



## **Oriental Explorer Holdings Limited**

(Incorporated in Bermuda with limited liability)

(Stock Code: 0430)

A complex background collage with a warm, golden-yellow color palette. It features a hand holding a stack of coins, a hand pointing at a laptop screen, a globe, and various architectural and financial motifs like a line graph and cityscapes, all overlaid with semi-transparent geometric shapes.

**Interim Report**

**2017**

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## 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)
<b>REVENUE</b>	3	<b>96,204</b>	(56,775)
Cost of sales		<u>(383)</u>	<u>(402)</u>
Gross profit/(loss)		<b>95,821</b>	(57,177)
Other income and gains	3	<b>65</b>	67
Foreign exchange differences, net		–	676
Operating and administrative expenses		<b>(4,133)</b>	(4,192)
Finance costs	5	<b>(1,156)</b>	(1,084)
Share of (losses)/profits of an associate		<u>(47)</u>	<u>39,884</u>
<b>PROFIT/(LOSS) BEFORE TAX</b>	4	<b>90,550</b>	(21,826)
Income tax expense	6	<u>–</u>	<u>–</u>
<b>PROFIT/(LOSS) FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>		<u><b>90,550</b></u>	<u>(21,826)</u>
<b>OTHER COMPREHENSIVE INCOME FOR THE PERIOD</b>		<u>–</u>	<u>–</u>
<b>TOTAL COMPREHENSIVE INCOME/(EXPENSE) FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>		<u><b>90,550</b></u>	<u>(21,826)</u>
<b>EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY</b>			
Basic and diluted	8	<u><b>HK3.35 cents</b></u>	<u>HK(0.81) cents</u>

Details of interim dividend are disclosed in note 7.

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

	<i>Notes</i>	As at 30 June 2017 HK\$'000 (Unaudited)	As at 31 December 2016 HK\$'000 (Audited)
<b>NON-CURRENT ASSETS</b>			
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		<u>158,706</u>	<u>158,706</u>
Total non-current assets		<u>352,965</u>	<u>353,043</u>
<b>CURRENT ASSETS</b>			
Prepayments, deposits and other receivables		5,903	800
Equity investments at fair value through profit or loss		657,825	612,365
Pledged deposits	9	69	69
Cash and cash equivalents	9	<u>202,384</u>	<u>151,752</u>
Total current assets		<u>866,181</u>	<u>764,986</u>
<b>TOTAL ASSETS</b>		<u>1,219,146</u>	<u>1,118,029</u>
<b>CURRENT LIABILITIES</b>			
Other payables and accruals		5,901	6,230
Interest-bearing bank and other borrowings		376,541	365,645
Tax payable		<u>3,818</u>	<u>3,818</u>
Total current liabilities		<u>386,260</u>	<u>375,693</u>
<b>NET CURRENT ASSETS</b>		<u>479,921</u>	<u>389,293</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>832,886</u>	<u>742,336</u>
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities		<u>1,533</u>	<u>1,533</u>
Total non-current liabilities		<u>1,533</u>	<u>1,533</u>
<b>Net assets</b>		<u>831,353</u>	<u>740,803</u>
<b>EQUITY</b>			
Equity attributable to owners of the Company			
Issued capital	10	27,000	27,000
Reserves		<u>804,353</u>	<u>713,803</u>
<b>Total equity</b>		<u>831,353</u>	<u>740,803</u>

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017

	Attributable to owners of the Company					
	Issued capital <i>HK\$'000</i> <i>(Unaudited)</i> <i>(Note 10)</i>	Share premium account <i>HK\$'000</i> <i>(Unaudited)</i>	Capital redemption reserve <i>HK\$'000</i> <i>(Unaudited)</i>	Exchange fluctuation reserve <i>HK\$'000</i> <i>(Unaudited)</i>	Retained profits <i>HK\$'000</i> <i>(Unaudited)</i>	Total equity <i>HK\$'000</i> <i>(Unaudited)</i>
At 1 January 2016	27,000	498,761	546	28,086	151,907	706,300
Loss for the period	-	-	-	-	(21,826)	(21,826)
Other comprehensive income for the period	-	-	-	-	-	-
At 30 June 2016	<u>27,000</u>	<u>498,761</u>	<u>546</u>	<u>28,086</u>	<u>130,081</u>	<u>684,474</u>
At 1 January 2017	<b>27,000</b>	<b>498,761</b>	<b>546</b>	<b>(600)</b>	<b>215,096</b>	<b>740,803</b>
Profit for the period	-	-	-	-	90,550	90,550
Other comprehensive income for the period	-	-	-	-	-	-
At 30 June 2017	<u>27,000</u>	<u>498,761</u>	<u>546</u>	<u>(600)</u>	<u>305,646</u>	<u>831,353</u>

