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## BUSINESS REVIEW

The Group's unaudited consolidated net turnover for the period ended 30th June 2001 was HK\$247,378,000, an increase of 26.9% from the corresponding period of last year. Profit attributable to shareholders amounted to HK\$33,428,000 an increase of 28.2% from the corresponding period of last year.

### **Liquidity and Capital Resources**

The Group's liquidity position is sound. Cash and bank balances amounted to HK\$136.9 million as at 30 June 2001 (31 December 2000: HK\$197.7 million). Working capital (net current assets) of the Group as at 30 June 2001 increased to HK\$467.5 million. The current ratio was at a healthy level of 2.8 (31 December 2000: 2.3). At 30 June 2001, the Group had short-term bank loans totaling HK\$90.4 million (31 December 2000: HK\$57.5 million).

As at 30 June 2001, the Group's net debt to shareholders equity ratio remained at zero whereas the Group's total liabilities to shareholders equity decreased to 0.6 (31 December 2000: 0.73). Total liabilities of the Group amounted to HK\$320 million (31 December 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.

### **Net Asset Value**

As at 30 June 2001, the Group's net asset value amounted to HK\$576.1 million, increased by HK\$23.58 million or 4.3%, as compared with that of 31 December 2000, net asset value per share was HK\$0.576 (31 December 2000: HK\$0.552).

Over the past eighteen months, the Group had materialized its reorganization in business operation. While maintaining secured investment in real estate projects, the Group had increased its investment and development in new and high technologies. Hence, the Group had become a conglomerate primarily engaged in telecom broadband network construction and operation, Opto-electronics new and high tech research and development as well as prime-quality real estate development projects. Over the past six months, the Group had achieved the following:

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## **Real Estate Market in Shanghai is in its Boom Period**

Not only the residential development, but also the sales and leases of real estates, the industry, as one of the six largest backbone industries in Shanghai during the “Tenth Five-years Plan” period, has entered its unprecedented golden time whether in terms of residential property development or property sales and lease. During the period from January to May this year, the investments in the property development in Shanghai amounted to RMB17.7 billion, a 20.6% increase over the same corresponding period while the sales areas recorded 6.12 million sq.m. and 8.22 million sq.m. respectively, rising by 27.6% and 27.5% over the previous period. The sales areas in the secondary market reached 4.76 million sq.m., up 92.7% over the last period. The high growth of property market demand, the near equilibrium in supply and demand and the recovery of the price of property signify that the property market in Shanghai is going to be mature.

Since the implementation of reform and open door policy, the property market in Shanghai has experienced various stages from recovery, gradual development, high growth development, to consolidation and decline. Following the period of high growth development, there is excessive supply in the property market in Shanghai during 1995 to 1997. According to the recent survey from the Industry of Real Estate Shanghai Academy of Social Sciences, the market conditions have been changed and entered a stage of stable development.

Statistics revealed that the annual sales of newly constructed commodity houses in Shanghai in 2000 reached 15.58 million sq.m., representing a 200% growth from 1995. Furthermore, the trading volume in the secondary market was even higher than the primary market, which saw a tremendous increase of trading volume from 0.61 million sq.m. in 1995 to 7.79 million sq.m. last year. The analysts predicted that the trading volume of the secondary market will exceed those of the primary market.

Furthermore, there exists a trend towards equilibrium in supply and demand. The pre-sale activities indicated that the approved pre-sale area of commodity houses in Shanghai shows a significant declining trend, falling from 18.99 million sq.m. in 1997 to 15.49 million sq.m. last year. The figure for the first quarter this year represented a fall of 55.5% over the last period. Moreover, the pre-sale area of registered commodity houses shows a remarkable growth, which saw a tremendous increase from 4,455,700 sq.m. in 1997 to 14,528,700 sq.m. last year. It recorded an average annual growth of 48.29% and the ratio

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of supply and demand fell from 4.26:1 to 1.07:1 last year. In respect of the sales, the increase of demand far exceeds supply and the growth trend of vacant commodity houses is under control. The ratio of supply and demand has been decreased from 1.65:1 in 1997 to 1.07:1 in last year.

Over the decade from 1991 to 2000, the sales of commodity houses developed by the real estate developer grew at an average rate of 39.25% per annum. Such growth leads to the value added in the property market in Shanghai in which real estate developers are the major players reached RMB 24 billion, representing 5.2% of the GDP of the municipal.

