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## **ORIENTAL EXPLORER HOLDINGS LIMITED**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 430)**

### **INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2011**

#### **INTERIM RESULTS**

The Board of Directors (the “Board”) of Oriental Explorer Holdings Limited (the “Company”) announces the unaudited interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2011 (the “Period”), together with the comparative figures as follows:

#### **CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

For the six months ended 30 June 2011

	<i>Notes</i>	<b>For the six months ended 30 June</b>	
		<b>2011 HK\$'000 (Unaudited)</b>	<b>2010 HK\$'000 (Unaudited)</b>
<b>REVENUE</b>	3	<b>(11,083)</b>	(4,336)
Cost of sales		<u>(203)</u>	<u>(47)</u>
Gross loss		<b>(11,286)</b>	(4,383)
Other income and gains	3	<b>101</b>	103
Operating and administrative expenses		<b>(1,537)</b>	(1,854)
Finance costs	5	<b>(626)</b>	(36)
Share of profits and losses of associates		<u><b>823</b></u>	<u>1,492</u>
<b>LOSS BEFORE TAX</b>	4	<b>(12,525)</b>	(4,678)
Income tax expense	6	<u>-</u>	<u>-</u>

	<b>For the six months ended 30 June</b>	
	<b>2011</b>	<b>2010</b>
<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>LOSS FOR THE PERIOD</b>	<u>(12,525)</u>	<u>(4,678)</u>
<b>OTHER COMPREHENSIVE INCOME</b>		
Changes in fair value of available-for-sale investments	<u>1,964</u>	<u>(167)</u>
<b>OTHER COMPREHENSIVE INCOME FOR THE PERIOD</b>	<u>1,964</u>	<u>(167)</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<u><u>(10,561)</u></u>	<u><u>(4,845)</u></u>
<b>LOSS FOR THE PERIOD ATTRIBUTABLE TO:</b>		
Owners of the Company	(12,525)	(4,678)
Non-controlling interests	<u>—</u>	<u>—</u>
	<u><u>(12,525)</u></u>	<u><u>(4,678)</u></u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO:</b>		
Owners of the Company	(10,561)	(4,845)
Non-controlling interests	<u>—</u>	<u>—</u>
	<u><u>(10,561)</u></u>	<u><u>(4,845)</u></u>
<b>LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY</b>		
Basic and diluted	8 <u><u>(0.70) cents</u></u>	<u><u>(0.26) cents</u></u>

Details of interim dividend are disclosed in note 7.

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

As at 30 June 2011

	As at 30 June 2011 <i>HK\$'000</i> <i>(Unaudited)</i>	As at 31 December 2010 <i>HK\$'000</i> <i>(Audited)</i>
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	1,048	1,518
Investment properties	89,011	23,700
Prepaid land lease payments	437	441
Investments in associates	86,105	85,282
Available-for-sale investments	39,630	39,630
Loans to an investee company	330	330
Total non-current assets	<u>216,561</u>	<u>150,901</u>
<b>CURRENT ASSETS</b>		
Prepayments, deposits and other receivables	3,365	12,454
Available-for-sale investments	150,248	61,751
Equity investments at fair value through profit or loss	168,957	186,599
Pledged deposits	8,268	70
Cash and cash equivalents	50,650	28,667
Total current assets	<u>381,488</u>	<u>289,541</u>
<b>TOTAL ASSETS</b>	<u>598,049</u>	<u>440,442</u>
<b>CURRENT LIABILITIES</b>		
Other payables and accruals	9,077	9,028
Interest-bearing bank and other borrowings	202,660	34,918
Tax payable	5,338	5,338
Total current liabilities	<u>217,075</u>	<u>49,284</u>
<b>NET CURRENT ASSETS</b>	<u>164,413</u>	<u>240,257</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<u>380,974</u>	<u>391,158</u>
<b>NON-CURRENT LIABILITIES</b>		
Due to a director	740	363
Total non-current liabilities	<u>740</u>	<u>363</u>
Net assets	<u>380,234</u>	<u>390,795</u>
<b>EQUITY</b>		
Equity attributable to owners of the Company		
Issued capital	18,000	18,000
Reserves	362,234	372,795
Total equity	<u>380,234</u>	<u>390,795</u>

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements are prepared in accordance with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Exchange”) and with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). The accounting policies and basis of preparation used in the preparation of the interim financial statements are the same as those used in the annual financial statements for the year ended 31 December 2010 except as noted below.

