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ORIENTAL EXPLORER HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 430)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2018

	<i>Notes</i>	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
REVENUE	3	(79,150)	192,898
Cost of sales		<u>(1,057)</u>	<u>(866)</u>
Gross (loss)/profit		(80,207)	192,032
Other income and gains	3	307	182
Foreign exchange differences, net		(5)	14
Fair value gains on investment properties, net		–	21,123
Operating and administrative expenses		(8,160)	(8,323)
Finance costs	5	(3,293)	(2,600)
Share of losses of an associate		<u>(1)</u>	<u>(49)</u>
(LOSS)/PROFIT BEFORE TAX	4	(91,359)	202,379
Income tax expense	6	<u>(426)</u>	<u>(1,460)</u>
(LOSS)/PROFIT FOR THE YEAR		<u>(91,785)</u>	<u>200,919</u>
(LOSS)/PROFIT FOR THE YEAR			
ATTRIBUTABLE TO:			
Owners of the Company		<u>(91,785)</u>	<u>200,919</u>
(LOSS)/EARNINGS PER SHARE			
ATTRIBUTABLE TO ORDINARY EQUITY			
HOLDERS OF THE COMPANY			
Basic and diluted	8	<u>HK(3.40) cents</u>	<u>HK7.44 cents</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2018

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
(LOSS)/PROFIT FOR THE YEAR	<u>(91,785)</u>	<u>200,919</u>
OTHER COMPREHENSIVE INCOME		
<i>Other comprehensive income that may be reclassified to profit or loss in subsequent periods:</i>		
Available-for-sale investments:		
Changes in fair value	–	11,324
Exchange differences on translation of foreign operations	<u>(5)</u>	<u>7</u>
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	<u>(5)</u>	<u>11,331</u>
<i>Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:</i>		
Equity investments at fair value through other comprehensive income:		
Changes in fair value	<u>49,999</u>	<u>–</u>
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	<u>49,999</u>	<u>–</u>
OTHER COMPREHENSIVE INCOME FOR THE YEAR	<u>49,994</u>	<u>11,331</u>
TOTAL COMPREHENSIVE (EXPENSE)/INCOME FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY	<u><u>(41,791)</u></u>	<u><u>212,250</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2018

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
NON-CURRENT ASSETS		
Property, plant and equipment	42	95
Prepaid land lease payments	375	383
Investment properties	267,310	267,310
Investment in an associate	2,067	2,068
Club debenture	670	670
Equity investments at fair value through other comprehensive income	692,212	–
Available-for-sale investments	–	170,030
	<hr/>	<hr/>
Total non-current assets	962,676	440,556
CURRENT ASSETS		
Prepayments, deposits and other receivables	947	863
Equity investments at fair value through profit or loss	607,523	725,165
Pledged deposits	–	74
Cash and cash equivalents	202,263	152,945
	<hr/>	<hr/>
Total current assets	810,733	879,047
	<hr/>	<hr/>
TOTAL ASSETS	1,773,409	1,319,603
CURRENT LIABILITIES		
Other payables and accruals	6,737	6,462
Other borrowings	375,990	353,277
Tax payable	3,818	3,818
	<hr/>	<hr/>
Total current liabilities	386,545	363,557
	<hr/>	<hr/>
NET CURRENT ASSETS	424,188	515,490
	<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES	1,386,864	956,046
	<hr/>	<hr/>

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
NON-CURRENT LIABILITIES		
Deferred tax liabilities	<u>3,419</u>	<u>2,993</u>
Total non-current liabilities	<u>3,419</u>	<u>2,993</u>
Net assets	<u>1,383,445</u>	<u>953,053</u>
EQUITY		
Equity attributable to owners of the Company		
Issued capital	27,000	27,000
Reserves	<u>1,356,445</u>	<u>926,053</u>
Total equity	<u>1,383,445</u>	<u>953,053</u>

NOTES TO FINANCIAL STATEMENTS

1.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties and certain financial instruments, 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 Oriental Explorer Holdings Limited (“the Company”) and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2018. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group’s voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income (“OCI”) are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in OCI is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

