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**ORIENTAL EXPLORER HOLDINGS LIMITED**

(the “Company”)

(Incorporated in Bermuda with limited liability)

(Stock Code: 430)

**ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2016**

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

Year ended 31 December 2016

	<i>Notes</i>	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
<b>REVENUE</b>	3	<b>35,621</b>	(55,663)
Cost of sales		<u>(796)</u>	<u>(754)</u>
Gross profit/(loss)		<b>34,825</b>	(56,417)
Other income and gains	3	<b>142</b>	6,165
Foreign exchange differences, net		<b>3,727</b>	(753)
Fair value gains on investment properties, net		<b>10,320</b>	8,050
Operating and administrative expenses		<b>(8,476)</b>	(7,910)
Finance costs	5	<b>(2,480)</b>	(234)
Share of profits of an associate		<b>36,499</b>	30,606
Loss on distribution of assets from an associate		<u>(11,177)</u>	<u>–</u>
<b>PROFIT/(LOSS) BEFORE TAX</b>	4	<b>63,380</b>	(20,493)
Income tax expense	6	<u>(191)</u>	<u>(252)</u>
<b>PROFIT/(LOSS) FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>		<u><b>63,189</b></u>	<u>(20,745)</u>

	<i>Notes</i>	<b>2016</b> <b>HK\$'000</b>	2015 HK\$'000
<b>OTHER COMPREHENSIVE INCOME</b>			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Available-for-sale investments:			
Changes in fair value		–	(1,177)
Reclassification adjustments for gains included in the consolidated statement of profit or loss – gain on disposal		–	(5,914)
		–	(7,091)
Share of other comprehensive expense of an associate		<b>(9,859)</b>	(8,357)
Reclassification of exchange fluctuation reserve to profit or loss upon distribution of assets from an associate		<b>(18,821)</b>	–
Exchange differences on translation of foreign operations		<b>(6)</b>	(7)
<b>OTHER COMPREHENSIVE EXPENSE FOR THE YEAR</b>		<b>(28,686)</b>	(15,455)
<b>TOTAL COMPREHENSIVE INCOME/(EXPENSE) FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>		<b>34,503</b>	(36,200)
<b>EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY</b>			
Basic and diluted	8	<b>HK2.34 cents</b>	HK(0.77) cents

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2016

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	149	232
Prepaid land lease payments	391	400
Investment properties	191,010	180,690
Investment in an associate	2,117	125,221
Club debenture	670	670
Available-for-sale investments	158,706	38,960
	<hr/>	<hr/>
Total non-current assets	353,043	346,173
	<hr/>	<hr/>
<b>CURRENT ASSETS</b>		
Prepayments, deposits and other receivables	800	646
Equity investments at fair value through profit or loss	612,365	511,110
Pledged deposits	69	65
Cash and cash equivalents	151,752	158,204
	<hr/>	<hr/>
Total current assets	764,986	670,025
	<hr/>	<hr/>
<b>TOTAL ASSETS</b>	1,118,029	1,016,198
	<hr/>	<hr/>
<b>CURRENT LIABILITIES</b>		
Other payables and accruals	6,230	14,845
Derivative financial instruments	–	26,308
Interest-bearing bank and other borrowings	365,645	263,585
Tax payable	3,818	3,818
	<hr/>	<hr/>
Total current liabilities	375,693	308,556
	<hr/>	<hr/>
<b>NET CURRENT ASSETS</b>	389,293	361,469
	<hr/>	<hr/>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	742,336	707,642
	<hr/>	<hr/>

	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
<b>NON-CURRENT LIABILITIES</b>		
Deferred tax liabilities	<u>1,533</u>	<u>1,342</u>
Total non-current liabilities	<u>1,533</u>	<u>1,342</u>
<b>Net assets</b>	<u><b>740,803</b></u>	<u>706,300</u>
<b>EQUITY</b>		
Equity attributable to owners of the Company		
Issued capital	27,000	27,000
Reserves	<u>713,803</u>	<u>679,300</u>
<b>Total equity</b>	<u><b>740,803</b></u>	<u>706,300</u>

## NOTES TO FINANCIAL STATEMENTS

### 1.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties and certain financial instruments which have been measured at fair value.

