



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)



First Quarterly Report

2011



FIRST QUARTERLY RESULTS REPORT FOR THE THREE MONTHS ENDED 31 MARCH 2011

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

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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 of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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This report for which the directors (the “Directors”) of Mudan Automobile Shares Company Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquires, confirm that, to the best of their knowledge and belief the information contained in this report 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 report misleading.

SUMMARY

- For the three months ended 31 March 2011, the Group recorded negative turnover of RMB7,418,376 because the sales for the period was less than the amount of returned products sold previously, (2010: RMB70,603,572).
- For the three months ended 31 March 2011, the Group recorded a loss for the period attributable to owners of the Company of RMB7,662,083 (2010: profit of RMB3,379,486).
- For the three months ended 31 March 2011, the loss per share was RMB2.69 cents (2010: profit per share of RMB1.19 cents).

UNAUDITED CONDENSED CONSOLIDATED QUARTERLY RESULTS

The board of Directors (the “Board”) would like to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively known as the “Group”) for the three months ended 31 March 2011, together with the comparative figures for the corresponding period in 2010.

CONDENSED CONSOLIDATED INCOME STATEMENT

		For the three months ended 31 March	
	<i>Notes</i>	2011	2010
		(Unaudited)	(Unaudited)
		RMB	RMB
Turnover	3	(7,418,376)	70,603,572
Cost of sales		5,340,284	(61,103,286)
Gross profit		(2,078,092)	9,500,286
Other operating income		1,171,191	2,979
Distribution expenses		(338,854)	(243,427)
General and administrative expenses		(4,495,790)	(5,747,852)
Finance costs		(1,920,538)	(132,500)
(Loss) profit before income tax		(7,662,083)	3,379,486
Income tax expenses	4	–	–
(Loss) profit for the period attributable to owners of the Company		(7,662,083)	3,379,486
(Loss) earnings per share			
– basic	5	(2.69 cents)	1.19 cents
– diluted		N/A	N/A

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the three months ended 31 March	
	2011	2010
	(Unaudited)	(Unaudited)
	RMB	RMB
(Loss) profit for the period	(7,662,083)	3,379,486
Other comprehensive income:		
Exchange differences arising		
from translation of foreign operations	—	—
Total comprehensive (loss) income for the period		
attributable to owners of the Company	<u>(7,662,083)</u>	<u>3,379,486</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. General

Mudan Automobiles Shares Company Limited (the “Company”) was established in The People’s Republic of China (the “PRC”) on 18 September 1998 as a joint stock company with limited liability, and its H Shares are listed on the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The H-Shares of the Company were listed on GEM since 18 December 2001. As requested by the Company, the trading of H-shares of the Company has been suspended since 2:30pm on 29 March 2005 and will remain suspended until further notice. On 12 October 2007, the Company received a notice from the Stock Exchange that it proposes to exercise its right to cancel the listing of the H-shares of the Company on the Stock Exchange pursuant to Rule 9.14 of the GEM Listing Rules.

The address of the registered office and place of business of the Company is No. 30 Lehong Road, LeYu Town, Zhangjiagang City, Jiangsu Province, PRC.

The principal activity of the Company and its subsidiaries (collectively known as the “Group”) is manufacturing and distribution of automobiles.

The consolidated financial statements are presented in Renminbi (“RMB”). Except subsidiaries established in Hong Kong using Hong Kong dollars as functional currency, the functional currency of the Company and its subsidiaries is RMB.

2. Basis of preparation and principal accounting policies

The unaudited condensed quarterly financial information has been prepared in accordance with the applicable disclosure provisions of Chapter 18 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”) and with the International Financial Reporting Standards (“IFRS”) issued by International Accounting Standards Board.

The basis of preparation and accounting policies used in the preparation of the unaudited condensed consolidated financial results for the three months ended 31 March 2011 are consistent with those adopted in preparing the audited consolidated financial statement of the Group for the year ended 31 December 2010 except for the following amendments and interpretation (“New IFRSs”) which are or have become effective.

