
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect about this circular, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitors, professional accountant or other professional advisor.

This circular appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities of the Company or Multifield.

If you have sold or transferred all your shares in ORIENTAL EXPLORER HOLDINGS LIMITED, you should at once hand this circular and proxy form enclosed herein to the purchaser or transferee, or to the bank or stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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ORIENTAL EXPLORER HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 430)

**VERY SUBSTANTIAL ACQUISITION
VERY SUBSTANTIAL DISPOSAL
ISSUE OF CONSIDERATION SHARES
CONNECTED TRANSACTION
REORGANISATION PLAN OF GROUP OF COMPANIES
PROPOSED CHANGE OF CHINESE NAME
AND
NOTICE OF SPECIAL GENERAL MEETING**

Financial Adviser to the Company



Independent Financial Adviser to the Independent Shareholders



**英皇融資有限公司
Emperor Capital Limited**

Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" in this circular.

A letter from the Board is set out on pages 7 to 31 of this circular. A letter from the Independent Financial Adviser is set out on pages 32 to 61 of this circular.

A notice convening the SGM of Oriental Explorer Holdings Limited to be held at Units 22-28, 25/F., Tower A, Southmark, 11 Yip Hing Street, Wong Chuk Hang, Hong Kong on Thursday, 23 July 2020 at 3:00 p.m. is set out on pages SGM-1 to SGM-2 of this circular.

Whether or not you are able to attend the SGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible to the branch share registrar of the Company in Hong Kong, Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong and in any event not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting at the SGM or any adjournment thereof should you so desire.

30 June 2020

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

“Announcement”	means the joint announcement dated 11 June 2020 of the Company and Multifield in relation to the Master Agreement and the transaction contemplated thereto;
“associate(s)”	has the meaning ascribed thereto in the Listing Rules;
“Board”	the board of the Directors;
“Business Day(s)”	a day (excluding Saturdays and Sundays and a day on which a tropical cyclone warning signal no. 8 or above or a black rainstorm warning signal is issued in Hong Kong at any time and remains in effect between 9:00 a.m. and 5:00 p.m.) on which licensed banks in Hong Kong are generally open for business in Hong Kong throughout their normal business hours;
“BVI”	the British Virgin Islands;
“Bye-laws”	the bye-laws of the Company;
“Call Rich”	Call Rich Investments Limited, a company incorporated in the BVI with limited liability and indirectly owned as to 25.04% by OE Disposal Company as at the Latest Practicable Date;
“Change of Company Chinese Name”	the adoption of “東方興業控股有限公司” as the secondary name of the Company in Chinese replacing the existing name of the Company in Chinese for identification purpose “東方網庫控股有限公司”
“close associate(s)”	has the meaning ascribed thereto in the Listing Rules;
“Company” or “Oriental Explorer”	Oriental Explorer Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed and traded on the Stock Exchange (stock code: 430) and a subsidiary of Multifield;
“Completion Date”	the fifth (5th) Business Days after the fulfilment or waiver (if permitted) of all the conditions precedent or such other date as Multifield and Oriental Explorer may agree in writing;
“Completion”	means completion of the Transactions contemplated under the Master Agreement;

DEFINITIONS

“Corncentre Investments”	means Corncentre Investments Limited, a company incorporated in the BVI with limited liability and indirectly owned as to 15.024% by OE Disposal Company as at the Latest Practicable Date;
“Director(s)”	means the directors of the Company;
“Enlarged Group”	means the Group upon Completion;
“Group”	the Company and its subsidiaries from time to time;
“Head Wonder”	Head Wonder International Limited, a company incorporated in the BVI with limited liability and owned as to 5% by Linkful Properties Company Limited as at the Latest Practicable Date;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“HKFRS”	Hong Kong Financial Reporting Standards;
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Independent Financial Adviser” or “Emperor Capital”	Emperor Capital Limited, a licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser to the Independent Shareholders in respect of the OE Transactions;
“Independent Shareholders”	shareholders of the Company who do not have any material interest (as defined under the Listing Rules) in the transactions under the Master Agreement;
“Initial Multifield Consideration”	the initial consideration for the OE Disposal payable by Multifield to Oriental Explorer in the sum of HK\$1,146,746,283, subject to adjustment;

DEFINITIONS

“Initial OE Consideration”	the initial consideration for the Multifield Disposal payable by Oriental Explorer to Multifield in the sum of HK\$1,381,502,456, subject to adjustment;
“Latest Practicable Date”	means 23 June 2020, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange from time to time;
“Long Stop Date”	31 December 2020 (or such later date as the Company and Multifield may agree in writing), being the deadline for fulfilment of the conditions precedent;
“Master Agreement”	the master agreement dated 11 June 2020 entered into between Multifield and Oriental Explorer in relation to the Transactions;
“Mr. Lau”	means Mr. Lau Chi Yung, Kenneth, a director of the Company and Multifield and a controlling shareholder of Multifield within the meaning of the Listing Rules;
“Multifield”	Multifield International Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed and traded on the Stock Exchange (stock code: 898), the holding company and controlling shareholder of the Company as defined under the Listing Rules;
“Multifield Acquisition”	means collectively the Multifield Company Acquisition and the Multifield Share Acquisition;
“Multifield Company Acquisition”	means the acquisition of the OE Disposal Share and the OE Disposal Debts from Oriental Explorer pursuant to the terms of the Master Agreement;
“Multifield Directors”	the directors of Multifield;
“Multifield Disposal”	means the disposal of the Multifield Disposal Share and the Multifield Disposal Debts to Oriental Explorer pursuant to the terms of the Master Agreement;
“Multifield Disposal Company” or “Target Company”	means Reach Profit Investments Limited, a company incorporated in the BVI with limited liability and wholly-owned by Multifield as at the Latest Practicable Date;

DEFINITIONS

“Multifield Disposal Debts”	means the outstanding unsecured, interest-free loan without any fixed term of repayment owed by the Multifield Disposal Company to Multifield to be assigned to Oriental Explorer at Completion;
“Multifield Disposal Group” or “Target Group”	means the Multifield Disposal Company and its subsidiaries;
“Multifield Disposal Properties”	means the residential, industrial and commercial properties held directly or indirectly by members of the Multifield Disposal Group, a certain number of which are currently rented out for rental income;
“Multifield Disposal Share”	1 share (representing 100% of the total issued share capital) in the Multifield Disposal Company;
“Multifield Group”	means Multifield and its subsidiaries (other than the Group for the purpose of this circular) from time to time;
“Multifield SGM”	means the special general meeting of Multifield to be convened for the purpose of approving the Master Agreement and the transactions contemplated thereunder;
“Multifield Share Acquisition”	means the acquisition of the OE Consideration Shares from Oriental Explorer pursuant to the terms of the Master Agreement;
“Multifield Transactions”	means collectively the Multifield Disposal and the Multifield Acquisition;
“OE Acquisition”	means the acquisition of the Multifield Disposal Share and the Multifield Disposal Debts from Multifield pursuant to the terms of the Master Agreement;
“OE Consideration Shares”	means the new OE Shares to be allotted and issued by Oriental Explorer to Multifield or its nominee as part of the Initial OE Consideration;
“OE Disposal”	means the disposal of the OE Disposal Share and the OE Disposal Debts to Multifield pursuant to the terms of the Master Agreement;
“OE Disposal Company” or “Disposal Company”	means Linkful Strategic Investment Limited, a company incorporated in the BVI with limited liability and wholly-owned by Oriental Explorer as at the Latest Practicable Date;
“OE Disposal Debts”	means the outstanding unsecured, interest-free loan without any fixed term of repayment owed by the OE Disposal Company to Oriental Explorer to be assigned to Multifield at Completion;

DEFINITIONS

“OE Disposal Group” or “Disposal Group”	means (i) the OE Disposal Company and its subsidiaries; and (ii) the OE Minority Interests Companies;
“OE Disposal Group Reorganisation”	the OE Disposal Company having transferred all its equity interest in Linkful (Holdings) Limited and Linkful Properties Company Limited, being direct and indirect wholly-owned subsidiaries of the OE Disposal Company respectively, to other members of the Group (other than any member of the OE Disposal Group) and having acquired all Linkful Properties Company Limited’s equity interest in Head Wonder (i.e. 5% of the issued share capital of Head Wonder);
“OE Disposal Share”	1 share (representing 100% of the total issued share capital) in the OE Disposal Company;
“OE Listed Securities”	means the listed securities held by OE Disposal Company, a majority of which are listed on the main board of the Stock Exchange;
“OE Minority Interests Companies”	means collectively Head Wonder, Call Rich, Rich Returns and Corncentre Investments;
“OE Minority Interests”	means collectively (i) 500 shares (representing 5% of the total issued share capital) in Head Wonder; (ii) 12,520 shares (representing 25.04% of the total issued share capital) in Call Rich; (iii) 18 shares (representing 18% of the total issued share capital) in Rich Returns; and (iv) 7,512 shares (representing 15.024% of the total issued share capital) in Corncentre Investments;
“OE Transactions”	means collectively the OE Disposal and the OE Acquisition;
“Post Completion Multifield Disposal Group Accounts”	has the meaning ascribed to it in the paragraph headed “Adjustment to the Initial OE Consideration”;
“Post Completion OE Disposal Group Accounts”	has the meaning ascribed to it in the paragraph headed “Adjustment to the Initial Multifield Consideration”;
“PRC”	the People’s Republic of China excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan for the purposes of this circular;

DEFINITIONS

“Rich Returns”	means Rich Returns Limited, a company incorporated in the BVI with limited liability and indirectly owned as to 18% by OE Disposal Company as at the Latest Practicable Date;
“RMB”	the lawful currency of the PRC;
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“SGM”	means the special general meeting of the Company to be convened for the purpose of approving the Master Agreement and the transactions contemplated thereunder and the Change of Company Chinese Name;
“Share(s)” or “OE Share(s)”	ordinary share(s) of par value HK\$0.01 each in the share capital of the Company (or such other nominal amount as shall result from a sub-division, consolidation, reclassification or reconstruction of the share capital of the Company, from time to time);
“Shareholder(s)”	holder(s) of the Share(s) in issue;
“Specific Mandate”	the specific mandate to be sought from the Independent Shareholders at the SGM to allot and issue the OE Consideration Shares to Multifield or its nominee at Completion;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Transactions”	means collectively the Multifield Transactions and the OE Transactions;
“Yili”	means Yili Hotel Property Management (Shanghai) Limited* (怡麗酒店物業管理(上海)有限公司), a company established in the PRC;
“Yizhen”	means Yizhen Hotel Property Management (Shanghai) Limited* (怡真酒店物業管理(上海)有限公司), a company established in the PRC; and
“%”	per cent.

The English transliteration of the Chinese name(s) in this circular, where indicated with, is included for information purpose only, and should not be regarded as the official English name(s) of such Chinese name(s).*

LETTER FROM THE BOARD



ORIENTAL EXPLORER HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 430)

Executive Directors:

Mr. Lau Chi Yung, Kenneth (*Chairman*)

Mr. Lau Michael Kei Chi

(Vice-Chairman and Managing Director)

Independent Non-executive Directors:

Mr. Lee Siu Man, Ervin

Mr. Wong Yim Sum

Mr. Tsui Ka Wah

Registered Office:

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

Principal Place of Business

in Hong Kong:

Units 22-28, 25/F

Tower A, Southmark

11 Yip Hing Street

Wong Chuk Hang

Hong Kong

30 June 2020

To the Shareholders

Dear Sir or Madam,

**VERY SUBSTANTIAL ACQUISITION
VERY SUBSTANTIAL DISPOSAL
ISSUE OF CONSIDERATION SHARES
CONNECTED TRANSACTION
REORGANISATION PLAN OF GROUP OF COMPANIES
PROPOSED CHANGE OF CHINESE NAME
AND
NOTICE OF SPECIAL GENERAL MEETING**

INTRODUCTION

Reference is made to the Announcement and the supplemental announcement of the Company dated 23 June 2020 in relation to the Transactions.

LETTER FROM THE BOARD

As disclosed in the Announcement, on 11 June 2020, the Company and Multifield entered into the Master Agreement. The transactions contemplated thereunder will be a reorganisation of group of companies of the Group and the Multifield Group.

The purpose of this circular is to provide you with, among other things, (i) information reasonably necessary to enable the Shareholders to make a decision on whether to vote for or against the special resolution for the approval of the Change of Company Chinese Name; (ii) further details of the OE Disposal and OE Acquisition; (iii) the advice from the Independent Financial Adviser to the Independent Shareholders in relation to the OE Transactions; (iv) the financial information of the Group; (v) the financial information of the Multifield Disposal Group; (vi) the financial information of the OE Disposal Group; (vii) the unaudited pro forma financial information of the Enlarged Group upon Completion; (viii) a property valuation report on the Multifield Disposal Properties and the properties held by the OE Disposal Group; (ix) other information as required under the Listing Rules; and (x) a notice of the SGM.

1. PROPOSED CHANGE OF THE CHINESE NAME OF THE COMPANY

As disclosed in the announcement of the Company dated 23 June 2020, the Board proposes to adopt “東方興業控股有限公司” as the secondary name of the Company in Chinese replacing the existing name of the Company in Chinese for identification purpose “東方網庫控股有限公司”. The English name of the Company, “Oriental Explorer Holdings Limited” remains unchanged.

Condition for the Change of Company Chinese Name

The Change of Company Chinese Name is subject to the following conditions:

- (1) the passing of a special resolution by the Shareholders approving the Change of Company Chinese Name at the SGM, and
- (2) the approval of the Registrar of Companies in Bermuda having been obtained for the Change of Company Chinese Name.

Subject to the satisfaction of the conditions set out above, the Change of Company Chinese Name will take effect from the date of entry of the new secondary name of the Company in Chinese on the register of companies maintained by the Registrar of Companies in Bermuda.

The relevant filings with the Registrar of Companies in Bermuda will be made after the passing of the special resolution to approve the Change of Company Chinese Name at the SGM.

Thereafter, the Company will carry out all necessary registration and/or filing procedures with the Companies Registry in Hong Kong.

LETTER FROM THE BOARD

Reasons for the Change of Company Chinese Name

The Board believes that the Change of Company Chinese Name will improve the Company's corporate image and better reflect the Company's future business plans and development. The Board believes that the Change of Company Chinese Name is in the interests of the Company and the Shareholders as a whole.

Effects of the Change of Company Chinese Name

The Change of Company Chinese Name will not affect any of the rights of the Shareholders or the daily business operation and/or financial position of the Company. All the existing share certificates of the Company in issue bearing the present name of the Company, after the Change of Company Chinese Name becoming effective, will continue to be evidence of legal title to such Shares of the Company and will continue to be valid for trading, settlement, registration and delivery purposes. Accordingly, there will not be any arrangement for exchange of existing share certificates for new certificates bearing the new Chinese Name of the Company.

In addition, subject to the confirmation by the Stock Exchange, the Chinese stock short names of the Company for trading in the Shares on the Stock Exchange will be changed after the Change of Company Chinese Name becoming effective.

2. REORGANISATION PLAN

MASTER AGREEMENT

Set out below are the principal terms of the Master Agreement:

Date: 11 June 2020

Parties: (i) Multifield; and
(ii) Oriental Explorer.

Subject Matter: Pursuant to the Master Agreement,

- (1) Multifield has conditionally agreed to sell, and Oriental Explorer has conditionally agreed to purchase the Multifield Disposal Share (representing the entire issued share capital of the Multifield Disposal Company) and the Multifield Disposal Debts; and
- (2) Oriental Explorer has conditionally agreed to sell, and Multifield has conditionally agreed to purchase the OE Disposal Share (representing the entire issued share capital of the OE Disposal Company) and the OE Disposal Debts.

LETTER FROM THE BOARD

The Multifield Disposal Company is a direct wholly-owned subsidiary of Multifield. Following the Multifield Disposal, the Multifield Disposal Company will become a direct subsidiary of the Company. Given Multifield indirectly holds approximately 64.06% of the entire issued share capital of the Company as at the Latest Practicable Date and will hold approximately 75.0% of the entire issued share capital of the Company immediately after the Completion, the Multifield Disposal Company will still be an indirect subsidiary of Multifield.

The OE Disposal Company is a direct wholly-owned subsidiary of the Company. Following the OE Disposal, the OE Disposal Company will become a direct wholly-owned subsidiary of Multifield.

Consideration:

Initial OE Consideration

The Initial OE Consideration (subject to adjustment) for the Multifield Disposal is HK\$1,381,502,456, which consists of (i) the consideration for the Multifield Disposal Debts being the sum equivalent to the outstanding amount of the Multifield Disposal Debts as at 31 March 2020 of HK\$364,242,118, and (ii) the consideration for the Multifield Disposal Share being the sum of the net asset value of the Multifield Disposal Group as at 31 March 2020 of HK\$1,017,260,338.

The Initial OE Consideration was arrived at after arm's length negotiation between Multifield and Oriental Explorer with reference to, among other things, (i) the unaudited combined net asset value of the Multifield Disposal Group as at 31 March 2020 in an amount of approximately HK\$1,017,260,338 based on the unaudited combined management accounts of the Multifield Disposal Group reflecting the preliminary valuation of the Multifield Disposal Properties as at 31 March 2020 as appraised by an independent firm of qualified professional valuers; and (ii) the outstanding amount of the Multifield Disposal Debts of approximately HK\$364,242,118 as at 31 March 2020.

Adjustment to the Initial OE Consideration

Multifield shall furnish to Oriental Explorer the financial statements of Multifield Disposal Group as at the Completion Date ("**Post Completion Multifield Disposal Group Accounts**") within 60 Business Days after the Completion Date.

LETTER FROM THE BOARD

If the aggregate sum of (i) the net asset value of the Multifield Disposal Group at the Completion Date and (ii) the outstanding amount of the Multifield Disposal Debts at the Completion Date as shown on the Post Completion Multifield Disposal Group Accounts shall be more than the amount of the Initial OE Consideration, the Initial OE Consideration shall be adjusted upwards on a dollar for dollar basis. Such adjusted upwards amount shall be payable by Oriental Explorer to Multifield.

If the aggregate sum of (i) the net asset value of the Multifield Disposal Group at the Completion Date and (ii) the outstanding amount of the Multifield Disposal Debts at the Completion Date as shown on the Post Completion Multifield Disposal Group Accounts shall be less than the amount of the Initial OE Consideration, the Initial OE Consideration shall be adjusted downwards on a dollar for dollar basis (without prejudice to Oriental Explorer's right to claim damages from Multifield to the extent the loss is not covered by adjustment in the Initial OE Consideration). Such adjusted downwards amount shall be payable by Multifield to Oriental Explorer.

Initial Multifield Consideration

The Initial Multifield Consideration (subject to adjustment) for the OE Disposal is HK\$1,146,746,283, which consists of (i) the consideration for the OE Disposal Debts being the sum equivalent to the outstanding amount of the OE Disposal Debts as at 31 March 2020 of HK\$217,356,507, and (ii) the sum of the net asset value of the OE Disposal Group as at 31 March 2020 of HK\$929,389,776.

The Initial Multifield Consideration was arrived at after arm's length negotiation between the Company and Multifield with reference to, among other things, (i) the unaudited net asset value of the OE Disposal Group as at 31 March 2020 in an amount of approximately HK\$929,389,776 based on the unaudited consolidated management accounts of the OE Disposal Group reflecting (a) the fair value of the OE Listed Securities and (b) the preliminary valuation of interests in properties held by members of the OE Disposal Group as appraised by an independent firm of qualified professional valuers both as at 31 March 2020; and (ii) the outstanding amount of the OE Disposal Debts of approximately HK\$217,356,507 as at 31 March 2020.

LETTER FROM THE BOARD

Adjustment to Initial Multifield Consideration

The Company shall furnish to Multifield the financial statements of OE Disposal Group as at the Completion Date (“**Post Completion OE Disposal Group Accounts**”) within 60 Business Days after the Completion Date.

If the aggregate sum of (i) the net asset value of the OE Disposal Group at the Completion Date and (ii) the outstanding amount of the OE Disposal Debts at the Completion Date as shown on the Post Completion OE Disposal Group Accounts shall be more than the amount of the Initial Multifield Consideration, the Initial Multifield Consideration shall be adjusted upwards on a dollar for dollar basis. Such adjusted upwards amount shall be payable by Multifield to Oriental Explorer.

If the aggregate sum of (i) the net asset value of the OE Disposal Group at the Completion Date and (ii) the outstanding amount of the OE Disposal Debts at the Completion Date as shown on the Post Completion OE Disposal Group Accounts shall be less than the amount of the Initial Multifield Consideration, the Initial Multifield Consideration shall be adjusted downwards on a dollar for dollar basis (without prejudice to Multifield’s right to claim damages from the Company to the extent the loss is not covered by adjustment in the Initial Multifield Consideration). Such adjusted downwards amount shall be payable by Oriental Explorer to Multifield.

Payment:

Oriental Explorer shall pay to Multifield the sum equivalent to the shortfall between the Initial OE Consideration and the Initial Multifield Consideration, which, subject to adjustment, amounted to HK\$234,756,173 and such sum is to be settled by Oriental Explorer as follows:

- (a) as to HK\$86,983,129.89, by the issue of OE Consideration Shares to Multifield or its nominee at Completion; and
- (b) the balance of HK\$147,773,043.11 by cash or issue of interest-free promissory note (to be chosen by Oriental Explorer at its sole and absolute discretion) by Oriental Explorer to Multifield.

LETTER FROM THE BOARD

The cash portion (if any) of the Initial OE Consideration under (b) above will be funded from internal resources of the Group. Instead of paying cash, Oriental Explorer may at its sole discretion issue to Multifield a one-year interest-free promissory note (which is non-transferable and can be early redeemed by giving a notice not less than seven (7) days) covering the balance as a bridging measure. Thereafter, Oriental Explorer will mortgage the Multifield Disposal Properties and obtain bank loans for the purpose of repaying the sum due under the said promissory note.

As regards the amount payable by virtue of the adjustment to the Initial OE Consideration and the Initial Multifield Consideration after Completion, Multifield and Oriental Explorer are entitled to set off the amount payable by each other (if any) on a dollar-for-dollar basis.

If the aggregate amount payable by Multifield to Oriental Explorer is greater than the aggregate amount payable by Oriental Explorer to Multifield by virtue of the adjustment to the Initial OE Consideration and the Initial Multifield Consideration after Completion, Multifield shall pay to Oriental Explorer such difference by cash within fourteen (14) Business Days after issuance of the Post Completion Multifield Disposal Group Accounts and the Post Completion OE Disposal Group Accounts.

If the aggregate amount payable by Multifield to Oriental Explorer is less than the aggregate amount payable by Oriental Explorer to Multifield by virtue of the adjustment to the Initial OE Consideration and the Initial Multifield Consideration after Completion, Oriental Explorer shall pay to Multifield such difference by way of cash or issuance of one-year interest-free promissory note (which is non-transferable and can be early redeemed by giving a notice not less than seven (7) days and shall be chosen by Oriental Explorer at its sole and absolute discretion) within fourteen (14) Business Days after issuance of the Post Completion Multifield Disposal Group Accounts and the Post Completion OE Disposal Group Accounts.

Conditions Precedent:

Completion for the transactions under the Master Agreement is conditional upon, among other things, the following conditions being fulfilled or waived (as the case may be) on or before the Long Stop Date:

LETTER FROM THE BOARD

- (1) the Independent Shareholders shall have approved by way of poll at the SGM in respect of the entering into of the Master Agreement and the transactions contemplated thereunder by Oriental Explorer, including the issue of the OE Consideration Shares;
- (2) the shareholders of Multifield shall have approved by way of poll at the Multifield SGM in respect of the entering into of the Master Agreement and the transactions contemplated thereunder by Multifield;
- (3) the Stock Exchange granting the listing of, and permission to deal in the OE Consideration Shares and such approval have not been revoked;
- (4) Multifield shall have notified Oriental Explorer in writing that in reliance on the warranties and representations provided by Oriental Explorer, it is satisfied upon inspection and investigation as to the financial, corporate, taxation and trading positions of each member of the OE Disposal Group;
- (5) Oriental Explorer shall have notified Multifield in writing that in reliance on the warranties and representations provided by Multifield, it is satisfied upon inspection and investigation as to the financial, corporate, taxation and trading positions of each member of the Multifield Disposal Group;
- (6) Multifield shall have delivered to Oriental Explorer an original certificate of good standing dated no earlier than the date of the Master Agreement and an original certificate of incumbency dated no earlier than the date of the Master Agreement in respect of each member of the Multifield Disposal Group that are incorporated in the BVI;
- (7) Oriental Explorer shall have delivered to Multifield an original certificate of good standing dated no earlier than the date of the Master Agreement and an original certificate of incumbency dated no earlier than the date of the Master Agreement in respect of each member of the OE Disposal Group that are incorporated in the BVI;

LETTER FROM THE BOARD

- (8) Multifield shall have given, proved and shown the title to such properties located in Hong Kong and directly or indirectly owned by each of the member of the Multifield Disposal Group and made and furnished to Oriental Explorer the originals or certified copies (as the case may be) of such deeds and documents of title, will and matters of public records as may be necessary to complete and prove such title; and in respect of such properties that are located in the PRC, Multifield shall have provided legal opinion issued by PRC lawyers to confirm that those properties are vested in the relevant members of the Multifield Disposal Group; and
- (9) Oriental Explorer shall have completed the OE Disposal Group Reorganisation and delivered the certificate of incumbency or register of members of Head Wonder to Multifield showing that the OE Disposal Company owns 5% of the issued share capital of Head Wonder.

Multifield or Oriental Explorer (as the case may be) may waive all or any condition(s) (other than conditions (1), (2) and (3) above) by notice in writing to the other party.

If the conditions set out above has not been fulfilled or (where applicable) waived by the Long Stop Date, the Master Agreement shall cease and determine and no party to the Master Agreement shall have any obligations and liabilities towards each other thereunder save for any antecedent breaches of the Master Agreement.

As at the Latest Practicable Date, none of the conditions has been fulfilled or waived.

Completion:

Completion for the Transactions shall take place simultaneously on the fifth Business Day after the fulfillment (or waiver, if permitted) of all the conditions precedent above or such other date as Multifield and Oriental Explorer may agree in writing.

LETTER FROM THE BOARD

Upon Completion, the OE Disposal Company will become a direct wholly-owned subsidiary of Multifield; on the other hand, the Multifield Disposal Company (which holds the Multifield Disposal Properties through its subsidiaries) will become a wholly-owned subsidiary of Oriental Explorer and thus the Multifield Disposal Company will still be a subsidiary of Multifield (through its shareholdings in Oriental Explorer).

After Completion, the Group will cease to be engaged in securities trading and investment as its principal business. The Group will continue to engage in the property investment businesses. Multifield, holding the majority stakes in companies of the OE Minority Interests before the Transactions, will further enhance its shareholdings in such companies and will, apart from other non-property related business, focus on property development.

Subsequent to the Completion, the Multifield Group will provide management services to the Group in respect of one of the Multifield Disposal Properties and the Group shall pay management fee to the Multifield Group in the amount of not more than HK\$3,000,000 per year. As each of the applicable percentage ratios is less than 5% and the total consideration is less than HK\$3,000,000, the provision of management services constitutes de minimis fully exempt continuing connected transactions under Chapter 14A of the Listing Rules.

OE Consideration Shares: Pursuant to the terms of the Master Agreement, 1,181,836,004 OE Consideration Shares will be allotted and issued at the issue price of HK\$0.0736 per OE Consideration Share and to be credited as fully paid.

The issue price of HK\$0.0736 per OE Consideration Share represents:

- (i) a discount of approximately 1.9% to the closing price per OE Share of HK\$0.075 on the Latest Practicable Date;
- (ii) a discount of approximately 3.2% to the closing price per OE Share of HK\$0.076 on the last trading day immediately prior to the date of the Announcement;

LETTER FROM THE BOARD

- (iii) a discount of approximately 13.4% to the average closing price per OE Share of approximately HK\$0.0850 for the last three months immediately prior to and including the last trading day immediately prior to the date of the Announcement;
- (iv) a discount of approximately 17.7% to the average closing price per OE Share of approximately HK\$0.0894 for the last six months immediately prior to and including the last trading day immediately prior to the date of the Announcement; and
- (v) a discount of approximately 86.3% to the consolidated net asset value per OE Share of approximately HK\$0.5368 based on the net asset value of approximately HK\$1,449.3 million as at 31 December 2019 and 2,700,000,000 OE Shares in issue.

The issue price of HK\$0.0736 per OE Consideration Share was arrived at after arm's length negotiations between Multifield and Oriental Explorer after taking into account of the average closing price of the OE Shares in the five trading days immediately prior to the date of the Master Agreement, the recent trend of price of the OE Shares and the future prospects of the Group after the Completion. The Board was aware that the issue price of OE Consideration Share represented substantial discount to the consolidated net asset value per OE Share as at 31 December 2019. Nevertheless, the Board noted that the OE Shares had been consistently traded ranging from a maximum of HK\$0.112 per Share on 17 to 20 June 2019 and 27 June to 3 July 2019 to a minimum of HK\$0.073 per Share from 2 June 2020 to 9 June 2020, representing substantial discount of approximately 79.1% to 86.4% to the consolidated net asset value per OE Share as at 31 December 2019 during the past one year period from 12 June 2019 (i.e. one year prior to the date of the Master Agreement) up to the date of the Master Agreement with low trading liquidity (i.e. the Shares' monthly average daily trading volume had been below 0.11% of the total number of issued Shares held by the public during the same one year period prior to the date of the Master Agreement). As such, the Board considers that the prevailing market prices of the OE Shares were more representative to the fair market value of the OE Shares and hence consider the issue price of the OE Consideration Shares is fair and reasonable despite the issue price of OE Consideration Share represented a discount to consolidated net asset value per OE Share as at 31 December 2019.

LETTER FROM THE BOARD

An application will be made by Oriental Explorer to the Stock Exchange for the listing of, and permission to deal in, the OE Consideration Shares.

The OE Consideration Shares will be allotted and issued under Specific Mandate of Oriental Explorer to be sought at the SGM. The OE Consideration Shares, when allotted and issued, will rank pari passu in all respects with the existing OE Shares then in issue.

EFFECT ON THE SHAREHOLDING STRUCTURE

The allotment of the OE Consideration Shares by Oriental Explorer to Multifield will result in Multifield's acquisition of additional interest in the Company, but will not result in a change in control of the Company. Assuming that there being no issue (other than the OE Consideration Shares) or repurchases of Shares from the Latest Practicable Date, the OE Consideration Shares represent (i) approximately 43.8% of the issued share capital of the Company as at the Latest Practicable Date; and (ii) represent approximately 30.4% of the enlarged issued share capital of the Company immediately after Completion. The following table depicts the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately after Completion:

Shareholders	As at the Latest Practicable Date		Immediately after allotment and issue of the OE Consideration Shares	
	Number of Shares	Approximate %	Number of Shares	Approximate %
Multifield (<i>Note</i>)	1,729,540,999	64.1	2,911,377,003	75.0
Public shareholders	970,459,001	35.9	970,459,001	25.0
Total	<u>2,700,000,000</u>	<u>100.0</u>	<u>3,881,836,004</u>	<u>100.0</u>

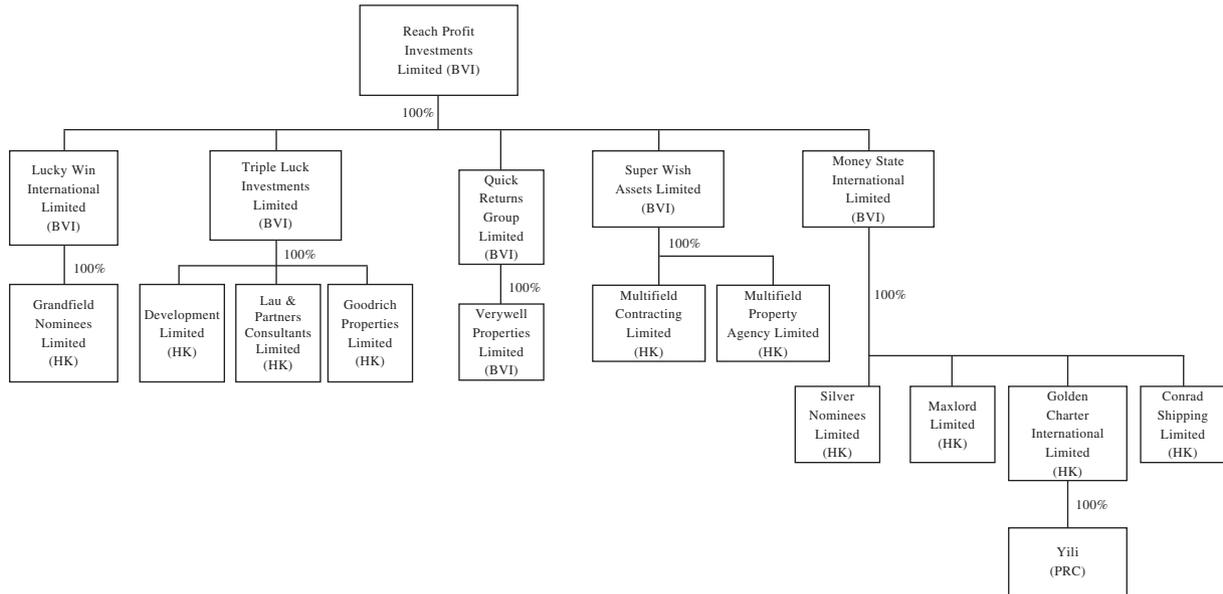
Note: Multifield holds the Shares through its indirect wholly-owned subsidiary, namely, Limitless Investment Limited. For details, please refer to page VIII-3 of this circular.

LETTER FROM THE BOARD

INFORMATION ON THE MULTIFIELD DISPOSAL GROUP

Set out below is the group structure chart and the basic information of the Multifield Disposal Group:

Group structure chart



LETTER FROM THE BOARD

Information on Multifield Disposal Company

The Multifield Disposal Company was incorporated in the BVI on 23 December 2019. As at the Latest Practicable Date, the Multifield Disposal Company is a direct wholly-owned subsidiary of Multifield. The Multifield Disposal Group consists of the Multifield Disposal Company and a number of direct and indirect subsidiary(ies). As at the Latest Practicable Date, Yili is dormant and Multifield is underway to wind-up such company. The Multifield Disposal Company indirectly holds the entire interest in the Multifield Disposal Properties through its subsidiaries. The Multifield Disposal Group receives rental income generated from the Multifield Disposal Properties.

Principal activities

The principal activities of the Multifield Disposal Company are investment holding and (through members of the Multifield Disposal Group) property investment.

Financial information

The Multifield Disposal Group recorded net profit before and after taxation of (i) approximately HK\$28.14 million and HK\$27.91 million for the year ended 31 December 2018; and (ii) approximately HK\$83.12 million and HK\$78.59 million for the year ended 31 December 2019. The unaudited net asset value of the Multifield Disposal Group as at 31 March 2020 was HK\$1,017,260,338.

Information on Multifield Disposal Properties

As at the Latest Practicable Date, the Multifield Disposal Group is principally engaged in property investment and the Multifield Disposal Properties consist of residential, industrial and commercial properties in Hong Kong and the PRC. The properties are as follows:

- (1) Ground Floor of Block 1B, Pine Villas, Nos.118 & 118A, Castle Peak Road, Castle Peak Bay, Tuen Mun, New Territories, Hong Kong;
- (2) Multifield Centre, No. 426 Shanghai Street, Kowloon, Hong Kong;
- (3) Flat B on 30th Floor of Tower 6 and Private Cars Car Park No. 58 on Car Park Level 2, Bel-Air on the Peak of Island South, No. 68 Bel-Air Peak Avenue, Hong Kong;
- (4) Units 1 to 3, 5, 6, 21 to 23 and 25 to 28 on 20th Floor, Pacific Link Tower, Southmark, No. 11 Yip Hing Street, Wong Chuk Hang, Hong Kong;
- (5) Car Parking Space (Private Carpark) Nos. P229 and P230 on 2nd Floor, Southmark, No. 11 Yip Hing Street, Wong Chuk Hang, Hong Kong;

LETTER FROM THE BOARD

- (6) Car Parking Space No. 1071 on 1st Floor, Larvotto, No. 8 Ap Lei Chau Praya Road, Hong Kong;
- (7) Flat A (Including the Bay Window, the Balcony, the Utility Platform thereof and the Air-Conditioning Plant Room Appertaining thereto) on the 12th Floor, Tower 2, Larvotto, No. 8 Ap Lei Chau Praya Road, Hong Kong;
- (8) Whole of 4th, 5th, 8th and 9th Floor, Units B1 and B2 on 14th Floor and Car Parking Space Nos. 1-4 and 10-21, Blue Box Factory Building, No. 25 (Formerly No. 15) Hing Wo Street, Hong Kong; and
- (9) Units A to F on Level 16, Tower II, Innotect Tower, No. 239 Nanjing Road, Heping District, Tianjin, The PRC.

As at 31 December 2019, the total book value of the Multifield Disposal Properties was approximately HK\$1,407.5 million. The original purchase cost of the Multifield Disposal Properties was approximately HK\$309.4 million. As set out in Appendix VII to this circular, the valuation of the Multifield Disposal Properties as at 31 March 2020 was HK\$1,406.54 million.

In selecting the Multifield Disposal Properties, the Multifield Directors considered the following factors:

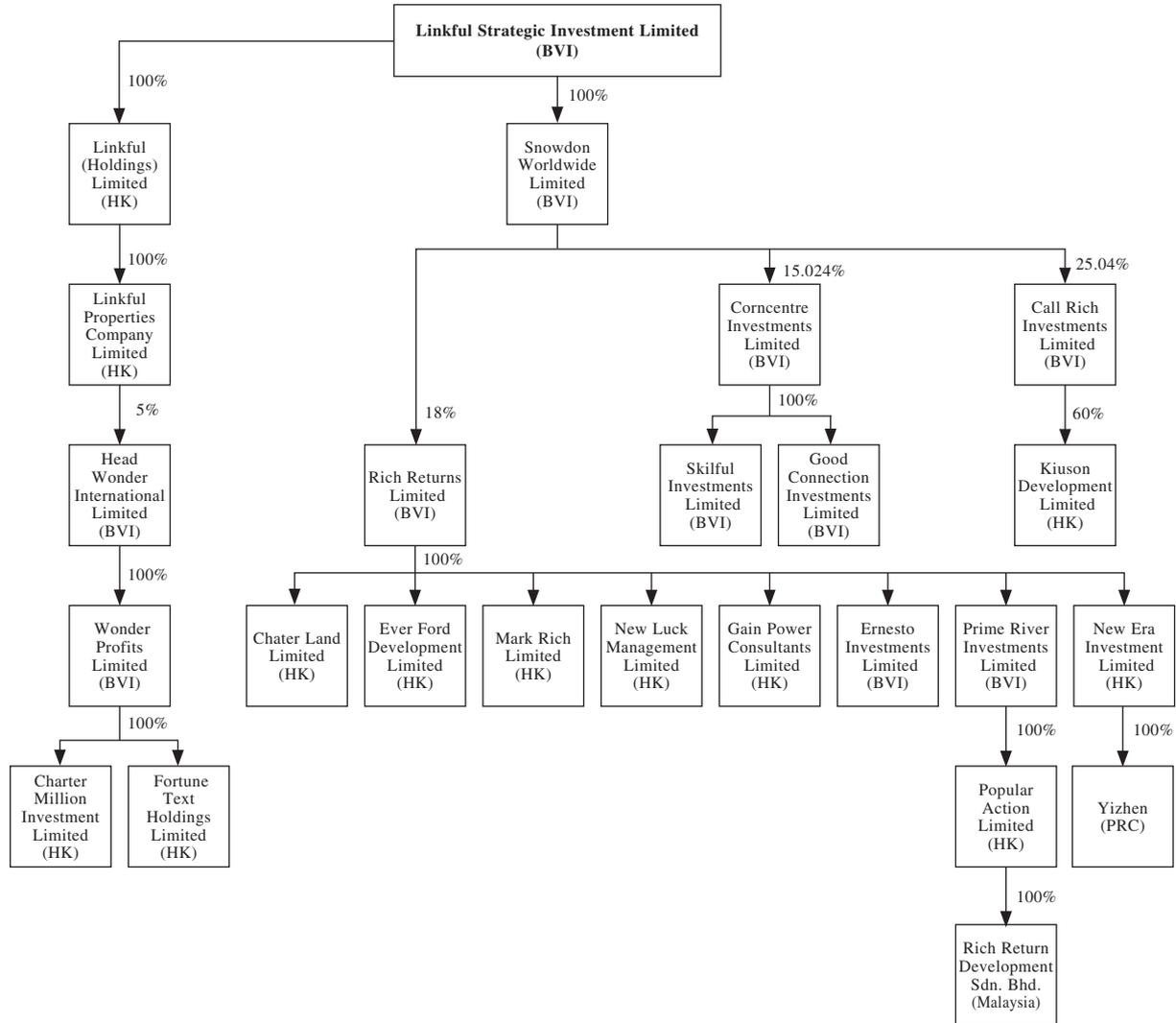
- (1) the interests of the properties are wholly-owned by Multifield;
- (2) properties that are not subject to mortgage or legal charge; and
- (3) the market value of the properties and affordability of the counter-party.

