINESS REVIEW AND PROSPECT

Business review and outlook for year 2009 is as follows:

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.

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

In the fiscal year 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. In the fiscal year 2009, the quality management system of the Company has passed the annual inspection by external experts.

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 trail production project.

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 t margin and satisfactory market response.

Staff recruitment

The numbers of staff as at 31 December 2009 decreased to 163 from approximately 225 at the beginning of the year.

Sales of products

The Mudan Auto brand owned by the Group has a history of over 30 years and enjoys rather high reputation in both mainland China and abroad. Mudan Auto has apparent competitive advantage in production facilities, manufacturing skills and product quality etc. Accordingly, the Company has sold over 564 (2008: 200) vehicles with various kinds of models of automobile under the Mudan Auto brand for the fiscal year 2009.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Principal activities

The principal activities of the Company are the manufacturing and sale of light-sized, medium-sized and large-sized buses under the brand names of "牡丹" and trademark of "". The Company's principal activities are manufacturing and distribution of automobiles. During the year, there was not material change in the business nature of the Company. An analysis of the main business and geographical distribution of business during the financial year of the Company is contained in the announcement, note 4. Revenue of the Company in 2009 all comprises the sale of automobiles in the PRC.

Turnover

Total turnover for the fiscal year 2009 amounted to RMB110,295,640, representing an increase of 930.96% compared to that of RMB10,698,241 generated in 2008. Turnover from light, medium and large-sized buses amounted to RMB13,240,068, RMB19,642,751 and RMB77,412,821 respectively (2008: RMB5,495,080, RMB533,076 and RMB4,670,085). Sales for light-sized, medium-sized and large-sized buses increased by 140.94%, 3,584.79% and 1,558% respectively.

The Company recorded a profit before taxation of RMB780,758 in 2009 (2008: loss before taxation in the amount of RMB78,519,809).

Cost of sales and gross profit

Cost of sales increased from RMB17,901,505 in 2008 to RMB133,530,190 in 2009. Marginal loss of the Company's products decreased from 67.33% in 2008 to 21.07% of marginal loss of the Company's products in 2009.

Other operating income

Other operating income for the fiscal year 2009 amounted to RMB82,467,720 (2008: RMB8,125,997), which included the income waive of other borrowings and recovery the allowance for bad and doubtful for debts of RMB63,281,111 and RMB18,509,369, respectively (2008: reversal of a trade payable and welfare fund payable were approximately RMB1,770,000 and RMB6,044,195 respectively).

Distribution expenses and general and administrative expenses

Distribution expenses in 2009 amounted to RMB3,141,898 (2008: RMB4,748,250), representing a significant decrease of approximately 33.83% compared to the same period of 2008.

The total general and administrative expenses for the fiscal year 2009 was RMB30,738,290 representing a significant decrease of 52.94% as compared to the amount of RMB65,323,353 in the corresponding period of 2008.

The Company's expenses on salaries, wages and bonus for the fiscal year 2009 amounted to RMB5,668,892 as compared to RMB2,995,944 in 2008, representing an increase of RMB2,672,948.

In the fiscal year of 2009, the net finance expenses amounted to RMB301,895 comprised interests on other borrowings and short term bank borrowings. Net finance income amounted to RMB3,543,254 in year of 2008.

Material investments and capital assets

As at the date of this announcement, the Company did not have any plan for material investments or acquisition of any material capital asset for 2009 and in the foreseeable future.

Exposure in exchange rate fluctuations

The Company has foreign currency transactions, which expose the Company to foreign currency risk. Certain bank balances and trade receivables of the Company are denominated in foreign currencies. The Company currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and regularly consider hedging significant foreign currency exposure should such need arises.

Significant investments held

The Company has no significant investments held during the year of 2009.

