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If you are in 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, accountant or other professional adviser.

If you have sold all your shares in Mudan Automobile Shares Company Limited, you should at once hand this circular and the accompanying form to the purchaser(s) or transferee(s) or to the licensed securities dealer or registered institution in securities or other agent through whom the sale was effected for transmission to the purchaser(s) or transferee(s).

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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)

**CONTINUING CONNECTED TRANSACTIONS
AND
NOTICE OF EGM**

**Independent financial adviser to
the Independent Board Committee and the Independent Shareholders**



A letter from the Board is set out on pages 5 to 19 of this circular and a letter from the Independent Board Committee is set out on page 20 of this circular. A letter from Mega Capital, the independent financial adviser to the Independent Board Committee and the Independent Shareholders, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 21 to 35 of this circular.

A notice convening the EGM to be held at No. 408 to 409, 2nd Floor, Block 3, Zone B, Da Liang International Business Mall, Shunde, Foshan City, Guangdong Province, the PRC on 26 May 2010 at 1:30 p.m. is set out on pages 43 to 45 of this circular. Whether or not you are able to attend the EGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the office of the Company's branch share registrars and transfer office in Hong Kong, Hong Kong Registrars Limited, at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, as soon as possible and in any event not less than 24 hours before the appointed time for holding the meeting or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting and any adjournment thereof (as the case may be) should you so wish.

* For identification purpose only

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.

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DEFINITIONS

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

“associates”	has the same meaning as defined in the Listing Rules
“Board”	the Board of Directors
“Business Day”	a day on which banks are open for general banking business in Hong Kong other than a Saturday
“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
“Cheerbond”	Cheerbond Investment International Limited, a company incorporated in Hong Kong with limited liability solely and beneficially owned by Mr. Li
“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, if not suspended, are listed on the Growth Enterprise Market of the Stock Exchange
“connected person”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Domestic Shares”	domestic shares of RMB1.00 each issued by the Company which, are not freely tradable in any of the stock exchanges in the PRC and Hong Kong
“EGM”	an extraordinary general meeting of the Company convened to be held at No. 408 to 409, 2nd Floor, Block 3, Zone B, Da Liang International Business Mall, Shunde, Foshan City, Guangdong Province, the PRC on 26 May 2010 at 1:30 p.m. to consider and, if thought fit, to approve the Vehicle Purchase Framework Agreements, the Vehicle Parts Purchase Framework Agreement and the Sale Framework Agreement and the relevant caps
“Foshan Heli”	佛山市合力汽車貿易有限公司 (Foshan Heli Car Trading Company Limited*), a company incorporated in the PRC
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange

DEFINITIONS

“Group”	the Company and its subsidiaries
“H Shares”	H Shares of RMB1.00 each issued by the Company which, if not suspended, are freely tradable on the Growth Enterprise Market of the Stock Exchange
“HK\$”	Hong Kong dollars
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee of the Company formed, to consider and give recommendation to the Independent Shareholders regarding, the terms of the Vehicle Purchase Framework Agreements, the Vehicle Parts Purchase Framework Agreements and the Sale Framework Agreement and the related annual caps
“Independent Shareholders”	has the meaning as ascribed thereto under the GEM Listing Rules
“Independent Third Party(ies)”	person(s), or in the case of companies, their ultimate beneficial owner(s), who are independent of and not connected with the Company and its subsidiaries and its connected persons or in the case of a corporation (the ultimate beneficial owner) their respective associates
“Mega Capital” or “Independent Financial Adviser”	Mega Capital (Asia) Company Limited, a licensed corporation under the SFO to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the terms of the Vehicle Purchase Framework Agreements, the Vehicle Parts Purchase Framework Agreement and the Sale Framework Agreement and the related annual caps
“Mr. Li”	Mr. LI Zi Hao, the chairman and an executive Director
“Mrs. Li”	Madam PAN Li Chan, an executive Director and the wife of Mr. Li
“Latest Practicable Date”	7 April 2010, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular

DEFINITIONS

“PRC”	the People’s Republic of China, which for the purpose of this circular excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“Previous Announcement”	announcement of the Company dated 15 December 2009 in relation to the details of the Purchase Agreements
“Purchase Agreements”	the sale and purchase agreements dated 6 January 2009 entered into between the Company as purchaser and Chengdu New Dadi as vendor in relation to the purchase of vehicles and vehicle parts, details of which are set out in the Previous Announcement
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Framework Agreement”	the sale framework agreement entered into on 10 February 2010 between Shunde Rixin as purchaser and the Company as vendor in relation to the sales of vehicles
“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 compose of the Domestic Shares and the H Shares
“Shareholder(s)”	holder(s) of Share(s)
“Shunde Rixin”	佛山市順德日新發展有限公司 (Foshan City Shunde Rixin Development Company Limited*), a company incorporated in the RPC
“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
“Shunde Zhongyu”	佛山市順德眾裕汽車貿易有限公司 (Foshan Shunde Zhongyu Car Trading Company Limited*), a company incorporated in the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vehicle Purchase Framework Agreements”	Vehicle Purchase Framework Agreement I and Vehicle Purchase Framework Agreement II

DEFINITIONS

“Vehicle Purchase Framework Agreement I”	the vehicle purchase framework agreement entered into on 10 February 2010 between the Company as purchaser and Chengdu New Dadi as vendor in relation to the purchase of large-sized buses
“Vehicle Purchase Framework Agreement II”	the vehicle purchase framework agreement entered into on 10 February 2010 between the Company as purchaser and Chengdu New Dadi as vendor in relation to the purchase of trucks
“Vehicle Parts Purchase Framework Agreement”	the vehicle parts purchase framework agreement entered into on 10 February 2010 between the Company as purchaser and Chengdu New Dadi as vendor in relation to the purchase of vehicle parts
“%”	Percentage

* *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

Ms. PAN Li Chan

Non-executive Director:

Mr. CHAN Man

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

Registered office:

No. 30 Lehong Road

Le Yu Town

Zhangjiagang City

Jiangsu Province

PRC

9 April 2010

To the Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

Reference is made to the Company's announcement dated 12 February 2010, in which the Directors announced that, during the Company's course of review of the business, the Board noted that the transactions entered into between the Group and Chengdu New Dadi under the Purchase Agreements for the period from 1 January 2009 to 31 December 2009 was RMB78,249,000, which was wrongly stated as RMB77,904,000 in the announcement dated 12 February 2010. As the Directors expect that there will be rising demand in automobile in the PRC in 2010 and 2011, the Board anticipates that the Company will purchase more vehicles and vehicle parts from Chengdu New Dadi and the aggregate value of such transactions to be entered into is expected to exceed the maximum amount previously stated in the Previous Announcement and Purchase Agreements, i.e. RMB91,000,000. In view of this, the Directors consider that it is necessary for the Group to enter into the Vehicle Purchase Framework Agreements and the Vehicle Parts Purchase

* For identification purpose

LETTER FROM THE BOARD

Framework Agreement to replace the Purchase Agreements. For information purposes only, no transactions were entered into between the Group and Changdu New Dadi under the Purchase Agreements from 1 January 2010 to 28 February 2010.

Accordingly, the Company announced that on 10 February 2010, the Company entered into the Vehicle Purchase Framework Agreements and the Vehicle Parts Purchase Framework Agreement, in relation to the purchase of vehicles and vehicles parts from Chengdu New Dadi to replace the Purchase Agreements.

The Board also announced that on 10 February 2010 the Company entered into the Sale Framework Agreement with Shunde Rixin pursuant to which Shunde Rixin agreed to purchase vehicles from the Group in an aggregate amount of RMB208,980,000.

As at the Latest Practicable Date, the Directors expected that the aggregate amount of transactions entered or to be entered under the Purchase Agreement would not be more than RMB10 million from 1 March 2010 to the date of the Vehicle Purchase Framework Agreements and the Vehicle Parts Purchase Framework Agreement becoming effective.

As at the Latest Practicable Date, no transactions have been entered into between the Company and (i) Chengdu New Dadi under the Vehicle Purchase Framework Agreements and the Vehicle Parts Purchase Framework Agreement; and (ii) Shunde Rixin under the Sales Framework Agreement since 1 March 2010.

Once the Vehicle Purchase Framework Agreements and the Vehicle Parts Purchase Framework Agreement become effective, they will supersede the Purchase Agreements. Should the Vehicle Purchase Framework Agreements and the Vehicle Parts Purchase Framework Agreement fail to become effective, any purchases with respect to the Purchase Agreements would follow with the terms under the Purchase Agreements given that Purchase Agreements would be continued to be valid up to 30 June 2010.

As the applicable percentage ratios in respect of the relevant percentage ratios for each of the annual caps under the Vehicle Purchase Framework Agreements, the Vehicle Parts Purchase Framework Agreement and the Sale Framework Agreement are more than 2.5% and the annual consideration is expected to be more than HK\$10,000,000, each of the Vehicle Purchase Framework Agreements, the Vehicle Parts Purchase Framework Agreement and the Sale Framework Agreement will be subject to the reporting, announcement and Independent Shareholders' approval requirements under Rule 20.45 to 20.48 of the GEM Listing Rules.

The Independent Board Committee, comprising Mr. Huang Chengye and Mr. Wang Ruihua, all being independent non-executive Directors, has been established to advise the Independent Shareholders as to whether the terms of the Vehicle Purchase Framework Agreements, the Vehicle Parts Purchase Framework Agreement and the Sale Framework Agreement and the related annual caps are fair and reasonable and to advise the Independent Shareholders on how to vote, taking into account the recommendations of the Independent Financial Adviser.

LETTER FROM THE BOARD

Mega Capital has been appointed to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Vehicle Purchase Framework Agreements, the Vehicle Parts Purchase Framework Agreement and Sale Framework Agreement and the related annual caps are fair and reasonable.

The purpose of this circular is to provide, among other things, (i) details of the Vehicle Purchase Framework Agreements, the Vehicle Parts Purchase Framework Agreement and the Sale Framework Agreement; (ii) the letter from Mega Capital to both the Independent Board Committee and the Independent Shareholders; (iii) the recommendation of the Independent Board Committee to the Independent Shareholders; and (iv) a notice convening the EGM.

VEHICLE PURCHASE FRAMEWORK AGREEMENTS AND VEHICLE PARTS PURCHASE FRAMEWORK AGREEMENT

The principal terms of the Vehicle Purchase Framework Agreement I and the Vehicle Purchase Framework Agreement II are summarised as follows:

Vehicle Purchase Framework Agreement I

Date

10 February 2010

Parties

The Company (as purchaser) and Chengdu New Dadi (as vendor)

Term

Pursuant to the Vehicle Purchase Framework Agreement I, the Company agreed to purchase large-sized buses of RX6120 in an aggregate consideration of RMB183,600,000. The Vehicle Purchase Framework Agreement I is valid for a term commencing from 1 March 2010 until 31 August 2011.

Condition Precedent

The continuing connected transactions contemplated under the Vehicle Purchase Framework Agreement I are subject to the approval of the Independent Shareholders at the EGM.

Pricing

Pricing for the large-sized buses of RX6120 of RMB408,000 per bus was determined principally after arm's length negotiation between the parties according to the principle of fairness and reasonableness with reference to the market price of similar vehicles from time to time. Such transactions will be conducted in the ordinary

LETTER FROM THE BOARD

and usual course of business of the Company, on normal commercial terms and on terms not less favourable to the Company than terms available to or from Independent Third Parties.

