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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)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2019

The board of directors (the “**Directors**”) (the “**Board**”) of Imperial Pacific International Holdings Limited (the “**Company**”) hereby announces the unaudited interim results of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 June 2019 together with comparative figures for the corresponding period of 2018 as follows:

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

For the six months ended 30 June 2019

	<i>Notes</i>	Six months ended 30 June	
		2019	2018
		<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)
Revenue	4	399,438	2,214,795
Cost of sales		(120,468)	(261,716)
Gross profit		278,970	1,953,079
Other income, gains and losses, net		8,909	(34)
Selling and marketing expenses		(9,213)	(26,678)
Operating and administrative expenses		(522,677)	(831,574)
Impairment losses recognised for trade receivables, net	11	(1,347,121)	(983,802)
Share-based payments		(5,906)	(8,649)
Finance costs	6	(169,967)	(112,675)
Loss before tax	5	(1,767,005)	(10,333)
Income tax credit/(expense)	7	(112,939)	89,310
Profit/(loss) for the period attributable to owners of the Company		(1,879,944)	78,977

	Six months ended 30 June	
	2019	2018
<i>Note</i>	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<u>(16,999)</u>	<u>35,396</u>
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods	<u>(16,999)</u>	<u>35,396</u>
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:		
Equity investments designated at fair value through other comprehensive income:		
Changes in fair value	<u>1,982</u>	<u>(35,682)</u>
Net other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent period	<u>1,982</u>	<u>(35,682)</u>
OTHER COMPREHENSIVE LOSS FOR THE PERIOD	<u>(15,017)</u>	<u>(286)</u>
TOTAL COMPREHENSIVE INCOME/(LOSS) ATTRIBUTABLE TO OWNERS OF THE COMPANY	<u>(1,894,961)</u>	<u>78,691</u>
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY		
	9	
Basic	<u>HK(1.31) cents</u>	<u>HK0.06 cent</u>
Diluted	<u>HK(1.31) cents</u>	<u>HK0.03 cent</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

	<i>Notes</i>	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	<i>10</i>	6,804,169	6,447,398
Prepaid land lease payments		–	178,292
Right-of-use assets		254,739	–
Prepayments, deposits and other receivables		186,387	203,784
Equity investments designated at fair value through other comprehensive income		20,453	18,471
Trade receivables	<i>11</i>	–	113,341
Deferred tax assets		399,200	513,181
		<hr/>	<hr/>
Total non-current assets		7,664,948	7,474,467
CURRENT ASSETS			
Prepaid land lease payments		–	4,540
Inventories		25,255	36,840
Trade receivables	<i>11</i>	3,147,902	4,866,395
Prepayments, deposits and other receivables		163,526	226,136
Derivative financial asset		–	24
Restricted bank deposits		46,214	55,687
Cash and cash equivalents		69,650	58,153
		<hr/>	<hr/>
Total current assets		3,452,547	5,247,775
CURRENT LIABILITIES			
Trade payables	<i>12</i>	86,186	91,739
Other payables and accruals	<i>13</i>	5,329,135	5,782,782
Derivative financial liabilities		–	1
Other borrowings	<i>14</i>	1,684,354	2,962,525
Loans from related parties	<i>15</i>	218,670	125,398
Convertible bonds		–	48,879
Unsecured bonds and notes	<i>16</i>	467,745	747,777
Tax payable		259,671	236,353
		<hr/>	<hr/>
Total current liabilities		8,045,761	9,995,454
		<hr/>	<hr/>
NET CURRENT LIABILITIES		(4,593,214)	(4,747,679)
TOTAL ASSETS LESS CURRENT LIABILITIES			
		<hr/> 3,071,734 <hr/>	<hr/> 2,726,788 <hr/>

		30 June 2019	31 December 2018
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Audited)
NON-CURRENT LIABILITIES			
Other payables and accruals	<i>13</i>	143,587	212,772
Other borrowings	<i>14</i>	2,044,830	–
Loans from related parties	<i>15</i>	375,431	448,816
Unsecured bonds and notes	<i>16</i>	1,452,411	1,174,947
		<hr/>	<hr/>
Total non-current liabilities		4,016,259	1,836,535
		<hr/>	<hr/>
NET ASSETS/(LIABILITIES)		(944,525)	890,253
		<hr/> <hr/>	<hr/> <hr/>
CAPITAL AND RESERVES			
Share capital	<i>17</i>	71,492	71,492
Reserves		(1,016,017)	818,761
		<hr/>	<hr/>
TOTAL EQUITY/(DEFICIENCY IN ASSETS)		(944,525)	890,253
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NOTES TO INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019