IFRSs (Amendments)	Improvements to IFRSs 2010 ¹
IFRS 1 (Amendments)	Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters ²
IFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters ³
IFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets ³
IFRS 9	Financial Instruments ⁴
IAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets ⁵
IAS 24 (Revised)	Related Party Disclosures ⁶
IAS 32 (Amendments)	Classification of Rights Issues ⁷
IFRIC 14 (Amendments)	Prepayments of a Minimum Funding Requirement ⁶
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments ²

¹ Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate

² Effective for annual periods beginning on or after 1 July 2010

³ Effective for annual periods beginning on or after 1 July 2011

⁴ Effective for annual periods beginning on or after 1 January 2013

⁵ Effective for annual periods beginning on or after 1 January 2012

⁶ Effective for annual periods beginning on or after 1 January 2011

⁷ Effective for annual periods beginning on or after 1 February 2010

IFRS 9 “Financial Instruments” introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The Standard requires all recognized financial assets that are within the scope of IAS 39 “Financial Instruments: Recognition and Measurement” to be measured at either amortized cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows; and (ii) have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding are generally measured at amortized cost. All other debt investments and equity investments are measured at fair value.

In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specially, under IFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liabilities that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of change in the fair value of the financial liability designated as at fair value through profit or loss is presented in profit or loss.

The directors of the Company anticipate that the application of other new or revised standards and interpretations will have no material impact on the results and the financial position of the Group.

3. Turnover and segmental information

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

For the three months ended 31 March 2011, the Company recorded a negative turnover mainly because the sales for the period was less than the amount of returned products sold previously.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. The Group had only one line of operation for the three months ended 31 March 2011 and 2010, which was manufacturing and distribution of automobiles.

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

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

(a) Segment revenues

The Group had only one business segment for the three months ended 31 March 2011 and 2010, which was manufacturing and distribution of automobiles, no separate disclosure of segmental revenues and results would be made.

(b) Geographical information

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

PRC		Other countries		Total	
For the three months ended 31 March		For the three months ended 31 March		For the three months ended 31 March	
2011	2010	2011	2010	2011	2010
(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
RMB	RMB	RMB	RMB	RMB	RMB

Revenue:

Sales to external

customers	(9,020,940)	69,402,880	1,602,564	1,200,692	(7,418,376)	70,603,572
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Sales are based on the country in which the Group's customers are located.

4. Income tax expenses

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for year 2010 and 2011 respectively. No provision for Hong Kong Profits Tax has been made for the three months ended 31 March 2011 and 2010 as the Group does not have any assessable profit subject to Hong Kong Profits Tax for both years.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the Company and its PRC subsidiaries is 25% from 1 January 2008 onwards.

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

The income tax expenses for the period can be reconciled to the (loss) profit before taxation per the consolidated income statement as follows:

	For the three months ended 31 March	
	2011	2010
	RMB	<i>RMB</i>
(Loss) profit before taxation	<u>(7,662,083)</u>	<u>3,379,486</u>
Tax at applicable tax rate	(1,903,399)	844,872
Utilisation of tax losses previously not recognised	–	(844,872)
Tax effect of tax losses not recognised	<u>1,903,399</u>	<u>–</u>
Income tax expenses	<u>–</u>	<u>–</u>

5. (Loss) earnings per share

The calculation of the basic loss per share for the three months ended 31 March 2011 is based on the unaudited loss for the period attributable to owners of the Company of RMB7,662,083 (2010: profit of RMB3,379,486) and based on the weighted average number of shares in issue during the period of 284,800,000 (2010: 284,800,000).

No diluted (loss) earnings per share have been presented for the three months ended 31 March 2011 and 2010 as there was no dilutive potential ordinary share outstanding for both periods.

RESERVES

Other than the transfer of loss for the period attributable to owners of the Company into reserve, there were no movements to or from reserves of the Group for the three months ended 31 March 2011.

DIVIDEND

The Board does not recommend the payment of an interim dividend for the three months ended 31 March 2011 (2010: Nil).

LITIGATIONS AND CONTINGENT LIABILITIES

Up to the date of this report, the Company had recognised the payables with approximately RMB34,466,748 in respect of involvements in a number of litigations in the PRC in the unaudited condensed consolidated financial statement for the three months ended 31 March 2011.

- (i) On or about 5 September 2007, 東風襄樊旅行車有限公司 (Dongfeng Xiangfan Traveling Vehicles Limited) filed its writ with 襄樊市襄城區人民法院 (the Xiangfan City Xiangcheng County People's Court) against the Company. It was stated in the writ that the Company had failed to pay a principal of RMB1,539,902 to the plaintiff for payment of the chassis supplied by the plaintiff to the Company;

Pursuant to a commercial agreement signed between both parties on 9 April 2010, the Company shall repay RMB1,386,362 before 30 November 2010 as a final payment.

