



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)



2002

Interim Report

* For identification purpose only

INTERIM REPORT FOR THE SIX MONTHS ENDED 30 JUNE 2002

Characteristics of the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”)

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. 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.

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The Stock Exchange takes no responsibility for the contents of this Interim report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Interim report.

This Interim 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 the Growth Enterprise Market of The Stock Exchange (“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: (1) the information contained in this Interim report 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 Interim report misleading; and (3) all opinions expressed in this Interim report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.



HIGHLIGHTS

For the six months ended 30 June 2002 (the “Six Months” or “the Period”), the Company realised a sustainable and high-speed growth.

- During the Period, turnover of the Company is RMB424,997,092, representing an increase of approximately 17.3% as compared to that of the corresponding period in 2001. The turnover of medium and large-sized buses increased about 58.5% and 304.5% respectively as compared to that of the corresponding period in 2001.
- During the Period, the Company has recorded a net profit of RMB21,225,784, representing an increase of approximately 30.6% as compared to that of the corresponding period in 2001.
- For the Six Months, earnings per share is approximately RMB7.45 cents.
- During the Period, approvals were granted by the Economic and Trade Committee (the “SETC”) of the People’s Republic of China (the “PRC”) for 17 new products including light-sized buses, medium-sized buses and large-sized buses developed by the Company.
- As H shares accounted for 31.09% of the Company’s total issued share capital, Ministry of Foreign Trade and Economic Cooperation of PRC, approved on 25 April 2002 the change of the nature of the Company to an “Enterprises With Foreign Investment in the PRC (「外商投資股份制企業」) ”.



RESULTS

The Board of Directors (the “Board”) of the Company is pleased to announce that the unaudited results of the Company for the three months and six months ended 30 June 2002 together with comparative unaudited figures for the corresponding periods in 2001 are as follows:

Profit and Loss Account

	Note	For the three months ended 30 June		For the six months ended 30 June	
		2002 RMB	2001 RMB	2002 RMB	2001 RMB
Revenue	2	250,580,955	206,158,580	424,997,092	362,180,037
Cost of sales		(216,865,011)	(180,871,099)	(371,392,294)	(319,162,735)
Gross Profit		33,715,944	25,287,481	53,604,798	43,017,302
Other operating income		494,110	–	544,110	–
Distribution expenses		(6,441,114)	(5,019,378)	(12,406,638)	(11,429,145)
General and Administration expenses		(3,880,796)	(1,288,332)	(9,067,601)	(4,150,417)
Other operating expenses		–	(267,507)	(406,832)	(1,000,754)
Profit from operations		23,888,144	18,712,264	32,267,837	26,436,986
Net finance costs		(283,644)	(454,570)	(587,562)	(2,187,372)
Profit before tax	5	23,604,500	18,257,694	31,680,275	24,249,614
Income tax expense	3	(7,789,485)	(6,025,039)	(10,454,491)	(8,002,373)
Profit attributable to shareholders		15,815,015	12,232,655	21,225,784	16,247,241
Earnings per shares	4				
– basic		5.55 cents	5.99 cents	7.45 cents	7.95 cents

A separate statement of recognized gains and losses is not presented because there were no recognized gains and losses other than the profit (loss) attributable to shareholders for the periods.

Balance Sheet

	Notes	As at 30 June 2002 RMB (Unaudited)	As at 31 December 2001 RMB (Audited)
Non-current assets			
Property, plant and equipment	6	189,660,787	177,719,337
Deferred tax assets		5,047,112	5,047,112
		<u>194,707,899</u>	<u>182,766,449</u>
Current assets			
Inventories		119,010,698	64,830,391
Trade and other receivables	7	233,796,454	170,728,649
Amounts due from shareholders	8	23,447,645	56,210,314
Amount due from a related company	8	1,137,221	501,841
Pledged deposits		21,100,000	31,920,018
Cash and cash equivalents		119,387,219	91,159,940
		<u>517,879,237</u>	<u>415,351,153</u>
Current liabilities			
Short-term bank loans		13,000,000	13,000,000
Trade and other payables	9	253,662,986	181,683,611
Amounts due to shareholders	8	6,233,897	4,289,807
Income tax payable		51,657,556	41,252,398
Dividend payable		8,544,000	–
		<u>333,098,439</u>	<u>240,225,816</u>
Net current assets		<u>184,780,798</u>	<u>175,125,337</u>
Total assets less current liabilities		<u>379,488,697</u>	<u>357,891,786</u>
Non-current liabilities			
Long-term bank loan		20,000,000	20,000,000
Net assets		<u>359,488,697</u>	<u>337,891,786</u>
Capital and reserves			
Share Capital		284,800,000	284,800,000
Reserves		74,688,697	53,091,786
		<u>359,488,697</u>	<u>337,891,786</u>