Payment Terms

- (i) An initial deposit of RMB1 million will be payable by the Company in seven days upon signing of the Vehicle Purchase Framework Agreement I, such deposit will be set off against the payment of the purchase price for the delivery of vehicles in August 2011;
- (ii) 25 large-sized buses of RX6120 will be delivered to the Company before 30th day of each month during the term of the Vehicle Purchase Framework Agreement I, except those will be delivered to the Company before 28th day in February; and
- (iii) the payment is required to be made upon each delivery of the large-sized buses of RX6120.

Historical Figures

The amount of transactions for the purchase of the large-sized buses from Chengdu New Dadi for the year ended 31 December 2009 was RMB77,835,000.

Maximum Annual Caps

The transactions contemplated under the Vehicle Purchase Framework Agreement I for each of the year ending 31 December 2010 and 2011 are subject to the annual caps set out below:

For the year ending 31 December 2010	RMB102,000,000
For the year ending 31 December 2011	RMB81,600,000

The above annual caps were determined with reference to (a) the prevailing market conditions relating to the demand for vehicles in the PRC; and (b) the business development plan of the Company relating to the trading of the vehicles in 2010 and 2011.

According to the business development plan of the Company, the Company plans to sell the large-sized buses of RX6120 under the Vehicle Purchase Agreement I to 成都市新大地穗通客車有限公司 (Chengdu City New Dadi Suitong Coach Limited* (“Suitong Coach”)).

To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, (i) Suitong Coach is principally engaged in the sales and trading of large-sized buses in the PRC and (ii) each of Suitong Coach and its ultimate beneficial owners is a third party independent of the Company, the connected persons

LETTER FROM THE BOARD

of the Company, Chengdu New Dadi, Mr. Li, Mrs. Li, Mr. Chan Man and their respective associates. Suitong Coach is the Group's existing customer. The Group sourced SuitongCoach as customer from the Group's distribution network.

Vehicle Purchase Framework Agreement II

Date

10 February 2010

Parties

The Company (as purchaser) and Chengdu New Dadi (as vendor)

Terms

Pursuant to the Vehicle Purchase Framework Agreement II, the Company agreed to purchase two kinds of trucks, RX3110ZP and RX3161ZA, in an aggregate consideration of RMB601,470,000. The Vehicle Purchase Framework Agreement II is valid for a term commencing from 1 March 2010 until 31 August 2011.

Condition Precedent

The continuing connected transactions contemplated under the Vehicle Purchase Framework Agreement II are subject to the approval of the Independent Shareholders at the EGM.

Pricing

Pricing for the trucks (RX3110ZP at RMB83,000 each and RX3161ZA at RMB110,000 each) were determined principally after arm's length negotiation between the parties according to the principle of fairness and reasonableness with reference to the market price of the similar vehicles from time to time. Such transactions will be conducted in the ordinary and usual course of business of the Company, on normal commercial terms and on terms not less favourable to the Company than terms available to or from Independent Third Parties.

Payment Terms

- (i) An initial deposit of RMB1 million will be payable by the Company in seven days upon signing of the Vehicle Purchase Framework Agreement II, such deposit will be set off against the payment of the purchase price for the delivery of trucks in August 2011;
- (ii) 225 trucks of RX3110ZP and 134 trucks of RX3161ZA will be delivered to the Company before 30th day of each month during the term of the Vehicle Purchase Framework Agreement II, except those will be delivered to the Company before 28th day in February; and

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(iii) the payment is required to be made upon each delivery of the trucks.

Historical Figures

The Company did not have similar transactions with Chengdu New Dadi for the year ended 31 December 2009.

Maximum Annual Caps

The transactions contemplated under the Vehicle Purchase Framework Agreement II for each of the year ending 31 December 2010 and 2011 are subject to the annual caps set out below:

For the year ending 31 December 2010	RMB334,150,000
For the year ending 31 December 2011	RMB267,320,000

The above annual caps were determined with reference to (a) the prevailing market conditions relating to the demand for vehicles in the PRC; and (b) the business development plan of the Company relating to the trading of the vehicles in 2010 and 2011.

According to the business development plan of the Company, the Company plans to sell the trucks of RX3161ZA to 成都市蒲輝汽貿有限責任公司 (Chengdu City Puhui Vehicles Trading Limited*) (“Puhui Vehicles”) and 十堰市皇馬實業有限公司 (ShiYan City Huang Ma Shi Ye Limited*) (“HMSY”), and plans to sell the trucks of RX3110ZP to HMSY only.

To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, (i) each of Puhui Vehicles and HMSY is principally engaged in the sales and trading of trucks in the PRC; and (ii) each of Puhui Vehicles and HMSY and their respective ultimate beneficial owners is an Independent Third Party, not a connected person of the Company, Chengdu New Dadi, Mr. Li, Mrs. Li, Mr. Chan Man and their respective associates. Puhui Vehicles and HMSY are the Group’s existing customers. The Group sourced Puhui Vehicles and HMSY as customers from the Group’s distribution network.

Vehicle Parts Purchase Framework Agreement

The principal terms of the Vehicle Parts Purchase Framework Agreement are summarised as follows:

Date

10 February 2010

Parties

The Company (as purchaser) and Chengdu New Dadi (as vendor)

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Term

Pursuant to the Vehicle Parts Purchase Framework Agreement, the Company agreed to purchase vehicle parts with the purposes of manufacturing the large-sized buses of MD6110ADY in an aggregate consideration of RMB40,800,000. The Vehicle Parts Purchase Framework Agreement is valid for a term commencing from 1 March 2010 until 28 February 2011.

Condition Precedent

The continuing connected transactions contemplated under the Vehicle Parts Purchase Framework Agreement are subject to the approval of the Independent Shareholders at the EGM.

Payment Term

Vehicle parts will be delivered to the Company before 30th day of each month during the term of the Vehicle Parts Purchase Framework Agreement, except those will be delivered to the Company before 28th day in February. The payment is required to be made upon each delivery of the vehicle parts.

Pricing

Pricing for the vehicle parts was determined principally after arm's length negotiation between the parties according to the principle of fairness and reasonableness with reference to the market price of the vehicle parts from time to time. Such transactions will be conducted in the ordinary and usual course of business of the Company, on normal commercial terms and on terms not less favourable to the Company than terms available to or from Independent Third Parties.

Historical Figures

The amount of transactions for the purchase of vehicle parts from Chengdu New Dadi for the year ended 31 December 2009 was RMB414,000.

Maximum Annual Caps

The transactions contemplated under the Vehicle Parts Purchase Framework Agreement for each of the year ending 31 December 2010 and 2011 are subject to the annual caps set out below:

For the year ending 31 December 2010	RMB34,000,000
For the year ending 31 December 2011	RMB6,800,000

The above annual caps were determined with reference to (a) the prevailing market conditions relating to the demand for vehicle parts in the PRC; and (b) the business development plan of the Company relating to the manufacturing and sales of vehicles in 2010 and 2011.

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SALE FRAMEWORK AGREEMENT

Date

10 February 2010

Parties

The Company (as vendor) and Shunde Rixin (as purchaser)

Term

Pursuant to the Sale Framework Agreement, the Company agreed to sell large-sized buses of MD6110ADY, which would be manufactured by the Group, to Shunde Rixin in an aggregate amount of RMB208,980,000. The Sale Framework Agreement is valid for a term commencing from 1 March 2010 until 31 August 2011.

Condition Precedent

The continuing connected transactions contemplated under the Sale Framework Agreement are subject to the approval of the Independent Shareholders at the EGM.

Payment Term

- (i) An initial deposit of RMB1 million will be payable to the Company by Shunde Rixin within one month upon signing of the Sale Framework Agreement, such deposit will be set off against the payment of purchase price for the delivery of large-sized buses of MD6110ADY in August 2011;
- (ii) 27 large-sized buses will be delivered to Shunde Rixin before 30th day of each month during the term of the Sale Framework Agreement, except those will be delivered to Shunde Rixin before 28th day in February; and
- (iii) the payment is required to be made upon each delivery of the large-sized buses of MD6110ADY.

Pricing

Pricing for large-sized buses of MD6110ADY of RMB430,000 per large-size bus was determined principally after arm's length negotiation between the parties according to the principle of fairness and reasonableness with reference to the market price of similar vehicles from time to time. Such transaction will be conducted in the ordinary and usual course of business of the Company, on normal commercial terms and on terms not less favourable to the Company than terms available to or from Independent Third Parties.

LETTER FROM THE BOARD

Historical Figures

The Company did not have similar transaction with Shunde Rixin for the year ended 31 December 2009.

Maximum Aggregate Annual Cap

The transactions contemplated by the Sale Framework Agreements for each of the year ending 31 December 2010 and 2011 are subject to the annual caps set out below:

For the year ending 31 December 2010	RMB116,100,000
For the year ending 31 December 2011	RMB92,880,000

The above annual caps were determined with reference to (a) the prevailing market conditions relating to the demand for vehicles in the PRC; and (b) the business development plan of the Company relating to the production and sales level of the vehicles in 2010 and 2011.

REASONS FOR AND BENEFITS OF THE TRANSACTIONS

The Company is principally engaged in manufacturing, sales and trading of automobiles.

The reasons for and the benefit to the Company in entering into the Vehicle Parts Purchase Framework Agreement are to, among other matters, purchase vehicle parts that are essential in the manufacturing of automobiles and maximise the benefits of economies of scale.

The reason for and the benefit to the Company in entering into the Vehicle Purchase Framework Agreements is to enable the Group to source certain models of vehicles which the Group does not manufacture for re-sale purpose.

According to the 2009 third quarterly report of the Company, the trial production of large-sized buses of MD6110, one of the new products of the Company, which was launched in the automobile market with limited quantity was successful. The large-sized buses of MD6110 produced by the Group were only sold to 北京華夏丹尼汽車投資股份有限公司 (Beijing Huaxia DanNi Vehicle Investment Limited*) (“Beijing Huaxia”) in 2009. According to an agreement and supplemental agreement entered into between Beijing Huaxia and the Company dated 20 February 2009 and 3 March 2009, respectively, Beijing Huaxia agreed to purchase 22 large-sized buses of MD6110 in the amount of RMB8.316 million from the Group. Beijing Huaxia is owned as to 60% by Shunde Rixin and is principally engaged in development of high-tech new vehicles and other investments. Mr. Li and Mrs. Li are the directors of Beijing Huaxia.

Since the Group has the exclusive right for the manufacturing of large-sized buses of MD6110ADY from the Ministry of Industry and Information Technology of the PRC, neither Chengdu New Dadi nor Shunde Rixin can manufacture MD6110ADY. As at the Latest

LETTER FROM THE BOARD

Practicable Date, Chengdu New Dadi and Shunde Rixin have no intention to apply for the approval/license for the manufacturing of MD6110ADY or those large-sized buses similar to MD6110ADY.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the Latest Practicable Date, (i) Shunde Rixin has not sold any MD6110ADY; (ii) Chengdu New Dadi has not manufactured any large-sized bus similar to MD6110ADY; and (iii) Shunde Rixin's customers of MD6110ADY are the end users of the vehicles and there is no relationship between them and each of the Group, Shunde Rixin, Chengdu New Dadi, Mr. Lee, Mrs. Li, Mr. Chan and/or their respective associates.