LETTER FROM THE BOARD

INFORMATION ON THE OE DISPOSAL GROUP

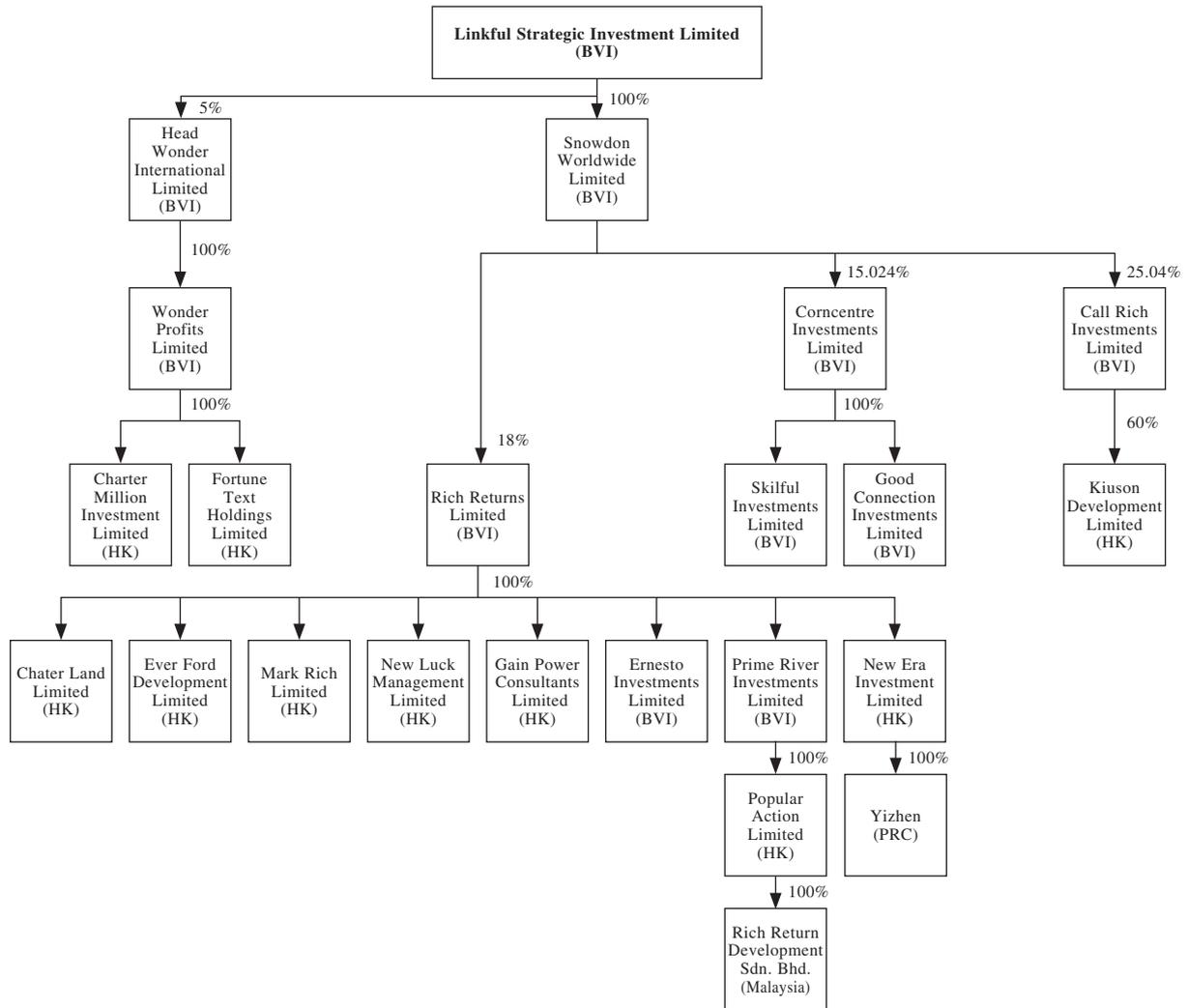
Set out below is the group structure chart and the basic information of the OE Disposal Group:

Group structure chart before OE Disposal Group Reorganisation



LETTER FROM THE BOARD

Group structure chart after OE Disposal Group Reorganisation



LETTER FROM THE BOARD

Information on OE Disposal Group

The OE Disposal Company was incorporated in the BVI on 8 June 1993. As at the Latest Practicable Date, the OE Disposal Company is a direct wholly-owned subsidiary of Oriental Explorer. The OE Disposal Group consists of the OE Disposal Company and a number of direct and indirect subsidiaries. As at the Latest Practicable Date, Yizhen is dormant and Oriental Explorer is underway to wind-up such company. The OE Disposal Company directly holds the OE Listed Securities and indirectly holds the OE Minority Interests through its subsidiaries. The companies of the OE Minority Interests hold (directly or indirectly) interest in certain properties in Hong Kong and the PRC.

Principal activities

The principal activities of the OE Disposal Company are investment holding, trading of securities and (through members of the OE Disposal Group) property investment.

Financial information

The OE Disposal Group recorded net loss of approximately HK\$88.80 million (both before and after taxation) for the year ended 31 December 2018 and net profit of approximately HK\$39.19 million (both before and after taxation) for the year ended 31 December 2019. The unaudited net asset value of the OE Disposal Group as at 31 March 2020 was HK\$929,389,776.

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Information on OE Listed Securities

The OE Disposal Company directly holds the OE Listed Securities. Set out below is the major securities of the OE Listed Securities which are listed on the Stock Exchange:

Stock code on the Stock Exchange	Company name	Principal business	Number of shares held as at 31 March 2020 <i>Approximate</i> <i>'000</i>	Closing price of the shares as at 31 March 2020 <i>HK\$</i>	Market value of the shares as at 31 March 2020 <i>Approximate</i> <i>HK\$'000</i>
2800	Tracker Fund of Hong Kong	Collective investment fund, structured as a unit trust established under Hong Kong law, provide investment results that closely correspond to the performance of the Hang Seng Index.	5,850	23.85	139,523
5	HSBC Holdings plc	Banking and financial services, manages its products and services through four businesses: Retail Banking and Wealth Management (RBWM), Commercial Banking (CMB), Global Banking and Markets (GB&M), and Global Private Banking (GPB).	3,040	44.15	134,233
2828	Hang Seng China Enterprises Index ETF	Sub-fund of the Hang Seng Investment Index Funds Series, a unit trust established as an umbrella fund under the laws of Hong Kong, which aims to match, before expenses, as closely as practicable the performance of the Hang Seng China Enterprises Index.	1,332	96.70	128,804
3988	Bank of China Limited	Banking and financial services, a China-based company principally engage in the provision of banking and related financial services.	9,800	2.97	29,106
857	PetroChina Co. Ltd.	Petroleum and gases, a China-based company principally engage in the production and distribution of oil and gas.	2,378	2.84	6,753

LETTER FROM THE BOARD

Stock code on the Stock Exchange	Company name	Principal business	Number of shares held as at 31 March 2020 <i>Approximate</i> <i>'000</i>	Closing price of the shares as at 31 March 2020 <i>HK\$</i>	Market value of the shares as at 31 March 2020 <i>Approximate</i> <i>HK\$'000</i>
941	China Mobile Ltd.	Telecommunication and Services, a China based company principally engage in telecommunication and related businesses including mobile businesses, wireline Broadband businesses and Internet of Things (IoT) businesses.	100	57.65	5,765
2628	China Life Insurance Co. Ltd.	Life insurance, a China based company principally engage provides a range of insurance products, including individual and group life insurance, health insurance and accident insurance products.	300	15.18	4,554
	Other listed securities [#]				2,192
	Aggregate value of the OE Listed Securities				<u>450,930</u>

Other listed securities mainly represented the OE Disposal Group's investment in 10 companies whose shares were mainly listed on the main board of the Stock Exchange. The carrying value of each of these investments represented less than 1% of the total assets of the OE Disposal Group as at 31 March 2020.

LETTER FROM THE BOARD

Information on OE Minority Interests

As at the Latest Practicable Date,

- (1) the companies that issued the OE Minority Interests (i.e. Head Wonder, Call Rich, Rich Returns and Corncentre Investments) and their respective subsidiaries were principally engaged in property investment and own certain commercial and residential properties and serviced villas in Hong Kong and the PRC;
- (2) the Company indirectly held (i) 5% in Head Wonder; (ii) 25.04% in Call Rich; (iii) 18% in Rich Returns; and (iv) 15.024% in Corncentre Investments;
- (3) Multifield Group indirectly held (i) 60% in Head Wonder; (ii) 45% in Call Rich; (iii) 51% in Rich Returns; and (iv) 67% in Corncentre Investments, and the financial results of each of Head Wonder, Call Rich, Rich Returns and Corncentre Investments are consolidated into the financial statements of Multifield;
- (4) the book value of the said properties attributable to the OE Disposal Group as at 31 March 2020 was HK\$930,344,960 (around 17.22% of the total book value of HK\$5,401,400,000 of the said properties as at 31 March 2020); and
- (5) the major income derived from the said properties were rental income and sale proceeds from the disposal of the said properties.

LETTER FROM THE BOARD

REASONS FOR AND BENEFITS OF THE OE TRANSACTIONS

Before the Transactions, the Group is principally engaged in property investment, trading of securities and investment holding, whilst the Multifield Group is principally engaged in property development, property investment, provision of hotel-serviced apartments and villas and property management services, trading of securities and investment holding. After Completion, the Group will focus on property investment which involves lease out or sell of properties. The Group will acquire properties from time to time for enhancing its investment properties portfolio when it thinks fit.

Currently, the property investment business of the Group is generally managed by the Group's general manager, with the assistance of three employees under the real estate department of Multifield. Upon Completion, the Group intends that one of the employees under the real estate department of Multifield who is currently handling Multifield Disposal Properties will be designated to and under the employment of the Group for handling the daily operations of the property investment business of the Group on a full-time basis. The Group will also consider hiring new employee(s) or designate more employee(s) currently under the real estate department of Multifield to be under the employment of the Group (who will not work for Multifield by then) to meet the business growth of the Group. The said employee designated from Multifield to the Group as well as the overall property investment business of the Group will be overseen by the general manager of the Group, and the executive Directors will be responsible for making investment strategies and decisions for investment in properties. The operations of the property investment business of the Group, including but not limited to marketing, negotiating lease terms with new and existing tenants, monitoring maintenance works, handing over of premises and recovering rent arrears will be carried out by the Group's own employees. Accordingly, the Directors consider that the property investment business of the Enlarged Group will be operated independently of Multifield.

The transactions contemplated under the Master Agreement aim to achieve a reorganisation among the Group and the Multifield Group to achieve the following:

The Group

- (1) To release resources previously locked up by the OE Minority Interests where the Group had limited influence due to its minority shareholding position and the financial results of the companies holding such minority interests were not consolidated into the results of the Company. By selling the OE Minority Interests in exchange for income generating assets in the form of the Multifield Disposal Properties, the financial position of the Group will be enhanced with the steady income stream of rental income to be generated from renting out the Multifield Disposal Properties;
- (2) To control the market risk associated with the holding of OE Listed Securities in view of the volatility in the stock market in recent times; and

LETTER FROM THE BOARD

- (3) To remove securities trading as one of its principal businesses through the OE Disposal and at the same time further enhance the levels of operation of the Group and assets through OE Acquisition. As such, Oriental Explorer is of the view that, subject to the Stock Exchange's assessment, the Group can carry out its business with both sufficient level of operations and assets of sufficient value to support its operation even when the proprietary trading and investment in securities business has been excluded, thereby aligning the Group's principal business in line with the revised requirements under the Listing Rules.

Upon Completion, the OE Disposal Company (which holds the OE Minority Interests and the OE Listed Securities) will cease to be a subsidiary of Oriental Explorer; on the other hand, the Multifield Disposal Company (which holds the Multifield Disposal Properties through its subsidiaries) will become a subsidiary of Oriental Explorer.

EXPECTED GAIN AND LOSS OF THE OE TRANSACTIONS

It is expected that Oriental Explorer will realise a gain in the sum of HK\$127,084,840 based on the Initial Multifield Consideration and the unaudited net asset value of the OE Disposal Company as at 31 March 2020. The actual gain on the OE Disposal can only be ascertained when the net asset value and incidental transaction costs are determined upon Completion. The Directors envisage that there would be no net proceeds from the OE Disposal. The Directors intend to use the net proceeds from the OE Disposal for the expansion of its core businesses of property investment and as general working capital of the Group in the event there is any net proceeds arising from the OE Disposal.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the OE Disposal exceeds 75% and in respect of the OE Acquisition exceeds 100%, the OE Disposal and the OE Acquisition respectively constitute a very substantial disposal and a very substantial acquisition of Oriental Explorer under Chapter 14 of the Listing Rules. Further, given Multifield is a controlling shareholder of Oriental Explorer, Multifield is a connected person of Oriental Explorer and the OE Transactions constitute connected transactions of Oriental Explorer under Chapter 14A of the Listing Rules. Accordingly, the OE Transactions are subject to reporting, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Mr. Lau (being a controlling shareholder of Multifield) and Mr. Lau Michael Kei Chi (a brother and thus an associate of Mr. Lau) have a material interest in the OE Transactions and shall abstain, and did abstain, from the board resolutions of Oriental Explorer to approve the OE Transactions pursuant to the bye-laws of Oriental Explorer. Save as disclosed above, none of the Directors was required to abstain from voting on the board resolution of Oriental Explorer to approve the OE Transactions.

Multifield, being a controlling shareholder of Oriental Explorer, is considered to have material interest in the OE Transactions and will abstain from voting in respect of the resolution approving the OE Transactions in the SGM.

LETTER FROM THE BOARD

Save as disclosed above and to the best knowledge, information and belief of the Directors after having made all reasonable enquiries, as at the Latest Practicable Date, no other Shareholders have a material interest in the OE Transactions which requires them to abstain from voting in the resolution proposed to approve the OE Transactions.

As good corporate governance practice, the Board resolved that despite the independent non-executive Directors have no personal interest in the OE Transactions, for the purpose of avoiding any potential conflict of interests in the OE Transactions in view of their common directorship in the Company and Multifield, the independent board committee of the Company established has been dissolved and the Independent Financial Adviser has been appointed by the Company to advise the Independent Shareholders in respect of the OE Transactions in the manner prescribed under Rule 13.39(7) (b) of the Listing Rules.

Special resolution will be proposed at the SGM for the Shareholders to consider and, if thought fit, approve the Change of Company Chinese Name. To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, none of the Shareholders has any direct or indirect material interest in the Change of Company Chinese Name. Accordingly, no Shareholders are required to abstain from voting on the resolution in relation to the Change of Company Chinese Name at the SGM.

GENERAL INFORMATION ON THE PARTIES

The Company is incorporated in Bermuda with limited liability whose shares are listed on the main board of the Stock Exchange (Stock Code: 430). It is principally engaged in property investment, trading of securities and investment holding.

Multifield is incorporated in Bermuda with limited liability whose shares are listed on the main board of the Stock Exchange (Stock Code: 898). It is principally engaged in property development, property investment, provision of hotel-serviced apartments and villas and property management services, trading of securities and investment holding.

SGM

The Company will hold the SGM at Units 22-28, 25/F, Tower A, Southmark, 11 Yip Hing Street, Wong Chuk Hang, Hong Kong on Thursday, 23 July 2020, at 3:00 p.m. at which resolutions will be proposed for the purposes of considering and if thought fit, approving the OE Transactions and the Change of Company Chinese Name. The notice of the SGM is set out on pages SGM-1 and SGM-2 of this circular.

A form of proxy for use at the SGM is enclosed in this circular. Whether or not you are able to attend the SGM, please complete the accompanying form of proxy in accordance with the instructions printed on the form and return it to the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible and in any event not later than 48 hours before the time appointed for holding the SGM or any adjournment of the SGM. Completion and return of the form of proxy shall not preclude you from attending and voting at the SGM or any adjournment of the SGM should you so desire.

LETTER FROM THE BOARD

Further announcement(s) will be made by the Company to inform the Shareholders of the results of the SGM, the effective date of the Change of Company Chinese Name and the new Chinese stock short name of the Company for trading in the Shares on the Stock Exchange as and when appropriate.

CLOSURE OF REGISTER OF MEMBERS

The Hong Kong branch register of members of the Company will be closed from Monday, 20 July 2020 to Thursday, 23 July 2020 (both dates inclusive), for the purposes of determining the entitlements of the Shareholders to attend and vote at the SGM. No transfer of the Shares may be registered during the said period. In order to qualify to attend and vote at the SGM, 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, by no later than 4:30 p.m. on Friday, 17 July 2020.

VOTING BY POLL

In accordance with Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll. Accordingly, the voting on all resolutions at the SGM will be conducted by way of poll.

RECOMMENDATION

The Board considers that the Change of Company Chinese Name is in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the relevant resolution at the SGM.

The Board, including the independent non-executive Directors after having taken into account the advice of the Independent Financial Adviser, considers that (i) the terms of the OE Transactions are normal commercial terms and fair and reasonable and (ii) the entering into of the OE Transactions are in the interests of the Group and the Shareholders as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the SGM to approve the Master Agreement and the transactions contemplated thereunder.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

Yours faithfully,
By order of the Board
Lau Chi Yung, Kenneth
Chairman

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of the letter of advice from Emperor Capital Limited, the independent financial adviser to the Independent Shareholders, in respect of the OE Transactions which has been prepared for the purpose of incorporation into this circular.



英皇融資有限公司 Emperor Capital Limited

30 June 2020

*To the Independent Shareholders of
Oriental Explorer Holdings Limited*

Dear Sirs,

**(1) VERY SUBSTANTIAL ACQUISITION;
(2) VERY SUBSTANTIAL DISPOSAL;
(3) ISSUE OF CONSIDERATION SHARES; AND
(4) CONNECTED TRANSACTION**

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Shareholders in relation to the OE Transactions contemplated under the Master Agreement, details of which have been described in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company to the Shareholders dated 30 June 2020 (the “**Circular**”) of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

On 11 June 2020 (after trading hours), the Company entered into the Master Agreement with Multifield, pursuant to which, Multifield has conditionally agreed to sell, and the Company has conditionally agreed to purchase the Multifield Disposal Share and the Multifield Disposal Debts at the Initial OE Consideration of HK\$1,381,502,456 (subject to adjustment); and the Company has conditionally agreed to sell, and Multifield has conditionally agreed to purchase the OE Disposal Share and the OE Disposal Debts at the Initial Multifield Consideration of HK\$1,146,746,283 (subject to adjustment).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the OE Disposal exceeds 75% and in respect of the OE Acquisition exceeds 100%, the OE Disposal and the OE Acquisition constitute a very substantial disposal and a very substantial acquisition of the Company under Chapter 14 of the Listing Rules respectively. Further, given Multifield holds indirectly approximately 64.06% of the entire issued share capital of the Company and therefore is a controlling shareholder of Company, Multifield is a connected person of the Company and the Transactions constitute connected transactions of the Company under Chapter 14A of the Listing Rules. Accordingly, the OE Transactions are subject to reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Mr. Lau (being a controlling shareholder of Multifield) and Mr. Lau Michael Kei Chi (a brother and thus an associate of Mr. Lau), have a material interest in the OE Transactions and shall abstain, and did abstain, from the board resolutions of the Company to approve the OE Transactions pursuant to the bye-laws of the Company. Save as disclosed above, none of the Directors was required to abstain from voting on the board resolutions of the Company to approve the OE Transactions.

As set out in the Letter from the Board, the Board resolved that despite the independent non-executive Directors have no personal interest in the OE Transactions, for the purpose of avoiding any potential conflict of interests in the Transactions in view of their common directorship in the Company and Multifield, the independent board committee of the Company previously established has been dissolved. We, Emperor Capital Limited, being appointed as independent financial adviser of the Company will therefore advise the Independent Shareholders in respect of the OE Transactions in the manner prescribed under Rule 13.39(7)(b) of the Listing Rules.

Accordingly, we shall advise the Independent Shareholders on whether (i) the terms of the transactions contemplated under the Master Agreement are fair and reasonable; (ii) the OE Transactions is on normal commercial terms; and (iii) so far as the Independent Shareholders are concerned, the OE Transactions are in the interest of the Company and the Shareholders as a whole. We are not connected with the directors, chief executive and substantial shareholders of the Company, Multifield or any of their respective subsidiaries or their respective associates and do not have any shareholding, directly or indirectly, in any member of the Group or Multifield Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group or Multifield Group as of the Latest Practicable Date and therefore is considered suitable to give independent advice to the Independent Shareholders. During the last two years, there was no engagement between the Company, Multifield or any of their respective subsidiaries or their respective associates on one part and us on the other part. Apart from normal professional fees payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Company or Multifield or the directors, chief executive and substantial shareholders of the Company or Multifield or any of their subsidiaries or their respective associates.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

BASIS OF OUR OPINION AND RECOMMENDATION

In formulating our opinion, we have relied on the statements, information, opinions and representations contained in the Circular and the information and representations provided to us by the Directors and the management of Company. We have reviewed, inter alia, the statements, the information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all statements, information and representations provided by the Directors and the management of the Company, for which they are solely responsible, were true and accurate at the time when they were provided and continue to be so as at the Latest Practicable Date and the Shareholders will be notified of any material changes to such information and representations on or before of the SGM. We have also assumed that all statements of belief, opinions and expectations made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors. We believe that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, carried out any independent verification of the information provided by the Directors and the management of the Company, nor have we conducted an independent investigation into the business and affairs of the Group.

We have not made any independent evaluation or appraisal of the assets and liabilities of the Multifield Disposal Group and we have not been furnished with any such evaluation or appraisal, save and except for the independent property valuation report on the Multifield Disposal Properties and the properties interest to be disposed as a result of the OE Disposal (“**Valuation Report**”) prepared by Ravia as set out in Appendix VII to the Circular. Since we are not experts in the valuation of land and/or properties, we have relied on the Valuation Report for the market values of the Multifield Disposal Properties and the properties interest to be disposed as a result of the OE Disposal as at 31 March 2020 (the “**Valuation**”). We have performed desktop search in order to assess the suitability of the comparable properties provided by Ravia. We have not found and identified exceptional properties which do not fall within the Selection Criteria (as defined hereinafter). We consider that the comparable properties provided by Ravia represent a good indication for appraising the value of the Multifield Disposal Properties the properties interest to be disposed as a result of the OE Disposal and we are of the view that the comparable properties provided by Ravia are fair and reasonable.

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement in the Circular misleading.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Group and the Multifield Disposal Group, nor have we considered the taxation implication as a result of the OE Transactions. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any shares or any other securities of the Company and Multifield.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, the sole responsibility of Emperor Capital Limited is to ensure that such information has been correctly extracted from the relevant sources.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinions and recommendations, we have taken into consideration the following principal factors and reasons:

1 Business and financial overview of the Group

1.1 Background of the Group

The Group is principally engaged in the business of property investment, trading of securities and investment holding. The Group's revenue for the year ended 31 December 2019 consisted primarily of revenue generated from these operations.

A summary of the financial information of the Group extracted from the annual report of the Company for two years ended 31 December 2018 and 2019 is set out in Table 1 below:

Table 1: Financial highlights of the Group

	For the year ended 31 December	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(audited)</i>	<i>(audited)</i>
Revenue		
– Rental income from property letting under fixed lease payments	5,116	4,797
– Fair value gains/(losses) on equity investments at fair value through profit or loss, net	17,238	(110,964)
– Dividend income from listed investments	26,494	27,017
Total revenue	48,848	(79,150)
Gross profit	47,699	(80,207)
Profit/(Loss) before income tax	52,470	(91,359)
Profit/(Loss) for the year	52,045	(91,785)
	As at 31 December	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(audited)</i>	<i>(audited)</i>
Non-current assets	991,943	962,676
Current assets	763,112	810,733
Bank balances and cash	200,981	202,263
Current (liabilities)	(301,905)	(386,545)
Non-current (liabilities)	(3,844)	(3,419)
Net assets/(liabilities)	1,449,306	1,383,445

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

For the year ended 31 December 2019, the Group recorded a revenue of approximately HK\$48.8 million (2018: approximately negative HK\$79.2 million). The Group recorded a positive fair value change on equity investments through profit and loss of approximately HK\$17.2 million (2018: approximately negative HK\$111.0 million). For the year ended 31 December 2019, the rental income and dividend income amounted to approximately HK\$5.1 million and HK\$26.5 million respectively (2018: HK\$4.8 million and HK\$27.0 million respectively), representing an increase of approximately 6.3% for rental income and a decrease of approximately 1.9% for dividend income.

Profit after tax of the Group for the year ended 31 December 2019 is approximately HK\$52.0 million. However, the Group recorded loss after tax of approximately HK\$91.8 million for the year ended 31 December 2018, as a result of fair value losses on equity investment of approximately HK\$111.0 million.

As at 31 December 2019, the audited net assets of the Group amounted to approximately HK\$1,449.3 million.

1.2 Effect on the shareholding structure

The allotment of the OE Consideration Shares by the Company to Multifield will result in Multifield's acquisition of additional interest in the Company. Assuming that there being no issue (other than the OE Consideration Shares) or repurchases of Shares from the Latest Practicable Date, the OE Consideration Shares represent (i) approximately 43.8% of the issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 30.4% of the enlarged issued share capital of the Company immediately after Completion. The following table depicts the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately after Completion:

Shareholders	As at the Latest Practicable Date		Immediately after allotment and issue of the OE Consideration Shares	
	Number of Shares	Approximate %	Number of Shares	Approximate %
Multifield (Note)	1,729,540,999	64.1	2,911,377,003	75.0
Public shareholders	970,459,001	35.9	970,459,001	25.0
Total	<u>2,700,000,000</u>	<u>100.0</u>	<u>3,881,836,004</u>	<u>100.0</u>

Note: Multifield holds the Shares through its indirect wholly-owned subsidiary, namely, Limitless Investment Limited. For details, please refer to page VIII-3 of this circular.

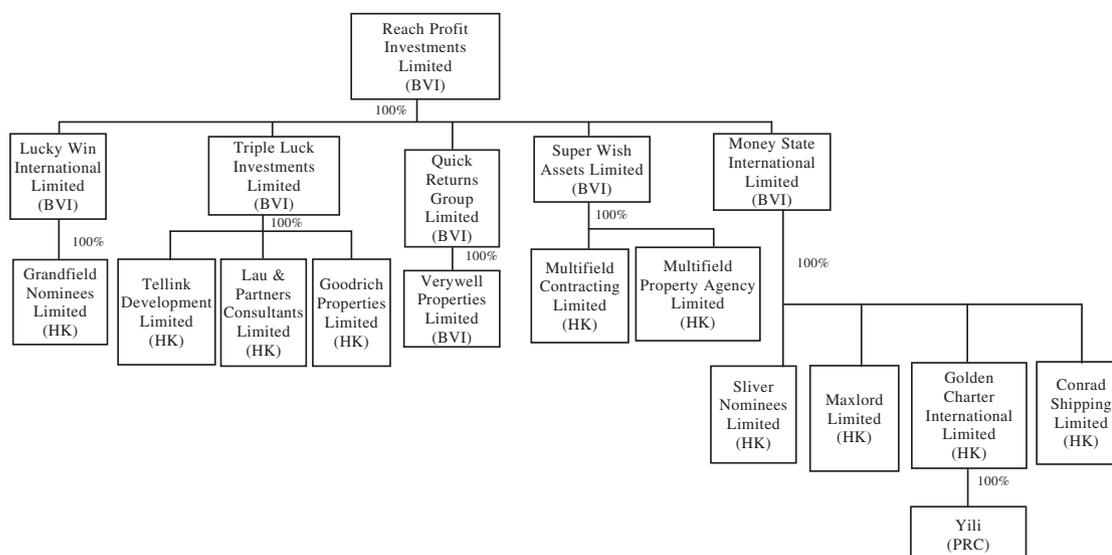
LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

2 Multifield Disposal Group and OE Disposal Group

2.1 Background information on the Multifield Disposal Group

Set out below is the group structure chart and the basic information of the Multifield Disposal Group:

Group structure chart



Information on the Multifield Disposal Group

The Multifield Disposal Company was incorporated in the BVI on 23 December 2019. As at the Latest Practicable Date, the Multifield Disposal Company is a direct wholly-owned subsidiary of Multifield. The Multifield Disposal Group consists of the Multifield Disposal Company and a number of direct and indirect subsidiaries. As at the Latest Practicable Date, Yili is dormant and Multifield is underway to wind-up such company. The Multifield Disposal Company indirectly holds the entire interest in the Multifield Disposal Properties through its subsidiaries. The Multifield Disposal Group receives rental income generated from the Multifield Disposal Properties.

Principle Activities

The principal activities of the Multifield Disposal Company are investment holding and (through members of the Multifield Disposal Company) property investment.

Financial Information

The Multifield Disposal Group recorded a net profit before and after taxation of (i) approximately HK\$28.14 million and HK\$27.91 million respectively for the year ended 31 December 2018; and (ii) approximately HK\$83.12 million and HK\$78.59 million respectively for the year ended 31 December 2019. The unaudited net asset value of the Multifield Disposal Group as at 31 March 2020 was approximately HK\$1,017 million.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Information on Multifield Disposal Properties

As at the Latest Practicable Date, the Multifield Disposal Group is principally engaged in property investment and the Multifield Disposal Properties consist of residential, industrial and commercial properties in Hong Kong and the PRC. The properties are as follows:-

- (1) Ground Floor of Block 1B, Pine Villas, Nos.118 & 118A, Castle Peak Road, Castle Peak Bay, Tuen Mun, New Territories, Hong Kong;
- (2) Multifield Centre, No. 426 Shanghai Street, Kowloon, Hong Kong;
- (3) Flat B on 30th Floor of Tower 6 and Private Cars Car Park No. 58 on Car Park Level 2, Bel-Air on the Peak of Island South, No. 68 Bel-Air Peak Avenue, Hong Kong;
- (4) Units 1 to 3, 5, 6, 21 to 23 and 25 to 28 on 20th Floor, Pacific Link Tower, Southmark, No. 11 Yip Hing Street, Wong Chuk Hang, Hong Kong;
- (5) Car Parking Space (Private Carpark) Nos. P229 and P230 on 2nd Floor, Southmark, No. 11 Yip Hing Street, Wong Chuk Hang, Hong Kong;
- (6) Car Parking Space No. 1071 on 1st Floor, Larvotto, No. 8 Ap Lei Chau Praya Road, Hong Kong;
- (7) Flat A (Including the Bay Window, the Balcony, the Utility Platform thereof and the Air-Conditioning Plant Room Appertaining thereto) on the 12th Floor, Tower 2, Larvotto, No. 8 Ap Lei Chau Praya Road, Hong Kong;
- (8) Whole of 4th, 5th, 8th and 9th Floor, Units B1 and B2 on 14th Floor and Car Parking Space Nos. 1-4 and 10-21, Blue Box Factory Building, No. 25 (Formerly No. 15) Hing Wo Street, Hong Kong; and
- (9) Units A to F on Level 16, Tower II, Innotech Tower, No. 239 Nanjing Road, Heping District, Tianjin, The PRC.

As at 31 December 2019, the total book value of the Multifield Disposal Properties was approximately HK\$1,407.5 million. The original purchase cost of the Multifield Disposal Properties was approximately HK\$309.4 million. As set out in the Appendix VII to the Circular, the valuation of the Multifield Disposal Properties as at 31 March 2020 was HK\$1,406.54 million.

In selecting the Multifield Disposal Properties, the directors of Multifield considered the following factors:-

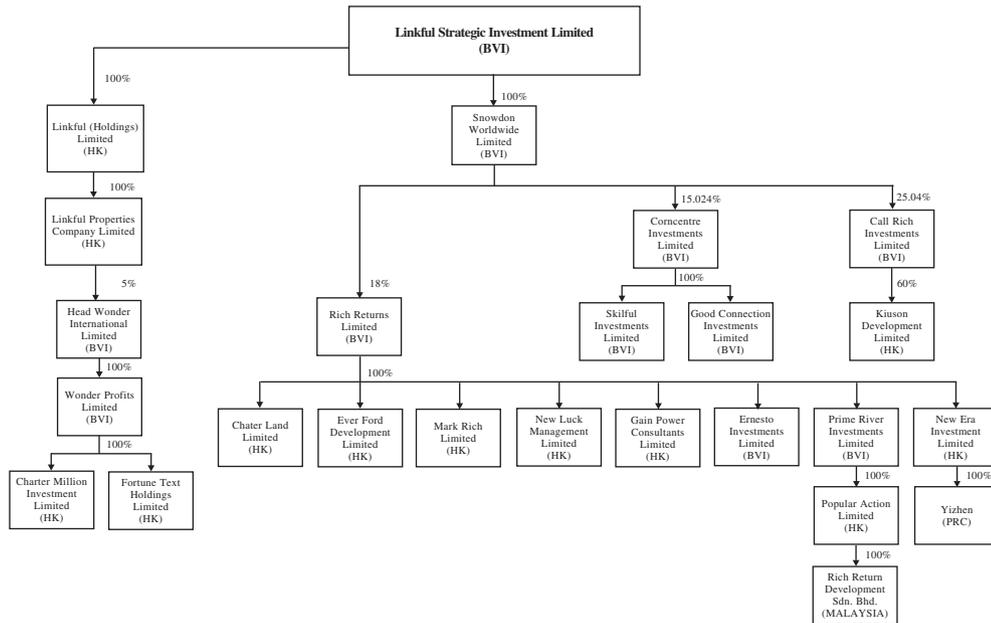
- (1) the interests of the properties are wholly-owned by Multifield;
- (2) properties that are not subject to mortgage or legal charge; and
- (3) the market value of the properties and affordability of the counter-party.

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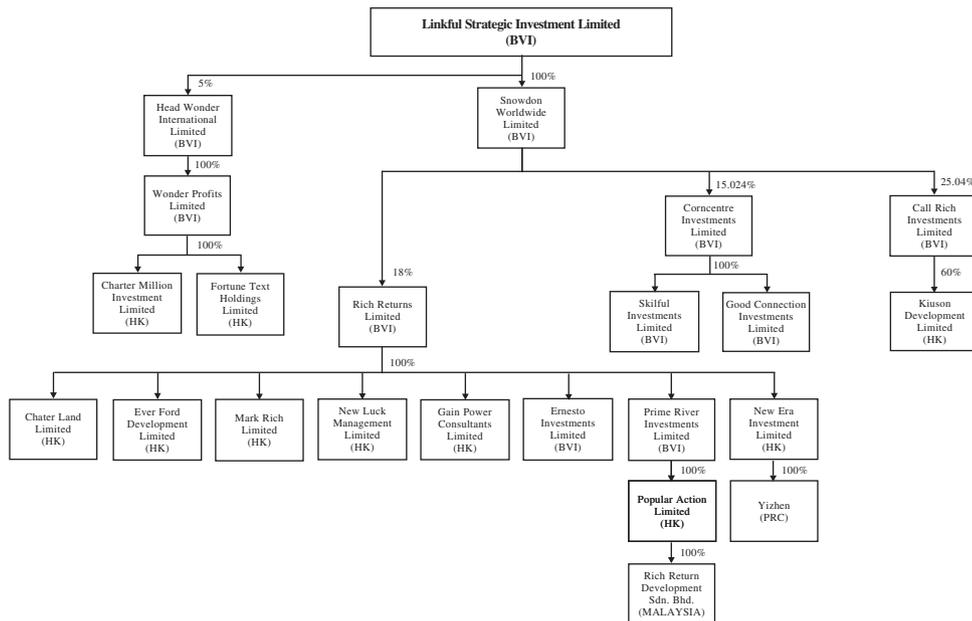
2.2 Background information on the OE Disposal Group

Set out below is the group structure chart and the basic information of the OE Disposal Group:

Group structure chart before the OE Disposal Group Reorganisation



Group structure chart after the OE Disposal Group Reorganisation



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Information on the OE Disposal Group

The OE Disposal Company was incorporated in the BVI on 8 June 1993. As at the Latest Practicable Date, the OE Disposal Company is a direct wholly-owned subsidiary of the Company. The OE Disposal Group consists of the OE Disposal Company and a number of direct and indirect subsidiaries. As at the Latest Practicable Date, Yizhen is dormant and the Company is underway to wind-up such company. The OE Disposal Company directly holds the OE Listed Securities and indirectly holds the OE Minority Interests through its subsidiaries. The OE Minority Interests Companies hold (directly or indirectly) interest in certain properties in Hong Kong and the PRC.

Principal activities

The principal activities of the OE Disposal Company are investment holding, trading of securities and (through members of the OE Disposal Group) property investment.

Financial Information

The OE Disposal Group recorded a net loss of approximately HK\$88.80 million (both before and after taxation) for the year ended 31 December 2018 and a net profit of approximately HK\$39.19 million (both before and after taxation) for the year ended 31 December 2019. The unaudited net asset value of the OE Disposal Group as at 31 March 2020 was approximately HK\$929.4 million.

Information on the OE Listed Securities

The OE Disposal Company directly holds the OE Listed Securities. Set out below is the major securities of the OE Listed Securities which are listed on the Stock Exchange:

Stock code on the Stock Exchange	Company name	Principal Business	Number of shares held as at 31 March 2020 <i>Approximate '000</i>	Closing price of the shares as at 31 March 2020 <i>HK\$</i>	Market value of the shares as at 31 March 2020 <i>Approximate HK\$'000</i>
2800	Tracker Fund of Hong Kong	Collective investment fund, structured as a unit trust established under Hong Kong law, provide investment results that closely correspond to the performance of the Hang Seng Index.	5,850	23.85	139,523
5	HSBC Holdings plc	Banking and financial services, manages its products and services through four businesses: Retail Banking and Wealth Management (RBWM), Commercial Banking (CMB), Global Banking and Markets (GB&M), and Global Private Banking (GPB)	3,040	44.15	134,233

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Stock code on the Stock Exchange	Company name	Principal Business	Number of shares held as at 31 March 2020 <i>Approximate</i> <i>'000</i>	Closing price of the shares as at 31 March 2020 <i>HK\$</i>	Market value of the shares as at 31 March 2020 <i>Approximate</i> <i>HK\$'000</i>
2828	Hang Seng China Enterprises Index ETF	Sub-fund of the Hang Seng Investment Index Funds Series, a unit trust established as an umbrella fund under the laws of Hong Kong, which aims to match, before expenses, as closely as practicable the performance of the Hang Seng China Enterprises Index.	1,332	96.70	128,804
3988	Bank of China Limited	Banking and financial services, a China-based company principally engage in the provision of banking and related financial services.	9,800	2.97	29,106
857	PetroChina Co. Ltd.	Petroleum and gases, a China-based company principally engage in the production and distribution of oil and gas.	2,378	2.84	6,753
941	China Mobile Ltd.	Telecommunication and Services, a China based company principally engage in telecommunication and related businesses including mobile businesses, wireline Broadband businesses and Internet of Things (IoT) businesses	100	57.65	5,765
2628	China Life Insurance Co. Ltd.	Life insurance, a China based company principally engage provides a range of insurance products, including individual and group life insurance, health insurance and accident insurance products	300	15.18	4,554
	Other listed securities [#]				<u>2,192</u>
	Aggregate value of the OE Listed Securities				<u><u>450,930</u></u>

[#] Other listed securities mainly represented the OE Disposal Group's investment in 10 companies whose shares were mainly listed on the main board of The Stock Exchange. The carrying value of each of these investments represented less than 1% of the total assets of the OE Disposal Group as at 31 March 2020.

