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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 2013

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 2013, together with the comparative figures as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2013

		For the six months ended 30 June	
	<i>Notes</i>	2013	2012
		HK\$’000	HK\$’000
		(Unaudited)	(Unaudited)
REVENUE	3	(2,145)	18,167
Cost of sales		<u>(305)</u>	<u>(278)</u>
Gross (loss)/profit		(2,450)	17,889
Other income and gains	3	343	27
Operating and administrative expenses		3,604	(2,092)
Finance costs	5	(880)	(1,039)
Share of profits of an associate		<u>1,773</u>	<u>1,664</u>
PROFIT BEFORE TAX	4	2,390	16,449
Income tax expense	6	<u>–</u>	<u>–</u>
PROFIT FOR THE PERIOD		<u>2,390</u>	<u>16,449</u>

	For the six months ended 30 June	
	2013	2012
<i>Notes</i>	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
OTHER COMPREHENSIVE (LOSS)/INCOME		
Available-for-sale investments:		
Changes in fair value	(1,466)	9,573
Reclassification adjustments for gains included in the consolidated statement of comprehensive income – gain on disposal	<u>(167)</u>	<u>–</u>
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD	<u>(1,633)</u>	<u>9,573</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u><u>757</u></u>	<u><u>26,022</u></u>
PROFIT FOR THE PERIOD ATTRIBUTABLE TO:		
Owners of the Company	2,390	16,449
Non-controlling interests	<u>–</u>	<u>–</u>
	<u><u>2,390</u></u>	<u><u>16,449</u></u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO:		
Owners of the Company	757	26,022
Non-controlling interests	<u>–</u>	<u>–</u>
	<u><u>757</u></u>	<u><u>26,022</u></u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY		
Basic and diluted	8 <u><u>0.13 cents</u></u>	<u><u>0.91 cents</u></u>

Details of interim dividend are disclosed in note 7.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2013

	As at 30 June 2013 <i>HK\$'000</i> <i>(Unaudited)</i>	As at 31 December 2012 <i>HK\$'000</i> <i>(Audited)</i>
NON-CURRENT ASSETS		
Property, plant and equipment	342	429
Investment properties	142,200	142,200
Prepaid land lease payments	421	425
Investment in an associate	100,348	98,575
Club debenture	670	670
Available-for-sale investments	42,749	42,749
Loan to an investee company	330	330
Total non-current assets	<u>287,060</u>	<u>285,378</u>
CURRENT ASSETS		
Prepayments, deposits and other receivables	1,191	1,133
Available-for-sale investments	139,368	142,562
Equity investments at fair value through profit or loss	248,038	187,680
Pledged deposits	492	20,664
Cash and cash equivalents	2,592	6,261
Total current assets	<u>391,681</u>	<u>358,300</u>
TOTAL ASSETS	<u>678,741</u>	<u>643,678</u>
CURRENT LIABILITIES		
Other payables and accruals	9,923	9,906
Interest-bearing bank and other borrowings	180,517	145,365
Tax payable	3,818	3,818
Total current liabilities	<u>194,258</u>	<u>159,089</u>
NET CURRENT ASSETS	<u>197,423</u>	<u>199,211</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>484,483</u>	<u>484,589</u>
NON-CURRENT LIABILITIES		
Due to a director	–	863
Deferred tax liabilities	405	405
Total non-current liabilities	<u>405</u>	<u>1,268</u>
Net assets	<u>484,078</u>	<u>483,321</u>
EQUITY		
Equity attributable to owners of the Company		
Issued capital	18,000	18,000
Reserves	466,078	465,321
Total equity	<u>484,078</u>	<u>483,321</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 (“Stock Exchange”) and with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The accounting policies and basis of preparation used in the preparation of the interim financial statements are the same as those used in the annual financial statements for the year ended 31 December 2012 except as noted below.

In the current period, the Group has applied, for the first time, the following amendments issued by the HKICPA, which are effective for the Group’s financial year beginning on 1 January 2013.