The Group began in trading of automobiles in January 2009. The Directors are of the view that, in the automobile industry, especially buses and trucks for long distance travel purposes, after-sales services such as maintenance and repairing vehicles under warranty could be one of the significant factors for customers when making their purchase decisions. As at the Latest Practicable Date, the Group had 32 service centers in 15 provinces/cities in the PRC to provide after-sales services to customers while Chengdu New Dadi did not provide any after-sales services to its customers, it only relied on the services provided by its agents within their own regions to their customers. By entering into the Vehicle Purchase Framework Agreements, Sale Framework Agreement and together with the Group's services and distribution network, the Group expects that it could increase the market share in the automobile market.

Before 16 June 2009, i.e. the date of which Chengdu New Dadi became the controlling Shareholder, the Group did not manufacture and/or sell any large-sized buses similar to MD6110ADY, and/or trucks similar to RX3110ZP or RX3161ZA.

Before October 2007, i.e. the date of suspension of the production of the Company, the Group could manufacture and/or sell large-sized buses similar to RX6120, relevant parts to manufacture those large-sized buses were purchased from other suppliers which are independent third parties to the Group. However, since the requirements for manufacturing and/or sell large-sized buses similar to RX6120 had been changed by the relevant regulator in the PRC with effect from 1 July 2008, the Group was then no longer licensed to manufacture and/or sell large-sized buses similar to RX6120 after 1 July 2008.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Suitong Coach, Puhui Vehicles and HMSY were customers of Chengdu New Dadi. As mentioned above, in the automobile industry, in particular for buses and trucks for long distance travel purposes such as the Group's large-sized buses RX6120/MD6110ADY or trucks of RX3110ZP/RX3161ZA, the after-sales servicing and the warranties for maintenance and repair are one of the significant factors for customers when making their purchase decisions. The Group has extensive network to provide quality after-sales services to its customers whereas Chengdu New Dadi does not provide any after-sales services to its customers. Given that Suitong Coach, Puhui Vehicles and HMSY are automobile agents and previous customers of Chengdu New Dadi, before entering into the Vehicles Purchase Framework Agreements, they were required to provide after-sales services to their customers. By entering into the Vehicle Purchase Framework Agreements and Vehicle Parts Purchase Framework Agreements, Suitong Coach, Puhui Vehicles and

LETTER FROM THE BOARD

HMSY can outsource the extensive after sales services to the Group and their respective customers will be able to use the extensive after-sales services provided by the Group in 15 provinces/cities in the PRC. Since the operation had been resumed and the Group had re-built an extensive sales and distribution network since 2008, Suitong Coach, Puhui Vehicles and HMSY became aware of the Group's products and services and began to purchase vehicles from the Group recently based on the reasons stated above.

For information purposes only, the Group purchased large-sized buses RX6120 from Chengdu New Dadi in 2009 and such large-sized buses were in turn sold to Suitong Coach, Shunde Zhongyu, Foshan Nanhai Suitong Automobile Trading Limited ("Nanhai Suitong") and Chongqing Xiangneng Trading Limited ("Chongqing Xiangneng"). Each of Nanhai Suitong and Chongqing Xiangneng is principally engaged in the trading of automobiles. Shunde Zhongyu purchased RX6120 from the Group during February to March 2009, before it became a connected person of the Company on 16 June 2009 when Shunde Zhongyu and parties acting in concert with it became controlling Shareholders of the Company. In order to facilitate the needs of its customers, Shunde Zhongyu purchased RX6120 from the Group to take advantage of the Group's extensive after-sales network. Puhui Vehicles and HMSY began to purchase trucks of RX3161ZA and RX3110ZP from the Group in 2010 and since 1 January 2010, Puhui Vehicles and HMSY have no longer purchased vehicles from Chengdu New Dadi.

Save as disclose above, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of Suitong Coach, Puhui Vehicles, HMSY, Beijing Huaxia, Nanhai Suitong, Chongqing Xiangneng and Shunde Rixin's customers has/have no relationships with each of Shunde Rixin, Chengdu New Dadi, Mr. Li, Mrs. Li, Mr. CHAN Man and/or their respective associates.

The Directors (including the independent non-executive Directors but excluding Mr. LI, Mrs. LI and Mr. CHAN Man who are required to abstain from giving opinion) consider that the transactions contemplated under the Vehicle Purchase Framework Agreements, the Vehicle Parts Purchase Framework Agreement and the Sale Framework Agreement are on normal commercial terms, in the ordinary and usual course of business of the Company, and that the proposed caps in respect of the Vehicle Purchase Framework Agreements, the Vehicle Parts Purchase Framework Agreement and the Sale Framework Agreement are fair and reasonable.

IMPLICATIONS OF THE GEM LISTING RULES

Relationships between the parties

Chengdu New Dadi

Chengdu New Dadi is a limited liability company incorporated in the PRC. Each of Mr. Li, Mrs. Li and Mr. CHAN Man is a director of Chendu New Dadi.

Chengdu New Dadi is owned as to 50% by 中汽聯汽車技術(成都)有限責任公司 (China Auto Union (Chengdu) Company Limited) and 50% by Shunde Rixin.

LETTER FROM THE BOARD

Shunde Rixin

Shunde Rixin is a limited liability company incorporated in the PRC and is beneficially owned as to 80% by Mr. Li and 20% by Mrs. Li. Mr. Li is also the sole director of Shunde Rixin.

Shunde Ganghua

Shunde Ganghua is a limited liability company incorporated in the PRC and is wholly and beneficially owned by Mrs. Li, who is also the sole director of Shunde Ganghua.

Foshan Heli

Foshan Heli is a limited liability company incorporated in the PRC and is beneficially owned as to 90% by Mr. PAN Jin Rong, the brother of Mrs. Li, who is also the sole director of Foshan Heli, and 10% by Ms. LIANG You Fu, the mother of Mr. PAN Jin Rong.

Shunde Zhongyu

Shunde Zhongyu is a limited liability company incorporated in the PRC and is wholly and beneficially owned by Ms. WU Shu Yun, who is the wife of Mr. PAN Jin Rong, the brother of Mrs. Li. Ms. WU Shu Yun is also the sole director of Shunde Zhongyu.

Cheerbond

Cheerbond is an investment holding company incorporated in Hong Kong which is wholly and beneficially owned by Mr. Li who is also the sole director of Cheerbond.

Vehicle Purchase Framework Agreements and Vehicle Parts Purchase Framework Agreement

As Chengdu New Dadi is a substantial Shareholder interested in 100,340,000 Domestic Shares, representing approximately 35.23% of the voting rights of the Company, it is a connected person of the Company as defined under Rule 20.11 of the GEM Listing Rules. Accordingly, the transactions under the Vehicle Purchase Framework Agreements and the Vehicle Parts Purchase Framework Agreement constitute continuing connected transactions of the Company under the GEM Listing Rules. In addition, pursuant to Rule 20.41 of the GEM Listing Rules, where any variation or renewal of the Purchase Agreements, the Company must comply with the reporting, announcement and Independent Shareholders' approval requirements under Chapter 20 of GEM Listing Rules.

As the applicable percentage ratios in respect of the relevant percentage ratios for the annual caps of the Vehicle Purchase Framework Agreements and the Vehicle Parts Purchase Framework Agreement are more than 2.5% and the annual consideration is expected to be more than HK\$10,000,000, the transactions contemplated under the Vehicle Purchase Framework Agreements and the Vehicle Parts Purchase Framework Agreement will be subject to the reporting, announcement and Independent Shareholders' approval requirements under Rule 20.45 to 20.48 of the GEM Listing Rules.

LETTER FROM THE BOARD

Based on the relationships between the parties as described above, Chengdu New Dadi, Shunde Ganghua, Foshan Heli, Shunde Zhongyu, Cheerbond and their respective associates will abstain from voting at the EGM.

Sale Framework Agreement

As Shunde Rixin is interested in 50% of the voting rights of the Chengdu New Dadi and Mr. Li, chairman and Director of the Company, is the sole director of Shunde Rixin, Shunde Rixin is a connected person of the Company as defined under Rule 20.11 of the GEM Listing Rules. Accordingly, the transactions contemplated under the Sale Framework Agreement constitute continuing connected transactions of the Company under the GEM Listing Rules.

As the applicable percentage ratios in respect of the relevant percentage ratios for the annual caps of the Sale Framework Agreement are more than 2.5% and the annual considerations is expected to be more than HK\$10,000,000, the Sale Framework Agreement will be subject to the reporting, announcement and Independent Shareholders' approval requirements under Rule 20.45 to 20.48 of the GEM Listing Rules.

Based on the relationships between the parties as described above, Chengdu New Dadi, Shunde Ganghua, Foshan Heli, Shunde Zhongyu, Cheerbond and their respective associates will abstain from voting at the EGM.

As at the Latest Practicable Date, Chengdu New Dadi, Shunde Ganghua, Foshan Heli, Shunde Zhongyu and Cheerbond and their associates are together interested in 196,250,000 Domestic Shares and 10,080,824 H Shares, representing approximately 72.45% of the voting rights of the Company.

Independent Board Committee

The Independent Board Committee, comprising Mr. Huang Chengye and Mr. Wang Ruihua, all being independent non-executive Directors, has been established to advise the Independent Shareholders as to whether the terms of the Vehicle Purchase Framework Agreements, the Vehicle Parts Purchase Framework Agreement and the Sale Framework Agreement and the related annual caps are fair and reasonable and to advise the Independent Shareholders on how to vote, taking into account the recommendations of the Independent Financial Adviser.

Mega Capital has been appointed to advise the Independent Board Committee and the Independent Shareholders as to whether each of the terms of the Vehicle Purchase Framework Agreements, the Vehicle Parts Purchase Framework Agreement and the Sale Framework Agreement and the related annual caps are fair and reasonable.

LETTER FROM THE BOARD

GENERAL INFORMATION

Chengdu New Dadi is principally engaged in manufacturing and sales of vehicles and vehicle accessories.

Shunde Rixin is principally engaged in trading of vehicles and vehicle accessories.

EGM

The notice convening the EGM to be held at No. 408 to 409, 2nd Floor, Block 3, Zone B, Da Liang International Business Mall, Shunde, Foshan City, Guangdong Province, the PRC, on 26 May 2010 at 1:30 p.m. at which ordinary resolutions by poll will be proposed to approve each of the Vehicle Purchase Framework Agreements, the Vehicle Parts Purchase Framework Agreement and the Sale Framework Agreement and the related annual caps as set out on pages 43 to 45 of this circular.

A form of proxy for use at the EGM is enclosed. Whether or not you are able to attend the EGM, you are requested to complete and return the form of proxy in accordance with the instructions printed thereon to the office of the Company's branch share registrars and transfer office in Hong Kong, Hong Kong Registrars Limited, at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, as soon as possible and in any event not less than 24 hours before the time appointed for holding the meeting or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting and any adjournment thereof (as the case may be) should you so wish.

RECOMMENDATION

Having taken into account the recommendation and advice from Mega Capital (as set out on pages 21 to 35 of this circular) in relation to the terms of the Vehicle Purchase Framework Agreements, the Vehicle Parts Purchase Framework Agreement and the Sale Framework Agreement and the related annual caps, the Independent Board Committee is of the view that the terms of the Vehicle Purchase Framework Agreements, the Vehicle Parts Purchase Framework Agreement and the Sale Framework Agreement are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, the Directors (including the independent non-executive Directors but excluding Mr. LI, Mrs. LI and Mr. CHAN Man who are required to abstain from giving opinion) consider that the Vehicle Purchase Framework Agreements, the Vehicle Parts Purchase Framework Agreement and the Sale Framework Agreement were entered into in the ordinary and usual course of business of the Company and is on normal commercial terms, and the terms of the Vehicle Purchase Framework Agreements, the Vehicle Parts Purchase Framework Agreement and the Sale Framework Agreement and the related annual caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

Your attention is drawn to the advice of the Independent Board Committee set out in its letter on page 20 of this circular which contains its recommendation to the Independent Shareholders on the terms of the Vehicle Purchase Framework Agreements, the Vehicle Parts Purchase Framework Agreement and the Sale Framework Agreement and the related annual caps.

