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**IMPERIAL PACIFIC**

INTERNATIONAL HOLDINGS

博華太平洋國際控股有限公司

**IMPERIAL PACIFIC INTERNATIONAL HOLDINGS LIMITED**

**博華太平洋國際控股有限公司**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 1076)**

## **ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018**

The board (the “**Board**”) of directors (the “**Directors**”) of Imperial Pacific International Holdings Limited (the “**Company**”) hereby announces the consolidated results of the Company and its subsidiaries (collectively the “**Group**”) for the year ended 31 December 2018, which have been agreed by the auditor of the Company and together with comparative figures for the corresponding year of 2017 as follows:

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME**

*Year ended 31 December 2018*

	<i>Notes</i>	<b>2018</b> <b>HK\$'000</b>	2017 HK\$'000 (Restated)
Revenue	4	<b>3,254,587</b>	7,793,546
Cost of sales		<u>(339,512)</u>	<u>(850,654)</u>
Gross profit		<b>2,915,075</b>	6,942,892
Other income, gains and losses, net		<b>(25,788)</b>	(45,388)
Selling and marketing expenses		<b>(27,834)</b>	(64,126)
Operating and administrative expenses		<b>(6,007,609)</b>	(5,775,571)
Share-based payments		<b>(17,298)</b>	(21,635)
Finance costs	6	<u>(257,857)</u>	<u>(165,212)</u>
(LOSS)/PROFIT BEFORE TAX	5	<b>(3,421,311)</b>	870,960
Income tax credit/(expense)	7	<u>456,288</u>	<u>(233,487)</u>
(LOSS)/PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY		<u><b>(2,965,023)</b></u>	<u>637,473</u>

	<i>Notes</i>	<b>2018</b> <b>HK\$'000</b>	2017 HK\$'000 (Restated)
<b>OTHER COMPREHENSIVE INCOME/(LOSS)</b>			
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:			
Available-for-sale investments:			
Changes in fair value		–	(19,253)
Reclassification adjustments for losses included in profit or loss			
— loss on disposal		–	266
— impairment loss		–	33,589
		<u>–</u>	<u>14,602</u>
Exchange differences on translation of foreign operations		<u>4,006</u>	<u>36,675</u>
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods		<u>4,006</u>	<u>51,277</u>
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:			
Equity investments designated at fair value through other comprehensive income:			
Change in fair value		<u>(63,993)</u>	<u>–</u>
Net other comprehensive loss that will not be reclassified to profit or loss in subsequent periods		<u>(63,993)</u>	<u>–</u>
<b>OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR</b>		<u><b>(59,987)</b></u>	<u>51,277</u>
<b>TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>		<u><b>(3,025,010)</b></u>	<u>688,750</u>
<b>(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>	<b>9</b>		
Basic		<u><b>HK(2.07) cents</b></u>	<u>HK0.45 cent</u>
Diluted		<u><b>HK(2.07) cents</b></u>	<u>HK0.24 cent</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2018

	Notes	2018 HK\$'000	2017 HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		6,447,398	5,468,239
Prepaid land lease payments		178,292	181,967
Equity investments designated at fair value through other comprehensive income		18,471	–
Trade receivables	10	113,341	–
Prepayments, deposits and other receivables		203,784	352,963
Available-for-sale investments		–	82,464
Deferred tax assets		513,181	504,784
Total non-current assets		<u>7,474,467</u>	<u>6,590,417</u>
<b>CURRENT ASSETS</b>			
Prepaid land lease payments		4,540	4,526
Inventories		36,840	25,768
Trade receivables	10	4,866,395	8,531,023
Prepayments, deposits and other receivables		226,136	204,030
Derivative financial asset		24	1,010
Restricted bank deposit		55,687	–
Cash and cash equivalents		58,153	284,520
Total current assets		<u>5,247,775</u>	<u>9,050,877</u>
<b>CURRENT LIABILITIES</b>			
Trade payables	11	91,739	78,623
Other payables and accruals	12	5,782,782	6,931,685
Derivative financial liabilities		1	1,033
Other borrowings	13	2,962,525	1,189,492
Loans from related parties	14	125,398	197,593
Convertible bonds		48,879	–
Unsecured bonds and notes	15	747,777	–
Tax payable		236,353	664,775
Total current liabilities		<u>9,995,454</u>	<u>9,063,201</u>
NET CURRENT LIABILITIES		<u>(4,747,679)</u>	<u>(12,324)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>2,726,788</u>	<u>6,578,093</u>
<b>NON-CURRENT LIABILITIES</b>			
Other payables and accruals	12	212,772	–
Other borrowings	13	–	773,350
Loans from related parties	14	448,816	151,764
Convertible bonds		–	46,713
Unsecured bonds and notes	15	1,174,947	1,753,301
		<u>1,836,535</u>	<u>2,725,128</u>
NET ASSETS		<u>890,253</u>	<u>3,852,965</u>
<b>CAPITAL AND RESERVES</b>			
Share capital	16	71,492	71,492
Reserves		818,761	3,781,473
Total equity		<u>890,253</u>	<u>3,852,965</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2018*

### 1. CORPORATE AND GROUP INFORMATION

Imperial Pacific International Holdings Limited (the “**Company**”) was incorporated in Bermuda as an investment holding company with limited liability under the Companies Act 1981 of Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The principal place of business is Suites 7001, 7002 and 7014–7016, 70/F., Two International Finance Centre, No. 8 Finance Street, Central, Hong Kong. The Company’s shares are listed on The Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

During the year, the Company and its subsidiaries (collectively referred to as the “**Group**”) are principally engaged in the gaming and resort business, including the development of an integrated resort on the Island of Saipan, Commonwealth of the Northern Mariana Islands (“**CNMI**”).

In the opinion of the Directors, Inventive Star Limited, a company incorporated in the British Virgin Islands, is the ultimate holding company of the Company and Ms. Cui Li Jie is the ultimate controlling party.

### 2.1 BASIS OF PRESENTATION

Despite that the Group reported a net loss of HK\$2,965,023,000 for the year, had net current liabilities of HK\$4,747,679,000 and capital commitments of approximately HK\$457,757,000 as at 31 December 2018, the Directors consider that the Group will have adequate funds available to enable it to operate as a going concern, based on the Group’s profit forecast and cash flow projection which, inter alia, take into account the past actual operating performance of the Group and the following:

