

**INTERIM RESULTS**

The Board of Directors of Oriental Explorer Holdings Limited (formerly known as Linkful International Holdings Limited) (the “Company”) announces the unaudited interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2002 together with the unaudited comparative figures for the corresponding period in 2001. These interim financial statements have not been audited, but have been reviewed by the Company’s Audit Committee:

**CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT**

For the Six Months Ended 30 June 2002

*(With comparatives for the six months ended 30 June 2001)*

	<i>Notes</i>	<b>For the six months ended 30 June</b>	
		<b>2002</b> <i>(Unaudited)</i> <b>HK\$'000</b>	<b>2001</b> <i>(Unaudited)</i> <b>HK\$'000</b>
<b>TURNOVER</b>	2	<b>485,042</b>	635,296
Cost of sales		<u><b>(456,128)</b></u>	<u>(648,078)</u>
Gross profit/(loss)		<b>28,914</b>	(12,782)
Other revenue	2	<b>4,606</b>	23,623
Selling and distribution costs		<b>(16,906)</b>	(4,811)
Operating and administrative expenses		<b>(10,034)</b>	(23,539)
Other operating expenses		<u>—</u>	<u>(735)</u>
<b>PROFIT/(LOSS) FROM OPERATING ACTIVITIES</b>	4	<b>6,580</b>	(18,244)
Finance costs		<b>(586)</b>	(3,888)
Share of loss of an associate		<b>(68)</b>	(7)
<b>PROFIT/(LOSS) BEFORE TAXATION</b>		<b>5,926</b>	(22,139)
Taxation	5	<u><b>94</b></u>	<u>3,160</u>
<b>PROFIT/(LOSS) BEFORE MINORITY INTERESTS</b>		<b>6,020</b>	(18,979)
Minority interests		<u>—</u>	<u>17,534</u>
<b>NET PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS</b>		<u><b>6,020</b></u>	<u>(1,445)</u>
<b>EARNINGS/(LOSS) PER SHARE</b>	6	<u><b>0.38 cent</b></u>	<u>(0.11) cent</u>

Other than the net profit attributable to shareholders for the period, the Group had no recognised gains or losses. Accordingly, a consolidated statement of recognised gains and losses is not presented in the interim financial statements.

**CONDENSED CONSOLIDATED BALANCE SHEET**

As at 30 June 2002

(With comparatives as at 31 December 2001)

		As at 30 June 2002 <i>(Unaudited)</i> HK\$'000	As at 31 December 2001 <i>(Audited)</i> HK\$'000
	<i>Notes</i>		
<b>NON-CURRENT ASSETS</b>			
Fixed assets		6,222	7,056
Interest in an associate		174	242
Interest in deconsolidated subsidiaries		3,553	21,646
Long term investments		74,852	63,857
		<u>84,801</u>	<u>92,801</u>
<b>CURRENT ASSETS</b>			
Short term investments		52,099	67,505
Inventories		2,712	2,707
Trade and bills receivables	8	94,195	97,493
Prepayments, deposits and other receivables		28,050	17,727
Cash and cash equivalents	9	57,357	93,811
Pledged deposits	9	7,800	7,800
		<u>242,213</u>	<u>287,043</u>
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	10	51,838	95,815
Tax payable		3,139	3,233
Other payables		13,031	27,768
Interest-bearing bank loans		42	84
		<u>68,050</u>	<u>126,900</u>
<b>NET CURRENT ASSETS</b>		<u>174,163</u>	<u>160,143</u>
		<u>258,964</u>	<u>252,944</u>
<b>CAPITAL AND RESERVES</b>			
Issued capital	11	15,650	15,650
Reserves	12	243,314	237,294
		<u>258,964</u>	<u>252,944</u>

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT**

For the Six Months Ended 30 June 2002

	<b>For the six months ended 30 June</b>	
	<b>2002</b>	2001
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<b>HK\$'000</b>	<b>HK\$'000</b>
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	<b>(43,885)</b>	(6,704)
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	<b>(347)</b>	(1,925)
NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES	<b>7,820</b>	(64,033)
NET CASH OUTFLOW BEFORE FINANCING ACTIVITIES	<b>(36,412)</b>	(72,662)
NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES	<b>(42)</b>	14,789
DECREASE IN CASH AND CASH EQUIVALENTS	<b>(36,454)</b>	(57,873)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<b>93,811</b>	120,980
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<b><u>57,357</u></b>	<u>63,107</u>
 ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
CASH AND BANK BALANCES	<b>32,389</b>	55,752
TIME DEPOSITS	<b>24,968</b>	7,355
	<b><u>57,357</u></b>	<u>63,107</u>

