



BRILLIANCE
CHINA AUTOMOTIVE
HOLDINGS LIMITED

(華晨中國汽車控股有限公司)*

(Incorporated in Bermuda with limited liability)



Interim Report 2001

**for identification purposes only*

RESULTS

The board of directors (the "Board") of Brilliance China Automotive Holdings Limited (the "Company") is pleased to announce the unaudited interim financial results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30th June, 2001. The unaudited interim financial results have been reviewed by the Company's audit committee.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th June, 2001

(Expressed in thousands of Rmb except for per share amount)

		Six months ended 30th June,	
	Note(s)	2001 (unaudited)	2000 (unaudited) (Note 12)
Turnover	3, 4a	3,264,627	2,989,727
Cost of sales	4a	<u>(2,274,583)</u>	<u>(2,009,793)</u>
Gross profit		990,044	979,934
Other revenues	3	15,084	18,828
Selling expenses		(180,372)	(169,709)
General and administrative expenses		(133,949)	(101,926)
Other operating expenses		<u>(23,288)</u>	<u>(23,642)</u>
Profit from operations		667,519	703,485
Interest income		51,114	60,643
Interest expense		(47,417)	(31,262)
Share of profits of associated companies		<u>25,493</u>	<u>32,505</u>
Profit before taxation		696,709	765,371
Taxation	5	<u>(77,939)</u>	<u>(166,187)</u>
Profit after taxation		618,770	599,184
Minority interests		<u>(129,327)</u>	<u>(147,517)</u>
Net profit attributable to shareholders		489,443	451,667
Dividend	6	<u>(19,618)</u>	<u>(6,497)</u>
Profit for the period, retained		<u>469,825</u>	<u>445,170</u>
Basic earnings per share	7	<u>Rmb0.1438</u>	<u>Rmb0.1484</u>
Diluted earnings per share	7	<u>Rmb0.1438</u>	<u>Rmb0.1357</u>

CONDENSED CONSOLIDATED BALANCE SHEET

As of 30th June, 2001

(Expressed in thousands of Rmb)

		30th June, 2001 <i>(unaudited)</i>	31st December, 2000 <i>(Note 12)</i>
FIXED ASSETS, NET		899,633	646,951
INTANGIBLE ASSET		681,100	681,100
CONSTRUCTION-IN-PROGRESS		1,885,679	1,831,596
INVESTMENTS IN ASSOCIATED COMPANIES	8	824,893	1,068,723
GOODWILL		226,297	229,397
OTHER LONG-TERM ASSETS		483	2,621
CURRENT ASSETS:			
Cash and cash equivalents		2,064,245	1,338,038
Short-term bank deposits		2,003,974	1,397,883
Accounts receivable		145,298	27,037
Due from affiliated companies	4b	1,181,592	551,442
Notes receivable	9	162,737	129,578
Other receivables		271,152	998,279
Prepayments and other current assets		351,825	230,021
Inventories		563,137	795,631
Advances to affiliated companies	4d	774,894	608,807
Total current assets		<u>7,518,854</u>	<u>6,076,716</u>
CURRENT LIABILITIES:			
Short-term bank loans		817,815	1,047,229
Notes payable		3,780,000	3,567,318
Accounts payable		552,059	472,068
Due to affiliated companies	4c	496,345	429,606
Customer advances		132,605	37,773
Other payables		383,819	345,986
Accrued expenses and other current liabilities		65,461	65,630
Taxes payable		165,976	154,489
Dividends payable		3,470	3,536
Advances from affiliated companies	4e	89,925	54,058
Total current liabilities		<u>6,487,475</u>	<u>6,177,693</u>

		30th June, 2001	31st December, 2000
	<i>Note(s)</i>	(unaudited)	<i>(Note 12)</i>
Net current assets (liabilities)		<u>1,031,379</u>	<u>(100,977)</u>
Net assets		<u>5,549,464</u>	<u>4,359,411</u>
Represented by:			
Share capital	10, 11	303,221	276,891
Share premium	11	2,034,639	1,343,953
Reserves	11	2,664,911	2,192,718
Proposed dividends	11	<u>15,544</u>	<u>17,912</u>
Shareholders' equity		5,018,315	3,831,474
Minority interests		<u>531,149</u>	<u>527,937</u>
		<u>5,549,464</u>	<u>4,359,411</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30th June, 2001