During the year ended 31 March 2010, the Company had paid RMB580,000 to the plaintiff. At 31 March 2011, the amount outstanding was RMB806,362.

Though the settlement payments were not made in accordance to the timeframe specified in the settlement agreement, the Directors determined that the penalty/adjustment to the settlement amount arising from the delay in payment would be remote according to the advice of the legal adviser to the Company advising on this action.

- (ii) On or about 7 April 2008, 南京康尼機電新技術有限公司 (Nanjing Hongne Mechanical New Technology Limited) filed its writ with 南京市雨花台區人民法院 (the Nanjing City Yuhuatai District People's Court) against the Company. It was stated in the writ that the Company had failed to pay a total of RMB556,340 plus interest in relation to the vehicle accessories and materials provided by the plaintiff.

Pursuant to the initial judgment (2008) Yu Min Er Chu No. 23 by 南京市雨花台區人民法院 (the Nanjing City Yuhuatai District People's Court), the Company shall repay principal and legal cost amounting to RMB564,442 (of which RMB556,340 is the principal and RMB8,102 is the legal cost) to 南京康尼機電新技術有限公司 (Nanjing Hongne Mechanical New Technology Limited).

At 31 March 2011, the amount outstanding was RMB564,442.

The Company is in negotiation with 南京康尼機電新技術有限公司 for the settlement as at the date of this report.

- (iii) On or about 28 April 2008, 安徽江淮汽車股份有限公司 (Anhui Jianghuai Vehicles Share Company Limited) ("Jianghuai Vehicles") filed its writ with 合肥市中級人民法院 (the Hefei City Middle People's Court) against the Company. It was stated in the writ that the Company had failed to pay a total of RMB36,337,911 plus interest in relation to the chassis provided by the plaintiff.

Pursuant to the settlement agreement signed between both parties in July 2010, the company shall repay RMB32,000,000 without interest to Jianghuai Vehicles before 31 December 2011 as a final settlement.

Up to 31 March 2011, the Company had paid RMB18,510,000 for the agreement. As at 31 March 2011, the amount outstanding was RMB13,490,000.

Though the settlement payments were not made in accordance to the timeframe specified in the settlement agreement, the Directors determined that the penalty/adjustment to the settlement amount arising from the delay in payment would be remote according to the advice of the legal adviser to the Company advising on this action.

- (iv) On or about 16 July 2008, 南京依維柯汽車有限公司 (Nanjing Iveco Motor Company Ltd.) filed its writ with 南京市玄武區人民法院 (the Nanjing City Xuan Wu District People's Court) against the Company. It was stated in the writ that the Group had failed to pay a total of RMB28,486,438.

Pursuant to the new settlement agreement signed between both parties in December 2010, the Company shall pay in aggregate, RMB19,000,000 to 南京依維柯汽車有限公司 before 30 June 2012 as a final settlement. If the Company were to pay the said amount on time and in full as stipulated in the agreement, 南京依維柯汽車有限公司 would waive of the payment of interest and principal of RMB10,486,438 by the Company.

During the year ended 31 March 2011, the Company had paid RMB10,500,000 for this plaintiff. At 31 March 2011, the amount outstanding was RMB17,986,438 and the Company is in the progress of performing the new agreement.

- (v) In April 2009, 江陰華士汽車座椅有限公司 filed its writ with 江陰市人民法院 (the Jiangyin City People's Court) against the Company. It was stated in the writ that the Company had failed to pay a total of RMB97,868.

Pursuant to the initial judgment (2010) by 江蘇省無錫市中級人民法院 (Wuxi City Middle People's Court), the Company shall repay RMB97,692 to 江陰華士汽車座椅有限公司 as a final settlement.

Up to 31 March 2011, the amount outstanding was RMB97,692.

The Company is in negotiation with 江陰華士汽車座椅有限公司 for the settlement as at the date of this report.

- (vi) On or about 9 November 2009, 杭州華通機械電器製造有限公司 (Hangzhou Huatong Electrical Appliance Limited) filed its writ with 張家港市人民法院 (the Zhangjiagang City People's Court) against the Company. It was stated in the writ that the Company had failed to pay a total of RMB768,670.