Your attention is also drawn to the letter of advice from Mega Capital, which is set out on pages 21 to 35 of this circular, to the Independent Board Committee and the Independent Shareholders in respect of the terms of the continuing connected transactions contemplated under the Vehicle Purchase Framework Agreements, the Vehicle Parts Purchase Framework Agreement and the Sale Framework Agreement and the related annual caps.

ADDITIONAL INFORMATION

Your attention is also drawn to the general information of the Group as well as other information contained in Appendix I to this circular before considering whether to vote for or against the resolutions to be proposed at the EGM for approving the Vehicle Purchase Framework Agreements, the Vehicle Parts Purchase Framework Agreement and the Sale Framework Agreement and the related annual caps as set out in the notice of the EGM.

Trading in the H Shares has been suspended since 2:30 p.m. of 29 March 2005 and will remain to be suspended until further notice.

Yours faithfully,
For and on behalf of the Board
Mudan Automobile Shares Company Limited
LI Zi Hao
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



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)

9 April 2010

To the Independent Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

We refer to the circular of the Company to the Shareholders dated 9 April 2010 (“**Circular**”), in which this letter forms a part. Unless the context requires otherwise, capitalised terms used in this letter will have the same meanings given to them in the section headed “Definitions” of the Circular.

We have been authorised by the Board to form the Independent Board Committee to consider the terms of the Vehicle Purchase Framework Agreements, the Vehicle Parts Purchase Framework Agreement and the Sale Framework Agreement and the related annual caps as to whether, in our opinion, its terms and its related annual caps are fair and reasonable so far as the Independent Shareholders are concerned. Mega Capital has been appointed as the independent financial adviser to advise us in this respect.

We wish to draw your attention to the letter of advice from Mega Capital as set out on pages 21 to 35 of the Circular and the letter from the Board set out on pages 5 to 19 of the Circular.

Having considered, among other matters, the factors and reasons considered by, and the opinion of Mega Capital as stated in its letter of advice, we consider that the terms of the Vehicle Purchase Framework Agreements, the Vehicle Parts Purchase Framework Agreement and the Sale Framework Agreement and the related annual caps are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions in relation to the Vehicle Purchase Framework Agreements, the Vehicle Parts Purchase Framework Agreement and the Sale Framework Agreement and the related annual caps and the continuing connected transactions contemplated thereunder at the EGM.

Yours faithfully,
For and on behalf of
The Independent Board Committee
Huang Chengye
Wang Ruihua
Independent non-executive Directors

* For identification purpose

LETTER FROM MEGA CAPITAL

The following is the full text of the letter of advice from Mega Capital to the Independent Board Committee and the Independent Shareholders dated 9 April 2010 for incorporation in this circular.



Units 2213-14, 22/F., Cosco Tower
183 Queen's Road Central, Sheung Wan
Hong Kong

9 April 2010

To the Independent Board Committee and the Independent Shareholders of
Mudan Automobile Shares Company Limited

Dear Sir,

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the terms of the Vehicle Purchase Framework Agreements, the Vehicle Parts Purchase Framework Agreement, the Sale Framework Agreement and the annual cap amounts stipulated therein, details of which, among other things, are set out in the "Letter from the Board" of this circular. Capitalised terms used in this letter shall have the same meanings ascribed to them in this circular unless the context otherwise requires. We recommend the Independent Board Committee to advise the Independent Shareholders to read this circular carefully before they decide to vote for or against the Vehicle Purchase Framework Agreements, the Vehicle Parts Purchase Framework Agreement and the Sale Framework Agreement.

On 10 February 2010, the Company and Chengdu New Dadi entered into the Vehicle Purchase Framework Agreements and the Vehicle Parts Purchase Framework Agreement, in relation to the purchase of vehicles and vehicles parts from Chengdu New Dadi. On 10 February 2010, the Company and Shunde Rixin entered into the Sale Framework Agreement, pursuant to which Shunde Rixin agreed to purchase vehicles from the Group in an aggregate amount of RMB208,980,000. Chengdu New Dadi is a substantial Shareholder interested in 100,340,000 Domestic Shares, representing approximately 35.23% of the voting rights of the Company. Shunde Rixin is interested in 50% of the voting rights of Chengdu New Dadi and Mr. Li, the chairman and Director of the Company, is the sole director of Shunde Rixin. Therefore, Chengdu New Dadi and Shunde Rixin are connected persons of the Company as defined under Rule 20.11 of the GEM Listing Rules. Accordingly, the transactions under the Vehicle Purchase Framework Agreements, the Vehicle Parts Purchase Framework Agreement and the Sale Framework Agreement constitute continuing connected transactions of the Company under the GEM Listing Rules. As the applicable percentage ratios in respect of the relevant percentage ratios for each of the annual caps under the Vehicle Purchase Framework Agreements, the Vehicle Parts Purchase Framework Agreement and the Sale Framework

LETTER FROM MEGA CAPITAL

Agreement are more than 2.5% and the annual consideration is expected to be more than HK\$10,000,000, each of the Vehicle Purchase Framework Agreements, the Vehicle Parts Purchase Framework Agreement and the Sale Framework Agreement will be subject to the reporting, announcement and Independent Shareholders' approval requirements under Rule 20.45 to 20.48 of the GEM Listing Rules. Chengdu New Dadi, Shunde Ganghua, Foshan Heli, Shunde Zhongyu, Cheerbond and their respective associates will abstain from voting at the EGM.

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Huang Chengye and Mr. Wang Ruihua, has been established to advise the Independent Shareholders on the terms of the Vehicle Purchase Framework Agreements, the Vehicle Parts Purchase Framework Agreement and the Sale Framework Agreement and the annual caps. Mega Capital has been appointed as the independent financial adviser to the Independent Board Committee and the Independent Shareholders on the terms of the Vehicle Purchase Framework Agreements, the Vehicle Parts Purchase Framework Agreement and the Sale Framework Agreement.

In formulating our opinion and advice, we have relied upon the accuracy of the information and facts contained or referred to in this circular as well as the representations made or provided by the Directors and senior management of the Company. The Directors have declared in a responsibility statement set out in the appendix heading "General Information" to this circular that they jointly and severally accept full responsibility for the accuracy of the information contained and representations made in this circular. We have assumed that all statements and representations made or referred to in this circular were true at the time they were made and continue to be true as at the date of EGM. We have also assumed that all statements of belief, opinion and intention made by the Company, the Directors and the management of the Company in this circular were reasonably made after due enquiry. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Company, the Directors and management of the Company and have no reason to doubt that any relevant material facts have been withheld or omitted.

We have reviewed the published information of the Group, including but not limited to, the announcement of the Company dated 12 February 2010 relating to the continuing connected transactions between the Company and Chengdu New Dadi under the Vehicle Purchase Framework Agreements and the Vehicle Parts Purchase Framework Agreement, as well as the continuing connected transactions between the Company and Shunde Rixin under the Sale Framework Agreement, the first quarterly report of the Company for the three months ended 31 March 2009 ("2009 Company's First Quarterly Report"), the interim report for the six months ended 30 June 2009 ("2009 Company's Interim Report") and the third quarterly report of the Company for the nine months ended 30 September 2009 ("2009 Company's Third Quarterly Report"). In addition, we have discussed with the management of the Company the background of and reasons for entering into the Vehicle Purchase Framework Agreements, the Vehicle Parts Purchase Framework Agreement and the Sale Framework Agreement, the price determination basis of vehicles and vehicles parts to be purchased under the Vehicle Purchase Framework Agreements and the Vehicle Parts Purchase Framework Agreement, the price determination basis of vehicles sold under the Sale Framework Agreement, the basis of setting the annual cap amounts and the

LETTER FROM MEGA CAPITAL

management's outlook on the automobile industry in the PRC, including the information and representations contained in this circular. We consider that we have reviewed sufficient information to reach an informed view, to justify reliance on the accuracy of the information contained in this letter and to provide a reasonable basis for our opinion. We have not, however, conducted an independent investigation into the business affairs, financial position or future prospects of the Group nor have we carried out any independent verification of the information supplied.

PRINCIPAL FACTORS AND REASONS CONSIDERED

The principal factors and reasons we have taken into account in assessing the terms of the Vehicle Purchase Framework Agreements, the Vehicle Parts Purchase Framework Agreement and the Sale Framework Agreement and in giving our recommendation to the Independent Board Committee and the Independent Shareholders are set out below:

Background of and reasons for entering into the continuing connected transactions between the Company and Chengdu New Dadi under the Vehicle Purchase Framework Agreements and the Vehicle Parts Purchase Framework Agreement, and the continuing connected transactions between the Company and Shunde Rixin under the Sale Framework Agreement

The Group is principally engaged in manufacturing, sales and trading of automobiles. Upon resumption of production in 2008, the Group has gradually employed experienced sales staff to establish its sales team as well as its sales network in domestic and international markets for reshaping the market image of the Mudan passenger cars. As noted in the 2009 Company's First Quarterly Report and upon discussion with the Directors, the Group and Chengdu New Dadi jointly researched and developed the new Mudan double-decker bus, using the coach chassis of Chengdu New Dadi and Yangzhou Yaxing Motor Coach Co., Ltd. The main features of the Mudan double-decker bus include large passenger carrying capacity which is in line with the demand of huge population flow in urban development and the adoption of more user-friendly design technologies for passenger cars. The Mudan double-decker bus would be one of the Group's development directions for new products. As stated in the 2009 Company's Interim Report, the Group delivered 30 luxurious light buses to a customer in Sichuan in its conference and at the same time conveyed to the market the information that the Group has restored its production and sales with the commencement of the marketing campaigns of the Mudan bus. During the year, on the basis of the previous trial production, the Group's technical research and development and manufacturing and production units continuously upgraded and improved the manufacturing technical conditions and technology of the Mudan double-decker bus. At the end of the second quarter, the Group's hardware facilities and software basis had already met the conditions for the mass production of the Mudan double-decker bus. As noted in the 2009 Company's Third Quarterly Report, upgrading of three models of the Group's automobiles, namely MD6703, MD6110 and MD5061 was completed in the third quarter of 2009. The trial production of the new models was a success and a limited quantity of which was launched in the market, among which, the Mudan double-decker bus MD6110, one of the Group's new products, has enjoyed relatively higher profit margin and satisfactory market response.

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Before 16 June 2009, i.e. the date on which Chengdu New Dadi became the Company's controlling Shareholder, the Company did not manufacture and/or sell any large-sized buses similar to MD6110ADY, and/or trucks similar to RX3110ZP or RX3161ZA.

Before October 2007, i.e. the date of suspension of the production of the Company, the Company could manufacture and/or sell large-sized buses similar to RX6120, and relevant parts to manufacture those large-sized buses were purchased from other suppliers which are Independent Third Parties. However, since the requirements for manufacturing and/or selling large-sized buses similar to RX6120 were changed by the relevant regulator in the PRC with effect from 1 July 2008, the Company was then no longer licensed to manufacture and/or sell large-sized buses similar to RX6120 after 1 July 2008.

