ORIENTAL EXPLORER HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 430)

FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2005

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2005

	Notes	**2005** *HK$'000*	**2004** *HK$'000* *(Restated)*
TURNOVER	2	1,150,827	538,175
Cost of sales		(1,121,317)	(521,750)
Gross profit		29,510	16,425
Other revenue and gains	2	13,980	21,015
Selling and distribution costs		(18,659)	(3,867)
Operating and administrative expenses		(10,611)	(12,094)
Other operating expenses		(4,057)	(5,588)
Operating profit	4	10,163	15,891
Finance costs		(336)	(370)
Share of profits of associates, net		1,470	2,198
Negative goodwill recognised as income on acquisition of an associate		—	2,818
PROFIT BEFORE INCOME TAX		11,297	20,537
Income tax	5	(734)	(428)
PROFIT FOR THE YEAR		10,563	20,109
ATTRIBUTABLE TO			
Equity holders of the Company		10,563	20,109
Minority interests		—	—
		10,563	20,109
EARNINGS PER SHARE			
Basic	7	0.59 cents	1.12 cents
Diluted	7	N/A	N/A

CONSOLIDATED BALANCE SHEET
As at 31 December 2005

	2005 HK$'000	2004 HK$'000 (Restated)
NON-CURRENT ASSETS		
Property, plant and equipment	1,675	1,568
Prepaid land lease payments	484	493
Interests in associates	84,801	57,294
Available-for-sale financial assets/ Long term investments	49,983	105,089
Loan to investee companies	50,199	—
Total non-current assets	187,142	164,444
CURRENT ASSETS		
Inventories	2,341	2,740
Trade receivables	1,576	1,900
Prepayments, deposits and other receivables	17,408	25,093
Financial assets at fair value through profit or loss/ Short term investments	99,358	77,880
Pledged deposits	25,463	7,800
Cash and cash equivalents	19,636	33,191
Total current assets	165,782	148,604
TOTAL ASSETS	352,924	313,048
LESS: CURRENT LIABILITIES		
Trade payables	742	1,088
Other payables and accruals	10,646	8,852
Interest-bearing borrowings	1,603	—
Income tax payable	5,338	4,604
Total current liabilities	18,329	14,544
NET CURRENT ASSETS	147,453	134,060
TOTAL ASSETS LESS CURRENT LIABILITIES	334,595	298,504
CAPITAL AND RESERVES		
Equity attributable to equity holders of the Company		
Share capital	18,000	18,000
Reserves	316,595	280,504
Total equity	334,595	298,504

1. **Basis of preparation**

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which also include Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong, the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. They have been prepared under the historical cost convention, except for the available-for-sale financial assets, and financial assets at fair value through profit or loss, which are carried at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies.

Adoption of new/revised HKFRSs and changes in accounting policies

In 2005, the Group adopted the new/revised HKFRSs below, which are relevant to its operations. The 2004 comparatives have been amended as required, in accordance with the relevant requirements:

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 37	Provision, Contingent Liabilities and Contingent Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 39 Amendment	Transitional and Initial Recognition of Financial Assets and Financial Liabilities
HKAS 40	Investment Property
HKFRS 2	Share-based Payment
HKFRS 3	Business Combinations

The adoption of HKASs 2, 7, 8, 10, 12, 14, 16, 18, 19, 23, 27, 28, 33, 36, 37 and 38 has had no material impact on the accounting policies of the Group and the Company and the methods of computation in the Group's and the Company's financial statements.

HKAS 1 has affected the presentation of minority interests on the face of the consolidated balance sheet, consolidated income statement, consolidated statement of changes in equity and other disclosures. In addition, in prior periods, the Group's share of tax attributable to associates was presented as a component of the Group's total tax charge/(credit) in the consolidated income statement. Upon the adoption of HKAS 1, the Group's share of the post-acquisition results of associates is presented net of the Group's share of tax attributable to associates.

HKAS 21 had no material impact on the Group. As permitted by the transitional provisions of HKAS 21, goodwill arising in a business combination prior to 1 January 2005 and fair value adjustments arising on that acquisition are deemed to be in the currency of the Company. In respect of acquisitions subsequent to 1 January 2005, any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of the assets and liabilities are treated as assets and liabilities of the foreign operation and are translated at the closing rate in accordance with HKAS 21.

HKAS 24 has expanded the definition of related parties and affected the Group's related party disclosures.