Pursuant to the initial judgment (2010) by 江蘇省蘇州市中級人民法院 (Suzhou City Middle People's Court) in June 2010, the Company shall repay RMB768,670 to 杭州華通機械電器製造有限公司 before 20 June 2010 as a final settlement.

On 31 March 2011, the amount outstanding was RMB768,670.

The Company is in negotiation with 杭州華通機械電器製造有限公司 for the settlement as at the date of this report.

- (vii) On 11 October 2010, 張家港市牡丹客車配件有限公司 filed its writ with 張家港市人民法院 (the Zhangjiagang City People's Court) against the Company. It was stated in the writ that the Company had failed to pay a total of RMB1,045,306.

Pursuant to the settlement agreement signed between both parties in December 2010, the Company shall repay RMB800,000 to 張家港市牡丹客車配件有限公司 before 31 March 2011 as a final settlement.

Up to 31 March 2011, the Company had paid RMB300,000 for the agreement. As at 31 March 2011, the amount outstanding was RMB500,000.

Though the settlement payments were not made in accordance to the timeframe specified in the settlement agreement, the Directors determined that the penalty/adjustment to the settlement amount arising from the delay in payment would be remote according to the advice of the legal adviser to the Company advising on this action.

- (viii) On or around 15 February 2011, 淮安龍飛客車配件有限公司 filed its writ with 張家港市人民法院 (the Zhangjiagang City People's Court) against the Company. It was stated in the writ that the Company had failed to pay a total of RMB8,320.

On 31 March 2011, the amount outstanding was RMB8,320.

- (ix) On or around 3 March 2011, 重慶陽彩實業有限公司 filed its writ with 張家港市人民法院 (the Zhangjiagang City People's Court) against the Company. It was stated in the writ that the Company had failed to pay a total of RMB34,934.

On 31 March 2011, the amount outstanding was RMB34,934.

- (x) On or around 24 March 2011, 陝西凌電蓄電池有限公司 filed its writ with 張家港市人民法院 (the Zhangjiagang City People's Court) against the Company. It was stated in the writ that the Company had failed to pay a total of RMB209,890.

On 31 March 2011, the amount outstanding was RMB209,890.

INTERESTS DISCLOSEABLE UNDER THE SECURITIES AND FUTURES ORDINANCE (CHAPTER 571 OF THE LAWS OF HONG KONG) (THE “SFO”)

1. Directors, supervisors and chief executive of the Company

As at 31 March 2011, the interests and short positions of the Directors, the supervisors (as if the requirements applicable to the Directors under the SFO had applied to the supervisors) and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporation (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuers as referred to in Rule 5.46 of the GEM Listing Rules were as follows:

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

Name	Number of Shares held	Nature of Interests	Approximate percentage of shareholding in same class of securities	Approximate percentage of shareholding in the registered capital
LI Zi Hao (“Mr. Li”)	100,340,000 (L) Domestic Shares (Note 1)	Interest of controlled corporation	51.13%	35.23%
	95,310,000 (L) Domestic Shares (Note 2)	Interest of spouse	48.57%	33.47%
	10,080,824 (L) H Shares (Note 3)	Interest of controlled corporation	11.38%	3.54%

Name	Number of Shares held	Nature of Interests	Approximate percentage of shareholding in same class of securities	Approximate percentage of shareholding in the registered capital
PAN Li Chan ("Ms. Pan")	95,310,000 (L) Domestic Shares (Note 2)	Interest of controlled corporation	48.57%	33.47%
	100,340,000 (L) Domestic Shares (Note 1)	Interest of spouse	51.13%	35.23%
	10,080,824 (L) H Shares (Note 3)	Interest of spouse	11.38%	3.54%
PAN Jin Rong ("Mr. Pan")	300,000 (L) Domestic Shares (Note 4)	Interest of holding company	0.15%	0.11%
	300,000 (L) Domestic Shares (Note 5)	Interest of spouse	0.15%	0.11%

Notes:

The following notes describe the circumstances subsisted as at 31 March 2011:

1. Chengdu New Dadi Motor Company Limited ("Chengdu New Dadi"), a limited company incorporated in the PRC, is owned as to approximately 87.79% by Foshan City Shunde Rixin Development Company Limited ("Shunde Rixin") and approximately 12.21% by Foshan City Shunde Guanghua Shiye Company Limited ("Shunde Guanghua"). Each of Mr. Li and Ms. Pan is a director of Chengdu New Dadi. Shunde Rixin is a limited company incorporated in the PRC and is owned as to 80% by Mr. Li and 20% by Ms. Pan, who are both executive Directors. Shunde Rixin is deemed to be interested in the 100,340,000 Domestic Shares of the Company held by each of Chengdu New Dadi and Shunde Ganghua.