Financial resources and liquidity

The financial position of the Company comprised capital deficiency which amounted to RMB7,486,776 as at 31 December 2009 (2008: RMB8,267,534). Current assets amounted to RMB53,963,992 in total as at 31 December 2009 (2008: RMB48,302,564), of which RMB6,660,902 (2008: RMB3,669,714) were cash and bank balances. As at 31 December 2009, RMB15,247,325 (2008: RMB9,089,340) was pledged deposits and the deposits amounted to RMB15,205,068 (2008: Nil), have been pledged to bills payables. As at 31 December 2009, the Company has short term bank borrowings of RMB10,000,000 (2008: Nil) and any did not have long-term bank loans (2008: nil).

As at 31 December 2009, the Company had other borrowings of RMB67,956,113 (2008: Nil) from Jinmao and Jangsu Mudan. The Group's buildings are pledged as collateral security to secure the to the other borrowings. Such borrowings would not be demanded for repayment on or before 1 January 2011.

CONTINGENT LIABILITIES

Up to the date of this announcement, the Company had recognised the payables with approximately RMB63,127,994 in respect of involvements in a number of litigations in the PRC in the consolidated financial statement for year ended 31 December 2009.

(i) On or about 17 September 2007, 湖南汽車車橋廠 (Hunan Vehicle Chassis Factory) filed its writ with湖南省津市市人民法院 (the Jinshi City People's Court) against the Company. It was stated in the writ that the Company had failed to pay a total of RMB331,193 to the plaintiff for payment of the chassis supplied by the plaintiff to the Company. On 31 December 2009, the amount outstanding was RMB317,063;

(ii) 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. During the year the Company had paid RMB200,000 for this plaintiff. On 31 December 2009, the amount outstanding was RMB1,539,902.

(iii) 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). On 31 December 2009, the amount outstanding was RMB556,340.

(iv) 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. During the year the Company had paid RMB9,195,286 for this plaintiff. On 31 December 2009, the amount outstanding was RMB27,142,625.

(v) 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 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 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. During the year the Company had paid RMB1,000,000 for this plaintiff. On 31 December 2009, the amount outstanding was RMB3,823,439 and the Company is in the progress of performing the settlement agreement.

(vi) On or about 16 July 2008, 南京依維柯汽車有限公司 (Nanjing Lveco 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. On 31 December 2009, the Company had not repaid the said amount. The case had not been closed so the result has not been finalised by the court up to the date of this final result announcement.

(vii) 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.

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. On 31 December 2009, the amount outstanding was RMB308,133.

(viii) 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. On 31 December 2009, the amount outstanding is RMB17,600.

(ix) On or about 9 October 2009, 江蘇足跡塗料有限公司 (Jiangsu Zuji Painting Limited) ("Jiangsu Zuji") 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 RMB250,281. Pursuant to the settlement agreement by the Zhangjiagang City People's Court, the Company shall repay RMB225,253 to Jiangsu Zuji. On 31 December 2009, the amount outstanding was RMB155,253.

(x) On 5 April 2009, 江阴華士汽車座椅有限公司 filed its writ with 江阴市人民法院 (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. On 31 December 2009, the amount outstanding was RMB97,868. The case had not been closed so the result has not been finalised by the court up to the date of final result announcement.

(xi) On or about 9 November 2009, 杭州華通機械電器制造有限公司 (Hangzhou Huatong Electrical Appliance Limited) 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. On 31 December 2009, the amount outstanding was RMB683,333.

As at the date of this announcement, the Company has contingent liabilities in respect of the involvement in a number of litigations in the PRC, the details of which are set out as follows:

(i) 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 the date of this report, the amount outstanding is RMB27,142,625.

On 28 November 2009, 最高人民法院 (the PRC Supreme People's Court) ruled that 安徽省高級人民法院 (Anhui Senior Court) will examine the case and the enforcement by the Hefei City Middle People's Court will be suspended during the examination. As at the date of this report, no court hearing has been commenced.

(ii) On or about 30 November 2009, 蘇亞東 (Su Yadong) 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 RMB600,000.