1. CORPORATE 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 period, 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 (“**Inventive Star**”), 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\$1,879,944,000 for the six months ended 30 June 2019 and had net current liabilities of HK\$4,593,214,000, net liabilities of HK\$944,525,000 and capital commitments of approximately HK\$522,792,000 as at 30 June 2019, 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) subsequent to the end of the reporting period, the Company has raised new unsecured loans for an aggregate amount of approximately HK\$673,287,000 from independent third parties. Except for a loan principal of HK\$50,000,000 which is repayable in October 2019, all the loans are repayable in July 2020 or after;
- (b) subsequent to the end of the reporting period, on 22 August 2019, Inventive Star has issued a deed pursuant to which Inventive Star has agreed that, under all conditions, the Company shall have the sole discretion to determine the redemption dates of the unsecured notes with an aggregate outstanding principal amounts of HK\$1,263,301,000, together with the interest accrued thereon of HK\$136,523,000, issued to Inventive Star, which were originally due for redemption in February and March 2021. Accordingly, these amounts will be reclassified into perpetual loans under the Company and the Group’s Reserves in the Consolidated Statement of Financial Position from the date of the agreement;
- (c) on 8 July 2019, Inventive Star entered into a contract with Guan Lian Capital Holdings Group Limited (“**Guan Lian Capital**”), an independent third party, pursuant to which Inventive Star has granted rights to Guan Lian Capital to purchase 14,000,000,000 shares of the Company, representing 9.79% of the issued shares of the Company. Inventive Star has also undertaken that the proceeds from the shares’ disposal will be offered as loans to the Company upon completion of transaction. Further details are disclosed in the Company’s announcement dated 8 July 2019;
- (d) as at the end of the reporting period, the Company has unutilised credit facility of US\$400,000,000 (equivalent to HK\$3,125,000,000) from an independent third party for its working capital needs. The total facility amount is US\$500,000,000 (equivalent to HK\$3,906,250,000), of which an amount of US\$100,000,000 (equivalent to HK\$781,250,000) was drawn down as at the end of the reporting period;

- (e) in addition to the arrangement as disclosed in notes (b) and (c) above, Inventive Star and other related parties have undertaken 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 will consider other financing arrangements with a view to increasing the Group's capitalisation/equity; and
- (g) the management will consider to refinance and/or roll-over the Group's existing loans with a view to improving the Group's liquidity.

Further details are set out in note 19 for events after the reporting period.

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 the interim financial information.

2.2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited interim condensed consolidated financial information for the six months ended 30 June 2019 has been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange and Hong Kong Accounting Standard (“**HKAS**”) 34 “*Interim Financial Reporting*” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”).

The unaudited interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2018.

The unaudited interim condensed consolidated financial information has been prepared under the historical cost convention, except for equity investments designated at fair value through other comprehensive income (“**FVOCI**”) and derivative financial instruments, which have been measured at fair value. This unaudited interim condensed consolidated 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 accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2018, except for the adoption of the new and revised HKFRSs effective as of 1 January 2019.

Amendments to HKFRS 9	<i>Prepayment Features with Negative Compensation</i>
HKFRS 16	<i>Leases</i>
Amendments to HKAS 19	<i>Plan Amendment, Curtailment or Settlement</i>
Amendments to HKAS 28	<i>Long-term Interests in Associates and Joint Ventures</i>
HK (IFRIC)-Int 23	<i>Uncertainty over Income Tax Treatments</i>
<i>Annual Improvements to 2015–2017 Cycle</i>	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Other than as explained below regarding the impact of HKFRS 16 *Leases* and HK(IFRIC)-Int 23 *Uncertainty over Income Tax Treatments*, the new and revised standards are not relevant to the preparation of the Group's interim condensed consolidated financial information. The nature and impact of the new and revised HKFRSs are described below:

- (a) HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases-Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have any financial impact on leases where the Group is the lessor.

The Group adopted HKFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of accumulated losses at 1 January 2019, and the comparative information for 2018 was not restated and continues to be reported under HKAS 17.

New definition of a lease

Under HKFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their stand-alone prices. A practical expedient is available to a lessee not to separate non-lease components and to account for the lease and the associated non-lease components (e.g., property management services for leases of properties) as a single lease component.

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for various items of property and aircraft. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low value assets (elected on a lease by lease basis) and short-term leases (elected by class of underlying asset). The Group has elected not to recognise right-of-use assets and lease liabilities for (i) leases of low-value assets; and (ii) leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

Impacts on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and included in other borrowings.

The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019. All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position. This includes the lease assets recognised previously under prepaid land lease payments of HK\$182,832,000.