(Expressed in thousands of Rmb)

	For the six months ended 30th June, 2001 (unaudited)
Net cash inflow from operating activities	1,367,187
Returns on investments and servicing of finance	(139,934)
PRC enterprise tax paid	(143,219)
Net cash outflow from investing activities	<u>(687,094)</u>
Net cash inflow before financing activities	396,940
Net cash inflow from financing activities	<u>329,267</u>
Increase in cash and cash equivalents	726,207
Cash and cash equivalents, beginning of period	<u>1,338,038</u>
Cash and cash equivalents, end of period	<u><u>2,064,245</u></u>

NOTES TO THE FINANCIAL STATEMENTS

(Amounts expressed in Rmb unless otherwise stated)

1. ORGANIZATION AND OPERATIONS

Brilliance China Automotive Holdings Limited (the "Company") was incorporated in Bermuda on 9th June, 1992 with limited liability. The Company's ADSs and shares are traded on The New York Stock Exchange Inc. and The Stock Exchange of Hong Kong Limited respectively.

2. BASIS OF PRESENTATION

The condensed interim financial statements of the Company and its subsidiaries (collectively referred to as the "Group") have been prepared in accordance with the Statement of Standard Accounting Practice ("SSAP") No. 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants and the disclosure requirements under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") except that no comparative figures have been presented for the condensed consolidated cash flow statement. Being the first condensed consolidated cashflow statement included in the interim report relating to accounting period ended on or after 1st July, 2000, such departure from SSAP 25 is permitted under the Listing Rules.

The consolidated financial statements include the financial statements of the Group. All significant intra-group transactions and balances have been eliminated on consolidation.

The accounting policies and basis of presentation used in the preparation of the condensed interim financial statements are consistent with those used by the Group for the year ended 31st December, 2000, except for the changes in accounting policies as discussed below:

(a) Proposed dividends

The adoption of SSAP 9 (Revised) "Events after the balance sheet date" results in a change in accounting policy whereby dividends proposed after the balance sheet date are no longer recognized as a liability at the balance sheet date, while the dividend proposed or declared by the subsidiaries or associated companies after the balance sheet date is no longer recognized as an income. This change has been applied retrospectively and comparative figures have been restated. The beginning retained earnings as at 1st January, 2000 and 1st January, 2001 have increased by approximately Rmb6,497,000 and Rmb17,912,000. Proposed dividends are now separately disclosed on the face of the balance sheet within shareholders' equity.

(b) **Goodwill**

Goodwill arising from the acquisition of subsidiary or associated company, being the excess of the purchase consideration over the fair value of the Group's share of the identifiable net assets acquired, is recorded as an asset and amortized on a straight-line basis to the consolidated income statement over its estimated useful life of forty years.

Pursuant to SSAP 30 there is a rebuttable presumption that the useful life of goodwill will not exceed twenty years from initial recognition. The Company's directors consider the automotive industry in the PRC is subject to stringent control and regulations and the barrier to new entry is significant. Consequently, in the opinion of the directors, no revision is needed on the estimated useful life of goodwill.

Except for changes as described above, the adoption of SSAP 14 (revised), SSAP 28, SSAP 29, SSAP 30, SSAP 31 and SSAP 32 does not have a material impact on the reported financial position or results of the Group.

3. **TURNOVER, OTHER REVENUE AND SEGMENT INFORMATION**

The Group is principally engaged in the manufacturing and sales of minibuses and automotive components in the PRC during the period ended 30th June, 2001.

An analysis of the Group's turnover and revenue is as follows:

	Turnover for the six months ended		Contribution to profit from operation for the six months ended	
	30th June, 2001	30th June, 2000	30th June, 2001	30th June, 2000
	<i>Rmb'000</i>	<i>Rmb'000</i>	<i>Rmb'000</i>	<i>Rmb'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
		<i>(Note 12)</i>		<i>(Note 12)</i>
Turnover:				
Sales of minibuses	3,042,223	2,909,679	989,817	977,890
Sales of automotive components	222,404	80,048	227	2,044
	<u>3,264,627</u>	<u>2,989,727</u>	<u>990,044</u>	<u>979,934</u>

No business or geographical segmentation analysis is provided as less than 10% of the consolidated turnover and less than 10% of the consolidated profit from operations of the Group are attributed to business segments other than manufacturing and sales of minibuses, or markets outside the PRC.