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

*For the six months ended 30 June 2017*

	<b>For the six months ended 30 June</b>	
<i>Notes</i>	<b>2017</b>	<b>2016</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES</b>	<b>40,893</b>	<b>(137,691)</b>
<b>NET CASH INFLOW FROM INVESTING ACTIVITIES</b>	<b>14</b>	<b>17</b>
<b>NET CASH INFLOW FROM FINANCING ACTIVITIES</b>	<u><b>9,725</b></u>	<u><b>41,165</b></u>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>50,632</b>	<b>(96,509)</b>
Cash and cash equivalents at beginning of the period	<u><b>151,752</b></u>	<u><b>158,204</b></u>
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>	<u><u><b>202,384</b></u></u>	<u><u><b>61,695</b></u></u>
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	9 <b>2,384</b>	1,695
Non-pledged deposits with original maturity of less than three months when acquired	9 <u><b>200,000</b></u>	<u><b>60,000</b></u>
	<u><u><b>202,384</b></u></u>	<u><u><b>61,695</b></u></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 Transactions<sup>1</sup></i>
Amendments to HKFRS 4	<i>Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts<sup>1</sup></i>
HKFRS 9	<i>Financial Instruments<sup>1</sup></i>
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture<sup>3</sup></i>
HKFRS 15	<i>Revenue from Contracts with Customers<sup>1</sup></i>
Amendments to HKFRS 15	<i>Clarifications to HKFRS 15 Revenue from Contracts with Customers<sup>1</sup></i>
HKFRS 16	<i>Leases<sup>2</sup></i>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2018

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2019

<sup>3</sup> No mandatory effective date yet determined but available for adoption

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 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)
<b>Segment revenue:</b>								
Revenue from external customers	2,356	2,113	93,848	(58,888)	–	–	96,204	(56,775)
<b>Segment results</b>								
	1,953	1,681	93,054	(59,258)	(3,319)	(3,116)	91,688	(60,693)
<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							90,550	(21,826)

#### 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.



## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 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 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
<b>Revenue</b>		
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
	<u>96,204</u>	<u>(56,775)</u>
<b>Other income and gains</b>		
Interest income from loans and receivables	14	1
Others	51	66
	<u>65</u>	<u>67</u>

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 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	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</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	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Interest on bank loans and other loans	<u>1,156</u>	<u>1,084</u>

## **NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

### **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.

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 9. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	As at 30 June 2017 HK\$'000 (Unaudited)	As at 31 December 2016 HK\$'000 (Audited)
Cash and bank balances	2,384	1,752
Time deposits with original of maturity less than three months	200,069	150,069
	202,453	151,821
Less: Pledged deposits	(69)	(69)
Cash and cash equivalents	202,384	151,752

The deposits of approximately HK\$69,000 (as at 31 December 2016: HK\$69,000) were pledged as security for banking facilities granted.

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi (“RMB”) amounted to approximately HK\$221,000 (as at 31 December 2016: HK\$230,000). The RMB is not freely convertible into other currencies, however, under Mainland China’s Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposits rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group and earn interest at the respective short term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

### 10. SHARE CAPITAL

Shares	Number of shares		Value	
	As at 30 June 2017	As at 31 December 2016	As at 30 June 2017 HK\$'000 (Unaudited)	As at 31 December 2016 HK\$'000 (Audited)
Authorised:				
Ordinary shares of HK\$0.01 each	20,000,000,000	20,000,000,000	200,000	200,000
Issued and fully paid:				
Ordinary shares of HK\$0.01 each	2,700,000,000	2,700,000,000	27,000	27,000

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 11. SHARE OPTION SCHEME

The Group's share option scheme (the "2013 Scheme") was adopted pursuant to a resolution passed on 30 May 2013 for the primary purpose of providing incentives to eligible participants. As the previous share option scheme adopted on 27 June 2003 (the "2003 Scheme") would expire on 27 June 2013, during the year ended 31 December 2013. The 2003 scheme was terminated and the 2013 Scheme was adopted by the Company on 30 May 2013. Similar to the 2003 Scheme, the primary purpose of the 2013 Scheme is to provide incentives to eligible participants.

