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## REPORT OF THE DIRECTORS

The directors have pleasure in submitting their annual report together with the audited financial statements of Shanghai Real Estate Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) for the year ended 31st December 2001.

### PRINCIPAL ACTIVITIES

The Group is a reputable real estate and housing technology developer in Shanghai. The Group’s brandname “Oasis” enjoys good reputation home and abroad.

Turnover and contribution to profit before taxation of the Group are derived mainly from sale, presale and lease of properties and partly from housing technology investment in the People’s Republic of China.

### SEGMENTAL INFORMATION

Details of the Group’s turnover and contribution by principal activity and geographical area for the year ended 31 December 2001 are set out in note 3 and note 4 of the financial statements.

### MAJOR CUSTOMERS AND SUPPLIERS

Approximately 44% (2000: 23%) of the Group’s turnover were attributable to the Group’s five largest customers. Sales of the largest customer accounted for 34% (2000: 21%) the Group’s turnover for the year.

Approximately 55% (2000: 38%) of the Group’s purchases were attributable to the Group’s five largest suppliers. Purchases from the largest supplier accounted for 30% (2000: 21%) of the Group’s purchases for the year.

Based on the knowledge of the directors, none of the directors, their associates or any shareholders who owned more than 5% of the Company’s issued share capital had any interest at any time in the year in the Group’s five largest customers and suppliers.

### RESULTS AND APPROPRIATIONS

Details of the Group’s results for the year ended 31st December 2001 are set out in the consolidated profit and loss account on page 34 interim dividend was recommended by the Board of Directors of the Company. The Board of Directors recommend a final dividend of HK\$0.0159 per share, totaling HK\$18 million, for the year ended 31st December 2001 to those shareholders whose name appear on the Registers of Members on 23rd May, 2002.





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## REPORT OF THE DIRECTORS

### BANK LOANS, OVERDRAFTS AND OTHER BORROWINGS

Details of bank loans, overdrafts and other borrowings of the Group are set out in note 23 and note 30 to the financial statements.

### RESERVES

Movements in the reserves of the Group and the Company during the year are set out in Note 22 to the financial statements.

### DISTRIBUTABLE RESERVES

The total amount of reserves of the Company available for cash distribution was HK\$18,641,879 as of 31st December 2001 as computed in accordance with The Companies Act 1981 of Bermuda. In addition, the share premium account with a balance of HK\$279,222,780 as of 31st December 2001 may be distributed in the form of fully paid bonus shares.

### SHARE OPTION SCHEME

The Company adopted a share option scheme, under which it may grant options to subscribe for up to 10% of the issued share capital of the Company from time to time, to full-time employees of the Company and its subsidiaries (including executive Directors) to subscribe for shares in the Company.

Details of the movements of share options granted and exercised under the scheme during the year are set out in note 21 to the financial statements.

### PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws of Bermuda which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

### PURCHASE, REDEMPTION AND SALE OF THE COMPANY'S LISTED SECURITIES

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

### FIXED ASSETS AND INVESTMENT PROPERTIES

Details of the movement in fixed assets and investment properties of the Group are set out in Note 12 to the financial statements.

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## REPORT OF THE DIRECTORS

### DIRECTORS

The directors who held office during the year and up to the date of this report are:

#### Executive Directors

Mr. Shi Jian  
Mr. Chen Zheng Liang  
Ms. Si Xiao Dong  
Mr. Li Yao Min  
Mr. Yu Hai Sheng  
Mr. Shi Jian Dong  
Mr. Sze Sin Chi

#### Non-executive Director

Mr. Cheung Wing Yui  
Mr. Wang Ru Li

#### Independent Non-executive Directors

Mr. Sang Rong Lin  
Mr. Yeung Kwok Wing

### DIRECTORS'S EMOLUMENTS

Details of directors's emoluments are set out in Note 8 to the financial statements.

### DIRECTORS'S SERVICE CONTRACTS

All the executive directors have entered into service contracts with the Company for terms of five years from 1st November 1999 and shall be renewable automatically for successive terms of one year until terminated by either party giving to the other not less than six months's prior written notice, such notice to expire not earlier than 31st October 2004.

None of the remaining directors has a service contract with the Company or any of its subsidiaries which is not terminable within one year without payment of compensation, other than statutory compensation.



