



ORIENTAL EXPLORER HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 430)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2006

INTERIM RESULTS

The Board of Directors of Oriental Explorer Holdings Limited (the “Company”) announces the unaudited interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2006 (the “period”), together with the unaudited comparative figures as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		For the six months ended 30 June	
		2006	2005
		<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
TURNOVER	2	4,469	1,147,746
Cost of sales		<u>(3,012)</u>	<u>(1,117,032)</u>
Gross profit		1,457	30,714
Other revenue and gains	2	18,767	4,115
Selling and distribution costs		(128)	(15,096)
Operating and administrative expenses		(6,761)	(5,073)
Other operating expenses, net		—	(8,344)
Finance costs	4	(177)	(332)
Share of profits of an associate, net		944	1,072
PROFIT BEFORE INCOME TAX	5	<u>14,102</u>	7,056
Income tax	6	<u>—</u>	<u>—</u>
PROFIT FOR THE PERIOD		<u>14,102</u>	<u>7,056</u>
ATTRIBUTABLE TO			
Equity holders of the Company		14,102	7,056
Minority interests		<u>—</u>	<u>—</u>
		<u>14,102</u>	<u>7,056</u>
BASIC EARNINGS PER SHARE	7	<u>0.78 cents</u>	<u>0.39 cents</u>
INTERIM DIVIDEND PER SHARE	8	<u>Nil</u>	<u>Nil</u>

CONDENSED CONSOLIDATED BALANCE SHEET

	30 June 2006 <i>(Unaudited)</i> HK\$'000	31 December 2005 <i>(Audited)</i> HK\$'000
NON-CURRENT ASSETS		
Property, plant and equipment	1,260	1,675
Prepaid land lease payments	480	484
Interests in associates	85,745	84,801
Loans to investee companies	79,010	50,199
Available-for-sale financial assets	<u>143,355</u>	<u>49,983</u>
 Total non-current assets	 <u>309,850</u>	 <u>187,142</u>
CURRENT ASSETS		
Financial assets at fair value through profit or loss	85,991	99,358
Inventories	2,141	2,341
Trade receivables	1,290	1,576
Prepayments, deposits and other receivables	6,043	17,408
Pledged deposits	8,148	25,463
Cash and cash equivalents	<u>1,865</u>	<u>19,636</u>
 Total current assets	 <u>105,478</u>	 <u>165,782</u>
TOTAL ASSETS	<u>415,328</u>	<u>352,924</u>
LESS: CURRENT LIABILITIES		
Trade payables	819	742
Other payables and accruals	14,124	10,646
Income tax payable	4,604	5,338
Interest-bearing borrowings	<u>47,084</u>	<u>1,603</u>
	<u>66,631</u>	<u>18,329</u>
 NET CURRENT ASSETS	 <u>38,847</u>	 <u>147,453</u>
 TOTAL ASSETS LESS CURRENT LIABILITIES	 <u>348,697</u>	 <u>334,595</u>
CAPITAL AND RESERVES		
Equity attributable to equity holders		
of the Company		
Share capital	18,000	18,000
Reserves	<u>330,697</u>	<u>316,595</u>
 Total equity	 <u>348,697</u>	 <u>334,595</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements are prepared in accordance with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Exchange”) and with Hong Kong Accounting Standard (“HKAS”) 34 “Interim financial reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). The accounting policies and basis of preparation used in the preparation of the interim financial statements are the same as those used in the annual financial statements for the year ended 31 December 2005.

In the current period, the Group has adopted, for the first time, a number of new standards, amendments and interpretations (hereinafter collectively referred to as the “new HKFRSs”) issued by the HKICPA, which are effective for accounting periods beginning on or after 31 December 2005 or 1 January 2006. The adoption of these new HKFRSs has had no material effect on how the results of operations and financial position of the Group are prepared and presented.

The Group has not early applied the following new HKFRSs that have been issued but are not yet effective. The Directors anticipate that the application of these standards, amendments or interpretations will have no material impact on the results and financial position of the Group.

HKAS 1 (Amendment)	Capital disclosures ¹
HKFRS 7	Financial instruments: Disclosures ²
HK(IFRIC)-INT 7	Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies ²
HK(IFRIC)-INT 8	Scope of HKFRS ² ³
HK(IFRIC)-INT 9	Reassessment of embedded derivatives ⁴

¹ Effective for annual periods beginning on or after 1 January 2007.

² Effective for annual periods beginning on or after 1 March 2006.

³ Effective for annual periods beginning on or after 1 May 2006.

⁴ Effective for annual periods beginning on or after 1 June 2006.

The interim results are unaudited, but have been reviewed by the Audit Committee which is of the opinion that such financial statements complied with the applicable accounting standards, and that adequate disclosures have been made.

