

REPORT OF THE DIRECTORS

The directors herein present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2000.

CHANGE OF NAME

Pursuant to a special resolution passed at the special general meeting on 19 April 2000, the Company's name was changed from Linkful International Holdings Limited to Oriental Explorer Holdings Limited, with effect from 26 April 2000.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The subsidiaries are principally engaged in the manufacturing and trading of steel and electronic products. The Group's principal activities have not changed during the year.

SEGMENTAL INFORMATION

An analysis of the Group's turnover and contribution to loss from operating activities by principal activity and geographical segment of operations for the year ended 31 December 2000 is as follows:

(i) Turnover by principal activity

	2000 HK\$'000	1999 HK\$'000
Steel trading	628,603	394,908
Steel manufacturing	628,882	733,811
Electronic products	23,101	26,562
Total	<u>1,280,586</u>	<u>1,155,281</u>

(ii) Turnover by geographical segment

	2000 HK\$'000	1999 HK\$'000
The People's Republic of China:		
Hong Kong	7,531	27,522
Elsewhere	643,006	734,620
Thailand	623,973	366,299
Others	6,076	26,840
Total	<u>1,280,586</u>	<u>1,155,281</u>

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SEGMENTAL INFORMATION (Cont'd)

(iii) Contribution to loss from operating activities by operating activity

	2000 HK\$'000	1999 HK\$'000
Steel trading	8,988	9,446
Steel manufacturing	(105,092)	(46,220)
Electronic products	1,839	17,636
	(94,265)	(19,138)
Other Group expenses net of other income	(39,303)	5,647
	<u>(133,568)</u>	<u>(13,491)</u>

(iv) Contribution to loss from operating activities by geographical segment

	2000 HK\$'000	1999 HK\$'000
The People's Republic of China:		
Hong Kong	(43,796)	21,865
Elsewhere	(104,158)	(42,937)
Thailand	13,917	6,505
Others	469	1,076
Total	<u>(133,568)</u>	<u>(13,491)</u>

MAJOR CUSTOMERS

Sales to the Group's five largest customers accounted for less than 45% of the Group's total sales for the year.

MAJOR SUPPLIERS

Purchases from the Group's five largest suppliers accounted for less than 49% of the Group's total purchases for the year.

RESULTS

The Group's loss for the year ended 31 December 2000 and the state of affairs of the Company and the Group as at that date are set out in the financial statements on pages 15 to 41.

The directors do not recommend the payment of any dividend in respect of the year.

EMOLUMENTS OF DIRECTORS AND OF THE FIVE HIGHEST PAID INDIVIDUALS

Details of the remuneration of the directors and that of the five highest paid individuals in the Group are set out in notes 6 and 7 to the financial statements, respectively.

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FIXED ASSETS

Details of movements in the fixed assets of the Group are set out in note 11 to the financial statements.

SUBSIDIARIES

Particulars of the Company's principal subsidiaries are set out in note 12 to the financial statements.

ASSOCIATE

Particulars of the Group's interest in its associate are set out in note 13 to the financial statements.

BANK LOANS

Details of the bank loans of the Group are set out in notes 21 and 22 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's authorised and issued share capital, together with the reasons therefor, and details of the Company's share options, are set out in note 23 to the financial statements.

There are no provisions for pre-emptive rights under the Company's bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

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

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 24 to the financial statements.

DISTRIBUTABLE RESERVES

At the balance sheet date, the Company had no reserves available for distribution. The Company's share premium account, in the amount of HK\$398,175,000, may be distributed in the form of fully paid bonus shares. Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus of the Company, in the amount of HK\$88,380,000 as at 31 December 2000, is distributable to shareholders in certain circumstances, prescribed by Section 54 thereof, which the Company is currently unable to satisfy.

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DIRECTORS

The directors of the Company during the year were as follows:

Executive directors:

Lau Chi Yung, Kenneth

Tsang Pak Chung, Eddy

Leung Wei San, Saskia

Cho Po Hong, Jimmy

Independent non-executive directors:

Albert Thomas da Rosa, Junior

Choy Tak Ho

In accordance with the Company's bye-laws, Ms. Leung Wei San, Saskia and Mr. Cho Po Hong, Jimmy, will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

DIRECTORS' AND SENIOR MANAGEMENT BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 6 to 7 of the annual report.

DIRECTORS' SERVICE CONTRACTS

No director has a service contract with the Company which is not determinable by the Company within one year without payment other than statutory compensation.

DIRECTORS' INTERESTS IN THE SHARES AND RIGHTS TO ACQUIRE SHARES

As at 31 December 2000, the interest of a director 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"), was as follows:

Name	Type of interest	Number of shares held
Lau Chi Yung, Kenneth	Corporate	298,500,000

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.

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.

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DIRECTORS' INTERESTS IN THE SHARES AND RIGHTS TO ACQUIRE SHARES (Cont'd)

Apart from the share option scheme further described in note 23 to the financial statements, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Company's directors, their respective spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

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

None of the share options was exercised during the year.

DIRECTORS' INTERESTS IN CONTRACTS

Apart from those transactions disclosed in note 26 to the financial statements, no director had a beneficial interest in any material contract to which the Company or any of its subsidiaries was a party during the year.

SUBSTANTIAL SHAREHOLDERS

At 31 December 2000, 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:

Name	Number of shares held
Power Resources Holdings Limited #	298,500,000
Lucky Speculator Limited	298,500,000
Multifield International Holdings Limited	298,500,000
Multifield International Holdings (BVI) Limited	298,500,000
Limitless Investment Limited	298,500,000

Power Resources Holdings Limited was deemed to have a beneficial interest in 298,500,000 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 persons who, directly or indirectly, held or were beneficially interested in 10% or more of the issued share capital of the Company at 31 December 2000.

POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events of the Group are set out in note 30 to the financial statements.

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RETIREMENT BENEFITS SCHEME

Details of the retirement benefits scheme are set out in note 2 to the financial statements.

CODE OF BEST PRACTICE

In the opinion of the directors, the Company complied with the Code of Best Practice, as set out in Appendix 14 of the Listing Rules of The Stock Exchange of Hong Kong Limited, throughout the accounting year covered by the annual report, except that the independent non-executive directors of the Company were not appointed for a specific term. Non-executive directors 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. The Company established an audit committee in accordance with paragraph 14 of the Code of Best Practice in 1999.

AUDITORS

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Lau Chi Yung, Kenneth
Chairman

Hong Kong
20 April 2001