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**
**1. STATEMENT OF COMPLIANCE AND ACCOUNTING POLICIES**

The condensed interim financial statements have been prepared in accordance with the Statement of Standard Accounting Practice (“SSAP”) No. 25 “Interim Financial Reporting” issued by the Hong Kong Society of Accountants and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules of the Stock Exchange”).

The accounting policies and basis of preparation used in the preparation of the condensed interim financial statements are the same as those used in the annual financial statements for the year ended 31 December 2001.

**2. TURNOVER AND OTHER REVENUE**

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

	<b>For the six months ended 30 June</b>	
	<b>2002 (Unaudited) HK\$'000</b>	<b>2001 (Unaudited) HK\$'000</b>
Turnover	<b>485,042</b>	635,296
Other revenue:		
Interest income	<b>240</b>	1,703
Gain on disposal of listed investments	<b>6,903</b>	1,963
Unrealised gain/(loss) on listed investments	<b>(3,367)</b>	8,917
Dividend income from listed investments	<b>270</b>	260
Sales of scrap and raw materials	<b>—</b>	10,637
Others	<b>560</b>	143
	<hr/>	<hr/>
Total turnover and other revenue	<b><u>489,648</u></b>	<u>658,919</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		Steel manufacturing		Electronic products		Corporate and others		Consolidated	
	For the six months ended 30 June									
	2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000
Segment revenue										
Sales to external customers	475,359	214,266	—	410,162	9,683	10,868	—	—	485,042	635,296
Segment results	3,487	9,306	—	(37,122)	1,958	2,170	1,135	7,402	6,580	(18,244)
Finance costs									(586)	(3,888)
Share of loss of an associate									(68)	(7)
Profit/(loss) before taxation									5,926	(22,139)
Taxation									94	3,160
Profit/(loss) before minority interests									6,020	(18,979)
Minority interests									—	17,534
Net profit/(loss) attributable to shareholders									6,020	(1,445)

#### (b) Geographical segments

	Hong Kong		Elsewhere in the PRC		Thailand		Corporate and others		Consolidated	
	For the six months ended 30 June									
	2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000
Segment revenue										
Sales to external customers	2,142	1,060	7,307	417,569	475,359	214,266	234	2,401	485,042	635,296
Segment results	1,547	7,318	1,373	(35,678)	3,616	9,647	44	469	6,580	(18,244)

#### 4. PROFIT/(LOSS) FROM OPERATING ACTIVITIES

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

	<b>For the six months ended 30 June</b>	
	<b>2002</b>	2001
	<i>(Unaudited)</i> <b>HK\$'000</b>	<i>(Unaudited)</i> <b>HK\$'000</b>
Cost of inventories sold	<b>456,128</b>	648,078
Depreciation of fixed assets	<b>961</b>	4,927
Operating lease rentals:		
Land and buildings	<b>900</b>	1,392
Auditors' remuneration:		
Current year's provision	—	602
Unrealised loss/(gain) on listed investments	<b>3,367</b>	(8,917)
Exchange loss/(gain), net	<b>86</b>	(986)
	<u><b>          </b></u>	<u><b>          </b></u>

#### 5. TAXATION

	<b>For the six months ended 30 June</b>	
	<b>2002</b>	2001
	<i>(Unaudited)</i> <b>HK\$'000</b>	<i>(Unaudited)</i> <b>HK\$'000</b>
Hong Kong and the PRC:		
Overprovision in prior years	<b>94</b>	3,160
Tax credit for the year	<b>94</b>	3,160
	<u><b>          </b></u>	<u><b>          </b></u>

No provision for Hong Kong tax has been made as the Group had no assessable profit during the period (2001: 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.

#### 6. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings per share is based on the net profit for the period attributable to shareholders of HK\$6,020,000 (2001: net loss of HK\$1,445,000) and the weighted average of 1,565,000,000 (2001: 1,368,867,404) 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 is not presented because the impact is anti-dilutive.