Chengdu New Dadi is a limited liability company incorporated in the PRC. As at the Latest Practicable Date, Chengdu New Dadi held approximately 35.23% of the equity interest of the Company. Chengdu New Dadi is principally engaged in manufacturing and sales of automobiles such as light, medium and large-sized passenger cars and trucks, and manufacturing of vehicle parts such as coach chassis in the PRC. Apart from jointly researching and developing the new Mudan double-decker bus with the Group, Chengdu New Dadi has been collaborating with the Group on the Mudan luxury bus model ART. As noted in the 2009 Company's First Quarterly Report, the Group and Chengdu New Dadi reached an agreement to jointly research and manufacture special chassis for high-end passenger cars which were jointly developed by Chengdu New Dadi and Ssangyong Motor Company specifically for use in coach chassis of Mudan luxury bus model ART. According to the website www.chinabus.info (中國客車訊息網), Chengdu New Dadi has established an extensive nationwide sales and service network in the PRC. It has also achieved an annual production capacity of approximately 15,000 automobiles for each of the various types of automobiles it manufactures and sells.

Shunde Rixin is a limited liability company incorporated in the PRC. As at the Latest Practicable Date, Shunde Rixin was interested in 50% of the equity interest of Chengdu New Dadi and Mr. Li, the chairman and Director of the Company, is the sole director of Shunde Rixin. Shunde Rixin is principally engaged in investments, sales of vehicle parts and automobiles such as passenger cars, and investments in, operations and sales of iron ores in Chile. Its sales and service network covers over 20 provinces and hundreds of cities throughout the PRC.

As an enterprise principally engaging in manufacturing automobiles with a long history, the products, technology and sales and service network of Chengdu New Dadi in the PRC have already reached the maturity stage. Although the brand of Mudan passenger cars has been well established in the automobile industry, the variety of the Group's automobile products includes passenger cars only. Moreover, after the suspension of trading in the H Shares and the halt in its automobile production, the Group has been experiencing a severe loss of customers and its sale and service network and production is almost completely paralyzed. New dynamics and support from the market are needed in order to achieve the Group's purpose of rapid resumption of its production. Chengdu New Dadi is exactly equipped with such attributes – not only can it complement the Group in terms of products and technology and thus enhance the market competitiveness of Mudan passenger cars, it can also promote the recovery of the Group's productivity and improve the publicity of the

LETTER FROM MEGA CAPITAL

Mudan passenger cars by taking advantage of its own customer base and more comprehensive sales and service network. This will not only help to restore the old customer base with the cooperation and attention of the old customers, it will also attract a new customer base to accelerate the pace of the development of the Group's business. As stated in the 2009 Company's First Quarterly Report, the joint research and manufacture of special chassis for high-end passenger cars by the Group and Chengdu New Dadi would be conducive to the full resumption of production and sales of Mudan luxury bus model ART and achieving the goal of gradual transformation of Mudan passenger cars from low-end to high-end products in order to meet the market development trend. Given the established product variety, technology and widespread sales and service network of Chengdu New Dadi, the engagement of Chengdu New Dadi would provide the Group with an instantly available platform to quickly restore its production and reshape the market image of the Mudan passenger cars in the automobile market. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the Latest Practicable Date, Chengdu New Dadi has not manufactured MD6110ADY previously. Since Chengdu New Dadi is principally engaged in manufacturing and sales of automobiles such as light, medium and large-sized passenger cars and trucks, and manufacturing of vehicle parts such as coach chassis in the PRC, it had not considered to manufacture double-decker buses MD6110ADY and then sell it to Shunde Rixin directly.

As a company principally engaging in sales of automobiles, Shunde Rixin has its own mature and stable source of sales and adequate funding for purchases. It is noted from the above that the Mudan double-decker bus MD6110 would be one of the Group's development directions and that it has enjoyed relatively higher profit margin and satisfactory market response. The engagement of Shunde Rixin, which has established an extensive sales and service network throughout the PRC, would provide the Group with an instantly available platform to enhance the exposure of the Mudan double-decker bus MD6110 nationally. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the Latest Practicable Date, Shunde Rixin has not sold any MD6110ADY previously and Shunde Rixin's customers of MD6110ADY are the end users of the vehicles and there is no relationship between them and each of the Company, Shunde Rixin, Chengdu New Dadi, Mr. Li, Mrs. Li, Mr. Chan and/or their respective associates.

Since the Group has the exclusive right for the manufacturing of large-sized buses MD6110ADY obtained from the Ministry of Industry and Information Technology of the PRC, neither Chengdu New Dadi nor Shunde Rixin could manufacture MD6110ADY. As at the Latest Practicable Date, Chengdu New Dadi and Shunde Rixin had no intention to apply for the approval/license for the manufacturing of MD6110ADY or any large-sized buses similar to MD6110ADY.

Having considered the imminent need of the Group to resume its production and reshape the market image of the Mudan passenger cars, and the merits of utilizing the sales and service network of Chengdu New Dadi and Shunde Rixin, we consider that it is commercially justifiable for the Group to enter into the Vehicle Purchase Framework Agreements, the Vehicle Parts Purchase Framework Agreement and the Sale Framework Agreement

LETTER FROM MEGA CAPITAL

Principal terms of the Vehicle Purchase Framework Agreements, the Vehicle Parts Purchase Framework Agreement and the Sale Framework Agreement

Term

Pursuant to the Vehicle Purchase Framework Agreement I, the Company agreed to purchase large-sized buses of RX6120 in an aggregate consideration of RMB183,600,000. The Vehicle Purchase Framework Agreement I is valid for a term commencing from 1 March 2010 until 31 August 2011. We note that the two-year term of the Vehicle Purchase Framework Agreement I is in compliance with the requirement of the GEM Listing Rules.

Pursuant to the Vehicle Purchase Framework Agreement II, the Company agreed to purchase two kinds of trucks, RX3110ZP and RX3161ZA, in an aggregate consideration of RMB601,470,000. The Vehicle Purchase Framework Agreement II is valid for a term commencing from 1 March 2010 until 31 August 2011. We note that the two-year term of the Vehicle Purchase Framework Agreement II is in compliance with the requirement of the GEM Listing Rules.

Pursuant to the Vehicle Parts Purchase Framework Agreement, the Company agreed to purchase vehicle parts in an aggregate consideration of RMB40,800,000. The Vehicle Parts Purchase Framework Agreement is valid for a term commencing from 1 March 2010 until 28 February 2011. We note that the one-year term of the Vehicle Parts Purchase Framework Agreement is in compliance with the requirement of the GEM Listing Rules.

Pursuant to the Sale Framework Agreement, the Company agreed to sell large-sized buses of MD6110ADY to Shunde Rixin in an aggregate amount of RMB208,980,000. The Sale Framework Agreement is valid for a term commencing from 1 March 2010 until 31 August 2011. We note that the two-year term of the Sale Framework Agreement is in compliance with the requirement of the GEM Listing Rules.

Pricing Principle, pricing and payment

(i) Pricing Principle

As noted from the “Letter from the Board”, the general pricing principle of the large-sized buses of RX6120 to be purchased under the Vehicle Purchase Framework Agreement I; the two kinds of trucks, RX3110ZP and RX3161ZA, to be purchased under the Vehicle Purchase Framework Agreement II; the vehicle parts to be purchased under the Vehicle Parts Purchase Framework Agreement; and the large-sized buses of MD6110ADY to be sold under the Sale Framework Agreement, was determined principally after arm’s length negotiation between the parties according to the principle of fairness and reasonableness with reference to the market prices of similar vehicles or vehicle parts from time to time (the “Pricing Principle”). The purchase price of the vehicles to be purchased under the Vehicle Purchase Framework Agreements, the purchase price of the vehicle parts to be purchased under the Vehicle Parts Purchase Framework Agreement and the selling price of the vehicles of the Company to be sold under the Sale Framework Agreement shall be individually similar to that available from or to an Independent Third Party.

LETTER FROM MEGA CAPITAL

We were confirmed by the Directors that the market prices for the large-sized buses, the two kinds of trucks and the vehicle parts which were referred to from time to time in the Pricing Principle are affected by factors such as the environment in which the vehicles and vehicle parts are sold and the market demand, brand popularity and functionalities of the vehicles and vehicle parts. In order to further assess whether the market prices for the large-sized buses, the two kinds of trucks and the vehicle parts mentioned above are appropriate to be referred to from time to time in the Pricing Principle, we reviewed a vehicle purchase framework agreement entered into between the Company and Chengdu New Dadi on 6 January 2009 in relation to the purchase of large-sized buses of RX6120, which indicates unit prices ranging from RMB320,000 to RMB500,000. We then consider this historical unit price range to be an appropriate market price reference. As noted from the “Letter from the Board”, the unit price of the large-sized buses of RX6120 is RMB408,000 under the Vehicle Purchase Framework Agreement I. We consider that such unit price was determined with reference to an appropriate historical market price range from time to time in the Pricing Principle.

We reviewed a sale framework agreement entered into between the Company and HMSY in relation to the purchase of two kinds of trucks, RX3110ZP and RX3161ZA, indicating an unit price of RMB91,300 for RX3110ZP and RMB121,000 for RX3161ZA. We also reviewed a sale framework agreement entered into between the Company and Puhui Vehicles in relation to the purchase of trucks of RX3161ZA, indicating an unit price of RMB110,000. We then consider the unit price of RMB91,300 and the unit price range of RMB110,000 to RMB121,000 to be appropriate market price references for the two kinds of trucks, RX3110ZP and RX3161ZA, respectively. As noted from the “Letter from the Board”, the unit price of the trucks of RX3110ZP to be purchased under the Vehicle Purchase Framework Agreement II is RMB83,000. We consider that such unit price was determined with reference to an appropriate market price of RMB91,300 from time to time in the Pricing Principle. As noted from the “Letter from the Board”, the unit price of the trucks of RX3161ZA to be purchased under the Vehicle Purchase Framework Agreement II is RMB110,000. We consider that such unit price was determined with reference to an appropriate market price range of RMB110,000 to RMB121,000 from time to time in the Pricing Principle.

We reviewed a vehicle parts purchase framework agreement entered into between the Company and Yangzhou Yaxing Motor Coach Co., Ltd. on 6 June 2009 in relation to the purchase of similar vehicle parts, which indicates an unit price of RMB223,000. We then consider this historical unit price to be an appropriate market price reference. It is noted that the unit price of the vehicle parts is RMB170,000 under the Vehicle Parts Purchase Framework Agreement. We consider that such unit price was determined with reference to an appropriate historical unit price from time to time in the Pricing Principle. According to the website www.chajia.com/PI-T_8_P_76324.html, the unit price of similar large-sized buses (XML6110) as MD6110ADY is RMB418,000. The website www.chajia.com (查價商城) is an online marketplace in which people and businesses buy and sell a broad variety of goods such as computers, home appliances, digital products, mobile phones, etc. It also provides comprehensive comparisons across prices of goods asked by different businesses. Businesses could post their asking prices for particular goods on the website and potential buyers could choose which business to purchase from according to the asking prices, information provided, etc. Based on the fact that this online shopping platform is

LETTER FROM MEGA CAPITAL

solely driven by businesses and buyers, we then consider the published unit price of RMB418,000 to be an appropriate market price reference. As noted from the “Letter from the Board”, the unit price of the large-sized buses of MD6110ADY is RMB430,000 under the Sale Framework Agreement. We consider that such unit price was determined with reference to an appropriate market price from time to time in the Pricing Principle.