### The 2013 Scheme

The Company operates the 2013 Scheme for the purpose of, among others, is to recognise and motivate the contribution of eligible participants to the Group and to provide incentives and help the Company in retaining its existing employees and recruiting additional employees and to provide them with a direct economic interest in attaining the long-term business objectives of the Company. Eligible participants of the 2013 Scheme include any (full-time or part-time) employee, including, without limitation, any executive and non-executive director or proposed executive and non-executive director of the Group, and any adviser, consultant, agent, contractor, client, customer or supplier or any member of the Group. The 2013 Scheme, unless otherwise cancelled or amended, will remain in force for 10 years from 30 May 2013.

The total number of securities available for issue under the 2013 Scheme is 180,000,000, which is equivalent to 10% of the issued share capital of the Company at the date of adoption of the 2013 Scheme. The maximum number of shares issuable under share options to each eligible participant in the 2013 Scheme within any 12-month period, is limited to 1% of the shares of the Company for the time being in issue. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of the grant) in excess of HK\$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 5 business days from the date of the offer upon payment of a nominal consideration of HK\$1 by the grantee. The exercise period of the share options granted is determinable by the directors, which is not later than 10 years from the date of offer of the share options or the expiry date of the 2013 Scheme, if earlier.

The exercise price of the share options is determined by the board of directors, but may be not less than the higher of (i) the nominal value of the shares; (ii) the Hong Kong Stock Exchange closing price of the Company's shares on the date of offer of the share options; and (iii) the average Hong Kong Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of the offer.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

No share options under the 2013 Scheme have been granted, exercised, lapsed or cancelled since the establishment of the 2013 Scheme.

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 12. CORPORATE GUARANTEES

As at 30 June 2017, the Company has given corporate guarantees in favour of banks for banking facilities granted to its subsidiaries and fellow subsidiaries to the extent of approximately HK\$163,562,000 (as at 31 December 2016: HK\$163,562,000), of which approximately HK\$163,562,000 (as at 31 December 2016: HK\$163,562,000) was utilised.

In the opinion of the directors, no material liabilities will arise from the above corporate guarantees which arose in the ordinary course of business of the Group and the fair values of the corporate guarantees granted by the Company are immaterial.

## 13. OPERATING LEASE ARRANGEMENTS

### As lessor

The Group leases its investment properties under operating lease arrangements, with leases negotiated for terms ranging from one to two years. The terms of the leases generally require the tenants to pay security deposits.

At the end of the reporting period, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	As at 30 June 2017 <i>HK\$'000</i> <i>(Unaudited)</i>	As at 31 December 2016 <i>HK\$'000</i> <i>(Audited)</i>
Within one year	4,394	4,487
In the second to fifth years, inclusive	<u>617</u>	<u>2,335</u>
	<u><u>5,011</u></u>	<u><u>6,822</u></u>

## 14. RELATED PARTY TRANSACTIONS

Transactions between the Company and its subsidiaries have been eliminated on consolidation. Transactions between the Group and other related parties during the period are not significant to the Group.

No transactions have been entered with the directors of the Company (being the key management personnel) during the period other than the emoluments paid to them (being the key management personnel compensation).

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 15. 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.

## 16. APPROVAL OF THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The unaudited condensed consolidated financial statements were approved and authorised for issue by the board of directors on 25 August 2017.

# 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).



## CHAIRMAN'S STATEMENT AND MANAGEMENT DISCUSSION AND ANALYSIS

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

Stock Code	Company Name	Number of shares held	Percentage of shareholding	Fair value gain/(loss) for the six months ended	Dividends income for the six months ended	Fair value/ carrying amount
		as at 30 June 2017	as at 30 June 2017	30 June 2017	30 June 2017	30 June 2017
		'000	%	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 <sup>#</sup>			3,995	182	14,298
				<u>92,324</u>	<u>1,524</u>	<u>657,825</u>

<sup>#</sup> 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.

# CHAIRMAN'S STATEMENT AND MANAGEMENT DISCUSSION AND ANALYSIS

## 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.

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## 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.

# CHAIRMAN'S STATEMENT AND MANAGEMENT DISCUSSION AND ANALYSIS

## 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.

## OTHER INFORMATION

### DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS OR SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ASSOCIATED CORPORATIONS

As of 30 June 2017, the interests and short positions of the directors and the chief executive of the Company and each of their respective associates, in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), to be notified to the Company and the Stock Exchange, were as follows:

#### Long position in ordinary shares of the Company

Name of Director	Capacity and nature of interest	Number of shares held	Approximate percentage of the total number of issued shares of the Company %
Mr. Lau Chi Yung, Kenneth	Interest of controlled corporation	1,729,540,999*	64.06

## OTHER INFORMATION

### Long position in ordinary shares of associated corporation – Multifield International Holdings Limited, an intermediate holding company of the Company

Name of Director	Capacity and nature of interest	Number of shares held	Approximate percentage of the total number of issued shares of associated corporation %
Mr. Lau Chi Yung, Kenneth	Interest of controlled corporation	2,797,055,712*	66.91

\* *The above shares are ultimately controlled by Power Resources Holdings Limited which acts as the trustee under the Power Resources Discretionary Trust, a family discretionary trust, the discretionary objects of which include Mr. Lau Chi Yung, Kenneth and his family.*

The interests of the directors in the share option scheme of the Company are disclosed in note 11 to the unaudited condensed consolidated financial statements.