#### 7. INTERIM DIVIDEND

The Board of Directors has resolved not to recommend the payment of an interim dividend in respect of the six months ended 30 June 2002 (2001: Nil).

**8. TRADE AND BILLS RECEIVABLES**

	As at 30 June 2002 <i>(Unaudited)</i> HK\$'000	As at 31 December 2001 <i>(Audited)</i> HK\$'000
Accounts receivable	81,772	97,617
Less: Provisions for doubtful debts	(124)	(124)
	<u>81,648</u>	<u>97,493</u>
Bills receivables	12,547	—
	<u>94,195</u>	<u>97,493</u>

The aged analysis of accounts receivable is as follows:

	As at 30 June 2002 <i>(Unaudited)</i> HK\$'000	As at 31 December 2001 <i>(Audited)</i> HK\$'000
Aged:		
Within three months	66,008	97,180
Within four to six months	15,387	—
Within seven months to one year	253	313
	<u>81,648</u>	<u>97,493</u>

Trading terms with customers are largely on credit. Invoices are normally payable within two months of issuance, except for certain well established customers, where the terms are extended to three months to six months in some cases, subject to the approval of senior management. The Group seeks to maintain strict control over its outstanding receivables and has a credit control policy to minimise credit risk. Overdue balances are regularly reviewed by senior management.

The aged analysis of bills receivable is as follows:

	As at 30 June 2002 <i>(Unaudited)</i> HK\$'000	As at 31 December 2001 <i>(Audited)</i> HK\$'000
Aged:		
Within three months	12,547	—
Within four to six months	—	—
Within seven months to one year	—	—
	<u>12,547</u>	<u>—</u>

**9. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS**

	As at <b>30 June 2002</b> <i>(Unaudited)</i> <i>HK\$'000</i>	As at 31 December 2001 <i>(Audited)</i> <i>HK\$'000</i>
Cash and bank balances	32,389	48,145
Time deposits	24,968	45,666
Pledged deposits	7,800	7,800
	<u>65,157</u>	<u>101,611</u>

Certain time deposits of HK\$7,800,000 (2001: HK\$7,800,000) were pledged as security for banking facilities granted.

**10. TRADE AND BILLS PAYABLES**

	As at <b>30 June 2002</b> <i>(Unaudited)</i> <i>HK\$'000</i>	As at 31 December 2001 <i>(Audited)</i> <i>HK\$'000</i>
Trade payables	16,823	62,666
Bills payable	35,015	33,149
	<u>51,838</u>	<u>95,815</u>

The Group's aged analysis of trade payable is as follows:

	As at <b>30 June 2002</b> <i>(Unaudited)</i> <i>HK\$'000</i>	As at 31 December 2001 <i>(Audited)</i> <i>HK\$'000</i>
Aged:		
Within three months	1,629	62,176
Within four to six months	—	—
Within seven months to one year	15,192	490
Over one year	2	—
	<u>16,823</u>	<u>62,666</u>

The Group's aged analysis of bills payable is as follows:

	As at <b>30 June 2002</b> <i>(Unaudited)</i> <i>HK\$'000</i>	As at 31 December 2001 <i>(Audited)</i> <i>HK\$'000</i>
Aged:		
Within three months	35,015	33,149
Within four to six months	—	—
	<u>35,015</u>	<u>33,149</u>



**11. SHARE CAPITAL**

	<b>As at 30 June 2002 (Unaudited) HK\$'000</b>	As at 31 December 2001 (Audited) HK\$'000
<i>Authorised:</i>		
20,000,000,000 (2001:20,000,000,000) ordinary shares of HK\$0.01 (2001:HK\$0.01) each	<b>200,000</b>	200,000
<i>Issued and fully paid:</i>		
1,565,000,000 (2001: 1,565,000,000) ordinary shares of HK\$0.01 (2001:HK\$0.01) each	<b>15,650</b>	15,650

**12. RESERVES**

	<b>Share premium account HK\$'000</b>	<b>Capital redemption reserve HK\$'000</b>	<b>Exchange fluctuation reserve HK\$'000</b>	<b>Accumulated losses HK\$'000</b>	<b>Total HK\$'000</b>
At 1 January 2002 (audited)	410,507	546	66	(173,825)	237,294
Profit for the period	—	—	—	6,020	6,020
At 30 June 2002 (unaudited)	<b>410,507</b>	<b>546</b>	<b>66</b>	<b>(167,805)</b>	<b>243,314</b>

