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ORIENTAL EXPLORER HOLDINGS LIMITED

東方興業控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 430)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2022

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 2022, together with the comparative figures as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2022

		For the six months ended 30 June	
		2022	2021
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		<i>(Unaudited)</i>	<i>(Unaudited)</i>
REVENUE	3	11,832	13,759
Cost of sales		<u>(2,156)</u>	<u>(2,531)</u>
Gross profit		9,676	11,228
Other income and gains	3	494	45
Fair value changes on equity investments at fair value through profit or loss, net		(15)	77
Foreign exchange differences, net		28	–
Operating and administrative expenses		(2,529)	(3,137)
Finance costs	5	<u>(929)</u>	–
PROFIT BEFORE TAX	4	6,725	8,213
Income tax expense	6	<u>(421)</u>	–
PROFIT FOR THE PERIOD		<u>6,304</u>	<u>8,213</u>

		For the six months ended 30 June	
		2022	2021
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		<i>(Unaudited)</i>	<i>(Unaudited)</i>
ATTRIBUTABLE TO:			
Owners of the Company		6,304	8,213
		<u><u>6,304</u></u>	<u><u>8,213</u></u>
EARNINGS PER SHARE			
Basic and diluted			
– For profit for the period	8	HK1.62 cents	HK2.12 cents
		<u><u>HK1.62 cents</u></u>	<u><u>HK2.12 cents</u></u>

Details of interim dividend are disclosed in note 7.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2022

		For the six months ended 30 June	
		2022	2021
		<i>HK\$'000</i>	<i>HK\$'000</i>
		<i>(Unaudited)</i>	<i>(Unaudited)</i>
PROFIT FOR THE PERIOD		6,304	8,213
OTHER COMPREHENSIVE INCOME FOR THE PERIOD		<u>–</u>	<u>–</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY		<u><u>6,304</u></u>	<u><u>8,213</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

	<i>Note</i>	As at 30 June 2022 <i>HK\$'000</i> <i>(Unaudited)</i>	As at 31 December 2021 <i>HK\$'000</i> <i>(Audited)</i>
NON-CURRENT ASSETS			
Property, plant and equipment		42	44
Right-of-use assets		344	348
Investment properties		1,696,920	1,696,920
Club debenture		330	330
		1,697,636	1,697,642
CURRENT ASSETS			
Trade Receivables	9	1,012	602
Prepayments, deposits and other receivables		2,769	2,652
Equity investments at fair value through profit or loss		91	106
Cash and cash equivalents		174,216	171,077
		178,088	174,437
CURRENT LIABILITIES			
Other payables and accruals		16,182	15,513
Interest-bearing bank borrowings		150,000	150,000
Amount due to a director		1,546	1,531
Amount due to fellow subsidiaries		159,938	155,938
Tax payable		5,495	5,074
		333,161	328,056
NET CURRENT LIABILITIES		(155,073)	(153,619)
TOTAL ASSETS LESS CURRENT LIABILITIES		1,542,563	1,544,023

	As at 30 June 2022 HK\$'000 (Unaudited)	As at 31 December 2021 HK\$'000 (Audited)
NON-CURRENT LIABILITIES		
Deferred tax liabilities	<u>25,548</u>	<u>25,548</u>
Total non-current liabilities	<u>25,548</u>	<u>25,548</u>
Net assets	<u><u>1,517,015</u></u>	<u><u>1,518,475</u></u>
EQUITY		
Equity attributable to owners of the Company		
Issued capital	<u>38,818</u>	<u>38,818</u>
Reserves	<u>1,478,197</u>	<u>1,479,657</u>
Total equity	<u><u>1,517,015</u></u>	<u><u>1,518,475</u></u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements have been 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 2021 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 2022.

Amendments to HKFRS 3	<i>Reference to the Conceptual Framework</i>
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to HKAS 37	<i>Onerous Contracts - Cost of Fulfilling a Contract</i>
Annual Improvements to HKFRSs	<i>Annual Improvements to HKFRS 2018-2020</i>

Several amendments apply for the first time in 2022, but do not have an impact on the interim condensed consolidated financial statements of the Group.

2. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into one (six months ended 30 June 2021: one) reportable operating segment as follows:

Property Investment:

- the property investment segment mainly comprises rental income from investment properties

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's gain/loss before tax except that fair value changes on equity investments at fair value through profit or loss, net, unallocated corporate expenses, interest income on bank deposits, other gains and finance costs are excluded from such measurement.

