
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

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**MUDAN AUTOMOBILE SHARES COMPANY LIMITED*****牡丹汽車股份有限公司**

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

(Stock Code: 8188)

**PROPOSED CHANGE OF COMPOSITION OF THE BOARD
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

A notice convening the extraordinary general meeting of the Company to be held at 11:30 am on Wednesday, 17 August 2011 at No. 408-409, 2nd Floor, Block 3, Zone B, Da Liang International Business Mall, Shunde, Foshan City, Guangdong Province, the People's Republic of China (“**PRC**”) is set out on pages 5 to 6 of this circular.

Whether or not you are able to attend the extraordinary general meeting, 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 (for holders of H Shares), Hong Kong Registrars Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong or the legal address of the Company in Zhangjiagang, the PRC (for holders of Domestic Shares) 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 at the meeting in person should you so wish.

This circular will remain on the “Latest Company Announcements” page of the website of the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited at www.hkgem.com for at least 7 days from the date of its publication.

* *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.

DEFINITIONS

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

“Articles”	the articles of association of the Company (as amended from time to time)
“Board”	the board of Directors
“Company”	牡丹汽車股份有限公司 (Mudan Automobile Shares Company Limited*), a company incorporated in the PRC with limited liability, the H shares of which are listed on GEM
“Director(s)”	director(s) of the Company
“Domestic Shares”	domestic shares of RMB1.00 each issued by the Company
“EGM”	the extraordinary general meeting to be held at 11:30 am on Wednesday, 17 August 2011 to consider and, if thought fit, approve the Proposed Appointment, the notice of which is set out on pages 5 to 6 of this circular
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“H Shares”	H Shares of RMB1.00 each issued by the Company
“Hong Kong”	Hong Kong Special Administrative Region of PRC
“PRC”	the People’s Republic of China, and for the purpose of this circular, excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Proposed Appointment”	the proposed appointment of Mr. CHEN Jianxin as a Director, the details of which are set out in this circular
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	share(s) of RMB1.00 each in the share capital of the Company, which comprises of the Domestic Shares and the H Shares

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DEFINITIONS

“Shareholder(s)”

holder(s) of Share(s)

“Stock Exchange”

The Stock Exchange of Hong Kong Limited

LETTER FROM THE BOARD



MUDAN AUTOMOBILE SHARES COMPANY LIMITED*

牡丹汽車股份有限公司

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

(Stock Code: 8188)

Executive Directors:

Mr. LI Zi Hao (*Chairman*)

Mr. PAN Li Chan

Non-executive Director

Mr. PAN Jin Rong

Independent non-executive Directors:

Mr. HUANG Chengye

Mr. LIANG Bo Qi

Mr. WU Bing Jian

Legal address:

No. 30 Lehong Road

Le Yu Town

Zhangjiagang City

Jiangsu Province

PRC

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

2610-11, 26/F

Tower II, Lippo Centre

89 Queensway, Hong Kong

27 June 2011

To the Shareholders

Dear Sir or Madam,

CHANGE OF COMPOSITION OF THE BOARD

INTRODUCTION

Reference is made to the announcement of the Company dated 24 June 2011. The purpose of this circular is to provide you with details of (i) the candidate of the Proposed Appointment and (ii) to give you notice of EGM.

CHANGE OF COMPOSITION OF THE BOARD

On 20 June 2011, the Board received a resignation letter from Ms. PAN Li Chan, an executive Director, that she will resign as an executive Director with effect from the conclusion of the EGM due to her other business engagements. Ms. PAN Li Chan has confirmed that she has no disagreements with the Board and there are no matters necessary to be brought to the attention to the Shareholders in respect of her resignation as a Director.

The Board would like to take this opportunity to thank Ms. PAN Li Chan for her valuable contribution and services to the Company during her tenure of office.

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LETTER FROM THE BOARD

The Board proposes that, subject to the Shareholders' approval, the Company shall appoint Mr. CHEN Jianxin as a new Director.

Proposed executive Director

Mr. CHEN Jianxin (“Mr. Chen”)

Mr. Chen, aged 47, graduated from Soochow University (蘇州大學) in Faculty of Finance (corporate finance) in 1983 and completed a course by correspondence in management in economics from Party School of the Central Committee of C.P.C. (中共中央黨校) in 2000. He has over 27 years of working experience and is currently a deputy director (副董事長) and general manager of 張家港市金茂投資發展有限公司 (unofficial English translation being Zhangjiagang City Jin Miao Investment & Development Co., Ltd) and the chairman of 張家港市金港投資擔保有限公司 (unofficial translation being Zhangjiagang City Jin Gang Investment & Guarantee Co., Ltd).

EGM

The notice convening the EGM is set out on pages 5 to 6 of this circular. At the EGM, a resolution will be proposed for the purpose of considering and if thought fit, approving, the Proposed Appointment pursuant to the GEM Listing Rules.

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

RECOMMENDATION

The Directors consider that the Proposed Appointment is in the interests of the Company and the Shareholders as a whole and recommend the Shareholders to vote in favour of the resolution to be proposed at the EGM.

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

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NOTICE OF EXTRAORDINARY GENERAL MEETING



MUDAN AUTOMOBILE SHARES COMPANY LIMITED*

牡丹汽車股份有限公司

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

(Stock Code: 8188)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the extraordinary general meeting (“EGM”) (or any adjournment thereof) of Mudan Automobile Shares Company Limited (“**Company**”) will be held at 11:30 am on Wednesday, 17 August 2011 at No. 408-409, 2nd Floor, Block 3, Zone B, Da Liang International Business Mall, Shunde, Foshan City, Guangdong Province, the People's Republic of China for the following purposes:

To consider and, if thought fit, passing the following resolution as an ordinary resolution:

ORDINARY RESOLUTION

To approve the appointment of Mr. CHEN Jianxin as a director of the Company.

By order of the Board

Mudan Automobile Shares Company Limited*

LI Zi Hao

Chairman

Shunde, Foshan City, Guangdong Province, the PRC

27 June 2011

Notes:

1. The register of the members of the Company will be closed from Saturday, 16 July 2011 to Wednesday, 17 August 2011 (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. Friday, 15 July 2011 are entitled to attend and vote at the EGM mentioned above and may appoint one or more proxies in writing to attend and vote on their behalf in accordance with the articles of association of the Company. Shareholders may appoint one or more proxies to attend the EGM and vote on their behalf. A proxy need not be a member of the Company.
2. In order to be valid, the proxy form, under which it is signed, must be deposited by hand or post, for holders of H shares of the Company at the Company's branch share registrar and transfer office, Hong Kong Registrar Services Limited (“**Company's Share Registrar**”) at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong and, for holders of domestic shares, to the legal address of 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.

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NOTICE OF EXTRAORDINARY GENERAL MEETING

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 legal address of the Company (for holders of domestic shares) before 4:00 p.m. on Wednesday, 27 July 2011.
5. Shareholders attending the EGM shall be responsible for their own travel and accommodation expenses.
6. The legal address of the Company is as follows:

No. 30 Lehong Road
Le Yu Town
Zhangjiagang City
Jiangsu Province
The PRC
Tel: (512) 5860 5003
Fax: (512) 5860 5726
Post Code: 215621
7. As required under the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited, the above resolutions will be decided by way of a poll.

As at the date hereof, the Board comprises 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 notice, for which the directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Company. The directors of the Company, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this notice 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 in this notice or this notice misleading.

This 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>).