1.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 2	<i>Classification and Measurement of Share-based Payment Transactions</i>
Amendments to HKFRS 4	<i>Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts</i>
HKFRS 9	<i>Financial Instruments</i>
HKFRS 15	<i>Revenue from Contracts with Customers</i>
Amendments to HKFRS 15	<i>Clarifications to HKFRS 15 Revenue from Contracts with Customers</i>
Amendments to HKAS 40	<i>Transfers of Investment Property</i>
HK(IFRIC)-Int 22	<i>Foreign Currency Transactions and Advance Consideration</i>
<i>Annual Improvements 2014-2016 Cycle</i>	Amendments to HKFRS 1 and HKAS 28

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

HKFRS 9 Financial Instruments (“HKFRS 9”)

In the current year, the Group has applied HKFRS 9 and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for (1) the classification and measurement of financial assets and financial liabilities and (2) expected credit losses (“ECL”) for financial assets.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained earnings and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 *Financial Instruments: Recognition and Measurement* (“HKAS 39”).

Summary of effects arising from initial application of HKFRS 9

The table below illustrates the classification and measurement of financial assets and financial liabilities and other items subject to ECL under HKFRS 9 and HKAS 39 at the date of initial application, 1 January 2018.

	Available- for-sale investments <i>HK\$'000</i>	Equity investments at fair value through other comprehensive income <i>HK\$'000</i>	Available- for-sale investments revaluation/ Fair value reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>
Closing balance at 31 December 2017 – HKAS 39	170,030	–	11,324	416,015
Effect arising from initial application of HKFRS 9:				
Reclassification of financial assets from available-for-sale investments to equity investments at fair value through other comprehensive income	(170,030)	170,030	–	–
Reversal of impairment losses under HKAS 39 for equity investments at fair value through other comprehensive income previously classified as available-for-sale investments	–	–	(10,007)	10,007
Remeasurement of equity investments at fair value through other comprehensive income previously measured at cost under HKAS 39	–	472,183	472,183	–
Opening balance at 1 January 2018	–	642,213	473,500	426,022

From available-for-sale investments to fair value through other comprehensive income (“FVTOCI”)

The Group elected to present in OCI for the fair value changes of all its equity investments previously classified as available-for-sale. These investments are not held for trading and not expected to be sold in the foreseeable future. At the date of initial application of HKFRS 9, approximately HK\$170,030,000 were reclassified from available-for-sale investments to equity investments at FVTOCI, of which approximately HK\$38,960,000 related to unquoted equity investments previously measured at cost less impairment under HKAS 39. The fair value gains of approximately HK\$472,183,000 relating to those unquoted equity investments previously carried at cost less impairment were adjusted to equity investments at FVTOCI and fair value reserve as at 1 January 2018. The fair value gains of approximately HK\$11,324,000 relating to those investments previously carried at fair value continued to accumulate in fair value reserve. In addition, impairment losses previously recognised of approximately HK\$10,007,000 were transferred from retained profits to fair value reserve as at 1 January 2018.

Impairment under ECL model

ECL for other financial assets at amortised cost, including pledged bank deposits, bank balances and other receivables, are assessed on 12-month ECL basis as there had been no significant increase in credit risk since initial recognition.

The directors considered that the measurement of ECL has no material impact to the Group’s retained earnings at 1 January 2018.

HKFRS 15 Revenue from Contracts with Customers (“HKFRS 15”)

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained earnings (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to the contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared with HKAS 18 *Revenue* and HKAS 11 *Construction Contracts* and the related interpretations.

The application on HKFRS 15 has no material impact on the timing and amounts of revenue recognised in current year and retained earnings at 1 January 2018.

Amendments to HKAS 40 Transfers of Investment Property

The amendments clarify that a transfer to, or from, investment property necessitates an assessment of whether a property meets, or has ceased to meet, the definition of investment property, supported by evidence that a change in use has occurred. The amendments further clarify that situations other than the ones listed in HKAS 40 may evidence a change in use, and that a change in use is possible for properties under construction (i.e. a change in use is not limited to completed properties).

At the date of initial application, the Group assessed the classification of certain properties based on conditions existing at that date. There is no impact to the classification at 1 January 2018.

Impacts on opening consolidated statement of financial position arising from the application of all new standards

As a result of the changes in the Group's accounting policies above, the opening consolidated statement of financial position had to be restated. The following table show the adjustments recognised for each of the line items affected. Line items that were not affected by the changes have not been included.