- (a) new financing from independent third parties — subsequent to the end of the reporting period, the Company has raised new unsecured loans for an aggregate amount of approximately HK\$543,000,000 from independent third parties, of which HK\$340,000,000, HK\$185,000,000 and HK\$18,000,000 is repayable in 2019, 2021 and 2022, respectively;
- (b) refinancing of loans due in 2019 (non-overdue amounts) — subsequent to the end of the reporting period, the Company has agreed with its lenders to renew certain loan agreements and promissory notes of approximately HK\$434,899,000 outstanding as at 31 December 2018 which were originally due for repayment in 2019, and extend the repayment tenure to 2020, 2021 and 2022 for HK\$97,700,000, 244,599,000 and HK\$92,600,000, respectively;
- (c) refinancing of overdue loans — subsequent to the end of the reporting period, save for loan amounts of HK\$350,000,000 and HK\$10,000,000 which have been repaid on 22 March 2019 and 24 March 2019 respectively, the Company has agreed with its lenders to extend the repayment of certain loan and note amounts of HK\$16,000,000 and HK\$849,849,000, which were overdue before these latest extension agreements, to the second half of 2019 or thereafter, respectively;
- (d) subsequent to the end of the reporting period, the Company has obtained unsecured credit facilities in an aggregate amount of HK\$1,150,000,000 from two independent third parties for its working capital needs;
- (e) the ultimate holding company and other related parties have agreed to provide continuous financial support to the Group by not demanding repayment of any amounts due to them until the Group is in a financial position to repay without impairing its liquidity position, and to provide additional funding to finance the Group’s operations and capital investments;

- (f) the management is in discussion with certain potential investors with a view to secure long term financing principally to be used to complete the remaining construction of the integrated gaming resort. As at the date of issuance of this financial information, the investors and contractors are carrying out their due diligence and preparation work; and
- (g) the management will consider other financing arrangements with a view to increase the Group's capitalisation/equity.

The Directors believe that, taking into account the above factors, the Group will have sufficient working capital to satisfy its present requirements for at least the next 12 months from the end of the reporting period. However, should the above financing be unavailable, the Group may be unable to continue as a going concern, in which case adjustments might have to be made to the carrying values of the Group's assets to state them at their realisable values, to provide for any further liabilities which might arise and to reclassify its non-current assets and non-current liabilities to current assets and current liabilities, respectively. The effect of these adjustments has not been reflected in this financial information.

## 2.2 BASIS OF PREPARATION

This financial information have been prepared in accordance with HKFRSs (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance, except for the adopting of the new and revised HKFRSs as disclosed in note 2.3 below. It has been prepared under the historical cost convention, except for equity investments designated at fair value through other comprehensive income and derivative financial instruments which have been measured at fair value. This financial information is presented in Hong Kong dollars (“**HK\$**”) and all values are rounded to the nearest thousand except when otherwise indicated.

## 2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial information.

Amendments to HKFRS 2	<i>Classification and Measurement of Share-based Payment Transactions</i>
HKFRS 9	<i>Financial Instruments</i>
HKFRS 15	<i>Revenue from Contracts with Customers</i>
Amendments to HKFRS 15	<i>Clarifications to HKFRS 15 Revenue from Contracts with Customers</i>
HK(IFRIC)-Int 22	<i>Foreign Currency Transactions and Advance Consideration</i>
Annual Improvements to 2014–2016 Cycle	<i>Amendments to HKFRS 1 and HKAS 28</i>

The Group applies, for the first time, HKFRS 15 *Revenue from Contracts with Customers* and HKFRS 9 *Financial Instruments* that require restatement of previous financial statements. The nature and effect of these changes are disclosed below.

Several other amendments and interpretations are applied for the first time in 2018, but do not have significant impact on this financial information of the Group.

## HKFRS 9 *Financial Instruments*

HKFRS 9 *Financial Instruments* replaces HKAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting. The Group has recognised the transition adjustments against the applicable opening balances in equity at 1 January 2018. Therefore, the comparative information was not restated and continues to be reported under HKAS 39.

### *Classification and measurement*

The following information sets out the impacts of adopting HKFRS 9 on the statement of financial position, including the effect of replacing HKAS 39's incurred credit loss calculations with HKFRS 9's expected credit losses ("ECLs").

A reconciliation between the carrying amounts under HKAS 39 and the balances reported under HKFRS 9 as at 1 January 2018 is as follows:

	HKAS 39 measurement		Reclassification <i>HK\$'000</i>	HKFRS 9 measurement	
	Category	Amount <i>HK\$'000</i>		Amount <i>HK\$'000</i>	Category
<b>Financial assets</b>					
Equity investments designated at fair value through other comprehensive income	N/A	–	82,464	82,464	FVOCI <sup>1</sup> (equity)
From: Available-for-sale investments ( <i>note</i> )			82,464		
Available-for-sale investments	AFS <sup>2</sup>	82,464	(82,464)	–	N/A
To: Equity investments designated at fair value through other comprehensive income ( <i>note</i> )			(82,464)		
Trade receivables	L&R <sup>3</sup>	8,531,023	–	8,531,023	AC <sup>4</sup>
Financial assets included in prepayment, deposits and other receivables	L&R	178,715	–	178,715	AC
Derivative financial asset	FVPL <sup>5</sup>	1,010	–	1,010	FVPL (mandatory)
Cash and cash equivalents	L&R	284,520	–	284,520	AC
Total financial assets		<u>9,077,732</u>	<u>–</u>	<u>9,077,732</u>	

<sup>1</sup> FVOCI: Financial asset at fair value through other comprehensive income

<sup>2</sup> AFS: Available-for-sale investments

<sup>3</sup> L&R: Loans and receivables

<sup>4</sup> AC: Financial assets or financial liabilities at amortised cost

<sup>5</sup> FVPL: Financial instruments at fair value through profit or loss

*Note:* The Group has elected the option to irrevocably designate all of its previous available-for sale equity investments as equity investments at fair value through other comprehensive income.

There has been no impact on the classification and measurement of the Group's financial liabilities as a result of the adoption of HKFRS 9.

### *Impairment*

HKFRS 9 requires an impairment on trade receivables, deposits and other receivables that are not accounted for at fair value through profit or loss under HKFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The adoption of HKFRS 9 has had no significant impact on the impairment of the financial assets of the Group.

### *Impact on reserve and accumulated losses*

The impact of the above changes on the Group's equity is as follows:

	<b>Investment reserve (non-recycling) HK\$'000</b>	<b>Accumulated losses HK\$'000</b>
At 31 December 2017	–	(69,815)
Reclassify the impairment loss provided in prior years from accumulated losses to investment reserve (non-recycling) in respect of equity investments designated at FVOCI	<u>(33,589)</u>	<u>33,589</u>
At 1 January 2018	<u><u>(33,589)</u></u>	<u><u>(36,226)</u></u>

### **HKFRS 15 Revenue from Contracts with Customers**

HKFRS 15 and its amendments replace HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The disclosures are included in note 4 to this financial information. As a result of the application of HKFRS 15, the Group has changed the accounting policy with respect to revenue recognition.

Under HKFRS 15, gaming revenue represents the net difference between gaming wins and losses. Commissions related directly to customers are recorded as a reduction to gaming revenue. Gaming contracts include a performance obligation to honor the patron's wager and typically include a performance obligation to provide a product or service to the patron on a complimentary basis under the Group's loyalty programs. For wagering contracts that include products and services provided to a patron in exchange for complimentary commissions or points earned under the Group's loyalty programs, the Group allocates the estimated stand-alone selling price of the complimentary commissions or points earned to the loyalty program liability. The loyalty program liability is a deferral of revenue until redemption occurs. Upon redemption of the complimentary commissions or loyalty program points for Group-owned products and services, the standalone selling price of each product or service is allocated to the respective revenue type. For redemption of the complimentary commissions or loyalty program points with third parties, the redemption amount is deducted from the loyalty program liability and paid directly to the third party.