Information on the OE Minority Interests

As at Latest Practicable Date,

- (1) the companies that issued the OE Minority Interests (i.e. Head Wonder, Call Rich, Rich Returns and Corncentre Investments) and their respective subsidiaries are principally engaged in property investment and own certain commercial and residential properties and serviced villas in Hong Kong and the PRC;
- (2) the Company indirectly holds the interest of (i) 5% in Head Wonder; (ii) 25.04% in Call Rich; (iii) 18% in Rich Returns; and (iv) 15.024% in Corncentre Investments;

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- (3) Multifield Group indirectly holds (i) 60% in Head Wonder; (ii) 45% in Call Rich; (iii) 51% in Rich Returns; and (iv) 67% in Corncentre Investments, and the financial results of each of Head Wonder, Call Rich, Rich Returns and Corncentre Investments are consolidated into financial statements of Multifield;
- (4) the book value of the said properties attributable to the OE Disposal Group as at 31 March 2020 is approximately HK\$930.3 million (around 17.22% of the total book value of HK\$5,401.4 million of the said properties as at 31 March 2020); and
- (5) the major income derived from the said properties are rental income and sale proceeds from the disposal of the said properties.

3 Reasons for entering into the Transactions

Before the OE Transactions, the Group is principally engaged in property investment, trading of securities and investment holding, whilst the Multifield Group is principally engaged in property development, property investment, provision of hotel-serviced apartments and villas, property management services, trading of securities and investment holding. After Completion, the Group will focus on property investment which involves lease out or sale of properties. The Group will acquire properties from time to time for enhancing its investment properties portfolio.

The reasons for and benefits of the OE Transactions as advised by the management of the Company are mainly as follows:

3.1 To release resources previously locked up by the OE Minority Interests

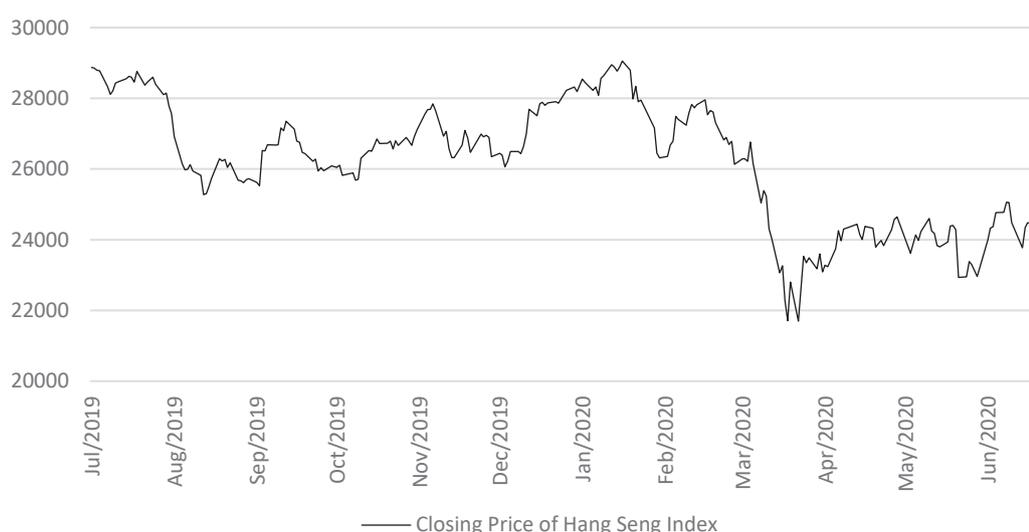
As set out in the Letter from the Board, the OE Minority Interests represent (i) 5% in Head Wonder; (ii) 25.04% in Call Rich; (iii) 18% in Rich Returns; and (iv) 15.024% in Corncentre Investments and these companies are not listed companies on the Stock Exchange. In reality, minority shares in a company are generally worth less than their pro-rata equity value of the company given that their holders do not have a controlling interest in the company. Furthermore, as there is no open market for trading of shares in private companies, shares in a private company are usually worth less than comparable shares in a publicly held company. The financial results of the companies which issue such minority interests were not consolidated into the results of the Company.

We note that Multifield owns the majority interest of the OE Minority Interests Companies. Since Multifield has the controlling interest in these companies and the OE Disposal Consideration took reference to the valuation report which solely based on the book value of the properties under the OE Minority Interests Companies but not subject to any marketability and minority discount, we concur with the Board that the disposal of the OE Minority Interests represents an opportunity to realise its investment in the OE Minority Interests and release resources previously locked up by the OE Minority Interests and is fair and reasonable so far as the Independent Shareholders are concerned and is in the interest of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

3.2 To control the market risk associated with the holding of the OE Listed Securities

The Group is principally engaged in property investment, trading of securities and investment holding. As discussed in the section headed “2.2 Background information on the OE Disposal Group, Information on the OE Listed Securities”, the Group’s major securities investment mainly comprises securities which are listed on the main board of the Stock Exchange. The three largest securities investments of the Group were Tracker Fund of Hong Kong (Stock Code: 2800), HSBC Holdings plc (Stock Code: 5) and Hang Seng China Enterprises Index ETF (Stock Code: 2828) which accounted for approximately 30.94%, 29.77% and 28.56% of the total value of the OE Listed Securities respectively as at 31 March 2020. Hence, value of the Group’s investment may be affected by the recent poor market sentiment in the Hong Kong stock market.



Source: Bloomberg

For analysis purpose of the volatility of Hong Kong stock market, we have studied the Hang Seng Index for the period from 2 July 2019 to the Latest Practicable Date (the “**Review Period**”). As shown in the chart above, from July 2019 to Feb 2020, the Hang Sang Index closed between 25,281.3 to 29,007.98. From March 2020 onwards, the Hang Sang Index showed a general downward trend with the drop from the highest closed at 26,767.87 on 5 March 2020 to lowest closed at 21,696.13 on 23 March 2020 and closed at 24,907.34 on the Latest Practicable Date. Over the Review Period, the Hang Seng Index decreased by approximately 13.74%. We consider the Hong Kong stock market will keep volatile as the social-political movement in Hong Kong and the recent outbreak of novel coronavirus (COVID-19) will continue to bring uncertainties for the local and global economy.

From an investment return perspective, during the Review Period, based on (i) unrealized fair value loss of approximately HK\$130.0 million; and (ii) the dividend income of approximately HK\$18.8 million received the OE Listed Securities, the Group is expected to have an investment loss of approximately HK\$111.2 million, or 19.34%, which is in line with the performance of Hang Seng Index.

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Taking into account (i) the stock market in Hong Kong was mostly volatile, unstable and with a downward trend during the Review Period, (ii) the investment loss of approximately 111.2 million during the Review Period; and (iii) the economy downward pressure is not going to dissipate in near future, we concur with the Board that selling the OE listed Securities is able to control the market risk associated with its investment.

3.3 To remove securities trading as one of its principal businesses

As the result of the amended Rule 13.24 of the Listing Rules becoming effective on 1 October 2019, when considering whether an issuer has sufficient level of operations and assets for the continued listing of the issuer's securities, any income from securities trading will be excluded. In our discussion with the Board, we noticed that the Group intends to further develop the property investment segment. Upon Completion, the Group will cease to engage in the securities trading and investment segment.

The Group recorded segment revenue of approximately HK\$5.1 million and segment results of approximately HK\$3.3 million from the property investment segment for the year ended 31 December 2019. As set out in the unaudited pro forma financial information of the Enlarged Group in Appendix V, assuming that the OE Transactions have been completed on 1 January 2019, the revenue of the Group would be driven by property investment and the revenue would be approximately HK\$31.0 million. As set out in the unaudited pro forma financial information of the Enlarged Group in Appendix V, assuming that the OE Transactions have been completed on 31 December 2019, the assets value of the investment properties is expected to be increased by approximately HK\$1,407.5 million. We are in the opinion that the OE Transactions could strength the operation of the property investment segment of the Group.

Further details of the valuation report and the unaudited pro forma consolidated statement of financial information of the Enlarged Group and the associated notes are set out in Appendix VII and Appendix V to the Circular respectively.

4 Principal terms of the Master Agreement

On 11 June 2020 (after trading hours), the Company and Multifield entered into the Master Agreement. The principal terms of the Master Agreement are set out in the Letter from the Board and include the following:

4.1 Subject Matter

- (1) Multifield has conditionally agreed to sell, and the Company has conditionally agreed to purchase the Multifield Disposal Share (representing the entire issued share capital of the Multifield Disposal Company) and the Multifield Disposal Debts; and
- (2) the Company has conditionally agreed to sell, and Multifield has conditionally agreed to purchase the OE Disposal Share (representing the entire issued share capital of the OE Disposal Company) and the OE Disposal Debts.

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The Multifield Disposal Company is a direct wholly-owned subsidiary of Multifield. Following the OE Acquisition, the Multifield Disposal Company will become a direct wholly owned subsidiary of the Company. Given Multifield indirectly holds approximately 64.06% of the entire issued share capital of the Company as at the Latest Practicable Date and will hold approximately 75.0% of the entire issued share capital of the Company immediately after the Completion, the Multifield Disposal Company will still be an indirect subsidiary of Multifield.

The OE Disposal Company is a direct wholly owned subsidiary of the Company. Following the OE Disposal, the Company will cease to have any equity interest in the OE Disposal Company.

4.2 Consideration

4.2.1 Initial OE Consideration

Basis of Consideration

The Initial OE Consideration (subject to adjustment) for the Multifield Disposal is HK\$1,381,502,456, which consists of (i) the consideration for the Multifield Disposal Debts being the sum equivalent to the outstanding amount of the Multifield Disposal Debts as at 31 March 2020 of HK\$364,242,118, and (ii) the consideration for the Multifield Disposal Share being the sum of the net asset value of the Multifield Disposal Group as at 31 March 2020 of HK\$1,017,260,338.

The Initial OE Consideration was arrived at after arm's length negotiation between Multifield and Oriental Explorer with reference to, among other things, (i) the unaudited combined net asset value of the Multifield Disposal Group as at 31 March 2020 in an amount of approximately HK\$1,017,260,338 based on the unaudited combined management accounts of the Multifield Disposal Group reflecting the preliminary valuation of the Multifield Disposal Properties as at 31 March 2020 as appraised by an independent firm of qualified professional valuers; and (ii) the outstanding amount of the Multifield Disposal Debts of approximately HK\$364,242,118 as at 31 March 2020.

Adjustment to the Initial OE Consideration

Multifield shall furnish to Oriental Explorer the financial statements of Multifield Disposal Group as at the Completion Date ("**Post Completion Multifield Disposal Group Accounts**") within 60 Business Days after the Completion Date.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

If the aggregate sum of (i) the net asset value of the Multifield Disposal Group at the Completion Date and (ii) the outstanding amount of the Multifield Disposal Debts at the Completion Date as shown on the Post Completion Multifield Disposal Group Accounts shall be more than the amount of the Initial OE Consideration, the Initial OE Consideration shall be adjusted upwards on a dollar for dollar basis. Such adjusted upwards amount shall be payable by the Company to Multifield.

If the aggregate sum of (i) the net asset value of the Multifield Disposal Group at the Completion Date and (ii) the outstanding amount of the Multifield Disposal Debts at the Completion Date as shown on the Post Completion Multifield Disposal Group Accounts shall be less than the amount of the Initial OE Consideration, the Initial OE Consideration shall be adjusted downwards on a dollar for dollar basis (without prejudice to Oriental Explorer's right to claim damages from Multifield to the extent the loss is not covered by adjustment in the Initial OE Consideration). Such adjusted downwards amount shall be payable by Multifield to the Company.

4.2.2 Initial Multifield Consideration

Basis of Consideration

As stated in the Letter from the Board, the Initial Multifield Consideration (subject to adjustment) for the OE Disposal HK\$1,146,746,283, which consists of (i) the consideration for the OE Disposal Debts being the sum equivalent to the outstanding amount of the OE Disposal Debts as at 31 March 2020 of HK\$217,356,507, and (ii) the sum of the net asset value of the OE Disposal Group as at 31 March 2020 of HK\$929,389,776.

The Initial Multifield Consideration was arrived at after arm's length negotiation between Oriental Explorer and Multifield with reference to, among other things, (i) the unaudited net asset value of the OE Disposal Group as at 31 March 2020 in an amount of approximately HK\$929,389,776 based on the unaudited combined management accounts of the OE Disposal Group reflecting (a) the fair value of the OE Listed Securities and (b) the preliminary valuation of interests in properties held by members of the OE Disposal Group as appraised by an independent firm of qualified professional valuers, both as at 31 March 2020; and (ii) the outstanding amount of the OE Disposal Debts of approximately HK\$217,356,507 as at 31 March 2020.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Adjustment to Initial Multifield Consideration

The Company shall furnish to Multifield the financial statements of OE Disposal Group as at the Completion Date (“**Post Completion OE Disposal Group Accounts**”) within 60 Business Days after the Completion Date.

If the aggregate sum of (i) the net asset value of the OE Disposal Group at the Completion Date and (ii) the outstanding amount of the OE Disposal Debts at the Completion Date as shown on the Post Completion OE Disposal Group Accounts shall be more than the amount of the Initial Multifield Consideration, the Initial Multifield Consideration shall be adjusted upwards on a dollar for dollar basis. Such adjusted upwards amount shall be payable by Multifield to the Company.

If the aggregate sum of (i) the net asset value of the OE Disposal Group at the Completion Date and (ii) the outstanding amount of the OE Disposal Debts at the Completion Date as shown on the Post Completion OE Disposal Group Accounts shall be less than the amount of the Initial Multifield Consideration, the Initial Multifield Consideration shall be adjusted downwards on a dollar for dollar basis (without prejudice to Multifield’s right to claim damages from the Company to the extent the loss is not covered by adjustment in the Initial Multifield Consideration). Such adjusted downwards amount shall be payable by the Company to Multifield.

4.2.3 Our analysis on the consideration

The Valuation

The Multifield Disposal Properties and properties interest to be disposed as a result of the OE Disposal were valued at approximately HK\$1,406,540,000 and HK\$930,344,960 respectively at 31 March 2020 by Ravia, a property valuer and an Independent Third Party. Such valuation was conducted on the basis of the market approach which provides an indication of value by comparing the asset with similar comparable assets for which price information is available. Under the direct comparison method of valuation, comparison based on actual sales transactions or current asking prices of comparable properties was utilised.

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To further assess the fairness and reasonableness of the Initial OE Consideration and the Initial Multifield Consideration, we have discussed with Ravia on the valuation methodology, basis and assumption adopted for the Valuation. Based on our discussion with Ravia, the valuation methodology in accordance with “The HKIS Valuation Standards (2017 Edition)” published by the Hong Kong Institute of Surveyors of any asset can be broadly classified into one of three approaches, namely the cost approach, the direct comparison approach and income approach. In any valuation analysis, all three approaches must be considered, and the approach considered to be most relevant will then be selected for use in the fair value analysis of that asset. For properties held for investment purposes, the market value is determined with reference to actual sales transactions of comparable properties. Both management of the Company and Multifield have confirmed that the information provided to Ravia for their valuation purposes was complete and up-to-date and the financial information of each property was prepared under comparable accounting policies. We understood from Ravia that both the cost approach and income approach were not applicable to the valuation of the Multifield Disposal Properties and properties interest to be disposed as a result of the OE Disposal as at 31 March 2020.

Regarding the income approach, an economic benefit stream of the asset under analysis is selected, usually based on historical and/or forecasted cash flow. The focus is to determine a benefit stream that is reasonably reflective of the asset’s most likely future benefit stream. This selected benefit is then discounted to present value with an appropriate risk-adjusted discount rate. Discount rate factors often include general market rates of return at the valuation date, business risks associated with the industry in which the Company operates, and other risks specific to the asset being valued. As the future economic benefit stream and the discount rate requires various assumptions and subject to various uncertainties such as economic environment in the future, Ravia considers that the adoption of income approach in this case may not be appropriate for the valuation of the Multifield Disposal Properties and properties interest to be disposed as a result of the OE Disposal.

Regarding the cost approach, through our discussion with Ravia, we are given to understand that cost approach will only be considered when there is no public market information available in relation to acquisition of property. In addition, under the cost approach, the value is established based on the land costs and the costs of construction in reproducing the property, but without taking into account the market conditions. Given that there is public market information available in relation to acquisition of comparable property, Ravia considers that adopting the cost approach in this case may not be appropriate for the valuation of the Multifield Disposal Properties and properties interest to be disposed as a result of the OE Disposal.

Given the income approach and cost approach may not be appropriate for the valuation of the Multifield Disposal Properties and properties interest to be disposed as a result of the OE Disposal, Ravia has adopted the direct comparison method which consist of comparisons based on prices realised or current asking prices of comparable properties.

Based on our discussion with Ravia, we are given to understand that market approach and direct comparison method adopted by Ravia are in line with the market practice.

Taking into account the factors discussed above, we concur with Ravia the methodology adopted by Ravia is appropriate, fair and reasonable and reflects the value of the Multifield Disposal Properties and properties interest to be disposed as a result of the OE Disposal as far as independent shareholder are concerned.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Valuation of the Multifield Disposal Properties

No.	Property	Market Value in Existing State as at 31 March 2020	Interest attributable to the Multifield Disposal Group	Market Value in Existing State attributable to the Multifield Disposal Group as at 31 March 2020
1.	Ground Floor of Block 1B, Pine Villas, Nos.118 & 118A Castle Peak Road, Castle Peak Bay, Tuen Mun, New Territories, Hong Kong	HK\$9,300,000	100%	HK\$9,300,000
2.	Multifield Centre, No.426 Shanghai Street, Kowloon, Hong Kong	HK\$649,000,000	100%	HK\$649,000,000
3.	Flat B on 30th Floor of Tower 6 and Private Cars Car Park No.58 on Car Park Level 2, Bel-Air on the Peak of Island South, No.68 Bel-Air Peak Avenue, Hong Kong	HK\$18,300,000	100%	HK\$18,300,000
4.	Units 1 to 3, 5, 6, 21 to 23 and 25 to 28 on 20th Floor of Pacific Link Tower, Southmark, No.11 Yip Hing Street, Hong Kong	HK\$124,700,000	100%	HK\$124,700,000
5.	Car Parking Space (Private Carpark) Nos. P229 and P230 on 2nd Floor, Southmark, No.11 Yip Hing Street, Hong Kong	HK\$3,200,000	100%	HK\$3,200,000

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No.	Property	Market Value in Existing State as at 31 March 2020	Interest attributable to the Multifield Disposal Group	Market Value in Existing State attributable to the Multifield Disposal Group as at 31 March 2020
6.	Flat A (Including the Bay Window, the Balcony, the Utility Platform thereof and the Air-Conditioning Plant Room Appertaining thereto) on the 12th Floor of Tower 2, Larvotto, No.8 Ap Lei Chau Praya Road, Hong Kong	HK\$52,500,000	100%	HK\$52,500,000
7.	Car Parking Space No.1071 on the 1st Floor, Larvotto, No.8 Ap Lei Chau Praya Road, Hong Kong	HK\$3,300,000	100%	HK\$3,300,000
8.	Whole of 4th, 5th, 8th and 9th Floors, Units B1 and B2 on 14th Floor and Car Parking Spaces Nos.1-4 and 10-21, Blue Box Factory Building, No.25 (Formerly No.15) Hing Wo Street, Hong Kong	HK\$523,940,000	100%	HK\$523,940,000
9.	Units A to F on Level 16, Tower II, Innotech Tower, No.239 Nanjing Road, Heping District, Tianjin, The PRC	HK\$22,300,000	100%	HK\$22,300,000
Total:		HK\$1,406,540,000		HK\$1,406,540,000

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Valuation of properties interest to be disposed as a result of the OE Disposal

No.	Property	Market Value in Existing State as at 31 March 2020	Interest attributable to the OE Disposal Group	Market Value in Existing State attributable to the OE Disposal Group as at 31 March 2020
1.	Shop No.2 on Ground Floor, Goldfield Building, Nos.42, 43 and 44 Connaught Road West and Nos.200 and 202 Wing Lok Street, Hong Kong	HK\$24,700,000	18%	HK\$4,446,000
2.	Units 1 to 3, 5, 6, 21 to 23 and 25 to 28 on 25th Floor, Pacific Link Tower, Southmark, No.11 Yip Hing Street, Hong Kong	HK\$127,700,000	18%	HK\$22,986,000
3.	Multi-storey Lorry Park of Ground Floor to Lower Ground 5 (G/F to LG1-5/F (Inclusive)), Southmark, No.11 Yip Hing Street, Hong Kong	HK\$401,000,000	18%	HK\$72,180,000
4.	Flat B (Including the Balcony thereof) on the 21st Floor of Tower 8, Larvotto, No.8 Ap Lei Chau Praya Road, Hong Kong	HK\$21,600,000	18%	HK\$3,888,000
5.	Windsor Park, No.2279 Hongqiao Road, Changning District, Shanghai, The PRC	HK\$1,354,000,000	15.024%	HK\$203,424,960
6.	Levels 1 and 2, Block B, Versailles de Shanghai, No.1, Lane 123 Fahuazhen Road, Changning District, Shanghai, The PRC	HK\$12,400,000	5%	HK\$620,000
7.	Windsor Place, Lane 2222 Jianhe Road, Changning District, Shanghai, The PRC	HK\$3,460,000,000	18%	HK\$622,800,000
	Total:	HK\$5,401,400,000		HK\$930,344,960

We note that Ravia has made various assumptions for the Valuation, mainly included (1) the owner sells the properties in the market in their existing state without the benefit of deferred term contracts, leasebacks, joint ventures, management agreements or any similar arrangements which would serve to affect the values of such property interests; and (2) no account has been taken of any option or right of pre-emption concerning or affecting the sale of the property interests and no allowance has been made for the property interests to be sold in one lot or to a single

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purchaser. We have discussed with Ravia and reviewed the key assumptions made and nothing has come to our attention that would lead us to doubt the fairness and reasonableness of the principal bases and assumptions adopted in the Valuation Report.

During our discussion with Ravia, and the review on the Valuation Report, we understand how the Valuation was being derived and how the comparable properties of similar size, character and location were weighed against their respective advantages and drawbacks. We have discussed with Ravia on the valuation methodology applied and reviewed the comparables provided by Ravia. In selecting the suitable comparable properties for the Valuation, the following criteria were considered by Ravia (“**Selection Criteria**”):

- (1) the comparable properties have similar usage to those of the Multifield Disposal Properties and the properties interest to be disposed as a result of the OE Disposal;
- (2) the comparable properties are located in the same building or buildings located in their surrounding area; and
- (3) the comparable properties were sold or being offered for sale within 1 year prior to the 31 March 2020, being the date of the Valuation

Based on our discussion with Ravia, Ravia has included all of the most suitable comparables which meet their Selection Criteria as identified by them based on their best information, knowledge and belief. We understand that adjustments have been made by Ravia to the comparable properties in terms of, among others, location, size, and view and then carefully weighed against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of the market value of the Multifield Disposal Properties and the properties interest to be disposed as a result of the OE Disposal. We note that the Selection Criteria and the relevant adjustments made are usual when valuing property where reliable comparable property transaction of a similar nature is available. As such, we consider that the Selection Criteria and the relevant adjustments made are reasonable and in line with market practice.

To further assess the suitability of the comparable properties, we have reviewed the comparable properties and performed desktop search and noted that all of the comparable properties are located in the same building or in the same district of each of the Multifield Disposal Properties and the properties interest to be disposed as a result of the OE Disposal. We have also reviewed the comparable properties, which were considered by Ravia that has fulfilled the above-mentioned Selection Criteria obtained on a best effort basis, and are satisfied that the all comparable properties meet with the Selection Criteria. During our desktop search, we are not aware of any cases that would lead to contradiction to the result of Valuation. We consider that these comparable properties are good indicators to apprise the value of the Multifield Disposal Properties and the properties interest to be disposed as a result of the OE Disposal.

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We have been furnished with the qualifications and experience of Ravia and note that it possesses experience in, among others, financial instrument valuations, business valuations, and property valuations. The responsible person in charge of the Valuation Report, who is a Registered Professional Surveyor (General Practice) and an Associate of Australian Property Institute, has over 15 years of experience in valuation of properties in Hong Kong, Macau, the PRC, the Asia Pacific Region, European countries and American countries.

Based on our review of the Valuation Report and discussion with Ravia as aforesaid, including but not limited to the valuation methodologies and assumptions in preparing the Valuation Report and the qualifications and experience of Ravia, nothing has come to our attention that causes us to doubt the fairness and reasonableness of the Valuation Report. We have also reviewed the Raviar's terms of engagement with the Company (including its scope of work) and are not aware of any irregularities during our discussion with Ravia and in our review of their work.

Having considered the above, we are of the view that the valuation methodology and assumptions adopted by Ravia are appropriate, and enable a complete, fair and reasonable comparison of the relative values of the properties. As such, the Initial OE Consideration and the Initial Multifield Consideration have been determined with reference to the Valuation Report, is fair and reasonable so far as the Independent Shareholders are concerned and is in the interest of the Company and Shareholders as a whole.

OE Listed Securities

The value of the OE Listed Securities under the OE Disposal Group in the books of the OE Disposal Company as at 31 March 2020, the date of its unaudited consolidated management accounts, was approximately HK\$450,930,000. We note that the Initial OE Consideration was arrived with reference to the fair market value of the OE Listed Securities as at 31 March 2020 and is subjected to adjustment with reference to the Post Completion OE Disposal Group Accounts, which will reflect the fair market value of the OE Listed Securities as at the Completion Date.

In assessing the fairness and reasonableness of the arrangement, we have conducted a search to review a total of 30 transactions ("**Market Share Transactions**") performed by 23 listed companies which involve disposal of listed securities on the Stock Exchange within the six months period immediately prior to the date of the Master Agreement. To the best of our endeavor, we believe that the search is conducted on an exhaustive basis and is a fair and representative sample to be taken as a general reference of the recent market practices in relation to the disposal of listed securities. Among the total of 30 Market Share Transactions, 20 of which executed the transactions on the market at the prevailing market prices and the remaining 10 of which executed the transactions off-the-market at negotiated prices including 2 transactions that were executed at premiums and 8 transactions that were executed at discounts.

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Details of the 30 Market Share Transactions are set out below:

	Announcement Date	Stock Code	Name of the listed Companies	No. of shares disposed	Stock Code of the listed shares disposed	Company name of the listed shares disposed	% to the issued share capital at disposal date	Method	Discount/Premium
1	2/6/2020	235	China Strategic Holdings Limited	5,800,000	2066	Shengjing Bank Co., Ltd.	0.248%	Market Price	-
2	25/5/2020	372	PT International Development Corporation Limited	225,311,695	498	PYI Corporation Limited	4.080%	Negotiated	Premium ¹
3	21/5/2020	1428	Bright Smart Securities & Commodities Group Limited	439,600	9988-SW	Alibaba Group Holding Limited	0.002%	Market Price	-
4	19/5/2020	8320	Allied Sustainability and Environmental Consultants Group Limited	2,280,000	8501	Sanbase Corporation Limited	1.140%	Market Price	-
5	13/5/2020	572	Future World Financial Hld. Limited	431,200,000	139	Central Wealth Group Holdings Limited	2.700%	Market Price	-
6	7/4/2020	372	PT International Development Corporation Limited	1,080,000,000	498	PYI Corporation Limited	19.570%	Negotiated	Premium
7	6/4/2020	287	Winfair Investment Company Limited	1,126,456	5	HSBC Holdings plc	0.006%	Market Price	-
8	3/4/2020	8063	Global Mastermind Holdings Limited	8,220,000	1611	Huobi Technology Holdings Limited	2.690%	Negotiated	Discount
9	23/3/2020	993	Huarong International Financial Holdings Limited	312,500,000	910	China Sandi Holdings Limited	6.140%	Negotiated	Discount
10	19/3/2020	616	Eminence Enterprise Limited	600,000	659	NWS Holdings Limited	0.015%	Market Price	-
11	16/3/2020	8250	Silk Road Energy Services Group Limited	570,000	8418	Optima Automobile Group Holdings Limited	0.067%	Market Price	-
12	16/3/2020	474	Hao Tian Development Group Limited	2,833,901,650	412	China Shandong Hi-Speed Financial Group Limited	11.590%	Negotiated	Discount
13	11/3/2020	519	Applied Development Holdings Limited	20,000,000	1996	Redsun Properties Group Limited	0.600%	Negotiated	Discount
14	4/3/2020	519	Applied Development Holdings Limited	30,000,000	1996	Redsun Properties Group Limited	0.900%	Negotiated	Discount
15	25/2/2020	607	Fullshare Holdings Limited	11,160,000	1908	C&D International Investment Group Limited	0.948%	Market Price	-
16	25/2/2020	607	Fullshare Holdings Limited	5,000,000	1908	C&D International Investment Group Limited	0.425%	Negotiated	Discount

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	Announcement Date	Stock Code	Name of the listed Companies	No. of shares disposed	Stock Code of the listed shares disposed	Company name of the listed shares disposed	% to the issued share capital at disposal date	Method	Discount/Premium
17	24/1/2020	444	Sincere Watch (Hong Kong) Limited	6,048,000	1076	Imperial Pacific International Holdings Limited	0.042%	Market Price	-
18	13/2/2020	365	Sino ICT Holdings Limited	4,520,000	981	Semiconductor Manufacturing International Corporation	0.090%	Market Price	-
19	13/1/2020	8325	China Smartpay Group Holdings Limited	200,000,000	8613	Oriental Payment Group Holdings Limited	52.500%	Negotiated	Discount
20	9/1/2020	8069	WWPKG Holdings Company Limited	4,760,000	1901	Feiyang International Holdings Group Limited	0.950%	Market Price	-
21	8/1/2020	519	Applied Development Holdings Limited	13,000,000	1996	Redsun Properties Group Limited	0.390%	Negotiated	Discount
22	3/1/2020	365	Sino ICT Holdings Limited	4,510,000	3396	Legend Holdings Corporation	0.350%	Market Price	-
23	3/1/2020	3366	Overseas Chinese Town (Asia) Holdings Limited	42,666,000	1773	Tianli Education International Holdings Limited	2.060%	Market Price	-
24	20/12/2019	898	Multifield International Holdings Limited	8,400,000	2800	Tracker Fund of Hong Kong	0.270%	Market Price	-
25	20/12/2019	430	Oriental Explorer Holdings Limited	2,270,000	2800	Tracker Fund of Hong Kong	0.070%	Market Price	-
26	20/12/2019	3366	Overseas Chinese Town (Asia) Holdings Limited	57,334,000	1773	Tianli Education International Holdings Limited	2.760%	Market Price	-
27	18/12/2019	952	China Tonghai International Financial Limited	50,000	6837	Haitong Securities Co., Ltd.	0.001%	Market Price	-
28	17/12/2019	226/156	Lippo Limited/Lippo China Resources Limited	187,328	700	Tencent Holdings Limited	0.002%	Market Price	-
29	13/12/2019	226/156	Lippo Limited/Lippo China Resources Limited	216,000	700	Tencent Holdings Limited	0.002%	Market Price	-
30	12/12/2019	226/156	Lippo Limited/Lippo China Resources Limited	448,500	700	Tencent Holdings Limited	0.005%	Market Price	-

Notes:

1. The disposal price will be within the range from a discount of 15% to a premium of 15% to the closing price of the disposal share as at the date of the special general meeting but not less than the closing price of the disposal shares at the date of the announcement.

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Furthermore, the Directors consider that the disposal of the OE Listed Securities to Multifield, which is a connected person of the Company, represents a simple, expedient and cost effective mean to realise the Group's investment in the OE Listed Securities as additional time and costs may be required to identify other potential independent purchasers such as possible agency fees, legal fees, brokerage cost and due diligence review as requested by such purchasers.

Taking into account of 1) the majority of the transactions, 20 out of 30 of the transactions, were executed at market prices; 2) most of the OE Listed Securities are listed on the main board of the Stock Exchange with large daily trading volume; and 3) saving of additional time and cost for the disposal of the OE Listed Securities, we are in the opinion that the Initial OE Consideration (subjected to adjustment), which is with reference to the fair market value of the OE Listed Securities is in line with normal market practices and fair and reasonable so far as the Independent Shareholders are concerned and is in the interest of the Company and the Shareholders as a whole.

4.3 Payment

The Company shall pay to Multifield the sum equivalent to the shortfall between the Initial OE Consideration and the Initial Multifield Consideration, which, subject to adjustment, amounted to HK\$234,756,173 and such sum is to be settled by the Company as follows: -

- (a) as to HK\$86,983,129.89, by the issue of the OE Consideration Shares to Multifield or its nominee at Completion; and
- (b) the balance of HK\$147,773,043.11 by cash or issue of interest-free promissory note (to be chosen by the Company at its sole and absolute discretion) by the Company to Multifield.

The cash portion (if any) of the Initial OE Consideration under (b) above will be funded from internal resources of the OE Group. Instead of paying cash, the Company may at its sole discretion issue to Multifield a one-year interest-free promissory note (which is non-transferrable and can be early redeemed by giving a notice not less than 7 days) covering the balance as a bridging measure. Thereafter, the Company will mortgage the Multifield Disposal Properties and obtain bank loans for the purpose of repaying the sum due under the said promissory note.

As regards the amount payable by virtue of the adjustment to Multifield Disposal Consideration and OE Disposal Consideration after Completion, Multifield and Oriental Explorer are entitled to set off the amount payable by each other (if any) on a dollar-for-dollar basis.

If the aggregate amount payable by Multifield to Oriental Explorer is greater than the aggregate amount payable by Oriental Explorer to Multifield by virtue of the adjustment to Multifield Disposal Consideration and OE Disposal Consideration after Completion, Multifield shall pay to Oriental Explorer such difference by cash within fourteen (14) Business Days after issuance of the Post Completion Multifield Disposal Group Accounts and the Post Completion OE Disposal Group Accounts.

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If the aggregate amount payable by Multifield to Oriental Explorer is less than the aggregate amount payable by Oriental Explorer to Multifield by virtue of the adjustment to Multifield Disposal Consideration and OE Disposal Consideration after Completion, Oriental Explorer shall pay to Multifield such difference by way of cash or issuance of one-year interest-free promissory note (which is non-transferrable and can be early redeemed by giving a notice not less than 7 days and shall be chosen by Oriental Explorer at its sole and absolute discretion) within fourteen (14) Business Days after issuance of the Post Completion Multifield Disposal Group Accounts and the Post Completion OE Disposal Group Accounts.

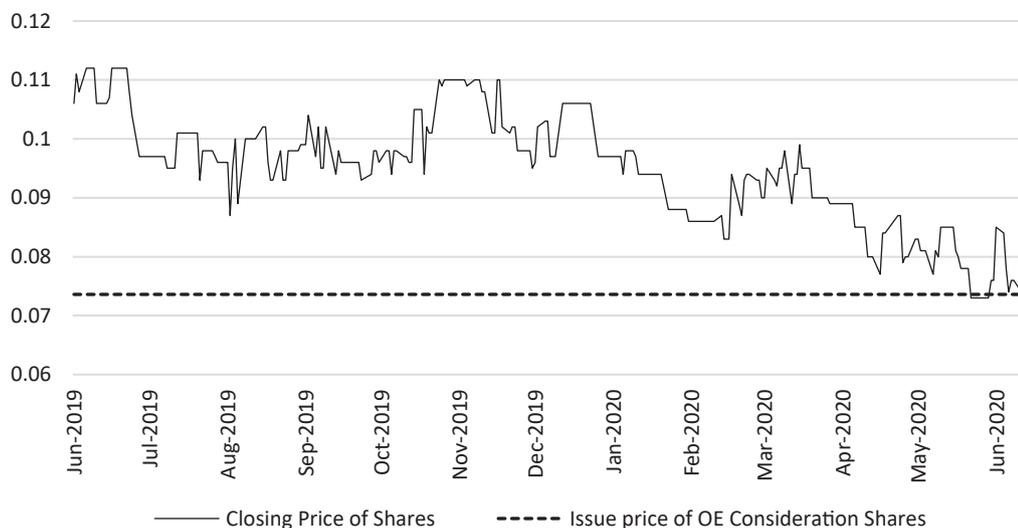
Issue Price of the OE Consideration Shares

The issue price of HK\$0.0736 per OE Consideration Share represents:

- (i) a discount of approximately 1.9% to the closing price per Share of HK\$0.075 on the Latest Practicable Date;
- (ii) a discount of approximately 3.2% to the closing price per Shares of HK\$0.076 for the last trading day immediately prior to the publication of the Announcement;
- (iii) a discount of approximately 13.4% to the average closing price per Share of approximately HK\$0.0850 for the last three months immediately prior to and including the last trading day immediately prior to the publication of the Announcement;
- (iv) a discount of approximately 17.7% to the average closing price per Share of approximately HK\$0.0894 for the last six months immediately prior to and including the last trading day immediately prior to the publication of the Announcement; and
- (v) a discount of approximately 86.3% to the net asset value per Share of approximately HK\$0.5368 based on the net asset value of approximately HK\$1,449 million as at 31 December 2019 and 2,700,000,000 shares of the Company in issue.

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In assessing the fairness and reasonableness of the issue price of the OE Consideration Share, we have primarily made reference to the historical price performance of the Share. Set out in the chart below are the daily closing prices of the Share on the Stock Exchange for the period from 12 June 2019 (being the first trading day of the 12-month period prior to the date of the Master Agreement) up to and including the Latest Practicable Date (the “**Share Review Period**”). We consider that the Share Review Period which covers a full year prior to the date of the Master Agreement represents a reasonable period to provide a general overview of the historical trend of the Share price when assessing the issue price of OE Consideration Share.



Source: The website of the Stock Exchange (www.hkex.com.hk)

As illustrated in the chart above, the share price of the Share demonstrated an overall downward trend throughout the Share Review Period. The closing price of the Share ranged from HK\$0.073 per Share on 2 to 9 June 2020 to HK\$0.112 per Share on 17 to 20 June 2019 and 27 June to 3 July 2019 with an average of approximately HK\$0.095 per Share during the Review Period. The issue price of the OE Consideration Share represents (i) a premium of approximately 0.82% over the lowest closing price of HK\$0.073; and (ii) a discount of approximately 34.29 to the highest closing price of HK\$0.112.

It is noted that the closing price of the Shares during the period from 12 June 2019 (i.e. one year prior to the date of the Master Agreement) up to the date of the Master Agreement ranged from the highest of HK\$0.112 per Share on 17 to 20 June 2019 and 27 June to 3 July 2019 to the lowest of HK\$0.073 per Share from 2 June 2020 to 9 June 2020, representing a discount to the consolidated NAV per Share attributable to the Shareholders as at 31 December 2019 of approximately HK\$0.5368 (the “**2019 NAV per Share**”) ranging from approximately 79.1% to 86.4% (the “**Historical NAV Discount Range**”). It is also noted that the Shares had been consistently traded within such Historical NAV Discounted Range. The issue price of the OE Consideration Shares, which was determined with reference to prevailing market price of the Shares, represents a significant discount of 86.3% to the 2019 NAV Per Share, which is only 0.1% lower than the high end of the Historical NAV Discount Range. Despite the aforesaid significant

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discount to the 2019 NAV Per Share, we consider that it is fair and reasonable to make reference to the prevailing market price of the Shares rather than referencing to the 2019 NAV per Share when determining the issue price of the OE Consideration Shares. It is because the prevailing market prices of the Shares directly reflect the fair market value of the Shares that is generally perceived by the market having taking into account business performance of the Company as well as the market conditions.

Issue of the Promissory Note

As part of the consideration payable for the OE Transaction, the Company may issue a one-year interest-free promissory note to the Multifield as a bridging measure.

As at the Latest Practicable Date, the prime lending rate and HIBOR for 12 months in Hong Kong as quoted from Hang Seng Bank are 5.0% and 1.33% respectively. Therefore, we are of the opinion that the interest rate of the one-year interest-free promissory note is set at a level in the interest of the Company and the Shareholders as a whole.

Adjustment to the consideration

We have discussed with management of the Company the rationale behind the adjustment to the consideration and were given to understand that in determining the consideration, Multifield and the Company have a mutual agreement, after arm's length negotiations, that it is fair and reasonable to adjust the Initial Multifield Consideration and Initial OE Consideration by the Post Completion Multifield Disposal Group Accounts and the Post Completion OE Disposal Group Accounts since the consideration was reference to net asset value of Multifield Disposal Group and OE Disposal Group as at 31 March 2020 while the Completion Date will expect to be by August 2020. For the Multifield Disposal Properties and the properties interest to be disposed as a result of the OE Disposal, these will be revaluated by an independent professional valuer as at Completion Date. For the OE Listed Securities, having considered that these securities are highly marketable, such adjustment is able to better reflect their market value as at Completion Date. Based on the above, we consider that the adjustment to the consideration is fair and reasonable.

