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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 2019

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 2019, together with comparative figures for the corresponding year of 2018 as follows:

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

Year ended 31 December 2019

	<i>Notes</i>	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Revenue	4	539,266	3,254,587
Cost of sales		(219,456)	(339,512)
Gross profit		319,810	2,915,075
Other income, gains and losses, net		29,134	(25,788)
Selling and marketing expenses		(14,032)	(27,834)
Operating and administrative expenses		(1,164,696)	(1,651,920)
Impairment losses recognised for trade receivables, net		(2,322,910)	(4,355,689)
Share-based payments		(6,805)	(17,298)
Finance costs	6	(362,974)	(257,857)
Share of loss of a joint venture		(4,852)	–
LOSS BEFORE TAX	5	(3,527,325)	(3,421,311)
Income tax credit/(expense)	7	(376,945)	456,288
LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY		<u>(3,904,270)</u>	<u>(2,965,023)</u>

	<i>Note</i>	2019 HK\$'000	2018 HK\$'000
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>(28,464)</u>	<u>4,006</u>
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods		<u>(28,464)</u>	<u>4,006</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>(9,998)</u>	<u>(63,993)</u>
Net other comprehensive loss that will not be reclassified to profit or loss in subsequent periods		<u>(9,998)</u>	<u>(63,993)</u>
OTHER COMPREHENSIVE LOSS FOR THE YEAR		<u>(38,462)</u>	<u>(59,987)</u>
TOTAL COMPREHENSIVE LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY		<u>(3,942,732)</u>	<u>(3,025,010)</u>
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	9		
Basic and diluted		<u>HK(2.73) cents</u>	<u>HK(2.07) cents</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2019

	<i>Notes</i>	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		7,317,813	6,447,398
Prepaid land lease payments		–	178,292
Investment in a joint venture		149,283	–
Prepayments, deposits and other receivables		29,069	203,784
Equity investments designated at fair value through other comprehensive income		8,473	18,471
Trade receivables	<i>10</i>	–	113,341
Deferred tax assets		–	513,181
		<hr/>	<hr/>
Total non-current assets		7,504,638	7,474,467
CURRENT ASSETS			
Prepaid land lease payments		–	4,540
Inventories		23,466	36,840
Trade receivables	<i>10</i>	2,124,660	4,866,395
Prepayments, deposits and other receivables		346,362	226,136
Derivative financial asset		–	24
Restricted bank deposit		44,621	55,687
Cash and cash equivalents		100,497	58,153
		<hr/>	<hr/>
Total current assets		2,639,606	5,247,775
CURRENT LIABILITIES			
Trade payables	<i>11</i>	77,023	91,739
Other payables and accruals	<i>12</i>	5,266,054	5,782,782
Derivative financial liabilities		–	1
Loans from related parties	<i>13</i>	–	125,398
Other borrowings	<i>14</i>	1,381,645	2,962,525
Convertible bonds		–	48,879
Unsecured bonds and notes	<i>15</i>	480,357	747,777
Loans from a joint venture		10,046	–
Tax payable		99,063	236,353
		<hr/>	<hr/>
Total current liabilities		7,314,188	9,995,454
NET CURRENT LIABILITIES		(4,674,582)	(4,747,679)
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		2,830,056	2,726,788

	<i>Notes</i>	2019 HK\$'000	2018 <i>HK\$'000</i>
NON-CURRENT LIABILITIES			
Other payables and accruals	<i>12</i>	418,157	212,772
Loans from related parties	<i>13</i>	–	448,816
Other borrowings	<i>14</i>	2,114,092	–
Unsecured bonds and notes	<i>15</i>	176,894	1,174,947
		<hr/>	<hr/>
Total non-current liabilities		2,709,143	1,836,535
		<hr/>	<hr/>
NET ASSETS		120,913	890,253
		<hr/> <hr/>	<hr/> <hr/>
CAPITAL AND RESERVES			
Share capital	<i>16</i>	71,492	71,492
Reserves		49,421	818,761
		<hr/>	<hr/>
Total equity		120,913	890,253
		<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

