

Management's Discussion & Analysis

The consolidated net sales of the Company and its operating subsidiaries, Shenyang Brilliance JinBei Automobile Co., Ltd (“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., Shenyang Brilliance Dongxing Automotive Component Co., Ltd. and Shenyang Xingchen Automotive Seats Co., Ltd. (together, the “Group”) for the year ended 31st December, 2002 increased by 17.7% to RMB7,319.5 million from RMB6,218.4 million for the year ended 31st December, 2001. The increase in sales was primarily due to the launch of the “Zhonghua” sedan commencing in August 2002.

Shenyang Automotive sold a total of 65,138 minibuses in 2002, a 3.4% increase over the 63,009 minibuses sold in 2001. Shenyang Automotive sold 56,121 units of its Mid-priced Minibus in 2002, a 5.2% increase over the 53,356 units sold in 2001. Units sales of the Deluxe Minibus decreased by 6.6% from 9,653 units in 2001 to 9,017 units in 2002. Shenyang Automotive launched the “Zhonghua” sedan in August 2002 and sold 8,816 sedans during the last five months of the year.

Cost of sales, including depreciation and amortisation, increased by 25.6% to RMB5,411.1 million in 2002 from RMB4,308.0 million in 2001. The increase was primarily due to the ramp-up of the sedan production in 2002. As such, the gross profit margin of the Group decreased slightly to 26% in 2002 from 31% in 2001.

Selling expenses together with general and administrative expenses were RMB989.5 million in 2002, representing 13.5% of sales, compared with RMB657.9 million in 2001, representing 10.6% of sales. Operating profit of the Group decreased by 26.8% to RMB919.8 million in 2002 from RMB1,256.0 million in 2001. This decrease was primarily due to the initial start-up losses of the sedan production and the increase in research and development expenses and selling, general and administrative expenses relating to the launch of the “Zhonghua” sedan.

Share of profits less losses of associated companies increased 149.6% from RMB45.4 million in 2001 to RMB113.4 million in 2002. The increase was due to the strong performance of the Group's associated companies engaging in engine manufacturing in 2002. Profit before taxation and minority interests decreased by 26.4% to RMB905.6 million in 2002 from RMB1,229.7 million in 2001. However, taxation increased to RMB146.6 million in 2002 from RMB121.7 million in 2001 due to the increase in non-tax-deductible expenses in 2002.

As a result, the Group's net profit decreased by 27.7% to RMB650.8 million in 2002 from RMB900.3 million in 2001. Basic earnings per share were RMB0.1775 in 2002, a 30.3% decrease from the basic earnings per share of RMB0.2548 in 2001.

Looking ahead to the financial year 2003, the Group sold over 8,400 sedans and over 16,000 minibuses in the first quarter of 2003, compared with 10,900 minibuses sold in the first quarter of 2002. The Group will continue to strengthen its competitive position by implementing focused growth strategies and introducing new products in China. With the introduction of new models of minibuses and the “Zhonghua” sedan and the establishment of the joint venture with BMW, the Directors believe that the Group has excellent prospects for future growth and will achieve turnover and net profit growth in both the Chinese minibus and sedan sectors.