(ii) Pricing

In order to assess whether the prices of vehicles purchased under the Vehicle Purchase Framework Agreements are similar to those available from Independent Third Parties, we have reviewed and compared the prices charged by Chengdu New Dadi to the Group under the Vehicle Purchase Framework Agreements signed between the Company and Chengdu New Dadi with other purchase contracts entered into between the Company and the Independent Third Parties for purchasing the same vehicles (the “Third Parties’ Contracts”). Upon comparison, we noted that the prices stipulated under the Vehicle Purchase Framework Agreements and the Third Parties’ Contracts are determined in accordance with the Pricing Principle and the purchase prices charged by Chengdu New Dadi are comparable to those charged by the Independent Third Parties.

As noted from the purchase contract on the large-sized buses of RX6120 entered into between the Company and the Independent Third Party, the unit price of this model of buses is RMB408,000, which is the same as that noted from the “Letter from the Board” regarding the unit price of the same model of buses under the Vehicle Purchase Framework Agreement I. As noted from the purchase contract on the trucks of RX3110ZP entered into between the Company and the Independent Third Party, the unit price of this model of trucks is RMB91,300. That noted from the “Letter from the Board” regarding the unit price of the same model of trucks under the Vehicle Purchase Framework Agreement II is RMB83,000, which is more favourable to the Company than that available from the Independent Third Party. As noted from the purchase contract on the trucks of RX3161ZA entered into between the Company and the Independent Third Party, the unit price of this model of trucks is RMB100,000. That noted from the “Letter from the Board” regarding the unit price of the same model of trucks under the Vehicle Purchase Framework Agreement II is RMB110,000. We were confirmed by the Directors that the latter unit price is higher because the trucks of RX3161ZA stipulated under the Vehicle Purchase Framework Agreement II have an additional feature of air conditioning, whereas those stipulated under the purchase contract entered into between the Company and the Independent Third Party do not. We then consider the payment of a premium of RMB10,000 on the latter unit price would be conducted on normal commercial terms.

In order to assess whether prices of vehicle parts purchased under the Vehicle Parts Purchase Framework Agreement are similar to those available from Independent Third Parties, we have conducted a gross profit margin review and comparison among comparable companies and Chengdu New Dadi. Since the vehicle parts under the Vehicle Parts Purchase Framework Agreement represent particularly coach chassis to manufacture large-sized bus MD6110ADY, we first selected a number of independent automobile companies which are listed in the PRC through the Bloomberg Terminal. After extracting their annual reports for the twelve months ended 31 December 2008, being the latest full financial year as at the Latest Practicable Date, and examining their segment information, we identified the

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independent automobile companies with the business segment of vehicle parts manufacturing and screened out those without this particular business segment. Eventually four companies remained for the gross profit margin review and comparison (the “First Group of Comparable Companies”). Although there are certain limitations on researching on automobile companies with similar, if not exactly the same, business segment as manufacturing of coach chassis in the PRC, the First Group of Comparable Companies represent all companies with similar businesses in the PRC to the utmost extent of our research. Upon reviewing the financial information of the vehicle parts manufacturing business segment of the First Group of Comparable Companies; their gross profit margins were obtained for conducting a gross profit margin review and comparison.

Gross profit margin review and comparison were conducted on the basis that the price of the vehicle parts to be purchased under the Vehicle Parts Purchase Framework Agreement is also determined by Chengdu New Dadi containing both the cost of and a reasonable gross profit margin on the vehicle parts. We then consider 1) reviewing the gross profit margins achieved by the First Group of Comparable Companies on their manufacturing of vehicle parts segment and 2) comparing the range of the gross profit margins achieved with that achieved by Chengdu New Dadi on the vehicle parts to be purchased under the Vehicle Parts Purchase Framework Agreement, to be appropriate for assessing the pricing of the vehicle parts. To this end and in practice, we were confirmed by the Directors and Chengdu New Dadi that the gross profit margin to be generated by Chengdu New Dadi from the sale of vehicle parts under the Vehicle Parts Purchase Framework Agreement would be approximately 5% to approximately 10%. The gross profit margins of the manufacturing of vehicle parts segment of the First Group of Comparable Companies for the twelve months ended 31 December 2008 range from approximately 11.2% to approximately 29.55%, yielding an average gross profit margin of approximately 17.14%. As far as the Pricing Principle is concerned, we consider that the purchase price of the vehicle parts from Chengdu New Dadi under the Vehicle Parts Purchase Framework Agreement would not be less favourable to the Company than that available from Independent Third Parties.

In order to assess whether prices of vehicles sold under the Sale Framework Agreement are similar to those available to Independent Third Parties, we have conducted a gross profit margin review and comparison among comparable companies and the Company. Since the vehicles sold under the Sale Framework Agreement represent particularly large-sized bus MD6110ADY, we first selected a number of independent automobile companies which are listed in the PRC through the Bloomberg Terminal. After extracting their annual reports for the twelve months ended 31 December 2008, being the latest full financial year as at the Latest Practicable Date, and examining their segment information, we identified the independent automobile companies with the business segment of manufacturing and sales of buses in the PRC and screened out those without this particular business segment. Eventually four companies remained for the gross profit margin review and comparison (the “Second Group of Comparable Companies”). Although there are certain limitations on researching on automobile companies with similar, if not exactly the same, business segment as manufacturing and sales of buses in the PRC, the Second Group of Comparable Companies represent all companies with similar businesses in the PRC to the utmost extent of our research. Upon reviewing the financial information of the manufacturing and sales of buses business segment of the Second Group of Comparable Companies; their gross profit margins were obtained for conducting a gross profit margin review and comparison.

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Gross profit margin review and comparison were conducted on the basis that the price of the vehicles to be sold under the Sale Framework Agreement is also determined by the Company containing both the cost of and a reasonable gross profit margin on the vehicles. We then consider 1) reviewing the gross profit margins achieved by the Second Group of Comparable Companies on their manufacturing and sales of buses segment and 2) comparing the range of the gross profit margins achieved with that achieved by the Company on the vehicles to be sold under the Sale Framework Agreement, to be appropriate for assessing the pricing of the vehicles. To this end and in practice, we were confirmed by the Directors that the gross profit margin to be generated from the sale of large-sized buses of MD6110ADY under the Sale Framework Agreement would be 20%. The gross profit margins of the manufacturing and sales of buses segment of the Second Group of Comparable Companies for the twelve months ended 31 December 2008 range from approximately 7.31% to approximately 16.02%. As far as the Pricing Principle is concerned, we consider that the selling price of the vehicles of the Company to Shunde Rixin under the Sale Framework Agreement would not be less favourable to the Company than that available to Independent Third Parties.

(iii) Payment

Pursuant to the Vehicle Purchase Framework Agreements, an initial deposit of RMB1 million would be payable by the Company in seven days upon signing of the agreements, and such deposit would be set off against the payment of the purchase prices for the delivery of vehicles in August 2011. 25 large-sized buses of RX6120 would be delivered to the Company before the 30th day of each month during the term of the Vehicle Purchase Framework Agreement I, except those will be delivered to the Company before the 28th day in February. 225 trucks of RX3110ZP and 134 trucks of RX3161ZA would be delivered to the Company before 30th day of each month during the term of the Vehicle Purchase Framework Agreement II, except those will be delivered to the Company before 28th day in February. The payment would be required to be made upon each delivery of the vehicles. We have reviewed the payment terms of the Third Parties' Contracts offered by Independent Third Parties in respect of the same vehicles and noted that the payment terms under the Vehicle Purchase Framework Agreements are the same as the payment terms stipulated under Third Parties' Contracts.

Pursuant to the Vehicle Parts Purchase Framework Agreement, vehicle parts would be delivered to the Company before the 30th day of each month during the term of the Vehicle Parts Purchase Framework Agreement, except those would be delivered to the Company before the 28th day in February. The payment would be required to be made upon each delivery of the vehicle parts. Upon enquiry, we were confirmed by the Directors that the payment terms under the Vehicle Parts Purchase Framework Agreement are basically the same as the payment terms offered by Independent Third Parties. We consider the payment term of "the payment would be required to be made upon each delivery of the vehicle parts" to be fair and reasonable and in the interests of the Shareholders as a whole.

Pursuant to the Sale Framework Agreement, an initial deposit of RMB1 million would be payable to the Company by Shunde Rixin within one month upon signing of the Sale Framework Agreement, and such deposit would be set off against the payment of the purchase price for the delivery of large-sized buses of MD6110ADY in August 2011. 27

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large-sized buses of MD6110ADY would be delivered to Shunde Rixin before 30th day of each month during the term of the Sale Framework Agreement, except those would be delivered to Shunde Rixin before the 28th day in February. The payment would be required to be made upon each delivery of the large-sized buses of MD6110ADY. Upon enquiry, we were confirmed by the Directors that the payment terms under the Sale Framework Agreement are basically the same as the payment terms offered to Independent Third Parties. We have also reviewed and compared credit periods of three independent automobile companies (which are listed on the Stock Exchange) (the “Third Group of Comparable Companies”) as extracted from the annual reports of respective companies for the twelve months ended 31 December 2008 with the credit terms to be imposed from the sale of large-sized buses of MD6110ADY under the Sale Framework Agreement. The credit periods of the Third Group of Comparable Companies for the twelve months ended 31 December 2008 range from 28 days to 90 days. Therefore, we consider the payment term of “the payment would be required to be made upon each delivery of the large-sized buses of MD6110ADY” to be fair and reasonable and in the interests of the Shareholders as a whole.

Annual cap

As stated in the “Letter from the Board”, pursuant to the Vehicle Purchase Framework Agreement I, the amount of transactions for the purchase of the large-sized buses from Chengdu New Dadi for the year ended 31 December 2009 was RMB77,835,000. The annual caps for the two years ending 31 December 2011 would be RMB102,000,000 and RMB81,600,000 respectively. Pursuant to the Vehicle Purchase Framework Agreement II, the Company did not have similar transactions with Chengdu New Dadi for the year ended 31 December 2009. The annual caps for the two years ending 31 December 2011 would be RMB334,150,000 and RMB267,320,000 respectively. The above annual caps were determined with reference to (a) the prevailing market conditions relating to the demand of vehicles in the PRC; and (b) the business development plan of the Company relating to the trading of vehicles in 2010 and 2011.

According to the business development plan of the Company, the Company plans to sell the large-sized buses of RX6120 under the Vehicle Purchase Agreement I to Suitong Coach. The sale framework agreement entered into between the Company and Suitong Coach on 7 January 2010 in relation to the sales of large-sized buses of RX6120 indicates that 450 large-sized buses of RX6120 would be delivered to Suitong Coach. Under the Vehicle Purchase Framework Agreement I, 450 large-sized buses of RX6120 would be delivered to the Company for re-sale to Suitong Coach; and hence the maximum annual caps were determined after taking into consideration the quantity of large-sized buses of RX6120 to be re-sold to Suitong Coach and its unit price as noted from the “Letter from the Board”. We consider the maximum annual caps, which were determined solely on the basis of sales to Suitong Coach, to be appropriately and conservatively determined.