The impact of adopting the other HKFRSs is summarised as follows:

(i) HKAS 17 — Leases

In prior years, leasehold land and buildings held for own use were stated at cost less accumulated depreciation and any impairment losses.

Upon the adoption of HKAS 17, the Group's leasehold interest in land and buildings is separated into leasehold land and leasehold buildings. The Group's leasehold land is classified as an operating lease, because the title of the land is not expected to pass to the Group by the end of the lease term, and is reclassified from property, plant and equipment to prepaid land lease payments, while leasehold buildings continue to be classified as part of property, plant and equipment. Prepaid land premiums for land lease payments under operating leases are initially stated at cost and subsequently amortised on the straight-line basis over the lease term. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

The effects of the above changes are summarised in the section headed under "Summary of the impact of changes in accounting policies" below. The comparative amounts in the consolidated balance sheet for the year ended 31 December 2004 have been restated to reflect the reclassification of the leasehold land.

(ii) HKAS 32 and HKAS 39 — Financial Instruments

In prior years, the Group classified its investments in unlisted equity securities as long term investments, which were held for non-trading purposes and were stated at cost less any impairment losses. Debt securities that the Group has the ability to hold to maturity are classified as held-to-maturity securities and are stated in the balance sheet at amortised cost less impairment losses. The investments in listed securities are classified as short term investments and stated at fair value and the gains or losses arising from changes in the fair values of such securities are credited or charged to the income statement in the period in which they arise.

The adoption of HKAS 32 and HKAS 39 has resulted in a change in the accounting policy relating to the classification of financial assets and liabilities and their measurement. HKAS 32 required retrospective application while HKAS 39 does not permit to recognise, derecognise and measure financial assets and liabilities on a retrospective basis.

Upon the adoption of HKASs 32 and 39, debt securities, investments in listed securities, and investments in unlisted equity securities are classified as held-to-maturity financial assets, financial assets at fair value through profit or loss, and available-for-sale financial assets, respectively. Held-to-maturity financial assets are stated at amortised cost less impairment losses. Available-for-sale financial assets are classified at fair value, where an active market exists, with any realised gains and losses recognised in equity. Available-for-sale financial assets that do not have a quoted market price in an active market and whose fair value cannot be reliably measured by valuation techniques are carried at cost less impairment. Financial assets at fair value through profit or loss are carried at fair value.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. Trade and other receivables were previously carried at cost less impairment of receivables.

Borrowings are now recognised initially at fair value, net of transaction costs incurred. They are subsequently stated at amortised cost with any difference between the proceeds (net of transaction costs) and the redemption value recognised in the income statement over the period of the borrowings using the effective interest method. Borrowings were previously stated at cost.

The effect of the above changes are summarised in the section headed under "Summary of the impact of changes in accounting policies" below. In accordance with the transitional provisions of HKAS 39, comparative amounts have not been restated.

(iii) HKAS 40 — Investment Property

The Group's share of its associates' post-acquisition results is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves.

In prior years, changes in the fair values of investment properties held by an associate were dealt with as movements in the investment property revaluation reserve of the associate. If the total of this reserve was insufficient to cover a deficit, on a portfolio basis, the excess of the deficit was charged to the income statement of the associate. Any subsequent revaluation surplus was credited to the income statement of the associate to the extent of the deficit previously charged.

Upon the adoption of HKAS 40, gains or losses arising from changes in the fair values of investment properties held by the associate are included in the income statement of the associate in the year in which they arise. Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement of the associate in the year of the retirement or disposal.

The Group's associate has taken advantage of the transitional provisions of HKAS 40 to adjust the effect of adopting the standard to the opening balance of retained earnings rather than restating the comparative amounts to reflect the changes retrospectively for the earlier year. The effects of the above changes to the Group are summarised in the section headed under "Summary of the impact of changes in accounting policies" below.

(iv) HKFRS 2 — Share-based Payment

In prior years, no recognition and measurement of share-based transactions in which employees (including directors) were granted share options over shares in the Company was required until such options were exercised by employees, at which time the share capital and share premium were credited with the proceeds received.

Upon the adoption of HKFRS 2, when employees (including directors) render services as consideration for equity instruments ("equity-settled transactions"), the cost of the equity-settled transactions with employees is measured by reference to the fair value at the date at which the instruments are granted. The main impact of HKFRS 2 on the Group is the recognition of the cost of these transactions are a corresponding entry to equity for employee share options.

