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ORIENTAL EXPLORER HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 430)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2016

INTERIM RESULTS

The board of directors (the “Board”) of Oriental Explorer Holdings Limited (the “Company”) announces the unaudited interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2016, together with the comparative figures as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2016

		For the six months ended 30 June	
	<i>Notes</i>	2016	2015
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
REVENUE	3	(56,775)	68,169
Cost of sales		(402)	(364)
Gross (loss)/profit		(57,177)	67,805
Other income and gains	3	67	2,847
Foreign exchange differences, net		676	(108)
Selling and distribution expenses		–	(7)
Operating and administrative expenses		(4,192)	(3,563)
Finance costs	5	(1,084)	(101)
Share of profits of an associate		39,884	1,030
(LOSS)/PROFIT BEFORE TAX	4	(21,826)	67,903
Income tax expense	6	–	–
(LOSS)/PROFIT FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY		(21,826)	67,903

		For the six months ended 30 June	
		2016	2015
<i>Notes</i>		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
OTHER COMPREHENSIVE INCOME			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Available-for-sale investments:			
	Changes in fair value	–	(759)
	Reclassification adjustments for gains included in the consolidated statement of profit or loss – gain on disposal	–	(2,691)
		<hr/>	<hr/>
NET OTHER COMPREHENSIVE EXPENSE TO BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS AND OTHER COMPREHENSIVE EXPENSE FOR THE PERIOD, NET OF TAX			
		–	(3,450)
		<hr/>	<hr/>
TOTAL COMPREHENSIVE (EXPENSE)/INCOME FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY			
		(21,826)	64,453
		<hr/> <hr/>	<hr/> <hr/>
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
	Basic and diluted	8	
		HK(0.81) cents	HK2.51 cents
		<hr/> <hr/>	<hr/> <hr/>

Details of interim dividend are disclosed in note 7.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

	<i>Notes</i>	As at 30 June 2016 <i>HK\$'000</i> <i>(Unaudited)</i>	As at 31 December 2015 <i>HK\$'000</i> <i>(Audited)</i>
NON-CURRENT ASSETS			
Property, plant and equipment		171	232
Prepaid land lease payments		395	400
Investment properties		180,690	180,690
Investment in an associate		165,105	125,221
Club debenture		670	670
Available-for-sale investments		38,960	38,960
		385,991	346,173
Total non-current assets			
CURRENT ASSETS			
Trade receivables	9	41	–
Prepayments, deposits and other receivables		247	646
Equity investments at fair value through profit or loss		553,108	511,110
Pledged deposits		49	65
Cash and cash equivalents		61,695	158,204
		615,140	670,025
Total current assets			
TOTAL ASSETS		1,001,131	1,016,198
CURRENT LIABILITIES			
Other payables and accruals		5,702	14,845
Derivative financial instruments		–	26,308
Interest-bearing bank and other borrowings		305,795	263,585
Tax payable		3,818	3,818
		315,315	308,556
Total current liabilities			
NET CURRENT ASSETS		299,825	361,469
TOTAL ASSETS LESS CURRENT LIABILITIES		685,816	707,642

	As at 30 June 2016 HK\$'000 (Unaudited)	As at 31 December 2015 HK\$'000 (Audited)
NON-CURRENT LIABILITIES		
Deferred tax liabilities	<u>1,342</u>	<u>1,342</u>
Total non-current liabilities	<u>1,342</u>	<u>1,342</u>
Net assets	<u>684,474</u>	<u>706,300</u>
EQUITY		
Equity attributable to owners of the Company		
Issued capital	27,000	27,000
Reserves	<u>657,474</u>	<u>679,300</u>
Total equity	<u>684,474</u>	<u>706,300</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Stock Exchange”) and with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The accounting policies and basis of preparation used in the preparation of the interim financial statements are the same as those used in the annual financial statements for the year ended 31 December 2015 except as noted below.

In the current period, the Group has applied, for the first time, the following amendments issued by the HKICPA, which are effective for the Group’s financial year beginning on 1 January 2016.

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	<i>Investment Entities: Applying the Consolidation Exception</i>
Amendments to HKFRS 11	<i>Accounting for Acquisitions of Interests in Joint Operations</i>
HKFRS 14	<i>Regulatory Deferral Accounts</i>
Amendments to HKAS 1	<i>Disclosure Initiative</i>
Amendments to HKAS 16 and HKAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>
Amendments to HKAS 16 and HKAS 41	<i>Agriculture: Bearer Plants</i>
Amendments to HKAS 27 (2011) <i>Annual Improvements to HKFRSs 2012 – 2014 Cycle</i>	<i>Equity Method in Separate Financial Statements</i> Amendments to a number of HKFRSs

The adoption of the new amendments had no material effect on the results and financial position of the Group for the current and/or prior accounting periods. Accordingly, no prior period adjustment has been required.