According to the business development plan of the Company, the Company plans to sell the trucks of RX3161ZA to Puhui Vehicles and HMSY, and plans to sell the trucks of RX3110ZP to HMSY only. The sale framework agreement entered into between the Company and Puhui Vehicles on 27 November 2009 in relation to the sales of trucks of RX3161ZA indicates that a total of 540 trucks of this particular model would be delivered to Puhui Vehicles. The sale framework agreement entered into between the Company and

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HMSY on 14 January 2010 in relation to the sales of two kinds of trucks, RX3110ZP and RX3161ZA, indicates that a total of 3,960 trucks of RX3110ZP and 1,980 trucks of RX3161ZA would be delivered to HMSY. Under the Vehicle Purchase Framework Agreement II, a total of 4,050 trucks of RX3110ZP and 2,412 trucks of RX3161ZA would be delivered to the Company for re-sale to Puhui Vehicles and HMSY; and hence the maximum annual caps were determined after taking into consideration the quantity of trucks of RX3110ZP and RX3161ZA to be re-sold to Puhui Vehicles and HMSY and their unit prices as noted from the “Letter from the Board”. We were confirmed by the Directors that the extra quantity of trucks of RX3110ZP were to be purchased from Chengdu New Dadi under the Vehicle Purchase Framework Agreement II represented the buffer quantity the Company placed for the order of trucks of RX3110ZP for any potential quality problems, and the buffer quantity was determined according to the past sales experience of Chengdu New Dadi. We consider the maximum annual caps, which were determined solely on the basis of the sales to Puhui Vehicles and HMSY, to be appropriately and conservatively determined.

Pursuant to the Vehicle Parts Purchase Framework Agreement, the amount of transactions for the purchase of vehicle parts from Chengdu New Dadi for the year ended 31 December 2009 was RMB414,000. The annual caps for the two years ending 31 December 2011 would be RMB34,000,000 and RMB6,800,000 respectively. The above annual caps were determined with reference to (a) the prevailing market conditions relating to the demand of vehicle parts in the PRC; and (b) the business development plan of the Company relating to the manufacturing and sales of vehicles in 2010 and 2011.

The vehicle parts to be purchased under the Vehicle Parts Purchase Framework Agreement are principally for manufacturing large-sized buses of MD6110ADY. Under the Vehicle Parts Purchase Framework Agreement, 240 vehicle parts would be delivered to the Company; and hence the maximum annual caps were determined after taking into consideration the quantity of large-sized buses of MD6110ADY to be sold to Shunde Rixin and the unit price of the vehicle parts of RMB170,000. The quantity of 240 vehicle parts were determined after considering the estimated quantity of vehicle parts Yangzhou Yaxing Motor Coach Co., Ltd., another vehicle parts supplier from which the Company purchases similar vehicle parts for manufacturing large-sized buses of MD6110ADY, would be able to supply. Since Yangzhou Yaxing Motor Coach Co., Ltd. is also engaged in manufacturing and sales of passenger buses, it could not fully accommodate the quantity of vehicle parts the Company requires for the 486 large-sized buses of MD6110ADY to be sold to Shunde Rixin, according to the past purchasing experience of the Company. Therefore, the quantity shortage of 240 vehicle parts was to be purchased from Chengdu New Dadi under the Vehicle Parts Purchase Framework Agreement. Given that 486 large-sized buses of MD6110ADY would be delivered to Shunde Rixin under the Sale Framework Agreement and we were confirmed by the Directors that the Company would also purchase similar vehicle parts from Yangzhou Yaxing Motor Coach Co., Ltd., we consider the maximum annual caps to be appropriately and conservatively determined.

Pursuant to the Sale Framework Agreement, the Company did not have similar transactions with Shunde Rixin for the year ended 31 December 2009. The annual caps for the two years ending 2011 would be RMB116,100,000 and RMB92,880,000 respectively.

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The above annual caps were determined with reference to (a) the prevailing market conditions relating to the demand of vehicles in the PRC; and (b) the business development plan of the Company relating to the production and sales level of vehicles in 2010 and 2011.

With reference to the Vehicle Purchase Framework Agreement I, 25 large-sized buses of RX6120 would be delivered to the Company monthly during the term of the agreement for re-sale to its external customers. Under the Sale Framework Agreement, 27 large-sized buses of MD6110ADY would be delivered to Shunde Rixin monthly during the term of the agreement; and hence the maximum annual caps were determined after taking into consideration the quantity of large-sized buses of MD6110ADY to be sold to Shunde Rixin and its unit price as noted from the "Letter from the Board". The Directors confirmed us that the quantity was determined based on the past sales experience of the Company as well as a 10% buffer quantity Shunde Rixin placed for the order of large-sized buses of MD6110ADY for any potential quality problems. Since the Mudan double-decker bus MD6110 would be one of the Group's development directions, we consider the maximum annual caps, which were determined on the basis of the monthly sales of 27 large-sized buses of this particular model, to be appropriate and conservative.

Based on (i) the prevailing market conditions relating to the demand of vehicles and vehicle parts in the PRC; (ii) the business development plan of the Company relating to the trading of vehicles in 2010 and 2011, in particular certain models of vehicles which the Group does not manufacture for re-sale purpose; (iii) the business development plan of the Company relating to the manufacturing and sales of the vehicles in 2010 and 2011, in which vehicle parts are essential; and (iv) the business development plan of the Company relating to the production, and sales level of the vehicles in 2010 and 2011, in particular targeting to increase its sales level and market share in the automobile market in the PRC, we consider that the cap amounts stipulated under the Vehicle Purchase Framework Agreements, the Vehicle Parts Purchase Framework Agreement and the Sale Framework Agreement for the two years ending 31 December 2011 were determined after due and careful consideration by the Directors and the basis of determination of the cap amounts is fair and reasonable so far as the Company and the Shareholders are concerned.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Suitong Coach, Puhui Vehicles and HMSY were previous customers of Chengdu New Dadi. As at the Latest Practicable Date, the Group had 32 service centers in 15 provinces/cities in the PRC to provide after-sales services to its customers while Chengdu New Dadi did not provide any after-sales services to its customers and relied on the services provided by its agents within their own regions to its customers. Given that Suitong Coach, Puhui Vehicles and HMSY were previous customers of Chengdu New Dadi and are currently automobile agents, before entering into the Vehicle Purchase Framework Agreements, they were required to provide after-sales services to their customers. By entering into the Vehicle Purchase Framework Agreements and the Vehicle Parts Purchase Framework Agreement, Suitong Coach, Puhui Vehicles and HMSY can outsource the extensive after-sales services to the Group and their respective customers will be able to enjoy such after-sales services provided by the Group. The Group has resumed its operations and been re-building its extensive after-sales service network since 2008, and Suitong Coach, Puhui Vehicles and HMSY became aware of the Group's products and services. In order to make their vehicles more appealing to their customers by offering them easier access to after-sales services such

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as maintenance and repair, Suitong Coach, Puhui Vehicles and HMSY began purchasing vehicles from the Company and no longer purchased from Chengdu New Dadi since 1 January 2010.

Save as disclosed above, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of Suitong Coach, Puhui Vehicles and HMSY has no relationship with each of Shunde Rixin, Chengdu New Dadi, Mr. Li, Mrs. Li, Mr. Chan Man and/or their respective associates.

Conditions

Pursuant to the GEM Listing Rules, the Company will seek the approval by the Independent Shareholders at the EGM of the Vehicle Purchase Framework Agreements (including annual caps), the Vehicle Parts Purchase Framework Agreement (including annual caps) and the Sale Framework Agreement (including annual caps) for the two financial years ending 31 December 2011.

Taking into account of the conditions attached to the transactions under the Vehicle Purchase Framework Agreements, the Vehicle Parts Purchase Framework Agreement and the Sale Framework Agreement, we consider that the Company has taken appropriate measures to govern the Company in carrying out the transactions under the Vehicle Purchase Framework Agreements, the Vehicle Parts Purchase Framework Agreement and the Sale Framework Agreement, thereby safeguarding the interests of the Shareholders thereunder. In particular, we note that the transactions under the Vehicle Purchase Framework Agreements, the Vehicle Parts Purchase Framework Agreement and the Sale Framework Agreement are, by virtue of the requirements of Rule 20.37 of the GEM Listing Rules, carried by the Company in the ordinary and usual course of its business, on normal commercial terms, fair and reasonable and in the interests of the Shareholders as a whole.

RECOMMENDATION

Having considered the above factors, in particular,

- (i) the background of and reasons for carrying out the transactions under the Vehicle Purchase Framework Agreements, the Vehicle Parts Purchase Framework Agreement and the Sale Framework Agreement;
- (ii) the prices stipulated under the Vehicle Purchase Framework Agreements and the Third Parties' Contracts are determined in accordance with the Pricing Principle and the purchase prices charged by Chengdu New Dadi are comparable to those charged by the Independent Third Parties;
- (iii) the cap amounts stipulated under the Vehicle Purchase Framework Agreements, the Vehicle Parts Purchase Framework Agreement and the Sale Framework Agreement for the two years ending 31 December 2011 were determined after due and careful consideration by the Directors and the basis of determination of the cap amounts is fair and reasonable so far as the Company and the Shareholders are concerned;

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- (iv) the conditions attached to carrying out the transactions under the Vehicle Purchase Framework Agreements, the Vehicle Parts Purchase Framework Agreement and the Sale Framework Agreement as a mechanism to protect the interest of the Independent Shareholders;
- (v) the compliance of the Vehicle Purchase Framework Agreements, the Vehicle Parts Purchase Framework and the Sale Framework Agreement with all requirements under the GEM Listing Rules (which include the annual review and/or confirmation by the independent non-executive Directors and auditors of the Company on the actual execution of the transactions under the Vehicle Purchase Framework Agreements, the Vehicle Parts Purchase Framework Agreement and the Sale Framework Agreement pursuant to the Rule 20.37 and 20.38 of the GEM Listing Rules) as a mechanism to protect the interest of the Independent Shareholders,

we consider that the transactions under the Vehicle Purchase Framework Agreements, the Vehicle Parts Purchase Framework Agreement and the Sale Framework Agreement are in the interest of the Company and the Shareholders as a whole and the terms thereof as well as the cap amounts are fair and reasonable so far as the Company and the Shareholders are concerned. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution to approve the transactions under the Vehicle Purchase Framework Agreements, the Vehicle Parts Purchase Framework Agreement and the Sale Framework Agreement.

Yours faithfully,
For and on behalf of
Mega Capital (Asia) Company Limited
Alfred Wong
Managing Director

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:

- (a) the information contained in this circular is accurate and complete in all material respects and not misleading;
- (b) there are no other matters the omission of which would make any statement in this circular misleading; and
- (c) 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.

