

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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 2023

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 2023, together with the comparative figures as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2023

	Notes	For the six months ended 30 June	
		2023	2022
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
REVENUE	3	11,287	11,832
Cost of sales		<u>(2,804)</u>	<u>(2,156)</u>
Gross profit		8,483	9,676
Other income and gains	3	822	494
Fair value changes on equity investments at fair value through profit or loss, net		(9)	(15)
Foreign exchange differences, net		-	28
Operating and administrative expenses		(2,700)	(2,529)
Finance costs	5	<u>(3,301)</u>	<u>(929)</u>
PROFIT BEFORE TAX	4	3,295	6,725
Income tax expense	6	<u>(1,018)</u>	<u>(421)</u>
PROFIT FOR THE PERIOD		<u>2,277</u>	<u>6,304</u>

		For the six months ended 30 June	
		2023	2022
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		<i>(Unaudited)</i>	<i>(Unaudited)</i>
ATTRIBUTABLE TO:			
Owners of the Company		<u>2,277</u>	<u>6,304</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic and diluted	8	<u>HK0.59 cents</u>	<u>HK1.62 cents</u>

Details of interim dividend are disclosed in note 7.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2023

		For the six months ended 30 June	
		2023	2022
		<i>HK\$'000</i>	<i>HK\$'000</i>
		<i>(Unaudited)</i>	<i>(Unaudited)</i>
PROFIT FOR THE PERIOD		2,277	6,304
OTHER COMPREHENSIVE INCOME FOR THE PERIOD		<u>—</u>	<u>—</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY		<u>2,277</u>	<u>6,304</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

	As at 30 June 2023	As at 31 December 2022
<i>Note</i>	HK\$'000 <i>(Unaudited)</i>	HK\$'000 <i>(Audited)</i>
NON-CURRENT ASSETS		
Property, plant and equipment	54	46
Right-of-use assets	335	339
Investment properties	1,698,420	1,698,420
Club debenture	330	330
	<hr/>	<hr/>
Total non-current assets	1,699,139	1,699,135
CURRENT ASSETS		
Trade receivables	9 114	1,525
Prepayments, deposits and other receivables	1,058	1,335
Equity investments at fair value through profit or loss	63	72
Cash and cash equivalents	182,656	173,781
	<hr/>	<hr/>
Total current assets	183,891	176,713
CURRENT LIABILITIES		
Other payables and accruals	16,002	16,014
Interest-bearing bank borrowings	147,000	147,000
Amount due to a director	178	1,591
Amount due to fellow subsidiaries	169,772	159,269
Tax payable	5,986	5,501
	<hr/>	<hr/>
Total current liabilities	338,938	329,375
NET CURRENT LIABILITIES	(155,047)	(152,662)
	<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES	1,544,092	1,546,473
	<hr/>	<hr/>

	As at 30 June 2023 HK\$'000 (Unaudited)	As at 31 December 2022 HK\$'000 (Audited)
NON-CURRENT LIABILITIES		
Deferred tax liabilities	<u>26,246</u>	<u>26,246</u>
Total non-current liabilities	<u>26,246</u>	<u>26,246</u>
Net assets	<u>1,517,846</u>	<u>1,520,227</u>
EQUITY		
Equity attributable to owners of the Company		
Share capital	38,818	38,818
Reserves	<u>1,479,028</u>	<u>1,481,409</u>
Total equity	<u>1,517,846</u>	<u>1,520,227</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited interim condensed consolidated 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 2022 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 2023.

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	<i>Insurance contracts</i>
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>
Amendments to HKAS 8	<i>Definition of Accounting Estimates</i>
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>

Several amendments apply for the first time in 2023, 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 has only one (2022: one) reportable operating segment which is the property investment segment that mainly comprises rental income from investment properties and therefore no further discrete financial information nor analysis of this single segment is presented.

Geographical information

Revenue from external customers:

	For the six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Hong Kong	11,240	11,761
Mainland China	47	71
	<u>11,287</u>	<u>11,832</u>

The revenue information of operations above is based on the locations of the customers. No single external customer accounted for 10% or more of the total revenue for the six months ended 30 June 2023 and 2022.

3. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<i>Revenue from other sources</i>		
Rental income from property letting under fixed lease payments	<u>11,287</u>	<u>11,832</u>
<i>Other income and gains</i>		
Interest income on bank deposits	720	423
Government grants (Note)	–	64
Others	<u>102</u>	<u>7</u>
	<u>822</u>	<u>494</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	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Depreciation of property, plant and equipment	2	2
Depreciation of right-of-use assets	4	4
	<u>2</u>	<u>2</u>
Employee benefits expense (including directors' and chief executive's remuneration):		
Salaries, wages and other benefits	1,081	1,130
Pension scheme contributions (defined contribution scheme)	46	50
	<u>1,127</u>	<u>1,180</u>
Total staff costs	<u>1,127</u>	<u>1,180</u>

5. FINANCE COSTS

An analysis of finance costs is as follows:

	For the six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest on bank loan	3,301	929
	<u>3,301</u>	<u>929</u>

6. INCOME TAX

Under the two-tiered profits tax rates regime of Hong Kong Profits Tax, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5% (2022: 16.5%). Accordingly, the Hong Kong Profits Tax of the qualifying group entity is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million.