In the current period, the Group has applied, for the first time, the following new or revised standards, amendments and interpretations issued by the HKICPA, which are effective for the Group’s financial year beginning on 1 January 2011.

HKAS 24 (Revised)	<i>Related Party Disclosures</i>
HKAS 32 Amendment	<i>Amendment to HKAS 32 Financial Instruments: Presentation – Classification of Rights Issues</i>
HKFRS 1 Amendment	<i>Amendment to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters</i>
HK(IFRIC)-Int 14 Amendments	<i>Amendments to HK(IFRIC)-Int 14 Prepayments of a Minimum Funding Requirement</i>
HK(IFRIC)-Int 19	<i>Extinguishing Financial Liabilities with Equity Instruments</i>

The adoption of these new or revised standards, amendments and interpretations had no material effect on the results and financial position of the Group for the current and/or prior accounting periods. Accordingly, no prior period adjustment has been required.

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

HKAS 1 (Revised)	<i>Presentation of Financial Statements</i> <sup>3</sup>
HKAS 12 Amendments	<i>Amendments to HKAS 12 Income Taxes – Deferred Tax: Recovery of Underlying Assets</i> <sup>2</sup>
HKAS 19 (2011)	<i>Employee Benefits</i> <sup>4</sup>
HKAS 27 (2011)	<i>Separate Financial Statements</i> <sup>4</sup>
HKAS 28 (2011)	<i>Investments in Associates and Joint Ventures</i> <sup>4</sup>
HKFRS 7 Amendments	<i>Amendments to HKFRS 7 Financial Instruments – Disclosures: Transfers of Financial Assets</i> <sup>1</sup>
HKFRS 9	<i>Financial Instruments</i> <sup>4</sup>
HKFRS 10	<i>Consolidated Financial Statements</i> <sup>4</sup>
HKFRS 11	<i>Joint Arrangements</i> <sup>4</sup>
HKFRS 12	<i>Disclosure of Interests in Other Entities</i> <sup>4</sup>
HKFRS 13	<i>Fair Value Measurement</i> <sup>4</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2011

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2012

<sup>3</sup> Effective for annual periods beginning on or after 1 July 2012

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2013

## 2. OPERATING SEGMENT INFORMATION

The analyses of the principal activities of the operations of the Group are as follows:

	Property investment		Trading and investments		Corporate and others		Total	
	For the six months ended 30 June							
	2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)
<b>Segment revenue:</b>								
Sales to external customers	<u>825</u>	<u>258</u>	<u>(14,408)</u>	<u>(4,594)</u>	<u>2,500</u>	<u>-</u>	<u>(11,083)</u>	<u>(4,336)</u>
<b>Segment results</b>	<u>585</u>	<u>192</u>	<u>(15,412)</u>	<u>(4,918)</u>	<u>2,004</u>	<u>(1,511)</u>	<u>(12,823)</u>	<u>(6,237)</u>
Other income and gains							101	103
Finance costs							(626)	(36)
Share of profits and losses of associates	823	1,492					<u>823</u>	<u>1,492</u>
Loss before tax							<u>(12,525)</u>	<u>(4,678)</u>

### Geographical information

Revenue from sales to external customers are all generated from Hong Kong. No customer accounted for 10% or more of the total revenue for the periods ended 30 June 2011 and 2010.

