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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 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2017

	<i>Notes</i>	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
REVENUE	3	192,898	35,621
Cost of sales		<u>(866)</u>	<u>(796)</u>
Gross profit		192,032	34,825
Other income and gains	3	182	142
Foreign exchange differences, net		14	3,727
Fair value gains on investment properties, net		21,123	10,320
Operating and administrative expenses		(8,323)	(8,476)
Finance costs	5	(2,600)	(2,480)
Share of (losses)/profits of an associate		(49)	36,499
Loss on distribution of assets from an associate		<u>–</u>	<u>(11,177)</u>
PROFIT BEFORE TAX	4	202,379	63,380
Income tax expense	6	<u>(1,460)</u>	<u>(191)</u>
PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY		<u>200,919</u>	<u>63,189</u>

	<i>Notes</i>	2017 HK\$'000	2016 HK\$'000
OTHER COMPREHENSIVE INCOME			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Available-for-sale investments:			
Changes in fair value		<u>11,324</u>	<u>–</u>
		11,324	–
Share of other comprehensive expense of an associate		–	(9,859)
Reclassification of exchange fluctuation reserve to profit or loss upon distribution of assets from an associate		–	(18,821)
Exchange differences on translation of foreign operations		<u>7</u>	<u>(6)</u>
OTHER COMPREHENSIVE INCOME/(EXPENSE) FOR THE YEAR		<u>11,331</u>	<u>(28,686)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY		<u>212,250</u>	<u>34,503</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic and diluted	8	<u>HK7.44 cents</u>	<u>HK2.34 cents</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2017

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
NON-CURRENT ASSETS		
Property, plant and equipment	95	149
Prepaid land lease payments	383	391
Investment properties	267,310	191,010
Investment in an associate	2,068	2,117
Club debenture	670	670
Available-for-sale investments	170,030	158,706
	<hr/>	<hr/>
Total non-current assets	440,556	353,043
	<hr/>	<hr/>
CURRENT ASSETS		
Prepayments, deposits and other receivables	863	800
Equity investments at fair value through profit or loss	725,165	612,365
Pledged deposits	74	69
Cash and cash equivalents	152,945	151,752
	<hr/>	<hr/>
Total current assets	879,047	764,986
	<hr/>	<hr/>
TOTAL ASSETS	1,319,603	1,118,029
	<hr/>	<hr/>
CURRENT LIABILITIES		
Other payables and accruals	6,462	6,230
Other borrowings	353,277	365,645
Tax payable	3,818	3,818
	<hr/>	<hr/>
Total current liabilities	363,557	375,693
	<hr/>	<hr/>
NET CURRENT ASSETS	515,490	389,293
	<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES	956,046	742,336
	<hr/>	<hr/>

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
NON-CURRENT LIABILITIES		
Deferred tax liabilities	<u>2,993</u>	<u>1,533</u>
Total non-current liabilities	<u>2,993</u>	<u>1,533</u>
Net assets	<u>953,053</u>	<u>740,803</u>
EQUITY		
Equity attributable to owners of the Company		
Issued capital	27,000	27,000
Reserves	<u>926,053</u>	<u>713,803</u>
Total equity	<u>953,053</u>	<u>740,803</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 2017. 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 revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKAS 7	<i>Disclosure Initiative</i>
Amendments to HKAS 12	<i>Recognition of Deferred Tax Assets for Unrealised Losses</i>
Amendments to HKFRS 12 included in Annual Improvements to HKFRSs 2014-2016 Cycle	<i>Disclosure of Interests in Other Entities: Clarification of the Scope of HKFRS 12</i>

None of the above amendments to HKFRSs has had a material impact on the Group's financial performance and positions for the period presented in these financial statements. Disclosure has been made in notes to the financial statements upon the adoption of amendments to HKAS 7, which require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

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 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 9	<i>Prepayment Features with Negative Compensation²</i>
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture⁴</i>
HKFRS 15	<i>Revenue from Contracts with Customers¹</i>
Amendments to HKFRS 15	<i>Clarifications to HKFRS 15 Revenue from Contracts with Customers¹</i>
HKFRS 16	<i>Leases²</i>
HKFRS 17	<i>Insurance contracts³</i>
Amendments to HKAS 28	<i>Long-term Interests in Associates and Joint Ventures²</i>
Amendments to HKAS 40	<i>Transfers of Investment Property¹</i>
HK(IFRIC)-Int 22	<i>Foreign Currency Transactions and Advance Consideration¹</i>
HK(IFRIC)-Int 23	<i>Uncertainty over Income Tax Treatments²</i>
<i>Annual Improvements to HKFRSs 2014–2016 Cycle</i>	<i>Amendments to HKFRS 1 and HKAS 28¹</i>
<i>Annual Improvements to HKFRSs 2015–2017 Cycle</i>	<i>Amendments to a number of HKFRSs²</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 Effective for annual periods beginning on or after 1 January 2021

⁴ No mandatory effective date yet determined but available for adoption

2. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into two (2016: two) reportable operating segments as follows:

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

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax from operations. The adjusted profit/loss before tax is measured consistently with the Group's profit/loss before tax from operations except that unallocated corporate expenses 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, cash and cash equivalents and other unallocated head office and corporate assets as these assets are managed on a group basis.