The Group has not applied the following new or revised HKASs and HKFRSs, that have been issued but are not yet effective, in these interim financial statements:

HKFRS 9	<i>Financial Instruments²</i>
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture⁴</i>
HKFRS 15	<i>Revenue from Contracts with Customers²</i>
Amendments to HKAS 7	<i>Statement of Cash Flow¹</i>
Amendments to HKAS 12	<i>Income Taxes¹</i>
HKFRS 16	<i>Leases³</i>

- ¹ Effective for annual periods beginning on or after 1 January 2017
² Effective for annual periods beginning on or after 1 January 2018
³ Effective for annual periods beginning on or after 1 January 2019
⁴ Effective for annual periods beginning on or after a date to be determined

2. OPERATING SEGMENT INFORMATION

The analyses of the principal activities of the operations of the Group are as follows:

	Property investment		Trading and investments		Corporate and others		Total	
	For the six months ended 30 June							
	2016	2015	2016	2015	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Segment revenue:								
Sales to external customers	<u>2,113</u>	<u>2,024</u>	<u>(58,888)</u>	<u>66,145</u>	<u>-</u>	<u>-</u>	<u>(56,775)</u>	<u>68,169</u>
Segment results	<u>1,681</u>	<u>1,635</u>	<u>(59,258)</u>	<u>65,008</u>	<u>(3,116)</u>	<u>(2,516)</u>	<u>(60,693)</u>	<u>64,127</u>
<i>Reconciliation:</i>								
Interest income from								
loans and receivables							1	30
Other gains							66	2,817
Finance costs							(1,084)	(101)
Share of profits of an associate	39,884	1,030					39,884	1,030
(Loss)/profit before tax							<u>(21,826)</u>	<u>67,903</u>

Geographical information

Revenue from sales to external customers are all generated from Hong Kong. No single external customer accounted for 10% or more of the total revenue for the periods ended 30 June 2016 and 2015.

3. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue, other income and gains is as follows:

	For the six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Revenue		
Rental income from property letting	2,113	2,024
Fair value (losses)/gains on equity investments at fair value through profit or loss, net	(92,713)	59,988
Fair value gains on derivative financial instruments, net	26,308	–
Dividend income from listed investments	7,517	2,638
Interest income from available-for-sale investments	–	3,519
	(56,775)	68,169
Other income and gains		
Interest income from loans and receivables	1	30
Fair value gains on available-for-sale investments (transfer from equity on disposal)	–	2,691
Others	66	126
	67	2,847

4. (LOSS)/PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2016 <i>HK\$'000</i> <i>(Unaudited)</i>	2015 <i>HK\$'000</i> <i>(Unaudited)</i>
Depreciation	61	80
Amortization of prepaid land lease payments	5	4
Foreign exchange differences, net	<u>(676)</u>	<u>108</u>
Employee benefits expense (including directors' and chief executive's remuneration):		
Salaries, wages and other benefits	2,953	2,358
Pension scheme contributions (defined contribution scheme)	<u>84</u>	<u>54</u>
Total staff costs	<u><u>3,037</u></u>	<u><u>2,412</u></u>

5. FINANCE COSTS

An analysis of finance costs is as follows:

	For the six months ended 30 June	
	2016 <i>HK\$'000</i> <i>(Unaudited)</i>	2015 <i>HK\$'000</i> <i>(Unaudited)</i>
Interest on bank loans and other loans	<u><u>1,084</u></u>	<u><u>101</u></u>

6. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 16.5%) on the estimated assessable profits arising in Hong Kong for the period. Taxes on profits assessable in Mainland China have been calculated at the rates of tax prevailing in Mainland China, in which the Group operates.

The share of tax attributable to an associate is included in “Share of profits of an associate” in the condensed consolidated statement of profit or loss and other comprehensive income.

7. INTERIM DIVIDEND PER SHARE

The directors do not recommend the declaration of an interim dividend in respect of the six months ended 30 June 2016 (2015: Nil).

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

The calculation of basic (loss)/earnings per share amounts is based on the loss for the period attributable to ordinary equity holders of the Company of approximately HK\$21,826,000 (2015: profit for the period of approximately HK\$67,903,000), and the weighted average number of ordinary shares of 2,700,000,000 (2015: 2,700,000,000) in issue during the period.

The Group had no potential dilutive ordinary shares in issue during the periods ended 30 June 2016 and 2015.