	Other revenues for the	
	six months ended	
	30th June, 2001	30th June, 2000
	<i>Rmb'000</i>	<i>Rmb'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
		<i>(Note 12)</i>
Other revenues:		
Interest income	51,114	60,643
Other revenues	<u>15,084</u>	<u>18,828</u>
	<u><u>66,198</u></u>	<u><u>79,471</u></u>

4. RELATED PARTY TRANSACTIONS

An affiliated company is a company in which one or more of the directors or substantial shareholders of the Company have direct or indirect beneficial interests in the company or are in a position to exercise significant influence on the company. Parties are also considered to be affiliated if they are subject to common control or common significant influence.

- (a) Particulars of significant transactions between the companies comprising the Group and affiliated companies in the ordinary course of business during the period are summarized below:

	Six months ended	
	30th June, 2001	30th June, 2000
	Rmb '000	<i>Rmb '000</i>
	(unaudited)	<i>(unaudited)</i>
		<i>(Note 12)</i>
Sales to JinBei Automotive Company Limited ("JinBei") and its affiliated companies	4,167	—
Purchases from JinBei and its affiliated companies	72,303	143,321
Sales to affiliated companies of Brilliance Holdings Limited ("BHL")	1,987,727	2,448,021
Purchases from affiliated companies of BHL	240,031	396,166
Sales to associated companies	81,059	—
Purchases from associated companies	297,942	96,481
Purchases from affiliated companies of the joint venture partner in Ningbo Yuming Machinery Industrial Co., Ltd. ("Ningbo Yuming")	10,438	6,331
Sales of fixed assets to an associated company	18,425	—
Purchase of fixed assets and inventories from affiliated companies of BHL	—	33,649

The above transactions were carried out after negotiations between the Group and the affiliated companies in the ordinary course of business and on the basis of estimated market value as determined by the directors of the relevant companies.

(b) As of 30th June, 2001, amounts due from affiliated companies arising from trading activities consisted of the following:

	30th June, 2001 Rmb'000 (unaudited)	31st December, 2000 Rmb'000
Notes receivable from JinBei and its affiliated companies	7,871	—
Due from JinBei and its affiliated companies	1,000	—
Notes receivable from BHL and its affiliated companies (i)	422,134	449,679
Due from affiliated companies of BHL (ii)	688,997	111,712
Due from affiliated companies of the joint venture partner in Ningbo Yuming	280	280
Due from affiliated companies of the joint venture partner in Shenyang Xinguang Brilliance Automotive Engine Co. Ltd ("Xinguang Brilliance")	—	2,001
Notes receivable from an associated company	250	—
Due from associated companies	<u>73,290</u>	<u>—</u>
	1,193,822	563,672
Provision for doubtful receivables	<u>(12,230)</u>	<u>(12,230)</u>
	<u><u>1,181,592</u></u>	<u><u>551,442</u></u>

(i) The notes receivable from affiliated companies are guaranteed by banks in China and have maturities between one to six months.

(ii) As of 30th June, 2001, the aging of the amounts due from affiliated companies are all within 180 days and approximately Rmb74.9 million was guaranteed by the joint venture partner of Mianyang Xinchen Engine Co., Ltd. ("Mianyang Xinchen").

(c) As of 30th June, 2001, amounts due to affiliated companies arising from trading activities consisted of the following:

	30th June,	31st December,
	2001	2000
	Rmb'000	Rmb'000
	(unaudited)	
Due to JinBei and its affiliated companies	104,956	14,468
Due to BHL and its affiliated companies	210,531	173,225
Due to affiliated companies of the joint venture partner of Ningbo Yuming	3,459	3,584
Due to associated companies	<u>177,399</u>	<u>238,329</u>
	<u>496,345</u>	<u>429,606</u>

As of 30th June, 2001, the aging of the amounts due to affiliated companies were all within 180 days. The amounts due to affiliated companies are unsecured and have no fixed repayment terms.