These financial statements are presented in Hong Kong dollars (“HK\$”) and all values are rounded to the nearest thousand (HK\$’000) except when otherwise indicated.

#### **Basis of consolidation**

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2016. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

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

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

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

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

## 1.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKFRS 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>Equity Method in Separate Financial Statements</i>
<i>Annual Improvements 2012-2014 Cycle</i>	Amendments to a number of HKFRSs

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

### 1.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

Amendments to HKFRS 2	<i>Classification and Measurement of Share-based Payment Transactions<sup>2</sup></i>
Amendments to HKFRS 4	<i>Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts<sup>2</sup></i>
HKFRS 9	<i>Financial Instruments<sup>2</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>4</sup></i>
HKFRS 15	<i>Revenue from Contracts with Customers<sup>2</sup></i>
Amendments to HKFRS 15	<i>Clarifications to HKFRS 15 Revenue from Contracts with Customers<sup>2</sup></i>
HKFRS 16	<i>Leases<sup>3</sup></i>
Amendments to HKAS 7	<i>Disclosure Initiative<sup>1</sup></i>
Amendments to HKAS 12	<i>Recognition of Deferral Tax Assets for Unrealised Losses<sup>1</sup></i>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2017

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2018

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2019

<sup>4</sup> No mandatory effective date yet determined but available for adoption

Further information about those HKFRSs that are expected to be applicable to the Group is as follows:

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt HKFRS 9 from 1 January 2018. The Group is currently assessing the impact of the Group.

HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. In June 2016, the HKICPA issued an amendment to HKFRS 15 to address the implementation issue on identifying performance obligations, application guidance on principal versus agent and licenses of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt HKFRS 15 and decrease the cost and complexity of applying the standard. The Group expects to adopt HKFRS 15 on 1 January 2018. During the year ended 31 December 2016, the Group performed a preliminary assessment on the impact of the adoption of HKFRS 15.

HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two recognition exemptions for lessees – leases of low-value assets and short-term leases.

At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases. The Group expects to adopt HKFRS 16 on 1 January 2019 and is currently assessing the impact of HKFRS 16 upon adoption.



## 2. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into three (2015: three) reportable operating segments as follows:

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

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

Segment assets exclude pledged deposits and cash and cash equivalents as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank and other borrowings, tax payable and deferred tax liabilities as these liabilities are managed on a group basis.

There are no sales or other transactions between the operating segments during the year (2015: Nil).

## Years ended 31 December 2016 and 2015

	Property investment		Trading and investments		Corporate and others		Total	
	2016	2015	2016	2015	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Segment revenue:</b>								
Revenue from external customers	<u>4,397</u>	<u>4,135</u>	<u>31,224</u>	<u>(60,198)</u>	<u>-</u>	<u>400</u>	<u>35,621</u>	<u>(55,663)</u>
<b>Segment results</b>	<u>3,442</u>	<u>3,250</u>	<u>33,299</u>	<u>(62,873)</u>	<u>(6,665)</u>	<u>(5,457)</u>	<u>30,076</u>	<u>(65,080)</u>
<i>Reconciliation:</i>								
Interest income from loans and receivables							9	31
Other gains							133	6,134
Fair value gains on investment properties, net	10,320	8,050	-	-	-	-	10,320	8,050
Finance costs							(2,480)	(234)
Share of profits of an associate	36,499	30,606	-	-	-	-	36,499	30,606
Loss on distribution of assets from an associate	(11,177)	-	-	-	-	-	(11,177)	-
Profit/(loss) before tax							<u>63,380</u>	<u>(20,493)</u>
<b>Segment assets</b>	<b>191,096</b>	<b>180,771</b>	<b>733,215</b>	<b>512,230</b>	<b>39,780</b>	<b>39,707</b>	<b>964,091</b>	<b>732,708</b>
<i>Reconciliation:</i>								
Unallocated assets							151,821	158,269
Investment in an associate	-	125,221	-	-	2,117	-	2,117	125,221
Total assets							<u>1,118,029</u>	<u>1,016,198</u>
<b>Segment liabilities</b>	<b>1,164</b>	<b>1,140</b>	<b>87</b>	<b>34,856</b>	<b>2,504</b>	<b>5,157</b>	<b>3,755</b>	<b>41,153</b>
<i>Reconciliation:</i>								
Unallocated liabilities							373,471	268,745
Total liabilities							<u>377,226</u>	<u>309,898</u>
<b>Other segment information:</b>								
Depreciation and amortisation	-	-	-	-	96	168	96	168
Fair value gains on investment properties, net	10,320	8,050	-	-	-	-	10,320	8,050
Fair value losses on equity investments at fair value through profit or loss, net	-	-	(18,002)	(53,174)	-	-	(18,002)	(53,174)
Fair value gains/(losses) on derivative financial instruments	-	-	26,308	(26,308)	-	-	26,308	(26,308)
Capital expenditure*	<u>4</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4</u>	<u>-</u>