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 January 2019:

- Applied the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application.
- Used hindsight in determining the lease term where the contract contains options to extend/terminate the lease
- Used a single discount rate to portfolio of leases with reasonably similar characteristics
- Excluded the initial direct costs from the measurement of the right-of-use asset at date of initial application

The impacts arising from the adoption of HKFRS 16 as at 1 January 2019 are as follows:

	Increase/ (decrease) <i>HK\$'000</i> (Unaudited)
Assets	
Increase in right-of-use assets	268,892
Decrease in prepaid land lease payments	(182,832)
Decrease in property, plant and equipment	(9,823)
	<u>76,237</u>
Increase in total assets	<u><u>76,237</u></u>
Liabilities	
Increase in other borrowings	<u>76,237</u>
Increase in total liabilities	<u><u>76,237</u></u>

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 is as follows:

	<i>HK\$'000</i> (Unaudited)
Operating lease commitments as at 31 December 2018	137,907
Weighted average incremental borrowing rate as at 1 January 2019	<u>12%</u>
Discounted operating lease commitments as at 1 January 2019	86,502
Less: Commitments relating to short-term leases and those leases with a remaining lease term ending on or before 31 December 2019	(18,655)
Payments for optional extension periods not recognised as at 31 December 2018	<u>8,390</u>
Lease liabilities as at 1 January 2019	<u><u>76,237</u></u>

- (b) HK(IFRIC)-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as “**uncertain tax positions**”). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. The interpretation did not have any significant impact on the Group’s interim condensed consolidated financial information.

2.4 ISSUED BUT NOT YET EFFECTIVE HKFRSs

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective for the current reporting period.

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 is not presented since all of the Group's revenue was derived from the Island of Saipan, where the Group provides the services to its 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 interim financial information.

4. REVENUE

The Group's revenue is as follows:

	For the six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
VIP gaming operations	254,705	2,033,042
Mass gaming operations	97,757	124,408
Slot machines and Electronic Table Game (“ETG”) gaming operations	30,058	32,698
Food and beverage	16,918	24,647
	399,438	2,214,795

5. LOSS BEFORE TAX

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

	For the six months ended 30 June	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Cost of inventories sold*	4,491	11,998
Business gross revenue tax (“ BGRT ”)*	19,554	179,155
Depreciation of property, plant and equipment	114,160	76,802
Depreciation of right-of-use assets	18,110	–
Amortisation of prepaid land lease payments	–	2,964
Casino licence fees*	58,822	58,791
Minimum lease payments under operating leases	–	45,306
Rental expense of short-term leases	10,958	–
Foreign exchange differences, net	(35,431)	21,968
Loss on disposal/write-off of items of property, plant and equipment**	446	1,333
Fair value loss/(gain) on derivative financial instruments, net**	23	(193)
Dividend income from equity investments designated at FVOCI**	(729)	(538)
Staff costs (including directors' remuneration):		
Salaries, bonus and allowances***	262,054	376,125
Retirement benefits scheme contributions	789	1,231
Total staff costs	262,843	377,356
Compensation received from insurance claims**	(7,686)	–

* Included in “Cost of sales” on the face of the condensed consolidated statement of profit or loss and other comprehensive income.

** Included in “Other income, gains and losses, net” on the face of the condensed consolidated statement of profit or loss and other comprehensive income.

*** Staff costs of HK\$128,774,000 (six months ended 30 June 2018: HK\$78,217,000) included in the above were capitalised under property, plant and equipment.

6. FINANCE COSTS

An analysis of finance costs is as follows:

	For the six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest on lease liabilities	4,726	–
Interest on other borrowings and loans from related parties	222,810	133,035
Interest on unsecured bonds and notes	79,727	75,616
Interest on convertible bonds and notes	2,091	2,043
	<u>309,354</u>	<u>210,694</u>
Less: Interest capitalised*	<u>(139,387)</u>	<u>(98,019)</u>
	<u><u>169,967</u></u>	<u><u>112,675</u></u>

* The borrowing costs have been capitalised at the weighted average rate of 9.96% for the six months ended 30 June 2019 (six months ended 30 June 2018: 9.34%).

7. INCOME TAX

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 six months ended 30 June 2019 and 2018. Income tax provision for the six months ended 30 June 2019 and 2018 represents income tax on casino operations for the subsidiaries operating in the CNMI, which is calculated at the applicable tax rates for the six months ended 30 June 2019 and 2018.