The Group has adopted HKFRS 15 using the full retrospective method of adoption. The effect of adopting HKFRS 15 is, as follows:

Impact on the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2017.

	<b>Year ended 31 December 2017 (As previously reported) HK\$'000</b>	<b>Reclassification HK\$'000</b>	<b>Year ended 31 December 2017 (As restated) HK\$'000</b>
Gross revenue			
VIP gaming operations	12,728,872	(5,384,024)	7,344,848
Mass gaming operations	302,665	–	302,665
Slot machines and Electronic Table Game (“ETG”) gaming operations	66,861	–	66,861
Food and beverage	57,210	21,962	79,172
	<u>13,155,608</u>	<u>(5,362,062)</u>	<u>7,793,546</u>
Commissions	<u>(4,997,103)</u>	<u>4,997,103</u>	<u>–</u>
Net revenue	8,158,505	(364,959)	7,793,546
Cost of sales	<u>(1,215,613)</u>	<u>364,959</u>	<u>(850,654)</u>
Gross profit	<u><u>6,942,892</u></u>	<u><u>–</u></u>	<u><u>6,942,892</u></u>

There is no impact on the consolidated statement of financial position. The contract liabilities consist of outstanding chip liabilities, loyalty program liabilities, patrons deposits and other gaming liabilities. There is no impact on the consolidated statement of changes in equity, consolidated statement of cash flows and basic and diluted earnings per Share.

### 3. OPERATING SEGMENT INFORMATION

The Group is principally engaged in the gaming and resort business, including the development of an integrated resort on the Island of Saipan. No separate operating segment information is presented as the Group has only one operating segment.

#### Geographical information

Geographical information is not presented since all of the Group’s revenue was derived from Island of Saipan, based on the locations of the customers. Over 95% of the Group’s non-current assets are located in the Island of Saipan. Accordingly, the presentation of geographical information would provide no additional useful information to the users of this financial information.

#### Information about major customers

Revenue from gaming operations of approximately HK\$1,274,585,000 (2017: HK\$1,488,401,000 (restated)) was derived from a single external customer.

#### 4. REVENUE

The Group's revenue is as follows:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i> (Restated)
VIP gaming operations	2,912,324	7,344,848
Mass gaming operations	208,920	302,665
Slot machines and ETG gaming operations	56,302	66,861
Food and beverages	77,041	79,172
	<u>3,254,587</u>	<u>7,793,546</u>

Details of contract liabilities as at 31 December 2018 and 1 January 2018 are as follows:

	Outstanding chip liabilities		Loyalty program liabilities		Patrons deposits and other gaming liabilities	
	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Balance at 1 January	259,276	183,396	325,426	164,864	3,774,252	2,693,655
Balance at 31 December	<u>4,847</u>	<u>259,276</u>	<u>233,819</u>	<u>325,426</u>	<u>2,846,612</u>	<u>3,774,252</u>
Increase/(decrease)	<u>(254,429)</u>	<u>75,880</u>	<u>(91,607)</u>	<u>160,562</u>	<u>(927,640)</u>	<u>1,080,597</u>

#### 5. (LOSS)/PROFIT BEFORE TAX

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

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Cost of inventories sold*	16,745	27,685
Business gross revenue tax ("BGRT")*	163,878	637,473
Depreciation	167,312	139,741
Amortisation of prepaid land lease payments	4,263	7,946
Casino licence fees*	117,578	116,909
Auditor's remuneration	11,200	12,000
Minimum lease payments under operating leases	84,804	133,466
Employee benefits expenses (including directors' remuneration)		
Wages and salaries***	986,692	641,669
Pension scheme contributions	1,273	2,441
	<u>987,965</u>	<u>644,110</u>
Foreign exchange differences, net	18,035	4,155
Loss on disposal/written-off of property, plant and equipment**	26,999	25,876
Impairment losses recognised for trade receivables, net	4,355,689	4,185,431
Impairment of available-for-sale investments**	–	33,589
Gain on disposal of subsidiaries**	–	(11,966)

- \* Included in “Cost of sales” on the face of the consolidated statement of profit or loss and other comprehensive income.
- \*\* Included in “Other income, gains and losses, net” on the face of the consolidated statement of profit or loss and other comprehensive income.
- \*\*\* Staff costs of HK\$385,270,000 (2017: HK\$121,975,000) included in the above were capitalised under property, plant and equipment.

## 6. FINANCE COSTS

An analysis of finance costs is as follows:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Interest on other borrowings and loans from related parties	301,235	137,114
Interest on convertible bonds and notes	4,167	22,643
Interest on unsecured bonds and notes	155,640	120,270
	<u>461,042</u>	<u>280,027</u>
Less: Interest capitalised*	(203,185)	(114,815)
	<u><u>257,857</u></u>	<u><u>165,212</u></u>

- \* The borrowing costs have been capitalised at the weighted average rate of 9.24% for the year ended 31 December 2018 (2017: 8.77%).

## 7. INCOME TAX (CREDIT)/EXPENSE

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year (2017: Nil). Income tax provision for the current year represents income tax on casino operations for the subsidiaries operating in the CNMI, which is calculated at the applicable tax rates on the taxable profits for the years ended 31 December 2018 and 2017.

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Current tax — CNMI		
Charge for the year	–	712,485
Over-provision in prior years	(449,172)	–
Deferred tax		
Credit for the year	(258,081)	(478,998)
Over-provision in prior years	250,965	–
	<u>(456,288)</u>	<u>233,487</u>
Total tax (credit)/charge for the year	<u><u>(456,288)</u></u>	<u><u>233,487</u></u>

## 8. DIVIDENDS

No dividends have been paid or declared by the Company for the year ended 31 December 2018 (2017: Nil).

## 9. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of the basic (loss)/earnings per share amounts is based on the loss for the year attributable to owners of the Company of HK\$2,965,023,000 (2017: profit of HK\$637,473,000), and the weighted average number of ordinary shares of 142,984,807,678 (2017: 142,977,501,742) in issue during the year.

No adjustment had been made to the basic loss per share amounts presented for the year ended 31 December 2018 in respect of a dilution as the impact of the share options, convertible bonds and notes had an anti-dilutive effect on the basic loss per share amounts presented.