2. Shunde Ganghua, a limited company incorporated in the PRC, is wholly and beneficially owned by Ms. Pan, who is also the sole director of Shunde Ganghua. By virtue of the provisions of part XV of the SFO, Ms Pan is deemed to be interested in the 95,310,000 Domestic Shares of the Company held by Shunde Ganghua and Mr. Li, as the spouse of Ms. Pan, is deemed to be interested in 95,310,000 Domestic Shares of the Company in which Mr. Li is interested.
3. Cheerbond Investment International Limited (“Cheerbond”), a limited company incorporated in Hong Kong, is wholly and beneficially owned by Mr. Li, who is the spouse of Ms. Pan and the sole director of Cheerbond. By virtue of the provisions of part XV of the SFO, Mr. Li is deemed to be interested in the 10,080,824 H Shares of the Company held by Cheerbond and Ms. Pan, as the spouse of Mr. Li, is deemed to be interested in the 10,080,824 H Shares of the Company in which Mr. Li is interested.
4. 佛山市合力汽車貿易有限公司 (Foshan City Heli Car Trading Company Limited) (“Foshan Heli”), a limited company incorporated in the PRC, was interested in 300,000 Domestic Shares of the Company. Foshan Heli was beneficially owned as to 90% by Mr. Pan, a non-executive Director and the brother of Ms. Pan, who was also the sole director of Foshan Heli, and 10% by Ms. LIANG You Fu, the mother of Mr. Pan.
5. 佛山市順德眾裕汽車貿易有限公司 (Foshan Shunde Zhongyu Car Trading Company Limited) (“Shunde Zhongyu”), a company incorporated in the PRC, was interested in 300,000 Domestic Shares of the Company. Shunde Zhongyu was wholly and beneficially owned by Ms. WU Shuyun, who was the wife of Mr. Pan. Ms. WU Shuyun was also the sole director of Shunde Zhongyu. Mr. Pan as the spouse of Ms. WU Shuyun was deemed to be interested in the 300,000 Domestic Shares of the Company in which Ms. WU Shuyun was interested.

Save as disclosed above, as at 31 March 2011, none of the Directors, supervisors and chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuer as referred to in Rule 5.46 of the GEM Listing Rules.

2. Substantial shareholders of the Company and other persons

After making reasonable enquiry, as at 31 March 2011, the interests or short positions of person, other than a Director or chief executive of the Company, in the shares and underlying shares and debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who was, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Company, or any other substantial shareholders whose interests or short positions were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

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

Name	Number of Shares held	Nature of Interests	Approximate percentage of shareholding in same class of securities	Approximate percentage of shareholding in the registered capital
Chengdu New Dadi	100,340,000 (L) Domestic Shares (Note 1)	Beneficial owner	51.13%	35.23%
Shunde Fixin	100,340,000 (L) Domestic Shares (Note 1)	Interest of controlled corporation	51.13%	35.23%
Shunde Ganghua	95,310,000 (L) Domestic Shares (Note 2)	Beneficial owner	48.57%	33.47%
Cheerbond	10,080,824 (L) H Shares (Note 3)	Beneficial owner	11.38%	3.54%

Name	Number of Shares held	Nature of Interests	Approximate percentage of shareholding in same class of securities	Approximate percentage of shareholding in the registered capital
Innovation Assets Limited ("Innovation")	5,890,000 (L) H Shares (<i>Note 4</i>)	Interest of controlled corporation	6.65%	2.07%
SW Kingsway Capital Holdings Limited	5,890,000 (L) H Shares (<i>Note 4</i>)	Interest of controlled corporation	6.65%	2.07%
SW Kingsway Capital Group Limited ("Kingsway Group")	5,890,000 (L) H Shares (<i>Note 4</i>)	Interest of controlled corporation	6.65%	2.07%
World Developments Limited ("World Developments")	5,890,000 (L) H Shares (<i>Note 4</i>)	Interest of controlled corporation	6.65%	2.07%
Kingsway Lion Spur Technology Limited ("Lion Spur")	4,900,000 (L) H Shares	Beneficial owner	5.53%	1.72%