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

	Property investment	
	For the six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Segment revenue (Note 3)		
Revenue from external customers	11,832	13,759
	9,062	10,552
Segment results		
<i>Reconciliation:</i>		
Fair value changes on equity investments at fair value through profit or loss, net	(15)	77
Unallocated corporate expenses	(1,887)	(2,461)
Interest income on bank deposits	423	27
Other gains	71	18
Finance costs	(929)	–
Profit before tax	6,725	8,213

Geographical information

Revenue from external customers:

	Property investment	
	For the six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Hong Kong	11,761	13,599
Mainland China	71	160
	<u>11,832</u>	<u>13,759</u>

The revenue information above is based on the locations of the customers. No single external customer accounted for 10% or more of the total revenue for the period ended 30 June 2022. Revenue from each of the two major customers of the Group represents approximately HK\$1,430,000 of the total revenue for the six months ended 30 June 2021.

3. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Rental income from property letting under fixed lease payments	<u>11,832</u>	<u>13,759</u>
Other income and gains		
Interest income on bank deposits	423	27
Government grants (<i>Note</i>)	64	–
Others	7	18
	<u>494</u>	<u>45</u>

Note: For the period ended 30 June 2022, the Group recognised government grants of approximately HK\$64,000 in respect of Covid-19-related subsidies, of which all relates to Employment Support Scheme provided by the Hong Kong government.

4. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	For the six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Depreciation of property, plant and equipment	2	3
Depreciation of right-of-use assets	4	4
	<u>2</u>	<u>3</u>
Employee benefits expense (including directors' and chief executive's remuneration):		
Salaries, wages and other benefits	1,130	1,453
Pension scheme contributions (defined contribution scheme)	50	63
	<u>1,180</u>	<u>1,516</u>
Total staff costs	<u>1,180</u>	<u>1,516</u>

5. FINANCE COSTS

An analysis of finance costs is as follows:

	For the six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest on bank loan	929	–
	<u>929</u>	<u>–</u>

6. INCOME TAX

Hong Kong Profits Tax has been provided at the rate of 16.5% (2021: 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 rate of tax prevailing in Mainland China, in which the Group operates. Pursuant to the relevant PRC tax laws and regulations, a non-resident enterprise is generally subject to a 10% enterprise income tax on PRC-sourced income if such non-resident enterprise does not have an establishment or place in the PRC. The Group's subsidiaries incorporated in Hong Kong and engaged in the property investment in the PRC does not have an establishment or place in the PRC. As a result, those subsidiaries is subject to a 10% enterprise income tax on PRC-sourced income.

	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current – Hong Kong		
Charge for the period	421	–
Current – Mainland China		
Charge for the period	–	–
	<u>421</u>	<u>–</u>
Total tax charges for the period	<u>421</u>	<u>–</u>

7. DIVIDENDS

(a) Dividends recognised as distribution during the period:

	For the six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Final dividend for 2021 paid – HK2 cents (2021: 2020 final dividend of HK2 cents) per ordinary share	7,764	7,764

(b) Dividend declared after the end of the reporting period:

	For the six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interim dividend declared – HK0.8 cent (2021: HK1 cent) per ordinary share	3,105	3,882

The Board declared an interim dividend of HK0.8 cent per share at the meeting held on 30 August 2022. Dividend warrants will be posted on or about 20 October 2022 to shareholders whose names appear on the register of members of the Company on 30 September 2022.

The above interim dividends were declared after the interim reporting dates and have not been recognised as liabilities at the end of the respective reporting periods.

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\$6,304,000 (2021: profit for the period of approximately HK\$8,213,000), and the weighted average number of ordinary shares of 388,183,600 (2021: 388,183,600).

The Group had no potentially dilutive ordinary shares in issue during the periods ended 30 June 2022 and 2021.