	31 December 2017	HKFRS 9	1 January 2018
	(audited)		(restated)
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets			
Equity investments at fair value through other comprehensive income	–	642,213	642,213
Available-for-sale investments	170,030	(170,030)	–
Equity			
Available-for-sale investments revaluation/ Fair value reserve	11,324	462,176	473,500
Retained profits	416,015	10,007	426,022
	<u> </u>	<u> </u>	<u> </u>

Note:

For the purposes of reporting cash flows from operating activities under indirect method for the year ended 31 December 2018, movements in working capital have been computed based on opening statement of financial position as at 1 January 2018 as disclosed above.

1.3 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 are not yet effective, in these financial statements.

Amendments to HKFRS 3	<i>Definition of a Business</i> ³
Amendments to HKFRS 9	<i>Prepayment Features with Negative Compensation</i> ¹
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ⁵
HKFRS 16	<i>Leases</i> ¹
HKFRS 17	<i>Insurance Contracts</i> ⁴
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i> ²
Amendments to HKAS 19	<i>Plan Amendment, Curtailment or Settlement</i> ¹
Amendments to HKAS 28	<i>Long-term Interests in Associates and Joint Ventures</i> ¹
HK(IFRIC)-Int 23	<i>Uncertainty over Income Tax Treatments</i> ¹
<i>Annual Improvements 2015-2017 Cycle</i>	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23 ¹

¹ Effective for annual periods beginning on or after 1 January 2019

² Effective for annual periods beginning on or after 1 January 2020

³ Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

⁴ Effective for annual periods beginning on or after 1 January 2021

⁵ No mandatory effective date yet determined but available for adoption

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

HKFRS 16 *Leases* (“HKFRS 16”)

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 *Leases* and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. In addition, HKFRS 16 requires sales and leaseback transactions to be determined based on the requirements of HKFRS 15 as to whether the transfer of the relevant asset should be accounted as a sale. HKFRS 16 also includes requirements relating to subleases and lease modifications. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst

others. For the classification of cash flows, the Group currently presents operating lease payments as operating cash flows. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Group.

Other than certain requirements which are applicable to lessor, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2018, the Group has non-cancellable operating lease commitments of approximately HK\$300,000. All of these commitments relate to short-term leases which will be recognised on a straight-line basis as expense in profit or loss. The accounting for lessors will not significantly change. Hence, the directors of the Company do not expect the adoption of HKFRS 16 as compared with the current accounting policy would result in significant impact on the results and the net financial position of the Group.

2. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into two (2017: two) reportable operating segments as follows:

- (a) the property investment segment mainly comprises rental income from investment properties; and
- (b) the trading and investments segment includes the trading of securities and investment income from securities investment and investment holding.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's profit/loss before tax except that unallocated corporate expenses interest income on bank deposits, fair value gains/losses on investment properties, share of profits and losses of an associate, finance costs and other gains are excluded from such measurement.

Segment assets exclude pledged deposits, cash and cash equivalents and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude other borrowings, tax payable, deferred tax liabilities and unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

There are no sales or other transactions between the operating segments during the year (2017: Nil).

Years ended 31 December 2018 and 2017

	Property investment		Trading and investments		Total	
	2018	2017	2018	2017	2018	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:						
Revenue from external customers	4,797	4,724	(83,947)	188,174	(79,150)	192,898
Segment results	3,072	3,731	(85,291)	186,797	(82,219)	190,528
<i>Reconciliation:</i>						
Unallocated corporate expenses					(6,153)	(6,805)
Interest income on bank deposits					243	49
Other gains					64	133
Fair value gains on investment properties, net	-	21,123	-	-	-	21,123
Finance costs					(3,293)	(2,600)
Share of losses of an associate	(1)	(49)	-	-	(1)	(49)
(Loss)/profit before tax					(91,359)	202,379
Segment assets	267,432	267,433	1,300,843	857,339	1,568,275	1,124,772
<i>Reconciliation:</i>						
Unallocated assets					203,067	192,763
Investment in an associate					2,067	2,068
Total assets					1,773,409	1,319,603
Segment liabilities	1,248	1,171	163	81	1,411	1,252
<i>Reconciliation:</i>						
Unallocated liabilities					388,553	365,298
Total liabilities					389,964	366,550

	Property investment		Trading and investments		Unallocated		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Other segment information:								
Depreciation and amortisation	1	1	-	-	60	61	61	62
Fair value gains on investment properties, net	-	21,123	-	-	-	-	-	21,123
Fair value (losses)/gains on equity investments at fair value through profit or loss, net	-	-	(110,964)	162,066	-	-	(110,964)	162,066
Capital expenditure*	-	55,177	-	-	-	-	-	55,177

* Capital expenditure consists of additions to property, plant and equipment and investment properties.