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 subsidiaries of the Company during the six months ended 30 June 2017.

Save as disclosed above, as of 30 June 2017, none of the directors and chief executive of the Company had any interest and short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which (i) are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of SFO); or (ii) are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) are required, pursuant to the Model Code to be notified to the Company and the Stock Exchange.

## OTHER INFORMATION

### DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the heading "Directors' and chief executive's interests or short positions in the shares, underlying shares and debentures of the Company and associated corporations" above and in the share option scheme disclosures in note 11 to the unaudited condensed consolidated financial statements, at no time during the six months ended 30 June 2017 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, or any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

### SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SHARES

So far as was known to the directors of the Company, as of 30 June 2017, the following interests of 5% or more of the total number of issued shares of the Company were recorded in the register of interests required to be kept by the Company pursuant to section 336 of the SFO:

#### Long positions in ordinary shares of the Company

Name of Shareholders	Capacity and nature of interest	Number of shares held	Approximate percentage of the total number of issued shares of the Company %
Limitless Investment Limited	Directly beneficially owned	1,729,540,999 <sup>#</sup>	64.06
Multifield International Holdings (B.V.I.) Limited	Interest of controlled corporation	1,729,540,999 <sup>#</sup>	64.06
Multifield International Holdings Limited	Interest of controlled corporation	1,729,540,999 <sup>#</sup>	64.06
Lucky Speculator Limited	Interest of controlled corporation	1,729,540,999 <sup>#</sup>	64.06
Desert Prince Limited	Interest of controlled corporation	1,729,540,999 <sup>#</sup>	64.06
Power Resources Holdings Limited	Interest of controlled corporation	1,729,540,999 <sup>#</sup>	64.06

<sup>#</sup> *Power Resources Holdings Limited was deemed to have a beneficial interest in 1,729,540,999 ordinary shares of the Company by virtue of its indirect interests in Lucky Speculator Limited, Desert Prince Limited, Multifield International Holdings Limited, Multifield International Holdings (B.V.I.) Limited and Limitless Investment Limited.*

Save as disclosed above, as of 30 June 2017, so far as was known to the directors of the Company, no person, other than the directors of the Company, whose interests are set out in the sections "Directors' and chief executive's interests or short positions in the shares, underlying shares and debentures of the Company and associated corporations" and "Directors' rights to acquire shares or debentures" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to section 336 of the SFO.

### EVENTS AFTER THE REPORTING PERIOD

Details of significant events subsequent to the balance sheet date are set out in Note 15.

## OTHER INFORMATION

### **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.

### **COMPLIANCE WITH THE 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.



## OTHER INFORMATION

### BOARD DIVERSITY POLICY

The Board has adopted a Board Diversity Policy in December 2013 which sets out the approach to achieve diversity on the Board.

The Company recognises that increasing diversity at the Board level will support the attainment of the Company's strategic objectives and sustainable development. The Company seeks to achieve Board diversity through the consideration of a number of factors, include and make good use of differences in the talents, skills, regional and industry experience, background, gender and other qualities of the members of the Board. All appointments of the members of the Board are made on merit, in the content of the talents, skills and experience the Board as a whole requires to be effective.

The nomination committee has set measurable objectives based on talents, skills, regional and industry experience, background, gender and other qualities to implement the Board Diversity Policy. Such objectives will be reviewed from time to time to ensure their appropriateness and the progress made towards achieving those objectives will be ascertained. The nomination committee will review the Board Diversity Policy, as appropriate, to ensure its continued effectiveness from time to time.

### 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.

### PUBLICATION OF INTERIM REPORT

The interim report of the Company for 2017 containing all the information required by the Listing Rules has been published on the websites of the Company ([www.irasia.com/listco/hk/orientalexplorer/index.htm](http://www.irasia.com/listco/hk/orientalexplorer/index.htm)) and Hong Kong Exchanges and Clearing Limited ([www.hkexnews.hk](http://www.hkexnews.hk)).

### 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