The calculation of the diluted earnings per share amount for the year ended 31 December 2017 is based on the profit for the year attributable to owners of the Company, adjusted to reflect the effect of the deemed exercise of or conversion of all dilutive potential shares into ordinary shares. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

The calculations of basic and diluted (loss)/earnings per share are based on:

	<b>2018</b> <i>HK\$'000</i>	2017 <i>HK\$'000</i>
<b>(Loss)/Earnings</b>		
(Loss)/profit attributable to owners of the Company, used in the basic (loss)/earnings per share calculation	<u><b>(2,965,023)</b></u>	<u>637,473</u>
	<b>Number of shares</b>	
	<b>2018</b> <i>'000</i>	2017 <i>'000</i>
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the year used in the basic (loss)/earnings per share calculation	<b>142,984,808</b>	142,977,502
Effect of dilution — weighted average number of ordinary shares:		
Share options	—	208,451
Convertible notes ( <i>Note</i> )	—	<u>128,000,000</u>
Weighted average number of ordinary shares in issue during the year used in the diluted (loss)/earnings per share calculation	<u><b>142,984,808</b></u>	<u>271,185,953</u>

*Note:* The impact of the convertible notes issued on 19 March 2014 had a dilutive effect on the basic earnings per share amounts presented for the year ended 31 December 2017. The convertible notes issued on 21 August 2015 (“CN 2015”) and the convertible bonds issued on 27 June 2017 (“CB 2017”) had no dilutive effect on the basic earnings per share amounts presented as the exercise prices of CN 2015 and CB 2017 were higher than the average market price of the ordinary shares of the Company during the year ended 31 December 2017.

## 10. TRADE RECEIVABLES

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

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Within 1 month	87,670	1,528,190
More than 1 month but within 3 months	250,375	1,785,687
More than 3 months but within 6 months	698,009	2,343,635
More than 6 months but within 1 year	2,893,206	5,213,536
More than 1 year	5,740,637	2,407,012
	<u>9,669,897</u>	<u>13,278,060</u>
Impairment	(4,690,161)	(4,747,037)
	<u>4,979,736</u>	<u>8,531,023</u>
Less: Non-current portion	(113,341)	–
Current portion	<u>4,866,395</u>	<u>8,531,023</u>

## 11. TRADE PAYABLES

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

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Within 1 month	6,090	13,993
More than 1 month but within 3 months	16,381	22,866
More than 3 months but within 6 months	35,715	24,424
More than 6 months but within 1 year	28,704	14,355
More than 1 year	4,849	2,985
	<u>91,739</u>	<u>78,623</u>

## 12. OTHER PAYABLES AND ACCRUALS

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i> (Restated)
Patron deposits and other gaming liabilities	2,846,612	3,774,252
Deposits received	550,103	354,893
Loyalty program liabilities	233,819	325,426
Outstanding chip liabilities	4,847	259,276
BGRT payable	27,378	201,557
Construction related payables	1,308,605	1,075,010
CN 2015 payable	23,400	123,400
Provision for regulatory matters	65,792	–
Other payables and accruals	934,998	817,871
	<u>5,995,554</u>	<u>6,931,685</u>
Less: Non-current portion	(212,772)	–
Current portion	<u>5,782,782</u>	<u>6,931,685</u>

## 13. OTHER BORROWINGS

At 31 December, the Group's other borrowings were repayable as follows:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Within 1 year or on demand	1,657,080	1,189,492
In the second year ( <i>note</i> )	952,925	773,350
In the third to fifth year ( <i>note</i> )	352,520	–
	<u>2,962,525</u>	<u>1,962,842</u>
Less: Non-current portion	–	(773,350)
Current portion	<u>2,962,525</u>	<u>1,189,492</u>

The other borrowings are unsecured, interest-bearing at 6%–15% (2017: 8%–13%) per annum.

*Note:*

These loan agreements have included a clause which stated that an event of default would occur if any indebtedness of the Group is not paid when due. Upon the occurrence of an event of default, these lenders could have demanded for immediate repayment. Notwithstanding that the Group has not received any notice of default/demand for the accelerated repayment for any of these loan amounts up to the date of issuance of this financial information, and despite the aggregate amount of HK\$1,305,445,000 is repayable after 2019, they have all been included in current liabilities as the end of the reporting period.

#### 14. LOANS FROM RELATED PARTIES

At 31 December, the Group's loans from related parties were as follows:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Within 1 year or on demand	125,398	197,593
In the second year ( <i>note</i> )	248,000	151,764
In the third to fifth year ( <i>note</i> )	200,816	–
	<u>574,214</u>	<u>349,357</u>
Less: Non-current portion	<u>(448,816)</u>	<u>(151,764)</u>
Current portion	<u><u>125,398</u></u>	<u><u>197,593</u></u>

Except for certain loan amount of HK\$238,816,000 (2017: HK\$169,006,000) that is interest-free, all loans from related parties are unsecured, interest-bearing at 7.5%–12% (2017: 7.5%–8%) per annum.

*Note:*

As at 31 December 2018, the lenders for these loans could have requested for immediate repayment on demand pursuant to the occurrence of a condition which could trigger an event of default which is customary in these types of loan agreements. However, these loans have continued to be classified as non-current liabilities in accordance with the original loan repayment dates because the related parties have agreed to waive any notice of default, to continue providing financial support to the Group and will not demand repayment of amounts owed by the Group until it is in a position to repay without impairing its financial condition.

## 15. UNSECURED BONDS AND NOTES

	31 December 2018			31 December 2017		
	Effective interest rate (%)	Maturity	HK\$'000	Effective interest rate (%)	Maturity	HK\$'000
<b>Current:</b>						
— Promissory notes	0–12%	2019	117,757	–	–	–
			<u>117,757</u>			–
<b>Repayable in the second year</b>						
— 2017 Notes — 8.5%	8.65	2020	547,136	–	–	–
— 2017 Bonds AI — 5.25%	9.53	2020	12,555	–	–	–
			<u>559,691</u>			–
<b>Repayable in the third to fifth years, inclusive</b>						
— 2018 Bonds AAI — 5.25%	9.53	2021	23,234	–	–	–
— 2017 Bonds AII — 6.0%	9.56	2022	13,497	–	–	–
— 2018 Bonds AAII — 6.0%	9.56	2022	6,193	–	–	–
			<u>42,924</u>			–
<b>Repayable beyond five years</b>						
— 2017 Bonds B — 6.0%	9.56	2025	23,298	–	–	–
— 2018 Bonds BB — 6.0%	9.56	2025	4,107	–	–	–
			<u>27,405</u>			–
			<u>747,777</u>			–
<b>Non-current:</b>						
<b>Repayable in the second year</b>						
— 2017 Notes — 7.8% (note)	–	–	–	7.8	2019	1,164,000
			–			1,164,000
<b>Repayable in the third to fifth years, inclusive</b>						
— 2017 Notes — 7.8% (note)	7.8	2021	1,174,947	–	–	–
— 2017 Notes — 8.5%	–	–	–	8.65	2020	541,306
— 2017 Bonds AI — 5.25%	–	–	–	9.53	2020	12,091
— 2017 Bonds AII — 6.0%	–	–	–	9.56	2022	13,126
			<u>1,174,947</u>			566,523
<b>Repayable beyond five years</b>						
— 2017 Bonds B — 6.0%	–	–	–	9.56	2025	22,778
			–			22,778
			<u>1,174,947</u>			<u>1,753,301</u>



*Note:*

On 22 February 2017 and 21 March 2017, the Company issued the 2017 Notes — 7.8% with principal amounts of US\$100,000,000 (approximately HK\$783,298,000) and US\$50,000,000 (approximately HK\$391,649,000), respectively to Inventive Star Limited (“**Inventive Star**”), the controlling shareholder of the Company, which are interest bearing at 7.8% per annum and repayable on 21 February 2019 and 20 March 2019, respectively. On 27 August 2018, Inventive Star issued a letter of undertaking to the Company, pursuant to which Inventive Star undertakes that a notice of redemption will not be issued to the Company before February and March 2021 for the redemption and payment of the outstanding principal amounts of HK\$783,298,000 and HK\$391,649,000, respectively, together with the accrued interest thereon.

