

# Management's Discussion & Analysis

In 2000, the Company's primary operating vehicle, Shenyang JinBei Passenger Vehicle Manufacturing Company Limited ("Shenyang Automotive"), further consolidated its leading position in China's minibus market with increased sales revenues as well as profitability. These record-setting results were achieved amidst an economic environment of overall improved economic conditions in China but increased competition from our competitors in the Chinese market.

The consolidated net sales of the Company and its operating subsidiaries, Shenyang Automotive, Ningbo Yuming Machinery Industrial Co., Ltd. ("Ningbo Yuming"), Shenyang XingYuanDong Automobile component Co., Ltd. ("Xing Yuan Dong"), Ningbao Brilliance Ruixing Auto Components Co., Ltd. and Mianyang Brilliance Ruian Automotive Components Co., Ltd., for the year ended December 31, 2000 increased 44.9% to RMB6,306.4 million from RMB4,351.2 million for the year ended December 31, 1999. The increase in sales was primarily attributable to the increase in the unit sales of Shenyang Automotive's Mid-priced Minibus as well as the strong sales of the Deluxe Minibus.

Shenyang Automotive sold a total of 60,018 minibuses in 2000, a 42.2% increase over the 42,199 minibuses sold in 1999. Shenyang Automotive sold 49,873 of its Mid-priced Minibus in 2000, a 48.7% increase over the 33,547 units sold in 1999. Units sales of the Deluxe Minibus increased 37.3 from 7,387 Units in 1999 to 10,145 units in 2000. Shenyang Automotive discontinued production and sale of its lower end Standard Minibus at the end of 1999.

Cost of sales of Shenyang Automotive, including depreciation and amortization, increased 54.8% to RMB4,436.2 million in 2000 from RMB2,866.2 million in 1999. This increase was primarily due to an increase in unit output and expenses incurred in upgrading the specification of the products.

Operating profit of the Company increased 48.2% to RMB1,465.0 million in 2000 from RMB988.6 million in 1999. This increase was due primarily to contributions from Xing Yuan Dong, as well as increased sales of minibuses. Selling and administrative expenses rose 13.8% to RMB575.7 million in 2000 from RMB505.8 million in 1999 and as a percentage of sales declined from 11.6 in 1999 to 9.1 in 2000. Profit before taxation and minority interests increased 53.6% to RMB1,549.5 million in 2000 from RMB1,008.5 million in 1999. Taxation increased to RMB322.5 million in 2000 from RMB72.2 million in 1999 due to increased taxable profits. However, a subsidy of RMB181.6 million was granted by the Administrative Committee of Shenyang New and High-Tech Industrial Development Zone for the year ended December 31, 2000.

As a result of the strong performance of Shenyang Automotive, and taking into account the earnings from the Company's operating subsidiaries and an associated company, the Company's net profit increased 48.5% to RMB958.6 million in 2000 from 645.4 million in 1999. Basic earnings per share were RMB0.3042 in 2000, a 27.1% increase over the basic earning of RMB0.2394 per share for 1999. Diluted earnings per share (which take into account the potential effect of outstanding stock options) were RMB0.2953 in 2000.

Looking forward to the coming year, despite increased competition in the Chinese automobile market in general, the Company is in a solid position to enjoy further growth on top of the record-setting sales set in the last few years. The improvements we have made in our products and distribution networks in the past will enable us to offer better values to our customers.