	For the six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax — CNMI		
Charge for the period	–	34,543
Deferred tax		
Credit for the period	(151,370)	(123,853)
Impairment of deferred tax assets	264,309	–
	<u>112,939</u>	<u>(89,310)</u>

8. INTERIM DIVIDEND

No dividend was paid or proposed by the Company for the six months ended 30 June 2019 and 2018.

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

The calculation of the basic earnings/(loss) per share amounts for the period is based on the profit/(loss) for the period attributable to owners of the Company, and the weighted average number of ordinary shares of approximately 142,984,808,000 (six months ended 30 June 2018: approximately 142,984,808,000) in issue during the period.

No adjustment had been made to the basic loss per share amount presented for the period ended 30 June 2019 in respect of a dilution as the impact of the share options, convertible bonds had an anti-dilutive effect on the basic loss per share amount presented.

The calculation of the diluted earnings per share amount for the six months ended 30 June 2018 was based on the profit for the period attributable to owners of the Company, adjusted to reflect the effect of the deemed exercise of or conversion of all dilutive potential ordinary shares into ordinary shares. The weighted average number of ordinary shares used in the calculation was the number of ordinary shares in issue during the period, 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 the basic and diluted earnings/(loss) per share are based on:

	For the six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Earnings		
Profit/(loss) attributable to owners of the Company, used in the basic and diluted earnings/(loss) per share calculation	<u>(1,879,944)</u>	<u>78,977</u>
	Number of shares	
	2019	2018
	'000	'000
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings/(loss) per share calculation	142,984,808	142,984,808
Effect of dilution — weighted average number of ordinary shares:		
Share options	–	3,856
Convertible notes (<i>note</i>)	–	<u>128,000,000</u>
Weighted average number of ordinary shares in issue during the period used in the diluted earnings/(loss) per share calculation	<u>142,984,808</u>	<u>270,988,664</u>

Note: The impact of the convertible notes issued on 19 March 2014 had a dilutive effect on the basic earnings per share amount presented for the six months ended 30 June 2018. Convertible bonds issued on 27 June 2017 (“**CB 2017**”) had no dilutive effect on the basic earnings per share amount presented as the exercise prices of CB 2017 were higher than the average market price of the ordinary shares of the Company during the period ended 30 June 2018.

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2019, the Group acquired items of property, plant and equipment of HK\$529,241,000 (six months ended 30 June 2018: HK\$311,858,000).

11. TRADE RECEIVABLES

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

	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
Within 1 month	16,181	87,670
More than 1 month but within 3 months	85,753	250,375
More than 3 months but within 6 months	157,255	698,009
More than 6 months but within 1 year	922,149	2,893,206
More than 1 year	7,985,466	5,740,637
	9,166,804	9,669,897
Impairment	(6,018,902)	(4,690,161)
	3,147,902	4,979,736
Less: non-current portion	–	(113,341)
Current portion	3,147,902	4,866,395

12. 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:

	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
Within 1 month	6,455	6,090
More than 1 month but within 3 months	5,414	16,381
More than 3 months but within 6 months	10,609	35,715
More than 6 months but within 1 year	40,951	28,704
More than 1 year	22,757	4,849
	86,186	91,739

13. OTHER PAYABLES AND ACCRUALS

	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
Deposits received	460,776	550,103
Patron deposits and other gaming liabilities	2,294,692	2,846,612
Loyalty program liabilities	230,475	233,819
Outstanding chips liabilities	4,915	4,847
BGRT payable	46,932	27,378
Construction related payables	1,252,783	1,308,605
CN 2015 payable	23,400	23,400
Provision for regulatory matters	63,435	65,792
Other payables and accruals	<u>1,095,314</u>	<u>934,998</u>
	5,472,722	5,995,554
Less: Non-current portion	<u>(143,587)</u>	<u>(212,772)</u>
Current portion	<u>5,329,135</u>	<u>5,782,782</u>

14. OTHER BORROWINGS

An analysis of other borrowings is as follows:

	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
Lease liabilities	64,411	–
Other interest-bearing loans	<u>3,664,773</u>	<u>2,962,525</u>
	3,729,184	2,962,525
Less: Non-current portion	<u>(2,044,830)</u>	<u>–</u>
Current portion	<u>1,684,354</u>	<u>2,962,525</u>

At the end of the reporting period, the Group's other interest-bearing loans were repayable as follows:

	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
Within 1 year or on demand	1,638,935	1,657,080
In the second year (<i>note</i>)	882,029	952,925
In the third to fifth years (<i>note</i>)	<u>1,143,809</u>	<u>352,520</u>
	3,664,773	2,962,525
Less: Non-current portion (<i>note</i>)	<u>(2,025,838)</u>	<u>–</u>
Current portion	<u>1,638,935</u>	<u>2,962,525</u>

The other interest-bearing loans are unsecured, interest-bearing at 8%–18% (31 December 2018: 6%–15%) per annum.