At the end of the reporting period, Inventive Star could have demanded for the immediate repayment pursuant to the occurrence of a condition which could trigger an event of default customary in these types of notes’ agreements. However, these notes have continued to be classified as non-current liabilities in accordance with the original notes’ maturity dates because Inventive Star has agreed to waive any notice of default, to continue providing financial support to the Group and will not demand repayment of any amounts owed by the Group until it is in a position to repay without impairing its financial condition.

The unsecured notes issued by the Group are denominated in US\$. The unsecured bonds issued by the Group are denominated in HK\$.

## 16. SHARE CAPITAL

	<b>2018</b> <i>HK\$’000</i>	2017 <i>HK\$’000</i>
Authorised:		
300,000,000,000 ordinary shares of HK\$0.0005 each	<u><b>150,000</b></u>	<u>150,000</u>
Issued and fully paid:		
142,984,807,678 ordinary shares of HK\$0.0005 each	<u><b>71,492</b></u>	<u>71,492</u>

## 17. CONTINGENT LIABILITIES

### **Unasserted claims and assessments**

The Group may be exposed to payment of damages assessed by the United States Equal Employment Opportunity Commission (EEOC). As at 31 December 2018, several former employees of a subsidiary had filed discrimination claims against that subsidiary for alleged violation of EEOC regulations. Violations of EEOC regulations may expose the subsidiary to payment of damages, civil and administrative fines or penalties, court costs and fees in excess of US\$1,500,000 (approximately HK\$11,769,000).

In the opinion of the Directors, after taking into account the respective legal advices, as the aforementioned matters are possible unasserted claims and assessments and the likelihood of the Group making any significant amount of payments in respect of claims for damages is remote, the Group has not made any provision for loss in this financial information.

### **Regulatory oversight**

The Group is subject to the jurisdiction of various state, local and federal regulatory agencies (the “**Regulatory Authorities**”) in the conduct of its casino operations. Specifically, the Group is required to comply with the rules and regulations of the Commonwealth Casino Commission in the conduct of its gaming operations. The Group is also under the jurisdiction of the Financial Crimes Enforcement Network (“**FinCEN**”) in terms of its compliance with the anti-money laundering provisions of the Bank Secrecy Act (“**BSA**”). Should the Group violate the requirements of the Regulatory Authorities, it could be subject to various sanctions and disciplinary actions including monetary fines and penalties, restrictions and conditions on the scope of its operations, and the potential revocation of its gaming licence.

During 2017, Imperial Pacific International (CNMI), LLC (“**IPI**”) was subject to a routine BSA compliance examination conducted by the Internal Revenue Service (“**IRS**”). Subsequent to end of the reporting period, the IRS issued a report with preliminary findings on IPI’s anti-money laundering compliance. As at the date of issuance of this financial information, IPI, together with its external legal and other professional advisers, are working to provide further information to the IRS to fully cooperate with the examination. Based on the facts currently known, it is not practicable at this time for the Group to accurately predict the resolution of this matter, including timing or any possible impact on the Group. IPI has been and is under normal operation without any interruption from this examination.

### **Other litigation matters**

As at the end of the reporting period and up to the date of issuance of this financial information, apart from expressly stated above, the Group is a party to a number of civil litigation cases, as either a plaintiff or defendant. In the opinion of the Directors, after taking into account of the respective legal advices, these cases are either premature and/or the Group has a very high likelihood of success in its action and, therefore will not have any adverse impact on the Group’s results and financial position. In the opinion of the Directors, adequate provision has been made in this financial information.

## 18. EVENTS AFTER THE REPORTING PERIOD

- (a) From January 2019 and up to the date of issuance of this financial information, the Company has obtained unsecured loans which are interest-bearing at 8%–18% per annum in an aggregate amount of approximately HK\$543,000,000 from independent third parties, of which HK\$340,000,000, HK\$185,000,000 and HK\$18,000,000 are repayable in 2019, 2021 and 2022 respectively;
- (b) from January 2019 and up to the date of issuance of this financial information, the Company has agreed with certain lenders to renew certain loan agreements and promissory notes of approximately HK\$434,899,000 outstanding as at 31 December 2018 which were originally due for repayment in 2019, and extend the repayment tenure to 2020, 2021 and 2022 for HK\$97,700,000, 244,599,000 and HK\$92,600,000, respectively;
- (c) subsequent to the end of the reporting period, save for loan amounts of HK\$350,000,000 and HK\$10,000,000 which have been repaid on 22 March 2019 and 24 March 2019, the Company has agreed with its lenders to extend the repayment of certain overdue loan and note amounts of HK\$16,000,000 and HK\$849,849,000, which were overdue before these latest extension agreements, to the second half of 2019 or thereafter, respectively;
- (d) on 22 March and 24 March 2019, the Company has obtained additional unsecured credit facilities of approximately HK\$700,000,000 and HK\$450,000,000, from two independent third parties for its working capital needs; and
- (e) on 8 March 2019, pursuant to the deeds of assignment, the rights, titles and benefits in certain of the Company's loans and other payables in an aggregate amount of HK\$242,505,000 carried as at 31 December 2018 were assigned by the creditors, who are independent third parties and, as the assignor, to Ji Xiao Bo (“**Mr. Ji**”), who is a related party to the Company's ultimate holding company and controlling shareholder. On the same date, the Company entered into certain loan agreements with Mr. Ji for these loans and other payables of the same amounts, the terms of which are unsecured, interest-free and repayable in 2022.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

The Company is an investment holding company, and the Group is principally engaged in the gaming and resort business including the development and operation of integrated resort on the Island of Saipan.

#### Gaming and Resort Business

In August 2014, Imperial Pacific International (CNMI), LLC (the “**Licensee**” or “**IPI**”), an indirect wholly-owned subsidiary of the Company, and the Commonwealth of the Northern Mariana Islands (“**CNMI**”) entered into a casino license agreement in respect of the exclusive casino resort developer license for the Island of Saipan (as amended, the “**Casino License Agreement**”) pursuant to which the Casino Resort Developer License was granted to the Licensee subject to the terms and conditions as stipulated therein.

