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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 2017

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 2017, 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 2017

	Notes	For the six months ended 30 June	
		2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
REVENUE	3	96,204	(56,775)
Cost of sales		<u>(383)</u>	<u>(402)</u>
Gross profit/(loss)		95,821	(57,177)
Other income and gains	3	65	67
Foreign exchange differences, net		–	676
Operating and administrative expenses		(4,133)	(4,192)
Finance costs	5	(1,156)	(1,084)
Share of (losses)/profits of an associate		<u>(47)</u>	<u>39,884</u>
PROFIT/(LOSS) BEFORE TAX	4	90,550	(21,826)
Income tax expense	6	<u>–</u>	<u>–</u>
PROFIT/(LOSS) FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY		<u>90,550</u>	<u>(21,826)</u>

	For the six months ended 30 June	
	2017	2016
<i>Notes</i>	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD	—	—
TOTAL COMPREHENSIVE INCOME/(EXPENSE) FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY	90,550	(21,826)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY		
Basic and diluted	8 HK3.35 cents	HK(0.81) cents

Details of interim dividend are disclosed in note 7.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

	As at 30 June 2017 <i>HK\$'000</i> <i>(Unaudited)</i>	As at 31 December 2016 <i>HK\$'000</i> <i>(Audited)</i>
NON-CURRENT ASSETS		
Property, plant and equipment	122	149
Prepaid land lease payments	387	391
Investment properties	191,010	191,010
Investment in an associate	2,070	2,117
Club debenture	670	670
Available-for-sale investments	158,706	158,706
	<hr/>	<hr/>
Total non-current assets	352,965	353,043
	<hr/>	<hr/>
CURRENT ASSETS		
Prepayments, deposits and other receivables	5,903	800
Equity investments at fair value through profit or loss	657,825	612,365
Pledged deposits	69	69
Cash and cash equivalents	202,384	151,752
	<hr/>	<hr/>
Total current assets	866,181	764,986
	<hr/>	<hr/>
TOTAL ASSETS	1,219,146	1,118,029
	<hr/>	<hr/>
CURRENT LIABILITIES		
Other payables and accruals	5,901	6,230
Interest-bearing bank and other borrowings	376,541	365,645
Tax payable	3,818	3,818
	<hr/>	<hr/>
Total current liabilities	386,260	375,693
	<hr/>	<hr/>
NET CURRENT ASSETS	479,921	389,293
	<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES	832,886	742,336
	<hr/>	<hr/>

	As at 30 June 2017 HK\$'000 (Unaudited)	As at 31 December 2016 HK\$'000 (Audited)
NON-CURRENT LIABILITIES		
Deferred tax liabilities	<u>1,533</u>	<u>1,533</u>
Total non-current liabilities	<u>1,533</u>	<u>1,533</u>
Net assets	<u>831,353</u>	<u>740,803</u>
EQUITY		
Equity attributable to owners of the Company		
Issued capital	27,000	27,000
Reserves	<u>804,353</u>	<u>713,803</u>
Total equity	<u>831,353</u>	<u>740,803</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 2016 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 2017.

Amendments to HKAS 7	<i>Disclosure Initiative</i>
Amendments to HKAS 12	<i>Recognition of Deferral Tax Assets for Unrealised Losses</i>

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:

Amendments to HKFRS 2	<i>Classification and Measurement of Share-based Payment Transactions¹</i>
Amendments to HKFRS 4	<i>Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts¹</i>
HKFRS 9	<i>Financial Instruments¹</i>
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture³</i>
HKFRS 15	<i>Revenue from Contracts with Customers¹</i>
Amendments to HKFRS 15	<i>Clarifications to HKFRS 15 Revenue from Contracts with Customers¹</i>
HKFRS 16	<i>Leases²</i>

¹ Effective for annual periods beginning on or after 1 January 2018

² Effective for annual periods beginning on or after 1 January 2019

³ No mandatory effective date yet determined but available for adoption

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							
	2017	2016	2017	2016	2017	2016	2017	2016
	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:								
Revenue from external customers	<u>2,356</u>	<u>2,113</u>	<u>93,848</u>	<u>(58,888)</u>	<u>-</u>	<u>-</u>	<u>96,204</u>	<u>(56,775)</u>
Segment results	<u>1,953</u>	<u>1,681</u>	<u>93,054</u>	<u>(59,258)</u>	<u>(3,319)</u>	<u>(3,116)</u>	<u>91,688</u>	<u>(60,693)</u>
<i>Reconciliation:</i>								
Interest income from								
loans and receivables							14	1
Other gains							51	66
Finance costs							(1,156)	(1,084)
Share of (losses)/profits of an associate	(47)	39,884					(47)	39,884
Profit/(loss) before tax							<u>90,550</u>	<u>(21,826)</u>

Geographical information

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 periods ended 30 June 2017 and 2016.