Geographical information

(a) Revenue from external customers are all generated from Hong Kong. No single external customer accounted for 10% or more of the total revenue for the years ended 31 December 2018 and 2017.

	Hong Kong		Mainland China		Total	
	2018	2017	2018	2017	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets	267,352	267,405	375	383	267,727	267,788

The non-current asset information above is based on the locations of assets and excludes financial instruments.

3. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
Rental income from property letting	4,797	4,724
Fair value (losses)/gains on equity investments at fair value through profit or loss, net	(110,964)	162,066
Dividend income from listed investments	27,017	26,108
	(79,150)	192,898
	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
<u>Other income and gains</u>		
Interest income on bank deposits	243	49
Others	64	133
	307	182

4. (LOSS)/PROFIT BEFORE TAX

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

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Depreciation	53	54
Amortisation of prepaid land lease payments	8	8
Operating lease rental on premises	600	600
Auditors' remuneration – audit services	310	210
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties	1,057	866
Foreign exchange differences, net	5	(14)
	<u><u>5,478</u></u>	<u><u>5,735</u></u>
Employee benefit expense (including directors' and chief executive's remuneration):		
Salaries, wages and other benefits	5,478	5,735
Pension scheme contributions (defined contribution scheme) (<i>Note</i>)	125	147
	<u><u>5,603</u></u>	<u><u>5,882</u></u>

Note:

At 31 December 2018, the Group had no forfeited contributions available to reduce its contributions to the pension scheme in future years (2017: Nil).

5. FINANCE COSTS

An analysis of finance costs is as follows:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Interest on other loans	3,293	2,600
	<u><u>3,293</u></u>	<u><u>2,600</u></u>

6. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2017: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable in Mainland China have been calculated at the rate of tax prevailing in Mainland China, in which the Group operates.

	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
Deferred tax	426	1,460

No provision for Hong Kong profits tax and PRC corporate income tax have been made for both years as the Group did not generate any assessable profits arising in Hong Kong and Mainland China.

7. DIVIDENDS

The directors do not recommend the declaration of a final dividend for the year ended 31 December 2018 (2017: Nil).

8. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic (loss)/earnings per share amounts is based on the loss for the year attributable to ordinary equity holders of the Company of approximately HK\$91,785,000 (2017: profit for the year of approximately HK\$200,919,000), and the weighted average number of ordinary shares of 2,700,000,000 (2017: 2,700,000,000) in issue during the year.

The diluted (loss)/earnings per share is equal to the basic (loss)/earnings per share as there is no potentially dilutive ordinary shares in issue during the years ended 31 December 2018 and 2017.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 24 May 2019 to Wednesday, 29 May 2019, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the forthcoming annual general meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Thursday, 23 May 2019.

REVIEW OF OPERATION

During the year under review, the Group recorded a net loss of approximately HK\$92 million (2017: profit of HK\$201 million). This was mainly due to the loss brought by the fair value losses in equity investments (stocks) held by the Group for the year ended 31 December 2018.

The investments in equities held by the Group recorded a fair value loss of approximately HK\$111 million (2017: gain of HK\$162 million). Equity investments recorded dividend income of approximately HK\$27 million (2017: HK\$26 million).

The Group's rental income in Hong Kong recorded a slight increase of approximately 2% (2017: 7%).

Taking into account the Company's profitability, debt obligations and cash flows, capital required for future development, etc., the Board does not recommend the payment of final dividend for the current year.

PROPERTY INVESTMENT

Hong Kong

The Group's investment properties in Hong Kong mainly comprise of office, industrial and residential units. The Group's investment property portfolio contributed stable rental revenue of approximately HK\$5 million in 2018 (2017: HK\$5 million).

FINANCIAL INVESTMENTS

Worldwide economy and stocks market were volatile in 2018.

As of 31 December 2018, the Group held approximately HK\$608 million (2017: HK\$725 million) of highly liquid equity investments, which mainly consisted of blue chips stocks and Exchange Traded Funds listed in Hong Kong. The equity investments were held by the Group in long-term for investment purpose and to receive dividend income.