#### Imperial Pacific Resort Hotel • Saipan

On 27 November 2015, the Licensee launched the grand opening of the Temporary Casino within on the first floor of the T Galleria by DFS Saipan in Garapan, Island of Saipan (“**Best Sunshine Live**”). The grand opening of Best Sunshine Live supports the Group’s continuous evolution of Saipan into a diversified and world-leading entertainment and tourism destination.

On 6 July 2017, the Licensee successfully transferred operations of Best Sunshine Live to the casino portion of Imperial Pacific Resort Hotel • Saipan and commenced operation on the same day. After the transfer, the Company’s gaming capacity was increased from 48 tables and 141 slot machines at the Best Sunshine Live to 78 tables and 246 slot machines with maximum capacity of up to 193 tables and 365 slot machines upon completion of Imperial Pacific Resort Hotel • Saipan.

On 31 August 2018, the parties to the Casino License Agreement entered into a written amendment to the Casino License Agreement (the “**Amendment Agreement**”) pursuant to which, among other things, the implementation schedules under the Casino License Agreement have been amended and the proposal requirements thereunder have been set out in more details. Details of the Amendment Agreement have been disclosed in the announcement of the Company dated 31 August 2018.

During the year ended 31 December 2018, unaudited VIP table games rolling of United States Dollars (“**US\$**”) 16,187 million (equivalent to approximately HK\$126,262 million) and revenue of approximately HK\$2,912 million (2017: HK\$7,345 million (as restated)) was generated from the operations of Imperial Pacific Resort Hotel • Saipan, both the VIP table games rolling and gross revenue showing a decline compared to the same period of last year due to the impact of the FIFA World Cup, tightening marker credits and disruption caused by typhoon Yutu.

Major global construction companies, consulting firms, design and engineering firms as well as local sub-contractors have been engaged. As at 31 December 2018, approximately US\$792 million (equivalent to approximately HK\$6,218 million) (31 December 2017: US\$650 million, equivalent to approximately HK\$5,064 million) has been invested in design, consulting, engineering, construction material and labour. The lack of the labour situation has been ameliorated tremendously during the year, we have secured adequate labour supply from the Philippines and Taiwan to ensure the need of the construction.

## **BUSINESS OUTLOOK**

### **Integrated Resort Development**

The Imperial Pacific Resort Hotel • Saipan, perched on the water front of downtown Garapan, will boast restaurants with Michelin Stars, in addition to the 193 gaming tables and 365 slot machines, and 329 hotel rooms and 15 villas upon completion of construction.

An additional US\$137 million has been invested in design and construction of this super luxurious casino resort during the year which has brought the total investment to US\$792 million as at 31 December 2018. Great efforts have been made to solving the shortage of labour supply as well as bringing the construction work back to progress. Super typhoon Yutu, the most powerful tropical cyclone on Earth in 2018, stroke Saipan in October 2018 and caused devastating damages to the island. The construction site suffered some mild damages but resumed work fast.

With the transfer to the new casino completed on 6 July 2017, we believe that new customers will continue to be attracted to Saipan and hence broaden our client base. However, due to the damage of Yutu, Saipan international airport was closed for almost one month, the operation at our Casino was adversely affected. With the visitation recovering and four new junket licenses approved by Commonwealth Casino Commission (the “CCC”), we expect to commence collaboration with gaming promoters in the coming year. Having the advantage of CNMI’s relatively low tax regime, we believe we will be able to offer very competitive commission rates to potential gaming promoters.

Supply of hotel rooms continued to be the crucial bottle-neck for the growth of tourist arrivals to the Island. According to the Hotel Association of the Northern Mariana Islands (the “HANMI”), for the calendar year of 2018, average hotel rates reached a new high of US\$150.86 per night, representing growth of US\$4.93 (or 3.38%) compared to 2017, with average hotel occupancy rates of 82.14%. We currently have 3 villas and 4 yachts in place as well as hotel rooms secured from local high quality hotels to better provide accommodations to our VIP customers. We also expect the successional opening of resort villas and hotels rooms of our resort starting next year will to a great extent enhance our capacity to better accommodate patrons.

Benefiting from Saipan’s favorable weather, stunning attractions, proximity location and flexible visa policies, with more hotels room to be built and opened, we believe visitation to the Island of Saipan still has great potential.

## **Debt/Equity Fund Raising and Refinancing**

On 31 October 2018, the Company entered into a placing agreement with the placing agent pursuant to which the placing agent agreed to act as a sole placing agent, on a best effort basis, for the purpose of arranging placees to subscribe for the bonds up to an aggregate principal amount of HK\$300,000,000. Details of the aforementioned placing agreements have been disclosed in the announcement of the Company dated 5 November 2018.

The Board does not rule out the possibility that the Company may carry out debt and/or equity fund raising plan(s) to further strengthen the financial position of the Group in the event that suitable fund raising opportunities arise in support of the development of the Group, including the casino and the integrated resort on the Island of Saipan. As at the date of this announcement, the Company has not yet concluded on any concrete fund raising opportunities.

## **FINANCIAL REVIEW**

For the year ended 31 December 2018, the Group achieved revenue of HK\$3,255 million, representing a decrease by HK\$4,539 million. Loss attributable to equity holders of the Company for the year ended 31 December 2018 was HK\$2,965 million, as compared with the profit attributable to equity holders of HK\$637 million in the corresponding period of last year. The turnaround is mainly attributable to decrease in revenue, increase in impairment losses of trade receivables and increase in finance costs, operating and administrative expenses incurred during the year. Basic and diluted loss per share were HK2.07 cents and HK2.07 cents respectively, as compared with basic and diluted earnings per share of HK0.45 cent and HK0.24 cent respectively in the corresponding period of last year.

## Casino Gaming Operations

The following table sets forth the results of the casino gaming operations for the years ended 31 December 2018 and 2017:

	<b>For the year ended</b>	
	<b>31 December</b>	
	<b>2018</b>	2017
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
(in thousands, except for number of gaming tables and slot machines and Electronic Table Game (“ETG”) and percentage)		
Average number of VIP gaming tables	<b>28</b>	23
VIP table games rolling	<b>126,262,045</b>	385,855,800
VIP gross table games win	<b>4,676,523</b>	12,728,872
VIP table games win percentage	<b>3.70%</b>	3.30%
Average number of Mass Gaming tables	<b>45</b>	39
Mass games drop	<b>660,546</b>	926,906
Mass games gross table games win	<b>208,920</b>	302,665
Mass games win percentage	<b>31.63%</b>	32.65%
Average number of slot machines and ETG	<b>262</b>	165
Slot machines and ETG handle	<b>885,307</b>	847,511
Slot machines and ETG gross win	<b>56,302</b>	66,861
Slot machines and ETG hold percentage	<b>6.36%</b>	7.89%
Commissions	<b><u>1,635,966</u></b>	<u>4,997,103</u>

## VIP Gaming Operations

A significant portion of our VIP casino customers is sourced through the Group’s own marketing channels. Such high-spending VIP customers generally receive commission and allowances based on a percentage of the rolling chip turnover. The allowances can be utilized for expenses incurred on hotel rooms, food and beverages and other discretionary customer-related expenses. The Group’s VIP players are also brought to us via intensive marketing.