(d) As of 30th June, 2001, the advances to affiliated companies consisted of:

	30th June,	31st December,
	2001	2000
	Rmb'000	Rmb'000
	(unaudited)	
Due from JinBei and its affiliated companies:		
Interest bearing at 9.24% (2000 — Nil)		
per annum	3,331	—
Non-interest bearing	—	1,100
Due from BHL and its affiliated companies:		
Interest bearing at 5.5% (2000 — 5.5% to 7.2%) per annum	200,111	200,068
Non-interest bearing (i & ii)	<u>571,452</u>	<u>407,639</u>
	<u>774,894</u>	<u>608,807</u>

(i) Subsequent to 30th June, 2001, approximately Rmb149 million has been settled by an affiliated company of BHL.

(ii) As of 30th June, 2001, advances to affiliated companies of approximately Rmb128.2 million were guaranteed by the joint venture partner in Mianyang Xinchen.

(e) As of 30th June, 2001, the advances from affiliated companies consisted of:

	30th June, 2001	31st December, 2000
	Rmb'000	Rmb'000
	(unaudited)	
Due to BHL and its affiliated companies	60,063	52,311
Due to the joint venture partner in Ningbo Yuming	29,862	1,747
	89,925	54,058

The advances from affiliated companies are unsecured, non-interest bearing and have no fixed repayment terms.

5. TAXATION

Taxation charges comprised:

	Six months ended	
	30th June, 2001	30th June, 2000
	Rmb'000	Rmb'000
	(unaudited)	(unaudited)
The Company and its subsidiaries:		
Current taxation:		
PRC enterprise income tax	75,281	163,223
Associated companies:		
Current taxation:		
PRC enterprise income tax	2,658	2,964
	77,939	166,187

There was no significant unprovided deferred taxation as of 30th June, 2001.

Income Tax

Taxation is provided on the assessable income of the period calculated in accordance with the relevant regulations after considering all the available tax benefits from refund and allowances.

In 2001, Shenyang XingYuanDong Automobile Components Co., Ltd. ("Xing Yuan Dong") received official designation by the local tax authorities as a "New and Technologically-Advanced Enterprise" and is subject to state and local income taxes within the PRC at a rate of 15% and 3% respectively. Pursuant to the relevant income tax laws in the PRC, Xing Yuan Dong is granted a 50% reduction of enterprise income tax commencing in 2001. As a result, the effective tax rate for Xing Yuan Dong for the six months period ended 30th June, 2001 was 7.5% (30th June, 2000 — 33%).

6. DIVIDENDS

During this interim period, the final dividend for year 2000 of HK\$0.005 per share, totalling Rmb19.6 million was approved by the shareholders.

The board of directors declared an interim dividend of HK\$0.004 (30th June, 2000 — HK\$0.003) per share, totalling approximately HK\$14.7 million (Rmb15.5 million) (30th June, 2000 — Rmb9.7 million).

7. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the weighted average number of shares outstanding for the six months ended 30th June, 2001. The weighted average number of ordinary shares outstanding for the period ended 30th June, 2001 was approximately 3,402,517,000 (30th June, 2000 — 3,043,693,000) shares.

The diluted earnings per share is calculated based on the weighted average number of ordinary shares mentioned above and adjusted for all dilutive potential ordinary shares outstanding during the six months ended 30th June, 2001. The adjusted weighted average number of shares outstanding for the six months ended 30th June, 2001 was approximately 3,403,263,000 (30th June, 2000 — 3,328,095,000) after taking into account the effect of the weighted average number of ordinary shares deemed to be issued at no consideration if all outstanding options during the six months ended 30th June, 2001 had been exercised.

8. INVESTMENTS IN ASSOCIATED COMPANIES

Details of investments in associated companies are as follows:

	30th June,	31st December,
	2001	2000
	Rmb '000	Rmb '000
	(unaudited)	
Share of net assets	382,840	354,868
Goodwill	438,990	444,685
	821,830	799,553
Loan to an associated company	3,063	269,170
	824,893	1,068,723

The underlying value of the investments in associated companies was, in the opinion of the Company's directors, not less than the carrying value in the accompanying consolidated financial statements as of 30th June, 2001.

