

**MUDAN AUTOMOBILE SHARES COMPANY LTD :
THE BEST GEM LISTING OF THE SEASON**

Like most things in the People's Republic China (PRC), success in the world's most populous country depends, almost entirely, on connections.

This is especially true in respect of politics, of course, but it is, also, true with regard to trying to do business in the PRC.

Mudan Automobile Shares Company Ltd, one of the latest batch of companies to come to The Growth Enterprise Market (The GEM) of The Stock Exchange of Hongkong Ltd, appears to have some of the best connections in that part of the PRC, where it operates.

As such, it is likely to go far, irrespective of the quality of the buses that it produces and sells, almost exclusively throughout the PRC.

That is not to say, of course, that there is anything wrong with the Company's buses because TARGET has never heard of them before and, probably, fewer than 50 people, outside the PRC, are familiar with the marque.

Mudan Automobile, to be known as GEM Stock Code Number 8188, pitched 77 million, one renminbi shares (\$HK0.93) at a Premium of \$HK0.19 per share in its attempt to join the august rolls of The GEM.

Of that figure of 77 million shares, 69.30 million shares were Placed and the remainder, 7.70 million shares, was offered to any prospective investor, who could put his money on the table.

The money, raised in this exercise, is to be used as follows, according to Page 108 of the Placing and Public Offer Prospectus:

1. \$HK42 million for modernisation of production facilities;
2. \$HK3 million to expand sales and marketing activities;
3. \$HK1 million to be used in research and development; and,
4. \$HK9.60 million will be applied as General Working Capital.

The above sounds very straightforward, but there is an accompanying note, attached to the '*Reasons for the Share Offer and Use of Proceeds*' which, in essence, states that there is no guarantee that Management will use the \$HK55.60 million for the above-stated purposes.

In the event that the Company does not modernise its production facilities (which is the only item out of the 4, above-stated Use of Proceeds, which could be in contention), then '*the Directors will carefully evaluate the situation and may reallocate the intended funds to other business plans and/or to new projects of the Company ...*'.

(TARGET's Translation: Give us your money and, if for any reason, we (the Directors of Mudan Automobile) can get out of modernising production facilities, then, we will have that money to do with it as we please. And, by the way, thanks a bunch for the lolly.)

Mudan Automobile produces light-sized, medium-sized and large-sized buses, all of which are sold through 258 independent distributors and 25 sales offices in the PRC.

There would appear to be no English name for the Company's brand name. (Page One)

The history of this Company goes back 8 long years, to November 1993, but it was only in 1998 that the production of buses actually got under way.

Since then, clearly due to Management, having some of the best connections in its bailiwick, it has done very well, as the following table, taken from Page 156, illustrates:

	Financial Year ended December 31		Nine Months to September 30
	1999	2000	2001
	All Figures are Denominated in Renminbi (Except where otherwise indicated)		
Revenue	507,051,801	775,719,118	599,212,114
Cost of Sales	(411,959,747)	(686,870,458)	(524,367,924)
Gross Profit	95,092,054	88,848,660	74,844,190
Other Operating Income	1,360,711	1,508,973	944,799
Distribution Expenses	(21,701,302)	(25,821,795)	(19,361,603)
General and Administrative Expenses	(9,601,905)	(9,699,543)	(5,711,554)
Other Operating Expenses	(18,355,824)	(6,027,309)	(660,950)
Profit from Operations	46,793,734	48,808,986	50,054,882
Net Financing Costs	(6,465,142)	(7,819,607)	(3,999,334)
Profit before Taxation	40,328,592	40,989,379	46,055,548
Income Tax Expenses	(13,493,235)	(13,711,295)	(15,336,931)
Profit Attributable to Shareholders	26,835,357	27,278,084	30,718,617
Gross Profit Margin	18.75 percent	11.45 percent	12.49 percent
Net Profit Margin	5.29 percent	3.52 percent	5.13 percent

For the Current Financial Year, ending December 31, 2001, the Company is ... [CLICK TO ORDER FULL ARTICLE](#)

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