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

## Geographical information

(a) Revenue from external customers are all generated from Hong Kong. No single external customer accounted for 10% or more of the total revenue for the years ended 31 December 2016 and 2015.

	Hong Kong		Mainland China		Total	
	2016	2015	2016	2015	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets	<b>191,159</b>	180,922	<b>391</b>	400	<b>191,550</b>	181,322

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

### 3. REVENUE, OTHER INCOME AND GAINS

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

	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Revenue</b>		
Rental income from property letting	4,397	4,135
Fair value losses on equity investments at fair value through profit or loss, net	(18,002)	(53,174)
Fair value gains/(losses) on derivative financial investments	26,308	(26,308)
Dividend income from listed investments	22,918	13,697
Dividend income from unlisted investments	–	400
Interest income from available-for-sale investments	–	5,587
	<b>35,621</b>	<b>(55,663)</b>
<b>Other income and gains</b>		
Interest income from loans and receivables	9	31
Fair value gains on available-for-sale investments (transfer from equity on disposal)	–	5,914
Others	133	220
	<b>142</b>	<b>6,165</b>

#### 4. PROFIT/(LOSS) BEFORE TAX

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

	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Depreciation	<b>87</b>	160
Amortisation of prepaid land lease payments	<b>9</b>	8
Auditors' remuneration – audit service	<b>210</b>	210
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties	<b>796</b>	754
Foreign exchange differences, net	<b>(3,727)</b>	753
	<u><u>          </u></u>	<u><u>          </u></u>
Employee benefit expense (including directors' and chief executive's remuneration):		
Salaries, wages and other benefits	<b>6,010</b>	5,478
Pension scheme contributions (defined contribution scheme) ( <i>Note</i> )	<b>160</b>	121
	<u>          </u>	<u>          </u>
Total staff costs	<b>6,170</b>	5,599
	<u><u>          </u></u>	<u><u>          </u></u>

*Note:*

At 31 December 2016, the Group had no forfeited contributions available to reduce its contributions to the pension scheme in future years (2015: Nil).

#### 5. FINANCE COSTS

An analysis of finance costs is as follows:

	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Interest on bank loans and other loans	<b>2,480</b>	234
	<u><u>          </u></u>	<u><u>          </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 during the year. Taxes on profits assessable in Mainland China have been calculated at the rates of tax prevailing in Mainland China, in which the Group operates.

	<b>2016</b> <b>HK\$'000</b>	2015 <i>HK\$'000</i>
Deferred tax	<u>191</u>	<u>252</u>
Total tax charge for the year	<u><u>191</u></u>	<u><u>252</u></u>

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

## 7. DIVIDENDS

The directors do not recommend the declaration of a final dividend for the year ended 31 December 2016 (2015: Nil).