With the brandname “Oasis”, the Group continued to achieve remarkable sales results in its four residential housing estates over the past six months. Sales of Long Island Oasis Garden Phase I and Bevely Oasis Garden Phase I & II amounted to gross floor area of 18,429 sq.m. and 19,676 sq.m. respectively. Sales of Bauhinia Oasis Garden high-rise achieved 7,747 sq.m. of gross floor area and City Oasis Garden Phase III had contracted sales of 5,287 sq.m. of gross floor area.

During the past six months, a total of approximately 51,100 sq.m. of gross floor area had been sold, representing a 27.8% increase compared to the corresponding period of last year.

### **Information Technology**

The Group had set up a joint venture company namely Shanghai Telecom Broadband Networking Co., Limited with Shanghai Telecom committed to telecom broadband network building for residential housing estates and broadband access connection. Business development had been progressing satisfactorily. Upto now, 39 residential housing estates broadband network building was completed whilst the works of 162 residential housing estates are in progress. The company had signed broadband services contracts with 800,000 subscribers and it is anticipated that the number of subscribers would reach 1,000,000 by the end of this year.

- Intelligent Home Networking Projects – the demonstrative project for Mingren HuaYuan at Pudong, Shanghai mainly addresses the problem of the last mile construction of urban broadband network and refining the functions of the modern buildings. The residential housing district intelligent system mainly comprises of

small district security system, household intelligent control system, small district equipment control and management system, household multimedia communication system and small district access system. The demonstrative project of Mingren HuaYuan fully complied with the requirements under the “Construction Keys and Technical Guideline for the Demonstrative Construction of the National Intelligent System of the Residential Housing District”. Such guideline was formulated by the Real Estate Office and the Exploration and Design Department under the Ministry of Construction of the PRC, pursuant to which the national intelligent home networking has been divided into three grades. Mingren HuaYuan is listed as Grade A whilst most of the intelligent home networking projects under development in Shanghai for the same period are ranked Grade B which means that the information transmission channel has not been applied the broadband fiber optics user access network as its backbone network. On 17th June, 2001, with the companion of the Party Secretary of CCP in Shanghai, Mr. Huangju and the Mayor, Mr. Xu Kuangdi, the Secretary General, Mr. Jiang Zemin visited the residential housing district broadband for Mingren HuaYuan and the “Shanghai Home Line Small Residential District Version”. The demonstrative contents contain “News”, “Livings” and “Small Residential District Club” which covered current affairs and other information, living styles, leisure and entertainment and other contents attracting all age groups. “...We, absolutely, are capable to do the same as the West does...”, the General Secretary claimed confidently following his visit. He also endorsed the operation of the telecom broadband network.

- The Group has jointly established Shanghai Orda Opto-electronic Science & Technology Co. Limited with Shanghai Institute of Technology and Physics under The Chinese Academy of Sciences for the development of high and new technology products and projects. The Opto-electronics foreign fibre automatic detection and purification system (光電子異型纖維自動檢測／清除系統) has passed the assessment conducted by the professionals from the China National Textile Industry Council. The conclusion of the assessment was “the system represents the digitalization of the textile industry and the integration of optical technology with mechanical and electronic engineering.” The major technical performance of the system has basically reached the international advanced standards of similar products in the international market. In addition, the application for patent in respect of “cable and wireless remote control devices”, “wireless remote control of electric appliances”, “intelligent

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carpet” and other high and new technology products have been made to the State of Intellectual Property Office of PRC for approval. It is presently intended to commence trial production in the year and planned to introduce to the market in the forth quarter this year.

- The Group has successfully expanded the “Trans-Ocean Technology R&D Centre” with an aim to support and develop the high and advanced technology for the operations of the Group. With a view to obtaining the changing and latest technology information and patent technologies, the Group has strengthened the relationship and co-operation with the Shanghai Institute of Technology and Physics under the Chinese Academy of Sciences, University of Tongji and University of Donghua.

## BUSINESS PROSPECTS AND OUTLOOK

In 2001, a year marks the beginning of the “Tenth Five-year Plan” of the national economy and social development in China, the Group has focused on the construction and operation of telecommunications broadband networking, ICP services for Shanghai Home Line as well as the research and development of hi-tech optic-electronic products. With the steady development of real estate, the Group will initiate the integration of new hi-tech industries and traditional industries.

### Real Estate Property

Since 1st July this year, two major measures have been implemented in the real estate market in Shanghai: (1) grant of land in the form of auction and (2) the gradual unification of the domestic and foreign houses.

In the first half of this year, the prices of real estates in Shanghai rose to record a new high after price consolidation for two years. The selling price of the newly launched projects has generally risen over 5% and the trading volume hit its record high. According to analysts’ opinion, two government policies will serve as long term favorable factors and contribute to the stable development of housing prices in Shanghai. One is the grant of national status to foreign investors and the other is the enhancement of the transparency of the land market.