(L) = Long position

Notes:

The following notes describe the circumstances subsisted as at 31 March 2011:

1. Chengdu New Dadi, a limited company incorporated in the PRC, is owned as to approximately 87.79% by Shunde Rixin and approximately 12.21% by Shunde Guanghua. Each of Mr. Li and Ms. Pan is a director of Chengdu New Dadi. Shunde Rixin is a limited company incorporated in the PRC and is owned as to 80% by Mr. Li and 20% by Ms. Pan, who are both executive Directors. Each of Shunde Rixin and Shunde Ganghua is deemed to be interested in the 100,340,000 Domestic Shares of the Company held by Chengdu New Dadi.
2. Shunde Ganghua, a limited company incorporated in the PRC, is wholly and beneficially owned by Ms. Pan, who is also the sole director of Shunde Ganghua. By virtue of the provisions of part XV of the SFO, Ms Pan is deemed to be interested in the 95,310,000 Domestic Shares of the Company held by Shunde Ganghua and Mr. Li, as the spouse of Ms. Pan, is deemed to be interested in 95,310,000 Domestic Shares of the Company in which Mr. Li is interested.
3. Cheerbond, a limited company incorporated in Hong Kong, is wholly and beneficially owned by Mr. Li, who is the spouse of Ms. Pan and the sole director of Cheerbond. By virtue of the provisions of part XV of the SFO, Mr. Li is deemed to be interested in the 10,080,824 H Shares of the Company held by Cheerbond and Ms. Pan, as the spouse of Mr. Li, is deemed to be interested in the 10,080,824 H Shares of the Company in which Mr. Li is interested.

4. Kingsway Brokerage Limited, wholly owned by Kingsway Group, is beneficially interested in 990,000 H Shares of the Company. Lion Spur is wholly owned by Kingsway Group, which is wholly owned by SW Kingsway Capital Holdings Limited. SW Kingsway Capital Holdings Limited is owned as to 74% by World Development, which is wholly owned by Innovation Assets. By virtue of the provisions of Part XV of the SFO, Kingsway Group, World Developments and Innovation Assets are deemed to be interested in the 4,900,000 H Shares of the Company held by Lion Spur and the 990,000 H Shares of the Company held by Kingsway Brokerage Limited.

Save as disclosed above, as at 31 March 2011, the Directors are not aware of any other person (other than the Directors, supervisors and chief executive of the Company) who had an interest or a short position in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE H SHARES

As at 31 March 2011, none of the directors, supervisors and chief executive of the Company was granted options to subscribe for H Shares of the Company or had any rights to acquire H Shares of the Company.

COMPETING INTEREST

As at the date of this report, 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 and shareholder

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
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. PAN Jin Rong	Foshan Heli	trading and distribution of local manufactured motor cars and motor cycles and its accessories	Director and shareholder
	Shunde Zhongyu	trading and distribution of local manufactured motor cars	Spouse of director and shareholder

AUDIT COMMITTEE

The audit committee of the Company (“Audit Committee”) was established with written terms of reference based upon the guidelines published by the Hong Kong Institute of Certified Public Accountants. The primary duties of the Audit Committee were to review and monitor the financial reporting process and internal control of the Group. As at the date of this report, the Audit Committee comprised three independent non-executive Directors, namely Mr HUANG Chengye, Mr LIANG Bo Qi and Mr WU Bing Jian, of which Mr WU Bing Jian is also the Chairman of the Audit Committee. The Group’s consolidated financial statements for the year ended 31 March 2011 had been reviewed by the Audit Committee which was of the opinion that such statements complied with the applicable accounting standards, the Stock Exchange and legal requirements, and that adequate disclosure had been made.

PURCHASE, SALE OR REDEMPTION OF THE LISTED SHARES OF THE COMPANY

During the three months ended 31 March 2011, the Company has not purchased, sold or redeemed any of the Shares of the Company.

On behalf of the Board

Mudan Automobile Shares Company Limited

LI Zi Hao

Chairman

Shunde, Foshan City, Guangdong Province, the PRC
14 May 2011

As at the date of this report, 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.