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 of the Company (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\$3,904,270,000 for the year ended 31 December 2019 and had net current liabilities of HK\$4,674,582,000 and capital commitments of HK\$544,960,000 as at 31 December 2019, and the expected impact from the coronavirus disease 2019 (“**COVID-19**”) pandemic, which has also resulted in the temporary closure of its casino operation in Saipan, as further disclosed in note 18(a) to this results announcement, 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 business 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 HK\$192,174,000 from independent third parties, which are repayable in 2021;
- (b) subsequent to the end of the reporting period, on 20 March 2020, the Company has entered into a deed of settlement with Hao Tian Development Group Limited, an independent third party and a note holder of the Company, to renew unsecured note amount of US\$30,000,000 (equivalent to HK\$233,670,000) and accrued interest of US\$2,550,000 (equivalent to HK\$19,862,000) outstanding as at 31 December 2019 which were originally due for redemption in January 2020. Pursuant to the deed of settlement, the refinanced note amount is US\$32,550,000 (equivalent to HK\$253,532,000), interest-bearing at 10.5% per annum and repayable in April 2021;
- (c) subsequent to the end of the reporting period, the Company has agreed with its lenders and another note holder to renew certain loan and note amounts of HK\$1,371,042,000 outstanding as at 31 December 2019 which were originally due for repayment in 2020, and extended the repayment tenure to 2021;
- (d) as at the end of the reporting period, the Company has unutilised credit facility of US\$350,000,000 (equivalent to HK\$2,726,150,000) from an independent third party. The total facility amount is US\$500,000,000 (equivalent to HK\$3,894,500,000), of which an amount of US\$150,000,000 (equivalent to HK\$1,168,350,000) was drawn down during the year and outstanding as at the end of the reporting period;
- (e) subsequent to the end of the reporting period, the Company has obtained certain unsecured credit facilities in an aggregate amount of HK\$1,290,000,000 from certain independent third parties;

- (f) Inventive Star and other related parties have undertaken to provide additional funding to finance the Group's operations and capital investments as and when necessary;
- (g) the management will consider other financing arrangements with a view to increasing the Group's capitalisation/equity; and
- (h) the management will continue to refinance and/or roll-over the Group's existing loans with a view to improving the Group's liquidity.

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.

Compliance with Casino License Agreement

As disclosed in the note 17(b) to this results announcement, the Group was subject to a Bank Secrecy Act (“**BSA**”) compliance examination during 2017 by the Financial Crimes Enforcement Network (“**FinCEN**”). Subsequent to the end of the reporting period, the Group received a letter from the FinCEN dated 4 March 2020, which requested the Group to provide certain information and documents relevant to compliance with the BSA requirements from October 2016 through the present. FinCEN has indicated in the letter that there were apparent violations of the BSA and its implementing regulations and it is considering whether to impose civil money penalty or take additional enforcement action against the Group. As of the date of approval of this results announcement, the Group is still in the process of preparing for the required information and documents. The Directors believe it is not practicable for the Company to accurately predict the resolution of this matter, including timing or any possible impact to the Group. Notwithstanding the aforesaid, the Directors have made a provision for the estimated civil money penalty in respect of the identified and potential violations, and the Group has been and is under normal operation, save for the temporary closure of its casino operation in Saipan due to the COVID-19 outbreak as further disclosed in note 18(a) to this results announcement. Based on the Group's external and internal legal counsel's advice, the Directors believe that the ongoing investigation would not result in a material breach (“**Material Breach**”) of the provisions of the Group's Casino License Agreement (“**CLA**”) or the Commonwealth Casino Commission (“**CCC**”)’s regulations.

However, should the above matter be construed as a Material Breach, the Group might then not be able 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 consolidated financial statements.

2.2 BASIS OF PREPARATION

This financial information has been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRS**”) (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. This financial information 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 consolidated financial statements.

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

Except for the amendments to HKFRS 9 and HKAS 19, and *Annual Improvements to HKFRSs 2015–2017 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the 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 to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles.

HKFRS 16 did not have any significant impact on leases when the Group is the lessor.

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

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.

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. 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 leases with a lease term of 12 months or less (“**short-term leases**”) (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 January 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

Impact 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 included in property, plant and equipment in the consolidated statement of financial position.

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

- Applying the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application
- Using 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

Financial impact at 1 January 2019

The impact arising from the adoption of HKFRS 16 at 1 January 2019 was as follows:

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

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

	<i>HK\$'000</i>
Operating lease commitments as at 31 December 2018	137,907
Less: Commitments relating to short-term leases and those leases with a remaining lease term ended on or before 31 December 2019	(31,242)
Add: Payments for optional extension periods not recognised as at 31 December 2018	8,390
	<u>115,055</u>
Weighted average incremental borrowing rate as at 1 January 2019	<u>12%</u>
Discounted operating lease commitments as at 1 January 2019	<u>76,237</u>
Lease liabilities as at 1 January 2019	<u><u>76,237</u></u>

- (b) Amendments to HKAS 28 clarify that the scope exclusion of HKFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies HKFRS 9, rather than HKAS 28, including the impairment requirements under HKFRS 9, in accounting for such long-term interests. HKAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The amendments did not have any impact on the financial position or performance of the Group.
- (c) 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 impact on the financial position or performance of the Group.