The Group has adopted the transitional provisions of HKFRS 2 under which the new measurement policies have not been applied to (i) options granted to employees on or before 7 November 2002; and (ii) options granted to employees after 7 November 2002 but which had vested before 1 January 2005. As all the share options of the Group were granted before 7 November 2002, the adoption of HKFRS 2 has had no impact on the financial statements of the Group.

(v) HKFRS 3 — Business Combinations and HKAS 36 — Impairment of Assets

In prior years, goodwill arising on acquisitions was capitalised and amortised on the straight-line basis over its estimated useful life and was subject to impairment testing when there was any indication of impairment. Negative goodwill was carried in the balance sheet and was recognised in the consolidated income statement on a systematic basis over the remaining average useful life of the acquired depreciable/amortisable assets, except to the extent it related to expectations of future losses and expenses that were identified in the acquisition plan and that could be measured reliably, in which case, it was recognised as income in the consolidated income statement when the future losses and expenses were recognised.

Upon the adoption of HKFRS 3 and HKAS 36, goodwill arising on acquisitions is no longer amortised but subject to an annual impairment review (or more frequently if events or changes in circumstances indicate that the carrying value may be impaired). Any impairment loss recognised for goodwill is not reversed in a subsequent period.

Any excess of the Group's interest in the net fair value of the acquirees' identifiable assets, liabilities and contingent liabilities over the cost of the acquisition of subsidiaries and associates (previously referred to as "negative goodwill"), after reassessment, is recognised immediately in the income statement.

The transitional provisions of HKFRS 3 have required the Group to eliminate at 1 January 2005 the carrying amounts of accumulated amortisation with a corresponding adjustment to the cost of goodwill and to derecognise the carrying amounts of negative goodwill against retained earnings.

The effects of the above changes are summarised in the section headed under "Summary of the impact of changes in accounting policies" below. In accordance with the transitional provisions of HKFRS 3, comparative amounts have not been restated.

The Group has not applied the following new/revised HKFRSs, that have been issued but are not yet effective, to these financial statements:

HKAS 1 Amendment	Capital Disclosures *(Note (a))*
HKAS 21 Amendment	Net Investment on a Foreign Operation *(Note (b))*
HKAS 39 Amendment	The Fair Value Option *(Note (b))*
HKFRS 7	Financial Instruments: Disclosures *(Note (a))*

Notes:

(a) Effective for accounting periods beginning on or after 1 January 2007

(b) Effective for accounting periods beginning on or after 1 January 2006

The Group has already commenced an assessment of these HKFRSs which are effective for accounting periods beginning on or after 1 January 2006 but is not yet in a position to state whether these HKFRSs would have a significant impact on its results of operations and financial position.

Summary of the impact of changes in accounting policies

(1) Effect on consolidated balance sheet as at 1 January 2005 and 31 December 2005

	Effect of adopting				
As at 1 January 2005	**HKAS 17#**	**HKASs 32 and 39***	**HKAS40***	**HKFRS 3***	
Effect of new policies (Increase/(decrease))	**Prepaid land lease payments**	**Change in classification of equity investments**	**Surplus on revaluation of investment properties of associates**	**Derecognition of negative goodwill**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Property, plant and equipment	(313)	—	—	—	(313)
Prepaid land lease payments	493	—	—	—	493
Negative goodwill	—	—	—	22,494	22,494
Available-for-sale equity investments	—	54,890	—	—	54,890
Loan to investee companies	—	50,199	—	—	50,199
Long term investments	—	(105,089)	—	—	(105,089)
Financial assets at fair value through profit and loss	—	77,880	—	—	77,880
Short term investments	—	(77,880)	—	—	(77,880)
Revaluation reserve	—	—	(3,621)	—	(3,621)
Accumulated losses	180	—	3,621	22,494	26,115

* Adjustments taken effect prospectively from 1 January 2005

\# Adjustments/presentation taken effect retrospectively

As at 31 December 2005	Effect of adopting				
	HKAS 17	HKASs 32 and 39	HKAS40	HKFRS 3	
Effect of new policies (Increase/(decrease))	**Prepaid land lease payments**	**Change in classification of equity investments**	**Surplus on revaluation of investment properties of associates**	**Derecognition of negative goodwill**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Property, plant and equipment	(484)	—	—	—	(484)
Prepaid land lease payments	484	—	—	—	484
Negative goodwill	—	—	—	19,676	19,676
Available-for-sale equity investments	—	49,983	—	—	49,983
Loan to investee companies	—	50,199	—	—	50,199
Long term investments	—	(100,182)	—	—	(100,182)
Financial assets at fair value through profit and loss	—	99,358	—	—	99,358
Short term investments	—	(99,358)	—	—	(99,358)
Revaluation reserve	—	—	(4,823)	—	(4,823)
Available-for-sale investment revaluation reserve	—	509	—	—	509
Accumulated losses	—	—	4,823	19,676	24,499

