



## 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 2002.

### Principal Activities

The Group is a reputable real estate and housing technology developer in Shanghai. The Group’s brandname “Oasis” enjoys good reputation both at 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 2002 are set out in note 3 to the financial statements.

### Major Customers and Suppliers

Approximately 38% (2001: 44%) of the Group’s turnover were attributable to the Group’s five largest customers. Sales of the largest customer accounted for 17% (2001: 34%) the Group’s turnover for the year.

Approximately 22% (2001: 55%) of the Group’s purchases were attributable to the Group’s five largest suppliers. Purchases from the largest supplier accounted for 12% (2001: 30%) 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, 2002 are set out in the consolidated profit and loss account on page 36. No interim dividend was recommended by the Board of Directors of the Company. The Board of Directors recommend a final dividend of HK\$0.0199 per share, totaling HK\$27 million, for the year ended 31st December 2002 to those shareholders whose names appear on the Registers of Members on 21st May, 2003.



## 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 22 and note 28 to the financial statements.

### Reserves

Movements in the reserves of the Group and the Company during the year are set out in Note 21 to the financial statements.

### Distributable Reserves

The total amount of reserves of the Company available for cash distribution was HK\$27,939,920 as of 31st December 2002 as computed in accordance with The Companies Act 1981 of Bermuda. In addition, the share premium account with a balance of HK\$595,063,605 as of 31st December 2002 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 20 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

During the period from 18th September 2002 to 20th September 2002, the Company bought back on the SEHK a total of 6,000,000 shares at the price of HK\$0.67 – HK\$0.77 per share. The total consideration paid for these shares amounted to approximately HK\$4,226,000, of which, HK\$600,000 was debited against share capital and approximately HK\$3,626,000 debited against share premium. As at 31st December 2002, all the relevant share certificates in respect of the shares buy-back had been duly cancelled and destroyed. The directors believe that the repurchase would lead to an enhancement of the net assets and/or earnings per share of the Company. The directors also believe that the repurchases would benefit the Company and its shareholders.

Save as mentioned above, there was no purchase, sale or redemption by the Company or its subsidiaries of the Company's listed securities during the year.



## Report of the Directors

### 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.

### Related Party Transactions

Details of the Related Party Transactions of the Group for the year ended 31st December 2002 are set out in Note 27 to the financial statements.

### 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

Mr. Jiang Xu Dong (*appointed on 27th January 2003*)

#### Non-executive Director

Mr. Cheung Wing Yui

Mr. Wang Ru Li

#### Independent Non-executive Directors

Mr. Sang Rong Lin

Mr. Yeung Kwok Wing

The Lork Killearn (*appointed on 17th January 2003*)

Mr. Geng Yu Xiu (*appointed on 27th January 2003*)

### Directors' Emoluments

Details of directors' emoluments are set out in Note 11 to the financial statements.

## Directors' 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' 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.

## Directors' Interest in Shares

As of 31st December 2002, 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)	469,528,480	(a)
Mr. Si Xiao Dong	2,000	(b)	469,528,480	(a)
Mr. Chen Zheng Liang	2,000	(b)	37,865,200	(c)
Mr. Li Yao Min	1,000,000	(b)	37,865,200	(c)
Mr. Yu Hai Sheng	1,000,000	(b)	37,865,200	(c)
Mr. Shi Jian Dong	2,000	(b)	37,865,200	(c)
Mr. Sze Sin Chi	2,000	(b)	37,865,200	(c)
Mr. Jiang Xu Dong			7,573,040	(c)
The Lord Killearn	100,000			

Notes:

- (a) These 469,528,480 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 26% 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%
Jiang Xu Dong	1%

## Report of the Directors

### Directors' 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.

### Directors' Rights to Acquire Shares

In 2002, all directors had not granted any options nor exercised any options.

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' Interests

As of 31st December 2002, 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 Ltd	757,304,000	55.9%

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.

### 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, 2001 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.



## Report of the 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\$' million	Amount Utilised up to 31st December 2002 HK\$' 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 Phase 3; 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	97.4
Development of Shanghai Home Line and intelligent Home Networking Projects plus any related new products production	59.1	59.1
Additional working capital of the Group	24.5	24.5
	<u>181.0*</u>	<u>181.0</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.



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### Pension Scheme

Details of the Group's pension schemes are set out in Note 2 (i) to the financial statements.

### Auditors

During the year, the auditors, Arthur Anderson & Co resigned and Pricewaterhousecoopers were appointed auditors of the Company at the special general meeting of the Company held on 28th August, 2002. The financial statements have been audited by Pricewaterhousecoopers. 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, China

25th April 2003