

Report of Directors

The Directors present this report together with the audited financial statements of the Company and its subsidiaries (the “Group”) for the year ended December 31, 2000.

PRINCIPAL ACTIVITIES

The Company is a holding company whose principal operating asset is its majority interest in Shenyang Automotive. Historically, the Company has derived its revenues from Shenyang Automotive’s sales of minibuses in China. As a result, the Company’s results of operations have been primarily driven by the sales price, sales volume and cost of production of Shenyang Automotive’s minibuses. In May 1998, the Company acquired an indirect interest in two component suppliers: a 51% equity interest in Ningbo Yuming, a wholly foreign-owned Chinese enterprise primarily engaged in the production of automobile window molding, stripping and other auto components; and a 50% equity interest in Mianyang Xinchun, a Sino-foreign equity joint venture manufacturer of gasoline engines for use in passenger vehicles and light duty trucks. In October 1998, June 2000 and July 2000, the Company established Xing Yuan Dong, Ningbo Brilliance Ruixing Auto Components Co., Ltd. and Mianyang Brilliance Ruian Automotive Components Co., Ltd. respectively as its wholly owned subsidiaries to centralize and consolidate the sourcing of auto parts and components for Shenyang Automotive. In December 2000, the Company acquired a 50% equity interest in Shenyang Xinguang Brilliance Automobile Engine Co., Ltd., a sino-foreign equity joint venture manufacturer of gasoline engines for use in passenger vehicles. As a result, the Company’s future financial performance may diverse from that of Shenyang Automotive.

TURNOVER AND CONTRIBUTION

The Group’s turnover and contribution to operating profit for the year ended December 31, 2000, analyzed by product category, are as follows:

	Turnover RMB’000	Contribution to Operating profit RMB’000
Manufacture and sales of minibuses	5,861,996	1,724,159
Manufacture and sales of automotive components	444,434	146,116
Total	6,306,430	1,870,275
Other revenue		190,517
Selling expenses		(364,871)
General and administration expenses		(210,786)
Other operating expenses		(20,149)
Operating profit		1,464,986

Report of Directors (Cont'd)

FINANCIAL RESULTS

The results for the Group for the year ended December 31, 2000, are set out in the financial statements on page 23.

LIQUIDITY AND FINANCIAL RESOURCES

The cash flow position of the Group for the year ended December 31, 2000 is set out and analyzed on page 26 and page 27 the financial statements.

DIVIDENDS

The Directors recommend the payment of a final dividend of HK\$0.005 per share in cash in respect of the year ended December 31, 2000. The dividend, if approved by the shareholders at the Annual General Meeting to be held on June 22, 2001, will be paid on or before June 29, 2001 to shareholders registered on June 22, 2001. The register of members of the Company will be closed from June 19, 2001 to June 21, 2001, both days inclusive. Details of the dividends paid and proposed are set out in note 10 to the financial statements.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the past five financial years is set out on page 3.

RESERVES

Movements in the reserve of the Group and the Company during the year ended December 31, 2000 are set out in note 26 to the financial statements.

FIXED ASSETS

The movements of fixed assets of the Group for the year ended December 31, 2000 are set out in note 12 to the financial statements.

SUBSIDIARIES AND ASSOCIATED COMPANIES

Particulars of the subsidiaries and associated companies are set out in notes 15 and 16 respectively to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of the changes in the Company's share capital during the year ended December 31, 2000 are set out in note 25 to the financial statements.

Report of Directors (Cont'd)

On January 13, 2000, share options were granted to certain directors and employees entitling them to subscribe for a total of 304,360,000 shares at HK\$1.059 per share (after taking into account the effect of the nineteen for one bonus issue of shares on April 14, 2000). Such share options vested immediately upon the grant and are exercisable within a period of ten years.

Details of share options which have been granted to the directors of the Company are as follows:

Name	Number of share options
Yang Rong	76,000,000
Wu Xiao An	40,000,000
Su Qiang	40,000,000
Hong Xing	40,000,000
He Tao	40,000,000
Yang Mao Zeng	4,000,000

The share options mentioned above were exercised in 2000.

DIRECTORS

The Directors of the Company who held office during the year ended December 31, 2000 and up to the date of this report were:

	Date of Appointment	Date of Resignation
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Executive Directors:

Mr. Yang Rong (*Chairman*)
Mr. Wu Xiao An (*Vice Chairman*)
Mr. Su Qiang
Mr. Hong Xing
Mr. Yang Mao Zeng
Mr. He Tao

Independent Non-executive Directors:

Mr. Wei Sheng Hong
Mr. Huang Anjiang
Mr. Yi Min Li

February 13, 2001

Report of Directors (Cont'd)

Mr. Yi Min Li will retire in accordance with clause 102(B) of the bye-laws of the Company at the forthcoming annual general meeting of the Company and, being eligible, will offer himself for re-election.

Mr. Hong Xing and Mr. He Tao will retire by rotation in accordance with clause 99 of the bye-laws of the Company at the forthcoming annual general meeting of the Company and, being eligible, will offer themselves for re-election.

SUBSTANTIAL SHAREHOLDER

As at December 31, 2000, the register of substantial shareholders maintained under Section 16(1) of the Securities (Disclosure of Interests) Ordinance (Cap. 396) of the laws of Hong Kong (the "SDI Ordinance") showed that the following shareholder has an interest of 10% or more in the share capital of the Company:

Name	Note	Number of shares Beneficially held	Percent of shareholding
The Chinese Financial Educational Development Foundation (the "Foundation")	1	1,746,121,500 shares	52.15%

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 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 of the shares of the Company as at December 31, 2000.