Cash Flow Statement

	For the Six months ended 30 June 2002 RMB Unaudited	For the Six months ended 30 June 2001 RMB Unaudited
Net Cash inflow from operating activities	30,875,166	4,673,919
Investing activities		
Acquisition of property, plant and equipment	(12,354,806)	(1,140,734)
Interest received	694,100	115,278
Net Cash outflow from investing activities	<u>(11,660,706)</u>	<u>(1,025,456)</u>
Net Cash inflow before financing activities	19,214,460	3,648,463
Financing activities		
Decrease/(increase) in pledged deposits	9,012,819	(15,242,800)
Proceeds from bank loans	–	30,240,000
Net Cash inflow from financing activities	<u>9,012,819</u>	<u>14,997,200</u>
Net increase in cash and cash equivalents	28,227,279	18,645,663
Cash and cash equivalents at beginning of the year	<u>91,159,940</u>	<u>25,244,014</u>
Cash and cash equivalents at end of the period	<u>119,387,219</u>	<u>43,889,677</u>
Analysis of balances of cash and cash equivalents	<u>119,387,219</u>	<u>43,889,677</u>
Bank and cash balances	<u>119,387,219</u>	<u>43,889,677</u>

SHAREHOLDERS' EQUITY

Share Capital

	As at 30 June 2002		As at 31 December 2001	
	Number of Shares	%	Number of Shares	%
Registered, issued and fully paid:				
Domestic shares of RMB1.00 each	196,250,000	68.9%	196,250,000	68.9%
H shares of RMB 1.00 each	88,550,000	31.1%	88,550,000	31.1%
Total	<u>284,800,000</u>		<u>284,800,000</u>	

Reserves

Other than the net profit for the six months, there were no movements to or from reserves of the Company during the six months period (2001: none)

Notes :

1. Basis of preparation and accounting policies

The principal accounting policies adopted in preparing the unaudited interim results conform with the International Accounting Standards issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee (formerly known as the Standing Interpretations Committee) of IASB. These unaudited interim results for the Six Months also comply with the applicable disclosure provisions of the GEM Listing Rules of the Stock Exchange.

The measurement basis used in the preparation of the interim results is historical cost.

The accounting policies have been consistently applied by the Company and are consistent with those used in the 2001 annual financial statements.

2. Revenue

Revenue represents income arising from sales of automobiles net of sales tax and value added tax.

Revenue mainly comprises sales of automobiles in the PRC. In the circumstances, the Directors consider that the Company is operating within a single business and geographical segment.



3. Income tax expense

Income tax expense represents provision for PRC income tax. Provision for PRC income tax is calculated at a statutory rate of 33% (2001: 33%) of the estimated assessable income for the interim results determined in accordance with the relevant income tax rules and regulations of the PRC.

4. Earnings per share

For the three months and the six months ended 30 June 2002, the calculation of earnings per share is based on the unaudited profit attributable to shareholders of about RMB15,815,015 and RMB21,225,784 respectively (For the three months and six months ended 30 June 2001, the unaudited profit attributable to shareholders is about RMB12,232,655 and RMB16,247,241 respectively) divided by the weighted average number of shares issued during the respective period. For the three months and the six months ended 30 June 2002, the weighted average number of shares in issue is 284,800,000 and 284,800,000 respectively (For the three months and the six months ended 30 June 2001, the weighted average number of shares in issue is 204,300,000 and 204,300,000 respectively). No diluted earnings per share was presented as there were no dilutive potential ordinary shares outstanding.

