ORIENTAL EXPLORER HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 430)

FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2006

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2006

	Notes	**2006** *HK$'000*	**2005** *HK$'000*
REVENUE	2	16,464	1,150,827
Cost of sales		(12,593)	(1,121,317)
Gross profit		3,871	29,510
Other income and gains	2	40,920	9,923
Selling and distribution costs		(253)	(18,659)
Operating and administrative expenses		(42,469)	(10,611)
Finance costs		(381)	(336)
Share of profits and losses of associates		2,049	1,470
PROFIT BEFORE TAX	4	3,737	11,297
Tax	5	—	(734)
PROFIT FOR THE YEAR		3,737	10,563
Attributable to:			
Equity holders of the Company		3,737	10,563
Minority interests		—	—
		3,737	10,563
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic	7	0.21 cents	0.59 cents
Diluted	7	N/A	N/A

CONSOLIDATED BALANCE SHEET

As at 31 December 2006

	2006 HK$'000	2005 HK$'000
NON-CURRENT ASSETS		
Property, plant and equipment	1,399	1,675
Prepaid land lease payments	476	484
Interests in associates	90,614	84,801
Available-for-sale investments	48,230	49,983
Equity-linked notes	49,939	—
Loans to investee companies	4,050	50,199
Total non-current assets	194,708	187,142
CURRENT ASSETS		
Inventories	1,325	2,341
Trade receivables	2,816	1,576
Prepayments, deposits and other receivables	16,153	17,408
Equity investments at fair value through profit or loss	93,291	99,358
Pledged deposits	55,821	25,463
Cash and cash equivalents	38,545	19,636
Total current assets	207,951	165,782
TOTAL ASSETS	402,659	352,924
CURRENT LIABILITIES		
Trade payables	550	742
Other payables and accruals	10,820	10,646
Interest-bearing borrowings	44,203	1,603
Tax payable	5,338	5,338
Total current liabilities	60,911	18,329
NET CURRENT ASSETS	147,040	147,453
TOTAL ASSETS LESS CURRENT LIABILITIES	341,748	334,595
CAPITAL AND RESERVES		
Equity attributable to equity holders of the Company		
Share capital	18,000	18,000
Reserves	323,748	316,595
Total equity	341,748	334,595

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

1.1 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 and the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). They have been prepared under the historical cost convention, except for available-for-sale investments and equity investments at fair value through profit or loss, which have been measured at fair value. These financial statements are presented in Hong Kong dollars (HK$) and all values are rounded to the nearest thousand (HK$'000) except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2006. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

The acquisition of subsidiaries during the year has been accounted for using the purchase method of accounting. This method involves allocating the cost of the business combinations to the fair value of the identifiable assets acquired, and liabilities and contingent liabilities assumed at the date of acquisition. The cost of the acquisition is measured at the aggregate of the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

Minority interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company's subsidiaries.

1.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements. Except for in certain cases, giving rise to new and revised accounting policies and additional disclosures, the adoption of these new and revised standards and interpretation has had no material effect on these financial statements.

HKAS 21 Amendment	Net Investment in a Foreign Operation
HKAS 39 Amendment	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 Amendment	The Fair Value Option
HKAS 39 & HKFRS 4 Amendments	Financial Guarantee Contracts
HKFRS-Int 4	Determining whether an Arrangement contains a Lease

The principal changes in accounting policies are as follows:

(a) *HKAS 21 The Effects of Changes in Foreign Exchange Rates*

Upon the adoption of the HKAS 21 Amendment regarding a net investment in a foreign operation, all exchange differences arising from a monetary item that forms part of the Group's net investment in a foreign operation are recognised in a separate component of equity in the consolidated financial statements irrespective of the currency in which the monetary item is denominated. This change has had no material impact on these financial statements as at 31 December 2006 or 31 December 2005.

(b) *HKAS 39 Financial Instruments: Recognition and Measurement*

(i) Amendment for financial guarantee contracts

This amendment has revised the scope of HKAS 39 to require financial guarantee contracts issued that are not considered insurance contracts, to be recognised initially at fair value and to be remeasured at the higher of the amount determined in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 *Revenue*. The adoption of this amendment has had no material impact on these financial statements.

(ii) Amendment for the fair value option

This amendment has changed the definition of a financial instrument classified as fair value through profit or loss and has restricted the use of the option to designate any financial asset or any financial liability to be measured at fair value through the income statement. The Group had not previously used this option, and hence the amendment has had no effect on the financial statements.