Note:

As at 31 December 2018, for the other interest-bearing loans included in current liabilities, HK\$952,925,000 and HK\$352,520,000 are repayable in 2020 and 2021, respectively. 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 this event of default, these lenders could have demanded for immediate repayment of these loans. Notwithstanding that the Group had not received any notice of default/demand for the accelerated repayment for any of these loan amounts up to the date of issuance of the Group's consolidated financial statements for the year ended 31 December 2018 and despite the aggregate amount of HK\$1,305,445,000 is repayable after 2019, they had all been included in current liabilities as at 31 December 2018.

As at 30 June 2019, the loan amounts have been classified into their contractual repayment periods as the lenders have agreed to grant the waiver for any event of default as stipulated in the relevant loan agreements.

15. LOANS FROM RELATED PARTIES

At the end of the reporting period, the maturity profile of loans from related parties, based on the scheduled repayment dates set out in the loan agreements, is as follows:

	30 June 2019 <i>HK\$'000</i> (Unaudited)	31 December 2018 <i>HK\$'000</i> (Audited)
Within 1 year or on demand	218,670	125,398
In the second year	137,160	248,000
In the third to fifth years	238,271	200,816
	594,101	574,214
Less: Non-current portion	(375,431)	(448,816)
Current portion	218,670	125,398

Except for certain loan amount of HK\$297,431,000 (31 December 2018: HK\$238,816,000) that is interest-free and carried at amortised cost with an effective interest rate of 8% per annum, all loans from related parties are unsecured, interest-bearing at 7.5%–12% (31 December 2018: 7.5%–12%) per annum.

16. UNSECURED BONDS AND NOTES

	30 June 2019			31 December 2018			
	Notes	Effective interest rate (%)	Maturity	HK\$'000 (Unaudited)	Effective interest rate (%)	Maturity	HK\$'000 (Audited)
Current:							
— 2017 Notes — 8.5%	(a)	8.65	2020	467,745	—	—	—
— Promissory notes		—	—	—	0–12	2019	117,757
				<u>467,745</u>			<u>117,757</u>
Repayable in the second year							
— 2017 Notes — 8.5%	(a)	—	—	—	8.65	2020	547,136
— 2017 Bonds AI — 5.25%	(a)	—	—	—	9.53	2020	12,555
				—			<u>559,691</u>
Repayable in the third to fifth years, inclusive							
— 2018 Bonds AAI — 5.25%	(a)	—	—	—	9.53	2021	23,234
— 2017 Bonds AII — 6.0%	(a)	—	—	—	9.56	2022	13,497
— 2018 Bonds AAI — 6.0%	(a)	—	—	—	9.56	2022	6,193
				—			<u>42,924</u>
Repayable beyond five years							
— 2017 Bonds B — 6.0%	(a)	—	—	—	9.56	2025	23,298
— 2018 Bonds BB — 6.0%	(a)	—	—	—	9.56	2025	4,107
				—			<u>27,405</u>
				<u>467,745</u>			<u>747,777</u>
Non-current:							
Repayable in the second year							
— 2017 Notes — 7.8%		7.8	2021	1,172,043			
— 2017 Notes — 8.5%		8.65	2021	78,418	—	—	—
— 2017 Bonds AI — 5.25%		9.53	2020	12,803	—	—	—
— 2018 Bonds AAI — 5.25%		9.53	2021	23,678	—	—	—
— Promissory notes		0–12	2021	117,757	—	—	—
				<u>1,404,699</u>			—
Repayable in the third to fifth years, inclusive							
— 2017 Bonds AII — 6.0%		9.56	2022	13,702	—	—	—
— 2018 Bonds AAI — 6.0%		9.56	2022	6,280	—	—	—
— 2017 Notes — 7.8%	(b)	—	—	—	7.8	2021	1,174,947
				<u>19,982</u>			<u>1,174,947</u>
Repayable beyond five years							
— 2017 Bonds B — 6.0%		9.56	2025	23,575	—	—	—
— 2018 Bonds BB — 6.0%		9.56	2025	4,155	—	—	—
				<u>27,730</u>			—
				<u>1,452,411</u>			<u>1,174,947</u>

Notes:

- (a) As at 31 December 2018, included in the amounts were unsecured notes with an aggregate principal amount of HK\$637,380,000 that were repayable in 2020 or after. These notes 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 note holders could have demanded for immediate repayment of these notes. Despite these notes were repayable in 2020 or after, the aggregate carrying amount of HK\$630,020,000 had been included in current liabilities as at 31 December 2018.