5. Profit before tax

Profit before tax is arrived at after charging/(crediting)

	For the three months ended 30 June		For the six months ended 30 June	
	2002 RMB Unaudited	2001 RMB Unaudited	2002 RMB Unaudited	2001 RMB Unaudited
(a) Net finance costs:				
Interest on bank advances and other borrowing repayable within five years	504,959	535,915	1,210,837	2,296,978
Bank charges	32,855	4,011	70,825	5,672
Interest Income	(254,170)	(85,356)	(694,100)	(115,278)
(b) Other items:				
Depreciation	3,226,080	3,864,606	6,442,200	7,726,393
Operating lease rentals in respect of land and properties	140,000	–	280,000	–
Research and development expenses	55,054	105,975	162,293	241,569

6. Property, plant and equipment

During the period from 1 January 2002 to 30 June 2002, the Company had additions to property, plant and equipment in the amount of RMB12,354,806.

7. Trade and other receivables

Trade and other receivables comprise:

	As at 30 June 2002 Unaudited	As at 31 December 2001 Audited
Trade debtors and bills receivable	195,987,690	145,582,753
Advance deposits to suppliers	16,776,736	15,201,581
Other debtors	21,032,028	9,944,315
	<u>233,796,454</u>	<u>170,728,649</u>

An ageing analysis of trade debtors and bills receivable (net of provisions for bad and doubtful debts) is as follows:

	As at 30 June 2002 Unaudited	As at 31 December 2001 Audited
Within 3 months	110,424,704	119,520,832
Over 3 months but less than 6 months	59,270,863	21,850,268
Over 6 months but less than 1 year	26,292,123	3,661,653
Over 1 year but less than 2 years	—	550,000
Over 2 years	—	—
	<u>195,987,690</u>	<u>145,582,753</u>

Customers are normally granted credit terms of three months to six months, depending on the credit worthiness of the individual customers. In addition, certain established customers with good credit record are allowed to settle by instalments over a period of not more than 15 months.

8. Amounts due from/to shareholders/related company

Amounts due from/to shareholders/related company are interest free and have no fixed terms of repayment.

The amount due to shareholders represents the purchases of raw materials. The Directors have confirmed that all the transactions have been carried out in normal course of business.



9. Trade and other payables

Trade and other payables comprise:

	As at 30 June 2002 Unaudited	As at 31 December 2001 Audited
Trade payables	90,440,970	83,194,175
Bills payable	102,000,000	36,470,000
Accrued salaries, bonus and welfare fund	14,458,917	14,182,595
Other payables	46,763,099	47,836,841
	<u>253,662,986</u>	<u>181,683,611</u>

An ageing analysis of trade payables is as follows:

	As at 30 June 2002 Unaudited	As at 31 December 2001 Audited
Within 3 months	77,975,933	80,951,697
Over 3 months but less than 6 months	11,613,294	1,202,019
Over 6 months but less than 1 year	444,255	402,198
Over 1 year	407,488	638,261
	<u>90,440,970</u>	<u>83,194,175</u>

BUSINESS REVIEW

1. Interim Results

Six Months

Turnover: The unaudited turnover of the Company for the Six Months was about RMB424,997,092, representing an increase of about 17.3% over the unaudited turnover of the Company of RMB362,180,037 for the corresponding six months periods in 2001, among which the turnover of light-sized buses, medium-sized and large-sized buses is about RMB245,460,870, 129,105,796 and 50,430,426 respectively (2001: RMB268,273,168, RMB81,440,856 and RMB12,466,013). Turnover of light-sized buses slightly decreased, and the turnover of medium and large-sized buses increased about 58.5% and 304.5% respectively over the unaudited turnover for the corresponding six months periods in 2001.

Profits: The unaudited net profit of the Company for the Six Months was approximately RMB21,225,784, representing an increase of approximately 30.6% as compared to the unaudited net profit of the Company of approximately RMB16,247,241

for the corresponding six months period in 2001. The unaudited gross profit margin of the Company was approximately 12.6% for the Six Months which was about 0.7% higher than the unaudited gross profit margin of the Company of approximately 11.9% for the corresponding six months period in 2001.