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

There are no sales or other transactions between the operating segments during the year (2016: Nil).

Years ended 31 December 2017 and 2016

	Property investment		Trading and investments		Total	
	2017	2016	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:						
Revenue from external customers	<u>4,724</u>	<u>4,397</u>	<u>188,174</u>	<u>31,224</u>	<u>192,898</u>	<u>35,621</u>
Segment results	<u>3,731</u>	<u>3,442</u>	<u>186,797</u>	<u>33,299</u>	<u>190,528</u>	<u>36,741</u>
<i>Reconciliation:</i>						
Unallocated corporate expenses					(6,805)	(6,665)
Interest income from loans and receivables					49	9
Other gains					133	133
Fair value gains on investment properties, net	21,123	10,320	-	-	21,123	10,320
Finance costs					(2,600)	(2,480)
Share of (losses)/profits of an associate	(49)	36,499	-	-	(49)	36,499
Loss on distribution of assets from an associate	-	(11,177)	-	-	-	(11,177)
Profit before tax					<u>202,379</u>	<u>63,380</u>
Segment assets	267,433	191,096	857,339	733,215	1,124,772	924,311
<i>Reconciliation:</i>						
Unallocated assets					192,763	191,601
Investment in an associate					2,068	2,117
Total assets					<u>1,319,603</u>	<u>1,118,029</u>
Segment liabilities	1,171	1,164	81	87	1,252	1,251
<i>Reconciliation:</i>						
Unallocated liabilities					365,298	375,975
Total liabilities					<u>366,550</u>	<u>377,226</u>

	Property investment		Trading and investments		Unallocated		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Other segment information:								
Depreciation and amortisation	1	-	-	-	61	96	62	96
Fair value gains on investment properties, net	21,123	10,320	-	-	-	-	21,123	10,320
Fair value gains/(losses) on equity investments at fair value through profit or loss, net	-	-	162,066	(18,002)	-	-	162,066	(18,002)
Fair value gains on derivative financial instruments	-	-	-	26,308	-	-	-	26,308
Capital expenditure*	<u>55,177</u>	<u>4</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>55,177</u>	<u>4</u>

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

Geographical information

(a) Revenue from external customers are all generated from Hong Kong. No single external customer accounted for 10% or more of the total revenue for the years ended 31 December 2017 and 2016.

	Hong Kong		Mainland China		Total	
	2017	2016	2017	2016	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets	267,405	191,159	383	391	267,788	191,550

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:

	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue		
Rental income from property letting	4,724	4,397
Fair value gains/(losses) on equity investments at fair value through profit or loss, net	162,066	(18,002)
Fair value gains on derivative financial instruments	–	26,308
Dividend income from listed investments	26,108	22,918
	192,898	35,621
Other income and gains		
Interest income from loans and receivables	49	9
Others	133	133
	182	142

4. PROFIT BEFORE TAX

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

	2017 HK\$'000	2016 <i>HK\$'000</i>
Depreciation	54	87
Amortisation of prepaid land lease payments	8	9
Auditors' remuneration – audit service	210	210
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties	866	796
Foreign exchange differences, net	(14)	(3,727)
	<u><u> </u></u>	<u><u> </u></u>
Employee benefit expense (including directors' and chief executive's remuneration):		
Salaries, wages and other benefits	5,735	6,010
Pension scheme contributions (defined contribution scheme) (<i>Note</i>)	147	160
	<u> </u>	<u> </u>
Total staff costs	5,882	6,170
	<u><u> </u></u>	<u><u> </u></u>

Note:

At 31 December 2017, the Group had no forfeited contributions available to reduce its contributions to the pension scheme in future years (2016: Nil).

5. FINANCE COSTS

An analysis of finance costs is as follows:

	2017 HK\$'000	2016 <i>HK\$'000</i>
Interest on other loans	2,600	2,480
	<u><u> </u></u>	<u><u> </u></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 during the year. Taxes on profits assessable in Mainland China have been calculated at the rate of tax prevailing in Mainland China, in which the Group operates.

	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Deferred tax	<u>1,460</u>	<u>191</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 2017 (2016: Nil).

8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the Company of approximately HK\$200,919,000 (2016: HK\$63,189,000), and the weighted average number of ordinary shares of 2,700,000,000 (2016: 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 2017 and 2016.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 21 May 2018 to Friday, 25 May 2018, 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 Friday, 18 May 2018.

REVIEW OF OPERATION

During the year under review, the Group recorded a net profit of approximately HK\$201 million (2016: HK\$63 million). This was mainly due to the gain of approximately HK\$162 million brought by the fair value gains in equity investments (stocks) held by the Group for the year ended 31 December 2017.