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Real estate development emphasizes on the external design, technology support facilities and basic services. From the “plain house” to the “decorated house” and from the “floor plan” to the “3-dimensions furnishing”, the surroundings and cultural quality of the small districts under development and proposed for development will be enhanced. It reflects the requirement of residential construction in the 21st century and the strong “Oasis” brand name.

The property development strategy of the Group is to be the pioneer in the property development of the outer areas in Shanghai and undertake projects following the Urban Construction Planning of the local government. The Group is also committed to develop a small town district with unique characteristics which meet the requirements of “The Residential Construction Award” by the United Nations. It is expected to achieve high profits with relatively low costs on these projects.

In order to ensure sustainable and steady development of the property business of the Company, it has liaised with the relevant local authorities to expand its land reserve.

Land takes a prime role in the property market. Following the introduction of competition in the grant of land, the undervalue situation in the negotiation on grant of land will be eliminated. The price of land will reflect its real market price. In the short term, such policy will be most likely to trigger a rise of land price in Shanghai and result in the upward movement of housing price. The Group intends to apply approximately RMB120 million to RMB150 million for the expansion of its land reserve in the second half of the year. In addition, statistics also revealed the general favorable market sentiment of the property sector in Beijing and Shenzhen. Accordingly, the Group plans to expand its real estate business beyond Shanghai and is under negotiation with certain enterprises in Beijing and Shenzhen for the engagement in the local property projects in the manner of joint venture or shareholding.

### **Technology Operations**

According to the prediction from the minister of the Ministry of Information Industry of the PRC, Mr. Wu Jichuan, the information industry of China will maintain a high growth rate of 20% per year for the coming five years. The professionals in the industry believe the number of internet subscribers in the PRC will surpass the U.S. in the next five years and

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become the largest internet community in the world. In addition, with the tax preferential treatments to the hi-tech industry offered by the central government, especially in Beijing, Shanghai and Shenzhen, as well as the increasing investment in education and training, the information industry has become the first pillar industry in Shanghai. During the “Tenth Five-year Plan” period, the electronic information industry in Shanghai will grow at 30% per annum and will account for 25% of the gross industrial production value in Shanghai and 20% of the national electronic information industry and will become the largest electronic information product base in the mainland China. Statistics also shows that the number of internet subscribers in China is presently 22 million, accounting for 10% of the world. However, it is anticipated to rise to 250 million by 2005. Such huge market is expected to be the main source of profit, especially when the broadband network application services market will grow significantly.

The Group is confident that the business for the construction of telecommunications broadband network and broadband access operated by Shanghai Telecom Broadband Networking Co. Limited, a company jointly established by the Group and Shanghai Telecom, will earn one to two million subscribers in Shanghai in the next 2 to 3 years, which will account for 50% of the total market share.

The Group will fully utilize the high and new technology research and development support from the “Trans-Ocean Technology R&D Centre” in the second half of the year to undertake the hi-tech network equipment and products development, application and production mainly under the “Orda Optic-electronic”. The products will be introduced to the market and generate a new source of profit.

## DIRECTORS' INTERESTS IN SECURITIES

As of 30th June 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	Note	Number of Shares beneficially held	
		Personal	Corporate
Mr. Shi Jian	(a)	–	465,000,000
Ms. 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

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

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



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## DIRECTORS' RIGHTS TO PURCHASE SHARES OR DEBENTURES

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.

As at 30th June, 2001 the following Directors had personal interests in respect of options granted by the Company on 24th December, 1999 at the subscription price of HK\$0.44 per share.

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

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.

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## SUBSTANTIAL SHAREHOLDERS' INTERESTS

As of 30th June, 2001, the following entity had registered an interest in 10% or more of the issued share capital of the Company:

Name	Number of issued shares	Percentage holding
Good Time Resources Ltd.	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.

## PURCHASE, SALE OR REDEMPTION 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 six months ended 30th June 2001.

## AUDIT COMMITTEE

The Audit Committee has reviewed with management this unaudited financial statements, the accounting principles and practices adopted by the Group.

## CODE OF BEST PRACTICE

None of the Directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the six months ended 30th June, 2001, in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules.