**13. RELATED PARTY TRANSACTIONS**

During the period, the following related party transactions were recorded:

- (1) The Group received rental income in the amount of HK\$57,000 (2001: HK\$57,000) from Alpha Japan Limited (“Alpha Japan”), the minority shareholder of a subsidiary of the Group.
- (2) The Group paid rental expenses in the amount of HK\$900,000 (2001: HK\$900,000) to Verywell Properties Limited, a wholly-owned subsidiary of Multifield International Holdings Limited (“MIHL”), a company controlled by Mr. Lau Chi Yung, Kenneth, a director and a substantial shareholder of the Company. The terms of the office rental was on a monthly renewal basis and were arrived at after negotiations between both parties with reference to the prevailing market rentals.
- (3) The Group paid management fees in the amount of HK\$480,000 (2001: HK\$480,000) to Multifield (Holdings) Limited, a wholly owned subsidiary of MIHL for accountancy services provided during the period. The management fees were based on the direct costs incurred.
- (4) A subsidiary sold finished goods of HK\$1,718,000 (2001: HK\$1,676,000) to and purchased raw materials and parts of HK\$23,000 (2001: HK\$24,700) from Alpha Japan. These transactions were based on published prices and conditions normally offered by the Group to third party customers in the ordinary course of business of the Group.

**14. CONTINGENT LIABILITIES**

As at 30 June 2002, the amount of guarantees given by the Company to banks in connection with facilities granted to its subsidiaries was HK\$273,000,000 (2001: HK\$250,000,000).

**15. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS**

The condensed interim financial statements were approved by the Board of Directors on 19 September 2002.

## MANAGEMENT DISCUSSION AND ANALYSIS

### REVIEW OF OPERATION

Following the arrangement to dispose of all the remaining steel mills in China towards the end of 2001, the consolidated results of the Group for the first 6 months was particularly pleasing with a return to profitability as predicted. It is imperative to note that the Group has dealt decisively with the legacy of the past involving the China steel mills and from this year onwards, that legacy would no longer exert any burden on the financial results of the Group.

#### Steel trading

After the traumatic events of September 2001 in the US, the first half of the year in particular provided a very difficult climate for international steel trading. While the Group was adversely affected along with the rest of the steel trading sector, the Group's steel trading results revealed a solid performance which placed us in the top quartile of the industry. This is a tribute to the business methodology adopted by the Group and the knowledge of the trading team which has been assembled. Weekly steel trading meetings have been carried out to review and assess the business logistics and risk portfolio and all the way, critical review and assessment have ensured that all steel trading transactions have been undertaken in a smooth and professional manner.

For the first half of 2002, our steel trading division recorded a trading volume of 357,434mt of steel products with a turnover of HK\$475 million representing an increase of 122% when compared to the previous corresponding period.

An extensive worldwide network has been built up over the years and a firm supplier and customer base has given the Group a channel of opportunities to conclude stable recurring businesses. It is envisaged that the performance for the remaining half of the year will be strong and the Group's future earning power and recurring income base will be further secured.

#### Steel manufacturing

Towards the end of last year, arrangements were reached to dispose of Jiangyin Bofeng and Wuxi Xifeng to third parties. For Wuxi Xifeng, completion of the disposal would not take place until December 2002 when the final installment for settlement is paid. As for Jiangyin Bofeng, according to the arrangement, completion of the disposal would take place in June 2004. However, during the interim period, the China joint venture partners have undertaken to bear the operation losses of the steel mills, if there is any. This has the effect of curbing further losses of the steel manufacturing division and as explained in the 2001 annual report, this move was in line with our business focus and future direction as the performance of the steel mills in China was not satisfactory in the past.

#### Electronics

For the first half of 2002, the electronics division continued to deliver stable recurring income to the Group and reported a net profit of HK\$2 million based on a turnover of HK\$10 million which was broadly in line with those experienced during the previous corresponding period. Barring any further global economic downturn, it is envisaged that the demand of the electronic parts could be maintained and the recurring income base of the electronics division could be sustained.