The Group's equity investments recorded a net fair value loss of approximately HK\$111 million (2017: gain of HK\$162 million) when marking the investment portfolios to market valuation as of 31 December 2018, and dividend income of approximately HK\$27 million (2017: HK\$26 million).

The equity investments held by the Group as at 31 December 2018 were as follows:

Stock Code	Company Name	Number of shares held as at 31 December 2018 '000	Percentage of shareholding as at 31 December 2018 %	Fair value gain/(loss) for the year ended 31 December 2018 HK\$'000	Dividend income for the year ended 31 December 2018 HK\$'000	Fair value/ carrying amount as at 31 December 2018 HK\$'000
2800	Tracker Fund of Hong Kong	8,120	0.26	(32,480)	7,714	211,526
5	HSBC Holdings plc	3,040	0.01	(46,062)	12,160	197,016
2828	Hang Seng H-Share Index ETF	1,332	0.44	(21,046)	4,129	136,397
3988	Bank of China Limited	9,800	0.01	(4,508)	2,073	33,124
857	PetroChina Co. Ltd.	2,378	0.01	(1,355)	419	11,604
941	China Mobile Ltd.	100	0.00	(390)	341	7,535
2628	China Life Insurance Co. Ltd.	300	0.00	(2,373)	147	4,992
	Other listed securities [#]			(2,750)	34	5,329
				<u>(110,964)</u>	<u>27,017</u>	<u>607,523</u>

[#] Other listed securities mainly represented the Group's investment in 12 companies whose shares were mainly listed on the Main Board of The Stock Exchange of Hong Kong Limited. The carrying value of each of these investments represented less than 1% of the total assets of the Group as at 31 December 2018.

As at 31 December 2018, the equity investments mainly represented listed securities in Hong Kong. The Board acknowledges that the performance of the equity investments may be affected by worldwide economy, volatility in the Chinese and Hong Kong stock markets, and susceptible to other external factors that may affect their values. In order to mitigate possible financial risk related to the equity investments, the management will closely monitor the performance of respective equity investments and the changes in market condition. The Company will adjust the Company's portfolio of investments as the Board considers appropriate.

ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

The Group did not make any material acquisition or disposal of subsidiaries and associated companies during the year ended 31 December 2018.

FOREIGN CURRENCY EXPOSURE

The Group's monetary assets, liabilities and transactions are mainly denominated in Renminbi, Hong Kong dollar and the United States dollar. The Group is exposed to foreign exchange risk with respect mainly to Renminbi which may affect the Group's performance. The management is aware of the possible exchange rate exposure due to the continuing fluctuation of Renminbi and will closely monitor its impact on the performance of the Group and when appropriate hedge its currency risk.

As of 31 December 2018, the Group has not entered into any financial instrument for foreign currency hedging purpose.

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operations with internally generated cash flows and banking facilities provided by principal bankers in Hong Kong. In order to preserve liquidity and enhance interest yields, liquid assets were maintained in the form of highly liquid equity investments of approximately HK\$608 million (2017: HK\$725 million) as of 31 December 2018. The Group's cash and cash equivalents as of 31 December 2018 amounted to approximately HK\$202 million (2017: HK\$153 million).

As of 31 December 2018, the Group had total bank and other borrowings amounting to approximately HK\$376 million (2017: HK\$353 million), which were secured by legal charges on the Group's certain equity investments. The Group's bank borrowings were mainly arranged on a floating rate basis. The bank and other borrowings of the Group as at 31 December 2018 was repayable within 1 year or on demand.

Taking into account the total liquid assets of approximately HK\$811 million and total other borrowings of approximately HK\$376 million, the Group was debt-free as at 31 December 2018.

CONTINGENT LIABILITY

As of 31 December 2018, the Group had no material contingent liability.

EMPLOYEES AND REMUNERATION POLICY

As of 31 December 2018, the Group had approximately 10 employees in Hong Kong. During the year, the staff costs (including directors' emoluments) amounted to approximately HK\$6 million (2017: HK\$6 million).

The objective of the Group's remuneration policy is to maintain fair and competitive packages based on business requirements and industry practice. In order to determine the level of remuneration paid to its employees (including directors and senior management), their performance, experience and the prevailing market condition are mainly considered. In addition to salaries, provident fund scheme, discretionary bonuses and tuition/training subsidies are available to employees. Level of remuneration is reviewed annually. During the review process, no individual director is involved in decisions relating to his own remuneration.