VIP gaming operations also include premium mass gaming operations that do not receive commissions from the Group.

In addition, a minor operation of the Group’s VIP customers has been sourced via a licenced junket operator since August 2016. The establishment of a new licenced junket incentive allowed the Group to bring in new customers which mitigated the Group’s credit concerns for those VIP customers brought in by the junket operator.

VIP rolling chip volume for the year of 2018 reached approximately HK\$126,262 million (2017: HK\$385,856 million). VIP gaming revenue was HK\$2,912 million (2017: HK\$7,345 million) with a win percentage of 3.70% (2017: 3.30%). Our VIP customers primarily consist of credit players. Geographically, most of our direct VIP patrons come from China, Hong Kong, Macau and Korea.

## **Impairment**

The gross trade receivables decreased to HK\$9,670 million, after written off trade receivables of HK\$4,690 million (2017: HK\$13,278 million) from VIP gaming operations for the year ended 31 December 2018. While the scale of VIP gaming operations had a significant impact to the Group, the Group regularly reviews the recoverability of trade receivables to ensure that adequate impairments are made for irrecoverable amounts.

Impairment of the Group's trade receivables was estimated based on expected credit losses which has taken into consideration the collectability of individual customers, debts' ageing profile, security provided in the form of front money and guarantee deposits as well as experience with collection trends in the casino industry and forward looking factors including the economic outlook and business conditions and provided provision for impairment on certain customers' trade receivables as follows:

- (i) as at 31 December 2018, the provision for impairment of trade receivables due from the Group's largest and the ten largest debtors amounted to HK\$657 million and HK\$1,922 million (2017: HK\$1,093 million and HK\$1,867 million) respectively. The aforementioned provisions were made based on the expected credit losses, which includes a review of individual customer's facts and circumstances (such as financial position and ongoing dialogue on settlement arrangements, etc), aging of the outstanding amounts, securities provided and past repayment records;
- (ii) as at 31 December 2018, the provision for impairment of trade receivables due from the remaining customers of the Group amounted to HK\$2,768 million (2017: HK\$2,880 million) arising from regular review of the overdue balances by the management.

The Board has also prudently benchmarked against its industry peers on provision of bad debt on trade receivables and considered that the impairment of trade receivables as estimated by the Company in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2018 to be comparable and in line with global industry standard.



The Board also wishes to elaborate below measures taken by the Group to recover the trade receivables:

- (i) credit terms extended by the Group are generally 30 days for gaming operations. The Group's credit and collection department, along with representatives of the VIP marketing department, regularly meet on a monthly basis to identify customers whose debts are due and the VIP marketing department will make contact with customers for recovery of the outstanding debts; and
- (ii) once the receivables are overdue for repayment and if the customers still have not repaid the outstanding debts within six months of the programme end date, the Group's credit and collection department will then issue demand letters to the customers, along with its guarantors (if applicable), for demand of immediate payments. If no responses were received thereafter, the Group's management may consider bringing legal actions against the customers in order to collect the outstanding debts.

### **Mass Gaming Operations**

For the year ended 31 December 2018, revenue from mass gaming operations amounted to HK\$209 million (2017: HK\$303 million) and mass gaming drop reached HK\$661 million (2017: HK\$927million). Customers from the mass gaming operations do not receive commissions from the Group.

Going forward, we will continue to review our mass gaming areas to maximize table utilization, to expand our gaming areas, to innovate our gaming products and to invest in technologies and analytical capability to enhance table productivity and customer retention.

### **Slot Machines and ETG Gaming Operations**

Revenue from the slot machines and ETG amounted to HK\$56 million (2017: HK\$67 million) and hold percentage reached 6.36 % (2017: 7.89%) for the year ended 31 December 2018.

Going forward, we will continue to re-examine the mix of our slot machines and ETG games in operation to maximize our casino profitability. We will also aim to develop technologies to enhance our analytical capability to help us deliver more personal and precision marketing efforts.

### **Cost of Sales**

Cost of sales for the year ended 31 December 2018 was HK\$340 million (2017: HK\$851 million) which comprise principally the direct casino costs such as casino licence fees of US\$15 million (equivalent to approximately HK\$118 million) and Saipan's business gross revenue tax of US\$21 million (equivalent to approximately HK\$164 million).

## Other income, gains and losses, net

Other income, gains and losses for the year ended 31 December 2018 mainly represent dividend income from equity investments designated at fair value through other comprehensive income of approximately HK\$0.5 million and write-off of property, plant and equipment as a result of the super typhoon Yutu.

## Operating expenses

Operating expenses increased to HK\$6,008 million, which mainly result from the impairment losses on trade receivables increased to approximately HK\$4,356 million, staff cost increased to approximately of HK\$988 million, and depreciation and amortization expenses increased to approximately HK\$172 million during the year.

## Adjusted EBITDA

The following table reconciles Adjusted EBITDA to its most directly comparable HKFRSs measurement, (loss)/profit attributable to owners of the Company, for the years ended 31 December 2018 and 2017.

	For the year ended	
	31 December	
	2018	2017
	HK\$'000	HK\$'000
<b>(Loss)/profit for the year</b>	<b>(2,965,023)</b>	637,473
Add/(less):		
Depreciation and amortization	171,575	147,687
Casino licence fees	117,578	116,909
Interest income	(1)	(2)
Fair value loss on available-for-sale investments	–	33,855
Fair value gain on derivative financial instruments, net	(46)	(549)
Finance costs	257,857	165,212
Taxes	(292,410)	870,960
Share-based payments	17,298	21,635
Net foreign currency differences	18,035	4,155
Adjusted EBITDA ( <i>Note</i> ) (unaudited)	<u><b>(2,675,137)</b></u>	<u>1,997,335</u>

*Note:* Adjusted EBITDA is used by management as the primary measure of the Group's operating performance with that of our competitors. Adjusted EBITDA should not be considered in isolation, construed as an alternative to result or operating result as reported under HKFRSs or other combined operations or cash flow data, or interpreted as an alternative to cash flow as a measure of liquidity. Adjusted EBITDA presented in this announcement may not be comparable to other similarly titled measures of other companies operating in the gaming or other business industry sectors.

## Significant Investment and Acquisition

Apart from the development of integrated resort on the Island of Saipan, the Company did not have any significant investment, acquisition or disposal during the year that should be notified to the shareholders of the Company.

## Capital expenditure

The Group incurred capital expenditure of approximately HK\$1,196 million (2017: approximately HK\$2,636 million) during the year ended 31 December 2018, mainly for construction of the Imperial Pacific Resort Hotel • Saipan and acquisition of gaming related equipment.