(2) Effect on opening balance of total equity as at 1 January 2004 and 2005

	Effect of adopting			
Effect of new policies (Increase/(decrease)	**HKAS 17 Prepaid land lease payments**	**HKAS 40 Revaluation reserve**	**HKFRS 3 Negative goodwill**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
As at 1 January 2004				
Accumulated losses	160	—	—	160
				160
As at 1 January 2005				
Revaluation reserve	—	(3,621)	—	(3,621)
Accumualated losses	180	3,621	22,494	26,295
				22,674

(3) Effect on consolidated income statement for the years ended 31 December 2005 and 2004

	Effect of adopting			
	HKAS 1	**HKAS 17**	**HKFRS 3**	
Effect of new policies	**Share of post-tax of associates**	**Prepaid land lease payments**	**Discontinuation of recognition of negative goodwill as income**	**Total**
	HK$'00	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 December 2005				
Decrease in share of profits of associates	(400)	—	—	(400)
Decrease in income tax	400	—	—	400
Decrease in administrative expenses	—	20	—	20
Decrease in negative goodwill recognised as income on acquisition of any associate	—	—	(2,818)	(2,818)
Total increase/(decrease) in profit	—	20	(2,818)	(2,798)
Decrease in basic earnings per shares	—	—	0.16 cents	0.16 cents
Year ended 31 December 2004				
Decrease in share of profits of associates	(395)	—	—	(395)
Decrease in income tax	395	—	—	395
Decrease in administrative expenses	—	20	—	20
Total increase in profit	—	20	—	20
Increase/(decrease) in basic earnings per shares	—	—	—	—

2. TURNOVER, OTHER REVENUE AND GAINS

Turnover represents the net invoiced value of goods sold, after allowances for returns and trade discounts. An analysis of turnover, other revenue and gains is as follows:

	2005	**2004**
	HK$'000	*HK$'000*
Turnover		
Trading of steel	1,143,393	525,737
Manufacturing and trading of electronic products	7,434	12,438
	1,150,827	538,175
Other revenue and gains		
Interest income	3,525	1,287
Gain on disposal of financial assets at fair value through profit or loss/short term investments	5,165	7,621
Dividend income from listed investments	3,174	2,071
Reversal of provision for impairment of interest in an associate	2,116	—
Gain on disposal of a deconsolidated subsidiary	—	4,162
Gain on disposal of items of property, plant and equipment	—	5,874
	13,980	21,015
	1,164,807	559,190

3. SEGMENT INFORMATION

(a) Business segments

The following tables present revenue, profit and expenditure information for the Group's business segments for the years ended 31 December 2005 and 2004.

Group

	Steel trading		Electronic products		Corporate and others		Consolidated	
	2005	2004	2005	2004	2005	2004	2005	2004
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (Restated)
Segment revenue								
Sales to external customers	1,143,393	525,737	7,434	12,438	—	—	1,150,827	538,175
Segment results	3,835	2,280	(1,880)	986	1,231	(2,822)	3,186	444
Other revenue and gains							13,980	21,015
Unallocated expenses							(7,003)	(5,568)
Operating profit							10,163	15,891
Finance costs							(336)	(370)
Share of profits of associates, net							1,470	2,198
Negative goodwill recognised as income on acquisition of an associate							—	2,818
Profit before income tax							11,297	20,537
Income tax							(734)	(428)
Profit for the year							10,563	20,109

(b) Geographical segments

The following table presents revenue information for the Group's geographical segments for the years ended 31 December 2005 and 2004.