PROSPECT

The US Federal Reserve had increased the interest rate 4 times in 2018 (in March 2018, June 2018, September 2018 and December 2018, respectively.). As Hong Kong dollar is pegged to the United States dollar, Hong Kong may also increase its interest rate in the future. These factors may exert pressure on price of equity investments held by the Group, particularly in high-yield equity investments. Besides, the potential risks from Chinese economy may have a significant impact on Hong Kong's rental market.

The Hong Kong property market, and residential market in particular had experienced enduring growth over the past two years since the beginning of 2016. Although the business sector urges HK Government to withdraw the doubled ad valorem stamp duty (DSD) currently imposed on residential property transactions, the Government has no plan to remove the control measure with goal to stabilize the property market in Hong Kong.

Other factors such as stock market volatility, interest rate hikes and increased supply in government subsidized housing may also hinder the Group's development in the residential property market, resulting in a potential slide in the market value of its investment properties in Hong Kong.

Looking ahead to 2019, the global political and economic environment will inevitably be influenced due to the uncertainties over the US-China trade war and the ongoing Brexit negotiations. Even though it is expected that the economic growth in the Chinese economy will remain slow-paced, the Group is still facing the challenge on the rising costs of operating in China, namely currency fluctuation, high wages, utility expenses, and increasing property refurbishment fees.

The Group will continue to manage the business prudently in order to enhance operational quality, while at the same time seeking appropriate investment opportunities, with a view to increasing profitability and shareholder return.

CORPORATE GOVERNANCE CODE

In the opinion of the directors of the Company (the "Director(s)"), the Company has applied the principles and complied with code provisions of the Corporate Governance Code and Corporate Governance Report (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 31 December 2018, save as disclosed below.

Under code provisions A.4.1 and A.4.2, (i) non-executive directors should be appointed for a specific term, subject to re-election; and (ii) all directors appointed to fill a causal vacancy should be subjected to election by shareholders at the first general meeting after appointment. Every director, including those appointed for a specific term, should be subjected 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 of the Company, if necessary, in order to ensure compliance with the Code.

Under code provision E.1.2, the chairman of the board should attend the annual general meeting.

Mr. Lau Chi Yung, Kenneth, the chairman of the Board, attended the annual general meeting of the Company by phone conference, which was held on 25 May 2018 (the “2018 AGM”) as he had a business engagement. Mr. Tsui Ka Wah, the chairman of the remuneration committee of the Company, was elected the chairman of the 2018 AGM to ensure effective communication with shareholders of the Company at the meeting. The chairman of the audit committee of the Company, Mr. Wong Yim Sum, had also attended the 2018 AGM.

AUDIT COMMITTEE

The Company has established an audit committee in compliance with Rule 3.21 of the Listing Rules. The audit committee’s terms of reference includes those specific duties as set out in the code provision C.3.3 of the Code.

As of the date of this announcement, the audit committee comprises three independent non-executive Directors, namely, Mr. Wong Yim Sum, Mr. Lee Siu Man, Ervin and Mr. Tsui Ka Wah. The chairman of the audit committee, Mr. Wong Yim Sum, has extensive experience in the finance and auditing fields.

In the presence of the representatives of the Company’s independent external auditors, the Group’s audited consolidated financial statements for the year ended 31 December 2018 have been reviewed by the audit committee, and with recommendation to the Board for approval.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors’ securities transactions. Based on specific enquiry of all Directors, all Directors confirmed that they had complied with the required standard set out in the Model Code for the year ended 31 December 2018.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

The annual results announcement of the Company is published on the websites of the Company (www.irasia.com/listco/hk/orientalexplorer/index.htm) and Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk). The annual report of the Company for 2018 containing all the information required by the Listing Rules will be dispatched to the shareholders of the Company and made available on the above websites in due course.

BOARD OF DIRECTORS

As of the date of this announcement, the executive Directors are Mr. Lau Chi Yung, Kenneth and Mr. Lau Michael Kei Chi and the independent non-executive Directors are Mr. Wong Yim Sum, Mr. Lee Siu Man, Ervin and Mr. Tsui Ka Wah.

By Order of the Board
Lau Chi Yung, Kenneth
Chairman

Hong Kong, 28 March 2019