On behalf of the Board

**Shi Jian**

*Chairman*

Hong Kong, China, 22 August 2001

## LIST OF PROPERTIES

Property name	City Oasis Garden	Bauhinia Oasis Garden	Bevely Oasis Garden	Long Island Oasis Garden
	<p>Phase 1 and 2: Nos. 2-19, 1118 Alley and Nos. 2-18, 1155 Alley, Jiao Zhou Road, Pu Tuo District, Shanghai, the PRC;</p> <p>Phase 3: Jiao Zhou Road, Pu Tuo District, Shanghai, the PRC</p>	<p>Phase 1, 2 and 3: No. 289 Ou Yang Road, Hong Kou District, Shanghai, the PRC</p>	<p>Phase 1: No. 336 Alley, Ming Hua Road, Xin Qiao Town, Song Jiang District, Shanghai, the PRC</p> <p>Phase 2: Qing Zheng Village, Xin Qiao Town, Song Jiang District, Shanghai, the PRC</p>	<p>Bei Chang Village; Jiu Ting Town, Song Jiang District, Shanghai, the PRC</p>
<b>The stage of completion as of 30/6/2001</b>	<p>Phase 1 and 2: 100%</p> <p>Phase 3: 100%</p>	<p>Phase 1 and 2: 100%</p> <p>Phase 3: 80%</p>	<p>Phase 1: Developed portion 301 villas and a clubhouse 100%</p> <p>Undeveloped portion 54 villas and terrace houses 0%</p> <p>Phase 2: 0%</p>	<p>Phase 1: 90%</p> <p>Phase 2: 0%</p>
<b>Expected completion date</b>	<p>Phase 1 and 2: N/A</p> <p>Phase 3: N/A</p>	<p>Phase 1 and 2: N/A</p> <p>Phase 3: Jun, 2002</p>	<p>Phase 1 developed portion: N/A</p> <p>Phase 1 undeveloped: Dec. 2003</p> <p>Phase 2: Mar, 2002</p>	<p>Dec. 2003</p>
<b>The existing use</b>	Residential	Residential	Residential	Residential
<b>Site area (sq.m.)</b>	<p>Phase 1 and 2: 38,312</p> <p>Phase 3: 14,631</p>	<p>Phase 1 and 2: 34,657</p> <p>Phase 3: 16,256</p>	<p>Phase 1: 490,562</p> <p>Phase 2: 509,438</p>	<p>Phase 1: 209,121</p> <p>Phase 2: 276,479</p>
<b>Total gross floor area (sq.m.)</b>	<p>Phase 1 and 2: 85,807</p> <p>Phase 3: 33,495</p>	<p>Phase 1 and 2: 85,525</p> <p>Phase 3: 67,941</p>	<p>Phase 1: 130,000</p> <p>Phase 2: 135,000</p>	<p>Phase 1: 96,000</p> <p>Phase 2: 127,000</p>
<b>Retained right to develop an additional plot of land (in the past 6 months)</b>	N/A	N/A	500mu	520mu
<b>The percentage interest in the property</b>	49%	98%	97.5%	95%

## CORPORATE INFORMATION

### Board of Directors

Shi Jian (*Chairman & President*)

Chen Zheng Liang (*Vice-chairman*)

Si Xiao Dong

Li Yao Min (*Vice-president*)

Shi Jian Dong (*Vice-president*)

Yu Hai Sheng (*Vice-president*)

Sze Sin Chi

Cheung Wing Yui \*

Huang Ru Li \*

Sang Rong Lin \*\*

Yeung Kwok Wing \*\*

\* Non-executive Directors

\*\* Independent Non-executive Directors

### Authorized Representatives

Shi Jian

Li Yao Min

### Company Secretary

Chow Chiu Chi MBA,ACMA,FHKSA

### Legal Advisers

Hong Kong: Woo, Kwan, Lee & Lo

Bermuda: Conyers Dill & Pearman

PRC: Jingtian Associates

### Auditor

Arthur Andersen & Co.

### Principal Bankers

Hong Kong : Sin Hua Bank Ltd.

Causeway Bay Branch

PRC : The Agricultural Bank of China

Shanghai Jingan Branch

The Industrial and

Commercial Bank of

China Huangpu Branch

### Registered Office

Clarendon House

2 Church Street

Hamilton HM11

Bermuda

### Hong Kong Office

17th Floor

Bank of Communications Tower

231-235, Gloucester Road

Wanchai

Hong Kong

### Principal Registrar and Transfer Office

Butterfield Corporate Service Ltd.

Rose Bank Centre

11 Bermudiana Road

Pembroke

Bermuda

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**Hong Kong Branch Registrar  
And Transfer Office**

Tengis Limited  
4/F Hutchison House  
10 Harcourt Road  
Central, Hong Kong

**Internet Web Site**

Jiajia.net

**E-mail**

tech@trans-ocean.com.hk