Three months ended 30 June 2002 (“Three Months Period” or the “Quarterly Period”)

Turnover: The unaudited turnover of the Company for the Three Months Period was about RMB250,580,955, representing an increase of about 21.5% over the unaudited turnover of the Company of RMB206,158,580 for the corresponding three months period in 2001. The turnover of light-sized buses, medium-sized and large-sized buses is about RMB134,274,189, 86,341,860 and 29,964,906 respectively for the Quarterly Period (2001: RMB164,582,699, RMB30,669,974 and RMB10,905,907). Turnover of light-sized buses has slightly decreased, while turnover of medium and large-sized buses increased about 181.5% and 174.8% respectively over the unaudited turnover for the corresponding three months period in 2001.

Profits: The unaudited net profit of the Company for the Three Months Period was approximately RMB15,815,015, representing an increase of approximately 29.3% as compared to the unaudited net profit of the Company of approximately RMB12,232,655 for the corresponding three months period in 2001. The unaudited gross profit margin of the Company was approximately 13.5% for the Three Months Period which was about 1.2% higher than the unaudited gross profit margin of the Company of approximately 12.3% for the corresponding quarterly period in 2001.

2. *17 new products were approved by the SETC*

During the Period, 17 new products developed by the Company were approved and announced by the SETC.

On 29 May 2002, the Company organized the “First 2002 Shanxi Carbinol Bus Fairs” together with the Government of Shanxi province. The carbinol bus manufactured by the Company was recommended by Shanxi province as “Environmental green bus”.

3. *Re-structuring on the production plant and the personnel of the senior management.*

In order to manage the factory more effectively, to enhance the management capabilities and to further enhance the competitiveness of the Company, the Company re-organised factory no.2 and no.3 into production department I, II and III in accordance with the product type.

Some of the senior management personnel are reallocated by the Company and the Company also recruited management staff with expert knowledge, plenty practical experience and enterprising spirit. The quality of the management was improved.



4. *Nature of the Company was changed*

As H shares accounted for 31.09% of the Company's total issued share capital, Ministry of Foreign Trade and Economic Cooperation of PRC approved on 25 April 2002 the change of the nature of the Company to an "Enterprises With Foreign Investment in the PRC (「外商投資股份制企業」)".

FUTURE PROSPECTS

The Company will capitalize on the anticipated increase in demand for buses in the PRC by modernization of production facilities and expansion in the sales and marketing activities and enhancement of the research and development capabilities, details of which are summarized as follows:

1. *The modernization of the existing production facilities*

The Company plans to upgrade the technology of the existing production line for medium-sized buses including welding, painting, assembly and final inspection lines.

2. *The expansion in sales and the promotion of marketing activities*

The Company increased its sales in both the domestic and overseas markets by expanding its sales force and the promotion of marketing activities: (a) extending its geographical exposure and expanding its sales network throughout the PRC and the overseas markets in South Africa, Asia and South America; (b) continuing its participation in major sales exhibitions and trade shows to enhance the awareness of the Company's brandname and products; and (c) launching extensive advertising campaign.

3. *Enhancement of research and development capabilities*

In order to maintain its leading position in the bus industry and to compete in the international bus market, the Company strives to strengthen its research and development capability by recruiting more high calibre research personnel and equipping more advanced and comprehensive facilities.

BUSINESS OBJECTIVES REVIEW

The Company was successfully listed on the GEM of the Stock Exchange on 18 December 2001. The Company stated its business objectives for the period from 30 November 2001 to 30 June 2002 in the prospectus dated 4 December 2001. The actual project progress mentioned below covers the period from 1 December 2001 to 30 June 2002.

Business objectives for the period ending 30 June 2002 as mentioned in the prospectus

The actual progress for the six months ended 30 June 2002

(1) Business development/expansion in sales and marketing activities

- | | |
|--|--|
| 1. Launch one to five new bus models; | 17 new models comprising 4 models of MD6601 series of medium-sized buses, 2 models of MD6701 series of medium-sized buses, 2 models of MD6701 series of light-sized buses, 3 models of MD6800 series of medium-sized buses, 2 models of MD6900 series of medium-sized buses and 4 models of MD6100 series of large-sized buses have been approved and announced by SETC. |
| 2. Explore opportunities to expand the organized distribution network in the overseas market; | An oversea department was set up to study the expansion of the business into the oversea market. |
| 3. Appoint a non-exclusive distribution agent in South Africa, Asia and South America to increase the Company's presence in the overseas market. | 5 non-exclusive distribution agents were appointed in oversea market. Part of its products were exported to Asia, Europe, South Africa and etc. |



Business objectives for the period ending 30 June 2002 as mentioned in the prospectus

4. Commence feasibility study on setting up sales offices in the P.R.C.
5. Place advertisement in the media to promote the Company's overall image;
6. Participate in major sales exhibitions and trade shows;
7. Recruit 150-230 sales staff.