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

The calculation of the basic earnings/(loss) per share amounts is based on the profit for the year attributable to ordinary equity holders of the Company of approximately HK\$63,189,000 (2015: loss for the year of approximately HK\$20,745,000), and the weighted average number of ordinary shares of 2,700,000,000 (2015: 2,700,000,000) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2016 and 2015.

## 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, Rich Century will become an indirect wholly-owned subsidiary of the Company.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from Tuesday, 23 May 2017 to Friday, 26 May 2017, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the forthcoming annual general meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Monday, 22 May 2017.

## **REVIEW OF OPERATION**

During the year under review, the Group recorded a net profit of approximately HK\$63 million (2015: loss of HK\$21 million). This was primarily attributable to the gain of approximately HK\$26 million from the fair value gains on the Group's derivative financial instruments, and dividend income of approximately HK\$23 million on the Group's equity investments for the year ended 31 December 2016.

The share of profits of the associate was approximately HK\$36 million for the year ended 31 December 2016 (2015: HK\$31 million). Included therein (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 an investment property in Mainland China.

The equity investments recorded fair value losses of approximately HK\$18 million (2015: loss of HK\$53 million), and derivative financial instruments recorded fair value gains of approximately HK\$26 million (2015: loss of HK\$26 million). The Group's rental income in Hong Kong recorded a slight increase of approximately 6%. Equity investments recorded dividend income of approximately HK\$23 million (2015: HK\$14 million).

## **PROPERTY INVESTMENT**

### **Hong Kong**

The Group's investment properties in Hong Kong mainly comprise of office, industrial and residential units. The Group's investment property portfolio contributed stable rental revenue of approximately HK\$4 million in 2016 (2015: HK\$4 million).

## **FINANCIAL INVESTMENTS**

Worldwide economy and stocks market were volatile in 2016.

As of 31 December 2016, the Group held approximately HK\$612 million (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 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 losses of approximately HK\$18 million (2015: loss of HK\$53 million) when marking the investment portfolios to market valuation as of 31 December 2016, along with dividend income of approximately HK\$23 million (2015: HK\$14 million).

The equity investments held by the Group as at 31 December 2016 were as follows:

Stock Code	Company Name	Number of shares held as at 31 December 2016 '000	Percentage of shareholding as at 31 December 2016 %	Fair value gain/(loss) for the year ended 31 December 2016 HK\$'000	Dividend income for the year ended 31 December 2016 HK\$'000	Fair value/ carrying amount as at 31 December 2016 HK\$'000
5	HSBC Holdings plc	2,900	0.01	1,210	6,132	180,509
2800	Tracker Fund of Hong Kong	8,120	0.22	(9,340)	6,201	179,452
2828	Hang Seng H-Share Index ETF	1,332	0.28	(15,484)	4,699	125,741
2388	BOC Hong Kong (Holdings) Limited	1,500	0.01	6,075	2,901	41,625
3988	Bank of China Limited	9,800	0.01	(196)	2,028	33,712
857	PetroChina Co. Ltd.	2,378	0.01	1,664	129	13,744
941	China Mobile Ltd.	100	0.00	(530)	269	8,220
2318	Ping An Insurance (Group) Co. of China Ltd.	200	0.00	(840)	130	7,760
2628	China Life Insurance Co. Ltd.	300	0.00	(1,455)	149	6,060
	Other listed securities <sup>#</sup>			894	280	15,542
				<u>(18,002)</u>	<u>22,918</u>	<u>612,365</u>

<sup>#</sup> Other listed securities mainly represented the Group's investment in 14 companies whose shares were mainly listed on the Main Board of The Stock Exchange of Hong Kong Limited. The carrying value of each of these investments represented less than 1% of the total assets of the Group as at 31 December 2016.

As at 31 December 2016, the equity investments mainly represented listed securities in Hong Kong. The board of Directors (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**

On 31 December 2016, Call Rich Investments Limited, an associate of the Group of which the Group owned 25.04% equity interests had completed distribution in specie of its 60% shareholding in Corncentre Investments Limited (“Corncentre”) to its shareholders. Accordingly, the Group had received 15.024% of shares of Corncentre. Corncentre was an investment holding company which owned, indirectly through its wholly-owned subsidiary, a property project in the Mainland China. After the completion of the distribution in specie, the Group directly held 15.024% equity interest in Corncentre and ceased to have significant influence. Details were disclosed in the Company’s announcement dated 31 December 2016.