Group

	Hong Kong		Mainland China		Thailand		Consolidated	
	2005	2004	2005	2004	2005	2004	2005	2004
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue								
Sales to external customers	7,434	12,438	—	—	1,143,393	525,737	1,150,827	538,175

4. OPERATING PROFIT

The Group's operating profit is arrived at after charging/(crediting):

	2005 *HK$'000*	2004 *HK$'000* *(Restated)*
Cost of inventories sold	1,121,317	521,750
Depreciation of owned assets	459	1,267
Minimum lease payments under operating leases for land and buildings	611	1,252
Fair value losses, net:		
Financial assets at fair value through profit or loss	4,057	—
Unrealised losses on revaluation of listed investments, net	—	5,143
Impairment of an interest in an associate	—	445
Foreign exchange differences, net	(448)	(406)
Employee benefits expense, including directors' remuneration:		
Salaries and allowances	4,675	5,184
Pension scheme contributions	91	116
	4,766	5,300

5. INCOME TAX

Hong Kong profits tax has been provided at the rate of 17.5% (2004: 17.5%) on the estimated assessable profits arising in Hong Kong for the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	Group	
	2005 *HK$'000*	2004 *HK$'000* *(Restated)*
Current tax — Hong Kong		
Charge for the year	734	348
Overprovision in prior years	—	(330)
Current tax — the Mainland China charge for the year	—	410
Total tax charge for the year	734	428

6. DIVIDENDS

The Board of Directors has resolved not to recommend the payment of any dividend in respect of the year ended 31 December 2005 (2004: nil).

7. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the net profit for the year attributable to equity holders of the Company for the year ended 31 December 2005 of approximately HK$10,563,000 (2004: HK$20,109,000 (restated)), and the weighted average number of 1,800,000,000 (2004: 1,800,000,000) ordinary shares in issue during the year.

Diluted earnings per share, reflecting the exercise of subscription rights under the share options granted pursuant to the Company's share option schemes, have not been presented because the share options had no dilutive effects for both the years ended 31 December 2005 and 2004.

REVIEW OF OPERATION

During the year, the Group continued to focus on its core international steel trading business and cost efficiencies.

Steel trading

Succeeding from 2004, the year of 2005 was still a period with intense competition in the international steel trading as a result of the control measures introduced by the central government. Steel prices fluctuated significantly and thus customers were not willing to acquire bulk volume and accumulate stock of steel products at comparatively high price. Against this background, with an established worldwide network of supplier and customer base and successful business methodology adopted, the Group has again uphold its market position. For the year of 2005, our steel trading division recorded a trading volume of steel products of approximately 322,000 mt with a turnover of HK$1,143 million, representing an increase of 117% over the previous year.

The management forecasted that the coming year would be a hard time for international steel market and accordingly, continuous effort has also been devoted to develop into outsourcing sources and expanding business opportunities.

Electronics

For the year under review, the electronics division reported a net loss of approximately HK$1.8 million based on a turnover of HK$7.4 million. In view of the continuing loss suffering, it is our intention to seek a potential buyer to dispose of the related business.

Portfolio investments

During the year, the Group continued to undertake portfolio investments for 2 reasons. Firstly, the Group takes positions in businesses considered to be undervalued and which might evolve into strategic investments in the longer term if certain conditions are met. If those conditions are not met or the share price rises beyond the point where an investment is considered to be fully valued, the Group will then realise the profit on the investment. Secondly, the Group invests in market disequilibrium opportunities in shares where the management team of the Group has particular knowledge and expertise. The current financial structure of the Group means that substantial cash balances can be generated from time to time and limited portfolio investing activities will improve the return on cash balances and enhance the Group's profitability.

In order to diversify investment risk, apart from the Hong Kong market, the Group also focused in the investments among Thailand, Japan and Korea stock markets.

However, the stock market was very unstable and vulnerable during the year and as a result, the Group incurred fair value loss of HK$4 million when the investment portfolio was marked to market as at 31 December 2005. Indeed, the Group realised more than HK$5 million profit from portfolio investing activities.

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operations with internally generated cash flow and banking facilities provided by its principal bankers in Hong Kong. As at 31 December 2005, the Group had available aggregate banking facilities of approximately HK$443 million, which had not been utilized. In addition, the Group had other loan of HK$1.6 million which were secured by certain cash and securities with investment bankers. The Group's cash and bank balances and short term bank deposits amounted to approximately HK$45 million as at 31 December 2005.

Taking into account the available credit facilities, cash on hand and recurring cash flows from its core business, the Group has sufficient working capital for its present requirements.

NUMBER AND REMUNERATION OF EMPLOYEES

As at 31 December 2005, the Group had approximately 105 employees in Hong Kong and China. Remuneration is reviewed annually and in addition to the basic salaries, the Group also provides staff benefits including discretionary bonus, contributory provident fund and professional tuition/training subsidies in order to retain competent employees.