HKFRS 1 Amendments	Amendments to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards – Government Loans</i>
HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities Consolidated Financial Statements</i>
HKFRS 10	<i>Consolidated Financial Statements</i>
HKFRS 11	<i>Joint Arrangements</i>
HKFRS 12	<i>Disclosure of Interests in Other Entities</i>
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 – <i>Transition Guidance</i>
HKFRS 13	<i>Fair Value Measurement</i>
HKAS 1 Amendments	Amendments to HKAS 1 <i>Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income</i>
HKAS 19 (2011)	<i>Employee Benefits</i>
HKAS 27 (2011)	<i>Separate Financial Statements</i>
HKAS 28 (2011)	<i>Investments in Associates and Joint Ventures</i>
HK(IFRIC)-Int 20 <i>Annual Improvements 2009-2011 Cycle</i>	<i>Stripping Costs in the Production Phase of a Surface Mine</i> Amendments to a number of HKFRSs issued in June 2012

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

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

HKFRS 7 and HKFRS 9 Amendments	Amendments to HKFRS 7 and HKFRS 9 – <i>Mandatory Effective Date of HKFRS 9 and Transition Disclosures²</i>
HKFRS 9	<i>Financial Instruments²</i>
HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – <i>Investment Entities¹</i>
HKAS 32 Amendments	Amendments to HKAS 32 <i>Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities¹</i>
HKAS 36 Amendments	Amendments to HKAS 36 <i>Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets¹</i>
HKAS 39 Amendments	Amendments to HKAS 39 <i>Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting¹</i>
HK(IFRIC)-Int 21	<i>Levies¹</i>

¹ Effective for annual periods beginning on or after 1 January 2014

² Effective for annual periods beginning on or after 1 January 2015

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	
	2013	2012	2013	2012	2013	2012	2013	2012
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Segment revenue:								
Sales to external customers	<u>1,957</u>	<u>469</u>	<u>(4,102)</u>	<u>17,698</u>	<u>-</u>	<u>-</u>	<u>(2,145)</u>	<u>18,167</u>
Segment results	<u>1,644</u>	<u>175</u>	<u>1,528</u>	<u>17,926</u>	<u>(2,018)</u>	<u>(2,304)</u>	<u>1,154</u>	<u>15,797</u>
<i>Reconciliation:</i>								
Interest income from loans and receivables							14	27
Other gains							329	-
Finance costs							(880)	(1,039)
Share of profits of an associate	1,773	1,664					<u>1,773</u>	<u>1,664</u>
Profit before tax							<u>2,390</u>	<u>16,449</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 2013 and 2012.

3. REVENUE, OTHER INCOME AND GAINS

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

	For the six months ended 30 June	
	2013	2012
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Revenue		
Rental income from property letting	1,957	469
Dividend income from listed investments	3,777	2,821
Fair value (losses)/gains, net:		
Equity investments at fair value through profit or loss	(13,587)	9,087
Interest income from available-for-sale investments	5,708	5,790
	<u> </u>	<u> </u>
	(2,145)	18,167
	<u> </u>	<u> </u>
Other income and gains		
Interest income from loans and receivables	14	27
Fair value gains on available-for-sale investments (transfer from equity on disposal)	133	–
Others	196	–
	<u> </u>	<u> </u>
	343	27
	<u> </u>	<u> </u>

4. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2013	2012
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Depreciation	87	381
Amortization of prepaid land lease payments	4	5
Foreign exchange differences, net	(6,448)	(435)
	<u> </u>	<u> </u>
Employee benefits expense (including directors' and chief executive's remuneration):		
Salaries, wages and other benefits	1,828	1,736
Pension scheme contributions (defined contribution scheme)	33	27
	<u> </u>	<u> </u>
	1,861	1,763
	<u> </u>	<u> </u>

5. FINANCE COSTS

An analysis of finance costs is as follows:

	For the six months ended 30 June	
	2013	2012
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest on bank loans, overdrafts and other loans wholly repayable within five years	<u>880</u>	<u>1,039</u>

6. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2012: 16.5%) on the estimated assessable profits arising in Hong Kong for the period. Taxes on profits assessable in Mainland China have been calculated at the rates of tax prevailing in Mainland China, based on existing legislation, interpretations and practices in respect thereof.

The share of tax expense attributable to an associate is included in "Share of profits of an associate" on the face of the condensed consolidated statement of comprehensive income.

7. INTERIM DIVIDEND PER SHARE

The directors do not recommend the declaration of an interim dividend in respect of the six months ended 30 June 2013 (2012: Nil).

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

The calculation of basic earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the Company of approximately HK\$2,390,000 (2012: HK\$16,449,000), and the weighted average number of ordinary shares of 1,800,000,000 (2012: 1,800,000,000) in issue during the period.