4.4 Completion

Completion for the Transactions shall take place simultaneously on the fifth Business Day after the fulfillment (or waiver, if permitted) of all the conditions precedent above or such other date as Multifield and the Company may agree in writing.

Upon Completion, the OE Disposal Company will become a direct subsidiary of Multifield, while the Multifield Disposal Company (which holds the Multifield Disposal Properties through its subsidiaries) will become a wholly-owned subsidiary of the Company and on the other hand will still be a subsidiary of Multifield (through its shareholdings in the Company).

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After Completion, the Group will cease to be engaged in securities trading and investment as its principal business. The Group will continue to engage in the property investment businesses. Multifield, holding the majority stakes in companies of the OE Minority Interests before the Transactions, will further enhance its shareholdings in such companies and will, apart from other non-property related business, focus on property development.

Pursuant to the terms of the Master Agreement, 1,181,836,004 OE Consideration Shares will be allotted and issued at the issue price of HK\$0.0736 per OE Consideration Share and to be credited as fully paid.

An application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the OE Consideration Shares.

The OE Consideration Shares will be allotted and issued under Specific Mandate of the Company to be sought at the SGM. The OE Consideration Shares, when allotted and issued, will rank pari passu in all respects with the existing Shares then in issue.

5 Expected gain and loss of the OE Transactions

It is expected that the Company will realise a gain in the sum of HK\$127,084,840 in respect of the OE Disposal based on the Initial Multifield Consideration and the unaudited net asset value of the OE Disposal Company as at 31 March 2020. The actual gain on the OE Disposal can only be ascertained when the net asset value and incidental transaction costs are determined upon Completion. The Directors envisage that there would be no net proceeds from the OE Disposal. The Directors intend to use the net proceeds from the OE Disposal for the expansion of its core businesses of property investment and as general working capital of the Group in the event there is any net proceeds arising from the OE Disposal.

RECOMMENDATION

Having considered the principal factors and reasons as discussed above, we are of the view that the terms of the Master Agreement, in particular, the OE Transactions are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution in approving the OE Transactions and the transactions contemplated under the Master Agreement at the SGM.

Yours faithfully,
For and on behalf of
Emperor Capital Limited
Louisa Choi **Mark Chan**
Director *Director*

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Ms. Louisa Choi is a licensed person and has been a responsible officer of Emperor Capital Limited registered with the SFC to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO since 2004 and has over 18 years of experience in corporate finance.

Mr. Mark Chan is a licensed person and has been a responsible officer of Emperor Capital Limited registered with the SFC to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO since 2018 and 2016 respectively and has over 9 years of experience in corporate finance.

1. FINANCIAL INFORMATION OF THE GROUP

The audited consolidated financial statements of the Group for each of the three years ended 31 December 2017, 31 December 2018 and 31 December 2019 respectively, together with the relevant notes thereto are disclosed in the following documents, which were published on both the Stock Exchange's website (<http://www.hkexnews.hk>) and the Company's website (<http://www.irasia.com/listco/hk/orientalexplorer/>):

- the annual report of the Company for the year ended 31 December 2017 published on 19 April 2018 (pages 25 to 85) at <https://www1.hkexnews.hk/listedco/listconews/sehk/2018/0419/ltm201804191010.pdf>;
- the annual report of the Company for the year ended 31 December 2018 published on 17 April 2019 (pages 25 to 97) at the <https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0417/ltm20190417297.pdf>; and
- the annual report of the Company for the year ended 31 December 2019 published on 20 April 2020 (pages 27 to 91) at the <https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0420/2020042000754.pdf>.

2. STATEMENT OF INDEBTEDNESS OF THE ENLARGED GROUP

As at the close of business of 30 April 2020, being the latest practicable date for the purpose of ascertaining the indebtedness of the Enlarged Group prior to the printing of this circular, the indebtedness of the Enlarged Group was as follows:

Amount due to a director

Amount due to a director of approximately HK\$94 million, which is unsecured, interest free and has no fixed terms of repayment.

Commitments and contingent liabilities

As at 30 April 2020, the Enlarged Group had no material capital commitment.

As at 30 April 2020, the Enlarged Group had no material contingent liability.

Corporate guarantees

As at 30 April 2020, the Enlarged Group had given corporate guarantees in favour of a bank for banking facilities granted to its fellow subsidiary to the extent of approximately HK\$216,000,000, of which approximately HK\$216,000,000 was utilised.

Disclaimer

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities and normal trade and other payables in the ordinary course of business of the Enlarged Group, as at 30 April 2020, the Enlarged Group did not have any other outstanding mortgages, charges, debentures, loan capital issued or agreed to be issued, bank loans and overdrafts, debt securities issued and outstanding, and authorised or otherwise created but unissued or other similar indebtedness, finance leases or hire purchase commitments, which are either guaranteed, unguaranteed, secured or unsecured, liabilities under acceptance (other than normal trade bills) or acceptance credits, guarantees or other material contingent liabilities.

3. WORKING CAPITAL

As at the Latest Practicable Date, after due enquiry and taking into account the effect of the Transactions, the internal resources of the Enlarged Group and the banking facilities available to the Enlarged Group, the Directors are of the opinion that the Enlarged Group has sufficient working capital for its present requirement, that is for at least the next 12 months from the date of publication of this circular in the absence of unforeseen circumstances.

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2019, being the date to which the latest published audited financial statements of the Group were made up.

5. FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP

The global outbreak of COVID-19 disease pandemic since early 2020 causes severe impact on the worldwide and local economy and financial markets which in turn affects the businesses of the Enlarged Group with varying degree. From the beginning of 2020 to the Latest Practicable Date, trading of securities business had suffered the most from the pandemic whereas property investment remained stable. The Board will continue to evaluate the market situation in short to medium to long term, and will take necessary measures in a timely manner to reduce risks faced by the Enlarged Group. Such measures include adopting a prudent financial management strategy and maintaining a low gearing ratio as well as a sound financial position under the current harsh economic environment.

Upon completion of the Transactions, the Enlarged Group will focus on property investment business and therefore will cease facing the significant risks posed by the volatile financial markets. The Board expects that the properties acquired through the OE Acquisition will provide a continuous and stable source of income for the Enlarged Group. To maximise Shareholders' value, the Enlarged Group will implement plans to enhance its profit margin and profitability through optimising equipment of, and carrying out refurbishment work for, the Enlarged Group's industrial and commercial properties, thereby increasing the sustainability and value (particularly rental yield) of such properties. The Enlarged Group will also actively look for opportunities to expand its portfolio of investment properties to broaden the source of income.

6. MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

Set out below is the discussion and analysis of the performance of the Group for the years ended 31 December 2017, 2018 and 2019, which are extracted from the 2017, 2018 and 2019 Annual Report of the Company.

For the year ended 31 December 2017:

Business Review

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 or 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	Principal Business	Number of shares held as at	Percentage of shareholding as at	Investment cost	Realised Gain on change in fair value for the year ended	Unrealised Gain/(Loss) on change in fair value for the year ended	Dividend income for the year ended	Fair value/ carrying amount as at	Percentage to the Company's total asset as at
			31 December 2017	31 December 2017		31 December 2017	31 December 2017	31 December 2017	31 December 2017	31 December 2017
			'000	%	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	%
2800	Tracker Fund of Hong Kong	Collective investment fund, structured as a unit trust established under Hong Kong law, provide investment results that closely correspond to the performance of the Hang Seng Index.	8,120	0.25	207,822	-	64,554	7,552	244,006	18.49
5	HSBC Holdings plc	Banking and financial services, manages its products and services through four businesses: Retail Banking and Wealth Management (RBWM), Commercial Banking (CMB), Global Banking and Markets (GB&M), and Global Private Banking (GPB).	3,040	0.01	207,496	-	53,172	11,748	243,078	18.42
2828	Hang Seng China Enterprises Index ETF	Sub-fund of the Hang Seng Investment Index Funds Series, a unit trust established as an umbrella fund under the laws of Hong Kong, which aims to match, before expenses, as closely as practicable the performance of the Hang Seng China Enterprises Index.	1,332	0.37	168,677	-	31,702	3,596	157,442	11.93
3988	Bank of China Limited	Banking and financial services, a China-based company principally engage in the provision of banking and related financial services.	9,800	0.01	30,198	-	3,920	1,884	37,632	2.85
857	PetroChina Co. Ltd.	Petroleum and gases, a China-based company principally engage in the production and distribution of oil and gas.	2,378	0.01	24,819	-	(785)	297	12,959	0.98
941	China Mobile Limited	Telecommunication and Services, a China-based company principally engage in telecommunication and related businesses including mobile businesses, wireline Broadband businesses and Internet of Things (IoT) businesses.	100	0.00	9,654	-	(295)	606	7,925	0.60
2628	China Life Insurance Company Limited	Life insurance, a China-based company principally engage provides a range of insurance products, including individual and group life insurance, health insurance and accident insurance products.	300	0.00	9,459	-	1,305	82	7,365	0.56
	Other listed securities#				32,883	-	8,493	343	14,758	1.12
						-	162,066	26,108	725,165	54.95

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 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 fair value 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.

For the year ended 31 December 2018:

Business Review

During the year under review, the Group recorded a net loss of approximately HK\$92 million (2017: profit of HK\$201 million). This was mainly due to the loss brought by the fair value losses in equity investments (stocks) held by the Group for the year ended 31 December 2018.

The investments in equities held by the Group recorded a fair value loss of approximately HK\$111 million (2017: gain of HK\$162 million). Equity investments recorded dividend income of approximately HK\$27 million (2017: HK\$26 million).

The Group's rental income in Hong Kong recorded a slight increase of approximately 2% (2017: 7%).

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 2018 (2017: HK\$5 million).

Financial Investments

Worldwide economy and stocks market were volatile in 2018. As of 31 December 2018, the Group held approximately HK\$608 million (2017: HK\$725 million) of highly liquid equity investments, which mainly consisted of blue chips stocks and Exchange Traded Funds listed in Hong Kong. The equity investments were held by the Group in long-term for investment purpose and to receive dividend income.

The Group's equity investments recorded a net fair value loss of approximately HK\$111 million (2017: gain of HK\$162 million) when marking the investment portfolios to market valuation as of 31 December 2018, and dividend income of approximately HK\$27 million (2017: HK\$26 million).

The equity investments held by the Group as at 31 December 2018 were as follows:

Stock Code	Company Name	Principal Business	Number of	Percentage of	Investment cost	Realised Gain	Unrealised	Dividend income for the year ended 31 December 2018	Fair value/	Percentage to the Company's total asset as at 31 December 2018
			shares held as at 31 December 2018	shareholding as at 31 December 2018		on change in fair value for the year ended 31 December 2018	Gain/(Loss) on change in fair value for the year ended 31 December 2018		carrying amount as at 31 December 2018	
			'000	%	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	%
2800	Tracker Fund of Hong Kong	Collective investment fund, structured as a unit trust established under Hong Kong law, provide investment results that closely correspond to the performance of the Hang Seng Index.	8,120	0.26	207,822	-	(32,480)	7,714	211,526	11.93
5	HSBC Holdings plc	Banking and financial services, manages its products and services through four businesses: Retail Banking and Wealth Management (RBWM), Commercial Banking (CMB), Global Banking and Markets (GB&M), and Global Private Banking (GPB).	3,040	0.01	207,496	-	(46,062)	12,160	197,016	11.11
2828	Hang Seng China Enterprises Index ETF	Sub-fund of the Hang Seng Investment Index Funds Series, a unit trust established as an umbrella fund under the laws of Hong Kong, which aims to match, before expenses, as closely as practicable the performance of the Hang Seng China Enterprises Index.	1,332	0.44	168,677	-	(21,046)	4,129	136,397	7.69
3988	Bank of China Limited	Banking and financial services, a China-based company principally engage in the provision of banking and related financial services.	9,800	0.01	30,198	-	(4,508)	2,073	33,124	1.87
857	PetroChina Co. Ltd.	Petroleum and gases, a China-based company principally engage in the production and distribution of oil and gas.	2,378	0.01	24,819	-	(1,355)	419	11,604	0.65
941	China Mobile Limited	Telecommunication and Services, a China-based company principally engage in telecommunication and related businesses including mobile businesses, wireline Broadband businesses and Internet of Things (IoT) businesses.	100	0.00	9,654	-	(390)	341	7,535	0.42
2628	China Life Insurance Company Limited	Life insurance, a China-based company principally engage provides a range of insurance products, including individual and group life insurance, health insurance and accident insurance products.	300	0.00	9,459	-	(2,373)	147	4,992	0.28
	Other listed securities#				28,828	-	(2,750)	34	5,329	0.30
						-	(110,964)	27,017	607,523	34.25

Other listed securities mainly represented the Group's investment in 12 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 2018.

As at 31 December 2018, the equity investments mainly represented listed securities in Hong Kong. The Board acknowledges that the performance of the equity investments may be affected by worldwide economy, 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 in 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

The Group did not make any material acquisition or disposal of subsidiaries and associated companies during the year ended 31 December 2018.

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 2018, 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 banks 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\$608 million (2017: HK\$725 million) as of 31 December 2018. The Group's cash and cash equivalents as of 31 December 2018 amounted to approximately HK\$202 million (2017: HK\$153 million).

As of 31 December 2018, the Group had total bank and other borrowings amounting to approximately HK\$376 million (2017: HK\$353 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 2018 was repayable within 1 year or on demand.

Taking into account the total liquid assets of approximately HK\$811 million and total other borrowings of approximately HK\$376 million, the Group was debt-free as at 31 December 2018.

Contingent Liability

As of 31 December 2018, the Group had no material contingent liability.

Employees and Remuneration Policy

As of 31 December 2018, the Group had approximately 10 employees in Hong Kong. During the year, the staff costs (including directors' emoluments) amounted to approximately HK\$6 million (2017: 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 4 times in 2018 (in March 2018, June 2018, September 2018 and December 2018, respectively.). As Hong Kong dollar is pegged to the United States dollar, Hong Kong may also increase its interest rate in the future. These factors may exert pressure on price of equity investments held by the Group, particularly in high-yield equity investments. Besides, the potential risks from Chinese economy may have a significant impact on Hong Kong's rental market.

The Hong Kong property market, and residential market in particular had experienced enduring growth over the past two years since the beginning of 2016. Although the business sector urges HK Government to withdraw the doubled ad valorem stamp duty (DSD) currently imposed on residential property transactions, the Government has no plan to remove the control measure with goal to stabilize the property market in Hong Kong.

Other factors such as stock market volatility, interest rate hikes and increased supply in government subsidized housing may also hinder the Group's development in the residential property market, resulting in a potential slide in the market value of its investment properties in Hong Kong.

Looking ahead to 2019, the global political and economic environment will inevitably be influenced due to the uncertainties over the US-China trade war and the ongoing Brexit negotiations. Even though it is expected that the economic growth in the Chinese economy will remain slow-paced, the Group is still facing the challenge on the rising costs of operating in China, namely currency fluctuation, high wages, utility expenses, and increasing property refurbishment fees.

The Group will continue to manage the business prudently in order to enhance operational quality, while at the same time seeking appropriate investment opportunities, with a view to increasing profitability and shareholder return.

For the year ended 31 December 2019:***Business Review***

During the year under review, the Group recorded a net profit of approximately HK\$52 million (2018: loss of HK\$92 million). This was mainly due to the profit brought by the fair value gain in equity investments (stocks) held by the Group for the year ended 31 December 2019.

The investments in equities held by the Group recorded a fair value gain of approximately HK\$17 million (2018: loss of HK\$111 million). Equity investments recorded dividend income of approximately HK\$26 million (2018: HK\$27 million).

The Group's rental income in Hong Kong recorded a slight increase of approximately 7% (2018: 2%).

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 2019 (2018: HK\$5 million).

Financial Investments

Worldwide economy and stocks market were volatile in 2019. As of 31 December 2019, the Group held approximately HK\$561 million (2018: HK\$608 million) of highly liquid equity investments, which mainly consisted of blue chips stocks and Exchange Traded Funds listed in Hong Kong. The equity investments were held by the Group in long-term for investment purpose and to receive dividend income.

The Group's equity investments recorded a net fair value gain of approximately HK\$17 million (2018: loss of HK\$111 million) when marking the investment portfolios to market valuation as of 31 December 2019, and dividend income of approximately HK\$26 million (2018: HK\$27 million).

The equity investments held by the Group as at 31 December 2019 were as follows:

Stock Code	Company Name	Principal Business	Number of	Percentage of	Investment cost	Realised Gain	Unrealised	Dividend income for the year ended	Fair value/ carrying amount as at	Percentage to the Company's total asset as at
			31 December 2019	31 December 2019		on change in fair value for the year ended	Gain/(Loss) on change in fair value for the year ended			
			as at 31 December 2019	as at 31 December 2019		31 December 2019	31 December 2019	31 December 2019	31 December 2019	31 December 2019
			'000	%	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	%
2800	Tracker Fund of Hong Kong	Collective investment fund, structured as a unit trust established under Hong Kong law, provide investment results that closely correspond to the performance of the Hang Seng Index.	5,850	0.19	146,367	4,357	14,040	7,552	166,433	9.48
5	HSBC Holdings plc	Banking and financial services, manages its products and services through four businesses: Retail Banking and Wealth Management (RBWM), Commercial Banking (CMB), Global Banking and Markets (GB&M), and Global Private Banking (GPB).	3,040	0.01	207,496	-	(12,009)	12,144	185,007	10.54
2828	Hang Seng China Enterprises Index ETF	Sub-fund of the Hang Seng Investment Index Funds Series, a unit trust established as an umbrella fund under the laws of Hong Kong, which aims to match, before expenses, as closely as practicable the performance of the Hang Seng China Enterprises Index.	1,332	0.50	168,677	-	14,652	3,863	151,049	8.60
3988	Bank of China Limited	Banking and financial services, a China-based company principally engage in the provision of banking and related financial services.	9,800	0.01	30,198	-	(490)	2,066	32,634	1.86
857	PetroChina Co. Ltd.	Petroleum and gases, a China-based company principally engage in the production and distribution of oil and gas.	2,378	0.01	24,819	-	(2,306)	448	9,297	0.53
941	China Mobile Limited	Telecommunication and Services, a China-based company principally engage in telecommunication and related businesses including mobile businesses, wireline Broadband businesses and Internet of Things (IoT) businesses.	100	0.00	9,654	-	(985)	292	6,550	0.37
2628	China Life Insurance Company Limited	Life insurance, a China-based company principally engage provides a range of insurance products, including individual and group life insurance, health insurance and accident insurance products.	300	0.00	9,459	-	1,503	55	6,495	0.37
	Other listed securities#				28,828	90	(1,614)	74	3,715	0.22
						4,447	12,791	26,494	561,180	31.97

Other listed securities mainly represented the Group's investment in 11 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 2019.

As at 31 December 2019, the equity investments mainly represented listed securities in Hong Kong. The Board acknowledges that the performance of the equity investments may be affected by worldwide economy, 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 in 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

The Group did not make any material acquisition or disposal of subsidiaries and associated companies during the year ended 31 December 2019.

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 2019, 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\$561 million (2018: HK\$608 million) as of 31 December 2019. The Group's cash and cash equivalents as of 31 December 2019 amounted to approximately HK\$201 million (2018: HK\$202 million).

As of 31 December 2019, the Group had total bank and other borrowings amounting to approximately HK\$291 million (2018: HK\$376 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 2019 was repayable within 1 year or on demand.

Taking into account the total liquid assets of approximately HK\$763 million and total other borrowings of approximately HK\$291 million, the Group was debt-free as at 31 December 2019.

Contingent Liability

As of 31 December 2019, the Group had no material contingent liability.

Events after the Reporting Period

Following the outbreak of the novel coronavirus (COVID-19) in early 2020, the global stock markets (including Hong Kong stock market) have fallen sharply due to the pessimistic sentiments of investors about the adverse impact brought by the pandemic on the global economy. The board of directors expects that the COVID-19 pandemic will inevitably bring negative effect on the Group's business. However, due to the dynamic nature of the COVID-19 pandemic, it is difficult for the board of directors to estimate the extent of its impact on the Group's business and financial position in 2020. The board of directors is closely monitoring the development of, and the disruptions to the global economy caused by, the COVID-19 pandemic and will timely assess and react actively to its impact on the operation and financial performance of the Group. The Group will issue announcements to make relevant disclosures as and when appropriate and necessary.

Employees and Remuneration Policy

As of 31 December 2019, the Group had approximately 10 employees in Hong Kong. During the year, the staff costs (including directors' emoluments) amounted to approximately HK\$5 million (2018: 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 local social incidents since June 2019 have caused a decrease in market demand for local industrial and commercial properties and shops, resulting in an increase in vacancy rates and downward pressure on rent. Entering 2020, the novel coronavirus outbreak around the world has caused another shock to Hong Kong's externally oriented economy. In view of continuing deterioration in tenant affordability, the Group is not optimistic about the performance of its investment property portfolio and rental income for the first half of 2020.

The tension in Sino-U.S. trade relations has eased since the two countries signed the first-phase trade agreement in January this year. However, since a final trade agreement between China and the U.S. has not been reached, significant uncertainties still exist with regard to the subsequent trade negotiations between the two countries. Furthermore, investors become pessimistic about the global economic outlook because of the worldwide spread of the novel coronavirus, causing fluctuations in global financial markets. The Group's equity investment portfolio will inevitably be adversely affected by the above factors in the coming year.

The global economic environment has changed dramatically during the first three months of 2020 due to the novel coronavirus epidemic. Governments have been actively implementing measures to control the spread of the virus and to reduce the risk of economic recession. Accordingly, it is estimated that the economy of Hong Kong and the Mainland China may regain growth momentum and that market demand for local industrial and commercial properties and shops may begin to recover gradually once the epidemic is under control. On the other hand, the performance of the Group's residential property rental business had been stable in the past. The impact of the epidemic on revenue of this segment is relatively small up until this moment. However, as the situation around the outbreak of the virus is changing all the time, the epidemic could have a material impact on the Group's overall results for the year.

The Group will continue to operate its business prudently and to maintain a sound financial position. The Group will also cautiously explore opportunities and expand its investment portfolio with a view to increasing profitability and shareholder return.

The following is the text of a report set out on pages II-1 to II-3, received from the Company's reporting accountants, HLB Hodgson Impey Cheng Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.



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ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION OF TARGET GROUP TO THE DIRECTORS OF ORIENTAL EXPLORER HOLDINGS LIMITED

Introduction

We report on the historical financial information of Reach Profit Investments Limited (the “**Target Company**”) and its subsidiaries (together, the “**Target Group**”) set out on pages II-4 to II-52, which comprises the combined statements of financial position of the Target Group as at 31 December 2017, 2018 and 2019, the combined statements of profit or loss, the combined statements of comprehensive income, the combined statements of changes in equity and the combined statements of cash flows for each of the years ended 31 December 2017, 2018 and 2019 (the “**Track Record Period**”) and a summary of significant accounting policies and other explanatory information (together, the “**Historical Financial Information**”). The Historical Financial Information set out on pages II-4 to II-52 forms an integral part of this report, which has been prepared for inclusion in the circular of Oriental Explorer Holdings Limited (the “**Company**”) dated 30 June 2020 (the “**Circular**”) in connection with the proposed acquisition of the entire equity interest in the Target Company and the proposed disposal of the Company's entire equity interest in Linkful Strategic Investment Limited.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 and Note 2 of Section II to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

The financial statements of the Target Group for the Track Record Period (“**Underlying Financial Statements**”), on which the Historical Financial Information is based, were prepared by the directors of the Company based on the previously issued financial statements and management accounts of the Target Group for the Track Record Period. The directors of the Target Company are responsible for the preparation of the previously issued financial statements and management accounts of the Target Group that gives a true and fair view in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the HKICPA. This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that give a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 and Note 2 of Section II to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Target Group's financial position as at 31 December 2017, 2018 and 2019, and of the Target Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in Note 1 and Note 2 of Section II to the Historical Financial Information.

**Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and
the Companies (Winding Up and Miscellaneous Provisions) Ordinance**

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements have been made.

HLB Hodgson Impey Cheng Limited

Certified Public Accountants

Hui Chun Keung, David

Practising Certificate Number: P05447

Hong Kong

30 June 2020

I HISTORICAL FINANCIAL INFORMATION OF THE TARGET GROUP*Preparation of Historical Financial Information*

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The Underlying Financial Statements, on which the Historical Financial Information is based, were audited by HLB Hodgson Impey Cheng Limited in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Historical Financial Information is presented in HK dollars (“**HK\$**”) and all values are rounded to the nearest thousand (HK\$'000) except when otherwise indicated.

Combined statements of profit or loss

	<i>Notes</i>	Year ended 31 December		
		2017 <i>HK\$'000</i>	2018 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Revenue	5	24,321	24,980	25,936
Cost of sales		<u>(4,136)</u>	<u>(3,755)</u>	<u>(4,373)</u>
Gross profit		20,185	21,225	21,563
Other income and gains	5	132	369	138
Fair value gains on investment properties, net		42,800	12,400	75,100
Gain on disposal of investment properties		–	9,260	–
Operating and administrative expenses		(5,166)	(5,511)	(5,623)
Finance costs	8	<u>(9,034)</u>	<u>(9,601)</u>	<u>(8,063)</u>
Profit before tax	6	48,917	28,142	83,115
Income tax expense	9	<u>(1,154)</u>	<u>(233)</u>	<u>(4,529)</u>
Profit for the year attributable to owners of the Target Company		<u><u>47,763</u></u>	<u><u>27,909</u></u>	<u><u>78,586</u></u>

Combined statements of comprehensive income

	Year ended 31 December		
	2017	2018	2019
	HK\$'000	HK\$'000	HK\$'000
Profit for the year	47,763	27,909	78,586
Other comprehensive income			
<i>Other comprehensive income that may be reclassified to profit or loss in subsequent periods:</i>			
Exchange differences on translation of foreign operations	<u>(156)</u>	<u>107</u>	<u>37</u>
Net other comprehensive (expense)/income that may be reclassified to profit or loss in subsequent periods	<u>(156)</u>	<u>107</u>	<u>37</u>
Other comprehensive (expense)/income for the year	<u>(156)</u>	<u>107</u>	<u>37</u>
Total comprehensive income for the year attributable to owners of the Target Company	<u><u>47,607</u></u>	<u><u>28,016</u></u>	<u><u>78,623</u></u>

Combined statements of financial position

	<i>Notes</i>	As at 31 December		
		2017 <i>HK\$'000</i>	2018 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Non-current assets				
Property, plant and equipment	12	80	22	13
Investment properties	13	1,354,240	1,332,440	1,407,540
Total non-current assets		1,354,320	1,332,462	1,407,553
Current assets				
Trade receivables	15	1,043	608	670
Prepayments, deposits and other receivables		520	1,056	486
Amount due from immediate holding company	16	1,800	–	–
Amounts due from fellow subsidiaries	17	390,049	308,708	281,279
Cash and cash equivalents	18	2,535	2,569	2,918
Total current assets		395,947	312,941	285,353
TOTAL ASSETS		1,750,267	1,645,403	1,692,906
Current liabilities				
Trade payables	19	42	42	42
Other payables and accruals	20	1,193	1,946	1,627
Deposits received		7,828	7,246	8,067
Amounts due to fellow subsidiaries	21	467,086	439,841	479,713
Interest-bearing bank borrowings	22	350,378	244,429	169,000
Tax payable		2,135	2,456	2,596
Total current liabilities		828,662	695,960	661,045
NET CURRENT LIABILITIES		(432,715)	(383,019)	(375,692)
TOTAL ASSETS LESS CURRENT LIABILITIES		921,605	949,443	1,031,861

		As at 31 December		
	<i>Notes</i>	2017 <i>HK\$'000</i>	2018 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Non-current liabilities				
Deferred tax liabilities	23	<u>15,392</u>	<u>15,214</u>	<u>19,009</u>
Total non-current liabilities		<u>15,392</u>	<u>15,214</u>	<u>19,009</u>
Net assets		<u>906,213</u>	<u>934,229</u>	<u>1,012,852</u>
EQUITY				
Equity attributable to owners of the Target Company				
Issued capital	24	390	390	390
Reserves		<u>905,823</u>	<u>933,839</u>	<u>1,012,462</u>
Total equity		<u>906,213</u>	<u>934,229</u>	<u>1,012,852</u>

Combined statements of changes in equity

	Issued capital <i>HK\$'000</i> <i>(Note 24)</i>	Exchange fluctuation reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
At 1 January 2017	390	(509)	858,725	858,606
Total comprehensive income for the year	<u>–</u>	<u>(156)</u>	<u>47,763</u>	<u>47,607</u>
At 31 December 2017	<u>390</u>	<u>(665)</u>	<u>906,488</u>	<u>906,213</u>
At 1 January 2018	390	(665)	906,488	906,213
Total comprehensive income for the year	<u>–</u>	<u>107</u>	<u>27,909</u>	<u>28,016</u>
At 31 December 2018	<u>390</u>	<u>(558)</u>	<u>934,397</u>	<u>934,229</u>
At 1 January 2019	390	(558)	934,397	934,229
Total comprehensive income for the year	<u>–</u>	<u>37</u>	<u>78,586</u>	<u>78,623</u>
At 31 December 2019	<u>390</u>	<u>(521)</u>	<u>1,012,983</u>	<u>1,012,852</u>

Combined statements of cash flows

	<i>Notes</i>	Year ended 31 December		
		2017 <i>HK\$'000</i>	2018 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Net cash flows from operating activities	25	5,833	71,832	82,400
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of items of property, plant and equipment		(20)	–	–
Proceeds from disposal of investment properties		–	43,460	–
Net cash flows (used in)/from investing activities		(20)	43,460	–
CASH FLOWS FROM FINANCING ACTIVITIES				
New interest-bearing borrowings	25	210,000	–	–
Repayment of interest-bearing borrowings	25	(208,666)	(105,949)	(75,429)
Interest paid		(7,446)	(9,309)	(6,622)
Net cash flows used in financing activities		(6,112)	(115,258)	(82,051)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(299)	34	349
Cash and cash equivalents at beginning of year		2,834	2,535	2,569
Cash and cash equivalents at end of year	18	2,535	2,569	2,918

II NOTES TO HISTORICAL FINANCIAL INFORMATION**1 GENERAL INFORMATION AND BASIS OF PRESENTATION OF HISTORICAL FINANCIAL INFORMATION**

The Target Company was incorporated in the British Virgin Islands on 23 December 2019 with limited liability. The immediate holding company is Multifield International Holdings Limited (“**Multifield**”), which is incorporated in the Bermuda. The ultimate holding company is Power Resources Holdings Limited, which is incorporated in the British Virgin Islands. Its ultimate controlling shareholder is Mr. Lau Chi Yung, Kenneth of the Company, who is the director of the Target Company.

The addresses of the registered office and the principal place of business of the Target Company are at Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands and Units 22-28, 25/F., Tower A, Southmark, 11 Yip Hing Street, Wong Chuk Hang, Hong Kong, respectively. The Target Company is an investment holding company. The principal activities of its subsidiaries are property investment.

The Target Company and its subsidiaries resulting from reorganisation are under the common control by Multifield. Prior to the reorganisation, the Target Company and each of Quick Returns Group Limited (“**Quick Returns**”), Lucky Win International Limited (“**Lucky Win**”), Triple Luck Investments Limited (“**Triple Luck**”), Money State International Limited (“**Money State**”) and Super Wish Assets Limited (“**Super Wish**”) were indirect wholly-owned subsidiaries of Multifield. As part of the reorganisation, the entire equity interests in Quick Returns, Lucky Win, Triple Luck, Money State and Super Wish indirectly held by Multifield, are transferred to the Target Company (the “**Reorganisation**”). The Reorganisation is completed in May 2020. Since then, the Target Company became the holding company of the companies now comprising the Target Group.

The Historical Financial Information has been prepared as if the Target Company had been the holding company of the Target Group throughout the Track Record Period in accordance with Accounting Guideline 5 “Merger Accounting for Common Control Combinations” issued by the HKICPA. The combined statements of profit or loss, the combined statements of comprehensive income, combined statements of changes in equity and combined statements of cash flows for the Track Record Period, which include the results, changes in equity and cash flows of the companies now comprising the Target Group, have been prepared as if the current group structure had been in existence throughout the Track Record Period, or since their respective dates of incorporation where this is a shorter period. The combined statements of financial position as at the respective reporting dates have been prepared to present the assets and liabilities of the companies now comprising the Target Group as if the current group structure had been in existence at those dates.

As of the date of this report, the Target Company has the direct and indirect interest in the following wholly-owned subsidiaries:

Information about subsidiaries

Particulars of the Target Company's principal subsidiaries are as follows:

Name	Place and date of incorporation/ registration and business	Nominal value of issued ordinary/ registered share capital	Percentage of equity interest attributable to the Target Company %	Principal activities	Notes
Conrad Shipping Limited	Hong Kong	HK\$1	100	Property investment	1
Golden Charter International Limited	Hong Kong	HK\$2	100	Property investment	1
Goodrich Properties Limited	Hong Kong	HK\$2	100	Property investment	1
Grandfield Nominees Limited	Hong Kong	HK\$1,000,000	100	Property investment	1
Lau & Partners Consultants Limited	Hong Kong/PRC	HK\$10,000	100	Property investment	1
Maxlord Limited	Hong Kong	HK\$10,000	100	Property investment	1
Multifield Contracting Limited	Hong Kong	HK\$10,000	100	Property investment	1
Multifield Property Agency Limited	Hong Kong	HK\$2	100	Property investment	1
Quick Returns	British Virgin Islands	US\$1	100	Investment holding	2
Tellink Development Limited	Hong Kong	HK\$100	100	Property investment	1
Triple Luck	British Virgin Islands	US\$50,000	100	Investment holding	2
Verywell Properties Limited	British Virgin Islands/ Hong Kong	US\$1	100	Property investment	1

Note 1: The statutory financial statements of these entities for the years ended 31 December 2017, 2018 and 2019, which were prepared in accordance with HKFRSs issued by the HKICPA, were audited by us in accordance with HKSAAs issued by the HKICPA.

Note 2: No audited statutory financial statements have been prepared for Quick Returns and Triple Luck since its date of incorporation as it was incorporated in a country where there is no statutory audit requirement.

All companies now comprising the Target Group have adopted 31 December as their financial year end date.

2 APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS

The principal accounting policies applied in the preparation of the Historical Financial Information are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

Basis of presentation

The principal accounting policies applied in the preparation of the Historical Financial Information which are in accordance with the HKFRSs issued by the HKICPA are set out below. The Historical Financial Information set out in this report has been prepared under the historical cost convention, except as otherwise stated in the accounting policies below.

The preparation of the Historical Financial Information in accordance with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies of the Target Group. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 4 below.

Going Concern

The Target Group had net current liabilities of approximately HK\$432,715,000, HK\$383,019,000 and HK\$375,692,000 at each of the end of the reporting period. Notwithstanding the above, the directors of the Target Company have prepared the financial statements on the going concern basis on the assumption that the Target Group will continue to operate as a going concern for the foreseeable future as Multifield has confirmed to provide necessary funds to the Target Group so as to enable the Target Group to discharge its obligations as and when they fall due.

HKFRS 9 “Financial Instruments”

Since 1 January 2018, the Target Group has applied HKFRS 9 and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for (1) the classification and measurement of financial assets and financial liabilities, (2) expected credit losses (“ECL”) for financial assets and (3) general hedge accounting.

The Target Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 “*Financial Instruments: Recognition and Measurement*”.

Impairment under ECL model

As at 1 January 2018, the management of the Target Group reviewed and assessed the Target Group’s existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9. Accounting policies resulting from application of HKFRS 9 are disclosed in Note 3.

The Target Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for trade receivables. Trade receivables have been assessed individually.

ECL for other financial assets at amortised cost, including pledged bank deposits, bank balances and amounts due from fellow subsidiaries, are assessed on 12-month ECL (“12 month ECL”) basis as there had been no significant increase in credit risk since initial recognition.

The directors of the Target Company considered that the measurement of ECL has no material impact to the Target Group’s retained profits at 1 January 2018.

HKFRS 15 “Revenue from Contracts with Customers”

Since 1 January 2018, the Target Group has applied HKFRS 15. HKFRS 15 superseded HKAS 18 *Revenue*, HKAS 11 *Construction Contracts and the related interpretations*.

The Target Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained profits (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Target Group has elected to apply the standard retrospectively only to the contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared with HKAS 18 *Revenue* and HKAS 11 *Construction Contracts* and the related interpretations.

Information about the Target Group’s performance obligations and the accounting policies resulting from application of HKFRS 15 are disclosed in Note 3.

The application on HKFRS 15 has no material impact on the timing and amounts of revenue recognised in the year ended 31 December 2018 and retained profits at 1 January 2018.

HKFRS 16 “Leases”

The Target Group has applied HKFRS 16 *“Leases”* on 1 January 2019. HKFRS 16 superseded HKAS 17 *“Leases”* and the related interpretation.

The Target Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)–Int 4 *“Determining whether an Arrangement contains a Lease”* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Target Group has not reassessed contracts which already existed prior to the date of initial application.

Details of these new requirements are described in Note 3.

The application of HKFRS 16 has no material impact on the Target Group's financial statements at 1 January 2019.

Issued but not yet effective Hong Kong Financial Reporting Standards

The Target Group has not early applied the following new and amendments to HKFRSs and interpretation that have been issued but are not yet effective:

Amendments to HKFRS 3	<i>Definition of a Business</i> ³
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	<i>Interest Rate Benchmark Reform</i> ¹
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ⁴
HKFRS 17	<i>Insurance contracts</i> ²
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i> ¹

¹ Effective for annual periods beginning on or after 1 January 2020

² Effective for annual periods beginning on or after 1 January 2021

³ Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

⁴ No mandatory effective date yet determined but available for adoption

The directors of the Target Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Consolidation and combination

The combined financial information includes the financial information of the Target Company and all its subsidiaries made up to respective year end dates during the Track Record Period.

Subsidiaries are all entities (including structured entities) over which the Target Group has control. The Target Group controls an entity when the Target Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Target Group. They are de-consolidated from the date that control ceases.

Except for the Reorganisation, the Target Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Target Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Target Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the recognised amount of the acquiree's identifiable net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the profit or loss.

Inter-company transactions, balances and unrealised gains on transactions between Target Group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Target Group.

Merger accounting for common control combinations

The Historical Financial Information incorporates the financial statements items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling parties' perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest. The combined statements of profit or loss and other comprehensive income include the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

Fair value measurement

The Target Group measures its investment properties, derivative financial instruments and equity investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Target Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Target Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Target Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than financial assets and investment properties), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss and other comprehensive income in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss and other comprehensive income in the period in which it arises.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Target Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold improvements	Over the lease terms
Furniture, fixtures and office equipment	20% – 33 $\frac{1}{3}$ %
Motor vehicles	20% – 33 $\frac{1}{3}$ %

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in the statement of profit or loss in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss in the year of the retirement or disposal.

For a transfer from investment properties to owner-occupied properties or inventories, the deemed cost of a property for subsequent accounting is its fair value at the date of change in use. If a property occupied by the Target Group as an owner-occupied property becomes an investment property, the Target Group accounts for such property in accordance with the policy stated under “Property, plant and equipment and depreciation” up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation in accordance with the policy stated under “Property, plant and equipment and depreciation” above. For a transfer from inventories to investment properties, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the statement of profit or loss.

Leases (applicable from 1 January 2019)

The Target Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Target Group as a lessee

The Target Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Target Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Leasehold land Over the lease terms

If ownership of the leased asset transfers to the Target Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Target Group and payments of penalties for termination of a lease, if the lease term reflects the Target Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Target Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(c) Short-term leases and leases of low-value assets

The Target Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment and laptop computers that are considered to be of low value. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Target Group as a lessor

When the Target Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Target Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Target Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases.

