

# 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, 2001.

## 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 operations results 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. In December 2001, the Company acquired the 100% equity interest in Shenyang Brilliance Dongxing Automotive Component Co., Ltd., a foreign invested manufacturer of automotive components in the PRC. As a result, the Company’s income base has been broadened and its future financial performance may diverse from that of Shenyang Automotive.

## TURNOVER AND CONTRIBUTION

The Group’s turnover and contribution to profit from operation for the year ended December 31, 2001, analyzed by product category, are as follows:

	<b>Turnover</b> <b>RMB’000</b>	<b>Contribution to</b> <b>profit from</b> <b>operation</b> <b>RMB’000</b>
Sales of minibuses	5,974,426	1,874,408
Sales of automotive components	244,010	36,040
<b>Total</b>	<b>6,218,436</b>	<b>1,910,448</b>
Other revenue		38,863
Selling expenses		(275,872)
General and administrative expenses		(382,059)
Other operating expenses		(35,405)
<b>Profit from operation</b>		<b>1,255,975</b>

# Report of Directors (Cont'd)

## FINANCIAL RESULTS

The results for the Group for the year ended December 31, 2001, 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, 2001 is set out and analyzed on page 26 and in note 30 to 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, 2001. The dividend, if approved by the shareholders at the Annual General Meeting to be held on June 28, 2002, will be paid on or before July 3, 2002 to shareholders registered on June 27, 2002. The register of members of the Company will be closed from June 25, 2002 to June 27, 2002, both days inclusive. Details of the dividends paid and proposed are set out in note 13 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, 2001 are set out in note 29 to the financial statements.

## FIXED ASSETS

The movements of fixed assets of the Group for the year ended December 31, 2001 are set out in note 15 to the financial statements.

## SUBSIDIARIES AND ASSOCIATED COMPANIES

Particulars of the subsidiaries and associated companies are set out in notes 18 and 19 respectively to the financial statements.

# Report of Directors (Cont'd)

## SHARE CAPITAL AND SHARE OPTIONS

Details of the changes in the Company's share capital during the year ended December 31, 2001 are set out in note 28 to the financial statements.

On June 2, 2001, share options were granted to certain directors and employees entitling them to subscribe for a total of 31,800,000 shares at HK\$1.896 per share, in accordance with the share option scheme of the Company adopted on September 18, 1999. 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:

<b>Name</b>	<b>Number of share options</b>
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

As at December 31, 2001, none of the above share options has been exercised. During the year ended December 31, 2001, no option has been cancelled or lapsed in accordance with the terms of the share option scheme of the Company.

The Directors consider that it is not appropriate to state the value of all the share options that were granted during the financial year ended December 31, 2001 under the share option scheme given that the variables which are critical for the calculation of the value of such share options cannot be determined. The variables which are critical for the determination of the value of such share options include, the subscription price for the shares upon the exercise of the subscription rights attaching to the share options which may be adjusted under certain circumstances and whether or not such share options will be exercised by the grantees. In view of the length of the option period and the possibility that the subscription price and the number of shares that may be subscribed thereunder may be adjusted prior to the exercise of the subscription rights attaching to such share options, the Directors are of the view that the value of the share options depends on a number of variables which are either difficult to ascertain or can only be ascertained subject to a number of theoretical basis and speculative assumptions. Accordingly, the Directors believe that any calculation of the value of the share options will not be meaningful and may be misleading to shareholders in the circumstances.

# Report of Directors (Cont'd)

## DIRECTORS

The Directors of the Company who held office during the year ended December 31, 2001 and up to the date of this report were:

### *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

Mr. Wu Xiao An, Mr. Su Qiang and Mr. Yang Mao Zeng 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, 2001, 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:

<b>Name</b>	<b>Number of shares Beneficially held</b>	<b>Percent of shareholding</b>
The Chinese Financial Education Development Foundation (the "Foundation")	1,446,121,500 shares	39.45%

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, 2001.

# Report of Directors (Cont'd)

## DIRECTORS' INTERESTS IN SHARES

As at December 31, 2001, 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	85,730,000
He Tao	personal	35,045,000
Su Qiang	personal	34,500,000
Wu Xiao An	personal	30,000,000
Hong Xing	personal	26,640,000
Yang Mao Zeng	Personal	2,800,000

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, 2001 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 25 and 26 to the financial statements. Details of interest capitalized are set out in notes 5, 6 and 17 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, 2001 is approximately 1.06 (2000: 1.61). The decrease of the ratio is primarily due to the repayments of bank loans during the year.

## **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 2001, the aggregate sales attributable to the Group's five largest customers represented approximately 60% of the Group's turnover and sales attributable to the Group's largest customer was approximately 42%. The aggregate purchases attributable to the Group's five largest suppliers during the year represented approximately 26% of the Group's total purchases and the purchases attributable to the Group's largest supplier was approximately 9%.

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:

	<b>RMB'000</b>
Purchases of materials and component parts made by Ningbo Yuming from Mr. Qin's, a minority shareholder of Ningbo Yuming, wholly-owned subsidiaries	33,524
Purchases of materials and component parts made by Xing Yuan Dong from JinBei's associates	201,176
Purchases of materials and component parts made by Shenyang Automotive from JinBei's associates	115,870
Purchases of materials by Xing Yuan Dong from Tieling Brilliance	14,950
Sales made by Shenyang Automotive to Jinbei's associates	14,923

Save as disclosed above, in the opinion of the Directors, the transactions disclosed as related party transactions in note 9 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 2001 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, 2001, the Company has used approximately RMB350 million of its listing proceeds for the acquisition of pressing facilities and the expansion of new production facilities and approximately RMB150 million for working capital requirement.

## EMPLOYEES

The Group employed approximately 7,500 employees as at the end of the year 2001. Employees' cost (excluding Directors' emoluments) amounted to approximately RMB169,794,000 for the year 2001. The Group ensures that the pay levels of its employees are competitive and employees are rewarded on a performance related basis, with mandatory provident fund scheme and share option scheme, within the general framework of the Group's salary and bonus system. The Group will make every effort to retain a highly professional team in its operation.

## 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 a resolution will be submitted to the Annual General Meeting to authorise the board of directors to appoint auditors and to fix their remuneration.

On behalf of the Board

**Wu Xiao An**

*Director*

Hong Kong,  
April 25, 2002