Charges on assets

As at 31 December 2009, the Company had short term bank borrowings of RMB10,000,000 which were secured by certain plants and equipments of RMB149,448,671 (2008: Nil).

Gearing ratio

The Company's gearing ratio, which is calculated from total liabilities divided by net liabilities, was 28.73 (2008: 27.60) as at 31 December 2009.

Capital structure

During the year, there has been no change in the Company's share capital. As at 31 December 2009, the Company's operations were financed mainly by shareholders' equity, internal resources, bank borrowings and other borrowings. The Company will continue to adopt its treasury policy of placing the Company's cash and cash equivalents in interest bearing deposits.

Employee information

During the year, the average number of employees of the Company was 190 (2008: 208). Employees' remuneration included Directors' emoluments and the relevant cost of all staffs of approximately RMB6,220,825 (2008: RMB3,336,378). They were remunerated in accordance with their performance and market condition. Officially employed staff are entitled to social insurance. As at the date of this announcement, the Company does not have share option scheme.

Major customers and suppliers

The Company's sales to the five largest customers for the year ended 31 December 2009 accounted for less than 30% of the Company's turnover for the year (2008: more than 30%). Sales to the largest customer accounted for approximately 25.80% of the Company's turnover for the year. Sales to the five largest customers accounted for approximately 70.39% of the Company's turnover for the year.

The information in respect of the Company's purchases attributable to the major suppliers during the year are as follows:

	Percentage of the Company's total purchases	
	2009	2008
The largest supplier	**60.79%**	21.72%
Five largest suppliers in aggregate	**80.48%**	48.40%

Save for Zhangjiagang Jishun Transportation Industrial Co., Ltd, being the first largest supplier for the year ended 31 December 2009, which is an associate of Jiangsu Mudan Automobile Group Co., Ltd.

Save for Foshan Shunde Zhongyu Car Trading Company Limited, being the first largest customer for the year ended 31 December 2009, which is a shareholder of Mudan Automobile Shares Company Limited.

Save for Beijing Huaxia Dan Ni Vehicle, Investment Limited, fourth largest customer for the year ended 31 December 2009, which Mr. Li Zi Hao and Ms. Pan Li Chan have indirect beneficial interest in the aforesaid company. At no time during the year have the Directors, their associates and any shareholders of the Company (which to the knowledge of the Directors own more than 5% of the Company's share capital) had any interest in the major customers and suppliers of the Company.

ACQUISITION OF SHARE IN THE COMPANY AND MANDATORY 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 Share, 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 share of the Company

During the year, the Company and its subsidiaries has not purchased, sold or redeemed any of listed shares of the Company.

Corporate governance practice

The Company has complied with the code provisions of the Code on Corporate Governance Practices (the "CG Code") set out in the GEM Listing Rules throughout the year under review.

However, 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 in the extraordinary general meeting of the Company to be held on 29 April 2010, 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.

Code of conduct for directors carrying out securities transactions

The current Board is not aware any non-compliance with the requirements of securities transactions set out in rules 5.48 to 5.67 of the GEM Listing Rules during the year ended 31 December 2009. A code of conduct has been adopted with respect to the securities transactions carried out by Directors.

Audit Committee

The Audit Committee of the Company was established with written terms of reference based upon the guidelines published by the Hong Kong Institute of Certified Public Accountants. The primary duties of the Committee were to review and monitor the financial reporting process and internal control of the group. As at the date of this announcement, the Audit Committee of the Company comprised two Independent Non-executive Directors, namely Mr. WANG Ruihua and Mr. HUANG Chengye, of which Mr. WANG Ruihua is also the Chairman of the Audit Committee. The Company's consolidated financial statements for the year ended 31 December 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.

On behalf of the Board
Mudan Automobile Shares Company Limited
LI Zi Hao
Chairman

Shunde, Foshan City, Guangdong Province, the PRC
30 March 2010

As at the date of this announcement, 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. WANG Ruihua and Mr. HUANG Chengye.