3. REVENUE, OTHER INCOME AND GAINS

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

	For the six months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Revenue		
Rental income from property letting	2,356	2,113
Fair value gains/(losses) on equity investments at fair value through profit or loss, net	92,324	(92,713)
Fair value gains on derivative financial instruments	–	26,308
Dividend income from listed investments	1,524	7,517
	96,204	(56,775)
	96,204	(56,775)
Other income and gains		
Interest income from loans and receivables	14	1
Others	51	66
	65	67
	65	67

4. PROFIT/(LOSS) BEFORE TAX

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

	For the six months ended 30 June	
	2017 <i>HK\$'000</i> <i>(Unaudited)</i>	2016 <i>HK\$'000</i> <i>(Unaudited)</i>
Depreciation	27	61
Amortization of prepaid land lease payments	4	5
Foreign exchange differences, net	–	(676)
	<u> </u>	<u> </u>
Employee benefits expense (including directors' and chief executive's remuneration):		
Salaries, wages and other benefits	2,826	2,953
Pension scheme contributions (defined contribution scheme)	79	84
	<u> </u>	<u> </u>
Total staff costs	<u>2,905</u>	<u>3,037</u>

5. FINANCE COSTS

An analysis of finance costs is as follows:

	For the six months ended 30 June	
	2017 <i>HK\$'000</i> <i>(Unaudited)</i>	2016 <i>HK\$'000</i> <i>(Unaudited)</i>
Interest on bank loans and other loans	<u>1,156</u>	<u>1,084</u>

6. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 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 2017 (2016: Nil).

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

The calculation of basic earnings/(loss) per share amounts is based on the profit for the period attributable to ordinary equity holders of the Company of approximately HK\$90,550,000 (2016: loss for the period of approximately HK\$21,826,000), and the weighted average number of ordinary shares of 2,700,000,000 (2016: 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 2017 and 2016.

9. EVENTS AFTER THE REPORTING PERIOD

As disclosed on the Company’s announcement dated 23 March 2017, on 22 March 2017, the Group entered into a provisional agreement for sale and purchase to acquire the entire issued and outstanding share capital in Rich Century Development Limited (“Rich Century”) for a consideration of HK\$55 million which is principally engaged in property investment and hold a property located in Hong Kong. Upon completion on 12 July 2017, Rich Century became an indirect wholly-owned subsidiary of the Company.

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 2017.

REVIEW OF OPERATION

During the period under reporting, the Group recorded a gain of approximately HK\$91 million (2016: loss of HK\$22 million). This is mainly due to the profit brought by the fair value gains in equity investments (stocks) held by the Group.

The investments in equities held by the Group recorded a fair value gain of approximately HK\$92 million (2016: loss of HK\$93 million). The Group’s rental income in Hong Kong recorded a slight increase of approximately 12%. Equities investments recorded dividend income of approximately HK\$2 million (2016: HK\$8 million).

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 interim dividend for the current year.

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 2017 (2016: HK\$2 million).

FINANCIAL INVESTMENTS

During the period under reporting, equity investments (stocks) held by the Group recorded net fair value gains.

As of 30 June 2017, the Group held approximately HK\$658 million (as of 31 December 2016: HK\$612 million) of highly liquid equity investments, which mainly consisted of blue chips stocks and Exchange Traded Funds listed in Hong Kong. The equity and bonds investments were held by the Group in long-term for investment purpose and receiving dividend income.

The Group’s equity investments recorded a net fair value gain of approximately HK\$92 million (2016: loss of HK\$93 million) when marking the investment portfolios to market valuation as of 30 June 2017, along with dividend income of approximately HK\$2 million (2016: HK\$8 million).

