BUSINESS REVIEW

For the year ended 31 December 2000, we again devoted much of our efforts in developing our core steel trading operation in order to fulfil our strategy of becoming a focused steel group in the Asia Pacific Region. However, our significant progress and performance on the international steel trading side was again badly obscured by the performance of our strategic listed investment portfolio and our steel manufacturing joint ventures in China which had been predominantly affected by the instability of steel prices, surging costs of fuel and electricity and keen competition in the surrounding areas. It is now the Group's primary goal to reassess and rationalize the operation structure of all its steel manufacturing joint ventures in China with a view to enhance the Group's performance expectations in the future.

Other than concentrating in the traditional steel industry, we have decided to diversify into other lines of business and have been actively searching for business opportunities to maximize the shareholders' return and value.

Change of Company Name

On 26 April 2000, the Company changed its name from Linkful International Holdings Limited to Oriental Explorer Holdings Limited to reflect the Group's intention to diversify into other lines of business including but not limited to IT related business. Discussion and evaluation of various business ventures have been undertaken from time to time and firm commitment will be made once a suitable opportunity arise.

Steel trading

During the year under review, the international steel market showed significant volatility in terms of price. Against a background of vulnerable steel price, the steel trading division continued to maintain its leading edge and generate a significant contribution to the Group. Our steel trading division recorded a trading volume of steel products of 404,000 tonnes, increasing by 33% over the previous year; with a turnover of HK$629 million, representing an increase of 59% over the previous year.

Through continuous active liaison with suppliers and customers from all over the world, the Group has now expanded its worldwide network and has secured a stable supply of steel products together with a firm customer base. It is our belief that by maintaining a steady supply and demand, the Group will be able to strengthen its future earning power and thus its recurring income base.

Steel manufacturing

Regarding our steel manufacturing operation in China, the steel market in China was vulnerable during the year under review with persistent pressure being exerted over the operations of our joint venture steel mills. Our two joint ventures with four steel manufacturing mills in China, namely Jiangyin Bofeng and Wuxi Xifeng, reported a loss before minority interests of HK$57 million and HK$36 million respectively mainly due to the instability of steel product prices and surging costs of fuel and electricity.

On 19 September 2000, our investment in Shunfeng, another joint venture with three steel manufacturing plants in Tianjin, in which the Group held a 51% equity interest, was sold to a third party at a profit of HK$3.6 million. This move was in line with our business focus and future direction as the performance of Shunfeng was not satisfactory in the past.

Electronics

The electronic division continued to generate strong recurring income to the Group during the year as a result of the continuous enlargement of customer and supplier base for the year. The electronic division reported a net profit of HK$2.8 million based on a turnover of HK$23.1 million. It is envisaged that the recurring income base of the electronic division will be further enhanced in the forthcoming year and a number of new injection machines have been added to our production line to cope with the increase in demand.

PROSPECTS

For the year ahead, We will be working towards the goal of maximizing the returns for our shareholders through restructuring our business mix and strengthening the competitiveness of our business. In addition, our management will focus its attention more 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.

PLACING AND SUBSCRIPTION OF SHARES

In February 2000, 218,464,000 new shares were issued pursuant to the subscription and placing of shares, raising approximately HK$59 million (net of expenses). Half of the net proceeds will be used for funding future investments if such opportunities arise and the balance has been used to provide additional working capital to the steel trading and electronic divisions.

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operations with internally generated cashflow and banking facilities provided by its principal bankers in Hong Kong. As at 31 December 2000, the Group has available aggregate banking facilities of approximately HK$320 million, out of which HK$16 million had been utilized. As at 31 December 2000, the total outstanding bank borrowings of approximately HK$21 million, which were mostly denominated in Renminbi, are repayable within one year. It is imperative to note that most of the bank borrowings belonged to the joint venture steel mills and the Company has not provided any corporate guarantee on such bank borrowings. The Group's cash and bank balances and short term bank deposits as at 31 December 2000 amounted to approximately HK$126 million. The Group's gearing ratio as at 31 December 2000 was approximately 8% based on the total bank borrowings of approximately HK$21 million and the aggregate of the shareholders' funds, minority interests and total bank borrowings of approximately HK$253 million.

NUMBER AND REMUNERATION OF EMPLOYEES

The Group had approximately 1,500 employees in Hong Kong and China as at year end. 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.