The actual progress for the six months ended 30 June 2002

The marketing department is conducting feasibility studies

Advertisements were made on "China Economic Daily", "China Consumer Daily", "China Automobile", "New China", and "Suzhou Daily" and "Zhangjiagang Daily" etc.

The Company organized exhibitions in Chongqing, Sichuan, on 21 March, Suzhou on 18 April and Nanjing on 26 April. The Company focused on products such as luxury touring buses for short and medium distance transport, high-speed and luxury buses for long distance transport and public transport buses and etc.

229 sales staff were recruited

(2) Modernization of production facilities

1. Enhance the functions and features of the existing Production's facilities to improve efficiency and increase productivity
2. Commence feasibility study on modernizing the existing production facilities for the production of medium-sized buses

By streamlining the production process and re-arrangement of the working hours, working performance was improved accordingly.

SETC has formal approved the technical reform project of medium-sized buses of the Company. The Company is carrying out a feasibility study.

**Business objectives for the period
ending 30 June 2002
as mentioned in the prospectus**

**The actual progress for the
six months ended 30 June 2002**

(3) Introduction of advanced technologies

- | | |
|---|--|
| 1. Commence feasibility study on introducing advanced technologies for the production of medium-sized bus body (in particular, the technologies in the welding, painting, assembly and final inspection processes). | Specialized personnel were appointed to conduct feasibility studies. |
| 2. Seeking alliance with domestic/foreign bus manufacturers for technological transfer arrangement in respect of the production of medium-sized bus body. | Under preliminary negotiation. |

(4) Enhancement of research and development capabilities

- | | |
|--|---|
| 1. Provide training for the existing research and development staff. | The Company co-operated with Jiangsu University to organize a further education class of mechanical and electrical (M & E) engineer during the Period. The program includes courses relating to the transmission system of M & E, automobile design, computer C-language, test system and hydraulic transmission, automobile construct, body design, course design and automobile theory etc. Twenty-one technicians attended such training. Six persons engaged in technology research and development department were nominated to study the master program of M&E in Jiangsu University. |
|--|---|



USE OF PROCEEDS FROM LISTING

The Company has issued and allotted a total of 88,550,000 H shares by public offer and placing, among which included the conversion of 8,050,000 state-owned shares by Zhangjiagang Municipal Public Asset Management Co. Ltd (“ZMPAM”) into H share for sale to the public. These H shares are listed on the GEM of the Stock Exchange in December 2001. The net proceeds (net of relevant expenses) for the Company amounted to approximately HK\$67,438,116.03.

As at 30 June 2002, the proceeds from listing that have been utilized was about HK\$2,500,000 as stated in the Prospectus.

MANAGEMENT DISCUSSION AND ANALYSIS

1. *The cost of the sales and the gross profits*

The cost of the sales of the Company for the Six Months was approximately RMB371,392,294. The unaudited gross profit margin of the Company was approximately 12.6%, about 0.7% higher than the unaudited gross profit margin of the Company of approximately 11.9% for the corresponding half yearly period in 2001. The increase mainly resulted from the large increase in proportion of medium and large-sized buses being produced and sold.

The cost of the sales of the Company for the Quarterly Period was approximately RMB216,865,011. The unaudited gross profit margin of the Company was approximately 13.5% for the quarterly period which was about 1.2% higher than the unaudited gross profit margin of the Company of approximately 12.3% for the corresponding quarterly period in 2001. The increase mainly resulted from the large increase in proportion of medium and large-sized buses being produced and sold.

2. *Other operating income*

The other operating income of the Company during the quarterly period and the half yearly period was about RMB494,110 and RMB544,110 respectively (2001: Nil).