Leases (applicable before 1 January 2019)

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Target Group is the lessor, assets leased by the Target Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the statement of profit or loss on the straight-line basis over the lease terms. Where the Target Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the statement of profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

Investments and other financial assets (policies under HKFRS 9 applicable from 1 January 2018)*Initial recognition and measurement*

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Target Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Target Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Target Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Target Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition (applicable from 1 January 2018)" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

The Target Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Target Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

The Target Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through other comprehensive income (debt instruments)

The Target Group measures debt investments at fair value through other comprehensive income if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to the statement of profit or loss.

Financial assets designated at fair value through other comprehensive income (equity investments)

Upon initial recognition, the Target Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under HKAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Target Group and the amount of the dividend can be measured reliably, except when the Target Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through other comprehensive income, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and equity investments which the Target Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value profit or loss are also recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Target Group and the amount of the dividend can be measured reliably.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

Investments and other financial assets (policies under HKAS 39 applicable before 1 January 2018)*Initial recognition and measurement*

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Target Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

The Target Group's financial assets include cash and bank balances, trade and other receivables, amount due from immediate holding company, and amounts due from fellow subsidiaries.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by HKAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with positive net changes in fair value presented as other income and gains and negative net changes in fair value presented as finance costs in the statement of profit or loss and other comprehensive income. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition (applicable before 1 January 2018)" below.

Financial assets designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in the statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss in finance costs for loans and in other expenses for receivables.

Derecognition of financial assets (policies under HKFRS 9 applicable from 1 January 2018 and policies under HKAS 39 applicable before 1 January 2018)

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Target Group's combined statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Target Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Target Group has transferred substantially all the risks and rewards of the asset, or (b) the Target Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Target Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the assets. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Target Group continues to recognise the transferred asset to the extent of the Target Group's continuing involvement. In that case, the Target Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Target Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Target Group could be required to repay.

Impairment of financial assets (policies under HKFRS 9 applicable from 1 January 2018)

The Target Group recognises an allowance for ECLs for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Target Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Target Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Target Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Target Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Target Group may also consider a financial asset to be in default when internal or external information indicates that the Target Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Target Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Simplified approach

For trade receivables and contract assets that do not contain a significant financing component or when the Target Group applies the practical expedient of not adjusting the effect of a significant financing component, the Target Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Target Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Target Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Impairment of financial assets (policies under HKAS 39 applicable before 1 January 2018)

The Target Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial asset that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Target Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Target Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount and using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Target Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other expenses in profit or loss.

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Financial liabilities (policies under HKFRS 9 applicable from 1 January 2018 and HKAS 39 applicable before 1 January 2018)*Initial recognition and measurement*

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Target Group's financial liabilities include trade and other payables, amounts due to fellow subsidiaries, and interest-bearing bank borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Derecognition of financial liabilities (policies under HKFRS 9 applicable from 1 January 2018 and HKAS 39 applicable before 1 January 2018)

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments (policies under HKFRS 9 applicable from 1 January 2018 and HKAS 39 applicable before 1 January 2018)

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Cash and cash equivalents

For the purpose of the combined statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Target Group's cash management.

For the purpose of the combined statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in OCI or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Target Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Revenue recognition (applicable from 1 January 2018)

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Target Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Target Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Target Group and the customer at contract inception. When the contract contains a financing component which provides the Target Group a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

Revenue from other sources

Rental income is recognised on a time proportion basis over the lease terms.

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Revenue recognition (applicable before 1 January 2018)

Revenue is recognised when it is probable that the economic benefits will flow to the Target Group and when the revenue can be measured reliably, on the following bases:

- (a) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset; and
- (b) rental income from property letting, in the period in which the properties are let and on a time proportion basis over the lease terms.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional currency. Each entity in the Target Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Target Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in OCI or profit or loss is also recognised in OCI or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Target Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Target Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries and an associate are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into Hong Kong dollar at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into Hong Kong dollar at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in OCI and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is recognised in profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollar at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

Related parties

A party is considered to be related to the Target Group if:

- (a) the party is a person or a close member of that person's family and that person
 - (i) has control or joint control over the Target Group;
 - (ii) has significant influence over the Target Group; or
 - (iii) is a member of the key management personnel of the Target Group or of a parent of the Target Group;

or

- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Target Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Target Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Target Group or an entity related to the Target Group;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Target Group or to the parent of the Target Group.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with entity.

4 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Target Group's Historical Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Target Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Operating lease commitments – Target Group as lessor

The Target Group has entered into commercial property leases on its investment property portfolio. The Target Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Impairment of receivables

The Target Group estimates the amount of impairment loss for trade receivables and other receivables by assessing the ECLs. The ECLs for trade receivables and other receivables are based on assumptions about risk of default and expected loss rates. The Target Group makes these assumptions and selects the inputs to the impairment calculation, based on the Target Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. The information about the ECLs on the Target Group's trade receivables and other receivables is disclosed in Notes 15 and 28.

Estimation of fair value of investment properties

As described in Note 13, the investment properties were revalued at the end of the reporting period based on the appraised market value provided by an independent professional valuer. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the estimation, the Target Group considers information from current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions existing at the end of each reporting period.

Income taxes and deferred taxation

Significant judgement is required in determining the provision for income tax. There are many transactions and calculations for which the ultimate determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be recognised. The outcome of their actual recognition may be different.

5 REVENUE AND SEGMENT INFORMATION

Revenue and other income and gains recognised during the Track Record Period are as follows:

	Year ended 31 December		
	2017 HK\$'000	2018 HK\$'000	2019 HK\$'000
Rental income from property letting under fixed lease payments	24,321	24,980	25,936
Other income and gains			
Interest income earned on bank deposits	–	–	2
Others	132	369	136
	<u>132</u>	<u>369</u>	<u>138</u>

Segment information

The chief operating decision-maker has been identified as the executive directors of the Target Company. The executive directors regards the Target Group's business as a single operating segment and reviews Historical Financial Information accordingly. Also, the Target Group principally engages its business in Hong Kong. Therefore, no segment information is presented.

Information about major customers

Revenue from sales to external customers are almost all generated from Hong Kong. Revenue from external customers contributing over 10% of the total revenue of the Group are as follows:

	Year ended 31 December		
	2017 HK\$'000	2018 HK\$'000	2019 HK\$'000
Customer A	3,276	3,402	3,432

6 PROFIT BEFORE TAX

Profit before tax has been arrived at after charging:

	Year ended 31 December		
	2017	2018	2019
	HK\$'000	HK\$'000	HK\$'000
Cost of services provided	4,136	3,755	4,373
Depreciation of property, plant and equipment	95	58	9
Minimum lease payments under operating leases for land and buildings	–	300	–
Expense relating to short-term leases not included in the measurement of lease liabilities	–	–	300
Auditors' remuneration – audit service	100	300	300
Gain on disposal of investment properties, net	–	9,260	–
Direct operating expenses (including repairs and maintenance arising on rental-earning investment properties)	4,101	3,718	4,284
	<u> </u>	<u> </u>	<u> </u>
Employee benefit expense (including directors' emoluments (<i>Note 7</i>))			
Salaries, wages and other benefits	–	–	–
Pension scheme contribution (defined contribution scheme) (<i>Note</i>)	–	–	–
	<u> </u>	<u> </u>	<u> </u>
Total staff costs	–	–	–
	<u> </u>	<u> </u>	<u> </u>

Note:

At 31 December 2017, 2018 and 2019, the Target Group had no forfeited contributions available to reduce its contributions to the pension scheme in future years.

7 DIRECTORS' EMOLUMENTS

(a) Directors' emoluments

Details of the directors' remuneration for the Track Record Period are as follows:

	Fee <i>HK\$'000</i>	Salaries, allowances and benefits in kind <i>HK\$'000</i>	Discretionary bonuses <i>HK\$'000</i>	Retirement scheme contributions <i>HK\$'000</i>	Total <i>HK\$'000</i>
Year ended 31 December 2017					
<i>Executive director</i>					
Mr. Lau Chi Yung, Kenneth	—	—	—	—	—
	—	—	—	—	—
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Year ended 31 December 2018					
<i>Executive director</i>					
Mr. Lau Chi Yung, Kenneth	—	—	—	—	—
	—	—	—	—	—
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Year ended 31 December 2019					
<i>Executive director</i>					
Mr. Lau Chi Yung, Kenneth	—	—	—	—	—
	—	—	—	—	—
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

The director of the Target Company is also a director of the holding companies and received their emoluments from immediate holding company for the years ended 31 December 2017, 2018 and 2019.

During the Track Record Period, no emoluments were paid by the Target Group to the directors as an inducement to join or upon joining the Target Group or as compensation for loss of office. No director has waived or agreed to waive any emoluments during the Track Record Period.

(b) Five highest paid individuals

During the Track Record Period, no emoluments were paid by the Target Group to the five highest paid individuals as (i) an inducement to join or upon joining the Target Group or (ii) as compensation for loss of office as a director or management of any members of the Target Group.

8 FINANCE COSTS

	Year ended 31 December		
	2017	2018	2019
	HK\$'000	HK\$'000	HK\$'000
Interest on bank loans	7,687	9,134	6,584
Interest on amount due to a fellow subsidiary	1,347	467	1,479
	<u>9,034</u>	<u>9,601</u>	<u>8,063</u>

9 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in or derived from Hong Kong for the Track Record Period. Taxes on profits assessable in Mainland China have been calculated at the rate of tax prevailing in Mainland China, in which the Target Group operates.

	Year ended 31 December		
	2017	2018	2019
	HK\$'000	HK\$'000	HK\$'000
Current – Hong Kong			
Charge for the year	48	327	172
Under/(over) provision in prior years	84	(23)	525
Deferred tax (<i>Note 23</i>)	<u>1,022</u>	<u>(71)</u>	<u>3,832</u>
Total tax charge for the year	<u>1,154</u>	<u>233</u>	<u>4,529</u>

The taxation on the Target Group's profit before tax differs from the theoretical amount that would arise using the Hong Kong profits tax rate as follows:

	Year ended 31 December		
	2017	2018	2019
	HK\$'000	HK\$'000	HK\$'000
Profit before tax	<u>48,917</u>	<u>28,142</u>	<u>83,115</u>
Tax at the Hong Kong profits tax rate	8,071	4,643	13,714
Lower tax rate for specific provinces or enacted by local authority	–	–	(60)
Adjustments in respect of current tax of previous periods	84	(23)	525
Income not subject to tax	(7,207)	(4,427)	(12,441)
Expenses not deductible for tax	648	576	8
Tax losses not recognised	345	152	188
Tax losses utilised from previous periods	(677)	(401)	(395)
Effect of PRC land appreciation tax	(23)	(310)	3,027
Others	<u>(87)</u>	<u>23</u>	<u>(37)</u>
Tax charge for the year	<u>1,154</u>	<u>233</u>	<u>4,529</u>

10 EARNINGS PER SHARE

No earnings per share information is presented as its inclusion, for the purpose of this report, is not considered meaningful with regard to the reorganization of the Target Group and the results for the Track Record Period that is on a combined basis as set out in Note 1.

11 DIVIDENDS

During the Track Record Period, no dividend was paid or declared by the Target Company.

12 PROPERTY, PLANT AND EQUIPMENT

	Leasehold impairments	Furniture, fixtures and office equipment	Motor vehicles	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
31 December 2017				
At 1 January 2017:				
Cost	1,288	740	420	2,448
Accumulated depreciation	(1,288)	(718)	(287)	(2,293)
Net carrying amount	—	22	133	155
At 1 January 2017, net of accumulated depreciation	—	22	133	155
Additions	—	20	—	20
Depreciation provided during the year	—	(11)	(84)	(95)
At 31 December 2017, net of accumulated depreciation	—	31	49	80
At 31 December 2017:				
Cost	1,288	760	420	2,468
Accumulated depreciation	(1,288)	(729)	(371)	(2,388)
Net carrying amount	—	31	49	80

	Leasehold impairments <i>HK\$'000</i>	Furniture, fixtures and office equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
31 December 2018				
At 1 January 2018:				
Cost	1,288	760	420	2,468
Accumulated depreciation	(1,288)	(729)	(371)	(2,388)
Net carrying amount	–	31	49	80
At 1 January 2018, net of accumulated depreciation				
Depreciation provided during the year	–	(9)	(49)	(58)
At 31 December 2018, net of accumulated depreciation	–	22	–	22
At 31 December 2018:				
Cost	1,288	697	420	2,405
Accumulated depreciation	(1,288)	(675)	(420)	(2,383)
Net carrying amount	–	22	–	22
31 December 2019				
At 1 January 2019:				
Cost	1,288	697	420	2,405
Accumulated depreciation	(1,288)	(675)	(420)	(2,383)
Net carrying amount	–	22	–	22
At 1 January 2019, net of accumulated depreciation				
Depreciation provided during the year	–	(9)	–	(9)
At 31 December 2019, net of accumulated depreciation	–	13	–	13
At 31 December 2019:				
Cost	1,288	697	420	2,405
Accumulated depreciation	(1,288)	(684)	(420)	(2,392)
Net carrying amount	–	13	–	13

13 INVESTMENT PROPERTIES

	As at 31 December		
	2017	2018	2019
	HK\$'000	HK\$'000	HK\$'000
Carrying amount at 1 January	1,311,440	1,354,240	1,332,440
Disposals	–	(34,200)	–
Net gain from fair value adjustments	42,800	12,400	75,100
	<u>1,354,240</u>	<u>1,332,440</u>	<u>1,407,540</u>
Carrying amount at 31 December	<u>1,354,240</u>	<u>1,332,440</u>	<u>1,407,540</u>

The directors of the Target Company have determined that the investment properties consist of four classes of asset, i.e., car parking spaces, commercial properties, residential properties and industrial properties, based on the nature, characteristics and risk of each property.

The fair value of the Target Group's investment properties situated in Hong Kong and the PRC at 31 December 2017 had been arrived at based on a valuation carried out on that date by Access Partners Consultancy Appraisals Limited, the independent professional qualified valuer not connected to the Target Group.

The fair value of the Target Group's investment properties situated in Hong Kong and the PRC at 31 December 2018 and 2019 had been arrived at based on a valuation carried out on that date by Ravia Global Appraisal Advisory Limited, the independent professional qualified valuer not connected to the Target Group.

The valuation were determined using the direct comparison method by making reference to comparable market observable transactions of similar properties and adjusted to reflect the conditions and locations of the subject properties. There has been no change from the valuation techniques used in the prior year.

The key input was the market price per square feet. The valuations take into account the characteristics which include the location, size, shape, view, floor level, year of completion and other factors collectively, to arrive at the market price.

Management of the Target Group reviews the valuations performed by the independent valuers for financial reporting purposes on a yearly basis. The review includes verification of all major inputs to the valuation, assessing property valuation movements and discussions with the independent valuers. Management of the Target Group considers that the current use of investment properties equates the highest and best use.

Certain of the Target Group's investment properties are leased to third parties under operating leases, further summary details of which are included in Note 14.

At 31 December 2017, 2018 and 2019, certain of the Target Group's investment properties with an aggregate carrying amount of approximately HK\$1,288,140,000, HK\$1,285,140,000 and HK\$649,000,000, respectively, were pledged to secure general banking facilities granted to the Target Group (Note 22).

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Target Group's investment properties:

	Fair value measurement as at 31 December using			Total HK\$'000
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	
2017				
Car parking space	–	43,700	–	43,700
Commercial properties	–	696,600	–	696,600
Residential properties	–	123,600	–	123,600
Industrial properties	–	490,340	–	490,340
	–	1,354,240	–	1,354,240
2018				
Car parking space	–	41,800	–	41,800
Commercial properties	–	710,600	–	710,600
Residential properties	–	89,700	–	89,700
Industrial properties	–	490,340	–	490,340
	–	1,332,440	–	1,332,440
2019				
Car parking space	–	42,000	–	42,000
Commercial properties	–	773,700	–	773,700
Residential properties	–	101,500	–	101,500
Industrial properties	–	490,340	–	490,340
	–	1,407,540	–	1,407,540

During the years ended 31 December 2017, 2018 and 2019, there was no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

14 LEASES

The Target Group as a lessee

The amounts recognised in profit or loss in relation to leases are as follows:

	2019 <i>HK\$'000</i>
Expense relating to short-term leases with remaining lease terms ended on or before 31 December 2019	300

The Target Group regularly entered into short-term leases for office premises. The Target Group does not recognise right-of-use assets and lease liabilities of the short-term leases. The Target Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease terms. There is no renewal options and variable lease payments included in the lease arrangement.

For the year ended 31 December 2019, total cash outflow for leases amounts to approximately HK\$300,000.

The Target Group as a lessor

The Target Group leases its investment properties (Note 13) under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. Rental income recognised by the Target Group during the years ended 31 December 2017, 2018 and 2019 were approximately HK\$24,321,000, HK\$24,980,000 and HK\$25,936,000, respectively, details of which are included in Note 5.

At 31 December 2019, the undiscounted lease payments receivable by the Target Group in the future periods under non-cancellable operating leases with its tenants are as follows:

	As at 31 December 2019 <i>HK\$'000</i>
Within one year	18,766
In the second year	7,298
In the third year	2,141
In the fourth year	107
	<u>28,312</u>

At 31 December 2017 and 2018, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	As at 31 December 2017 <i>HK\$'000</i>	As at 31 December 2018 <i>HK\$'000</i>
Within one year	17,234	18,605
In the second to fifth years, inclusive	7,418	10,372
	<u>24,652</u>	<u>28,977</u>

15 TRADE RECEIVABLES

	As at 31 December		
	2017 <i>HK\$'000</i>	2018 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade receivables	1,267	608	670
Less: impairment	<u>(224)</u>	<u>–</u>	<u>–</u>
	<u>1,043</u>	<u>608</u>	<u>670</u>

Trade receivables mainly consists of receivables from rental receivables, the tenants are usually required to settle the rental payments on the first day of the rental period, and are required to pay rental deposits with amount ranging from two to three months' rentals in order to secure any default in their rental payments. The Target Group does not hold any collateral or other credit enhancements over its trade receivables balances. Trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	As at 31 December		
	2017 <i>HK\$'000</i>	2018 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Within 1 month	166	163	285
1 to 2 months	197	60	97
2 to 3 months	–	–	–
Over 3 months	<u>680</u>	<u>385</u>	<u>288</u>
	<u>1,043</u>	<u>608</u>	<u>670</u>

The movements in the loss allowance for impairment of trade receivables are as follows:

	As at 31 December		
	2017	2018	2019
	HK\$'000	HK\$'000	HK\$'000
At beginning of year	224	–	–
Amounts written off	(224)	–	–
	<u>–</u>	<u>–</u>	<u>–</u>
At end of year	<u>–</u>	<u>–</u>	<u>–</u>

At 31 December 2018 and 2019, the allowance for credit loss represents lifetime ECL recognised for rental receivables under simplified approach. Details of impairment assessment of rental and other receivables for the years ended 31 December 2018 and 2019 are set out in Note 28.

16 AMOUNT DUE FROM IMMEDIATE HOLDING COMPANY

	As at 31 December		
	2017	2018	2019
	HK\$'000	HK\$'000	HK\$'000
Multifield International Holdings Limited	1,800	–	–
	<u>1,800</u>	<u>–</u>	<u>–</u>

The amount due was non-trade in nature, unsecured, non-interest bearing and had no fixed terms of repayment.

17 AMOUNTS DUE FROM FELLOW SUBSIDIARIES

	As at 31 December		
	2017	2018	2019
	HK\$'000	HK\$'000	HK\$'000
Lucky Business International Limited	224	224	224
Multifield (Holdings) Limited	339,483	257,822	230,253
Multifield Property Management Limited	583	550	499
Nichiyu Consultants Limited	12,204	12,204	12,204
Richwell Properties Limited	–	–	10
Windsor Renaissance Hotel Property Management Limited	1,162	1,515	1,696
Wise Chance Limited	36,393	36,393	36,393
	<u>390,049</u>	<u>308,708</u>	<u>281,279</u>

The amounts due were non-trade in nature, unsecured, non-interest bearing and had no fixed terms of repayment.

18 CASH AND CASH EQUIVALENTS

	As at 31 December		
	2017	2018	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Cash and bank balances	2,535	2,569	2,918

Cash at banks earns interest at floating rates based on daily bank deposits rates.

Details of impairment assessment of bank balances for the years ended 31 December 2018 and 2019 are set out in Note 28.

19 TRADE PAYABLES

An ageing analysis of trade payables as at the end of the reporting period, based on the invoice dates, is as follows:

	As at 31 December		
	2017	2018	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Over 3 months	42	42	42

The trade payables are non-interest-bearing and are normally settled on 60-day terms.

20 OTHER PAYABLES AND ACCRUALS

Other payables are non-interest-bearing and repayable on demand.

Included in the Target Group's other payables and accruals at 31 December 2017, 2018 and 2019 were rental receipt in advance of approximately HK\$708,000, HK\$1,411,000 and HK\$1,350,000, respectively. The amount is expected to be recognised as income in profit or loss within one year.

21 AMOUNTS DUE TO FELLOW SUBSIDIARIES

The amounts due were non-trade in nature, unsecured, non-interest bearing and had no fixed terms of repayment, except for approximately HK\$46,390,000, HK\$19,144,000 and HK\$59,015,000 as at 31 December 2017, 2018 and 2019, respectively, included in amounts due to fellow subsidiaries were interest-bearing at 3%, 2.5% and 3% per annum or HIBOR plus 0.95% as at 31 December 2017, 2018 and 2019, respectively.

22 INTEREST-BEARING BANK BORROWINGS

	2017		As at 31 December 2018		2019	
	Contractual interest rate (%)	HK\$'000	Contractual interest rate (%)	HK\$'000	Contractual interest rate (%)	HK\$'000
Current						
Secured bank loans denominated in Hong Kong dollar	HIBOR plus a range of 0.7 to 1.75	350,378	HIBOR plus a range of 0.7 to 1.75	244,429	HIBOR plus a range of 1.2 to 1.75	169,000

The scheduled principal repayment dates of the Target Group with reference to the loan agreements and ignore the effect of any repayment on-demand clause are as follows:

	As at 31 December		
	2017 HK\$'000	2018 HK\$'000	2019 HK\$'000
Analysed into:			
Bank loans repayable:			
Within one year	22,697	44,897	169,000
In the second year	127,568	198,294	–
In the third to fifth years, inclusive	200,113	1,238	–
	<u>350,378</u>	<u>244,429</u>	<u>169,000</u>

The Target Group's bank loans are secured by:

- (i) mortgages over the Target Group's certain investment properties situated in Hong Kong, which had an aggregate carrying value at 31 December 2017, 2018 and 2019 of approximately HK\$1,288,140,000 HK\$1,285,140,000 and HK\$649,000,000, respectively;
- (ii) personal guarantees given by a director of the Target Company; and
- (iii) the immediate holding company has guarantee certain of the Target Group's bank loans up to HK\$348,076,000 HK\$244,429,000 and HK\$169,000,000, respectively, at 31 December 2017, 2018 and 2019.

23 DEFERRED TAX LIABILITIES

The movements in deferred tax liabilities during the Track Record Period are as follows:

	Depreciation allowance in excess of related depreciation <i>HK\$'000</i>	Revaluation of properties <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2017	12,111	2,103	14,214
Deferred tax charged/(credited) to the statement of profit or loss during the year (<i>Note 9</i>)	1,045	(23)	1,022
Exchange realignment	–	156	156
	<u>13,156</u>	<u>2,236</u>	<u>15,392</u>
At 31 December 2017	<u>13,156</u>	<u>2,236</u>	<u>15,392</u>
At 1 January 2018	13,156	2,236	15,392
Deferred tax charged/(credited) to the statement of profit or loss during the year (<i>Note 9</i>)	239	(310)	(71)
Exchange realignment	–	(107)	(107)
	<u>13,395</u>	<u>1,819</u>	<u>15,214</u>
At 31 December 2018	<u>13,395</u>	<u>1,819</u>	<u>15,214</u>
At 1 January 2019	13,395	1,819	15,214
Deferred tax charged to the statement of profit or loss during the year (<i>Note 9</i>)	805	3,027	3,832
Exchange realignment	–	(37)	(37)
	<u>14,200</u>	<u>4,809</u>	<u>19,009</u>
At 31 December 2019	<u>14,200</u>	<u>4,809</u>	<u>19,009</u>

The Target Group has tax losses arising in Hong Kong of approximately HK\$28,759,000, HK\$26,568,000 and HK\$25,311,000, respectively, that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

At 31 December 2017, 2018 and 2019, there was no significant unrecognised deferred tax liability for taxes that would be payable on the unremitted earnings of the Target Group's subsidiaries.

There are no income tax consequences attaching to the payment of dividends by the Target Company to its shareholders.

24 ISSUED CAPITAL

	As at 31 December		
	2017	2018	2019
	HK\$'000	HK\$'000	HK\$'000
Combined capital	390	390	390

For the purpose of the preparation of the combined statements of financial position, the balance of share capital at 31 December 2017, 2018 and 2019 represents the aggregate of the paid up share capital of the subsidiaries comprising the Target Group held by the controlling shareholders of the Target Company prior to the Reorganisation.

The Target Company was incorporated in the British Virgin Islands with limited liability on 23 December 2019 with an initial authorised share capital of US\$50,000 divided into 50,000 ordinary shares of US\$1 each and one share was issued thereafter.

25 NOTES TO COMBINED STATEMENTS OF CASH FLOWS

(a) Reconciliation of profit before tax to net cash generated from operating activities

	Year ended 31 December		
	2017	2018	2019
	HK\$'000	HK\$'000	HK\$'000
Profit before tax	48,917	28,142	83,115
Adjustments for:			
Finance costs	9,034	9,601	8,063
Changes in fair value of investment properties	(42,800)	(12,400)	(75,100)
Depreciation of property, plant and equipment	95	58	9
Gain on disposal of investment properties	–	(9,260)	–
	15,246	16,141	16,087
Decrease/(Increase) in trade receivables	123	435	(62)
Decrease/(Increase) in prepayments, deposits and other receivables	144	(536)	570
Decrease in amount due from immediate holding company	–	1,800	–
(Increase)/Decrease in balances with fellow subsidiaries	(10,264)	53,629	65,822
(Decrease)/Increase in other payables and accruals	(176)	928	(281)
Increase/(Decrease) in deposits received	830	(582)	821
	5,903	71,815	82,957
Cash generated from operations	(70)	17	(557)
Hong Kong profits tax (paid)/refunded	5,833	71,832	82,400
Net cash flows from operating activities	5,833	71,832	82,400

(b) Changes in liabilities arising from financing activities

	Interest- bearing bank borrowings <i>HK\$'000</i>
At 1 January 2017	349,044
Cash inflow (outflow):	
New interest-bearing borrowings	210,000
Repayment of interest-bearing borrowings	(208,666)
Interest paid	(7,446)
Non-cash transactions:	
Interest expenses	7,687
Less: accrued expenses	(241)
	<u>350,378</u>
At 31 December 2017	<u>350,378</u>
At 1 January 2018	350,378
Cash inflow (outflow):	
Repayment of interest-bearing borrowings	(105,949)
Interest paid	(9,309)
Non-cash transactions:	
Interest expenses	9,134
Add: accrued expenses	175
	<u>244,429</u>
At 31 December 2018	<u>244,429</u>
At 1 January 2019	244,429
Cash inflow (outflow):	
Repayment of interest-bearing borrowings	(75,429)
Interest paid	(6,622)
Non-cash transactions:	
Interest expenses	6,584
Add: accrued expenses	38
	<u>169,000</u>
At 31 December 2019	<u>169,000</u>

26 RELATED PARTY TRANSACTIONS

Related parties are those parties that have the ability to control, jointly control or exert significant influence over the other party in making financial or operational decisions. Parties are also considered to be related if they are subject to common control or joint control. Related parties may be individuals or other entities.

- (a) During the Track Record Period, the Target Group entered into the following transactions with related parties:

Name of related party	Relationship	Nature of transactions	Year ended 31 December		
			2017 HK\$'000	2018 HK\$'000	2019 HK\$'000
Multifield (Holdings) Limited	Fellow subsidiary	Interest expenses	1,347	467	1,479
Multifield (Holdings) Limited	Fellow subsidiary	Business management fee	4,584	4,441	4,632
Multifield Property Management Limited	Fellow subsidiary	Building management fee	84	84	84
Chater Land Limited	Fellow subsidiary	Rental expenses	–	300	300
			–	300	300

- (b) Related party balances

Details of the outstanding balances with related parties are disclosed in Notes 16, 17 and 21.

- (c) The emoluments of the directors and senior executives (representing the key management personnel) during the Track Record Period are disclosed in Note 7.

27 FINANCIAL INSTRUMENTS BY CATEGORY

Financial assets

	As at 31 December		
	2017 Loans and receivables HK\$'000	2018 Financial assets at amortised cost HK\$'000	2019 Financial assets at amortised cost HK\$'000
Trade receivables	1,043	608	670
Financial assets included in deposits and other receivables	–	–	485
Amount due from immediate company	1,800	–	–
Amounts due from fellow subsidiaries	390,049	308,708	281,279
Cash and cash equivalents	2,535	2,569	2,918
	395,427	311,885	285,352

Financial liabilities

	As at 31 December		
	2017	2018	2019
	HK\$'000	HK\$'000	HK\$'000
Financial liabilities at amortised cost			
Trade payables	42	42	42
Financial liabilities included in other payables and accruals	220	265	237
Deposits received	7,828	7,246	8,067
Amounts due to fellow subsidiaries	467,086	439,841	479,713
Interest-bearing bank borrowings	350,378	244,429	169,000
	<u>825,554</u>	<u>691,823</u>	<u>657,059</u>

28 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Target Group's principal financial instruments comprise balances with immediate holding company and fellow subsidiaries, interest-bearing bank loans, and cash and bank balances. The main purpose of these financial instruments is to raise finance for the Target Group's operations. The Target Group has various financial assets and liabilities such as other receivables and other payables, which arise directly from its operations.

The main risks arising from the Target Group's financial instruments are interest rate risk, foreign currency risk, credit risk, liquidity risk and equity price risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Target Group's exposure to the risk of changes in market interest rates relates primarily to the Target Group's interest-bearing bank borrowings with floating interest rates.

The Target Group's policy to manage its interest rate risk is to reduce or maintain its current level of interest-bearing borrowings. As the Target Group does not expect to significantly increase its level of interest-bearing borrowings, it has not used any interest rate swaps to hedge its exposure to interest rate risk.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in interest rates, with all other variables held constant, of the Target Group's profit before tax (through the impact on floating rate borrowings) and the Target Group's equity.

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax <i>HK\$'000</i>	Increase/ (decrease) in equity* <i>HK\$'000</i>
2017			
Hong Kong dollar	50	(50)	–
Hong Kong dollar	(50)	50	–
2018			
Hong Kong dollar	50	(90)	–
Hong Kong dollar	(50)	90	–
2019			
Hong Kong dollar	50	(63)	–
Hong Kong dollar	(50)	63	–

* Excluding retained profits

Foreign currency risk

The Target Group is not exposed to significant foreign currency risk.

Credit risk

As at 31 December 2017, 2018 and 2019, the Target Group's maximum exposure to credit risk which will cause a financial loss to the Target Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of respective financial assets as stated in the combined statement of financial position. The Target Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets, except that the Target Group holds rental deposits from tenants for leasing of properties.

Trade receivables from rental receivables

In order to minimise the credit risk, the management of the Target Group will internally assess the credit quality of the potential tenants before accepting any new tenants. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In addition, the Target Group performs impairment assessment under ECL model upon application of HKFRS 9 (2017: incurred loss model) on trade balances from rental receivables individually or based on provision matrix.

Other receivables

No allowance for impairment was made for other receivables since the directors of the Target Company consider the probability of default is minimal after assessing the counter-parties' financial background and creditability.

Bank balances

The credit risk on bank balances are limited because the majority of the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. The Target Group has no other significant concentration of credit risk.

The Target Group uses four categories for those receivables which reflect their credit risk and how the loss provision is determined for each of those categories.

Category	Definition of category	Basis for recognition of ECL
Performing	The counterparty has a low risk of default and does not have any past due amounts	12-month ECL
Doubtful	There has been a significant increase in credit risk since initial recognition	Lifetime ECL – not credit impaired
Default	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the, Target Group has no realistic prospect of recovery	Amount is written off

The Target Group applies the simplified approach to provide for ECL prescribed by HKFRS 9, which permits the use of the lifetime ECL for trade receivables from rental receivables. To measure the expected credit losses, these trade receivables have been based on past due status, historical credit loss experience based on the past default experience of the Target Group and are adjusted with forward-looking information. On that basis, the Target Group assessed that there is no loss allowance recognised in accordance with HKFRS 9 at 31 December 2018 and 2019.

For the purpose of impairment assessment for other receivables, the management considered that the credit risk of these financial assets have not significantly increased since initial recognition. The Target Group has assessed and concluded that the expected credit loss rate for these receivables is immaterial under 12-month ECL method after taken into account the historical default experience, historical settlement records, collateral values as well as the loss upon default in each case and are adjusted with forward-looking information.

Liquidity risk

In the management of its liquidity risk, the Target Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Target Group's operations and mitigate the effect of fluctuations in cash flows. The management monitors the utilisation of interest-bearing bank borrowings and ensures compliance with relevant covenants.

The following table details the Target Group's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Target Group can be required to pay.

	2017				Total HK\$'000
	On demand and less than 3 months HK\$'000	3 to less than 12 months HK\$'000	1 to 5 years HK\$'000	Over 5 years HK\$'000	
Interest-bearing bank borrowings	372,395	–	–	–	372,395
Other payables and accruals	220	–	–	–	220
Deposits received	7,828	–	–	–	7,828
Amounts due to fellow subsidiaries	467,086	–	–	–	467,086
	<u>847,529</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>847,529</u>
	2018				Total HK\$'000
	On demand and less than 3 months HK\$'000	3 to less than 12 months HK\$'000	1 to 5 years HK\$'000	Over 5 years HK\$'000	
Interest-bearing bank borrowings	259,903	–	–	–	259,903
Other payables and accruals	265	–	–	–	265
Deposits received	7,246	–	–	–	7,246
Amounts due to fellow subsidiaries	439,841	–	–	–	439,841
	<u>707,255</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>707,255</u>
	2019				Total HK\$'000
	On demand and less than 3 months HK\$'000	3 to less than 12 months HK\$'000	1 to 5 years HK\$'000	Over 5 years HK\$'000	
Interest-bearing bank borrowings	175,065	–	–	–	175,065
Other payables and accruals	237	–	–	–	237
Deposits received	8,067	–	–	–	8,067
Amounts due to fellow subsidiaries	479,713	–	–	–	479,713
	<u>663,082</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>663,082</u>

Each of the loan agreements contain a repayment on-demand clause giving the bank the unconditional right to call the loan at any time and therefore, for the purpose of the above maturity profile, the total amount is classified as "on demand".

Notwithstanding the above clauses, the directors do not believe that the loans will be called, in their entirety or in part, within 12 months and they consider that the loans will be repaid in accordance with the maturity dates as set out in the loan agreements. This evaluation was made considering the financial position of the Target Group, the Target Group's compliance with the loan covenants, the lack of events of default, and the fact that the Target Group has made all previously scheduled repayments on time. In accordance with the terms of the loans of the Target Group, the contractual undiscounted payment of interest-bearing bank borrowings at the end of the reporting period will be as follows:

	2017				Total HK\$'000
	Less than 3 months HK\$'000	3 to less than 12 months HK\$'000	1 to 5 years HK\$'000	Over 5 years HK\$'000	
Interest-bearing bank borrowings	5,972	25,846	136,058	204,519	372,395
	2018				Total HK\$'000
	Less than 3 months HK\$'000	3 to less than 12 months HK\$'000	1 to 5 years HK\$'000	Over 5 years HK\$'000	
Interest-bearing bank borrowings	4,234	49,620	204,802	1,247	259,903
	2019				Total HK\$'000
	Less than 3 months HK\$'000	3 to less than 12 months HK\$'000	1 to 5 years HK\$'000	Over 5 years HK\$'000	
Interest-bearing bank borrowings	1,720	173,345	–	–	175,065

Capital management

The primary objectives of the Target Group's capital management are to safeguard the Target Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Target Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Target Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Target Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2017, 2018 and 2019.

The Target Group monitors capital using a debt-to-equity ratio, which is interest-bearing bank borrowings divided by the shareholders' equity. The debt-to-equity ratios at the end of the reporting periods were as follows:

	As at 31 December		
	2017	2018	2019
	HK\$'000	HK\$'000	HK\$'000
Interest-bearing bank borrowings	350,378	244,429	169,000
Equity attributable to owners of the Target Company	906,213	934,229	1,012,852
Debt-to-equity ratio	38.66%	26.16%	16.69%

29 SUBSEQUENT EVENTS

Save as disclosed herein, the Target Group had the following significant events took place subsequent to 31 December 2019:

- (a) Following the outbreak of the novel coronavirus (COVID-19) in early 2020, the global stock markets (including Hong Kong stock market) have fallen sharply due to the pessimistic sentiments of investors about the adverse impact brought by the pandemic on the global economy. The board of directors expects that the COVID-19 pandemic will inevitably bring negative effect on the Target Group's business. However, due to the dynamic nature of the COVID-19 pandemic, it is difficult for the board of directors to estimate the extent of its impact on the Target Group's business and financial position in 2020. The board of directors is closely monitoring the development of, and the disruptions to the global economy caused by, the COVID-19 pandemic and will timely assess and react actively to its impact on the operation and financial performance of the Target Group. The Target Group will issue announcements to make relevant disclosures as and when appropriate and necessary.

30 SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target Company or any of the companies comprising the Target Group in respect of any period subsequent to 31 December 2019.

The Multifield Disposal Company was incorporated in the BVI on 23 December 2019. As at the Latest Practicable Date, the Multifield Disposal Company is a direct wholly-owned subsidiary of Multifield. The Multifield Disposal Group consists of the Multifield Disposal Company and a number of direct and indirect subsidiaries. As at the Latest Practicable Date, Yili is dormant and Multifield is underway to wind-up such company. The Multifield Disposal Company indirectly holds the entire interest in the Multifield Disposal Properties through its subsidiaries. The Multifield Disposal Group receives rental income generated from the Multifield Disposal Properties.

The Target Group is principally engaged in property investment and investment holding.

Set out below is the management discussion and analysis of the Target Group for each of the years ended 31 December 2017, 2018 and 2019.

FOR THE YEAR ENDED 31 DECEMBER 2017:

Business Review

During the year under review, the Target Group recorded a net profit of approximately HK\$48 million (2016: loss of HK\$133 million) while the Target Group's rental income in Hong Kong recorded a decrease of approximately 4%.

Property Investment

Hong Kong

The Target Group's investment properties in Hong Kong mainly comprise of office buildings, industrial buildings and car parks. Benefited from increase in property market price in Hong Kong in 2017, the Target Group's investment properties portfolio contributed stable rental revenue of approximately HK\$24 million in 2017 (2016: HK\$25 million).

Acquisition and Disposal of Subsidiaries and Associated Companies

The Target Group did not make any material acquisition or disposal of subsidiaries and associated companies during the year ended 31 December 2017.

Foreign Currency Exposure

The Target Group's monetary assets, liabilities and transactions are mainly denominated in Renminbi, Hong Kong dollar and the United States dollar. The Target Group is exposed to foreign exchange risk with respect mainly to Renminbi which may affect the Target 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 Target Group and when appropriate hedge its currency risk. As of 31 December 2017, the Target Group has not entered into any financial instrument for foreign currency hedging purpose.

Liquidity and Financial Resources

The Target Group generally finances its operations with internally generated cash flows and banking facilities provided by principal bankers in Hong Kong. The Target Group's cash and cash equivalents as of 31 December 2017 amounted to approximately HK\$3 million (2016: HK\$3 million).

As of 31 December 2017, the Target Group had total bank and other borrowings amounting to approximately HK\$350 million (2016: HK\$349 million), which were secured by legal charges on the Target Group's certain investment properties in Hong Kong, and certain equity investments. The Target Group's bank borrowings were mainly arranged on a floating rate basis. The maturity of bank and other borrowings of the Target Group as at 31 December 2017 was as follows:

	<i>HK\$'000</i>
Within one year	22,697
In the second year	127,568
In the third to fifth years, inclusive	<u>200,113</u>
Total	<u><u>350,378</u></u>

With the total bank and other borrowings of approximately HK\$350 million (2016: HK\$349 million) and the aggregate of the shareholder funds and total bank borrowings of approximately HK\$1,257 million (2016: HK\$1,287 million), the Target Group's gearing ratio as at 31 December 2017 was around 28% (2016: 27%).