## 3. REVENUE, OTHER INCOME AND GAINS

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

	For the six months ended 30 June	
	2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)
<b>Revenue</b>		
Rental income from property letting	825	258
Fair value losses, net:		
Equity investments at fair value through profit or loss	(20,959)	(7,599)
Derivative financial instruments	-	(662)
Dividend income from listed investments	3,270	1,955
Dividend income from unlisted investments	2,500	-
Interest income from available-for-sale investments	<u>3,281</u>	<u>1,712</u>
	<u>(11,083)</u>	<u>(4,336)</u>
<b>Other income and gains</b>		
Interest income from loans and receivables	<u>101</u>	<u>103</u>

#### 4. LOSS BEFORE TAX

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

	For the six months ended 30 June	
	2011	2010
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Depreciation	470	502
Amortization of prepaid land lease payments	4	4
Foreign exchange gain, net	<u>(1,510)</u>	<u>(367)</u>
Employee benefits expense, including directors' remuneration:		
Salaries, wages and other benefits	1,345	868
Pension scheme contributions (defined contribution scheme)	<u>17</u>	<u>8</u>
	<u>1,362</u>	<u>876</u>

#### 5. FINANCE COSTS

An analysis of finance costs is as follows:

	For the six months ended 30 June	
	2011	2010
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest on bank loans, overdrafts and other loans	<u>626</u>	<u>36</u>

#### 6. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2010: 16.5%) on the estimated assessable profits arising in Hong Kong for the period. Taxes on profits assessable in the Mainland China have been calculated at the rates of tax prevailing in the Mainland China, based on existing legislation, interpretations and practices in respect thereof.

The share of tax attributable to associates is included in "Share of profits and losses of associates" on the face of the condensed consolidated statement of comprehensive income.

#### 7. INTERIM DIVIDEND PER SHARE

The Board does not recommend the payment of an interim dividend in respect of the six months ended 30 June 2011 (2010: Nil).

## **8. LOSS PER SHARE**

The calculation of basic loss per share amounts is based on the loss for the period attributable to ordinary equity holders of the Company of approximately HK\$12,525,000 (2010: HK\$4,678,000) and the weighted average number of ordinary shares of 1,800,000,000 (2010: 1,800,000,000) in issue during the period.

No adjustment has been made to the basic loss per share amounts presented for the periods ended 30 June 2011 and 2010 in respect of a dilution as the Group had no dilutive potential ordinary shares in issue during those periods.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **REVIEW OF OPERATION**

For the six months ended 30 June 2011, the Group recorded a loss of approximately HK\$13 million (2010: HK\$5 million).

### **PROPERTY INVESTMENT**

During the period under review, the Group had acquired quality properties at considerations of around HK\$65 million in order to capture the potential of property appreciation and enhance a stable source of rental income on leasing out the properties in future. Indeed, the Group's investment properties generated a stable rental of approximately HK\$0.8 million (2010: HK\$0.3 million) for the period ended 30 June 2011.

### **TRADING AND INVESTMENTS**

The global financial market in the first half of 2011 was volatile as a result of the worsening debt problem of European countries and the recent downgrading of the US debt rating. In view of this, the Group took a more prudent approach to acquire available-for-sale investments of around HK\$80 million with an average coupon rate of around 10%. Nevertheless, the Group's investment segment recorded a net fair value losses of approximately HK\$21 million (2010: HK\$8 million) when marking the investment portfolios to market valuation as at 30 June 2011.

### **LIQUIDITY AND FINANCIAL RESOURCES**

The Group generally finances its operations with internally generated cash flow 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 and available-for-sale investments of approximately HK\$319 million (as at 31 December 2010: HK\$248 million) as at 30 June 2011. The Group's cash and cash equivalents as at 30 June 2011 amounted approximately HK\$51 million (as at 31 December 2010: HK\$29 million). As at 30 June 2011, the Group had outstanding interest-bearing bank and other borrowings of approximately HK\$203 million (as at 31 December 2010: HK\$35 million) which were secured by certain cash and securities with investment bankers. Taking into account the total liquid assets of approximately HK\$370 million and total interest-bearing bank and other borrowings of approximately HK\$203 million, the Group was debt-free as at 30 June 2011.