Under the Law of the PRC on Corporate Income Tax and Implementation Regulation of the Corporate Income Tax Law, the tax rate of the PRC subsidiaries is 25% for both years.

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.

	For the six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current – Hong Kong		
Charge for the period	520	421
Current – Mainland China		
Charge for the period	498	–
	<u>1,018</u>	<u>421</u>
Total tax charge for the period	<u><u>1,018</u></u>	<u><u>421</u></u>

7. DIVIDENDS

(a) Dividends recognised as distribution during the period:

	For the six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Final dividend for 2022 paid – HK1.2 cents (2022: 2021 final dividend of HK2 cents) per ordinary share	4,658	7,764
	<u><u>4,658</u></u>	<u><u>7,764</u></u>

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

	For the six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interim dividend declared – HK0.8 cent (2022: HK0.8 cent) per ordinary share	3,105	3,105
	<u><u>3,105</u></u>	<u><u>3,105</u></u>

The Board declared an interim dividend of HK0.8 cent per share at the meeting held on 28 August 2023. Dividend warrants will be posted on or about 19 October 2023 to shareholders whose names appear on the register of members of the Company on 27 September 2023.

The above interim dividend was declared after the interim reporting dates and has 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\$2,277,000 (2022: HK\$6,304,000), and the weighted average number of ordinary shares of 388,183,600 (2022: 388,183,600).

The Group had no potentially dilutive ordinary shares in issue during the periods ended 30 June 2023 and 2022.

9. TRADE RECEIVABLES

	As at 30 June 2023 HK\$'000 (Unaudited)	As at 31 December 2022 HK\$'000 (Audited)
Trade receivables	114	1,525
Less: Loss allowance	—	—
	<u>114</u>	<u>1,525</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 2023 HK\$'000 (Unaudited)	As at 31 December 2022 HK\$'000 (Audited)
Within 1 month	98	776
1 to 2 months	15	117
2 to 3 months	—	—
3 to 12 months	—	631
Over 1 year	1	1
	<u>114</u>	<u>1,525</u>

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 25 September 2023 to Wednesday, 27 September 2023, 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 Friday, 22 September 2023. The interim dividend will be paid to shareholders whose names appear on the register of members on Wednesday, 27 September 2023 and the payment date will be on or about Thursday, 19 October 2023.

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\$11.3 million for the six months ended 30 June 2023 (2022: HK\$11.8 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 2023, the Group recorded a year-on-year decline in profit of approximately HK\$4.0 million or 64% to approximately HK\$2.3 million (2022: HK\$6.3 million). The decline in profit was mainly due to (i) the decrease in rental revenue of approximately HK\$0.5 million or 4% to HK\$11.3 million during the period under reporting (2022: HK\$11.8 million); and the rise in finance costs of over 2 times to approximately HK\$3.3 million (2022: HK\$0.9 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 2023.

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 2023, 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 2023 amounted to approximately HK\$182.7 million (31 December 2022: HK\$173.8 million).

As of 30 June 2023, total borrowings of the Group amounted to approximately HK\$317 million (31 December 2022: HK\$307.9 million), comprised amounts due to fellow subsidiaries of approximately HK\$169.8 million (31 December 2022: HK\$159.3 million), amount due to a director of approximately HK\$0.2 million (31 December 2022: HK\$1.6 million) which were unsecured, interest free and had no fixed term of repayment and interest-bearing bank borrowings of approximately HK\$147 million (31 December 2022: HK\$147 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 maturity of bank borrowings of the Group as at 30 June 2023 is as follows:

	<i>HK\$'000</i> (Unaudited)
Within one year	3,000
In the second year	3,000
In the third to fifth years, inclusive	<u>141,000</u>
Total	<u><u>147,000</u></u>

The Group's gearing ratio was approximately 20.88% (calculated based on total borrowings divided by total equity) as at 30 June 2023 (31 December 2022: 20.25%).

CONTINGENT LIABILITY

As of 30 June 2023, 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 2023 and up to the date of this announcement.

EMPLOYEES AND REMUNERATION POLICY

As of 30 June 2023, the Group had 6 employees in Hong Kong. During the period, the staff costs (including directors' emoluments) amounted to approximately HK\$1.1 million (2022: HK\$1.2 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

In the first half of 2023, the global economy continued to be impacted by ongoing geopolitical instabilities, rising inflation and interest rate hikes. Although economic activities in Hong Kong and the Mainland China have gradually recovered following the almost complete lifting of cross-border travel restrictions, the slower than expected recovery means one should not be overly optimistic to the short- to medium-term economic prospects of Hong Kong and the Mainland China.

Office leasing market of the Group will continue to be challenging. In particular, Hong Kong is facing the highest office vacancies in decades, with many international corporations still freezing or cutting back operations in the city. In addition, there are still substantial new supply coming up in the pipeline. Until Chinese corporates return to expansion mode, the office leasing market in Hong Kong will continue to face an uphill battle.

The Group will keep pace with the times to ensure the sustainability and competitiveness of its core business, and will grasp investment opportunities to create value for its shareholders.

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 2023.

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 2023.

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 2023, 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 2023.

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, 28 August 2023