Contingent Liability

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

Prospect

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 Target Group might record decrease in market value as compared to the increase in fair value in previous years.

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 Target Group will adopt its usual prudent capital and funding management to meet the challenges ahead, while strengthening the rental business, and seizing further investment opportunities.

FOR THE YEAR ENDED 31 DECEMBER 2018:**Business Review**

During the year under review, the Target Group recorded a net profit of approximately HK\$28 million (2017: profit of HK\$48 million) while the Target Group's rental income in Hong Kong recorded an increase of approximately 3%.

Property Investment***Hong Kong***

The Target Group's investment properties in Hong Kong mainly comprise of office buildings, industrial buildings and car parks. Benefited from increase in property market price in Hong Kong in 2018, the Target Group's investment properties portfolio contributed stable rental revenue of approximately HK\$25 million in 2018 (2017: HK\$24 million).

Acquisition and Disposal of Subsidiaries and Associated Companies

The Target Group did not make any material acquisition or disposal of subsidiaries and associated companies during the year ended 31 December 2018.

Foreign Currency Exposure

The Target Group's monetary assets, liabilities and transactions are mainly denominated in Renminbi, Hong Kong dollar and the United States dollar. The Target Group is exposed to foreign exchange risk with respect mainly to Renminbi which may affect the Target 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 Target Group and when appropriate hedge its currency risk. As of 31 December 2018 the Target Group has not entered into any financial instrument for foreign currency hedging purpose.

Liquidity and Financial Resources

The Target Group generally finances its operations with internally generated cash flows and banking facilities provided by principal bankers in Hong Kong. The Target Group's cash and cash equivalents as of 31 December 2018 amounted to approximately HK\$3 million (2017: HK\$3 million).

As of 31 December 2018, the Target Group had total bank and other borrowings amounting to approximately HK\$244 million (2017: HK\$350 million), which were secured by legal charges on the Target Group's certain investment properties in Hong Kong, and certain equity investments. The Target Group's bank borrowings were mainly arranged on a floating rate basis. The maturity of bank and other borrowings of the Target Group as at 31 December 2018 was as follows:

	<i>HK\$'000</i>
Within one year	44,897
In the second year	198,294
In the third to fifth years, inclusive	<u>1,238</u>
Total	<u><u>244,429</u></u>

With the total bank and other borrowings of approximately HK\$244 million (2017: HK\$350 million) and the aggregate of the shareholder funds and total bank borrowings of approximately HK\$1,179 million (2017: HK\$1,257 million), the Target Group's gearing ratio as at 31 December 2018 was around 21% (2017: 28%).

Contingent Liability

As of 31 December 2018, the Target Group had no material contingent liability.

Prospect

The Hong Kong property market, and residential market in particular had experienced enduring growth over the past two years since the beginning of 2016. Although the business sector urges HK Government to withdraw the doubled ad valorem stamp duty (DSD) currently imposed on residential property transactions, the Government has no plan to remove the control measure with goal to stabilize the property market in Hong Kong.

Other factors such as interest rate hikes and increased supply in government subsidized housing may also hinder the Target Group's development in the residential property market, resulting in a potential slide in the market value of its investment properties in Hong Kong.

Looking ahead to 2019, the global political and economic environment will inevitably be influenced due to the uncertainties over the US-China trade war and the ongoing Brexit negotiations. Even though it is expected that the economic growth in the Chinese economy will remain slow-paced, the Target Group is still facing the challenge on the rising costs of operating in China, namely currency fluctuation, high wages, utility expenses, and increasing property refurbishment fees.

The Target Group will continue to manage the business prudently in order to enhance operational quality, while at the same time seeking appropriate investment opportunities, with a view to increasing profitability and shareholder return.

FOR THE YEAR ENDED 31 DECEMBER 2019:**Business Review**

During the year under review, the Target Group recorded a net profit of approximately HK\$79 million (2018: profit of HK\$28 million) while the Target Group's rental income in Hong Kong recorded an increase of approximately 4%.

Property Investment***Hong Kong***

The Target Group's investment properties in Hong Kong mainly comprise of office buildings, industrial buildings and car parks. Benefited from increase in property market price in Hong Kong in 2019, the Target Group's investment properties portfolio contributed stable rental revenue of approximately HK\$26 million in 2019 (2018: HK\$25 million).

Acquisition and Disposal of Subsidiaries and Associated Companies

The Target Group did not make any material acquisition or disposal of subsidiaries and associated companies during the year ended 31 December 2019.

Foreign Currency Exposure

The Target Group's monetary assets, liabilities and transactions are mainly denominated in Renminbi, Hong Kong dollar and the United States dollar. The Target Group is exposed to foreign exchange risk with respect mainly to Renminbi which may affect the Target 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 Target Group and when appropriate hedge its currency risk. As of 31 December 2019 the Target Group has not entered into any financial instrument for foreign currency hedging purpose.

Liquidity and Financial Resources

The Target Group generally finances its operations with internally generated cash flows and banking facilities provided by principal bankers in Hong Kong. The Target Group's cash and cash equivalents as of 31 December 2019 amounted to approximately HK\$3 million (2018: HK\$3 million).

As of 31 December 2019, the Target Group had total bank and other borrowings amounting to approximately HK\$169 million (2018: HK\$244 million), which were secured by legal charges on the Target Group's certain investment properties in Hong Kong, and certain equity investments. The Target Group's bank borrowings were mainly arranged on a floating rate basis. The maturity of bank and other borrowings of the Target Group as at 31 December 2019 was as follows:

	<i>HK\$'000</i>
Within one year	169,000
In the second year	—
In the third to fifth years, inclusive	—
	<hr/>
Total	169,000
	<hr/> <hr/>

With the total bank and other borrowings of approximately HK\$169 million (2018: HK\$244 million) and the aggregate of the shareholder funds and total bank borrowings of approximately HK\$1,182 million (2018: HK\$1,179 million), the Target Group's gearing ratio as at 31 December 2019 was around 14% (2018: 21%).

Contingent Liability

As of 31 December 2019, the Target Group had no material contingent liability.

Events after the Reporting Period

Following the outbreak of the novel coronavirus (COVID-19) in early 2020, the global stock markets (including Hong Kong stock market) have fallen sharply due to the pessimistic sentiments of investors about the adverse impact brought by the pandemic on the global economy. The board of directors expects that the COVID-19 pandemic will inevitably bring negative effect on the Target Group's business. However, due to the dynamic nature of the COVID-19 pandemic, it is difficult for the board of directors to estimate the extent of its impact on the Target Group's business and financial position in 2020. The board of directors is closely monitoring the development of, and the disruptions to the global economy caused by, the COVID-19 pandemic and will timely assess and react actively to its impact on the operation and financial performance of the Target Group. The Target Group will issue announcements to make relevant disclosures as and when appropriate necessary.

Prospect

The local social incidents since June 2019 have caused a decrease in market demand for local industrial and commercial properties and shops, resulting in an increase in vacancy rates and downward pressure on rent. Entering 2020, the novel coronavirus outbreak around the world has caused another shock to Hong Kong's externally oriented economy. In view of continuing deterioration in tenant affordability, the Target Group is not optimistic about the performance of its investment property portfolio and rental income for the first half of 2020.

The tension in Sino-U.S. trade relations has eased since the two countries signed the first-phase trade agreement in January this year. However, since a final trade agreement between China and the U.S. has not been reached, significant uncertainties still exist with regard to the subsequent trade negotiations between the two countries. Furthermore, investors become pessimistic about the global economic outlook because of the worldwide spread of the novel coronavirus, causing fluctuations in global financial markets.

The global economic environment has changed dramatically during the first three months of 2020 due to the novel coronavirus epidemic. Governments have been actively implementing measures to control the spread of the virus and to reduce the risk of economic recession. Accordingly, it is estimated that the economy of Hong Kong and the Mainland China may regain growth momentum and that market demand for local industrial and commercial properties and shops may begin to recover gradually once the epidemic is under control. On the other hand, the performance of the Target Group's residential property rental business had been stable in the past. The impact of the epidemic on revenue of this segment is relatively small up until this moment. However, as the situation around the outbreak of the virus is changing all the time, the epidemic could have a material impact on the Target Group's overall results for the year.

The Target Group will continue to operate its business prudently and to maintain a sound financial position. The Target Group will also cautiously explore opportunities and expand its investment portfolio with a view to increasing profitability and shareholder return.

The following is the text of a report received from HLB Hodgson Impey Cheng Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.



31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

REPORT ON REVIEW OF HISTORICAL FINANCIAL INFORMATION OF LINKFUL STRATEGIC INVESTMENT LIMITED

(incorporated in the British Virgin Islands with limited liability)

To the Board of Directors of Oriental Explorer Holdings Limited

Introduction

We have reviewed the historical financial information set out on pages IV-3 to IV-17, which comprises the consolidated statements of financial position of Linkful Strategic Investment Limited (the “**Disposal Company**”) and its subsidiaries (together, the “**Disposal Group**”) as at 31 December 2017, 2018 and 2019, and the consolidated statements of profit or loss, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flow for each of the years ended 31 December 2017, 2018 and 2019 and explanatory notes (the “**Historical Financial Information**”). The Historical Financial Information has been prepared solely for the purpose of inclusion in the circular to be issued by Oriental Explorer Holdings Limited (the “**Company**”) in connection with the proposed acquisition of the entire equity interest in Reach Profit Investments Limited and the proposed disposal of the Company’s entire equity interest in the Disposal Company in accordance with paragraph 14.68(2)(a)(i)(A) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

The directors of the Company are responsible for the presentation and preparation of the Historical Financial Information of the Disposal Group in accordance with the basis of presentation and preparation set out in Notes 1 and 2 to the Historical Financial Information and paragraph 14.68(2)(a)(i) of the Listing Rules. The directors are also responsible for such internal control as management determines is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error. The Historical Financial Information does not contain sufficient information to constitute a complete set of financial statements as defined in Hong Kong Accounting Standard 1 “Presentation of Financial Statements” or an interim financial report as defined in Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). Our responsibility is to express a conclusion on this Historical Financial Information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by HKICPA and with reference to Practice Note 750 “Review of Financial Information under the Hong Kong Listing Rules for a Very Substantial Disposal” issued by HKICPA. A review of the Historical Financial Information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the Historical Financial Information of the Disposal Group for the relevant periods is not prepared, in all material respects, in accordance with the basis of presentation and preparation set out in Notes 1 and 2 to the Historical Financial Information.

HLB Hodgson Impey Cheng Limited

Certified Public Accountants

Hui Chun Keung, David

Practising Certificate Number: P05447

Hong Kong

30 June 2020

I. HISTORICAL FINANCIAL INFORMATION

Consolidated statements of profit or loss

	Year ended 31 December		
	2017	2018	2019
	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)
Revenue	188,240	(83,880)	43,769
Other income and gains	133	60	23
Operating and administrative expenses	(1,713)	(1,681)	(1,590)
Finance costs	(2,600)	(3,293)	(3,016)
Share of losses of an associate	(49)	(1)	(1)
Profit/(loss) before tax	184,011	(88,795)	39,185
Income tax expense	—	—	—
Profit/(loss) for the year attributable to owners of the Disposal Company	<u>184,011</u>	<u>(88,795)</u>	<u>39,185</u>

Consolidated statements of comprehensive income

	Year ended 31 December		
	2017	2018	2019
	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)
Profit/(loss) for the year	184,011	(88,795)	39,185
Other comprehensive income			
<i>Other comprehensive income that may be reclassified to profit or loss in subsequent periods:</i>			
Available-for-sale investments:			
Changes in fair value	11,324	–	–
Exchange differences on translation of foreign operations	7	(5)	–
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	11,331	(5)	–
<i>Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:</i>			
Equity investments at fair value through other comprehensive income:			
Changes in fair value	–	49,999	13,816
Other comprehensive income for the year	11,331	49,994	13,816
Total comprehensive income/(expense) for the year attributable to owners of the Disposal Company	195,342	(38,801)	53,001

Consolidated statements of financial position

	As at 31 December		
	2017 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Non-current assets			
Property, plant and equipment	–	–	–
Right-of-use assets	–	–	366
Prepaid land lease payments	383	375	–
Investment in an associate	2,068	2,067	2,066
Equity investments at fair value through other comprehensive income	–	692,212	706,028
Available-for-sale investments	170,030	–	–
Total non-current assets	172,481	694,654	708,460
Current assets			
Prepayments	24	–	–
Equity investments at fair value through profit or loss	725,001	607,426	561,120
Amount due from a fellow subsidiary	41,303	93,458	95,130
Pledged deposits	74	–	–
Cash and cash equivalents	516	457	30
Total current assets	766,918	701,341	656,280
TOTAL ASSETS	939,399	1,395,995	1,364,740
Current liabilities			
Other payables and accruals	64	145	51
Amount due to immediate holding company	147,094	147,514	147,934
Amounts due to fellow subsidiaries	17,993	17,993	17,993
Other borrowings	353,277	375,990	291,408
Tax payable	1,324	1,324	1,324
Total current liabilities	519,752	542,966	458,710
NET CURRENT ASSETS	247,166	158,375	197,570
TOTAL ASSETS LESS CURRENT LIABILITIES	419,647	853,029	906,030
Net assets	419,647	853,029	906,030

	As at 31 December		
	2017	2018	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
EQUITY			
Equity attributable to owners of the Disposal Company			
Issued capital	–	–	–
Reserves	419,647	853,029	906,030
Total equity	<u>419,647</u>	<u>853,029</u>	<u>906,030</u>

Consolidated statements of changes in equity

	Issued capital <i>HK\$'000</i> <i>(unaudited)</i>	Available- for-sale investment revaluation/ Fair value reserve <i>HK\$'000</i> <i>(unaudited)</i>	Exchange fluctuation reserve <i>HK\$'000</i> <i>(unaudited)</i>	Retained earnings <i>HK\$'000</i> <i>(unaudited)</i>	Total equity <i>HK\$'000</i> <i>(unaudited)</i>
At 1 January 2017	–	–	(582)	224,887	224,305
Profit for the year	–	–	–	184,011	184,011
Other comprehensive income for the year:					
Change in fair value of available-for-sale investments	–	11,324	–	–	11,324
Exchange differences on translation of foreign operations	–	–	7	–	7
Total comprehensive income for the year	–	11,324	7	184,011	195,342
At 31 December 2017	–	11,324	(575)	408,898	419,647
At 31 December 2017	–	11,324	(575)	408,898	419,647
Effect of adoption of HKFRS 9	–	462,176	–	10,007	472,183
At 1 January 2018 (restated)	–	473,500	(575)	418,905	891,830
Loss for the year	–	–	–	(88,795)	(88,795)
Other comprehensive income for the year:					
Change in fair value of equity investments at fair value through other comprehensive income	–	49,999	–	–	49,999
Exchange differences on translation of foreign operations	–	–	(5)	–	(5)
Total comprehensive income/ (expense) for the year	–	49,999	(5)	(88,795)	(38,801)
At 31 December 2018	–	523,499	(580)	330,110	853,029

	Issued capital <i>HK\$'000</i> <i>(unaudited)</i>	Available- for-sale investment revaluation/ Fair value reserve <i>HK\$'000</i> <i>(unaudited)</i>	Exchange fluctuation reserve <i>HK\$'000</i> <i>(unaudited)</i>	Retained earnings <i>HK\$'000</i> <i>(unaudited)</i>	Total equity <i>HK\$'000</i> <i>(unaudited)</i>
At 1 January 2019	–	523,499	(580)	330,110	853,029
Profit for the year	–	–	–	39,185	39,185
Other comprehensive income for the year:					
Change in fair value of equity investments at fair value through other comprehensive income	–	13,816	–	–	13,816
Total comprehensive income for the year	–	13,816	–	39,185	53,001
At 31 December 2019	–	537,315	(580)	369,295	906,030

Consolidated statements of cash flows

	Year ended 31 December		
	2017 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax	184,011	(88,795)	39,185
Adjustments for:			
Finance costs	2,600	3,293	3,016
Share of losses of an associate	49	1	1
Dividend income from listed investments	(26,108)	(27,017)	(26,494)
Depreciation of right-of-use assets	–	–	9
Amortisation of prepaid land lease payments	8	8	–
Fair value losses/(gains) on equity investments at fair value through profit or loss, net	(162,132)	110,897	(17,275)
	(1,572)	(1,613)	(1,558)
(Increase)/Decrease in prepayments	(24)	24	–
Decrease in equity investments at fair value through profit or loss	49,266	6,678	63,581
Decrease in balances with fellow subsidiaries	(59,051)	(52,155)	(1,672)
Increase in amount due to immediate holding company	421	420	420
Cash (used in)/generated from operations	(10,960)	(46,646)	60,771
Dividends received from listed investments	26,108	27,017	26,494
Net cash flows from/(used in) operating activities	15,148	(19,629)	87,265
CASH FLOWS FROM INVESTING ACTIVITIES			
(Decrease)/Increase in pledged deposits	(5)	74	–
Net cash flows (used in)/from investing activities	(5)	74	–
CASH FLOWS FROM FINANCING ACTIVITIES			
Net change in short-term revolving loans	(12,368)	22,713	(84,582)
Interest paid	(2,576)	(3,212)	(3,110)
Net cash flows (used in)/from financing activities	(14,944)	19,501	(87,692)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	199	(54)	(427)
Cash and cash equivalents at beginning of year	310	516	457
Effect of foreign exchange rate changes, net	7	(5)	–
Cash and cash equivalents at end of year	516	457	30

II NOTES TO HISTORICAL FINANCIAL INFORMATION

1 GENERAL INFORMATION AND BASIS OF PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

The Disposal Company was incorporated in the British Virgin Islands on 8 June 1993 with limited liability. The immediate holding company is Oriental Explorer Holdings Limited, which is incorporated in the Bermuda. The ultimate holding company is Power Resources Holdings Limited, which is incorporated in the British Virgin Islands. Its ultimate controlling shareholder is Mr. Lau Chi Yung, Kenneth, who is the director of the Disposal Company.

The addresses of the registered office and the principal place of business of the Disposal Company are at Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands and Units 22-28, 25/F., Tower A, Southmark, 11 Yip Hing Street, Wong Chuk Hang, Hong Kong, respectively. The Disposal Company is an investment holding company. The principal activities of its subsidiaries are investment holding.

Pursuant to the master agreement entered into between the Company and Multifield International Holdings Limited (“**Multifield**”) dated 11 June 2020, Multifield shall acquire and the Company shall dispose the entire equity interest in Linkful Strategic Investment Limited (the “**Disposal Company**”) and its subsidiaries excluding Linkful (Holdings) Limited (the direct holding company of Linkful Properties Company Limited), which was wholly-owned by the Disposal Company (the “**Excluding Companies**”) but including the 5% interest in Head Wonder International Limited which is currently owned by Linkful Properties Company Limited (the “**5% Minority Interest**”) (the “**Proposed Disposal**”). As a condition precedent to the completion of the Proposed Disposal, the Disposal Company will, prior to completion of the Proposed Disposal, undergo an internal group restructuring to dispose of its entire issued share capital in the Excluded Companies to a wholly-owned subsidiary of the Company; and on the other hand, the Disposal Company will acquire the 5% Minority Interest (the “**Disposal Group Reorganisation**”). The Disposal Company and all of its subsidiaries (including the Excluding Companies) are referred hereafter as the “**Disposal Group**”).

As at the date of this report, the Disposal Group Reorganisation is not completed and the Company expects to complete the Disposal Group Reorganisation before the completion of the Proposed Disposal.

This unaudited consolidated financial information has been prepared to present the consolidated financial information of the Disposal Group solely for the purpose of inclusion in the circular to be issued by the Company in connection with the proposed acquisition of the entire equity interest in Reach Profit Investments Limited and the Proposed Disposal (the “**Historical Financial Information**”).

The Historical Financial Information has been prepared in accordance with paragraph 14.68(2)(a)(i)(A) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and solely for the purpose of inclusion in the circular to be issued by the Company in connection with the Proposed Acquisition and the Proposed Disposal. It does not contain sufficient information to constitute a complete set of financial statements as defined in Hong Kong Accounting Standard 1 “Presentation of Financial Statements” or an interim financial report as defined in Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). It should be read in connection with the annual reports of the Company for the years ended 31 December 2017, 2018 and 2019.

The Historical Financial Information is presented in HK dollars (“**HK\$**”) and all values are rounded to the nearest thousand (HK\$’000) except when otherwise indicated.

As of the date of this report, the Disposal Company has the direct and indirect interest in the following wholly-owned subsidiaries:

Information about subsidiaries

Particulars of the Disposal Company's principal subsidiaries are as follows:

Name	Place and date of incorporation/ registration and business	Nominal value of issued ordinary/ registered share capital	Percentage of equity interest attributable to the Disposal Company		Principal activities	Notes
			Direct %	Indirect %		
Linkful (Holdings) Limited	Hong Kong	Ordinary HK\$1,000 Non-voting deferred HK\$20,000,000	100	–	Investment holding	1
Linkful Properties Company Limited	Hong Kong	HK\$2	–	100	Investment holding	1
Snowdon Worldwide Limited	British Virgin Islands	US\$1	100	–	Investment holding	2

Note 1: The statutory financial statements of these entities for the years ended 31 December 2017, 2018 and 2019, which were prepared in accordance with HKFRSs issued by the HKICPA, were audited by us in accordance with HKASs issued by the HKICPA.

Note 2: No audited statutory financial statements have been prepared for Snowdon Worldwide Limited since its date of incorporation as it was incorporated in a country where there is no statutory audit requirement.

All companies now comprising the Disposal Group have adopted 31 December as their financial year end date.

2 APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS

Basis of presentation

The principal accounting policies applied in the preparation of the Historical Financial Information which are in accordance with the accounting policies adopted by the Group as set out in the annual reports of the Company for the years ended 31 December 2017, 2018 and 2019. Except as described below, these policies have been consistently applied to all years presented.

HKFRS 9 “Financial Instruments”

Since 1 January 2018, the Disposal Group has applied HKFRS 9 and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for (1) the classification and measurement of financial assets and financial liabilities, (2) expected credit losses (“ECL”) for financial assets and (3) general hedge accounting.

The Disposal Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 “Financial Instruments: Recognition and Measurement”.

Summary of effects arising from initial application of HKFRS 9

The table below illustrates the classification and measurement of financial assets and financial liabilities and other items subject to ECL under HKFRS 9 and HKAS 39 at the date of initial application, 1 January 2018.

	Available- for-sale investments HK\$'000	Equity investments at fair value through other comprehensive income HK\$'000	Available- for-sale investments revaluation/ Fair value reserve HK\$'000	Retained profits HK\$'000
Closing balance at 31 December 2017 – HKAS 39	170,030	–	11,324	408,898
Effect arising from initial application of HKFRS 9:				
Reclassification of financial assets from available-for-sale investments to equity investments at fair value through other comprehensive income	(170,030)	170,030	–	–
Reversal of impairment losses under HKAS 39 for equity investments at fair value through other comprehensive income previously classified as available-for-sale investments	–	–	(10,007)	10,007
Remeasurement of equity investments at fair value through other comprehensive income previously measured at cost under HKAS 39	–	472,183	472,183	–
	<u>–</u>	<u>472,183</u>	<u>472,183</u>	<u>–</u>
Opening balance at 1 January 2018	<u>–</u>	<u>642,213</u>	<u>473,500</u>	<u>418,905</u>

(a) From AFS equity investments to fair value through other comprehensive income (“FVTOCI”)

The Disposal Group elected to present in OCI for the fair value changes of all its equity investments previously classified as available-for-sale. These investments are not held for trading and not expected to be sold in the foreseeable future. At the date of initial application of HKFRS 9, approximately HK\$170,030,000 were reclassified from available-for-sale investments to equity instruments at FVTOCI, of which approximately HK\$38,960,000 related to unquoted equity investments previously measured at cost less impairment under HKAS 39. The fair value gains of approximately HK\$472,183,000 relating to those unquoted equity investments previously carried at cost less impairment were adjusted to equity instruments at FVTOCI and FVTOCI reserve as at 1 January 2018. The fair value gains of approximately HK\$11,324,000 relating to those investments previously carried at fair value continued to accumulate in FVTOCI reserve. In addition, impairment losses previously recognised of approximately HK\$10,007,000 were transferred from retained profits to FVTOCI reserve as at 1 January 2018.

(b) Impairment under ECL model

As at 1 January 2018, the management of the Disposal Group reviewed and assessed the Disposal Group’s existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9.

The Disposal Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for trade receivables. Trade receivables have been assessed individually.

ECL for other financial assets at amortised cost, including pledged bank deposits, bank balances and amounts due from fellow subsidiaries, are assessed on 12-month ECL (“12 month ECL”) basis as there had been no significant increase in credit risk since initial recognition.

The directors of the Disposal Company considered that the measurement of ECL has no material impact to the Disposal Group's retained profits at 1 January 2018.

HKFRS 15 "Revenue from Contracts with Customers"

Since 1 January 2018, the Disposal Group has applied HKFRS 15. HKFRS 15 superseded HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related interpretations.

The Disposal Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained profits (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Disposal Group has elected to apply the standard retrospectively only to the contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared with HKAS 18 *Revenue* and HKAS 11 *Construction Contracts* and the related interpretations.

The application on HKFRS 15 has no material impact on the timing and amounts of revenue recognised in the year ended 31 December 2018 and retained profits at 1 January 2018.

Impacts on opening consolidated statement of financial position arising from the application of all new standards

As a result of the changes in the Disposal Group's accounting policies above, the opening consolidated statement of financial position had to be restated. The following table shows the adjustments recognised for each of the line items affected. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2017 HK\$'000	Adjustment HK\$'000	Carrying amounts under HKFRS 9 at 1 January 2018 HK\$'000
Non-current assets			
Equity investments at FVTOCI	–	642,213	642,213
Available-for-sale investments	170,030	(170,030)	–
Equity			
Available-for-sale investments revaluation/Fair value reserve	11,324	462,176	473,500
Retained profits	408,898	10,007	418,905
	<u>408,898</u>	<u>472,183</u>	<u>418,905</u>

Note:

For the purposes of reporting cash flows from operating activities under indirect method for the year ended 31 December 2018, movements in working capital have been computed based on opening statement of financial position as at 1 January 2018 as disclosed above.

HKFRS 16 "Leases"

The Disposal Group has applied HKFRS 16 "Leases" on 1 January 2019. HKFRS 16 superseded HKAS 17 "Leases" and the related interpretation.

The Disposal Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 "Determining whether an Arrangement contains a Lease" and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Disposal Group has not reassessed contracts which already existed prior to the date of initial application.

As a lessee

The Disposal Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application as an adjustment to the opening retained profits and comparative information has not been restated.

The carrying amount of right-of-use assets for own use as at 1 January 2019 comprises the following:

	Right-of-use assets <i>HK\$'000</i>
Reclassified from prepaid land lease payments (<i>Note</i>)	375

Note:

Upfront payments for leasehold lands in the PRC for own used properties were classified as prepaid lease payments as at 31 December 2018. Upon application of HKFRS 16, the non-current portion of prepaid lease payments amounting to approximately HK\$375,000 were reclassified to right-of-use assets and are measured under HKFRS 16 at cost less accumulated depreciation and any impairment losses.

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2018 <i>HK\$'000</i>	Adjustment <i>HK\$'000</i>	Carrying amounts under HKFRS 16 at 1 January 2019 <i>HK\$'000</i>
Non-current assets			
Prepaid land lease payments	375	(375)	–
Right-of-use assets	–	375	375

Note:

For the purpose of reporting cash flows from operating activities under indirect method for the year ended 31 December 2019, movements in working capital have been computed based on opening consolidated statement of financial position as at 1 January 2019 as disclosed above.

Issued but not yet effective Hong Kong Financial Reporting Standards

The Disposal Group has not early applied the following new and amendments to HKFRSs and interpretation that have been issued but are not yet effective:

Amendments to HKFRS 3	<i>Definition of a Business</i> ³
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	<i>Interest Rate Benchmark Reform</i> ¹
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ⁴
HKFRS 17	<i>Insurance contracts</i> ²
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i> ¹

¹ Effective for annual periods beginning on or after 1 January 2020

² Effective for annual periods beginning on or after 1 January 2021

³ Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

⁴ No mandatory effective date yet determined but available for adoption

The directors of the Disposal Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3 FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The fair value of cash and cash equivalents, pledged deposits, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals and other borrowings are not materially different from their carrying amounts because of the immediate or the short term maturities of these instruments.

As detailed in the following table, the directors of the Disposal Company consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate to their fair values:

	2017	2018	2019	Fair value hierarchy	Valuation technique(s) and key inputs	Significant unobservable	Value of inputs
	HK\$'000	HK\$'000	HK\$'000				
Assets							
Equity investments at fair value through profit or loss	725,001	607,426	561,120	Level 1	Quoted bid prices in an active market.	N/A	N/A
Equity investments at FVTOCI (2017: Available-for-sales investments)	131,070	692,212	706,028	Level 3	Net asset value of such unlisted equity investment with an adjustment of discount for lack of marketability under the asset approach. (Note)	Discount rate for lack of marketability	16.11%

Note:

The directors of the Disposal Company considered that the relationship of unobservable inputs to the fair value of such investments is in negative relationship that the higher the discount rate adopted in the valuation assessment, the lower the fair value would be resulted.

4 FINANCIAL INFORMATION OF THE EXCLUDED COMPANIES

The consolidated statements of profit or loss and statements of comprehensive income of the Excluded Companies for the years ended 31 December 2017, 2018 and 2019 are as following:

	Year ended 31 December		
	2017 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Revenue	–	–	–
Operating and administrative expenses	<u>(110)</u>	<u>(146)</u>	<u>(27)</u>
Loss before tax	(110)	(146)	(27)
Income tax expense	<u>–</u>	<u>–</u>	<u>–</u>
Loss for the year	<u>(110)</u>	<u>(146)</u>	<u>(27)</u>
Other comprehensive income			
<i>Other comprehensive income that may be reclassified to profit or loss in subsequent periods:</i>			
Exchange differences on translation of foreign operations	<u>7</u>	<u>(5)</u>	<u>–</u>
Net other comprehensive income/(expense) that may be reclassified to profit or loss in subsequent periods	<u>7</u>	<u>(5)</u>	<u>–</u>
Other comprehensive income/(expense) for the year	<u>7</u>	<u>(5)</u>	<u>–</u>
Total comprehensive expense for the year	<u><u>(103)</u></u>	<u><u>(151)</u></u>	<u><u>(27)</u></u>

The consolidated statements of financial position of the Excluded Companies for the as at years ended 31 December 2017, 2018 and 2019 are as following:

	As at 31 December		
	2017 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Non-current assets			
Property, plant and equipment	–	–	–
Prepaid land lease payments	383	375	–
Right-of-use assets	–	–	366
	<u>–</u>	<u>–</u>	<u>366</u>
Total non-current assets	<u>383</u>	<u>375</u>	<u>366</u>
Current assets			
Prepayments	24	–	–
Amounts due from fellow subsidiaries	406	378	360
Cash and cash equivalents	91	–	–
	<u>91</u>	<u>–</u>	<u>–</u>
Total current assets	<u>521</u>	<u>378</u>	<u>360</u>
TOTAL ASSETS	<u>904</u>	<u>753</u>	<u>726</u>
Current liabilities			
Other payables	13	13	13
Amount due to immediate holding company	51,781	51,681	51,749
Amount due to a fellow subsidiary	25	25	25
	<u>25</u>	<u>25</u>	<u>25</u>
Total current liabilities	<u>51,819</u>	<u>51,719</u>	<u>51,787</u>
NET CURRENT LIABILITIES	<u>(51,298)</u>	<u>(51,341)</u>	<u>(51,427)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>(50,915)</u>	<u>(50,966)</u>	<u>(51,061)</u>
Net liabilities	<u>(50,915)</u>	<u>(50,966)</u>	<u>(51,061)</u>
EQUITY			
Equity attributable to owners of the Company			
Issued capital	1	1	1
Reserves	(50,916)	(50,967)	(51,062)
	<u>(50,916)</u>	<u>(50,967)</u>	<u>(51,062)</u>
Total equity	<u>(50,915)</u>	<u>(50,966)</u>	<u>(51,061)</u>

A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP**INTRODUCTION**

The accompanying unaudited pro forma financial information (the “**Unaudited Pro Forma Financial Information**”) of Oriental Explorer Holdings Limited (the “**Company**”) and its subsidiaries (hereinafter collectively referred to as the “**Group**”), excluding Linkful Strategic Investment Limited (the “**Disposal Company**”) and its subsidiary (the “**Disposal Group**”) but including Reach Profit Investments Limited (the “**Target Company**”) and its subsidiaries (hereinafter collectively referred to as the “**Target Group**”) (the Group excluding the Disposal Group but including the Target Group hereinafter referred to as the “**Enlarged Group**”) has been prepared by the directors of the Company (the “**Directors**”) in accordance with paragraphs 4.29 of the Listing Rules to illustrate the effect of the following proposed transactions (the “**Transactions**”):

- i) proposed acquisition of the entire equity interest in the Target Company and the outstanding amount of shareholder’s loans owed by the Target Group to Multifield by the Company (the “**Proposed Acquisition**”); and
- ii) proposed disposal of the entire equity interest in the Disposal Company and the outstanding amount of shareholder’s loans owed by the Disposal Company to the Company (the “**Proposed Disposal**”).

The Unaudited Pro Forma Financial Information has been prepared as if the Transactions have been completed (the “**Completion**”) on 31 December 2019 for the unaudited pro forma consolidated statement of financial position and on 1 January 2019 for the unaudited pro forma consolidated statement of profit or loss and consolidated statement of comprehensive income and unaudited pro forma consolidated statement of cash flows.

The unaudited pro forma consolidated statement of financial position of the Enlarged Group is prepared based on the audited consolidated statement of financial position of the Group as at 31 December 2019 as extracted from the published annual report of the Group for the year ended 31 December 2019, the audited combined statement of financial position of the Target Group as at 31 December 2019 as extracted from the accountants’ report of the Target Group as set out in Appendix II to this Circular, after making pro forma adjustments to the Transactions, and the unaudited consolidated statement of financial position of the Disposal Group as at 31 December 2019 as extracted from the financial information of the Disposal Group as set out in Appendix IV to this Circular, after making pro forma adjustments to the Transactions.

The unaudited pro forma consolidated statement of profit or loss and consolidated statement of comprehensive income and the unaudited pro forma consolidated statement of cash flows of the Enlarged Group are prepared based on the audited consolidated statement of profit or loss and audited consolidated statement of comprehensive income and the audited consolidated statement of cash flows of the Group for the year ended 31 December 2019 as extracted from the published annual report of the Group for the year ended 31 December 2019, the audited combined statement of profit or loss and the audited combined statement of comprehensive income and the audited combined statement of cash flows of the Target Group for the year ended 31 December 2019 as extracted from the accountants' report of the Target Group as set out in Appendix II to this Circular, after making pro forma adjustments to the Transactions, and the unaudited consolidated statement of profit or loss and the unaudited consolidated statement of comprehensive income and the unaudited consolidated statement of cash flows of the Disposal Group for the year ended 31 December 2019 as extracted from the financial information of the Disposal Group as set out in Appendix IV to this Circular, after making pro forma adjustments to the Transactions.

The accompanying Unaudited Pro Forma Financial Information of the Enlarged Group is prepared by the directors of the Company based on a number of assumptions, estimates, uncertainties and currently available information and are prepared for illustrative purpose only. Because of its hypothetical nature, it may not give a true picture of the financial position, financial performance and cash flows of the Enlarged Group had the Transactions been completed as at 31 December 2019 for the financial position or 1 January 2019 for the financial performance and cash flows or at any future date.

The Unaudited Pro Forma Financial Information of the Enlarged Group should be read in conjunction with the financial information of the Group as extracted from the published annual report of the Group for the year ended 31 December 2019, the accountants' report of the Target Group as set out in Appendix II to this Circular and financial information of the Disposal Group as extracted from the financial information of the Disposal Group as set out in Appendix IV to this Circular.

