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MUDAN AUTOMOBILE SHARES COMPANY LIMITED*

牡丹汽車股份有限公司

(a joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 8188)

ANNOUNCEMENT

ANNOUNCEMENT PURSUANT TO RULE 17.10 OF THE GEM LISTING RULES

This announcement is made by 牡丹汽車股份有限公司 (Mudan Automobile Shares Company Limited*) (the “Company”) pursuant to Rule 17.10 of the Rules (the “GEM Listing Rules”) Governing the Listing of Securities on the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited.

On 16 August 2010, the Company received a copy of the civil ruling (the “Ruling”) dated 5 August 2010 from 四川省成都市中級人民法院 (the Intermediate People’s Court of Chengdu City of Sichuan Province) (the “Court”) in connection with a loan (the “Loan”) granted to 成都新大地汽車有限責任公司 (Chengdu New Dadi Motor Company Limited*) (“Chengdu New Dadi”) by The Bank of Communications-Sichuan Branch (the “Bank”).

According to the Ruling, in light of a dispute arising from the Loan, the Bank requested the Court to freeze the assets of Chengdu New Dadi. It is stated in the Ruling that the 100,340,000 domestic shares, representing approximately 35.23% of the voting rights of the Company, owned by Chengdu New Dadi are frozen (subject to a maximum mandatory value of RMB 14.98 million) and are not allowed to be disposed of and/or pledged for the period from 5 August 2010 to 4 August 2011.

As confirmed by the legal adviser of the Company on PRC laws, the Ruling did not affect any shareholders rights of Chengdu New Dadi as a shareholder of the Company save as its rights to receive dividends and to dispose of such shares. Moreover, the board of directors of the Company (the “Board”) confirmed that the Ruling will not affect the management of the Company and its daily operation.

The Board has also confirmed with Chengdu New Dadi that the business of Chengdu New Dadi is not affected by the Ruling. Chengdu New Dadi is a substantial shareholder of the Company interested in 100,340,000 domestic shares of the Company (representing approximately 35.23% of the voting rights of the Company) and it 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 佛山市順德日新發展有限公司 (Foshan City Shunde Rixin Development Company Limited*). Mr. LI Zi Hao and Ms. PAN Li Chan, each being a director of the Company, are the directors of Chengdu New Dadi.

The Company will continue to track the progress of this matter closely, and issue further announcement(s) as and when appropriate or necessary.

Trading in the H shares of the Company on the GEM has been suspended since 2:30 p.m. of 29 March 2005 and will remain suspended until further notice.

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

Zhangjiagang City, Jiangsu Province, the People's Republic of China

25 August 2010

As at the date of this announcement, the Board comprises six (6) Directors, of which two (2) are executive Directors, namely Mr. LI Zi Hao (Chairman of the Board) and Ms. PAN Li Chan; one (1) is non-executive Director, namely Mr. PAN Jin Rong and three (3) are independent non-executive Directors, namely Mr. HUANG Chengye, Mr. LIANG Bo Qi and Mr. WU Bing Jian.

This announcement, 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 the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

The announcement will remain on the website of the GEM at <http://www.hkgem.com> on the "Latest Company Announcements" page for at least 7 days from the date of its posting and will be published on the website of the Company (<http://www.mudanauto.com>).

* For identification purpose only