9. NOTES RECEIVABLE

Notes receivable are primarily notes received from customers for settlement of trade receivable balances. As of 30th June, 2001, all notes receivable were guaranteed by established banks in the PRC and the fair value of the notes receivable approximated their carrying value.

10. SHARE CAPITAL

30th June, 2001		31st December, 2000	
Number of		Number of	
Shares	Amount	Shares	Amount
'000	'000	'000	'000
<i>(unaudited)</i>			

Authorized:

Ordinary shares of US\$0.01 each	<u>5,000,000</u>	<u>US\$50,000</u>	<u>5,000,000</u>	<u>US\$50,000</u>
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Issued and fully paid:

Ordinary shares of US\$0.01 each	<u>3,666,053</u>	<u>Rmb303,221</u>	<u>3,348,053</u>	<u>Rmb276,891</u>
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- a. On 25th May, 2001, a share subscription agreement was entered into amongst the Company, Zhuhai Brilliance Holdings Company Limited and Mr. Yang Rong, Chairman of the Company, for the subscription of an aggregate of 318,000,000 ordinary shares at par value of US\$0.01 in the capital of the Company at HK\$2.20 per share. Net proceeds of HK\$670 million (equivalent to Rmb717 million) were received from such share subscriptions.
- b. On 2nd June, 2001, share options were granted to certain directors and employees of the Company, entitling them to subscribe for a total of 31,800,000 shares of the Company at HK\$1.896 per share. The exercisable period of these options is from 2nd June, 2001 to 1st June, 2011.

11. EQUITY AND RESERVES

	Ordinary shares Rmb'000	Share premium Rmb'000	Cumulative translation adjustments Rmb'000	Dedicated capital Rmb'000	Proposed dividends Rmb'000	Retained profits Rmb'000	Total Rmb'000
Balance at 31st December, 1999	12,332	1,263,322	39,179	5,191	—	1,217,310	2,537,334
Prior period adjustment for dividends	—	—	—	—	—	6,497	6,497
Proposed dividends	—	—	—	—	6,497	(6,497)	—
As restated	12,332	1,263,322	39,179	5,191	6,497	1,217,310	2,543,831
Bonus issue of 19 shares for 1 share on 14th April, 2000	239,370	(239,370)	—	—	—	—	—
Profit for the period	—	—	—	—	—	451,667	451,667
Dividends	—	—	—	—	(6,497)	—	(6,497)
Proposed dividends	—	—	—	—	9,679	(9,679)	—
Balance at 30th June, 2000	<u>251,702</u>	<u>1,023,952</u>	<u>39,179</u>	<u>5,191</u>	<u>9,679</u>	<u>1,659,298</u>	<u>2,989,001</u>
Balance at 31st December, 2000	276,891	1,343,953	39,179	5,191	—	2,148,348	3,813,562
Prior period adjustment for dividends	—	—	—	—	—	17,912	17,912
Proposed dividends	—	—	—	—	17,912	(17,912)	—
As restated	276,891	1,343,953	39,179	5,191	17,912	2,148,348	3,831,474
Issuance of new shares	26,330	690,686	—	—	—	—	717,016
Profit for the period	—	—	—	—	—	489,443	489,443
Dividends	—	—	—	—	(17,912)	(1,706)	(19,618)
Proposed dividends	—	—	—	—	15,544	(15,544)	—
Balance at 30th June, 2001	<u>303,221</u>	<u>2,034,639</u>	<u>39,179</u>	<u>5,191</u>	<u>15,544</u>	<u>2,620,541</u>	<u>5,018,315</u>

Profit before taxation for the period has been arrived at after charging depreciation of approximately Rmb43.9 million (30th June 2000 — Rmb41.5 million) and amortization expenses of approximately Rmb3.6 million (30th June 2000 — Rmb3.8 million) respectively.

12. COMPARATIVE FIGURES

Certain 2000 comparative figures have been reclassified to conform to the current period's presentation.

13. COMPARISON OF US GAAP AND HK GAAP

The Group has prepared a separate set of financial statements for the six months ended 30th June, 2001 in accordance with generally accepted accounting principles in the United States of America ("US GAAP").