**I. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION
OF THE ENLARGED GROUP**

	The Group as at 31 December 2019	The Target Group at 31 December 2019	Pro forma adjustments			Unaudited pro forma for the Enlarged Group as at 31 December 2019
			HK\$'000	HK\$'000	HK\$'000	
	Note 1	Note 2	Note 3	Note 4	Note 5	
Non-current assets						
Property, plant and equipment	33	13	-	-	-	46
Right-of-use assets	366	-	-	-	-	366
Investment properties	282,780	1,407,540	-	-	-	1,690,320
Investment in an associate	2,066	-	-	(2,066)	-	-
Club debenture	670	-	-	-	-	670
Equity investments at fair value through other comprehensive income	706,028	-	-	(706,028)	-	-
Total non-current assets	991,943	1,407,553	-	(708,094)	-	1,691,402
Current assets						
Trade receivables	-	670	-	-	-	670
Prepayments, deposits and other receivables	951	486	-	-	-	1,437
Amounts due from fellow subsidiaries	-	281,279	(281,279)	-	-	-
Consideration receivable from Multifield	-	-	-	1,112,057	(1,112,057)	-
Equity investments at fair value through profit or loss	561,180	-	-	(561,120)	-	60
Cash and cash equivalents	200,981	2,918	-	(30)	(12,246)	191,623
Total current assets	763,112	285,353	(281,279)	550,907	(1,124,303)	193,790
Total assets	1,755,055	1,692,906	(281,279)	(157,187)	(1,124,303)	1,885,192

APPENDIX V
**UNAUDITED PRO FORMA FINANCIAL
INFORMATION OF THE ENLARGED GROUP**

	The Group as at 31 December 2019	The Target Group at 31 December 2019	Pro forma adjustments			Unaudited pro forma for the Enlarged Group as at 31 December 2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>Note 1</i>	<i>Note 2</i>	<i>Note 3</i>	<i>Note 4</i>	<i>Note 5</i>	
Current liabilities						
Trade payables	-	42	-	-	-	42
Other payables and accruals	6,679	1,627	-	888	-	9,194
Deposits received	-	8,067	-	-	-	8,067
Consideration payable to Multifield	-	-	1,211,286	-	(1,211,286)	-
Amounts due to fellow subsidiaries	-	479,713	(479,713)	-	-	-
Interest-bearing bank and other borrowings	291,408	169,000	-	(291,408)	-	169,000
Tax payable	3,818	2,596	-	(1,324)	-	5,090
Total current liabilities	301,905	661,045	731,573	(291,844)	(1,211,286)	191,393
Net current assets/(liabilities)	461,207	(375,692)	(1,012,852)	842,751	86,983	2,397
Total assets less current liabilities	1,453,150	1,031,861	(1,012,852)	134,657	86,983	1,693,799
Non-current liabilities						
Deferred tax liabilities	3,844	19,009	-	-	-	22,853
Total non-current liabilities	3,844	19,009	-	-	-	22,853
Net assets	1,449,306	1,012,852	(1,012,852)	134,657	86,983	1,670,946
Equity						
Equity attributable to owners of the Company						
Issued capital	27,000	390	(390)	-	11,818	38,818
Reserves	1,422,306	1,012,462	(1,012,462)	134,657	75,165	1,632,128
Total equity	1,449,306	1,012,852	(1,012,852)	134,657	86,983	1,670,946

**II. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME OF THE ENLARGED
GROUP**

	The Group for the year ended 31 December 2019 HK\$'000 Note 1	The Target Group for the year ended 31 December 2019 HK\$'000 Note 2	Pro forma adjustments HK\$'000 Note 6	Unaudited pro forma for the Enlarged Group for the year ended 31 December 2019 HK\$'000
Revenue	48,848	25,936	(43,769)	31,015
Cost of sales	(1,149)	(4,373)	–	(5,522)
Gross profit	47,699	21,563	(43,769)	25,493
Other income and gains	270	138	(23)	385
Foreign exchange differences, net	(3)	–	–	(3)
Fair value gains on investment properties, net	15,470	75,100	–	90,570
Operating and administrative expenses	(7,949)	(5,623)	1,563	(12,009)
Finance costs	(3,016)	(8,063)	3,016	(8,063)
Share of losses of an associate	(1)	–	1	–
Gain on the Proposed Disposal	–	–	132,004	132,004
Profit before tax	52,470	83,115	92,792	228,377
Income tax expense	(425)	(4,529)	–	(4,954)
Profit for the year attributable to owners of the Company	52,045	78,586	92,792	223,423

	The Group for the year ended 31 December 2019	The Target Group for the year ended 31 December 2019	Pro forma adjustments	Unaudited pro forma for the Enlarged Group for the year ended 31 December 2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>Note 1</i>	<i>Note 2</i>	<i>Note 6</i>	
Other comprehensive income				
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:				
Exchange differences on translation of foreign operations	–	37	–	37
Equity investments at fair value through other comprehensive income:				
Changes in fair value	13,816	–	(13,816)	–
Total other comprehensive income for the year	13,816	37	(13,816)	37
Total comprehensive income for the year attributable to:				
Owners of the company	65,861	78,623	78,976	223,460

III. UNAUDITED PRO FORMA CONSOLIDATED STATEMENTS OF CASH FLOWS OF THE
ENLARGED GROUP

	The Group for the year ended 31 December 2019 <i>HK\$'000</i> <i>Note 1</i>	The Target Group for the year ended 31 December 2019 <i>HK\$'000</i> <i>Note 2</i>	Pro forma adjustments		Unaudited pro forma for the Enlarged Group for the year ended 31 December 2019 <i>HK\$'000</i>
			<i>HK\$'000</i> <i>Note 7</i>	<i>HK\$'000</i> <i>Note 6</i>	
Cash flows from operating activities					
Profit before tax	52,470	83,115	(39,212)	132,004	228,377
Adjustments for:					
Finance costs	3,016	8,063	(3,016)	–	8,063
Share of losses of an associate	1	–	(1)	–	–
Interest income	(245)	–	–	–	(245)
Dividend income from listed investments	(26,494)	–	26,494	–	–
Depreciation of property, plant and equipment	9	9	–	–	18
Changes in fair value of investment properties	(15,470)	(75,100)	–	–	(90,570)
Depreciation of right-of-use assets	9	–	–	–	9
Fair value (gains)/loss on equity investments at fair value through profit or loss, net	(17,238)	–	17,275	–	37
Gain on Proposed Disposal	–	–	–	(132,004)	(132,004)
	(3,942)	16,087	1,540	–	13,685
Increase in trade receivables	–	(62)	–	–	(62)
(Increase)/Decrease in prepayments, deposits and other receivables	(32)	570	–	–	538
Decrease in balances with fellow subsidiaries	–	65,822	1,690	–	67,512
Decrease in equity investments at fair value through profit or loss	63,581	–	(63,581)	–	–
Decrease in amount due to immediate holding company	–	–	(420)	–	(420)
Increase/(Decrease) in other payables and accruals	36	(281)	–	–	(245)
Increase in deposits received	–	821	–	–	821
Cash generated from operations	59,643	82,957	(60,771)	–	81,829
Hong Kong profits tax paid	–	(557)	–	–	(557)
Dividends received from listed investments	26,494	–	(26,494)	–	–
Net cash flows from operating activities	86,137	82,400	(87,265)	–	81,272

APPENDIX V
**UNAUDITED PRO FORMA FINANCIAL
INFORMATION OF THE ENLARGED GROUP**

	The Group for the year ended 31 December 2019	The Target Group for the year ended 31 December 2019	Pro forma adjustments		Unaudited pro forma for the Enlarged Group for the year ended 31 December 2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>Note 1</i>	<i>Note 2</i>	<i>Note 7</i>	<i>Note 6</i>	
Cash flows from investing activities					
Interest received	273	-	-	-	273
Net cash flows from investing activities	273	-	-	-	273
Cash flows from financing activities					
Net change in short-term revolving loans	(84,582)	-	84,582	-	-
Repayment of interest-bearing borrowings	-	(75,429)	-	-	(75,429)
Interest paid	(3,110)	(6,622)	3,110	-	(6,622)
Net cash flows used in financing activities	(87,692)	(82,051)	87,692	-	(82,051)
Net (decrease)/increase in cash and cash equivalents					
	(1,282)	349	427	-	(506)
Cash and cash equivalents at beginning of year	202,263	2,569	(457)	-	204,375
Cash and cash equivalents at end of year	200,981	2,918	(30)	-	203,869
Analysis of balances of cash and cash equivalents					
Cash and bank balances	981	2,918	(30)	-	3,869
Non-pledged deposits with original maturity of less than three months when acquired	200,000	-	-	-	200,000
Cash and cash equivalents	200,981	2,918	(30)	-	203,869

IV. NOTES TO UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

1. The amounts are extracted from the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss, consolidated statement of comprehensive income and the consolidated statement of cash flows of the Group for the year ended 31 December 2019 as set out in the published annual report for the year ended 31 December 2019.
2. The amounts are extracted from the Historical Financial Information in the Accountants' Report on the Target Group as set out in Appendix II to this Circular.
3. The pro forma adjustment has been made to the unaudited pro forma consolidated statement of financial position, assuming the Proposed Acquisition had taken place on 31 December 2019:

At 31 December 2019	<i>HK\$'000</i>	<i>HK\$'000</i>
Net assets value of Target Group		1,012,852
Amounts due from fellow subsidiaries	(281,279)	
Amounts due to fellow subsidiaries	479,713	
	<u> </u>	
Shareholder's loans owed by Target Group		<u>198,434</u>
Adjusted Acquisition Consideration at Completion		<u><u>1,211,286</u></u>

4. The following pro forma adjustments have been made to the unaudited pro forma consolidated statement of financial position, assuming that the Disposal Group Reorganisation and the Proposed Disposal had taken place on 31 December 2019:

Consideration adjustment mechanism on Completion:	<i>HK\$'000</i>	<i>HK\$'000</i>
Adjusted net assets value of Disposal Group	957,091	
Add-back 16.11% Discount for lack of marketability	135,583	
	<u> </u>	
Adjusted net assets value of Disposal Group for Disposal consideration		1,092,674
Shareholders' loan owed by Disposal Group:		
Amount due from a fellow subsidiary	(94,770)	
Amount due to the Company	96,185	
Amounts due to fellow subsidiaries	17,968	
	<u> </u>	
		<u>19,383</u>
Adjusted Disposal Consideration at Completion		<u><u>1,112,057</u></u>

Gain on Proposed Disposal:	<i>HK\$'000</i>
Adjusted Disposal Consideration at Completion	1,112,057
Adjusted net assets value of Disposal Group	(957,091)
Shareholders' loan owed by Disposal Group	(19,383)
Direct legal and professional fees (<i>Note 8</i>)	(926)
	<u> </u>
Gain on Proposed Disposal	<u>134,657</u>

Pursuant to the Master Agreement, the Disposal Company will, prior to completion of the Proposed Disposal, undergo an internal group restructuring to dispose of its entire issued share capital in the Excluded Companies to a wholly-owned subsidiary of the Company; and on the other hand, the Disposal Company will acquire the 5% interest in Head Wonder International Limited (“5% **Minority Interest**”) (the “**Disposal Group Reorganisation**”). Assuming the Disposal Group Reorganisation had been completed on 31 December 2019:

At 31 December 2019	<i>HK\$'000</i>
Net asset value of Linkful (Holdings) Limited (“ LHL ”) and its subsidiary	(51,061)
Shareholder's loan owed by LHL	51,749
	<u> </u>
	688
Consideration settled by current account with the Company	51,749
	<u> </u>
Gain on disposal of LHL to the Company	<u>51,061</u>

Immediately after the completion of the Disposal Group Reorganisation, the net assets value of Disposal Group at 31 December 2019 was adjusted as follows:

At 31 December 2019	<i>HK\$'000</i>
Net assets value of Disposal Group	906,030
Gain on disposal of LHL to the Company	51,061
	<u> </u>
Adjusted net assets value of Disposal Group	<u>957,091</u>

5. Pursuant to the Master Agreement, the initial consideration for the Proposed Acquisition is HK\$1,381,502,456 (the “**Initial Acquisition Consideration**”) and the initial consideration for the Proposed Disposal is HK\$1,146,746,283 (the “**Initial Disposal Consideration**”), both subject to adjustment as at the Completion Date. The Company and Multifield intend to set off the Disposal Consideration with the Acquisition Consideration to minimise the impact to the Company and Multifield. The net consideration of HK\$234,756,173 (the “**Initial Net Consideration**”) for the Transactions will be settled by (i) as to HK\$86,983,130, the allotment and issuance of consideration shares by the Company to Multifield under specific mandate at the issue price of HK\$0.0736 (the “**Consideration Shares**”) and (ii) the remaining sum of HK\$147,773,043 will be settled by cash or issuance of promissory note (to be chosen by the Company at its sole and absolute discretion).

	<i>HK\$'000</i>
Initial Disposal Consideration	1,146,746
Initial Acquisition Consideration	1,381,502
	<hr/>
Initial Net Consideration for the Transactions	234,756
	<hr/> <hr/>
Settled by:	
Consideration Shares	86,983
Cash	147,773
	<hr/>
	234,756
	<hr/> <hr/>

Assuming that the Company chose to settle the remaining sum of HK\$147,773,043 by cash.

Consideration Shares:

At 31 December 2019

Number of Consideration Shares ('000)	1,181,836
Issue price (HK\$)	0.0736
Amount of Consideration Shares (HK\$'000)	86,983
	<hr/> <hr/>

	<i>HK\$'000</i>
Recognised as:	
Share capital@HK\$0.01 each	11,818
Share premium	75,165
	<hr/>
	86,983
	<hr/> <hr/>

Pursuant to the adjustment mechanism of the Master Agreement, the consideration for each of the Transactions will be subject to adjustment based on the combined net assets value and outstanding amount of shareholders' loans of each of the Disposal Group and the Target Group as at the Completion Date. Following the completion financial statements having been prepared, the net consideration shall be adjusted on a dollar-to-dollar basis. Each of the Disposal Consideration and the Acquisition Consideration will be compared to the Initial Disposal Consideration and the Initial Acquisition Consideration, with the differences set off with each other.

If the aggregate amount payable by Multifield to the Company is greater than the aggregate amount payable by the Company to Multifield by virtue of the adjustment, Multifield shall pay to the Company such difference by cash. If the aggregate amount payable by Multifield to the Company is lesser than the aggregate amount payable by the Company to Multifield, the Company shall pay to Multifield such difference by cash or the issuance of promissory note (to be chosen by the Company at its sole and absolute discretion).

At 31 December 2019	<i>HK\$'000</i>
Initial Acquisition Consideration	1,381,502
Adjusted Acquisition Consideration	<u>1,211,286</u>
Adjustment on Acquisition Consideration	<u>170,216</u>
Initial Disposal Consideration	1,146,746
Adjusted Disposal Consideration at Completion	<u>1,112,057</u>
Adjustment on Disposal Consideration	<u>34,689</u>
Net consideration after adjustment at Completion payable by Multifield to the Company	<u><u>135,527</u></u>
	<i>HK\$'000</i>
Initial net consideration settled by cash payable by the Company to Multifield	(147,773)
Net consideration after adjustment at Completion payable by Multifield to the Company	<u>135,527</u>
	<u><u>(12,246)</u></u>

The actual net consideration payable or receivable by the Group is subject to change and will be determined as of the date of completion and may differ materially from the amount disclosed above in the Unaudited Pro Forma Financial information.

The adjustment has no continuing effect.

6. The adjustment represents the exclusion of the income and expenses attributable to the Disposal Group from the consolidated statement of profit or loss of the Group for the year ended 31 December 2019, which was extracted from the financial information of the Disposal Group in Appendix IV to the Circular, as if the Proposed Disposal and the Disposal Group Reorganisation had completed on 1 January 2019. The adjustment will not have continuing effect on the consolidated statement of profit or loss and the consolidated statement of comprehensive income of the Enlarged Group.

Consideration adjustment mechanism on		
Completion at 1 January 2019:	<i>HK\$'000</i>	<i>HK\$'000</i>
Adjusted net assets value of Disposal Group	903,995	
Add-back 16.11% Discount for marketability	<u>132,930</u>	
Adjusted NAV of Disposal Group for Disposal consideration		1,036,925
Shareholders' loan owed by Disposal Group:		
Amount due from a fellow subsidiary	(93,080)	
Amount due to the Company	95,833	
Amounts due to fellow subsidiaries	<u>17,968</u>	
		<u>20,721</u>
Adjusted Disposal Consideration at Completion		<u><u>1,057,646</u></u>
Gain on Proposed Disposal:		<i>HK\$'000</i>
Adjusted Disposal Consideration at Completion		1,057,646
Adjusted net assets value of Disposal Group		(903,995)
Shareholders' loan owed by Disposal Group		(20,721)
Direct legal and professional fees (<i>Note 8</i>)		<u>(926)</u>
Gain on Proposed Disposal		<u><u>132,004</u></u>

Pursuant to the Master Agreement, the Disposal Company will, prior to completion of the Proposed Disposal, undergo an internal group restructuring to dispose of its entire issued share capital in the Excluded Companies to a wholly-owned subsidiary of the Company; and on the other hand, the Disposal Company will acquire the 5% interest in Head Wonder International Limited (“5% **Minority Interest**”) (the “**Disposal Group Reorganisation**”). Assuming the Disposal Group Reorganisation had been completed on 1 January 2019:

At 1 January 2019	<i>HK\$'000</i>
Net asset values of LHL and its subsidiary	(50,966)
Shareholder's loan owed by LHL	<u>51,681</u>
	715
Consideration settled by current account with the Company	<u>51,681</u>
Gain on disposal of LHL to the Company	<u><u>50,966</u></u>

Immediately after the completion of the Disposal Group Reorganisation, the net assets value of the Disposal Group at 1 January 2019 was adjusted as follows:

At 1 January 2019	<i>HK\$'000</i>
Net asset value of the Disposal Group	853,029
Gain on disposal of LHL to the Company	<u>50,966</u>
Adjusted net assets value of the Disposal Group	<u><u>903,995</u></u>

The actual net consideration is subject to change and will be determined as of the date of completion and may differ materially from the amount disclosed above in the Unaudited Pro Forma Financial Information. The adjustment has no continuing effect.

7. The adjustment reflects the exclusion of the cash flows of the Disposal Group for the year ended 31 December 2019, which was extracted from the financial information of the Disposal Group in Appendix IV to the Circular, as if the Proposed Disposal and the Disposal Group Reorganisation had completed on 1 January 2019. The adjustment will not have continuing effect on the consolidated statement of cash flows of the Enlarged Group.
8. Adjustment has been made to the Unaudited Pro Forma Financial Information for professional costs directly attributable to the Proposed Acquisition and the Proposed Disposal (including fees to financial adviser, legal advisers, independent financial advisers, reporting accountants, valuer, printer and other expenses).
9. No other adjustments have been made to the Unaudited Pro Forma Financial Information to reflect any trading results or other transactions of the Enlarged Group entered into subsequent to 31 December 2019.

The following is the text of a report, prepared for the sole purpose of inclusion in this circular, received from the reporting accountants, HLB Hodgson Impey Cheng Limited, Certified Public Accountants, Hong Kong.



31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of Oriental Explorer Holdings Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Oriental Explorer Holdings Limited (the “**Company**”) and its subsidiaries (hereinafter collectively referred to as the “**Group**”) by the directors of the Company (the “**Directors**”) for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of financial position as at 31 December 2019, the unaudited pro forma consolidated statement of profit or loss and consolidated statement of comprehensive income for the year ended 31 December 2019, the unaudited pro forma consolidated statement of cash flows for the year ended 31 December 2019 and related notes as set out on pages V-1 to V-14 of the circular issued by the Company dated 30 June 2020 (the “**Circular**”). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages V-1 to V-14 of the Circular.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed acquisition of the entire equity interest in Reach Profit Investments Limited (the “**Proposed Acquisition**”) and the proposed disposal of the entire equity interest in Linkful Strategic Investment Limited (the “**Proposed Disposal**”) (together “**Transactions**”) on the Group’s financial position as at 31 December 2019 and its financial performance and cash flows for the year ended 31 December 2019 as if the Transactions had taken place at 31 December 2019 and 1 January 2019, respectively. As part of this process, information about the Group’s financial position, financial performance and cash flows has been extracted by the Directors from the Group’s consolidated financial statements as included in the annual report for the year ended 31 December 2019, on which an auditors’ report has been published.

Directors’ Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” (“**AG 7**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the “Code of Ethics for Professional Accountants” issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior. Our firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants’ Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 December 2019 or 1 January 2019 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances. The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- the unaudited pro forma financial information has been properly compiled on the basis stated;
- such basis is consistent with the accounting policies of the Group; and
- the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

HLB Hodgson Impey Cheng Limited

Certified Public Accountants

Hui Chun Keung, David

Practising Certificate Number: P05447

Hong Kong

30 June 2020

Upon Completion, the OE Disposal Company will become a direct subsidiary of Multifield; on the other hand, the Multifield Disposal Company (which holds the Multifield Disposal Properties) will become a subsidiary of Oriental Explorer and thus the Multifield Disposal Company will still be a subsidiary of Multifield (through its shareholdings in Oriental Explorer).

The Enlarged Group is principally engaged in property investing and investment holding.

Set out below is the management discussion and analysis of the Enlarged Group for each of the years ended 31 December 2017, 2018 and 2019

FOR THE YEAR ENDED 31 DECEMBER 2017:

Business Review

During the year under review, the Enlarged Group recorded a net profit of approximately HK\$87 million (2016: HK\$71 million). The Enlarged Group's rental income in Hong Kong recorded a slight decrease of approximately 3%.

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 Enlarged Group's investment properties in Hong Kong mainly comprise of office, industrial units, residential units and car parks. The Enlarged Group's investment property portfolio contributed stable rental revenue of approximately HK\$29 million in 2017 (2016: HK\$30 million).

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 Enlarged 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 Enlarged 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 Enlarged Group.

Save as disclosed above, the Enlarged Group had no other material acquisition and disposal of subsidiaries and associated companies during the year ended 31 December 2017.

Foreign Currency Exposure

The Enlarged Group's monetary assets, liabilities and transactions are mainly denominated in Renminbi, Hong Kong dollar and the United States dollar. The Enlarged Group is exposed to foreign exchange risk with respect mainly to Renminbi which may affect the Enlarged 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 Enlarged Group and when appropriate hedge its currency risk. As of 31 December 2017, the Enlarged Group has not entered into any financial instrument for foreign currency hedging purpose.

Liquidity and Financial Resources

The Enlarged Group generally finances its operations with internally generated cash flows and banking facilities provided by principal bankers in Hong Kong. The Enlarged Group's cash and cash equivalents as of 31 December 2017 amounted to approximately HK\$155 million (2016: HK\$154 million).

As of 31 December 2017, the Enlarged Group had total bank and other borrowings amounting to approximately HK\$350 million (2016: HK\$349 million), which were secured by legal charges on the Enlarged Group's investment properties in Hong Kong. The Enlarged Group's bank borrowings were mainly arranged on a floating rate basis. The maturity of bank and other borrowings of the Enlarged Group as at 31 December 2017 was as follows:

	<i>HK\$'000</i>
Within one year	22,697
In the second year	127,567
In the third to fifth years, inclusive	<u>200,113</u>
Total	<u><u>350,377</u></u>

With the total bank and other borrowings of approximately HK\$350 million (2016: HK\$349 million) and the aggregate of the shareholder funds and total bank and other borrowings of approximately \$1,425 million (2016: HK\$1,210 million), the Enlarged Group's gearing ratio as at 31 December 2017 was around 25% (2016: 29%).

Contingent Liability

As of 31 December 2017, the Enlarged 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 Enlarged 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 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 Enlarged Group might record decrease in market value as compared to the increase in fair value 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 Enlarged 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 Enlarged 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 Enlarged 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.

FOR THE YEAR ENDED 31 DECEMBER 2018:**Business Review**

During the year under review, the Enlarged Group recorded a net profit of approximately HK\$49 million (2017: HK\$87 million). The Enlarged Group's rental income in Hong Kong recorded a slight increase of approximately 3%.

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 Enlarged Group's investment properties in Hong Kong mainly comprise of office, industrial units, residential units and car parks. The Enlarged Group's investment property portfolio contributed stable rental revenue of approximately HK\$30 million in 2018 (2017: HK\$29 million).

Acquisition and Disposal of Subsidiaries and Associated Companies

The Enlarged Group did not make any material acquisition or disposal of subsidiaries and associated companies during the year ended 31 December 2018.

Foreign Currency Exposure

The Enlarged Group's monetary assets, liabilities and transactions are mainly denominated in Renminbi, Hong Kong dollar and the United States dollar. The Enlarged Group is exposed to foreign exchange risk with respect mainly to Renminbi which may affect the Enlarged 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 Enlarged Group and when appropriate hedge its currency risk. As of 31 December 2018, the Enlarged Group has not entered into any financial instrument for foreign currency hedging purpose.

Liquidity and Financial Resources

The Enlarged Group generally finances its operations with internally generated cash flows and banking facilities provided by principal banks in Hong Kong. The Enlarged Group's cash and cash equivalents as of 31 December 2018 amounted to approximately HK\$294 million (2017: HK\$155 million).

As of 31 December 2018, the Enlarged Group had total bank and other borrowings amounting to approximately HK\$244 million (2017: HK\$350 million), which were secured by legal charges on the Enlarged Group's investment properties in Hong Kong. The Enlarged Group's bank borrowings were mainly arranged on a floating rate basis. The maturity of bank and other borrowings of the Enlarged Group as at 31 December 2018 was as follows:

	<i>HK\$'000</i>
Within one year	44,897
In the second year	198,293
In the third to fifth years, inclusive	<u>1,238</u>
Total	<u><u>244,428</u></u>

With the total bank and other borrowings of approximately HK\$244 million (2017: HK\$350 million) and the aggregate of the shareholder funds and total bank and other borrowings of approximately \$1,857 million (2017: HK\$1,425 million), the Enlarged Group's gearing ratio as at 31 December 2018 was around 13% (2017: 25%).

Contingent Liability

As of 31 December 2018, the Enlarged Group had no material contingent liability.

Employees and Remuneration Policy

As of 31 December 2018, the Enlarged Group had approximately 10 employees in Hong Kong. During the year, the staff costs (including directors' emoluments) amounted to approximately HK\$6 million (2017: HK\$6 million).

The objective of the Enlarged 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 Hong Kong property market, and residential market in particular had experienced enduring growth over the past two years since the beginning of 2016. Although the business sector urges HK Government to withdraw the doubled ad valorem stamp duty (DSD) currently imposed on residential property transactions, the Government has no plan to remove the control measure with goal to stabilize the property market in Hong Kong.

Other factors such as interest rate hikes and increased supply in government subsidized housing may also hinder the Enlarged Group's development in the residential property market, resulting in a potential slide in the market value of its investment properties in Hong Kong.

Looking ahead to 2019, the global political and economic environment will inevitably be influenced due to the uncertainties over the US-China trade war and the ongoing Brexit negotiations. Even though it is expected that the economic growth in the Chinese economy will remain slow-paced, the Enlarged Group is still facing the challenge on the rising costs of operating in China, namely currency fluctuation, high wages, utility expenses, and increasing property refurbishment fees.

The Enlarged Group will continue to manage the business prudently in order to enhance operational quality, while at the same time seeking appropriate investment opportunities, with a view to increasing profitability and shareholder return.

FOR THE YEAR ENDED 31 DECEMBER 2019:**Business Review**

During the year under review, the Enlarged Group recorded a net profit of approximately HK\$223 million (2018: HK\$49 million). The Enlarged Group's rental income in Hong Kong recorded a slight increase of approximately 4%.

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 Enlarged Group's investment properties in Hong Kong mainly comprise of office, industrial units, residential units and car parks. The Enlarged Group's investment property portfolio contributed stable rental revenue of approximately HK\$31 million in 2019 (2018: HK\$30 million).

Acquisition and Disposal of Subsidiaries and Associated Companies

The Enlarged Group did not make any material acquisition or disposal of subsidiaries and associated companies during the year ended 31 December 2019.

Foreign Currency Exposure

The Enlarged Group's monetary assets, liabilities and transactions are mainly denominated in Renminbi, Hong Kong dollar and the United States dollar. The Enlarged Group is exposed to foreign exchange risk with respect mainly to Renminbi which may affect the Enlarged 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 Enlarged Group and when appropriate hedge its currency risk. As of 31 December 2019, the Enlarged Group has not entered into any financial instrument for foreign currency hedging purpose.

Liquidity and Financial Resources

The Enlarged Group generally finances its operations with internally generated cash flows and banking facilities provided by principal bankers in Hong Kong. The Enlarged Group's cash and cash equivalents as of 31 December 2019 amounted to approximately HK\$202 million (2018: HK\$294 million).

As of 31 December 2019, the Enlarged Group had total bank and other borrowings amounting to approximately HK\$169 million (2018: HK\$244 million) which were secured by legal charges on the Enlarged Group's investment properties in Hong Kong. The Enlarged Group's bank borrowings were mainly arranged on a floating rate basis. The bank and other borrowings of the Enlarged Group as at 31 December 2019 was repayable within 1 year or on demand.

With the total bank and other borrowings of approximately HK\$169 million (2018: HK\$244 million) and the aggregate of the shareholder funds and total bank and other borrowings of approximately \$1,851 million (2018: HK\$1,857 million), the Enlarged Group's gearing ratio as at 31 December 2019 was around 9% (2018:13%).

Contingent Liability

As of 31 December 2019, the Enlarged Group had no material contingent liability.

Events after the Reporting Period

Following the outbreak of the novel coronavirus (COVID-19) in early 2020, the global stock markets (including Hong Kong stock market) have fallen sharply due to the pessimistic sentiments of investors about the adverse impact brought by the pandemic on the global economy. The board of directors expects that the COVID-19 pandemic will inevitably bring negative effect on the Enlarged Group's business. However, due to the dynamic nature of the COVID-19 pandemic, it is difficult for the board of directors to estimate the extent of its impact on the Enlarged Group's business and financial position in 2020. The board of directors is closely monitoring the development of, and the disruptions to the global economy caused by, the COVID-19 pandemic and will timely assess and react actively to its impact on the operation and financial performance of the Enlarged Group. The Enlarged Group will issue announcements to make relevant disclosures as and when appropriate and necessary.

Employees and Remuneration Policy

As of 31 December 2019, the Enlarged Group had approximately 10 employees in Hong Kong. During the year, the staff costs (including directors' emoluments) amounted to approximately HK\$5 million (2018: HK\$6 million).

The objective of the Enlarged 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 local social incidents since June 2019 have caused a decrease in market demand for local industrial and commercial properties and shops, resulting in an increase in vacancy rates and downward pressure on rent. Entering 2020, the novel coronavirus outbreak around the world has caused another shock to Hong Kong's externally oriented economy. In view of continuing deterioration in tenant affordability, the Enlarged Group is not optimistic about the performance of its investment property portfolio and rental income for the first half of 2020.

The tension in Sino-U.S. trade relations has eased since the two countries signed the first-phase trade agreement in January this year. However, since a final trade agreement between China and the U.S. has not been reached, significant uncertainties still exist with regard to the subsequent trade negotiations between the two countries. Furthermore, investors become pessimistic about the global economic outlook because of the worldwide spread of the novel coronavirus, causing fluctuations in global financial markets.

The global economic environment has changed dramatically during the first three months of 2020 due to the novel coronavirus epidemic. Governments have been actively implementing measures to control the spread of the virus and to reduce the risk of economic recession. Accordingly, it is estimated that the economy of Hong Kong and the Mainland China may regain growth momentum and that market demand for local industrial and commercial properties and shops may begin to recover gradually once the epidemic is under control. On the other hand, the performance of the Enlarged Group's residential property rental business had been stable in the past. The impact of the epidemic on revenue of this segment is relatively small up until this moment. However, as the situation around the outbreak of the virus is changing all the time, the epidemic could have a material impact on the Enlarged Group's overall results for the year.

The Enlarged Group will continue to operate its business prudently and to maintain a sound financial position. The Enlarged Group will also cautiously explore opportunities and expand its investment portfolio with a view to increasing profitability and shareholder return.



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30 June 2020

Multifield International Holdings Limited

Units 22-28, 25/F.,
Tower A, Southmark,
11 Yip Hing Street,
Wong Chuk Hang, Hong Kong

Oriental Explorer Holdings Limited

8/F., Multifield House,
54 Wong Chuk Hang Road,
Wong Chuk Hang, Hong Kong

Dear Sir/Madam,

Re: Valuation of Properties to be disposed by Multifield International Holdings Limited in Hong Kong and the People's Republic of China

In accordance with your instructions for us to value the property interests to be disposed as a result of the Multifield Disposal by Multifield International Holdings Limited (“**Multifield**”) and its subsidiaries or associates (together with Multifield referred to as the “**Multifield Group**”) in Hong Kong and the People's Republic of China (the “**PRC**”), we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of the property interests as at 31 March 2020 (the “**Date of Valuation**”) for the purpose of incorporation in the Circular of Multifield dated 30 June 2020.

1. BASIS OF VALUATION

Our valuations of the property interests are our opinion of the market values of the concerned property interests which we would define as intended to mean “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

Market value is understood as the value of an asset or liability estimated without regard to costs of sale or purchase (or transaction) and without offset for any associated taxes or potential taxes.

2. PROPERTY CATEGORIZATION

In the course of our valuations, the property interests held by the Multifield Group are categorized into the following groups:

- Group I (Properties held by the Multifield Group for Investment Purpose and to be disposed by the Multifield Group in Hong Kong);
- Group II (Properties held by the Multifield Group for Investment Purpose and to be disposed by the Multifield Group in the PRC); and

3. VALUATION METHODOLOGY

We have valued the property interests by the direct comparison approach assuming sale of the property interests in their existing states with the benefit of vacant possession and by making reference to comparable sales transactions as available in the relevant market.

4. TITLE INVESTIGATION

For the property interests in Hong Kong, we have caused sample land searches to be made at the Land Registry. However, we have not scrutinized all the original documents to verify ownership or to ascertain the existence of any lease amendments which may not appear on the copies handed to us.

For the property interests in the PRC, we have been provided with copies of extracts of title documents relating to the property interests. However, we have not inspected the original documents to verify the ownership or to verify any amendments which may not appear on the copies handed to us. We have relied on the information given by the Multifield Group regarding the titles and other legal matters relating to the property interests. We have relied on the information and advice given by the Multifield Group and its legal adviser, Beijing Dentons (Tianjin) Law Firm, regarding the validity of titles of the properties and the interests of the Multifield Group in the properties.

We have also relied on the advice given by the Multifield Group that the Multifield Group has valid and enforceable title to the property interests which are freely transferable, and have free and uninterrupted right to use the same, for the whole of the unexpired term granted subject to the payment of annual government rent/land use fees and all requisite land premium/purchase consideration payable have been fully settled.

5. VALUATION ASSUMPTIONS

Our valuations have been made on the assumption that the owner sells the property interests in the market in their existing states without the benefit of deferred term contracts, leasebacks, joint ventures, management agreements or any similar arrangements which would serve to affect the values of such property interests. In addition, no account has been taken of any option or right of pre-emption concerning or affecting the sale of the property interests and no allowance has been made for the property interests to be sold in one lot or to a single purchaser.

6. SOURCE OF INFORMATION

In the course of our valuations, we have relied to a very considerable extent on the information provided by the Multifield Group and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, identification of property interests, particulars of occupation, site/floor areas, ages of buildings and all other relevant matters which can affect the values of the property interests. All documents have been used for reference only.

We have no reason to doubt the truth and accuracy of the information provided to us. We have also been advised that no material facts have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and have no reason to suspect that any material information has been withheld.

7. VALUATION CONSIDERATION

We have inspected the exterior and, where possible, the interior of certain properties. No structural survey has been made in respect of the properties. However, in the course of our inspections, we did not note any serious defects. We are not, however, able to report that the properties are free from rot, infestation or any other structural defects. No tests were carried out on any of the building services.

We have not carried out on-site measurement to verify the site/floor areas of the properties under consideration but we have assumed that the site/floor areas shown on the documents handed to us are correct. Except as otherwise stated, all dimensions, measurements and areas included in the valuation certificates are based on information contained in the documents provided to us by the Multifield Group and are therefore approximations.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the properties nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

In valuing the properties, we have complied with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and The HKIS Valuation Standards (2017 Edition) published by The Hong Kong Institute of Surveyors.

8. REMARKS

In accordance with our standard practice, we must state that this report is for the use only of the party to whom it is addressed and no responsibility is accepted to any third party for the whole or any part of its contents and neither the whole, nor any part of this report may be included in any published documents or statement nor published in any way without our prior written approval of the form and context in which it may appear.

Unless otherwise stated, all monetary amounts stated in our valuations are in Hong Kong Dollars (HK\$).

Summary of Values and our Valuation Certificates are attached.

Yours faithfully,

For and on behalf of

RAVIA GLOBAL APPRAISAL ADVISORY LIMITED

Dr. Alan Lee

PhD(BA) MFin BCom(Property)

MHKIS RPS(GP) AAPI CPV CPV(Business)

Director

Dr. Alan W K Lee is a Registered Professional Surveyor (General Practice), a member of Hong Kong Institute of Surveyors and an Associate of Australian Property Institute. He has over 15 years' valuation experience in Hong Kong, Macau, the PRC, the Asia Pacific Region, European countries and American countries.

SUMMARY OF VALUES

Group I – Properties held by the Multifield Group for Investment Purpose and to be disposed by the Multifield Group in Hong Kong

No.	Property	Market Value in Existing State as at 31 March 2020	Interest attributable to the Multifield Group	Market Value in Existing State Attributable to the Multifield Group as at 31 March 2020
1.	Ground Floor of Block 1B, Pine Villas, Nos.118 & 118A Castle Peak Road, Castle Peak Bay, Tuen Mun, New Territories, Hong Kong	HK\$9,300,000	100%	HK\$9,300,000
2.	Multifield Centre, No.426 Shanghai Street, Kowloon, Hong Kong	HK\$649,000,000	100%	HK\$649,000,000
3.	Flat B on 30th Floor of Tower 6 and Private Cars Car Park No.58 on Car Park Level 2, Bel-Air on the Peak of Island South, No.68 Bel-Air Peak Avenue, Hong Kong	HK\$18,300,000	100%	HK\$18,300,000
4.	Units 1 to 3, 5, 6, 21 to 23 and 25 to 28 on 20th Floor of Pacific Link Tower, Southmark, No.11 Yip Hing Street, Hong Kong	HK\$124,700,000	100%	HK\$124,700,000
5.	Car Parking Space (Private Carpark) Nos. P229 and P230 on 2nd Floor, Southmark, No.11 Yip Hing Street, Hong Kong	HK\$3,200,000	100%	HK\$3,200,000

SUMMARY OF VALUES

No.	Property	Market Value in Existing State as at 31 March 2020	Interest attributable to the Multifield Group	Market Value in Existing State Attributable to the Multifield Group as at 31 March 2020
6.	Flat A (Including the Bay Window, the Balcony, the Utility Platform thereof and the Air-Conditioning Plant Room Appertaining thereto) on the 12th Floor of Tower 2, Larvotto, No.8 Ap Lei Chau Praya Road, Hong Kong	HK\$52,500,000	100%	HK\$52,500,000
7.	Car Parking Space No.1071 on the 1st Floor, Larvotto, No.8 Ap Lei Chau Praya Road, Hong Kong	HK\$3,300,000	100%	HK\$3,300,000
8.	Whole of 4th, 5th, 8th and 9th Floors, Units B1 and B2 on 14th Floor and Car Parking Spaces Nos.1-4 and 10-21, Blue Box Factory Building, No.25 (Formerly No.15) Hing Wo Street, Hong Kong	HK\$523,940,000	100%	HK\$523,940,000
Sub-Total:		HK\$1,384,240,000		HK\$1,384,240,000

SUMMARY OF VALUES

Group II – Properties held by the Multifield Group for Investment Purpose and to be disposed by the Multifield Group in the PRC

No.	Property	Market Value in Existing State as at 31 March 2020	Interest attributable to the Multifield Group	Market Value in Existing State Attributable to the Multifield Group as at 31 March 2020
9.	Units A to F on Level 16, Tower II, Innotect Tower, No.239 Nanjing Road, Heping District, Tianjin, The PRC	HK\$22,300,000	100%	HK\$22,300,000
	Sub-Total:	HK\$22,300,000		HK\$22,300,000
	Grand Total:	HK\$1,406,540,000		HK\$1,406,540,000

VALUATION CERTIFICATE

Group I – Properties held by the Multifield Group for Investment Purpose and to be disposed by the Multifield Group in Hong Kong

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 31 March 2020
1.	Ground Floor of Block 1B, Pine Villas, Nos.118 & 118A Castle Peak Road, Castle Peak Bay, Tuen Mun, New Territories, Hong Kong 1/16th equal and undivided shares of and in Lot No. 361 in D.D. 376	The property comprises a residential unit on the ground floor of Block 1B of a villa-type house completed in about 1976. The gross floor area of the property is approximately 1,833 sq.ft. (or about 170.29 sq.m.). Lot No. 361 in D.D. 376 is held under New Grant No. 285 and it has been extended upon expiry until 30 June 2047 with a revised annual rent at 3% of the rateable value for the time being of the lot.	As advised by the Multifield Group, the property was subject to a tenancy for a term of 2 years expiring on 28 February 2021 at a monthly rent of HK\$19,600.	HK\$9,300,000 100% interest attributable to the Multifield Group: HK\$9,300,000

Notes:

1. The registered owner of the property is Silver Nominees Limited vide Memorial No.TM762562 dated 28 January 1997.
2. The property is subject to Deed of Right of Way And Mutual Covenant vide Memorial No.TM158046 dated 21 June 1966.
3. Silver Nominees Limited is a wholly-owned subsidiary of Multifield.
4. The site inspection was performed by Alan Lee, *MHKIS* in 2019.

VALUATION CERTIFICATE

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 31 March 2020
2.	Multifield Centre, No.426 Shanghai Street, Kowloon, Hong Kong Kowloon Inland Lot Nos.8032, 8182 and 8599.	The property comprises the whole building with loading and unloading spaces on the ground floor and office units on the upper floors of a 24-storey commercial building completed in 1996. The gross floor area of the property is approximately 46,351 sq.ft. (or about 4,306.11 sq.m.). Kowloon Inland Lot Nos.8032, 8182 and 8599 are held under Government Lease for a term of 150 years from 25 December 1887.	As advised by the Multifield Group, portion of the property was subject to various tenancies at a total monthly rent of about HK\$954,478.50 with the latest expiry date on 28 February 2022. The remaining portion of the property was vacant.	HK\$649,000,000 100% interest attributable to the Multifield Group: HK\$649,000,000

Notes:

1. The registered owner of the property is Verywell Properties Limited vide Memorial No.UB5812349 dated 11 September 1993.
2. The property is subject to Deed of Release of Right of Way Re KIL 8599 vide Memorial No. UB6239823 dated 11 January 1995.
3. The property is subject to Deed of Release of Right of Way Re KIL 8182 vide Memorial No. UB6239824 dated 11 January 1995.
4. The property is subject to the following material encumbrances:
 - a. Government Notice No. 7956 of 17.12.1999 Pursuant to Sec.23(2) vide Memorial No. UB7943921 dated 17 December 1999 (Remarks: The Government Rent and Premium (Apportionment) Ordinance (Cap.125) Re Kil 8182);
 - b. License to Permit Five Categories of Offensive Trades vide Memorial No. 08042500490088 dated 9 April 2008 (Remarks: By District Lands Officer, Kowloon West); and
5. Verywell Properties Limited is a wholly-owned subsidiary of Multifield.
6. The site inspection was performed by Alan Lee, *MHKIS* in 2019.

VALUATION CERTIFICATE

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 31 March 2020
3.	Flat B on 30th Floor of Tower 6 and Private Cars Car Park No.58 on Car Park Level 2, Bel-Air on the Peak of Island South, No.68 Bel-Air Peak Avenue, Hong Kong	The property comprises a residential unit on 30th floor of a 39-storey residential building and a covered car parking space completed in about 2004.	As advised by the Multifield Group, the property was subject to two tenancies at a total monthly rent of HK\$38,800 with the latest expiry date on 31 January 2022.	HK\$18,300,000
	83/553324th equal and undivided shares of and in Section B of Inland Lot No. 8969	The gross floor area of the property is approximately 913 sq.ft. (or about 84.82 sq.m.). Section B of Inland Lot No. 8969 is held under Conditions of Grand No. UB12572 for a term of 50 years from 22 May 2000.		100% interest attributable to the Multifield Group: HK\$18,300,000

Notes:

1. The registered owner of the property is Maxlord Limited vide Memorial No. 10092000890126 dated 31 August 2010.
2. Maxlord Limited is a wholly-owned subsidiary of Multifield.
3. The site inspection was performed by Alan Lee, *MHKIS* in 2019.