As at 30 June 2019, the unsecured notes amounts have been classified into their contractual repayment periods as the lenders have agreed to grant the waiver for any event of default as stipulated in the relevant loan agreements.

- (b) As at 31 December 2018, 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 had continued to be classified as non-current liabilities in accordance with the original notes' maturity dates because Inventive Star had agreed to waive any notice of default, to continue providing financial support to the Group and would not demand repayment of any amounts owed by the Group until it is in a position to repay without impairing its financial condition.

17. SHARE CAPITAL

	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
Authorised:		
300,000,000,000 ordinary shares of HK\$0.0005 each	<u>150,000</u>	<u>150,000</u>
Issued and fully paid:		
142,984,807,678 ordinary shares of HK\$0.0005 each	<u>71,492</u>	<u>71,492</u>

18. 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 30 June 2019, 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, court costs and other fees.

In the opinion of the Directors, after taking into account of the respective legal advice, 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 the interim 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 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**”), a subsidiary of the Company, was subject to a routine BSA compliance examination conducted by the Internal Revenue Service (“**IRS**”). During the period ended 30 June 2019, the IRS issued a report with preliminary findings on IPI’s anti-money laundering compliance. IPI, with the advices from its external legal and other professional advisers, has submitted the response to the IRS during the period. 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 approval of this interim results announcement, apart from where expressly stated above, the Group is a party to a number of civil litigation cases, as 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 to the Group’s results or financial position. In the opinion of the Directors, adequate provision has been made in this interim financial information.

19. EVENTS AFTER THE REPORTING PERIOD

- (a) From July 2019 and up to the date of approval of the interim results announcement, the Company has raised unsecured loans which are interest-bearing at 8%-15% per annum in an aggregate amount of approximately HK\$673,287,000 from independent third parties. Except for a loan principal of HK\$50,000,000 which is repayable in October 2019, all the loans are repayable in July 2020 or after;
- (b) On 10 July 2019, the Group entered into a sale and purchase agreement with First Sinopan International Limited, an independent third party incorporated in Hong Kong with limited liability, to acquire 50% equity interest in American Sinopan LLC (“**American Sinopan**”) at a total consideration of United States Dollars (“**US**”) US\$23,653,000 (equivalent to HK\$184,494,000). For details of the acquisition of American Sinopan, please refer to the announcement of the Company dated 10 July 2019; and
- (c) On 22 August 2019, Inventive Star issued a deed pursuant to which Inventive Star has agreed that the Company shall have the sole discretion to determine the redemption dates of the unsecured notes with an aggregate outstanding principal amounts of HK\$1,263,301,000, together with the interest accrued thereon of HK\$136,523,000, issued to Inventive Star, which were originally due for redemption in February and March 2021.

20. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform with the current period’s presentation and disclosures.

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, an indirect wholly-owned subsidiary of the Company, and the CNMI entered into a casino license agreement (as amended) in respect of the exclusive casino resort developer license for the Island of Saipan pursuant to which the Casino Resort Developer License was granted subject to the terms and conditions as stipulated therein.

Imperial Palace • Saipan

On 6 July 2017, the casino portion of Imperial Palace • Saipan commenced operation (with maximum capacity of up to 193 tables and 365 slot machines upon completion of Imperial Palace • Saipan).

During the six months ended 30 June 2019, unaudited VIP table games rolling of United States Dollars (“US\$”) 1,063 million (equivalent to approximately HK\$8,336 million) (six months ended 30 June 2018: HK\$100,284 million) was generated from the operations of Imperial Palace • Saipan, both the VIP table games, rolling and gross revenue showing a decline compared to the first half of last year due to adverse market conditions and tightening market credits.

Major global construction companies, consulting firms, design and engineering firms as well as local sub-contractors are engaged. As at 30 June 2019, approximately US\$828 million (equivalent to approximately HK\$6,494 million) (31 December 2018: US\$792 million, equivalent to approximately HK\$6,218 million) has been invested in design, consulting, engineering, construction material and labour. The lack of the labour situation has been ameliorated tremendously during the period, we have secured adequate labour supply from the Philippines and Taiwan to ensure the need of the construction.

BUSINESS OUTLOOK

Integrated Resort Development

Imperial Palace • 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. It will be partially opened on or before 30 September 2019.

We expect to commence collaboration with gaming promoters. 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.