The investments in equities held by the Group recorded a fair value gain of approximately HK\$162 million (2016: loss of HK\$18 million), and there were no fair value gains/losses in derivative financial instruments (2016: gain of HK\$26 million). Equity investments recorded dividend income of approximately HK\$26 million (2016: HK\$23 million).

The Group's rental income in Hong Kong recorded a slight increase of approximately 7% (2016: 6%).

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

PROPERTY INVESTMENT

Hong Kong

The Group's investment properties in Hong Kong mainly comprise of office, industrial and residential units. The Group's investment property portfolio contributed stable rental revenue of approximately HK\$5 million in 2017 (2016: HK\$4 million).

FINANCIAL INVESTMENTS

Worldwide economy and stocks market were volatile in 2017.

As of 31 December 2017, the Group held approximately HK\$725 million (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\$162 million (2016: loss of HK\$18 million) when marking the investment portfolios to market valuation as of 31 December 2017, along with dividend income of approximately HK\$26 million (2016: HK\$23 million).

The equity investments held by the Group as at 31 December 2017 were as follows:

Stock Code	Company Name	Number of shares held as at 31 December 2017 '000	Percentage of shareholding as at 31 December 2017 %	Fair value gain/(loss) for the year ended 31 December 2017 HK\$'000	Dividend income for the year ended 31 December 2017 HK\$'000	Fair value/carrying amount as at 31 December 2017 HK\$'000
2800	Tracker Fund of Hong Kong	8,120	0.25	64,554	7,552	244,006
5	HSBC Holdings plc	3,040	0.01	53,172	11,748	243,078
2828	Hang Seng H-Share Index ETF	1,332	0.37	31,702	3,596	157,442
3988	Bank of China Limited	9,800	0.01	3,920	1,884	37,632
857	PetroChina Co. Ltd.	2,378	0.01	(785)	297	12,959
941	China Mobile Ltd.	100	0.00	(295)	606	7,925
2628	China Life Insurance Co. Ltd.	300	0.00	1,305	82	7,365
	Other listed securities [#]			8,493	343	14,758
				<u>162,066</u>	<u>26,108</u>	<u>725,165</u>

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

As at 31 December 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 above, the Group had no other material acquisition and disposal of subsidiaries and associated companies during the year ended 31 December 2017.

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 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\$725 million (2016: HK\$612 million) as of 31 December 2017. The Group's cash and cash equivalents as of 31 December 2017 amounted to approximately HK\$153 million (2016: HK\$152 million).

As of 31 December 2017, the Group had total bank and other borrowings amounting to approximately HK\$353 million (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 31 December 2017 was repayable within 1 year or on demand.

Taking into account the total liquid assets of approximately HK\$879 million and total interest-bearing bank and other borrowings of approximately HK\$353 million, the Group was debt-free as at 31 December 2017.

CONTINGENT LIABILITY

As of 31 December 2017, the Group had no material contingent liability.

EMPLOYEES AND REMUNERATION POLICY

As of 31 December 2017, the Group had approximately 12 employees in Hong Kong. During the year, the staff costs (including directors' emoluments) amounted to approximately HK\$6 million (2016: HK\$6 million).

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

PROSPECT

The US Federal Reserve had increased the interest rate 3 times in 2017 (which was in March 2017, June 2017 and December 2017), and announced the start of shrinking of its balance sheet within the year. As Hong Kong dollar is pegged to the United States 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 potential 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 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.

China's economic growth has slowed down, with the Chinese government targeting an approximately 6.5% GDP growth rate for 2018. In addition to the potential fluctuation 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 becoming 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.

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 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, subject to re-election; and (ii) all directors appointed to fill a causal vacancy should be subjected to election by shareholders at the first general meeting after appointment. Every director, including those appointed for a specific term, should be subjected to retirement by rotation at least once every three years.

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

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

Mr. Lau Chi Yung, Kenneth, the chairman of the Board, attended the annual general meeting of the Company by phone conference, which was held on 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.

AUDIT COMMITTEE

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

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

In the presence of the representatives of the Company’s independent external auditors, the Group’s audited consolidated financial statements for the year ended 31 December 2017 have been reviewed by the audit committee, and with recommendation to the Board for approval.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors’ securities transactions. Based on specific enquiry of all Directors, all Directors confirmed that they had complied with the required standard set out in the Model Code for the year ended 31 December 2017.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

The annual results announcement of the Company is published on the websites of the Company (www.irasia.com/listco/hk/orientalexplorer/index.htm) and Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk). The annual report of the Company for 2017 containing all the information required by the Listing Rules will be dispatched to the shareholders of the Company and made available on the above websites in due course.

BOARD OF DIRECTORS

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

By Order of the Board
Lau Chi Yung, Kenneth
Chairman

Hong Kong, 28 March 2018