(iii) Amendment for cash flow hedge accounting of forecast intragroup transactions

This amendment has revised HKAS 39 to permit the foreign currency risk of a highly probable intragroup forecast transaction to qualify as a hedged item in a cash flow hedge, provided that the transaction is denominated in a currency other than the functional currency of the entity entering into that transaction and that the foreign currency risk will affect the consolidated income statement. As the Group currently has no such transactions, the amendment has had no effect on these financial statements.

(c) *HKFRS-Int 4 Determining whether an Arrangement contains a Lease*

The Group has adopted this interpretation as of 1 January 2006, which provides guidance in determining whether arrangements contain a lease to which lease accounting must be applied. The Group has determined based on this interpretation that certain arrangements of the Group contained leases and accordingly, the Group has treated them in accordance with HKAS 17 Leases. However, the adoption of this interpretation has had no material impact on these financial statements.

1.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but not yet effective, in these financial statements.

HKAS 1 Amendment	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HKFRS 8	Operating Segments
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 *Financial Reporting in Hyperinflationary Economies*
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment
HK(IFRIC)-Int 11	HKFRS 2— Group and Treasury Share Transactions
HK(IFRIC)-Int 12	Service Concession Arrangements

The HKAS 1 Amendment shall be applied for annual periods beginning on or after 1 January 2007. The revised standard will affect the disclosures about qualitative information about the Group's objective, policies and processes for managing capital; quantitative data about what the Company regards as capital; and compliance with any capital requirements and the consequences of any non-compliance.

HKFRS 7 shall be applied for annual periods beginning on or after 1 January 2007. The standard requires disclosures that enable users of the financial statements to evaluate the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments and also incorporates many of the disclosure requirements of HKAS 32.

HKFRS 8 shall be applied for annual periods beginning on or after 1 January 2009. The standard requires disclosures of the information about the entity's operating segments and also about the entity's products and services, the geographical areas in which it operates, and its major customers.

HK(IFRIC)-Int 7, HK(IFRIC)-Int 8, HK(IFRIC)-Int 9, HK(IFRIC)-Int 10, HK(IFRIC)-Int 11 and HK(IFRIC)-Int 12 shall be applied for annual periods beginning on or after 1 March 2006, 1 May 2006, 1 June 2006, 1 November 2006, 1 March 2007 and 1 January 2008 respectively.

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, it has concluded that while the adoption of the HKAS 1 Amendment and HKFRS 7 may result in new or amended disclosures, these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

2. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts. An analysis of revenue, other income and gains is as follows:

	2006	**2005**
	HK$'000	*HK$'000*
Revenue		
Trading of steel	—	1,143,393
Manufacturing and trading of electronic products	16,464	7,434
	16,464	1,150,827
Other income and gains		
Interest income from available-for-sale investments	2,365	1,513
Interest income from equity-linked notes	11,981	—
Other interest income	1,417	2,012
Dividend income from listed investments	3,277	3,174
Reversal of provision for impairment of interest in an associate	—	2,116
Fair value gains, net:		
Available-for-sale investments (transfer from equity)	492	—
Equity investments at fair value through profit or loss	21,388	1,108
	40,920	9,923
	57,384	1,160,750

3. SEGMENT INFORMATION

(a) Business segments

The following tables present revenue, profit and certain asset, liability and expenditure information for the Group's business segments for the years ended 31 December 2006 and 2005.

Group

	Steel trading		Electronic products		Corporate and others		Consolidated	
	2006	**2005**	**2006**	**2005**	**2006**	**2005**	**2006**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue								
Sales to external customers	—	1,143,393	16,464	7,434	—	—	16,464	1,150,827
Segment results	139	3,835	(1,462)	(1,880)	(2,382)	1,231	(3,705)	3,186
Other income and gains							40,920	9,923
Unallocated expenses							(35,146)	(2,946)
Finance costs							(381)	(336)
Share of profits and losses of associates							2,049	1,470
Profit before tax							3,737	11,297
Tax							—	(734)
Profit for the year							3,737	10,563