No adjustment has been made to the basic earnings per share amounts presented for the periods ended 30 June 2013 and 2012 in respect of a dilution as the Group had no potential dilutive ordinary shares in issue during those periods.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF OPERATION

As uncertainty remains in both global and local economy, the first half of 2013 was on the whole a challenging year for the Group. During the period under review, the Group recorded a net profit of about HK\$2 million (2012: HK\$16 million).

PROPERTY INVESTMENT

Investment properties in Hong Kong mainly comprise of office, industrial and residential units. Favored from the government's recent BSD and SSD policies which increases the demand of rental units, the investment property portfolio contributed stable rental revenue of approximately HK\$2 million (2012: HK\$0.5 million).

TRADING AND INVESTMENTS

Due to fluctuations in capital and bond markets, equity investments held by the Group has recorded fair value losses of approximately HK\$14 million (2012: gain of HK\$9 million) when they are marked to market valuation as at 30 June 2013, while available-for-sale investments held by the Group has recorded fair value losses of approximately HK\$2 million (2012: gain of HK\$10 million) when they are marked to market valuation as at 30 June 2013. As at 30 June 2013, the Group held around HK\$248 million of equity investment and around HK\$139 million of available-for-sale investments.

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 and debt investments of approximately HK\$387 million (as at 31 December 2012: HK\$330 million) as at 30 June 2013. The Group's cash and cash equivalents as at 30 June 2013 amounted to approximately HK\$3 million (as at 31 December 2012: HK\$6 million).

As at 30 June 2013, the Group had outstanding interest-bearing bank and other borrowings of approximately HK\$181 million (as at 31 December 2012: HK\$145 million) which were secured by certain equity investments, available-for-sale investments and deposits with investment bankers or by legal charge on certain investment properties in Hong Kong. Taking into account the total liquid assets of approximately HK\$392 million and total interest-bearing bank and other borrowings of approximately HK\$181 million, the Group was debt-free as at 30 June 2013.

EMPLOYEES AND REMUNERATION POLICY

The remuneration packages of the Group's employees are mainly based on their performance, experience and the prevailing market condition. In addition to the basic salaries, the Group also provides staff benefits including discretionary bonus, provident fund and training subsidies in order to retain competent employees.

PROSPECT

Although there are market consensus that rollback of quantitative easing measures of the US Federal Reserve is expected to launch in 2013, the exact timing is still uncertain. This may show a sign that the worldwide economy is on the road of recovery, however, potential increase in interest rate will exert pressure on price of equity investments and available for sale investments.

China's economic growth has slowed down in 2013, with GDP growth by 7.6% in 1st half of 2013, down from 7.8% in 2012. Domestic consumptions and investments will be the major contributors to Chinese economic growth, with the Chinese government targeted a full-year GDP growth rate of 7.5% in 2013. Despite of slower economic growth than before, China remains as one of the world economies with fast growth, hence inflationary pressure on utilities and salaries expenses remain a key challenge to the Group.

Hong Kong government has strengthen the control on property market at early of 2013, leading to suppress on property trading market. Property price and trading volume in Hong Kong decreases as compared to 2012. It is likely that these control measures will not be withdrawn in the near term. The Group will adopt its usual prudent capital and funding management to meet the challenges ahead, while strengthen the rental business and seize further investment opportunities.

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 2013.

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 2013.

CORPORATE GOVERNANCE CODE

Under code provisions of A.4.1 and A.4.2, (i) non-executive directors should be appointed for a specific term, subject to re-election; and (ii) all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after appointment. 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 code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

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

Mr. Lau Chi Yung, Kenneth, the chairman of the Board, attended the annual general meeting of the Company by phone conference, which was held on 30 May 2013 (the “2013 AGM”) as he had a business engagement. Mr. Tsui Ka Wah, the chairman of the remuneration committee of the Company, was elected the chairman of the 2013 AGM to ensure effective communication with shareholders of the Company at the meeting. The chairman of the audit committee of the Company, Mr. Wong Yim Sum, had also attended the 2013 AGM.

In the opinion of the directors of the Company, save as disclosed above, the Company has applied the principles and complied with code provisions of the CG Code throughout the six months ended 30 June 2013.

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”) as 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 of the Company, all directors of the Company confirmed that they have complied with the required standard as set out in the Model Code for the six months ended 30 June 2013.

BOARD OF DIRECTORS

As at the date of this announcement, the executive directors of the Company are Mr. Lau Chi Yung, Kenneth and Mr. Lau Michael Kei Chi and the independent non-executive directors of the Company are Mr. 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, Kenneth
Chairman

Hong Kong, 28 August 2013