## **EMPLOYEES AND REMUNERATION POLICY**

As at 30 June 2011, the Group had approximately 5 employees in Hong Kong and China. Remuneration is reviewed annually. In addition to the basic salaries, the Group also provides staff benefits including discretionary bonus, provident fund and tuition/training subsidies in order to retain competent employees.

## **PROSPECT**

Given the recent downgrading of the US debt rating and the worsening debt problem of European countries, the Group expects that global financial markets are likely to remain volatile in the second half of 2011. Worldwide economic recovery is expected to be weak and fragile.

According to the Chinese National Bureau of Statistics, the gross domestic product (“GDP”) reached RMB20.4 trillion for the first half of 2011, representing an increase of 9.6% over that for the corresponding period in 2010. On the other hand, inflationary pressure was still notable since the consumer price index for June 2011 reached 6.4%. Thus, the Group believes that the central government will continue to impose strict monetary policies on keeping domestic inflation under control.

During the period under review, the economy of Hong Kong maintained its strong momentum. The influx of hot money drives the property market to a high level. This led to the introduction of stricter home mortgage regulations by the Hong Kong Monetary Authority to stop property speculation. Nevertheless, with the continuous support from its mother country, Hong Kong also will become an offshore clearing centre for the RMB. In addition, since the rising number of initial public offerings and fund-raising activities drives the demand for more office space, the outlook for office sector is still positive.

The Group strongly believes that the Board has the necessary skills and expertise to enable them to work towards the goal of maximizing shareholder’s wealth. The Group continues to adhere to the principle of prudent financial management policy and will pay more attention to expansion and opportunities which have a promising outlook.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of listed securities of the Company during the six months ended 30 June 2011.

## **REVIEW BY AUDIT COMMITTEE**

The audit committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed the internal control and financial reporting matters including the review of the Group’s unaudited interim results for the six months ended 30 June 2011.

## **CODE ON CORPORATE GOVERNANCE PRACTICES**

Under code provisions of A.4.1 and A.4.2, (i) non-executive directors should be appointed for a specific term and subject to re-election; and (ii) all directors appointed to fill a causal vacancy should be subject to election by shareholders at the first general meeting after their appointment, and every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.



Non-executive directors do not have a specific term of appointment and under the bye-laws of the Company, at each general meeting, one-third of the directors for the time being, or if their number is not three or a multiple of three, then the number nearest one-third, shall retire from office by rotation save any director holding office as chairman and managing director. The Company intends to propose any amendment of relevant bye-laws of the Company, if necessary, in order to ensure compliance with the code provisions of the Code on Corporate Governance Practices (the “Code”) set out in Appendix 14 to the Rules Governing the Listing of Securities (the “Listing Rules”) on the Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

On 24 September 2009, Mr. Lau Chi Yung, an executive director of the Company, was prosecuted and fined at the Eastern Magistrates’ Court under the Part XV of the Securities and Futures Ordinance for late filing of disclosures of his interests to the Stock Exchange of certain shares transactions which took place on various occasions during the period from 11 December 2006 to 27 November 2008. He paid a fine of HK\$80,000 and the investigation costs of HK\$7,499 to the Securities and Futures Commission as the penalty for such conviction.

In the opinion of the directors of the Company (the “Director(s)”), save as disclosed above, the Company has complied with the code provisions of the Code throughout the six months ended 30 June 2011.

#### **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors’ securities transactions. Based on specific enquiry of all Directors, all Directors confirmed that they have complied with the required standard set out in the Model Code for the six months ended 30 June 2011.

#### **PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT**

The interim results announcement of the Company is published on the websites of the Company ([www.irasia.com/listco/hk/orientalexplorer/index.htm](http://www.irasia.com/listco/hk/orientalexplorer/index.htm)) and Hong Kong Exchanges and Clearing Limited ([www.hkexnews.hk](http://www.hkexnews.hk)). The interim report of the Company for 2011 containing all the information required by the Listing Rules will be dispatched to the shareholders of the Company and made available on the above websites in due course.

#### **BOARD OF DIRECTORS**

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

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

Hong Kong, 26 August 2011