	Steel trading		Electronic products		Corporate and others		Consolidated	
	2006	**2005**	**2006**	**2005**	**2006**	**2005**	**2006**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment assets	69	18,112	5,530	5,136	110,936	45,335	116,535	68,583
Unallocated assets	—	—	—	—	—	—	195,510	199,540
Interests in associates	—	—	—	—	—	—	90,614	84,801
Total assets	69	18,112	5,530	5,136	110,936	45,335	402,659	352,924
Segment liabilities	3,028	3,981	4,925	4,335	47,620	4,675	55,573	12,991
Unallocated liability — Tax payable	2,273	—	52	—	3,013	—	5,338	5,338
Total liabilities	5,301	3,981	4,977	4,335	50,633	4,675	60,911	18,329
Other segment information								
Depreciation	—	—	100	201	323	258	423	459
Other non-cash expenses	—	—	—	—	—	8	—	8
Capital expenditure	—	—	80	23	282	543	362	566

(b) **Geographical segments**

The following table presents revenue and certain asset and expenditure information for the Group's geographical segments for the years ended 31 December 2006 and 2005.

Group

	Hong Kong		**Mainland China**		**Thailand**		**Consolidated**	
	2006	**2005**	**2006**	**2005**	**2006**	**2005**	**2006**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue:								
Sales to external customers	16,464	7,434	—	—	—	1,143,393	16,464	1,150,827
Other segment information:								
Segment assets	267,410	175,417	135,249	177,507	—	—	402,659	352,924
Capital expenditure	282	543	80	23	—	—	362	566

4. PROFIT BEFORE TAX

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

	2006	**2005**
	HK$'000	*HK$'000*
Cost of inventories sold	12,593	1,121,317
Depreciation of owned assets	423	459
Minimum lease payments under operating leases for land and buildings	633	611
Auditors' remuneration	250	250
Fair value losses, net:		
Equity-linked notes	35,146	—
Loss on disposal of items of property, plant and equipment	15	—
Foreign exchange differences, net	(467)	(448)
Employee benefits expenses, including directors' remuneration:		
Salaries and allowances	4,773	4,675
Pension scheme contributions *(Note (i))*	76	91
	4,849	4,766

Note:

(i) As at 31 December 2006, the Group had no forfeited contributions available to reduce its contributions to the pension scheme in future years (2005: Nil).

5. **TAX**

Hong Kong profits tax has been provided at the rate of 17.5% (2005: 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	
	2006	**2005**
	HK$'000	*HK$'000*
Current tax — Hong Kong		
Charge for the year	—	734
Current tax — the Mainland China		
Charge for the year	—	—
Total tax charge for the year	—	734

6. **DIVIDENDS**

The Board of Directors has resolved not to recommend the payment of any dividend in respect of the year ended 31 December 2006 (2005: 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 of approximately HK$3,737,000 (2005: HK$10,563,000), and the weighted average number of 1,800,000,000 (2005: 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 2006 and 2005.

REVIEW OF OPERATION

For the year ended 31 December 2006, the Group recorded a net profit attributable to equity holders of the Company of about HK$3.7 million (2005: HK$10.5 million).

Steel trading

The Group did not engage in steel trading during the year under review since the management adopted a prudent approach to minimize risk exposure of steel prices which fluctuated significantly. Indeed, the PRC continued to implement macroeconomic control measures to rein in economic development during 2006, with bank borrowing rates raised and export tax rebate rates for steel products reduced. The management forecasted that the coming year would still be a hard time for international steel market and accordingly, much more effort has to be devoted to explore business opportunities.

Electronics

For the year under review, the electronics division reported a net loss of approximately HK$1.5 million (2005: HK$1.9 million) based on a turnover of HK$16.5 million (2005: HK$7.4 million). 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 year under review since the Group believes 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. However, the Hong Kong and other overseas stock markets were very volatile and vulnerable during the year and as a result, the Group only performed to an acceptable level when marking the investment portfolios to the market valuation as at 31 December 2006.

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 2006, the Group had available aggregate banking facilities of approximately HK$443,000,000, which had not been utilized. In addition, the Group had other loan of HK$44,203,000 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$94,366,000 as at 31 December 2006.

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

NUMBER AND REMUNERATION OF EMPLOYEES

As at 31 December 2006, the Group had approximately 100 employees in Hong Kong and the PRC. 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 year of 2007. 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 shareholders' wealth through restructuring our business mix and strengthening the competitiveness of our business.

Further, 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 2006.

(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 2006.

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 2006 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 2006 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, 25 April 2007