

Management's Discussion & Analysis

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"), Ningbo Brilliance Ruixing Auto Components Co., Ltd., Mianyang Brilliance Ruian Automotive Components Co., Ltd. and Shenyang Brilliance Dongxing Automotive Component Co., Ltd. for the year ended December 31, 2001 decreased 1.4% to RMB6,218.4 million from RMB6,306.4 million for the year ended December 31, 2000. The decrease in sales was primarily due to its price reduction of Shenyang Automotive's minibuses and the slight decrease in the unit sales of the Deluxe Minibus.

Shenyang Automotive sold a total of 63,009 units minibuses in 2001, a 5.0% increase over the 60,018 units minibuses sold in 2000. Shenyang Automotive sold 53,356 units Mid-priced Minibus in 2001, a 7.0% increase over the 49,873 units sold in 2000. Units sales of the Deluxe Minibus decreased by 4.8% from 10,145 Units in 2000 to 9,653 units in 2001.

Cost of sales, including depreciation and amortization, decreased by 2.9% to RMB4,308.0 million in 2001 from RMB4,436.2 million in 2000. This decrease was primarily due to our continued efforts to reduce the cost of domestic components for minibuses.

Operating profit of the Company decreased by 2.1% to RMB1,256.0 million in 2001 from RMB1,283.4 million in 2000. This decrease was due primarily to the increase of general and administrative expenses relating to the additional pre-operation expenses and depreciation of buildings relating to our future sedan production. Selling and administrative expenses rose by 14.3% to RMB657.9 million in 2001 from RMB575.7 million in 2000 and as a percentage of sales increased from 9.1% in 2000 to 10.6% in 2001. Profit before taxation and minority interests decreased by 20.6% to RMB1,229.7 million in 2001 from RMB1,549.5 million in 2000. However, taxation decreased to RMB121.7 million in 2001 from RMB322.5 million in 2000 due to the reduction of enterprise income tax rate for Xing Yuan Dong to 7.5% in 2001 from 33% in 2000.

As a result, the Company's net profit decreased by 6.1% to RMB900.3 million in 2001 from RMB958.6 million in 2000. Basic earnings per share were RMB0.2548 in 2001, a 16.2% decrease from the basic earning of RMB0.3042 per share for 2000.

Looking into the future, the management remains confident that following our current product strategy, with the addition of new products in the current year and beyond and with the united efforts of our employees, we will be able to provide good value to our shareholders for many years to come.