

Report of the Directors

The directors have pleasure in submitting their annual report together with the audited financial statements of Trans-Ocean Investment & Technology Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for the year ended 31st December 2000.

PRINCIPAL ACTIVITIES

The Company is a reputable property developments as well as technology investment and operation company in Shanghai. The Group's brandname "Oasis" enjoys good reputation both in China and overseas market.

Turnover and contribution to profit before taxation of the Group are derived mainly from sale, presale and lease of properties and partly from 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 2000 are set out in note 3 and note 29 of the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

Approximately 17% (1999:4%) of the Group's turnover were attributable to the Group's five largest customers. Sales of the largest customer accounted for 14.8 % (1999:1.63%) the Group's turnover for the year.

Approximately 38% (1999:62%) of the Group's purchases were attributable to the Group's five largest suppliers. Purchases from the largest supplier accounted for 21% (1999:22.1%) 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.

Report of the Directors

29

RESULTS AND APPROPRIATIONS

Details of the Group's results for the year ended 31st December 2000 are set out in the consolidated profit and loss account on page 38. No interim dividend was recommended by the Board of Directors of the Company. The Board of Directors recommend a final dividend of HK\$0.012 per share, totaling HK\$12 million, for the Year ended 31st December 2000.

BANK LOANS, OVERDRAFTS AND OTHER BORROWINGS

Details of bank loans, overdrafts and other borrowings of the Group are set out in note 20 to the financial statements.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in Note 26 to the financial statements.

DISTRIBUTABLE RESERVES

The total amount of reserves of the Company available for cash distribution was HK\$12,367,448 as of 31st December 2000 as computed in accordance with The Companies Act 1981 of Bermuda. In addition, the share premium account with a balance of HK\$266,627,780 as of 31st December 2000 may be distributed in the form of fully paid bonus shares.

SHARE OPTION SCHEME

The Company has 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.

On 24th December 1999, 23,000,000 shares options with right to subscribe for shares in the Company at the subscription price of HK\$0.44 per share were granted. These options are exercisable at any time during the period from 24th June 2000 to 23rd June 2003.

On 7th April 2000, 3,000,000 share options with right to subscribe for shares in the Company at the subscription price of HK\$0.56 per share were granted. These options are exercisable at any time during the period from 7th October 2000 to 6th October 2003.

Report of the Directors

SHARE OPTION SCHEME (Continued)

On 14th July 2000, 4,900,000 shares options with right to subscribe for shares in the Company at the subscription price of HK\$0.71 per share were granted. These options are exercisable at any time during the period from 14th January 2000 to 13th January 2003.

None of these options was exercised during the year.

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 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 11 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. Shi Jian Dong

Mr. Yu Hai Sheng

Mr. Sze Sin Chi

Non-executive Director

Mr. Cheung Wing Yui

Mr. Wang Ru Li

Report of the Directors

DIRECTORS (Continued)

31

Independent Non-executive Directors

Mr. Sang Rong Lin

Mr. Yeung Kwok Wing

DIRECTOR'S EMOLUMENTS

Details of directors' emoluments are set out in Note 5 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 2000, 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	Note	Number of shares beneficially held	
		Personal	Corporate
Mr. Shi Jian	(a)	—	465,000,000
Mr. Si Xiao Dong	(a)	—	465,000,000
Mr. Chen Zheng Liang	(b)	—	37,500,000
Mr. Li Yao Min	(b)	—	37,500,000
Mr. Shi Jian Dong	(b)	—	37,500,000
Mr. Yu Hai Sheng	(b)	—	37,500,000
Mr. Sze Sin Chi	(b)	—	37,500,000

Report of the Directors

DIRECTORS' INTEREST IN SHARES (Continued)

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) The following directors of the Company in aggregate hold 25% of the shares in Good Time Resources Limited.

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

DIRECTORS' INTERESTS 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 PURCHASE SHARES OR DEBENTURES

As at 31st December 2000 the following Directors had personal interests in respect of options granted by the Company on 24th December 1999.

Name	Number of options outstanding
Shi Jian	2,000,000
Si Xiao Dong	2,000,000
Chen Zheng Liang	1,000,000
Shi Jian Dong	1,600,000
Li Yao Min	1,000,000
Sze Sin Chi	500,000
Yu Hai Sheng	1,000,000

Report of the Directors

DIRECTORS' RIGHTS TO PURCHASE SHARES OR DEBENTURES (Continued)

33

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 2000, the following entity had registered an interest in 10% or more of the issued share capital of the Company:

Number of issued shares	Percentage holding
750,000,000	75%

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 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.

Report of the Directors

SUMMARY OF FINANCIAL INFORMATION

A summary of the Group's financial statements is set out on pages to page of the Annual Report.

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\$181,037,000 and have been applied as follows:

	Original Plan 31st December 2000 HK\$' million	Amount Utilised up to 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 Bevely Oasis Garden And Long Island Oasis Garden	97.4	57.0
Development of Shanghai Home Line and intelligent Home Networking Projects	59.1	14.5
Additional working capital of the Group	24.5	10.7
	<u>181.0</u>	<u>82.2</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\$98.8 million will be used as planned.

Report of the Directors

PENSION SCHEME

Details of the Group's pension schemes are set out in Note 6 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,
18th April 2001