9. TRADE RECEIVABLES

For the Group’s property rental business, the tenants are usually required to settle the rental payments on the first day of the rental period, and are required to pay rental deposits with amount ranging from two to three months’ rentals in order to secure any default in their rental payments. The Group does not hold any collateral or other credit enhancements over its trade receivable balances.

An aged analysis of trade receivable as at the end of the reporting period, based on invoice dates and net of provisions, is as follows:

	As at 30 June 2016 HK\$’000 (Unaudited)	As at 31 December 2015 HK\$’000 (Audited)
Within 1 month	<u>41</u>	<u>–</u>
	<u>41</u>	<u>–</u>

CHAIRMAN’S STATEMENT AND MANAGEMENT DISCUSSION AND ANALYSIS

On behalf of the board of directors (the “Board”) of Oriental Explorer Holdings Limited (the “Company”), I am pleased to present the interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2016.

REVIEW OF OPERATION

As the worldwide economy was extremely turbulent, and the Chinese and Hong Kong stock markets were extremely volatile in the first half of 2016, during the period under reporting, the Group recorded a loss of approximately HK\$22 million (2015: profit of HK\$68 million).

The share of profits of the associate was approximately HK\$40 million for the six months ended 30 June 2016 (2015: HK\$1 million). Included (as disclosed in the Company’s announcement dated 24 June 2016) was a deferred tax credit of approximately HK\$38 million credited to the profit or loss account for the six months ended 30 June 2016 for an investment property in China.

The investments in equities held by the Group recorded a fair value loss of approximately HK\$93 million (2015: gain of HK\$60 million). The Group’s rental income in Hong Kong recorded a slight increase of approximately 4%. Equities investments recorded dividend income of approximately HK\$8 million (2015: HK\$3 million).

PROPERTY INVESTMENT

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\$2 million for the six months ended 30 June 2016 (2015: HK\$2 million).

FINANCIAL INVESTMENTS

Worldwide economy and stock market were extremely volatile in the first half of 2016, in particular due to uncertainties such as Brexit and other political conflicts. These factors leading to equity investments (stocks) held by the Group to record fair value losses.

As of 30 June 2016, the Group held approximately HK\$553 million (as of 31 December 2015: HK\$511 million) of highly liquid equity investments, which mainly consisted of blue chips stocks and Exchange Traded Funds listed in Hong Kong. The Group had engaged in equity and bonds investments since 2006. The equity investments were mainly held by the Group for investment purpose and receiving dividend income. The Group’s equity investments recorded a net fair value loss of approximately HK\$93 million (2015: gain of HK\$60 million) when marking the investment portfolios to market valuation as of 30 June 2016, along with dividend income of approximately HK\$8 million (2015: HK\$3 million).

The equity investments held by the Group as at 30 June 2016 were as follows:

Stock Code	Company Name	Number of shares held as at 30 June 2016 '000	Percentage of shareholding as at 30 June 2016 %	Fair value gain/(loss) for the six months ended 30 June 2016 HK\$'000 (Unaudited)	Dividends income for the six months ended 30 June 2016 HK\$'000 (Unaudited)	Fair value/ carrying amount as at 30 June 2016 HK\$'000 (Unaudited)
2800	Tracker Fund of Hong Kong	8,120	0.23	(15,430)	1,166	173,362
5	HSBC Holdings plc	2,822	0.01	(45,656)	3,942	133,643
2828	Hang Seng H-Share Index ETF	1,332	0.24	(23,276)	1,102	117,949
2388	BOC Hong Kong (Holdings) Limited	1,500	0.01	(750)	1,019	34,800
3988	Bank of China Limited	9,800	0.01	(3,626)	–	30,282
857	PetroChina Company Limited	2,378	0.01	499	–	12,579
941	China Mobile Limited	100	0.00	115	120	8,865
3188	ChinaAMC CSI 300 Index ETF	200	0.06	(1,460)	–	7,510
	Other listed securities [#]			(3,129)	168	34,118
				<u>(92,713)</u>	<u>7,517</u>	<u>553,108</u>

Other listed securities mainly represented the Group's investment in 18 companies whose shares are 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 30 June 2016.

As at 30 June 2016, the equity investments mainly represented listed securities in Hong Kong. The Board acknowledges that the performance of the equity investments may mainly be affected by worldwide economy and the degree of 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 of 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

Save as disclosed elsewhere under the section headed "Chairman's Statement and Management Discussion and Analysis", the Group had no other material acquisition and disposal of subsidiaries and associated companies during the period.

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 30 June 2016, the Group had 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\$553 million (as of 31 December 2015: HK\$511 million) as of 30 June 2016. The Group's cash and cash equivalents as of 30 June 2016 amounted to approximately HK\$62 million (as of 31 December 2015: HK\$158 million).