Differences between HK GAAP and US GAAP give rise to differences in the reported balances of assets, liabilities and net profit of the Group. The financial effect of the material differences between HK GAAP and US GAAP are summarized and explained as follows:

	Six months ended	
	30th June, 2001	30th June, 2000
	<i>Rmb'000</i>	<i>Rmb'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
		<i>(Note 12)</i>
Net profit reported under HK GAAP	489,443	451,667
Stock-based compensation (a)	(15,461)	(88,265)
Others	882	798
	<hr/>	<hr/>
Net profit reported under US GAAP	<u>474,864</u>	<u>364,200</u>

- a. On 2nd June, 2001, share options were granted to certain directors and employees of the Group entitling them to subscribe for a total of 31,800,000 shares of the Company at a discount of 20% of the average closing price of the shares as quoted on The Stock Exchange of Hong Kong Limited for the 5 business days immediately preceding the date of grant.

US GAAP requires that discounts granted to employees under a compensatory share option scheme be recognized as compensation and charged to expense over the periods expected to be benefited, to the extent that the fair value of the equity instrument exceeds the exercise price of the option on the date of grant. Since the options granted by the Company vested immediately upon grant, compensation expense amounting to Rmb15.5 million associated with the share options was charged to the income statement.

Under HK GAAP, there is no specific accounting standard to account for the compensation element in share options. Issuance of stocks under such scheme will be recorded like normal share issue transactions.

BUSINESS REVIEW

Consolidated net sales of the Company and its operating subsidiaries, Shenyang JinBei Passenger Vehicle Manufacturing Company Limited ("Shenyang Automotive"), Xing Yuan Dong, Ningbo Brilliance Ruixing Auto Components Co., Ltd., Mianyang Brilliance Ruian Automotive Components Co., Ltd. and Ningbo Yuming Machinery Industrial Co., Ltd. for the first six months of 2001 were Rmb3,264.6 million, representing a 9.2% increase from sales of Rmb2,989.7 million for the same period in 2000. The increase in sales was primarily attributable to the increase in the unit sales of Shenyang Automotive's Mid-priced Minibus and Deluxe Minibus.

Shenyang Automotive sold a total of 32,000 units of minibuses in the first half of 2001, a 6.6% increase over the 30,008 units of minibuses sold during the same period in 2000. Shenyang Automotive sold 27,193 units of Mid-priced Minibuses in the first six months of 2001, an increase of 6.1% over the 25,638 units sold during the same period in 2000. Unit sales of Deluxe Minibus increased by 10.0% from 4,370 units in the first six months of 2000 to 4,807 units for the same period in 2001.

Consolidated operating income for the first six months of 2001 reached Rmb667.5 million, a 5.1% decrease from Rmb703.5 million for the same period in 2000. The decrease was primarily due to the start-up and training expenses in relation to the construction and preparation of the sedan project. Cost of sales as a percentage of sales was 69.7% for the first half of 2001, compared with 67.2% for the first half of 2000. Selling and administrative expenses was Rmb314.3 million, or 9.6% of sales, for the first half of 2001, compared with Rmb 271.6 million, or 9.1% of sales, over the same period in 2000.

Net profit attributable to shareholders increased by 8.4% to Rmb489.4 million for the first half of 2001 from Rmb451.7 million for the first half of 2000. Basic earnings per share were Rmb0.1438 for the first half of 2001, compared with the earnings of Rmb 0.1484 for the first half of 2000.

INTERIM DIVIDEND

The Board is pleased to declare an interim dividend of HK\$0.004 per ordinary share for the six months ended 30th June, 2001 to shareholders whose names appear on the Register of Members as at 16th October, 2001. The dividend will be paid to shareholders on or before 31st October, 2001.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from Friday, 12th October, 2001 to Tuesday, 16th October, 2001, both dates inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividend, all transfer documents, accompanied by the relevant shares certificates, must be lodged

with the Company's branch registrar in Hong Kong, Central Registration Hong Kong Limited at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:00 p.m. on Thursday, 11th October, 2001.

USE OF PROCEEDS

As at 30th June, 2001, the proceeds of the subscription completed on 8th June, 2001 remained unused and had been invested in interest-bearing, foreign currency denominated short-term bank deposits.