Visitation and hotel industry were on the fast track of recovery from the aftermath of super Typhoon Yutu in October 2018. Hotel occupancy and room rates remained high; according to the Hotel Association of the Northern Mariana Islands, for first half of the calendar year of 2019, average hotel rates kept high at US\$149.26 per night with average hotel occupancy rates of 83.43%, representing a slight decline of US\$3.85 (or 2.51%) and 3.48% respectively compared to the same period of 2018. We currently have 3 villas and 4 yachts in place as well as hotel rooms secured from local high-quality hotels to provide premium accommodations to our VIP customers. We also expect the successional opening of villas and hotel rooms of Imperial Palace • Saipan will to a great extent enhance our capacity to better accommodate patrons.

According to the Mariana's Visitors Authority, for the first half of the calendar year of 2019, though total visitors to the CNMI declined by 24.4% to 230,223, monthly visitations have been growing steadily for the last seven months and June 2019 marked the best monthly performance since super Typhoon Yutu. Visitors from China and Korean remained the anchor markets of CNMI's visitation. In spite of the rising RMB-USD exchange rate, China still took its position as the top-performing market with market share of 46.8% over Korea's 41.6%. Continued growth is expected for the second half of the year from China due to the robust outbound visitation and Golden Week holiday, as well as from Korea as Jeju Air, a leading low-cost carrier in Korea, has decided to add more flights from Incheon to Saipan to target the coming peak season.

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

Debt/Equity Fund Raising and Refinancing

The Company has recently collaborated with a financial institution, whereby the financial institution will invest by lending a total sum of US\$500,000,000 in the development of the Company's Saipan phase I integrated resort project, of which the first tranche of US\$100,000,000 has already been made as of 15 May 2019.

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 identified any concrete fund raising opportunities.

FINANCIAL REVIEW

For the six months ended 30 June 2019, the Group achieved revenue of approximately HK\$399 million which is principally contributed by the casino gaming operations. Loss attributable to owners of the Company for the six months ended 30 June 2019 of approximately HK\$1,880 million, as compared with the profit attributable to owners of approximately HK\$79 million in the corresponding period of last year. Basic and diluted loss per share were HK1.31 cents and HK1.31 cents respectively, as compared with basic and diluted earnings per share of HK0.06 cent and HK0.03 cent respectively in the corresponding period of last year.

Casino Gaming Operations

The following table set forth the results of the casino gaming operations for the six months ended 30 June 2019 and 2018:

	For the six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
(in thousands, except for number of gaming tables and slot machines and ETG and percentage)		
Average number of VIP gaming tables in operation	14	30
VIP table games rolling	8,336,136	100,283,756
VIP gross table games win	380,974	3,420,358
VIP table games win percentage	4.57%	3.41%
Average number of Mass Gaming tables in operation	26	48
Mass games drop	324,308	387,624
Mass games gross table games win	97,757	124,408
Mass games win percentage	30.14%	32.10%
Average number of slot machines and ETG in operation	300	246
Slot machines and ETG handle	444,601	520,230
Slot machines and ETG gross win	30,058	32,698
Slot machines and ETG hold percentage	6.76%	6.29%
Commissions	106,730	1,292,956

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 utilised 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 campaigns.

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 new licensed junket operator since August 2016. The establishment of a new licensed junket incentive allowed the Group to bring in new players which mitigated the Group's credit concerns.

VIP rolling chip volume reached approximately HK\$8,336 million (six months ended 30 June 2018: HK\$100,284 million) for the first six months of 2019. VIP gaming revenue was approximately HK\$255 million (six months ended 30 June 2018: HK\$2,033 million) with a win percentage of 4.57% (2018: 3.41%). 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 approximately HK\$9,167 million (31 December 2018: HK\$9,670 million) from VIP gaming operations for the period ended 30 June 2019. 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 economic outlook and business conditions and provision for impairment was made on certain customers' trade receivables as follows:

- (i) as at 30 June 2019, the provision for impairment of trade receivables due from the Group's largest and the ten largest customers amounted to approximately HK\$1,090 million and approximately HK\$2,483 million (31 December 2018: HK\$657 million and HK\$1,922 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 30 June 2019, the provision for impairment of trade receivables due from the remaining customers of the Group amounted to approximately HK\$3,536 million (31 December 2018: HK\$2,768 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 condensed consolidated statement of profit or loss and other comprehensive income for the period ended 30 June 2019 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 six months ended 30 June 2019, revenue from mass gaming operations amounted to approximately HK\$98 million (six months ended 30 June 2018: HK\$124 million) and mass gaming drop reached approximately HK\$324 million (six months ended 30 June 2018: HK\$388 million). 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 maximise table utilisation, to expand or refurbish 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 approximately HK\$30 million (six months ended 30 June 2018: HK\$33 million) and hold percentage reached 6.76% (2018: 6.29%) for the six months ended 30 June 2019.