Save as disclosed above, the Group had no other material acquisition and disposal of subsidiaries and associated companies during the year ended 31 December 2016.

## **FOREIGN CURRENCY EXPOSURE**

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

As of 31 December 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\$612 million (2015: HK\$511 million) as of 31 December 2016. The Group’s cash and cash equivalents as of 31 December 2016 amounted to approximately HK\$152 million (2015: HK\$158 million).

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

Taking into account the total liquid assets of approximately HK\$765 million and total interest-bearing bank and other borrowings of approximately HK\$366 million, the Group was debt-free as at 31 December 2016.



## **CONTINGENT LIABILITY**

As of 31 December 2016, the Group had no material contingent liability.

## **EMPLOYEES AND REMUNERATION POLICY**

As of 31 December 2016, the Group had approximately 12 employees in Hong Kong. During the year, the staff costs (including directors' emoluments) amounted to approximately HK\$6 million (2015: HK\$6 million).

The objective of the Group's remuneration policy is to maintain fair and competitive packages based on business requirements and industry practice. In order to determine the level of remuneration paid to its employees (including directors and senior management), their performance, experience and the prevailing market condition are 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 had increased the interest rate again in December 2016 and March 2017. 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 2016. 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.

Mainland China's economic growth has slowed down, with the Chinese government targeting an approximately 6.5% GDP growth rate for 2017. In addition to the potential depreciation of Renminbi, retreat of foreign investments from Mainland China and intensive competition in rental business in Mainland China, these may exert pressure on the revenue from provision of hotel-serviced villas, apartments and property management services in Mainland China. Despite of Mainland 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 had 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 businesses, and seizing further investment opportunities.

## **EVENTS AFTER THE REPORTING PERIOD**

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

## **CORPORATE GOVERNANCE CODE**

In the opinion of the directors of the Company (the "Director(s)"), the Company has applied the principles and complied with code provisions of the Corporate Governance Code and Corporate Governance Report (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 31 December 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, subject to re-election; and (ii) all directors appointed to fill a causal vacancy should be subjected to election by shareholders at the first general meeting after appointment. Every director, including those appointed for a specific term, should be subjected to retirement by rotation at least once every three years.

Non-executive directors do not have a specific term of appointment and under the bye-laws of the Company, at each general meeting, one-third of the directors for the time being, or if their number is not three or a multiple of three, then the number nearest one-third, shall retire from office by rotation save any director holding office as chairman and managing director. The Company intends to propose any amendment of relevant bye-laws of the Company, if necessary, in order to ensure compliance with the Code.

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.

## **AUDIT COMMITTEE**

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

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

In the presence of the representatives of the Company's independent external auditors, the Group's draft audited consolidated financial statements for the year ended 31 December 2016 have been reviewed by the audit committee, and with recommendation to the Board for approval.

#### **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 of Hong Kong Limited'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 to the Listing Rules as its own code of conduct regarding directors' securities transactions. Based on specific enquiry of all Directors, all Directors confirmed that they had complied with the required standard set out in the Model Code for the year ended 31 December 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 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 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.

#### **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY**

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

#### **PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT**

The annual results announcement of the Company is published on the websites of the Company ([www.irasia.com/listco/hk/orientalexplorer/index.htm](http://www.irasia.com/listco/hk/orientalexplorer/index.htm)) and Hong Kong Exchanges and Clearing Limited ([www.hkexnews.hk](http://www.hkexnews.hk)). The annual report of the Company for 2016 containing all the information required by the Listing Rules will be dispatched to the shareholders of the Company and made available on the above websites in due course.

## **BOARD OF DIRECTORS**

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

By Order of the Board  
**Lau Chi Yung, Kenneth**  
*Chairman*

Hong Kong, 30 March 2017