#### Portfolio investments

During the first 6 months, the Group realised more than HK\$6 million profit from portfolio investing activities. The Group undertakes portfolio investments for 2 reasons. First, 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.

## 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 30 June 2002, the Group had available aggregate banking facilities of approximately HK\$273 million, out of which HK\$70 million had been utilized. The Group's cash and bank balances and short term bank deposits as at 30 June 2002 amounted to approximately HK\$65 million. The Group's gearing ratio as at 30 June 2002 was approximately 0.015% based on the total bank borrowings of approximately HK\$0.04 million and the aggregate of the shareholders' funds and total bank borrowings of approximately HK\$259 million.

## NUMBER AND REMUNERATION OF EMPLOYEES

Following the disposal of the China steel mills, the Group had approximately 150 employees in Hong Kong and China as at 30 June 2002. 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 quality employees.

## PROSPECTS

The Group remains well positioned to deliver solid performance into the future after the rationalization of the operation structure of the joint venture steel mills in China. It is envisaged that the Group will continue to develop its core business activities in the Asia Pacific region in order to enhance its standing as a focused steel group. As we look to the future, the Group will again concentrate on organic growth while remaining attuned to market opportunities that can sustain growth and deliver a strong recurring income to the Group.

Looking ahead, the Group will endeavour to restore shareholders' confidence and value and achieve capital growth for the investors in the long run.

## DIRECTORS' INTERESTS IN SHARES

As at 30 June 2002, the interests of the directors in the ordinary share capital of the Company and its associate, as recorded in the register required to be kept pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance"), were as follows:

Name	Type of interest	Number of shares held
Lau Chi Yung, Kenneth	Corporate	459,622,000

The above shares are ultimately controlled by Power Resources Holdings Limited as the trustee under Power Resources Discretionary Trust, a family discretionary trust, the discretionary objects of which include Mr. Lau Chi Yung, Kenneth, his sisters and their respective families. Other than certain nominee shares in subsidiaries held by a director in trust for the companies in the Group, no director held an interest in the share capital of the Company's subsidiaries during the period.

Save as disclosed above, none of the directors or their associates had any interest in the share capital of the Company or any of its associated corporations, as defined in the SDI Ordinance.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES

On 7 February 1998, pursuant to the Company's share option scheme, the Company granted share options with a subscription price of HK\$0.112 per share, at no cash consideration, exercisable within ten years from the date of grant, in favour of the following directors:

Name	Number of options granted
Lau Chi Yung, Kenneth	19,500,000
Tsang Pak Chung, Eddy	19,500,000
Leung Wei San, Saskia	19,500,000

No share options were exercised during the period.

## SUBSTANTIAL SHAREHOLDERS

As at 30 June 2002, according to the register kept by the Company under Section 16 of the SDI Ordinance and so far as the directors were aware, the following were the only parties who, directly or indirectly, held 10% or more of the issued share capital of the Company:

<b>Name</b>	<b>Number of shares held</b>
Power Resources Holdings Limited #	459,622,000
Lucky Speculator Limited	459,622,000
Multifield International Holdings Limited	459,622,000
Multifield International Holdings (BVI) Limited	459,622,000
Limitless Investment Limited	459,622,000

# *Power Resources Holdings Limited was deemed to have a beneficial interest in 459,622,000 shares of the Company by virtue of its indirect interests in Lucky Speculator Limited, Multifield International Holdings Limited, Multifield International Holdings (BVI) Limited and Limitless Investment Limited.*

Save as disclosed herein, according to the above-mentioned register of interests and so far as the directors were aware, there were no other persons who, directly or indirectly, held or were beneficially interested in 10% or more of the issued share capital of the Company at 30 June 2002.

## REVIEW BY AUDIT COMMITTEE

The Group's Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed with the management the internal control and financial reporting matters including the review of the Group's unaudited interim results for the six months ended 30 June 2002.

## CODE OF BEST PRACTICE

In the opinion of the directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules of the Stock Exchange save that the non-executive directors of the Company have not been appointed for a specific term, but are subject to retirement by rotation and re-election at the Annual General Meeting of the Company, in accordance with the provisions of the Company's bye-laws.

## PURCHASES, 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.

By order of the Board  
**Tsang Pak Chung, Eddy**  
*Vice-Chairman*

Hong Kong, 19 September 2002