PROSPECTS

The Group will continue to concentrate on organic growth while remaining attuned to market opportunities that can sustain growth and deliver a strong recurring income to the Group. In line with this corporate direction and philosophy, detailed feasibility study on both Hong Kong and the PRC property market has been performed and active participation in this sector of the business will be carried out once we consider the timing is appropriate. We strongly believe that we have the necessary skills and expertise to enable us to step into this sector of the business with good potential.

In addition to tapping into the Hong Kong and the PRC property market, the Group will work towards the goal of maximizing our shareholders' wealth through restructuring our business mix and strengthening the competitiveness of our business. We will pay more attention on expansion and opportunities which are profitable and have a promising outlook. Whether expansion will be organically driven or by way of acquisition, we can only say it will be a calculated and measured expansion, tempered by caution.

CORPORATE GOVERNANCE REPORT

In the opinion of the directors, save as disclosed below, the Company has complied with the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules throughout the year ended 31 December 2005.

(a) Under the code provisions of A.4.1 and A.4.2, (i) non-executive directors should be appointed for a specific term and subject to re-election; and (ii) all directors appointed to fill a causal vacancy should be subject to election by shareholders at the first general meeting after their appointment, and every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

Non-executive directors do not have a specific term of appointment and under the Bye-laws of the Company, at each general meeting, one third of the directors for the time being, or if their number is not three or a multiple of three , then the number nearest one-third, shall retire from office by rotation save any director holding office as chairman and managing director. The Company intends to propose any amendment of relevant Bye-laws, if necessary, in order to ensure compliance with the Code on Corporate Governance Practices.

(b) Under the code provision of A.2, the role of chairman and chief executive officer should be separated and should not be performed by the same individual.

The Company does not at present have any officer with the title of "chief executive officer". Mr Lau Chi Yung, Kenneth is the chairman and managing director of the Company. The Board will meet regularly to consider major matters affecting the operations of the Company. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Company and is conductive to strong and consistent leadership, enabling the Company to respond promptly and efficiently.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") set out in Appendix 10 of the Listing Rules as its own code of conduct regarding directors' securities transactions. Based on specific enquiry of all the directors of the Company, the directors have complied with the required standard as set out in the Model Code for the year ended 31 December 2005.

AUDIT COMMITTEE

The Audit Committee, comprising of three independent non-executive Directors, has already discussed with management of the Company about the accounting policies and internal controls system adopted by the Group and has reviewed the consolidated financial statements of the Group for the year ended 31 December 2005 before submitting to the Board for approval.

PURCHASES, SALES OR REDEMPTIONS OF THE COMPANY'S LISTED SECURITIES

During the year, there were no purchases, sales or redemptions of the Company's listed securities by the Company or by any of its subsidiaries.

PUBLICATION OF ANNUAL REPORT

The full text of the Company's 2005 Annual Report will be sent to the shareholders of the Company and posted on the website of The Stock Exchange of Hong Kong Limited (www.hkex.com.hk) in due course.

BOARD OF DIRECTORS

As at the date hereof, the Board of Directors of the Company comprises five Directors of whom two are Executive Directors, namely Mr. Lau Chi Yung, Kenneth and Mr. Lau Michael Kei Chi; and three Independent Non-executive Directors, namely Mr. Choy Tak Ho, Mr. Lo Yick Wing and Mr. Wong Yim Sum.

By Order of the Board
Lau Chi Yung, Kenneth
Chairman

Hong Kong, 19 April 2006

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Oriental Explorer Holdings Limited (the "Company") will be held at 8th Floor, Multifield House, No. 54 Wong Chuk Hang Road, Hong Kong on Wednesday, 28 June 2006 at 3:00 p.m. for the following purposes:-

1. To receive and consider the Audited Consolidated Financial Statements and the Reports of the Directors and the Auditors for the year ended 31 December 2005.

