

---

## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL COMMENTARY

#### Turnover and Profit Attributable to Shareholders

Net turnover of the Group for the year 2001 was HK\$586 million, compared to HK\$462.3 million for the previous year, an increase of 26.7%. Profit attributable to shareholders amounted to HK\$79.7 million, compared to last year's HK\$57.8 million, a sharp increase of 38%.

#### Cash Flows

Net cash inflow from operating activities increased by HK\$13.3 million in 2001 compared with 2000. This increase was mainly attributable to the increase in profit before taxation.

Net cash outflow from returns on investments and servicing of finance decreased by HK\$2.8 million in 2001 compared with 2000. This was mainly due to the decreased payment of dividend. (2001: HK\$12 million; 2000: HK\$17 million).

Net cash outflow in investing activities decreased by HK\$24.5 million in 2001 compared with 2000, primarily due to a decrease of investment in associated companies.

Net cash inflow in financing activities decreased by HK\$43.3 million in 2001 compared with 2000, mainly due to the decrease in short-term bank loans.

#### Liquidity and Capital Resources

The Group's liquidity position has been sound on a consistent basis. Cash and bank balances amounted to HK\$157.9 million as at 31 December 2001 (2000: HK\$197.7 million). Working capital (net current assets) of the Group as at 31 December 2001 amounted to 488.6 million, an increase of 12% from previous year. Current ratio was at a healthy level of 2.2 (2000 2.3). At 31 December 2001, the Group had short-term bank loans totaling HK\$35.2 million (2000: 57.5 million) and long-term bank loans totaling HK\$6.8 million (2000: Nil).

As at 31 December 2001, the Group's net debt to shareholders equity ratio remained at zero whereas the total liabilities to shareholders equity increased to 0.76 (2000: 0.73). Total liabilities of the Group amounted to HK\$454.9 million (2000: HK\$368.6 million).

Management is comfortable that existing financial resources will be sufficient for future expansion plans. Should other opportunities arise requiring additional funding, Management also believes that the Group is in a good position to obtain financing on favorable terms.





---

## MANAGEMENT DISCUSSION AND ANALYSIS

At 31 December 2001, the Group had contingent liabilities of HK\$316 million (2000:HK\$230 million). The contingent liabilities were in respect of guarantees to assist home buyers to obtain mortgage loans from banks and complete mortgage procedures.

### ANALYSIS OF SHANGHAI REAL ESTATE MARKET

Shanghai's GDP per capita reached US\$4500 in 2001, a 12.5% increase from last year, which witnessed enhanced purchasing power of Shanghai residents.

Shanghai real estate market had been developing steadily in 2001. The incremental real estate value reached RMB30.8 billion, a 12.7% increase as compared with last year. This accounted for 6.2% of the GDP, representing an increase of 0.7% from last year.

Shanghai real estate market is booming. Investment and real estate purchase have been increasing synchronously. The overall market capability is steadily expanding and the market structure has also been continuously refined. The present market structure is: the incremental value and inventory level are interacting, with both selling and leasing going up.

- **Steady increase of real estate investment and harmonious development with China's national economy**

Real estate investment is considered as the major driving force of capital expenditure. In 2001, Shanghai's real estate investment recorded RMB62 billion, an increase of 9.6%, yielding a capital expenditure increase of 2.9%. The real estate development and investment represented 31.3% of the overall social capital expenditures in 2001.

- **Increasing volume of real estate transactions**

Statistics shows that the sales area of newly built commodity houses recorded 17.67 million sq.m., a 13.5% increase from last year. Presales area also reached 18.32 sq.m., an increase of 26.1% compared with last year. The sales area of registered commodity houses amounted to 20.2 million sq.m., jacked up by 16.3% as compared with last year.

- **The interaction of the primary and secondary market had facilitated the formation of a positive cycle**

The selling of Shanghai real estate inventory amounted to 14.22 million sq.m in 2001. The sales ratio of real estate inventory and newly built commodity houses was 0.8 to 1, a major index of a mature market.

## MANAGEMENT DISCUSSION AND ANALYSIS

- **Increasing proportion of individual house purchasers**

According to statistics, individual house purchasing amounted to 190,678 units or 95.3%, representing an increase of 1.7%, whereas individual house pre-sales jacked up to 146,688 units or 97.9%, representing 1.3% increase.