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 the Island of Saipan, where the Group provides the services to its customers. Over 90% 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\$71,487,000 (2018: HK\$1,274,585,000) was derived from a single external customer during the year.

4. REVENUE

The Group's revenue is as follows:

	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
VIP gaming operations	253,787	2,912,324
Mass gaming operations	186,381	208,920
Slot machines and Electronic Table Game (“ETG”) gaming operations	63,237	56,302
Food and beverage	35,861	77,041
	<u>539,266</u>	<u>3,254,587</u>

5. LOSS BEFORE TAX

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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Cost of inventories sold*	8,342	16,745
Business gross revenue tax (“BGRT”)*	26,075	163,878
Depreciation of property, plant and equipment	208,865	167,312
Depreciation of right-of-use assets	33,069	–
Amortisation of prepaid land lease payments	–	4,263
Casino licence fees*	119,192	117,578
Minimum lease payments under operating leases	–	84,804
Share-based payments	6,805	17,298
Employee benefit expenses (including directors' remuneration)		
Wages and salaries***	724,165	986,692
Pension scheme contributions	2,296	1,273
	<u>726,461</u>	<u>987,965</u>
Foreign exchange differences, net	(13,752)	18,035
Loss on disposal/write-off of property, plant and equipment, net**	807	26,999
Gain on termination of leases**	(232)	–
Bad debts recovery**	(18,281)	–
Compensation received from insurance claims**	<u>(9,901)</u>	<u>–</u>

* 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\$282,576,000 (2018: HK\$385,270,000) included in the above were capitalised under property, plant and equipment.

6. FINANCE COSTS

An analysis of finance costs is as follows:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Interest on lease liabilities	9,265	–
Interest on other borrowings and loans from related parties	472,383	301,235
Interest on convertible bonds and notes	2,091	4,167
Interest on unsecured bonds and notes	107,856	155,640
	<u>591,595</u>	<u>461,042</u>
Less: Interest capitalised*	<u>(228,621)</u>	<u>(203,185)</u>
	<u>362,974</u>	<u>257,857</u>

* The borrowing costs have been capitalised at the weighted average rate of 10.43% for the year ended 31 December 2019 (2018: 9.24%).

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 year (2018: Nil). No provision for the CNMI corporate income tax has been made on casino operations for the subsidiaries operating in the CNMI as the Group did not generate any assessable profits arising in the CNMI during the year (2018: Nil).

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Current tax — CNMI		
Over-provision in prior years	(135,529)	(449,172)
Deferred tax		
Credit for the year	(170,886)	(7,116)
Impairment of deferred tax assets	683,360	—
	<u> </u>	<u> </u>
Total tax charge/(credit) for the year	<u>376,945</u>	<u>(456,288)</u>

8. DIVIDENDS

No dividends have been paid or declared by the Company for the year ended 31 December 2019 (2018: Nil).

9. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of the basic loss per share amount is based on the loss for the year attributable to owners of the Company of HK\$3,904,270,000 (2018: HK\$2,965,023,000), and the weighted average number of ordinary shares of 142,984,807,678 (2018: 142,984,807,678) in issue during the year.

No adjustment had been made to the basic loss per share amounts presented for the years ended 31 December 2019 and 2018 in respect of a dilution as the impact of the share options and convertible bonds had an anti-dilutive effect on the basic loss per share amounts presented.

10. 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:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Within 1 month	20,921	87,670
More than 1 month but within 3 months	41,811	250,375
More than 3 months but within 6 months	60,855	698,009
More than 6 months but within 1 year	218,544	2,893,206
More than 1 year	8,743,573	5,740,637
	<u>9,085,704</u>	<u>9,669,897</u>
Impairment	<u>(6,961,044)</u>	<u>(4,690,161)</u>
	2,124,660	4,979,736
Less: Non-current portion	<u>–</u>	<u>(113,341)</u>
Current portion	<u><u>2,124,660</u></u>	<u><u>4,866,395</u></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:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Within 1 month	6,928	6,090
More than 1 month but within 3 months	6,089	16,381
More than 3 months but within 6 months	15,734	35,715
More than 6 months but within 1 year	12,455	28,704
More than 1 year	35,817	4,849
	<u>77,023</u>	<u>91,739</u>