PROSPECTS

The increase in unit sales of Mid-priced Minibus and Deluxe Minibus for the first six months of 2001 was generally in line with the overall growth of the minibus market in the PRC. The growth registered in this period was achieved amidst increased competition and a slow-down of the growth of the minibus market in the PRC. To ensure that Shenyang Automotive retains its competitive advantage, management has reinforced its efforts in the following areas:

1. continue to increase production efficiency and cut costs, by amongst other things taking advantage of its large volume, so as to maintain profit margins and be prepared for possible future pricing pressures.
2. invest in the development of new products so as to meet the different needs of our diversified customer base.
3. invest in improving and increasing our national sales and service networks so as to provide better service to our customers.

In view of the timely adjustments we have made to our operations during the first half of this year, management is confident in maintaining the growth momentum for the remainder of the year.

DIRECTORS' INTERESTS IN SHARES

As at 30th June, 2001, the interests of the Directors in the securities of the Company and its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance (Cap. 396 of the laws of Hong Kong) (the "SDI Ordinance")) which have been notified to the Company and the Stock Exchange pursuant to Section 28 of the SDI Ordinance (including interests which are deemed or taken to have under Section 31 or Part I of the Schedule of the SDI Ordinance) which will be required, pursuant to Section 29 of the SDI Ordinance, to be entered in the register referred to therein, were:

Interests in the ordinary shares

Name of Directors	Type of interests	Number of ordinary shares
Yang Rong	personal	85,730,000
Wu Xiao An	personal	30,000,000
Su Qiang	personal	34,500,000
Hong Xing	personal	26,640,000
He Tao	personal	35,045,000
Yang Mao Zeng	personal	2,800,000

Share options

Name of Directors	Number of share options outstanding
Yang Rong	7,800,000
Wu Xiao An	2,800,000
Su Qiang	2,338,000
Hong Xing	2,338,000
He Tao	2,338,000
Yang Mao Zeng	2,338,000

(Note 1)

Save as disclosed above, none of the Directors, chief executives or their respective associates had any interests in the equity or debt securities of the Company or any associated corporations as defined in the SDI Ordinance.

Note:

1. The share options were all granted on 2nd June, 2001 and exercisable during a period of 10 years from 2nd June, 2001 at a discount of 20% of the average closing price of the Shares as quoted on the Stock Exchange for the 5 business days immediately preceding the date of the grant. As at 30th June, 2001, none of the above share options has been exercised.

SUBSTANTIAL SHAREHOLDERS

As at 30th June, 2001, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance showed that the following shareholder has an interest of 10% or more in the issued share capital of the Company.

Name		Number of shares beneficially held	Percentage of shareholding
The Chinese Financial Education Development Foundation (the “Foundation”)	Note 1	1,746,121,500	47.63%

Note:

1. The Foundation is beneficially interested in an aggregate of 1,746,121,500 shares, of which 1,446,121,500 shares are held directly by the Foundation and 300,000,000 shares are held indirectly through a wholly owned subsidiary of the Foundation, Zhuhai Brilliance Holdings Company Limited.

Save as disclosed above, no other party was recorded in the register required to be kept by the SDI Ordinance as having an interest of 10% or more in the issued share capital of the Company as at 30th June, 2001.

DEBT TO EQUITY RATIO

The debt to equity ratio, computed at dividing total liabilities by shareholders' equity, as of 30th June, 2001 is approximately 1.29 (31st December, 2000: 1.61). The decrease of the ratio is primarily due to the increase of share premium and retained earnings.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities for the six months ended 30th June, 2001.

AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial report matters including the unaudited interim accounts for the six months ended 30th June, 2001.

CODE OF BEST PRACTICE

In the opinion of the directors of the Company, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities (“Listing Rules”) on The Stock Exchange of Hong Kong Limited (“Stock Exchange”) throughout the six months ended 30th June, 2001, except that the independent non-executive directors of the Company are not appointed for specific terms as they are subject to retirement by rotation and re-election at the annual general meeting in accordance with the Company’s bye-laws.

PUBLICATION OF FINANCIAL INFORMATION

The Group’s 2001 interim report containing all the information required by paragraphs 46(1) to 46 (6) of Appendix 16 of the Listing Rules will be published on the website of the Stock Exchange in due course.

By Order of the Board

Yang Rong

Chairman

Hong Kong, 5th September, 2001