The equity investments held by the Group as at 30 June 2017 were as follows:

Stock Code	Company Name	Number of	Percentage of	Fair value	Dividends	Fair value/
		shares held	shareholding	gain/(loss)	income	carrying
		as at	as at	for the	for the	amount
		30 June	30 June	six months	six months	as at
		2017	2017	ended	ended	30 June
		'000	%	30 June	30 June	2017
				2017	2017	2017
				HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	(Unaudited)	(Unaudited)
5	HSBC Holdings plc	2,975	0.01	35,644	–	216,153
2800	Tracker Fund of Hong Kong	8,120	0.23	33,698	1,218	213,150
2828	Hang Seng H-Share Index ETF	1,332	0.35	13,853	–	139,594
3988	Bank of China Limited	9,800	0.01	3,822	–	37,534
857	PetroChina Co. Ltd.	2,378	0.01	(2,378)	–	11,366
2318	Ping An Insurance (Group) Co. of China Ltd.	200	0.00	2,530	–	10,290
941	China Mobile Ltd.	100	0.00	65	124	8,285
2628	China Life Insurance Co. Ltd.	300	0.00	1,095	–	7,155
	Other listed securities [#]			3,995	182	14,298
				<u>92,324</u>	<u>1,524</u>	<u>657,825</u>

Other listed securities mainly represented the Group's investment in 13 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 2017.

As at 30 June 2017, 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

As disclosed in the Company's announcement dated 23 March 2017, on 22 March 2017, an indirect wholly-owned subsidiary of the Company had entered into a provisional agreement for sale and purchase with Victoria Palace Limited (the "Vendor"), an independent third party who or which is independent of the Company and its connected persons (within the meaning of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules")), pursuant to which the Vendor agreed to sell and assign, and the Group agreed to purchase and take up an assignment of, the entire issued share capital of Rich Century Development Limited ("Rich Century") and the right to all debts owing by Rich Century to the Vendor, Rich Century's previous director and their associates (if any) as at completion free from all encumbrances and third party rights for a consideration of HK\$55,000,000. Rich Century is the full legal and beneficial owner and registered owner of Flat A (Including the Bay Window, the Balcony, the Utility Platform thereof and the Air-Conditioning Plant Room Appertaining thereto) on the 30th Floor of Tower 1, Larvotto and Car Parking Space No. 16 on the Ground Floor, Larvotto, No. 8 Ap Lei Chau Praya Road, Hong Kong. Upon completion of the acquisition on 12 July 2017, the Group held the entire issued and outstanding share capital in Rich Century, and Rich Century became an indirect wholly-owned subsidiary of the Company and its financial results were consolidated into the consolidated financial statements of the Group.

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 2017, 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\$658 million (as of 31 December 2016: HK\$612 million) as of 30 June 2017. The Group's cash and cash equivalents as of 30 June 2017 amounted to approximately HK\$202 million (as of 31 December 2016: HK\$152 million).

As of 30 June 2017, the Group had total bank and other borrowings amounting to approximately HK\$377 million (as of 31 December 2016: HK\$366 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 2017 was repayable within 1 year or on demand.

Taking into account the total liquid assets of approximately HK\$866 million and total interest-bearing bank and other borrowings of approximately HK\$377 million, the Group was debt-free as at 30 June 2017.

CONTINGENT LIABILITY

As of 30 June 2017, the Group had no material contingent liability.

EMPLOYEES AND REMUNERATION POLICY

As of 30 June 2017, the Group had approximately 12 employees in Hong Kong. During the period, the staff costs (including directors' emoluments) amounted to approximately HK\$3 million (2016: HK\$3 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 again in December 2016, March 2017 and June 2017, and announced the start of shrinking of its balance sheet within the year. 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 increase in market value in the first half year of 2017. On 4 November 2016, the Hong Kong government announced that the Stamp Duty Ordinance would be amended to increase the ad valorem stamp duty rates for residential property transactions to a flat rate of 15%. Facing the new government policy and 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.

The Chinese government expects the economy to grow by around 6.5% in 2017, slightly lower than last year's 26-year low of 6.7%. In addition to the potential depreciation of Renminbi, retreat of foreign investments from China and intensive competition in rental business in China, these may exert pressure on the revenue from provision of hotel-serviced villas, apartments and property management services in China. Despite of 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.

EVENTS AFTER THE REPORTING PERIOD

Details of significant events subsequent to the balance sheet date are set out in Note 9.

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 2017.

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 2017.

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 2017, 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.

Under code provision of 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 26 May 2017 (the “2017 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 2017 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 2017 AGM.

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 2017.

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, 25 August 2017