2. TURNOVER, OTHER REVENUE AND GAINS

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

	For the six months ended 30 June	
	2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000
Turnover	<u>4,469</u>	<u>1,147,746</u>
Other revenue and gains:		
Interest income	5,068	1,374
Gain on disposal of financial assets at fair value through profit or loss	8,949	1,342
Dividend income from listed investments	2,230	1,399
Fair value gains, net		
Financial assets at fair value through profit or loss	1,108	—
Others	<u>1,412</u>	<u>—</u>
	<u>18,767</u>	<u>4,115</u>

3. SEGMENT INFORMATION

An analysis of the business segments and geographical segments of the operation of the Group during the period is as follows:

(a) Business segments

	Steel trading		Electronic products		Corporate and others		Consolidated	
	For the six months ended 30 June							
	2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000
Segment revenue:								
Sales to external customers	—	1,143,393	4,469	4,353	—	—	4,469	1,147,746
Segment results	—	10,545	(1,103)	(1,280)	(4,329)	(1,467)	(5,432)	7,798
Other revenue and gains							18,767	4,115
Unallocated expenses							—	(5,597)
Finance costs							(177)	(332)
Share of profits of an associate							944	1,072
Profit before income tax							14,102	7,056
Income tax							—	—
Profit for the period							<u>14,102</u>	<u>7,056</u>

(b) Geographical segments

	Hong Kong		Thailand		Corporate and others		Consolidated	
	For the six months ended 30 June							
	2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000
Segment revenue:								
Sales to external customers	4,469	4,353	—	1,143,393	—	—	4,469	1,147,746
Segment results	(5,432)	(2,747)	—	10,545	—	—	(5,432)	7,798

4. FINANCE COSTS

	For the six months ended 30 June	
	2006	2005
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on discounted bills	—	332
Interest on interest-bearing borrowings	<u>177</u>	<u>—</u>
	<u>177</u>	<u>332</u>

5. PROFIT BEFORE INCOME TAX

Profit before income tax was arrived at after charging the following:

	For the six months ended 30 June	
	2006	2005
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Cost of inventories sold	3,012	1,117,032
Depreciation of owned assets	216	240
Amortisation of land lease payments	4	17
Fair value losses, net		
Financial assets at fair value through profit or loss	<u>—</u>	<u>8,344</u>

6. INCOME TAX

No provision for Hong Kong tax has been made as the Group had no assessable profit during the period (2005: Nil).

No provision for overseas tax has been made in respect of the subsidiaries in the PRC nor other overseas subsidiaries as these subsidiaries had no assessable profits.

7. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the net profit for the period attributable to equity holders of the Company for the period of approximately HK\$14,102,000 (2005: HK\$7,056,000) and the weighted average number of 1,800,000,000 (2005: 1,800,000,000) ordinary shares in issue during the period.

Diluted earnings per share, reflecting the exercise of subscription rights under the share options granted pursuant to the Company's share option scheme, have not been presented because the share options had no dilutive effects for both the six months ended 30 June 2006 and 2005.

8. INTERIM DIVIDEND PER SHARE

The Directors of the Company do not recommend the payment of an interim dividend in respect of the six months ended 30 June 2006 (2005: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF OPERATION

For the six months ended 30 June 2006, the Group recorded a net profit attributable to equity holders of the Company of approximately HK\$14 million.

Steel trading

The Group did not engage in steel trading during the period under review since the management adopted a prudent approach to minimize the risk exposure of steel prices which fluctuated significantly. The management forecasted that the second-half of 2006 would still be a hard time for international steel market and accordingly, much more effort has to be devoted to explore business opportunities.

Electronics

The electronics division reported a net loss of approximately HK\$1.1 million based on a turnover of HK\$4.5 million during the period under review. In view of the continuing loss, the Group intends to seek a potential buyer to dispose of the related business.

Portfolio investments

The Group continued to undertake portfolio investments during the period. Actually, dividend income of approximately HK\$2.2 million and net profit of approximately HK\$10 million were generated from these investments. In order to diversify investment risk, apart from the Hong Kong market, the Group also focused in the investment among Thailand, Japan and Korea stock markets.

The current financial structure of the Group implies that substantial cash balances can be generated from time to time and limited portfolio investing activities will further improve the return on cash balances and enhance the Group's profitability.

LIQUIDITY AND FINANCIAL RESOURCES

The Group principally finances its operations with internally generated cash flow and banking facilities provided by its principal bankers in Hong Kong. As at 30 June 2006, the Group had available aggregate banking facilities of approximately HK\$488 million. The Group had interest-bearing borrowings of HK\$47 million which was 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\$10 million.

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 30 June 2006, the Group had approximately 100 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 global economy is generally positive despite growing concerns about the impact of interest rates, oil prices, and political developments on economic growth. Hong Kong's economy is therefore expected to remain stable for the rest of the year. Therefore, 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. We strongly believe that we have the necessary skills and expertise to enable us to work towards the goal of maximizing our shareholder's 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.

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

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

REVIEW BY AUDIT COMMITTEE

The audit committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed the auditing, internal control and financial reporting matters including the review of the Group's unaudited interim results for the six months ended 30 June 2006.

CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the directors, 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 six months ended 30 June 2006, save as disclosed below.

- (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 conducive to strong and consistent leadership, enabling the Company to respond promptly and efficiently.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as the Company’s code of conduct of dealings in securities of the Company by the directors. Based on specific enquiry of the Company’s directors, the directors have complied with the required standard set out in the Model Code throughout the accounting period covered by the interim report.

PUBLICATION OF DETAILED RESULTS ANNOUNCEMENT ON THE STOCK EXCHANGE’S WEBSITE

The 2006 Interim Report containing all the information required by paragraphs 46(1) to 46(9) of Appendix 16 of the Listing Rules of the Stock Exchange will be published on the Stock Exchange’s website (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, 15 September 2006