As of 30 June 2016, the Group had total bank and other borrowings amounting to approximately HK\$306 million (as of 31 December 2015: HK\$264 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 30 June 2016 was repayable within 1 year or on demand.

Taking into account the total liquid assets of approximately HK\$615 million and total interest-bearing bank and other borrowings of approximately HK\$306 million, the Group was debt-free as at 30 June 2016.

CONTINGENT LIABILITY

As of 30 June 2016, the Group had no material contingent liability.

EMPLOYEES AND REMUNERATION POLICY

As of 30 June 2016, the Group had approximately 12 employees in Hong Kong. During the period, the staff costs (including Directors' emoluments) amounted to approximately HK\$3 million (2015: HK\$2 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 considered mainly. 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 has started increasing the interest rate in December 2015. As Hong Kong dollar is pegged to the US dollar, Hong Kong may follow to increase its interest rate in the future. These may exert pressure on price on equity investments held by the Group, particular in high-yield equity investments. Besides, the slowdown in growth of Chinese economy may have a significant impact on Hong Kong's rental market.

The investment properties (particularly the small-sized residential units) in Hong Kong had recorded decline in market value in late 2015 and early 2016. However, officials from Hong Kong government stated that control measures on properties markets would not be withdrawn in the near term. Along with the conditions for potential interest rate increase, investment properties in Hong Kong held by the Group might record decrease in market value as compared to the increase in previous years.

China's economic growth has slowed down, with the GDP growth rate kept on 6.7% in the first half of 2016. In addition to the potential depreciation of Renminbi, retreat of foreign investments from China and intensive competition in rental business in Shanghai, these may exert pressure on the revenue from provision of hotel-serviced apartments, villas and property management services in Shanghai. Despite China's possible slower than expected economic growth, inflationary pressure on salaries, utilities expenses, properties renovation and quality enhancement expenses remains a key challenge to the Group.

On 1 May 2016, the final phase of the transition from the Business Tax to Value Added Tax regime took effect and became applicable to the real estate sector, among other industries. The Group has taken appropriate measures to ensure a smooth transition to the new tax regime.

The worldwide economy (especially Chinese and Hong Kong's economy) is performing more and more volatile, with regard to uncertainties brought by policy-driven markets. The Group will adopt its usual prudent capital and funding management to meet the challenges ahead, while strengthening the rental and property development business, and seizing further investment opportunities.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any listed securities of the Company during the six months ended 30 June 2016.

REVIEW BY AUDIT COMMITTEE

The audit committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed the internal control and financial reporting matters including the review of the Group's unaudited interim results for the six months ended 30 June 2016.

CORPORATE GOVERNANCE CODE

In the opinion of the directors of the Company, 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 six months ended 30 June 2016, 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, subjected to re-election; and (ii) all directors appointed to fill a casual 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.

The code provision A.6.7 of the Code requires that independent non-executive directors and other non-executive directors shall attend general meetings and develop a balanced understanding of the view of shareholders. Mr. Lee Siu Man, Ervin the independent non-executive director was unable to attend the annual general meeting of the Company held on 26 May 2016 due to his other business commitments.

REVISION OF THE TERMS OF REFERENCE OF THE AUDIT COMMITTEE

The terms of references of audit committee were revised on 22 August 2016 to reflect the additional responsibilities of the audit committee arising from the Stock Exchange's amendments to risk management and internal control under the Code applicable to listed companies with an accounting period beginning on or after 1 January 2016.

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 of the Listing Rules as its own code of conduct regarding directors' securities transactions. Based on specific enquiry of all directors of the Company, all directors of the Company confirmed that they have complied with the required standard set out in the Model Code for the six months ended 30 June 2016.

CHANGES IN THE INFORMATION OF DIRECTORS PURSUANT TO RULE 13.51B(1) OF THE LISTING RULES

Pursuant to rule 13.51B(1) of the Listing Rules, changes in the information of directors of the Company (the "Director(s)") since the date of the annual report 2015 of the Company required to be disclosed in this report is as follow:

- The Director's fees of Mr. Lo Yick Wing, Mr. Wong Yim Sum, Mr. Lee Siu Man, Ervin and Mr. Tsui Ka Wah have been revised to HK\$7,000 per month, with effective from 1 April 2016.

CHANGE OF DIRECTORS

Due to his other business commitments, Mr. Lo Yick Wing tendered his resignation as an independent non-executive director, a member of audit committee, a member of nomination committee and a member of remuneration committee of the Company on and with effect from 26 May 2016.

BOARD OF DIRECTORS

As of the date of this announcement, the executive directors of the Company are Mr. Lau Chi Yung, Kenneth and Mr. Lau Michael Kei Chi and the independent non-executive directors of the Company 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, 22 August 2016