12. OTHER PAYABLES AND ACCRUALS

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Patron deposits and other gaming liabilities	2,385,052	2,846,612
Deposits received	479,822	550,103
Loyalty program liabilities	232,451	233,819
Outstanding chip liabilities	4,857	4,847
BGRT payable	73,230	27,378
Construction related payables	1,230,451	1,308,605
CN 2015 payable	23,400	23,400
Provision for regulatory matters	203,449	65,792
Other payables and accruals	1,051,499	934,998
	<u>5,684,211</u>	<u>5,995,554</u>
Less: Non-current portion	(418,157)	(212,772)
	<u>5,266,054</u>	<u>5,782,782</u>

13. LOANS FROM RELATED PARTIES

At the end of the reporting period, the Group's loans from related parties were repayable as follows:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Within 1 year or on demand	–	125,398
In the second year	–	248,000
In the third to fifth years	–	200,816
	–	574,214
Less: Non-current portion	–	(448,816)
	–	125,398

During the year, certain related parties issued deeds pursuant to which these related parties have agreed that the Company shall have the sole discretion to determine the redemption dates of certain loans together with the interest accrued thereon. Accordingly, the loans were reclassified into perpetual loans under the Company and the Group's reserves in the statements of financial position from the date of the deeds.

As at 31 December 2018, except for a certain loan amount of HK\$238,816,000 which was interest-free and carried at amortised cost with an effective interest rate of 8% per annum, all loans from related parties were unsecured, interest-bearing at 7.5%–12% per annum.

On initial recognition, the interest-free loans were discounted using the effective interest rate and respective imputed interest was credited to equity as deemed capital contribution from a shareholder.

14. OTHER BORROWINGS

An analysis of other borrowings is as follows:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Lease liabilities	44,981	–
Other interest-bearing loans	3,450,756	2,962,525
	<u>3,495,737</u>	<u>2,962,525</u>
Less: Non-current portion	(2,114,092)	–
Current portion	<u>1,381,645</u>	<u>2,962,525</u>

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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Within 1 year or on demand (<i>note i</i>)	1,358,405	1,657,080
In the second year (<i>note ii</i>)	1,730,256	952,925
In the third to fifth years (<i>note ii</i>)	362,095	352,520
	<u>3,450,756</u>	<u>2,962,525</u>
Less: Non-current portion (<i>note ii</i>)	(2,092,351)	–
Current portion	<u>1,358,405</u>	<u>2,962,525</u>

During the year, an independent third-party issued a deed pursuant to which this independent third party has agreed that the Company shall have the sole discretion to determine the redemption dates of certain loans together with the interest accrued thereon. Accordingly, the loans were reclassified into perpetual loans under the Company and the Group's reserves in the statements of financial position from the date of the deed.

As at 31 December 2019, save for interest-bearing loan amounts of HK\$42,602,000 (2018: Nil) and HK\$1,168,350,000 (2018: Nil) which were secured by the Group's aircraft with a carrying amount of HK\$103,116,000 (2018: Nil) and the issued shares of a subsidiary of the Company (the relevant share charge arrangement has not been completed as of the date of issuance of this results announcement), and interest-bearing at floating rate of LIBOR + 4% per annum and fixed rate of 12% per annum, respectively, the remaining interest-bearing loans are unsecured, interest-bearing at 7%–13% (2018: 6%–15%) per annum.

As at 31 December 2019, an aggregate amount of HK\$685,086,000 (2018: HK\$605,925,000) included in the Group's other borrowings was pledged by certain patrons/guarantors who have guaranteed the repayment of the trade receivables due from some of the Group's patrons (the "Loan Guarantee"). In the opinion of the directors, based on independent legal advice, the Group has the enforceable right to set off the pledged loans against any irrecoverable trade receivables due from these patrons under the Loan Guarantee.

Notes:

- (i) As at 31 December 2018, the balance included other interest-bearing loans of HK\$586,850,000 and HK\$612,500,000 that were due to be repaid before 31 December 2018 and after 31 December 2018 up to the date of issuance of the Group's consolidated financial statements for the year ended 31 December 2018, respectively. During the year and up to the date of issuance of the Group's consolidated financial statements for the year ended 31 December 2018, save for loan amounts of HK\$350,000,000 and HK\$10,000,000 which had been subsequently repaid on 22 March 2019 and 24 March 2019, respectively, the Group had agreed with its lenders to extend the repayment tenure of the remaining loan amounts of HK\$839,350,000, which were overdue before these latest extension agreements, to the second half of 2019 or thereafter.
- (ii) As at 31 December 2018, for the other interest-bearing loans included in current liabilities, HK\$952,925,000 and HK\$352,520,000 were repayable in 2020 and 2021, respectively. These loan agreements had 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 this aggregate amount of HK\$1,305,445,000 was repayable after 2019, they had all been included in current liabilities as at 31 December 2018.