- **Significant increase of purchasing by non-shanghai residents**

Purchasing commodity houses by non-Shanghai but Chinese residents recorded 31,524 units in 2001, an increase of 54.6% as compared with last year. Purchasing by overseas investors reached 3,639 units, a 34.3% increase over last year. Presales of commodity house by non-Shanghai residents reached 24,184 units, an increase of 106.3% whilst presales by overseas investors amounted to 2,973 units, an increase of 204%.

### PERFORMANCE REVIEW

Being responsive to market expectations, The Group focuses on architectural structure and style, residential area's environment, property management and community built-up. Moreover, the Group devotes itself to developing informationalized, intelligent and environment-friendly living area. Relying on our established brand-name "Oasis", all properties have been well received by the market and sales result has been promising.

The remarkable sales results is primarily attributed to our commitment to excellence and quality in property development, which is widely acknowledged and rewarded by such authorities as:

- "Shanghai Residential District Green Environment Award" (上海市居住綠化優勝獎) second time awarded to Bauhinia Oasis Garden.
- "Year 2001 Shanghai Residential District Environmental Awareness Golden Award" (住宅小區生態環境金獎) awarded to Beverly Oasis Garden and have successfully entered into "2001 Beijing Classical Human Living Scheme".
- "Best Architectural Quality Award" (建築質量最高獎) equivalent to "Shanghai Architectural Work White Magnolia Award" (上海建築工程) awarded to Long Island Oasis Garden in 2001. In addition, Long Island Oasis Garden also awarded five other awards namely: "Architectural





上海海地工程实业有限公司为上海市黄浦区外环线内工程提供A类材料  
荣获九九年度“最佳材料”  
**优质结构**  
上海海地工程实业有限公司  
二〇〇〇年九月

## THE GROUP

- Sustained economic growth and lowering of interest rate in China would benefit real estate market

The People's Bank of China announced on 21st February 2002 that the RMB deposit and borrowing rate is lowered by 0.25% and 0.5%. It is noted that lowering of interest rate of saving deposit would stimulate spending and investment. As to the real estate market, lowering interest expense of mortgage loans would partially relieve the financial burden of purchasers. On the other hand, it would also reduce the financial expenses of the real estate developers.

New regulation has been implemented that no transaction fee for new commodity house purchase will be charged from 1st March 2002. In fact the transaction fee for commodity house in Shanghai had revised from 2% in 1996 to RMB500 per unit (and even RMB 250 per unit for those unit with transaction value lower than RMB300,000 ), more than 90% reduction, which is the lowest level in China. Hence the financial burden of the purchasers would be further eased. In addition, Central Government of China directed all provinces to implement the policy of replacing housing provision with cash allowance. These two policies would greatly boost the real estate market.

## MANAGEMENT DISCUSSION AND ANALYSIS

Positive macroeconomic picture has created favorable external environment for real estate market, which includes massive urban infrastructure works, outskirts towns construction, renovation of old districts, integrated development projects of the bank of the Huangpu River, etc. This would in turn offer investment and profit-making opportunities.

Looking forward at the prospect of Shanghai real estate market, pre-sale of properties have been upbeat and the supply - demand has reached equilibrium. With the rapid development projects of Huangpu River bank, high speed transportation system and greenery environment construction, the old districts renovation projects have already entered a new stage. So does the breakthrough policy of replacing housing provision with cash allowance. Given all there favorable factors, it is anticipated that the price of real estate would increase steadily.

- **Housing technology has become a guiding factor in pricing**

Undoubtedly broadband era is just around corner. Media industrial report predicted that broadband connection to American households would be increased from 3.1% to 16.9% in 2003. In other words, there would be 18 million American households being connected to Internet by broadband facilities in 2003.

In China, the broadband connection infrastructure has also been started in certain metropolitan cities. In recent years, more than 50% households in Shanghai would enjoy the convenience of broadband connection services. To better serve the residents here in Shanghai, municipal Government will also speed up the application of such technologies as intelligent security system, remote meter reading and one-card payment system, computerized property management system, etc. Accordingly the level of housing technology would become the spotlight in real estate selling.

The Group believe that given the successful development of premier real estate projects, housing technology and broadband infrastructure, our Group has already secured its core competitive advantages:





## MANAGEMENT DISCUSSION AND ANALYSIS

- **Refined business structure**

The Group has established two major business units namely real estate development and housing technology, which are fully compatible with Shanghai economic development and its pillar industries trend, thus gaining solid support from Shanghai Municipal Government. In this regard, the Group can give full display its competitive advantages and maximize its profitability.