VALUATION CERTIFICATE

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 31 March 2020
4.	Units 1 to 3, 5, 6, 21 to 23 and 25 to 28 on 20th Floor of Pacific Link Tower, Southmark, No.11 Yip Hing Street, Hong Kong 11438/750000th equal and undivided shares of and in Aberdeen Inland Lot No.423	The property comprises 12 office units on 20th floor of a 26-storey commercial building completed in about 1995. The gross floor area of the property is approximately 11,438 sq.ft. (or about 1062.62 sq.m.). Aberdeen Inland Lot No. 423 is held under Conditions of Sales No. 12188 from 17 December 1991 to 30 June 2047.	As advised by the Multifield Group, the property was subject to a tenancy for a term of 3 years at a current rent of HK\$286,000 expiring on 31 May 2021.	HK\$124,700,000 100% interest attributable to the Multifield Group: HK\$124,700,000

Notes:

1. The registered owner of the property is Goodrich Properties Limited vide Memorial No. 05112501330036 dated 8 November 2005.
2. The property is subject to Deed of Mutual Covenant and Management Agreement vide Memorial No. UB6420264 dated 25 September 1995.
3. Goodrich Properties Limited is a wholly-owned subsidiary of Multifield.
4. The site inspection was performed by Alan Lee, *MHKIS* in 2019.

VALUATION CERTIFICATE

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 31 March 2020
5.	Car Parking Space (Private Carpark) Nos. P229 and P230 on 2nd Floor, Southmark, No.11 Yip Hing Street, Hong Kong	The property comprises 2 car parking spaces on 2nd floor of a commercial building erected over a car park podium of 8-storey completed in about 1995.	As advised by the Multifield Group, Car Parking Space No. 230 of the property was subject to a license agreement for a term of 1 year expiring on 30 September 2020 at a monthly license fee of HK\$4,300.	HK\$3,200,000
	500/750000th equal and undivided shares of and in Aberdeen Inland Lot No.423	Aberdeen Inland Lot No. 423 is held under Conditions of Sales No. 12188 from 17 December 1991 to 30 June 2047	Car Parking Space No. 229 of the property was vacant as at the Date of Valuation.	100% interest attributable to the Multifield Group: HK\$3,200,000

Notes:

1. The registered owner of the property is Goodrich Properties Limited vide Memorial No. 11031801050013 dated 25 February 2011.
2. Goodrich Properties Limited is a wholly-owned subsidiary of Multifield.
3. The site inspection was performed by Alan Lee, *MHKIS* in 2019.

VALUATION CERTIFICATE

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 31 March 2020
6.	Flat A (Including Bay Window, the Balcony, the Utility Platform thereof and the Air-Conditioning Plant Room Appertaining thereto) on the 12th Floor of Tower 2, Larvotto, No.8 Ap Lei Chau Praya Road, Hong Kong	The property comprises a residential unit on 12th floor of a 28-storey residential building erected the over a 5-storey podium accommodating commercial spaces, car park and clubhouse completed in about 2010.	As advised by the Multifield Group, the property was vacant.	HK\$52,500,000 100% interest attributable to the Multifield Group: HK\$52,500,000
	3455/1471404th equal and undivided shares of and in Ap Lei Chau Inland Lot No. 129	The gross floor area of the property is approximately 2,423 sq.ft. (or about 225.10 sq.m.), inclusive of 51 sq.ft. (or about 4.74 sq.m.) of balcony, 25 sq.ft. (or about 2.32 sq.m.) of utility platform, 16 sq.ft. (or about 1.49 sq.m.) of bay window and 34 sq.ft. (or about 3.16 sq.m.) of air-conditioning plant room.	Ap Lei Chau Inland Lot No.129 is held under Conditions of Sales No.UB12337 from 25 January 1995 to 30 June 2047.	

Notes:

1. The registered owner of the property is Conrad Shipping Limited vide Memorial No. 11061000930040 dated 17 May 2011.
2. Conrad Shipping Limited is a wholly-owned subsidiary of Multifield.
3. The site inspection was performed by Alan Lee, *MHKIS* in 2019.

VALUATION CERTIFICATE

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 31 March 2020
7.	Car Parking Space No.1071 on the 1st Floor, Larvotto, No.8 Ap Lei Chau Praya Road, Hong Kong	The property comprises a car parking space on the 1st floor of Larvotto completed in about 2010.	As advised by the Multifield Group, the property was vacant.	HK\$3,300,000
	25/1471404th equal and undivided shares of and in Ap Lei Chau Inland Lot No. 129	Ap Lei Chau Inland Lot No. 129 is held under Conditions of Sales No. UB12337 from 25 January 1995 to 30 June 2047.		100% interest attributable to the Multifield Group: HK\$3,300,000

Notes:

1. The registered owner of the property is Conrad Shipping Limited vide Memorial No. 11061000930060 dated 17 May 2011.
2. The property is subject to Deed of Mutual Covenant and Management Agreement with Plans vide Memorial No. 11051702970220 dated 27 April 2011.
3. Conrad Shipping Limited is a wholly-owned subsidiary of Multifield.
4. The site inspection was performed by Alan Lee, *MHKIS* in 2019.

VALUATION CERTIFICATE

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 31 March 2020
8.	Whole of 4th, 5th, 8th and 9th Floors, Units B1 and B2 on 14th Floor and Car Parking Spaces Nos.1-4 and 10-21, Blue Box Factory Building, No.25 (Formerly No.15) Hing Wo Street, Hong Kong 400/1414th undivided equal and undivided shares of and in Aberdeen Inland Lot No.306.	The property comprises the whole of 4th, 5th, 8th and 9th Floor, Units B1 and B2 on 14th Floor and 4 lorry parking spaces and 12 car parking spaces on Ground Floor of a 16-storey industrial building completed in about 1974. The gross floor area of the constituent units is approximately 81,720 sq.ft. (or about 7,591.97 sq.m.). Aberdeen Inland Lot No. 306 is held from the Government under Conditions of Sale No. 9646 for a term of 75 years commencing from 23 March 1970 renewable for 75 years.	As advised by the Multifield Group, the constituent units of the property were subject to various tenancies for a term of 2 years to 3 years at a total monthly rent of HK\$686,700 with the latest expiry date on 25 March 2023. Portion of 4th Floor is vacant. The constituent car parking spaces is subject to various monthly license fee of HK\$51,150 per month.	HK\$523,940,000 100% interest attributable to the Multifield Group: HK\$523,940,000

Note:

1. The registered owners, which are wholly-owned subsidiaries of Multifield, of the property are listed as follows:

Premises	Owner	Memorial No.	Date
Unit A1 on 4th Floor	Tellink Development Limited	08070401570012	6 June 2008
Unit A2 on 4th Floor	Multifield Property Agency Limited	08070401570072	6 June 2008
Unit B1 on 4th Floor	Conrad Shipping Limited	08070201440027	6 June 2008
Unit B2 on 4th Floor	Golden Charter International Limited	08070401570041	6 June 2008
Unit A1 on 5th Floor	Silver Nominees Limited	08070201440054	6 June 2008
Unit A2 on 5th Floor	Lau & Partners Consultants Limited	08070201440116	6 June 2008
Unit B1 on 5th Floor	Grandfield Nominees Limited	08071501300011	20 June 2008
Unit B2 on 5th Floor	Goodrich Properties Limited	08071501300104	20 June 2008
Units A1, A2, B1 and B2 on 8th Floor	Silver Nominees Limited	08070201440081	6 June 2008
Unit A1 on 9th Floor	Tellink Development Limited	08070401570133	6 June 2008
Unit A2 on 9th Floor	Multifield Property Agency Limited	08070401570106	6 June 2008
Unit B1 on 9th Floor	Multifield Contracting Limited	08071501300070	20 June 2008
Unit B2 on 9th Floor	Lau & Partners Consultants Limited	08071501300049	20 June 2008
Unit B1 on 14th Floor	Grandfield Nominees Limited	08071501300144	20 June 2008
Unit B2 on 14th Floor	Goodrich Properties Limited	08071501300236	20 June 2008
CPS Nos. 1 to 4 on Ground Floor	Golden Charter International Limited	08071701110142	6 June 2008
CPS Nos. 10 to 15 on Ground Floor	Multifield Contracting Limited	08071701110118	6 June 2008
CPS Nos. 16 to 21 on Ground Floor	Tellink Development Limited	08070701110117	6 June 2008

VALUATION CERTIFICATE

Group II – Properties to be disposed by the Multifield Group in the PRC

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 31 March 2020
9.	Units A to F on Level 16, Tower II, Innoteck Tower, No. 239 Nanjing Road, Heping District, Tianjin, The PRC	<p>The property comprises 6 units on Level 16 of a 26-storey residential/commercial building erected on a 3-storey common shopping podium with landscaped garden on Level 4 and car park on 2 levels of basement. The property was completed in about 1996.</p> <p>The total gross floor area of the property is approximately 800.78 sq.m. (or about 8,619.60 sq.ft.).</p> <p>The land use rights of the land on which the property is erected have been granted for a term commencing on 25 July 1992 and expiring on 24 July 2062.</p>	<p>As advised by the Multifield Group, the property except for 4 units was subject to various tenancies for a total rent of RMB12,118 per month with the latest expiry date on 24 May 2021.</p> <p>The vacant units account for about 62.50% of the total gross floor area.</p>	<p>HK\$22,300,000</p> <p>100% interest attributable to the Multifield Group: HK\$22,300,000</p>

Notes:

1. Pursuant to 6 Certificates of Building Ownership Nos. 01173, 01174, 01175, 01176, 01178 and 01179 all issued by Tianjin Municipal Real Estate and Land Administration Bureau on 26 May 1997, the property is legally owned by Lau & Partners Consultants Limited.
2. We have been provided with a Legal Opinion on the property prepared by the Multifield Group's legal adviser, which contains, inter alia, the following information:
 - a. Lau & Partners Consultants Limited is in possession of a proper legal title to the property;
 - b. The property is not subject to mortgage or any other material encumbrances; and
 - c. According to the relevant law of PRC, any possible mortgage or material encumbrances will not affect the transfer of property.
3. Lau & Partners Consultants Limited is a wholly-owned subsidiary of Multifield.
4. The site inspection was performed by Alan Lee, *MHKIS* in 2019.



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30 June 2020

Multifield International Holdings Limited

Units 22-28, 25/F.,
Tower A, Southmark,
11 Yip Hing Street,
Wong Chuk Hang, Hong Kong

Oriental Explorer Holdings Limited

8/F., Multifield House,
54 Wong Chuk Hang Road,
Wong Chuk Hang, Hong Kong

Dear Sir/Madam,

Re: Valuation of Properties to be disposed by Oriental Explorer Holdings Limited in Hong Kong and the People's Republic of China

In accordance with your instructions for us to value the property interests to be disposed as a result of the OE Disposal by Oriental Explorer Holdings Limited (the “**Oriental Explorer**”) and its subsidiaries or associates (together with the Oriental Explorer referred to as the “**OE Group**”) in Hong Kong and the People's Republic of China (the “**PRC**”), we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of the property interests as at 31 March 2020 (the “**Date of Valuation**”) for the purpose of incorporation in the Circular of the Oriental Explorer dated 30 June 2020.

1. BASIS OF VALUATION

Our valuations of the property interests are our opinion of the market values of the concerned property interests which we would define as intended to mean “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

Market value is understood as the value of an asset or liability estimated without regard to costs of sale or purchase (or transaction) and without offset for any associated taxes or potential taxes.

2. PROPERTY CATEGORIZATION

In the course of our valuations, the property interests held by the OE Group are categorized into the following groups:

- Group I (Properties held by the OE Group for Investment Purpose and to be disposed by the OE Group in Hong Kong);
- Group II (Properties held by the OE Group for Investment Purpose and to be disposed by the OE Group in the PRC); and

3. VALUATION METHODOLOGY

We have valued the property interests by the direct comparison approach assuming sale of the property interests in their existing states with the benefit of vacant possession and by making reference to comparable sales transactions as available in the relevant market.

4. TITLE INVESTIGATION

For the property interests in Hong Kong, we have caused sample land searches to be made at the Land Registry. However, we have not scrutinized all the original documents to verify ownership or to ascertain the existence of any lease amendments which may not appear on the copies handed to us.

For the property interests in the PRC, we have been provided with copies of extracts of title documents relating to the property interests. However, we have not inspected the original documents to verify the ownership or to verify any amendments which may not appear on the copies handed to us. We have relied on the information given by the OE Group regarding the titles and other legal matters relating to the property interests. We have relied on the information and advice given by the OE Group and its legal adviser, Beijing Dentons (Zhuhai) Law Firm, regarding the validity of titles of the properties and the interests of the OE Group in the properties.

We have also relied on the advice given by the OE Group that the OE Group has valid and enforceable title to the property interests which are freely transferable, and have free and uninterrupted right to use the same, for the whole of the unexpired term granted subject to the payment of annual government rent/land use fees and all requisite land premium/purchase consideration payable have been fully settled.

5. VALUATION ASSUMPTIONS

Our valuations have been made on the assumption that the owner sells the property interests in the market in their existing states without the benefit of deferred term contracts, leasebacks, joint ventures, management agreements or any similar arrangements which would serve to affect the values of such property interests. In addition, no account has been taken of any option or right of pre-emption concerning or affecting the sale of the property interests and no allowance has been made for the property interests to be sold in one lot or to a single purchaser.

6. SOURCE OF INFORMATION

In the course of our valuations, we have relied to a very considerable extent on the information provided by the OE Group and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, identification of property interests, particulars of occupation, site/floor areas, ages of buildings and all other relevant matters which can affect the values of the property interests. All documents have been used for reference only.

We have no reason to doubt the truth and accuracy of the information provided to us. We have also been advised that no material facts have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and have no reason to suspect that any material information has been withheld.

7. VALUATION CONSIDERATION

We have inspected the exterior and, where possible, the interior of certain properties. No structural survey has been made in respect of the properties. However, in the course of our inspections, we did not note any serious defects. We are not, however, able to report that the properties are free from rot, infestation or any other structural defects. No tests were carried out on any of the building services.

We have not carried out on-site measurement to verify the site/floor areas of the properties under consideration but we have assumed that the site/floor areas shown on the documents handed to us are correct. Except as otherwise stated, all dimensions, measurements and areas included in the valuation certificates are based on information contained in the documents provided to us by the OE Group and are therefore approximations.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the properties nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoing of an onerous nature which could affect their values.

In valuing the properties, we have complied with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and The HKIS Valuation Standards (2017 Edition) published by The Hong Kong Institute of Surveyors.

8. REMARKS

In accordance with our standard practice, we must state that this report is for the use only of the party to whom it is addressed and no responsibility is accepted to any third party for the whole or any part of its contents and neither the whole, nor any part of this report may be included in any published documents or statement nor published in any way without our prior written approval of the form and context in which it may appear.

Unless otherwise stated, all monetary amounts stated in our valuations are in Hong Kong Dollars (HK\$).

Summary of Values and our Valuation Certificates are attached.

Yours faithfully,

For and on behalf of

RAVIA GLOBAL APPRAISAL ADVISORY LIMITED

Dr. Alan Lee

PhD(BA) MFin BCom(Property)

MHKIS RPS(GP) AAPI CPV CPV(Business)

Director

Dr. Alan W K Lee is a Registered Professional Surveyor (General Practice), a member of Hong Kong Institute of Surveyors and an Associate of Australian Property Institute. He has over 15 years' valuation experience in Hong Kong, Macau, the PRC, the Asia Pacific Region, European countries and American countries.

SUMMARY OF VALUES

Group I – Properties held by the OE Group for Investment Purpose and to be disposed by the OE Group in Hong Kong

No.	Property	Market Value in Existing State as at 31 March 2020	Interest attributable to the OE Group	Market Value in Existing State Attributable to the OE Group as at 31 March 2020
1.	Shop No.2 on Ground Floor, Goldfield Building, Nos.42, 43 and 44 Connaught Road West and Nos.200 and 202 Wing Lok Street, Hong Kong	HK\$24,700,000	18%	HK\$4,446,000
2.	Units 1 to 3, 5, 6, 21 to 23 and 25 to 28 on 25th Floor, Pacific Link Tower, Southmark, No.11 Yip Hing Street, Hong Kong	HK\$127,700,000	18%	HK\$22,986,000
3.	Multi-storey Lorry Park of Ground Floor to Lower Ground 5 (G/F to LG1-5/F (Inclusive)), Southmark, No.11 Yip Hing Street, Hong Kong	HK\$401,000,000	18%	HK\$72,180,000
4.	Flat B (Including the Balcony thereof) on the 21st Floor of Tower 8, Larvotto, No.8 Ap Lei Chau Praya Road, Hong Kong	HK\$21,600,000	18%	HK\$3,888,000
	Sub-Total:	HK\$575,000,000		HK\$103,500,000

SUMMARY OF VALUES

Group II – Properties held by the OE Group for Investment Purpose and to be disposed by the OE Group in the PRC

No.	Property	Market Value in Existing State as at 31 March 2020	Interest attributable to the OE Group	Market Value in Existing State Attributable to the OE Group as at 31 March 2020
5.	Windsor Park, No.2279 Hongqiao Road, Changning District, Shanghai, The PRC	HK\$1,354,000,000	15.024%	HK\$203,424,960
6.	Levels 1 and 2, Block B, Versailles de Shanghai, No.1, Lane 123 Fahuazhen Road, Changning District, Shanghai, The PRC	HK\$12,400,000	5%	HK\$620,000
7.	Windsor Place, Lane 2222 Jianhe Road, Changning District, Shanghai, The PRC	HK\$3,460,000,000	18%	HK\$622,800,000
	Sub-Total:	HK\$4,826,400,000		HK\$826,844,960
	Grand Total:	HK\$5,401,400,000		HK\$930,344,960

VALUATION CERTIFICATE

Group I – Properties held by the OE Group for Investment Purpose to be disposed by the OE Group in Hong Kong

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 31 March 2020
1.	Shop No.2 on Ground Floor, Goldfield Building, Nos.42, 43 and 44 Connaught Road West and Nos.200 and 202 Wing Lok Street, Hong Kong	The property comprises a shop unit on Ground Floor of a 13-storey commercial building completed in about 1973.	As advised by the OE Group, the property was subject to a tenancy for a term of 2 years expiring on 31 May 2022 at a monthly rent of HK\$50,000.	HK\$24,700,000 18% interest attributable to the OE Group: HK\$4,446,000
	4/62nd shares of and in Inland Lot No.7127, The Remaining Portion of Marine Lot No. 238, Section B, C, D and G of Praya Reclamation to Marine Lot No. 238 and the Remaining Portion of Marine Lot No. 240	The gross floor area of the property is approximately 1,300 sq.ft. (or about 120.77 sq.m.). Inland Lot No. 7127 is held from the Government under a Government Lease for a term of 999 years from 9 April 1901. Marine Lot Nos. 238, 240 are held from the Government under a Government Lease for a term of 999 years from 25 June 1871.		

Notes:

1. The registered owner of the property is Gain Power Consultants Limited vide Memorial No.11051901500023 dated 28 April 2011.
2. The property is subject to Deed of Mutual Covenant vide Memorial No.UB967684 dated 20 February 1973.
3. Oriental Explorer holds 18% interest in Gain Power Consultants Limited.
4. The site inspection was performed by Alan Lee, *MHKIS* in 2019.

VALUATION CERTIFICATE

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 31 March 2020
2.	Units 1 to 3, 5, 6, 21 to 23 and 25 to 28 on 25th Floor of Pacific Link Tower, Southmark, No.11 Yip Hing Street, Hong Kong	The property comprises 12 office units on 25th floor of a 26-storey commercial building completed in about 1995.	As advised by the OE Group, the property was subject to various tenancies at a total monthly rent of HK\$312,800 with the latest expiry date on 14 July 2021.	HK\$127,700,000 18% interest attributable to the OE Group: HK\$22,986,000
	11438/750000th equal and undivided shares of and in Aberdeen Inland Lot No.423	The gross floor area of the property is approximately 11,438 sq.ft. (or about 1062.62 sq.m.).	Aberdeen Inland Lot No. 423 is held under Conditions of Sales No. 12188 from 17 December 1991 to 30 June 2047.	

Notes:

1. The registered owner of the property is Chater Land Limited.
2. Oriental Explorer holds 18% interest in Chater Land Limited.
3. The site inspection was performed by Alan Lee, *MHKIS* in 2019.

VALUATION CERTIFICATE

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 31 March 2020
3.	Multi-storey Lorry Park of Ground Floor to Lower Ground 5 (G/F to LG1-5/F (Inclusive)), Southmark, No.11 Yip Hing Street, Hong Kong 162000/750000th equal and undivided shares of and in Aberdeen Inland Lot No. 423	The property comprises the 225 lorry car parking spaces on Ground Floor, LG1 to LG5 Floor of a commercial building erected over a car park podium of 8-storey completed in about 1995. Aberdeen Inland Lot No. 423 is held under Conditions of Sales No. 12188 from 17 December 1991 to 30 June 2047.	As advised by the OE Group, the property was subject to a management agreement in favor of Wilson Parking for a term of 3 years expiring on 31 August 2022. The total income from January 2020 to March 2020 was approximately HK\$2,500,000	HK\$401,000,000 18% interest attributable to the OE Group: HK\$72,180,000

Notes:

1. The registered owner of the property is New Luck Management Limited vide Memorial No. 11051300470024 dated 18 April 2011.
2. The property is subject to Deed of Mutual Covenant and Management Agreement vide Memorial No. UB6420264 dated 25 September 1995.
3. Oriental Explorer holds 18% interest in New Luck Management Limited.
4. The site inspection was performed by Alan Lee, *MHKIS* in 2019.

VALUATION CERTIFICATE

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 31 March 2020
4.	Flat B (Including the Balcony thereof) on the 21st Floor of Tower 8, Larvotto, No.8 Ap Lei Chau Praya Road, Hong Kong 1903/1471404th equal and undivided shares of and in Ap Lei Chau Inland Lot No. 129	The property comprises a residential unit on 21st floor of a 28-storey residential building erected over a 5-storey podium accommodating commercial spaces, car park and clubhouse completed in about 2010. The gross floor area of the property is approximately 1,315 sq.ft. (or about 122.17 sq.m.), inclusive of 31 sq.ft. (or about 2.88 sq.m.) of balcony. Ap Lei Chau Inland Lot No. 129 is held under Conditions of Sales No. UB12337 from 25 January 1995 to 30 June 2047.	As advised by the OE Group, the property was subject to a tenancy for a term of 2 years at a rent of HK\$51,000 expiring on 19 May 2021.	HK\$21,600,000 18% interest attributable to the OE Group: HK\$3,888,000

Notes:

1. The registered owner of the property is Mark Rich Limited vide Memorial No. 11060700400031 dated 17 May 2011.
2. The property is subject to Deed of Mutual Covenant and Management Agreement with Plans vide Memorial No. 11051702970220 dated 27 April 2011.
3. Oriental Explorer holds 18% interest in Mark Rich Limited.
4. The site inspection was performed by Alan Lee, *MHKIS* in 2019.

VALUATION CERTIFICATE

Group II – Properties held by the OE Group for Investment Purpose and to be disposed by the OE Group in the PRC

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 31 March 2020
5.	Windsor Park, No. 2279 Hongqiao Road, Changning District, Shanghai, The PRC	<p>The property comprises 56 villas and a clubhouse of a villa type development on a site with total site area of approximately 39,800 sq.m. (or about 428,407 sq.ft.) completed in about 1996.</p> <p>The total gross floor area of the property is approximately 16,625.45 sq.m. (or about 178,956 sq.ft.).</p> <p>The land use rights of the land on which the property is erected have been granted for a term of 62 years commencing on 21 November 2000 and expiring on 7 November 2062.</p>	<p>As advised by the OE Group, the property except for 1 villa was subject to various tenancies for a term of 1 year to 3 years at a total rent of RMB2,548,997 per month with the latest expiry date on 5 November 2022.</p> <p>The clubhouse is operated by the owner serving exclusively the residents thereof.</p> <p>The vacant units account for about 1.92% of the total gross floor area.</p>	<p>HK\$1,354,000,000</p> <p>15.024% interest attributable to the OE Group: HK\$203,424,960</p>

Notes:

- Pursuant to the Certificates of Real Estate Ownership (滬房地長字(2003)第 016870 號) in respect of the site issued by Shanghai Municipal Building and Land Administration Bureau on 14 July 2003, the property is legally owned by Good Connection Investments Limited (極通投資有限公司).
- Pursuant to the Contract for Transfer of a small parcel of land at the southern part of Windsor Park entered into between Good Connection Investment Limited (“Party A”) and 南空軍隊幹部住房中心上海辦事處 (“Party B”), Party A agreed to transfer portion of the land of the property with a site area of 75 sq.m. to Party B at RMB270,000. We are of the opinion that the above-mentioned disposal of the land portion, which is vacant, will not affect the completeness and, more importantly, the total gross floor area of the property.

3. The breakdown areas of the property are as follows:

Premises	Approximate Gross Floor Area	
	(sq.m.)	(sq.ft.)
56 villas	14,831.95	159,651
Clubhouse	1,410.86	15,186
Others	382.64	4,119
Total:	16,625.45	178,956

4. We have been provided with a Legal Opinion on the property prepared by the OE Group's legal adviser, which contains, inter alia, the following information:
- Good Connection Investments Limited is in possession of a proper legal title to the property;
 - The property is not subject to any material encumbrances except mortgage and let;
 - The rights of pre-emptive as stated in the supplementary tenancy agreements were not exercised;
 - OE Group's legal adviser was unable to verify the write-off of mortgage under Note Nos. Shi2002009298 and Shi2002009299 dated 15 October 2009. There are no legal obstacles for Good Connection Investments Limited to transfer, let, mortgage or other ways to dispose the property given that the property is not subject to mortgage; and
 - As advised by Good Connection Investments Limited, the property is not subject to mortgage.
5. Oriental Explorer holds 15.024% interest in Good Connection Investments Limited.
6. The site inspection was performed by Alan Lee, *MHKIS* in 2019.

VALUATION CERTIFICATE

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 31 March 2020
6.	Levels 1 and 2, Block B, Versailles de Shanghai, No. 1, Lane 123 Fahuazhen Road, Changning District, Shanghai, The PRC	<p>The property comprises two floors of office spaces of a 23-storey luxury residential twin block complex development. The property was completed in about 1996.</p> <p>The total gross floor area of the property is approximately 583.10 sq.m. (or about 6,276 sq.ft.).</p> <p>The land use rights of the property have been granted for a term of 65 years commencing on 26 February 1997 and expiring on 7 October 2062.</p>	<p>As advised by the OE Group, the property except for 2 units which were vacant was subject to a tenancy for a term of 3 years expiring on 30th September 2021 at a monthly rent of RMB33,292.43.</p> <p>The vacant units amount for about 34.92% of the total gross floor area.</p>	<p>HK\$12,400,000</p> <p>5% interest attributable to the OE Group: HK\$620,000</p>

Notes:

1. Pursuant to the Certificate of Real Estate Ownership No. 滬房地長字(2011)第 001271 號 issued by Shanghai Municipal Building and Land Administration Bureau on 26 January 2011, the property is legally owned by Fortune Text Holdings Limited.
2. We have been provided with a Legal Opinion on the property prepared by the OE Group's legal adviser, which contains, inter alia, the following information:
 - a. Fortune Text Holdings Limited is in possession of a proper legal title to the property;
 - b. The property is not subject to mortgage or any other material encumbrances; and
 - c. There are no legal obstacles for Fortune Text Holdings Limited to transfer, let, mortgage or other ways to dispose the property.
3. Oriental Explorer holds 5% interest in Fortune Text Holdings Limited.
4. The site inspection was performed by Alan Lee, *MHKIS* in 2019.

VALUATION CERTIFICATE

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 31 March 2020
7.	Windsor Place, Lane 2222 Jianhe Road, Changning District, Shanghai, The PRC	<p>The property comprises 126 blocks of detached garden houses and semi-detached town houses together with a clubhouse. The property was completed in 2001.</p> <p>The total gross floor area of the property is approximately 41,690.61 sq.m. (or about 448,758 sq.ft.).</p> <p>The land use rights of the property have been granted for a term of 70 years commencing on 23 June 1997 and expiring on 22 June 2067 for residential use.</p>	<p>As advised by the OE Group, the property except for 6 villas which was vacant was subject to various tenancies for a term of 1 to 3 years at a total rent of RMB5,997,570 per month with the latest expiry date on 10 April 2023.</p> <p>The clubhouse is operated by the owner serving exclusively the residents thereof.</p> <p>The vacant units account for about 4.66% of the total gross floor area.</p>	<p>HK\$3,460,000,000</p> <p>18% interest attributable to the OE Group: HK\$622,800,000</p>

Notes:

1. Pursuant to the Certificates of Real Estate Ownership (滬房地長字 (2005) 第 011161 號) in respect of the site issued by Shanghai Municipal Building and Land Administration Bureau on 22 April 2005, the property is legally owned by Ever Ford Development Limited.

2. The breakdown areas of the property are as follows:

Premises	Approximate Gross Floor Area	
	(sq.m.)	(sq.ft)
126 Villas	39,595.48	426,206
Clubhouse	1,308.87	14,089
Others	786.26	8,463
Total:	41,690.61	448,758

3. We have been provided with a Legal Opinion on the property prepared by the OE Group's legal adviser, which contains, inter alia, the following information:

- a. Ever Ford Development Limited is in possession of a proper legal title to the property;
- b. The property is not subject to any material encumbrances except mortgage and let. There are no legal obstacles for Ever Ford Development Limited to transfer, let, mortgage or other ways to dispose the property;
- c. The rights of pre-emptive as stated in the supplementary tenancy agreements were not exercised; and
- d. Further to legally write-off the mortgage, Ever Ford Development Limited can transfer, let, mortgage or other ways to dispose the property according to relevant law and regulations.

4. Oriental Explorer holds 18% interest in Ever Ford Development Limited.

5. The site inspection was performed by Alan Lee, *MHKIS* in 2019.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date, and immediately after the allotment and issue of the OE Consideration Shares assuming that there being no other issue or repurchases of Shares from the Latest Practicable Date, was/will be as follows:

Authorised:

<u>20,000,000,000</u>	Shares of HK\$0.01 each	<u>HK\$200,000,000.00</u>
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Issued and fully paid:

2,700,000,000	Shares as at the Latest Practicable Date	HK\$27,000,000.00
<u>1,181,836,004</u>	OE Consideration Shares to be issued	<u>HK\$11,818,360.04</u>
<u>3,881,836,004</u>		<u>HK\$38,818,360.04</u>

3. DISCLOSURE OF INTERESTS

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

As of the Latest Practicable Date, 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 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 Shares of the Company

Name of Director	Capacity and nature of interest	Number of Shares held	Approximate percentage of the issued share capital of the Company (%)
Mr. Lau Chi Yung, Kenneth	Interest of controlled corporation	1,729,540,999*	64.06

Long position in ordinary shares of associated corporation – Multifield

Name of Director	Capacity and nature of interest	Number of Shares held	Approximate percentage of the issued share capital of associated corporation (%)
Mr. Lau Chi Yung, Kenneth	Interest of controlled corporation	2,797,055,712*	66.91

Note:

* 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.

4. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO showed that the following shareholders had notified the Company that they were interested in 5% or more of the issued share capital of the Company.

Name of shareholder	Capacity and nature of interest	Number of ordinary issued shares held	Approximate percentage of the issued share capital of the Company (%)
Limitless Investment Limited	Directly beneficially owned	1,729,540,999 [#]	64.06
Multifield International Holdings (B.V.I.) Limited	Interest of controlled corporation	1,729,540,999 [#]	64.06
Multifield	Interest of controlled corporation	1,729,540,999 [#]	64.06
Lucky Speculator Limited	Interest of controlled corporation	1,729,540,999 [#]	64.06
Desert Prince Limited	Interest of controlled corporation	1,729,540,999 [#]	64.06
Power Resources Holdings Limited	Interest of controlled corporation	1,729,540,999 [#]	64.06

Note:

[#] 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, Multifield International Holdings (B.V.I.) Limited and Limitless Investment Limited.

Save as disclosed above, the Company has not been notified of any other person who had an interest or short position in the shares or underlying shares of the Company as at the Latest Practicable Date, which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

5. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with the Company or any of its subsidiaries which will not expire or is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

6. LITIGATION

As at the Latest Practicable Date, no member of the Enlarged Group was engaged in any litigation or claim of material importance and, so far as the Directors are aware, no litigation or claim of material importance was pending or threatened against any member of the Enlarged Group.

7. COMPETING INTERESTS

As at the Latest Practicable Date, the following Directors had interests in the following businesses which were considered to compete or were likely to compete, either directly or indirectly, with the businesses of the Group (other than the businesses of the Group):

Name of Director	Business which were considered to compete or likely to compete with the businesses of the Group		Nature of interest of the Director in the entity
	Name of entity	Description of business	
Mr. Lau Chi Yung, Kenneth	Multifield Group	Property investment	Director and controlling shareholder
Mr. Lau Michael Kei Chi	Multifield Group	Property investment	Director

Save and disclosed above, as at the Latest Practicable Date, none of the Directors and their respective close associates have interest in any business apart from the business of the Group, which was considered to compete or is likely to compete, either directly or indirectly with that of the Enlarged Group.

8. INTERESTS IN ASSETS AND CONTRACTS

As at the Latest Practicable Date, none of the Directors had any interest direct or indirect, in any assets which have been, since 31 December 2019 (being the date to which the latest published audited financial statements of the Group were made up), acquired or disposed of by or leased to any member of the Enlarged Group, or are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

As at the date of this circular, none of the Directors was materially interested in any subsisting contract or arrangement which is significant in relation to the business of the Enlarged Group.

9. QUALIFICATION AND CONSENT OF EXPERTS

The following is the qualification of the experts who have provided their advice for inclusion in this circular:

Name	Qualification
Emperor Capital Limited ("Emperor")	a licensed corporation under the SFO authorised to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities
Ravia Global Appraisal Advisory Limited ("Ravia")	an independent property valuer
HLB Hodgson Impey Cheng Limited ("HLB")	Certified Public Accountants

Each of Emperor, Ravia and HLB has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter, summary of value and valuation certificate and the reference to its name in the form and context in which they appear.

As at the Latest Practicable Date, each of Emperor, Ravia and HLB was not interested beneficially or otherwise in any Shares or securities in any of the subsidiaries or associated corporations (within the meaning of Part XV of the SFO) of the Company and the Multifield Disposal Company and did not have any rights, whether legally enforceable or not, or option to subscribe for or to nominate persons to subscribe for any Shares or securities in any of the subsidiaries or associated corporations of the Company and the Multifield Disposal Company nor did they have any interests, either direct or indirect, in any assets which have been, since 31 December 2019 (being the date to which the latest published audited accounts of the Group were made up), acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

10. MATERIAL CONTRACTS

Save as disclosed below, there are no material contracts (not being contracts entered into in the ordinary course of business) which have been entered into by any member of the Enlarged Group within the two years immediately preceding the Latest Practicable Date:

- (i) the Master Agreement; and
- (ii) the Deed of Guarantee dated 17 May 2019 executed by the Company (with limited amount of HK\$216,000,000) in favour of the Bank of China (Hong Kong) Limited as security for the due performance of obligations of Ever Ford Development Limited, a company indirectly owned as to 18% by the Company.

11. MISCELLANEOUS

- (a) Mr. Li Ying Leung is the company secretary of the Company. He is a member of the Hong Kong Institute of Certified Public Accountants.
- (b) The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and its principal place of business in Hong Kong is at Units 22-28, 25/F, Tower A, Southmark, 11 Yip Hing Street, Wong Chuk Hang, Hong Kong.
- (c) The Hong Kong branch share registrar of the Company is Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (d) The English text of this circular shall prevail over the Chinese text for the purpose of interpretation.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the principal place of business of the Company in Hong Kong at Units 22-28, 25/F, Tower A, Southmark, 11 Yip Hing Street, Wong Chuk Hang, Hong Kong from the date of this circular up to and including the date of the SGM:

- (a) this circular;
- (b) the memorandum of association and bye-laws of the Company;
- (c) the letter of advice from the Independent Financial Adviser to the Independent Shareholders in relation to the OE Transactions;
- (d) the annual reports of the Company for the years ended 31 December 2017, 31 December 2018 and 31 December 2019 respectively;
- (e) the property valuation report set out in Appendix VII to this circular;
- (f) the material contracts referred to in the paragraph headed "Material Contracts" in this Appendix;
- (g) the written consent letters referred to in the paragraph headed "Qualification and Consent of Experts" of this Appendix;
- (h) the accountants' report on the financial information of the Multifield Disposal Company from HLB, the text of which is set out in Appendix II of this circular;

- (i) the review report of the financial information of the OE Disposal Group from HLB, the text of which is set out in Appendix IV to this circular; and
- (j) the unaudited pro forma financial information of the Enlarged Group, the text of which is set out in Appendix V to this circular.

NOTICE OF SGM



ORIENTAL EXPLORER HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 430)

NOTICE IS HEREBY GIVEN that a special general meeting (the “SGM”) of Oriental Explorer Holdings Limited (the “Company”) will be held at Units 22-28, 25/F, Tower A, Southmark, 11 Yip Hing Street, Wong Chuk Hang, Hong Kong, on Thursday, 23 July 2020, at 3:00 p.m. to consider and, if thought fit, pass the following resolutions (with or without modifications):

SPECIAL RESOLUTION

1. **“THAT**

- (a) subject to and conditional upon the approval of the Registrar of Companies in Bermuda, “東方興業控股有限公司” be adopted as the secondary name of the Company in Chinese with effect from the date of registration as set out in the certificate of secondary name to be issued by the Registrar of Companies in Bermuda;
- (b) any one director of the Company be authorised on behalf of the Company to do all such acts and things and execute and deliver all such documents which he/she considers necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to the foregoing and to attend to any registration and/or filing in Bermuda and Hong Kong for and on behalf of the Company.”

ORDINARY RESOLUTION

2. **“THAT**

- (a) the Master Agreement (the “Master Agreement”) dated 11 June 2020 entered into between the Company and Multifield International Holdings Limited (“Multifield”) in relation to (i) the disposal of Linkful Strategic Investment Limited by the Company; (ii) the acquisition of Reach Profit Investments Limited by the Company; and (iii) the allotment and issuance of 1,181,836,004 shares in the Company to Multifield or its nominee and the transactions contemplated thereunder, be and are hereby approved, confirmed and ratified;
- (b) any director of the Company be and is hereby authorised to take any step and execute such documents as he considers necessary, desirable or expedient to carry out or give effect to the Master Agreement or the transactions contemplated thereunder.”

By order of the Board
Lau Chi Yung, Kenneth
Chairman

Hong Kong, 30 June 2020

NOTICE OF SGM

Notes:

1. A member of the Company who is holder of two or more shares, and who is entitled to attend and vote at the SGM, is entitled to appoint more than one proxy to attend and vote on his/her behalf. A proxy need not be a member of the Company. Completion and return of the form of proxy will not preclude a member from attending and voting in person at the SGM or any adjournment of the SGM. In such event, his/her form of proxy will be deemed to have been revoked.
2. A form of proxy for the SGM is enclosed to the notice of the SGM. In order to be valid, the form of proxy together with the power of attorney, if any, under which it is signed, or a notorially certified copy of such power or authority must be lodged at the Company's Hong Kong branch share registrar, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time for holding the SGM or any adjournment of the SGM.
2. The register of members of the Company will be closed from Monday, 20 July 2020 to Thursday, 23 July 2020 (both dates inclusive) for the purposes of determining the entitlements of the members of the Company to attend and vote at the SGM. No transfer of the shares of the Company may be registered during the said period. In order to qualify for the aforesaid entitlements, all transfers must be lodged with the Company's Hong Kong branch share registrar, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, by no later than 4:30 p.m. on Friday, 17 July 2020.
4. In accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), the above resolutions will be voted by way of poll; shareholders of the Company who have material interests (within the meaning of the Listing Rules) in the transactions to be approved by the above resolutions are required to abstain from voting in relevant resolutions.

As at the date of this notice, 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. Lee Siu Man, Ervin, Mr. Wong Yim Sum and Mr. Tsui Ka Wah.