2. To re-elect Directors and authorise the Board of Directors to fix the remuneration of the Directors.

3. To appoint Auditors and authorise the Directors to fix their remuneration.

4. To consider as Special Business, and if thought fit, pass with or without amendments, the following resolution as an Ordinary Resolution:

   "THAT:-

   (A) subject to paragraph (C) of this Resolution, the exercise by the Directors of the Company during the Relevant Period of all the power of the Company to allot, issue and deal with shares in the capital of the Company and to make or grant offers, agreements and options which might require the exercise of such power be and is hereby generally and unconditionally approved;

   (B) the approval in paragraph (A) of this Resolution shall authorise the Directors of the Company during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such power after the end of the Relevant Period;

   (C) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors of the Company pursuant to the approval in paragraph (A) of this Resolution, otherwise than pursuant to (i) a Rights issue, (ii) the exercise of the subscription rights attaching to any warrants of the Company, (iii) any option scheme or similar arrangement for the time being adopted for the grant or issue to officers or employees of the Company and/or any of its subsidiaries or other eligible persons of shares or rights to acquire shares in the capital of the Company, or (iv) any scrip dividend or similar arrangement providing for the allotment of shares in lieu of the whole or part of the dividend on shares of the Company in accordance with the Bye-laws of the Company, or (v) any offer, agreement or option made or granted prior to the date of passing this Resolution, shall not exceed 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of the passing of this Resolution and the said approval shall be limited accordingly; and

(D) for the purpose of this Resolution:-

"Relevant Period" means the period from the passing of this Resolution until whichever is the earlist of:-

(i) the conclusion of the next Annual General Meeting of the Company;

(ii) the expiration of the period within which the next Annual General Meeting of the Company is required by the Bye-laws of the Company or any applicable laws to be held; and

(iii) the date on which the authority given under this Resolution is revoked or varied by an ordinary resolution of the shareholders in general meeting; and

"Rights issue" means an offer of shares open for a period fixed by the Directors of the Company to the holders of shares on the register of members of the Company on a fixed record date in proportion to their then holdings of such shares, subject to such exclusions or other arrangements as the Directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of, any recognised body or any stock exchange."

5. To consider as Special Business, and if thought fit, pass with or without amendments, the following resolution as an Ordinary Resolution:

"THAT:-

(A) subject to paragraph (B) of this Resolution, the exercise by the Directors of the Company during the Relevant Period of all the power of the Company to repurchase shares in the capital of the Company and warrants, if any, issued by the Company be and is hereby generally and unconditionally approved;

(B) the amount of the securities of the Company which the Company is authorised to repurchase pursuant to the approval in paragraph (A) of this Resolution shall:-

(i) in the case of shares, not exceed 10% of the aggregate nominal amount of the share capital in issue as at the date of the passing of this Resolution; and

(ii) in the case of warrants, if any, not exceed 10% of warrants outstanding as at the date of the passing of this Resolution

and the authority pursuant to paragraph (A) of this Resolution shall be limited accordingly; and

(C) for the purpose of this Resolution:-

"Relevant Period" means the period from the passing of this Resolution until whichever is the earlist of:-

(i) the conclusion of the next Annual General Meeting of the Company;

(ii) the expiration of the period within which the next Annual General Meeting of the Company is required by the Bye-laws of the Company or any applicable laws to be held; and

(iii) the date on which the authority given under this Resolution is revoked or varied by an ordinary resolution of the shareholders in general meeting."

6. To consider as Special Business, and if thought fit, pass with or without amendments, the following resolution as an Ordinary Resolution:

"THAT conditional upon resolutions nos. 4 and 5 set out in the notice convening this meeting being duly passed, the general mandate granted to the Directors of the Company to exercise the power of the Company to allot and issue shares pursuant to resolution no. 4 set out in the notice convening this meeting be and is hereby extended by the addition to the aggregate nominal amount of the share capital which may be allotted or agreed conditionally or unconditionally to be allotted and issued by the Directors of the Company pursuant to such general mandate of an amount representing the aggregate nominal amount of the share capital of the Company repurchased by the Company under the authority granted pursuant to resolution no. 5 set out in the notice convening this meeting, provided that such an amount shall not exceed 10% of the nominal amount of the issued share capital of the Company as at the date of the passing of this Resolution."

By Order of the Board
Lau Chi Yung, Kenneth
Chairman

Hong Kong, 19 April 2006

Notes:

(i) A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and, on a poll, vote instead of him. A proxy need not be a member of the Company.

(ii) In order to be valid, a form of proxy together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of the power of attorney or authority, must be lodged at the Company's Branch Share Registrar in Hong Kong, Tengis Limited, 26/F Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for the holding of the meeting (or the adjourned meeting as the case may be).

(iii) An explanatory statement containing further details regarding resolutions nos. 4 to 6 will be sent to shareholders shortly together with the 2005 Annual Report.