2. DISCLOSURE OF INTERESTS BY DIRECTORS

(a) Directors' and supervisors' interests and short positions in shares, underlying shares and debentures of the Company

As at the Latest Practicable Date, the interests of the Directors and the supervisors of the Company and their respective associates in the Company and its associated corporations (within the meaning of Part XV of the SFO) were as follows:–

Long position in ordinary shares of RMB1.00 each in the Company:

Name of Director	Type of Shares	Capacity	Number of Shares held	Total	% to the issued share capital of the Company as at the Latest Practicable Date
Mr. LI Zi Hao	H Shares	Interest of controlled corporation	10,080,824 ¹	10,080,824	3.54%
	Domestic Shares	Interest of controlled corporation	100,340,000 ²	195,650,000	68.7%
		Interest of spouse	95,310,000 ⁴		
Ms. PAN Li Chan	H Shares	Interest of spouse	10,080,824 ³	10,080,824	3.54%
	Domestic Shares	Interest of controlled corporation	95,310,000 ⁴	195,650,000	68.7%
		Interest of spouse	100,340,000 ²		

Notes:

1. Cheerbond is wholly and beneficially owned by Mr. Li who is also the sole director of Cheerbond. Mr. Li is deemed to be interested in the 10,080,824 H Shares held by Cheerbond.
2. Chengdu New Dadi is owned as to 50% by 中汽聯汽車技術(成都)有限責任公司 (China Auto Union (Chengdu) Company Limited) and 50% by Shunde Rixin, which is owned as to 80% by Mr. Li and 20% by Mrs. Li. Each of Mr. Li and Mrs. Li is a director of Chengdu New Dadi. Mr Li is deemed to be interested in the 100,340,000 Domestic Shares held by Chengdu New Dadi. Mrs. Li, as the spouse of Mr. Li is deemed to be interested in the 100,340,000 Domestic Shares in which Mr. Li is interested.
3. Mrs. Li, as the spouse of Mr. Li, is deemed to be interested in the 10,080,824 H Shares in which Mr. Li is interested.
4. Shunde Ganghua is wholly and beneficially owned by Mrs. Li, who is also the sole director of Shunde Ganghua. Mrs. Li is deemed to be interested in the 95,310,000 Domestic Shares held by Shunde Gnaghua. Mr. Li, as the spouse of Mrs. Lee, is deemed to be interested in the 95,310,000 Domestic Shares in which Mr. Li is interested.

Save as disclosed in this paragraph, as at the Latest Practicable Date, none of the Directors or the supervisors of the Company had any interest in any securities and underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) or otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by directors to be notified to the Company and the Stock Exchange.

(b) Substantial shareholders and other person's interests and short position in the Shares, underlying Shares and securities of the Company

As at the Latest Practicable Date, the following persons (other than the Directors and the supervisors of the Company) had interests and short positions in the shares and underlying shares of the Company whose interests in the Shares are disclosed in the paragraph headed "Directors' and supervisors' interests and short positions in shares, underlying shares and debentures of the Company" above or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept under Section 336 of the SFO:

Long position in ordinary shares of RMB1.00 each in the Company

Name of Shareholder	Capacity	Number of Domestic Shares	% to the issued Domestic Shares as at the Latest Practicable Date
Chengdu New Dadi	Beneficial owner	100,340,000 ¹	51.13%
Shunde Rixin	Interest of controlled corporation	100,340,000 ¹	51.13%
中汽聯汽車技術(成都)有限責任公司 (China Auto Union (Chengdu) Company Limited) ("CAU")	Interest of controlled corporation	100,340,000 ¹	51.13%
Shunde Ganghua	Beneficial owner	95,310,000	48.57%

Note:

1. Chengdu New Dadi is owned as to 50% by CAU and 50% by Shunde Rixin. Each of Shunde Rixin and CAU is deemed to be interested in the 100,340,000 Domestic Shares held by Chengdu New Dadi.

Name of Shareholder	Capacity	Number of H Shares	% to the issued H Shares as at the Latest Practicable Date
Cheerbond	Beneficial owner	10,080,824	11.38%
Innovation Assets Limited (“ Innovation Assets ”)	Interest of controlled corporation	5,890,000 ¹	6.65%
SW Kingsway Capital Group Limited (“ Kingsway Group ”)	Interest of controlled corporation	5,890,000 ¹	6.65%
World Developments Limited (“ World Developments ”)	Interest of controlled corporation	5,890,000 ¹	6.65%
Kingsway Lion Spur Technology Limited (“ Lion Spur ”)	Beneficial owner	4,900,000 ¹	5.53%

Notes:

1. Kingsway Brokerage Limited, wholly owned by Kingsway Group, is beneficially interested in 990,000 H Shares. Lion Spur is wholly owned by Kingsway Group, which is wholly owned by SW Kingsway Capital Holdings Limited. SW Kingsway Capital Holdings Limited is a company whose shares are listed on the main board of the Stock Exchange and is owned as to 74% by World Development. World Development is wholly owned by Innovation Assets. Accordingly, Kingsway Group, World Developments and Innovation Assets are deemed to be interested in the 4,900,000 H Shares held by Lion Spur and the 990,000 H Shares held by Kingsway Brokerage Limited.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any other person (other than the Directors and the supervisors of the Company whose interests in the Shares are disclosed in the paragraph headed “Directors’ and supervisors’ interests and short positions in shares, underlying shares and debentures of the Company” above) who had an interest and short position in the Shares and underlying Shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept under Section 336 of the SFO and/or were directly or indirectly interested in 10% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of the Company and any other member of the Group.

3. SERVICE CONTRACT

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with the Company or any member of the Group other than contracts expiring or determinable by the relevant employer within one year without payment of compensation (other than statutory compensation).

4. DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, the following Directors or their respective associates have interests in the following businesses which are considered to compete or are likely to compete, either directly or indirectly, with the businesses of the Group other than those businesses where the Directors were appointed as directors to represent the interests of the Company and/or the Group pursuant to the GEM Listing Rules:

Name of Director	Name of entity which business is considered to compete or likely to compete with the business of the Group	Description of business of the entity which is considered to compete or likely to compete with the business of the Group	Nature of interest of the Director in the entity
Mr. LI Zi Hao	Chengdu New Dadi	manufacturing and sale of vehicles and accessories of vehicles	Director
	Shunde Rixin	trading of vehicles and accessories of vehicles	Director
Ms. PAN Li Chan	Chengdu New Dadi	manufacturing and sale of vehicles and accessories of vehicles	Director
	Shunde Rixin	trading of vehicles and accessories of vehicles	shareholder
Mr. CHAN Man	Chengdu New Dadi	manufacturing and sale of vehicles and accessories of vehicles	Director

5. DIRECTORS' INTERESTS IN THE GROUP'S ASSETS CONTRACTS

Save as (i) the Purchase Agreements dated 6 January 2009 entered into between the Company as purchaser and Chengde New Dadi as vendor; and (ii) those disclosed in this circular, as at the Latest Practicable Date, none of the Directors or supervisors of the Company had any interest in any assets which have been since 31 December 2009 (being the date to which the latest published audited accounts of the Company were made up) acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group. As at the Latest

Practicable Date, none of the Directors or supervisors of the Company is materially interested in any contract or arrangement subsisting at the Latest Practicable Date which is significant in relation to the business of the Group.

6. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2009, being the date to which the latest published audited consolidated financial statements of the Group had been made up.

7. QUALIFICATION AND CONSENT OF EXPERT

The qualification of the expert who has given opinion or advice contained in this circular is set out as follows:

Name	Qualification
Mega Capital	a licensed corporation under the SFO to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities

Mega Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and reference to its name and opinion in the form and context in which they appear in this circular.

As at the Latest Practicable Date, Mega Capital did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, Mega Capital did not have any interest in any assets which have been since 31 December 2009 (being the date to which the latest published audited accounts of the Company were made up) acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

8. GENERAL

- a. The registered office of the Company is at No. 30, Lehong Road, Le Yu Town, Zhangjiagang City, Jiangsu Province, the PRC.
- b. The Hong Kong branch share registrar and transfer office of the Company is Hong Kong Registrars Limited at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.
- c. The translation into Chinese language of this document is for reference only. In the event of any inconsistency, the English text of this document shall prevail over the Chinese language text.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection from 9:30 a.m. to 5:30 p.m., on any business day at the principal place of business of the Company in Hong Kong at 2610-11, 26/F, Tower II, Lippo Centre, 89 Queensway, Hong Kong from the date of this circular until 26 May 2010:

- (a) the Vehicle Purchase Framework Agreements;
- (b) the Vehicle Parts Purchase Framework Agreement; and
- (c) the Sale Framework Agreement.

NOTICE OF EGM



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 IS HEREBY GIVEN that the extraordinary general meeting (“EGM”) (or any adjournment thereof) of Mudan Automobile Shares Company Limited (“Company”) will be held at No. 408 to 409, 2nd Floor, Block 3, Zone B, Da Liang International Business Mall, Shunde, Foshan City, Guangdong Province, the PRC on 26 May 2010 at 1:30 p.m. to consider and, if thought fit, passing the following resolutions as ordinary resolutions:

ORDINARY RESOLUTIONS

- 1) “THAT the transactions contemplated under the Vehicle Purchase Framework Agreement I dated 10 February 2010 and entered into between the Company and 成都新大地汽車有限責任公司 (Chengdu New Dadi Motor Company Limited), a copy of which has been initialled by the chairman of this meeting and for the purpose of identification marked “A”, and the proposed annual caps relating to such transactions as specified in the circular of the Company dated 9 April 2010, a copy of which has been initialled by the chairman of this meeting and for the purpose of identification marked “B”, be and are hereby generally and unconditionally approved and the directors of the Company be and are hereby authorised to do all such further acts and things and execute such further documents and take all such steps which in their opinion may be necessary, desirable or expedient to implement and/or give effect to the aforesaid transactions.”
- 2) “THAT the transactions contemplated under the Vehicle Purchase Framework Agreement II dated 10 February 2010 and entered into between the 成都新大地汽車有限責任公司 (Chengdu New Dadi Motor Company Limited), a copy of which has been initialled by the chairman of this meeting and for the purpose of identification marked “C”, and the proposed annual caps relating to such transactions as specified in the circular of the Company dated 9 April 2010, a copy of which has been initialled by the chairman of this meeting and for the purpose of identification marked “B”, be and are hereby generally and unconditionally approved and the directors of the Company be and are hereby authorised to do all such further acts and things and execute such further documents and take all such steps which in their opinion may be necessary, desirable or expedient to implement and/or give effect to the aforesaid transactions.”

* For identification purpose only

NOTICE OF EGM

- 3) “THAT the transactions contemplated under the Vehicle Parts Purchase Framework Agreement dated 10 February 2010 and entered into between the Company and 成都新大地汽車有限責任公司 (Chengdu New Dadi Motor Company Limited), a copy of which has been initialled by the chairman of this meeting and for the purpose of identification marked “D”, and the proposed annual caps relating to such transactions as specified in the circular of the Company dated 9 April 2010, a copy of which has been initialled by the chairman of this meeting and for the purpose of identification marked “B”, be and are hereby generally and unconditionally approved and the directors of the Company be and are hereby authorised to do all such further acts and things and execute such further documents and take all such steps which in their opinion may be necessary, desirable or expedient to implement and/or give effect to the aforesaid transactions.”
- 4) “THAT the transactions contemplated under the Sale Framework Agreement dated 10 February 2010 and entered into between the Company and 佛山市順德日新發展有限公司 (Foshan City Shunde Rixin Development Company Limited*), a copy of which has been initialled by the chairman of this meeting and for the purpose of identification marked “E”, and the proposed annual caps relating to such transactions as specified in the circular of the Company dated 9 April 2010, a copy of which has been initialled by the chairman of this meeting and for the purpose of identification marked “B”, be and are hereby generally and unconditionally approved and the directors of the Company be and are hereby authorised to do all such further acts and things and execute such further documents and take all such steps which in their opinion may be necessary, desirable or expedient to implement and/or give effect to the aforesaid transactions.”

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

Shunde, Foshan City, Guangdong Province, the PRC

9 April 2010

Notes:

1. The register of the members of the Company will be closed from Monday, 26 April 2010 to Wednesday, 26 May 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, 26 April 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 needs 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,

* *For identification purpose only*

NOTICE OF EGM

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 Wednesday, 5 May 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 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. HUANG Chengye and Mr. WANG Ruihua.

This notice, for which the 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 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.

The notice 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>).