The other operating income is mainly comprised of sale of scrap materials.

3. *Distribution expenses and general administrative expenses*

As a result, distribution expenses for the Six Months totalled to approximately RMB12,406,638 (2001: RMB11,429,145). This represents an increase of RMB977,493 about 8.6% higher than that of the corresponding half-yearly period in 2001. This is consistent with the increase in turnover.



The total general and administrative expenses for the Six Months was approximately RMB9,067,601 (2001: RMB4,150,417). The increase was mainly due to the increase in number of staff and the payment of the professional charges.

4. Financial resources and liquidity

As at 30 June 2002, the Company continues to be in a healthy financial position with shareholders equity amounted to approximately RMB359,488,697 (31 December 2001: RMB 337,891,786). Current assets amounted to approximately RMB517,879,237 (31 December 2001: RMB 415,351,153), of which approximately RMB119,387,219 were cash and bank balances (31 December 2001: RMB 91,159,940). As at 30 June 2002, the Company has a short-term bank loans and long-term bank loans of about RMB13,000,000 (31 December 2001: RMB 13,000,000) and RMB20,000,000 (31 December 2001: RMB 20,000,000) respectively, the short-term bank loans are repayable within one year and the long-term bank loans are repayable within two years.

5. Charges on assets

As at 30 June 2002, the short-term bank loans and long-term bank loans were secured by a mortgage on the facilities of the Company situated in the PRC with a net book values of approximately RMB22,426,550 (31 December 2001: RMB23,335,829) and RMB39,840,431 (31 December 2001: RMB41,455,751) respectively.

6. Gearing ratio

The Company's gearing ratio, based on total liabilities to shareholders' equity, was 0.98 as at 30 June 2002 (31 December 2001: 0.77).

7. Capital structure

During the Six Months, there is no change in the Company's share capital. As at 30 June 2002, the Company's operations were financed mainly by shareholder's equity and internal resources. The Company will continue to adopt its treasury policy of placing the Company cash and cash equivalents in interest bearing deposits.

8. Material investments and capital assets

Other than those disclosed in the Company prospectus dated 4 December 2001 under the section headed "Business Objectives", the Company did not have any plan for material investments and acquisition of material capital assets as at 30 June 2002.

9. Exposure in exchange rate fluctuations

Substantially all the Company monetary assets, sales and raw materials purchases are denominated in RMB, the exchange rate risks of the Company is considered to be minimal during the period.



10. *Employee information*

At 30 June 2002, the Company employed 2,177 employees (2001: 1,762). They were remunerated in accordance with their performance and market condition. Other benefits available to eligible employees include medical insurance and pensions fund. Staff cost was approximately RMB17,576,146 for the Six Months as compared with that of approximately RMB11,899,820 for the corresponding period of the preceding financial year.

11. *Contingent liabilities*

As at 30 June 2002, the Directors are not aware of any material contingent liabilities.

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the three months and six months ended 30 June 2002 (2001: A special dividend of RMB0.24 per share was proposed at the directors' meeting on 18 June 2001).

SUBSTANTIAL SHAREHOLDERS

As of 30 June 2002, holders of the Company's domestic shares representing 10% or more of the Company's total issued capital were as follows:

Name of shareholders	Number of shares	Percentage
ZMPAM	94,310,000	33.11%
Jiangsu Mudan Group Company Limited. ("Jiangsu Mudan")	100,340,000	35.23 %

As of 30 June 2002, the holder of H shares representing 10% or more of the Company's total issued capital was as follows:

Name of shareholders	Number of shares	Percentage
HKSCC Nominees Limited	87,932,000	30.88%

Save for the information stated above, the Company is not aware of any interests required to be disclosed by the Company pursuant to Section 16(1) of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") as of 30 June 2002.



INTERESTS OF DIRECTORS, SUPERVISORS IN THE SHARE CAPITAL

Madam YOU Lian Qun, non-executive Director of the Company, owns as to 12.2% shares of Zhangjiagang Automobiles Accessories Factory (“ZAAF”), one of the promoters of the Company. ZAAF owns as to 0.35% shares of the Company. Madam YOU Lian Qun is also the director and legal representative of ZAAF.