9. TRADE RECEIVABLES

	As at 30 June 2022 <i>HK\$'000</i> <i>(Unaudited)</i>	As at 31 December 2021 <i>HK\$'000</i> <i>(Audited)</i>
Trade receivables	1,012	602
Less: Loss allowance	<u>—</u>	<u>—</u>
	<u>1,012</u>	<u>602</u>

Trade receivables mainly consist 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 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 30 June 2022 <i>HK\$'000</i> <i>(Unaudited)</i>	As at 31 December 2021 <i>HK\$'000</i> <i>(Audited)</i>
Within 1 month	319	66
1 to 2 months	37	64
2 to 3 months	36	—
Over 3 months	<u>620</u>	<u>472</u>
	<u>1,012</u>	<u>602</u>

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 28 September 2022 to Friday, 30 September 2022, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed interim dividend, 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Tuesday, 27 September 2022. The interim dividend will be paid to shareholders whose names appear on the register of members on Friday, 30 September 2022 and the payment date will be on or about Thursday, 20 October 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF OPERATION

Property investment

The Group's investment properties mainly comprise offices, industrial and residential units in Hong Kong. These investment properties contributed rental revenue of approximately HK\$11.8 million for the six months ended 30 June 2022 (2021: HK\$13.8 million). The decrease in rental revenue was mainly attributable to the weakened demand and affordability of tenants amid the fifth-wave COVID-19 outbreak in Hong Kong.

FINANCIAL REVIEW

During the six months ended 30 June 2022, the Group recorded a year-on-year decline in profit of approximately HK\$1.9 million or 23% to approximately HK\$6.3 million (2021: HK\$8.2 million). The decline in profit was mainly due to the decrease in rental revenue of approximately HK\$1.9 million or 14% to HK\$11.8 million during the period under reporting (2021: HK\$13.8 million).

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES

The Group did not have any material acquisitions or disposals of subsidiaries, associated companies and joint ventures during the six months ended 30 June 2022.

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 30 June 2022, the Group had no 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. The Group's cash and cash equivalents as of 30 June 2022 amounted to approximately HK\$174.2 million (31 December 2021: HK\$171.1 million).

As of 30 June 2022, total borrowings of the Group amounted to approximately HK\$311.4 million (31 December 2021: HK\$307.4 million), comprised amounts due to fellow subsidiaries of approximately HK\$159.9 million (31 December 2021: HK\$155.9 million), amount due to a director of approximately HK\$1.5 million (31 December 2021: HK\$1.5 million) which were unsecured, interest free and had no fixed term of repayment and interest-bearing bank borrowings of approximately HK\$150 million (31 December 2021: HK\$150 million) which were secured by legal charges on the Group's certain investment properties in Hong Kong. The Group's bank borrowings were mainly arranged on a floating rate basis.

The Group's gearing ratio was approximately 20.53% (calculated based on total borrowings divided by total equity) as at 30 June 2022 (31 December 2021: 20.25%).

CONTINGENT LIABILITY

As of 30 June 2022, the Group had no material contingent liability.

EVENTS AFTER THE REPORTING PERIOD

There were no significant events which may materially affect the Group's operations and financial performance subsequent to 30 June 2022 and up to the date of this announcement.

EMPLOYEES AND REMUNERATION POLICY

As of 30 June 2022, the Group had 7 employees in Hong Kong. During the period, the staff costs (including directors' emoluments) amounted to approximately HK\$1.2 million (2021: HK\$1.5 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

Hong Kong reported year-on-year contraction in gross domestic product in both of the first two quarters of 2022. Adverse factors that hindered Hong Kong's as well as the global economic recovery in the first half of the year, such as the COVID-19 pandemic situation, geopolitical conflict, the sharp rise in inflation, and the interest rate hikes expectation, have shown no sign of abating.

The Group recorded a decline in rental income for the first half of 2022 compared with the corresponding period last year. Although the Hong Kong government has been proactively implementing economy-boosting measures, which include the launch of consumer voucher scheme and the relaxation of hotel quarantine requirements for inbound travellers, the local economy continues to be fragile. As tenants' demand and affordability are expected to remain weak in the coming months or even year, there is unlikely a substantial improvement in the Group's performance in the second half of the year.

The Group will pay close attention to changes in its operating environment, and will adjust its investment strategies and operations in a timely manner to cope with such changes. The Group is confident that its financial position will continue to be relatively stable amid the present uncertain economic 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 listed securities of the Company during the six months ended 30 June 2022.

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 2022.

CORPORATE GOVERNANCE CODE

In the opinion of the directors of the Company, the Company has applied the principles and complied with code provisions of the Corporate Governance Code (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the six months ended 30 June 2022, save as disclosed below.

Under code provision B.2.2, every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

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.

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 of 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 set out in the Model Code for the six months ended 30 June 2022.

BOARD OF DIRECTORS

As of 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 Mun Lam, Raymond, Mr. Lo Kam Cheung, Patrick and Mr. Tsui Ka Wah.

By Order of the Board
Lau Chi Yung, Kenneth
Chairman

Hong Kong, 30 August 2022