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

Cost of Sales

Cost of sales for the six months ended 30 June 2019 was approximately HK\$120 million (six months ended 30 June 2018: HK\$262 million) which comprise principally the direct casino costs such as half year casino license fee of US\$7.5 million (equivalent to approximately HK\$58.8 million) (six months ended 30 June 2018: HK\$58.8 million) and Saipan's business gross revenue tax of US\$2.5 million (equivalent to approximately HK\$19.6 million) (six months ended 30 June 2018: HK\$179.2 million).

Other income, gains and losses

Other gains and losses for the six months ended 30 June 2019 mainly represents compensation received from insurance claims approximately HK\$8 million (six months ended 30 June 2018: Nil).

Operating expenses

Operating expenses, excluding impairment of trade receivables, decreased to approximately HK\$523 million. The decrease is mainly attributable to a decrease in staff costs of approximately HK\$165 million, a decrease in professional fee of approximately HK\$95 million, a decrease in rental expenses of approximately HK\$35 million and a decrease in other operating expenses of approximately HK\$67 million, whereas depreciation and amortisation increased by approximately HK\$53 million during the six months ended 30 June 2019.

Adjusted EBITDA

The following table reconciles Adjusted EBITDA to its most directly comparable HKFRSs measurement, profit/(loss) attributable to owners of the Company, for the six months ended 30 June 2019 and 2018.

	For the six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Profit/(loss) for the period attributable to the owners of the Company	(1,879,944)	78,977
Add/(less):		
Depreciation	132,270	76,802
Amortisation of prepaid land lease payments	–	2,964
Casino license fees	58,822	58,791
Fair value loss/(gain) on derivative financial instruments, net	23	(193)
Finance costs	169,967	112,675
Taxes	132,493	89,845
Share-based payments	5,906	8,649
Net foreign currency differences	(35,431)	21,968
Adjusted EBITDA (<i>Note</i>) (unaudited)	<u>(1,415,894)</u>	<u>450,478</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 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 six months period ended 30 June 2019 that should be notified to the shareholders of the Company.

Regarding the acquisition of American Sinopan subsequent to 30 June 2019, please refer to the announcement of the Company dated 10 July 2019 for details.

Capital expenditure

The Group incurred capital expenditure of approximately HK\$529 million (31 December 2018: HK\$1,196 million) during the six months ended 30 June 2019, mainly for construction of the Imperial Palace • 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:

	30 June 2019	31 December 2018
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Net debt	<u>6,173,791</u>	<u>5,450,189</u>
Total equity/(deficiency in assets)	<u>(944,525)</u>	<u>890,253</u>
Capital and net debt	<u>5,229,266</u>	<u>6,340,442</u>
Gearing ratio	<u>118.1%</u>	<u>86.0%</u>

Capital structure

During the six months ended 30 June 2019, there was no change to the authorised and issued share capital of the Company.

As at 30 June 2019, the total number of the issued ordinary shares with the par value of HK\$0.0005 each was 142,984,807,678 (31 December 2018: 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 30 June 2019, the Group had capital commitments of approximately HK\$523 million (31 December 2018: HK\$458 million).

Contingent Liabilities

Save as disclosed in note 18 of this interim result announcement, the Group did not have any other significant contingent liabilities as at 30 June 2019.

Pledge of Assets

As at 30 June 2019, the Group pledged an item of property, plant and equipment with a carrying amount of HK\$113 million (31 December 2018: Nil), as a security for an interest-bearing loan with a carrying amount of HK\$62 million (31 December 2018: Nil).

EXTRACT OF INDEPENDENT REVIEW REPORT ON THE INTERIM FINANCIAL INFORMATION

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Material uncertainty related to going concern

We draw attention to note 2.1 to the interim financial information which indicates that the Group incurred a net loss of HK\$1,879,944,000 during the six-month period ended 30 June 2019 and, as of that date, had net current liabilities of HK\$4,593,214,000, net liabilities of HK\$944,525,000 and capital commitments of HK\$522,792,000 as disclosed in note 20 to the interim financial information. 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 review conclusion is not modified in respect of this matter.

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 period.

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 six months ended 30 June 2019, 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 2019. 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.

DIVIDEND

No dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: 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 condensed consolidated financial statements for the six months ended 30 June 2019 have been reviewed and approved by the Audit Committee.

REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The Group’s unaudited interim condensed consolidated financial information for the six months ended 30 June 2019 has been reviewed by the Audit Committee of the Company and by the Company’s independent auditor in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA.

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

Hong Kong, 29 August 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\$7.843 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.