- **Well received brandname**

Our “Oasis” is one of the few renowned real estate breadnames in Shanghai and enjoys good reputation among domestic and overseas investors. Now the brandname “Oasis” has already become the equivalent of intelligent, network, information and quality residential districts.

- **Potential appreciation of land bank**

The Group sticks to the philosophy of “long-term development” and places great emphases on land bank replenishment. Under such guidance, the Group has abundant land bank in outskirt area, which enjoys promising prospect and great potential for appreciation. Only in this way can the Group maintain high profit margin and tremendous growth in profitability.

- **Stable and reliable social resources**

The Group has established good relation with Shanghai Municipal Housing Bureau, Shanghai Municipal Housing Resources Management Bureau, Shanghai Telecom, Shanghai Caohejing Hi-tech Park Development Corporation, a number of strategic partners in financial sector as well as many research institutes such as Tongji University, Chinese Academy of Science Shanghai Branch, etc,. These reliable resources are indispensable for the Group to develop prime quality real estate projects as well as Telecom broad-band network and high-tech business.

- **High efficiency management team**

Innovation and intellectual resources are the key factors for our Group’s development. Creative and diligent top management are the core human resources of the Group. Management at all levels, from chairman, board of directors to executive directors and general managers of branches and subsidiaries adheres to the policy of providing quality and contemporary living areas with better environment, high-tech services and convenient transportation. Undoubtedly, we would unite together and fully deliver our commit of yielding stable and constant return to Shareholders.



---

## MANAGEMENT DISCUSSION AND ANALYSIS

### FUTURE STRATEGIES

To ensure the steady development of real estate projects and heighten its brandname “Oasis”, the Group shall decisively develop housing technology, follow the buoyant industry trend in Mainland China particularly in Shanghai and in return get its due portion in this market. The Group have designated year 2002 as “the year of quality management and service, of sustainable development and of growing economic return” and shall implement the following strategies:

- **Implement performance - evaluation rewarding system and further refine our corporate governance system**

The Group shall further improve the overall management systems in order to enhance its competitiveness. Based on the elementary management systems, the Group shall establish and implement performance-evaluation rewarding system and set different operation target for key business units, which would generate stronger linkage between and among authority, responsibility and reward. The performance review system will also apply to general staff members. In this way, the overall operational management and effectiveness level can be improved.

- **Strengthen the service-providing concepts of all staff members**

Providing quality service is essential to the survival and growth of the company. The Group is in a firm belief that providing quality real estate and related services would increase our market competitiveness. The Group endeavors to apply the quality service concept to the whole working process consisting of design, construction, marketing and after-sale services in respect of our real estate projects.

- **Attract and train-up professionals to strengthen our competitive advantage in personnel**

To keep pace with our rapidly expanding real estate projects, the Group shall continuously attract external management expertise and real estate professionals. On the other hand, the Group would also assertively train up internal talents on a regular basis so as to consolidate our competitive advantage in personnel.

- **Continuously replenish prime and quality land bank**

One of the major competitive advantages of real estate developer is the ability to replenish prime and quality land bank, which serves as a guarantee to future development. The Group shall stick to the massive land bank strategy for stable and sustainable development.





---

## MANAGEMENT DISCUSSION AND ANALYSIS

- **Sustainable development by strengthening established brandname and continuous innovation**

Uninterrupted innovation and strengthening our established brandname are the cornerstone of our Group's development. The Group has distinguished track records on our real estate projects. Following the buoyant economic development, the Group shall actively participate in the construction of the city's urban area and outskirts, develop new "Oasis" real estate projects, and secure new profit centers. Concurrently, the Group shall cooperate with quality strategic partners aiming at achieving synergies and profit maximization.

- **Market - orientated and improving Effectiveness and Efficiency**

The Group firmly believes that quality construction is the "Key point" of real estate projects; greenery environment is the "selling point" in marketing and housing technology is the "spotlight" for real estate development. The above strategies have been labeled as the basic policy in promoting effectiveness and efficiency. In this regard, the Group shall strengthen the development of decorated flat, intelligent residential area so as to meet market expectation and secure stable growth.