## REPORT OF THE DIRECTORS

### DIRECTORS'S INTEREST IN SHARES

As of 31st December 2001, the interests of Directors in the issued share capital of the Company as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of interests) Ordinance (the "SDI Ordinance") were as follows:

Name	Number of shares beneficially held			
	Personal	Note	Corporate	Note
Mr. Shi Jian	2,000,000	(b)	465,000,000	(a)
Mr. Si Xiao Dong	2,000,000	(b)	465,000,000	(a)
Mr. Chen Zheng Liang	1,000,000	(b)	37,500,000	(c)
Mr. Li Yao Min	1,000,000	(b)	37,500,000	(c)
Mr. Yu Hai Sheng	1,000,000	(b)	37,500,000	(c)
Mr. Shi Jian Dong	1,600,000	(b)	37,500,000	(c)
Mr. Sze Sin Chi	500,000	(b)	37,500,000	(c)

*Notes:*

- (a) These 465,000,000 shares are held by Good Time Resources Limited, a company incorporated in the British Virgin Islands in which Mr. Shi Jian and his wife, Ms. Si Xiao Dong, together beneficially own 62% of its issued share capital.
- (b) These shares are held by directors through the exercise of options on 3rd December 2001 (which were granted on 24th December 1999).
- (c) The following directors of the Company in aggregate hold 25% of the shares in Good Time Resources Limited.

### Shareholding

Chen Zheng Liang	5%
Li Yao Min	5%
Yu Hai Sheng	5%
Shi Jian Dong	5%
Sze Sin Chi	5%

### DIRECTORS'S INTEREST IN CONTRACTS

No contract, commitment or agreement of significance in relation to the Company's business, to which the Company or any of its subsidiaries was a party and in which any of the Company's directors had a material interest, either directly or indirectly, subsisted at the end of the year or at any time during the year.



## REPORT OF THE DIRECTORS

### DIRECTORS'S RIGHTS TO ACQUIRE SHARES

Share options to subscribe for ordinary shares in the Company held by certain directors of the Company were all exercised during the year. These options were granted by the company to the directors on 24th December 1999 and were exercised by the director on 3rd December, 2001. Details were as follows:

Name of director	Number of share options In the Company		
	Outstanding at beginning of year	Exercised during The year	Outstanding at end of year
Shi Jian	2,000,000	2,000,000	0
Si Xiao Dong	2,000,000	2,000,000	0
Chen Zheng Liang	1,000,000	1,000,000	0
Li Yao Min	1,000,000	1,000,000	0
Yu Hai Sheng	1,000,000	1,000,000	0
Shi Jian Dong	1,600,000	1,600,000	0
Sze Sin Chi	500,000	500,000	0
	<u>9,100,000</u>	<u>9,100,000</u>	<u>0</u>

Saved as disclosed above, at no time during the period was the Company or its subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate.

### SUBSTANTIAL SHAREHOLDERS'S INTERESTS

As of 31st December 2001, the following entity had registered an interest in 10% or more of the issued share capital of the Company:

Name of entity	Number of issued shares	Percentage holding
Good Time Resources Limited	750,000,000	72.67%

Save as disclosed above, no other person was recorded in the register kept by the Company under section 16(1) of the SDI Ordinance as having an interest of 10% or more of the issued share capital of the Company.

## REPORT OF THE DIRECTORS

### CODE OF BEST PRACTICE

In the opinion of the Directors, the Company had complied with Code of Best Practice as set out in Appendix 14 of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Code of Best Practice") throughout the accounting period covered by the Annual Report, except that the independent non-executive Directors of the Company are not appointed for specific terms.

### AUDIT COMMITTEE

The Company established an audit committee on 12th November 1999 with written terms of reference in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules. The primary duty of the audit committee are to review and supervise the financial reporting process and internal control system of the Group. The audit committee has three members comprising the non-executive Director and the two independent non-executive Directors.

### USE OF PROCEEDS

The proceeds from the new shares issued for the listing on The Stock Exchange, after deduction of related expenses, amounted to approximately HK\$181 million and have been applied as follows:

	Original Plan HK\$'s million	Amount Utilised up to 31st December 2001 HK\$'s million
Investment in new property to be Identified and increase land bank In accordance with the development Plans of the Group as well as finance part of the construction costs of City Oasis Garden Phase3; Bauhinia Oasis Garden Phase 3, The Undeveloped portion of Phase 1 And Phase 2 of Beveily Oasis Garden And Long Island Oasis Garden	97.4	74.5
Development of Shanghai Home Line and intelligent Home Networking Projects	59.1	39.5
Additional working capital of the Group	24.5	17.3
	<u>181.0</u>	<u>131.3</u>

- Amounts extracted from the Company's prospectus dated 30th November 1999 issued for the listing of the Company's shares on the Stock Exchange.

The unused proceeds at the end of the financial year amounted to approximately HK\$49.7 million and will be used as expenditures in the Group's development projects and payment of land premium costs.

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## REPORT OF THE DIRECTORS

### PENSION SCHEME

Details of the Group's pension schemes are set out in Note 9 to the financial statements.

### AUDITORS

The financial statements have been audited by Arthur Andersen & Co. A resolution for their reappointment as auditors for the ensuing year is to be proposed at the forthcoming annual general meeting.

On behalf of the board

**Shi Jian**  
*Chairman*

Hong Kong,  
25th April 2002