Save as disclosed above, none of the Directors or supervisors or senior management or any of their spouses or children under the age of 18 had, as at 30 June 2002, any interest in any shares or debentures of the Company or any associated corporation) within the meaning of the SDI Ordinance).

None of the Directors or the supervisors, nor their spouses or children under 18 years of age were granted or had exercised any rights to subscribe for the securities in the Company during the six months ended 30 June 2002.

COMPETING INTEREST

On 29 November 1999, Jiangsu Mudan, a substantial shareholder for the Company, together with four independent third parties, submitted a tender to the government of South Africa tendering for a contract for the supply for new buses of 5.98 m or above in length to replace 127,000 obsolete buses currently used in South Africa. Jiangsu Mudan has undertaken that it will use its best endeavour to procure the sub-contracting of all the production orders it shall be responsible under the tender to the Company to avoid competition with the business of the Company. If Jiangsu Mudan fails to procure the sub-contracting of all the productions orders, Jiangsu Mudan has further undertaken that it will not proceed with the tender and will not participate or provide any support in relation to the manufacturing of buses to the government of South Africa under the tender.

On 8 October 2001, each of ZMPAM and Jiangsu Mudan (the “Undertaking Party”) has undertaken to the Company that neither of them nor their respective subsidiaries will engage or be interested, directly or indirectly, in business and hold any interest or benefits in or by any other means engage or participate in any business activities, which may compete directly or indirectly with the business of the Company. In relation to each Undertaking Party, such undertaking shall remain in force so long as (1) such Undertaking Party and its associates shall, singly or together, remain beneficially interested, directly or indirectly in 30% or more of the entire shareholding interest of the Company; and (2) the H Shares or any equity securities of the Company are listed on the Stock Exchange or on any other stock exchange.



Save as disclosed herein, none of the Directors, supervisors, initial management shareholders, substantial shareholders and significant shareholders of the Company and their respective associates has any interest in any business which directly or indirectly compete with business of the Company for the six months ended 30 June 2002

INTERESTS OF SPONSOR

Neither CEF Capital Limited (the “Sponsor”) nor its directors or employees or associates (as referred to in Note 3 to Rule 6.35 of the GEM Listing Rules) had any interests in the share capital of the Company as at 30 June 2002.

Pursuant to the agreement dated 30 November 2001 entered into between the Company and the Sponsor, the Sponsor will receive a fee for acting as the Company’s retained Sponsor for the period from 18 December 2001, the dates on which the shares of the Company are listed, to 31 December 2003.

Save as disclosed above, the Sponsor has no other interest in the Company as at 30 June 2002.

AUDIT COMMITTEE

The Company set up an audited committee (the “Committee”) on 3 September 2001 with written terms of reference in compliance with the requirements as set out in Rule 5.23 and 5.24 of the GEM Listing Rules. The primary duties of the Committee are to review and provide supervision over the financial reporting process and internal control of the Company. The committee comprised two independent non-executive directors, ZHANG Xiao Yu and WU Chang Fa. The Company’s financial statements for the Six Months has been reviewed by the Committee, who were of the opinion that such statement complied with the applicable accounting standards, the Stock Exchange and legal requirements, and that adequate disclosure had been made. The Committee held two meetings for the six months ended 30 June 2002.

PRACTICES AND PROCEDURES OF THE BOARD

The Directors considered that the Company has complied with the requirement of Board practices and procedures of Rules 5.28 to 5.39 of the Listing Rules of the GEM throughout the six months period.



RESIGNATION OF EXECUTIVE DIRECTOR

Mr. SONG Bo Xiang resigned as an Executive Director and the Chairman of the Company with effect from 3 June 2002. Mr. Song has taken up a public position in Zhangjiagang city. The resignation of Mr. Song has no material adverse impact on the business operations of the Company. Mr. SUN Min Biao, an Executive Director and previously the Vice Chairman of the Company, was appointed as the Chairman of the Company with effect from that day.

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

During the Six Months the Company has not purchased, sold or redeemed any of its listed securities.

By order of the Board
Mudan Automobile Shares Company Limited
SUN Min Biao
Chairman

29 July 2002
Zhangjiagang, Jiangsu, the PRC