Report of Directors (Cont'd)

DIRECTORS' INTERESTS IN SHARES

As at December 31, 2000, the interests of the directors in the share capital of the Company as recorded in the register maintained under Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") were as follows:

Name of directors	Type of interests	Number of shares
Yang Rong	personal	79,120,000
Su Qiang	personal	41,200,000
Hong Xing	personal	40,750,000
He Tao	personal	40,045,000
Wu Xiao An	personal	37,114,000
Yang Mao Zeng	personal	4,300,000

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.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

At no time during the year ended December 31, 2000 was the Company or any of its subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate; and none of the Directors, or their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the year.

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries or associated companies was a party and in which any director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' SERVICE CONTRACTS

Each of Mr. Yang Rong, Mr. Wu Xiao An, Mr. Su Qiang, Mr. Hong Xing and Mr. He Tao, all of whom are executive Directors, has entered into service agreement with the Company dated August 21, 2000 for a term of five years commencing from October 1, 2000.

Save as disclosed herein, there is no service contract between the Directors and members of the Group which does not expire or is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

Report of Directors (Cont'd)

PURCHASE, SALE OR REDEMPTION

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's securities during the year.

ANALYSIS OF BORROWINGS & INTERESTS CAPITALIZED

The particulars of the Group's borrowings as at the end of the year are set out in notes 22 and 23 to the financial statements. Details of interest capitalized are set out in note 4 to the financial statements.

DEBT TO EQUITY RATIO

The debt to equity ratio, computed at dividing total liabilities by shareholders' equity, as of December 31, 2000 is approximately 1.63 (1999: 1.39). The increase of the ratio is primarily due to the increase of construction-in-progress and the acquisition of assets.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws or the laws of Bermuda which oblige the Company to offer new shares on a pro-rata basis to existing shareholders. Such obligations are provided for in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

MAJOR CUSTOMERS AND SUPPLIERS

During 2000, the aggregate sales attributable to the Group's five largest customers represented approximately 86% of the Group's turnover and sales attributable to the Group's largest customer was approximately 76%. The aggregate purchases attributable to the Group's five largest suppliers during the year represented approximately 39% of the Group's total purchases and the purchases attributable to the Group's largest supplier was approximately 18%.

None of the Directors, their associates or any shareholders which to the knowledge of the Directors, own more than 5% of the Company's issued share capital, has any interest in the share capital of any of the five largest customers or suppliers of the Group.

Report of Directors (Cont'd)

CONNECTED TRANSACTIONS

The following connected transactions have been entered into and/or ongoing after the listing of the Company's share on the Stock Exchange. The Stock Exchange has, subject to certain conditions, granted a waiver to the Company from strict compliance with the requirements as stipulated in Chapter 14 of the Listing Rules in connection with these transactions:

	RMB'000
Purchases of materials and component parts made by Ningbo Yuming from Mr. Qin's, a minority shareholder of Ningbo Yuming, wholly-owned subsidiaries	33,237
Purchases of materials and component parts made by Xing Yuan Dong from JinBei's associates	8,087
Purchases of materials and component parts made by Shenyang Automotive from JinBei's associates	17,232
Purchases of materials by Xing Yuan Dong from Tieling Brilliance	90,337
Sales made by Shenyang Automotive to Jinbei's associates	3,527

Save as disclosed above, in the opinion of the Directors, the transactions disclosed as related party transactions in note 6 to the financial statements do not constitute connected transaction as defined under the Listing Rules.

The independent non-executive Directors of the Company confirmed that all connected transactions in 2000 to which any member of the Group was a party:

1. had been entered into by the Group in the ordinary and usual course of its business;
2. had been entered into either (a) on normal commercial terms or (b) on terms not less favourable than those available to or from (as the case may be) independent third parties, or (c) where there is no available comparison for the purpose of determining whether (a) or (b) is satisfied, on terms that are fair and reasonable so far as the shareholders of the Company are concerned.

The auditors of the Company have reviewed the transactions and confirmed to the Directors that:

1. the Directors had approved the transactions; and
2. the transactions had been entered into in accordance with the terms of the related agreements governing such transactions and within the annual caps as approved by the Stock Exchange.

Report of Directors (Cont'd)

USE OF LISTING PROCEEDS

As at December 31, 2000, the Company has used approximately RMB420 million of its listing proceeds for construction of new production facilities and approximately RMB230 million to finance the acquisition of an automotive components manufacturer in the PRC.

CODE OF BEST PRACTICE AND AUDIT COMMITTEE

In the opinion of the Directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange throughout the year. In accordance with the Code of Best Practice, the Company has established an audit committee comprising three independent non-executive directors. The audit committee is to review with management the accounting policies adopted by the Group and to discuss auditing and financial reporting matters.

AUDITORS

The financial statements have been audited by Messrs. Arthur Andersen & Co who will retire and, being eligible, offer themselves for re-appointment. A resolution will be submitted to the Annual General Meeting to re-appoint Messrs. Arthur Andersen & Co as auditors of the Company.

On behalf of the Board

Wu Xiao An

Director

Hong Kong

April 25, 2001