## Liquidity and Financial Resources

The Group monitors capital using a gearing ratio, which is net debt divided by the adjusted capital plus net debt. Net debt includes convertible bonds, unsecured bonds and notes, loans from related parties, other borrowings, less cash and cash equivalents. Capital represents total equity attributable to owners of the Company. The gearing ratios as at the end of the reporting periods were as follows:

	<b>31 December 2018</b>	31 December 2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net debt	<b>5,450,190</b>	3,827,693
Total equity	<b>890,253</b>	3,852,965
Capital and net debt	<b>6,340,443</b>	7,680,658
Gearing ratio	<b>86.0%</b>	49.8%

## Capital structure

During the year ended 31 December 2018, there was no change to the authorised and issued share capital of the Company (2017: no change).

As at 31 December 2018, the total number of issued Shares was 142,984,807,678 (31 December 2017: 142,984,807,678).

## **Risk of Foreign Exchange Fluctuation**

The business transactions of the Group are mainly carried in HK\$ and US\$ meaning that it will be subject to limited exchange rate exposure given HK\$ and US\$ are pegged. However, the Group will closely monitor this risk exposure and would take prudent measures as and when appropriate.

## **Capital Commitments**

As at 31 December 2018, the Group had capital commitments of approximately HK\$458 million (31 December 2017: HK\$554 million).

## **Contingent Liabilities**

Save as disclosed in note 17 of this annual result announcement, the Group did not have any other significant contingent liabilities as at 31 December 2018 and 31 December 2017.

## **Pledge of Assets**

As at 31 December 2018, the Group did not have any pledge of assets (31 December 2017: Nil).

## **EXTRACT OF INDEPENDENT AUDITOR'S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS**

The following is an extract of report on consolidated financial statements by the Group's independent auditor:

### **Opinion**

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### **Material uncertainty related to going concern**

We draw attention to note 2.1 to the consolidated financial statements which indicates that the Group incurred a net loss of HK\$2,965,023,000 during the year ended 31 December 2018 and, as of that date, had net current liabilities of HK\$4,747,679,000. These conditions, along with other matters as set forth in note 2.1, indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

## **EMPLOYEES AND REMUNERATION POLICIES**

The total number of staff of the Group as at 31 December 2018 was 1,786 (31 December 2017: 1,756).

Remuneration packages are reviewed annually and determined with reference to market and individual performance. In addition to salary payments, the Group also provides other employment benefits such as mandatory provident fund.

## **SHARE OPTION SCHEME**

At the beginning of the financial year ended 31 December 2018, 1,852,178,272 share options were outstanding pursuant to the share option scheme of the Company adopted on 27 June 2013 (the “**Share Option Scheme**”) (each share option shall entitle the holder of the option to subscribe for one new Share) and 13,623,880,768 Shares, being 9.53% of the Shares then in issue, were available for issue under the Share Option Scheme.

During the year under review, no grantee had exercised any share options, no share options were granted and 317,396,280 share options lapsed. As at 31 December 2018, there were 1,534,781,992 share options outstanding pursuant to the Share Option Scheme.

## **PURCHASE, REDEMPTION OR SALE OF LISTED SHARES**

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the year.

## **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. The Company had made specific enquiries of all Directors regarding any non-compliance with the Model Code during the period under review, and received confirmations from all Directors that they had fully complied with the standards as set out in the Model Code.

## **CORPORATE GOVERNANCE**

The Company is committed to maintaining a high standard of corporate governance within a sensible framework with an emphasis on the principles of transparency, accountability and independence. The Board believes that good corporate governance is essential to the success of the Group and the enhancement of shareholders’ value.

During the year ended 31 December 2018, the Company was in full compliance with the Code Provisions set out in Appendix 14 of the Listing Rules (the “CG Code”), except for the following deviation:

### **Code Provision A.2.1**

Under code provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separated and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing. The Company currently does not have any officer with the title chief executive. At present, Ms. Cui Li Jie, being the Chairperson and an Executive Director of the Company and who has considerable industry experience, is responsible for the strategic planning, formulation of overall corporate development policies and managing the businesses of the Group. Notwithstanding the aforementioned, the Board will review the current structure from time to time and as and when appropriate if candidate with suitable leadership, knowledge, skills and experience is identified, the Company may make the necessary modification to the management structure.

### **Code Provision A.6.7**

Under code provision A.6.7 of the CG Code, independent non-executive directors and other non-executive directors should attend the general meetings and develop a balanced understanding of the views of shareholders. Due to other engagements, two independent non-executive Directors of the Company, Mr. Lee Kwok Leung and Mr. Robert James Woolsey, were unable to attend the annual general meeting of the Company held on 25 June 2018. However, the Board believes that the presence of the other independent non-executive Directors at such general meeting allowed the Board to develop a balanced understanding of the views of shareholders.

### **Code Provision E.1.2**

According to code provision E.1.2 of the CG Code, the chairman of the board should attend the annual general meeting. Ms. Cui Li Jie, being the Chairperson and an Executive Director of the Company, was unable to attend the annual general meeting of the Company held on 25 June 2018. Mr. Teng Sio I, an Executive Director, who is also familiar with the Group’s business and operations, attended and chaired the aforementioned meeting. Other Directors, including two independent non-executive Directors, being the chairman/members of the Audit Committee, together with the external independent auditor attended the aforementioned annual general meeting and answered questions from the attending shareholders and investors. All resolutions proposed were duly passed by shareholders’ voting at the meeting.

## **DIVIDEND**

No dividend for the year ended 31 December 2018 (2017: Nil) is recommended by the Board.

## AUDIT COMMITTEE REVIEW

An audit committee of the Company (the “**Audit Committee**”) has been established for the purposes of reviewing and providing supervision over the financial reporting process and internal controls of the Group. The Audit Committee comprises three independent non-executive Directors. The Group’s consolidated financial statements for the year ended 31 December 2018 have been reviewed and approved by the Audit Committee.

## SCOPE OF WORK OF ERNST & YOUNG

The figures in respect of the preliminary announcement of the Group’s results for the year ended 31 December 2018 have been agreed by the Group’s auditor, Ernst & Young, to the amounts set out in the Group’s draft consolidated financial statements for the year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ernst & Young on the preliminary announcement.

By order of the Board  
**Imperial Pacific International Holdings Limited**  
**Cui Li Jie**  
*Executive Director*

Hong Kong, 26 March 2019

*As at the date of this announcement, the Board comprises Ms. Xia Yuki Yu, Mr. Teng Sio I and Ms. Cui Li Jie as executive Directors and Mr. Robert James Woolsey, Mr. Ng Hoi Yue, Mr. Tso Hon Sai Bosco and Mr. Lee Kwok Leung as independent non-executive Directors.*

*In case of any inconsistency, the English text of this announcement shall prevail over the Chinese text.*

*In this announcement, save as otherwise stated, figures in US\$ are translated to HK\$ at the exchange rate of US\$1.00 = HK\$7.8 for illustration purpose only. No representation is made that any amount in US\$ or HK\$ would have been or can be converted at the above rate.*