15. UNSECURED BONDS AND NOTES

	31 December 2019			31 December 2018		
	Effective interest rate (%)	Maturity	HK\$'000	Effective interest rate (%)	Maturity	HK\$'000
Current:						
— 2017 Notes — 8.5%	8.65	2020	467,290	—	—	—
— 2017 Bonds AI — 5.25%	9.53	2020	13,067	—	—	—
— Promissory notes	—	—	—	0–12	2019	117,757
			<u>480,357</u>			<u>117,757</u>
Repayable in the second year						
— 2017 Notes — 8.5%	—	—	—	8.65	2020	547,136
— 2017 Bonds AI — 5.25%	—	—	—	9.53	2020	12,555
			<u>—</u>			<u>559,691</u>
Repayable in the third to fifth years, inclusive						
— 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>—</u>			<u>42,924</u>
Repayable beyond five years						
— 2017 Bonds B — 6.0%	—	—	—	9.56	2025	23,298
— 2018 Bonds BB — 6.0%	—	—	—	9.56	2025	4,107
			<u>—</u>			<u>27,405</u>
			<u>480,357</u>			<u>747,777</u>
Non-current:						
Repayable in the second year						
— 2017 Notes — 8.5%	8.65	2021	77,880	—	—	—
— 2018 Bonds AAI — 5.25%	9.53	2021	24,151	—	—	—
— Promissory Notes	0–12	2021	26,499	—	—	—
			<u>128,530</u>			<u>—</u>
Repayable in the third to fifth years, inclusive						
— 2017 Bonds AII — 6.0%	9.56	2022	13,915	—	—	—
— 2018 Bonds AAII — 6.0%	9.56	2022	6,373	—	—	—
— 2017 Notes — 7.8% (note)	—	—	—	7.8	2021	1,174,947
			<u>20,288</u>			<u>1,174,947</u>
Repayable beyond five years						
— 2017 Bonds B — 6.0%	9.56	2025	23,871	—	—	—
— 2018 Bonds BB — 6.0%	9.56	2025	4,205	—	—	—
			<u>28,076</u>			<u>—</u>
			<u>176,894</u>			<u>1,174,947</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, which were 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 undertook that a notice of redemption would 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.

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 certain notes together with the interest accrued thereon. Accordingly, the notes were reclassified into perpetual loans under the Company and the Group’s reserves in the statements of financial position from the date of the deed.

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.

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

	2019 <i>HK\$’000</i>	2018 <i>HK\$’000</i>
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>

17. CONTINGENT LIABILITIES

(a) 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.

(b) Regulatory oversight — BSA compliance

The Group is subject to the jurisdiction of various local and Federal Government Authorities (the “**Regulatory Authorities**”) in the conduct of its casino operations through Imperial Pacific International (CNMI), LLC (“**IPI**”), its wholly-owned subsidiary. Specifically, IPI is required to comply with the rules and regulations of the CCC in the conduct of its gaming operations. IPI is also under the jurisdiction of the FinCEN in terms of its compliance with the anti-money laundering provisions of the BSA. Should IPI 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 in the scope of operations, and the potential suspension or revocation of its gaming license.

During 2017, IPI was subject to a routine BSA compliance examination conducted by the Internal Revenue Service (“**IRS**”) for the period from October 2016 to March 2017. During the year, the IRS issued a report (“**IRS Report**”) with findings on IPI’s compliance with the BSA. IPI, through its external legal counsel, had responded to the IRS Report and acknowledged certain of the findings of violations noted in the IRS Report. Subsequent to the end of the reporting period, IPI received a letter from FinCEN dated 4 March 2020, which has requested IPI to provide certain information and documents relevant to compliance with these regulatory requirements from October 2016 through the present. FinCEN has indicated in the letter that there were apparent violations of the BSA and its implementing regulations and it is considering whether to impose civil money penalties or take additional enforcement action against IPI. As of the date of issuance of this results announcement, IPI is still in the process of preparing for the information to be submitted to FinCEN. Accordingly, it is not practicable for the Company to accurately predict the resolution of this matter, including timing or any possible impact to the Group. Notwithstanding the aforesaid, the Directors, based on external advice, have made a provision for the estimated civil money penalty in respect of the identified and potential violations. The Group has been and is under normal operation without any interruption from this ongoing investigation, save for the temporary closure of its casino operation in Saipan due to the COVID-19 outbreak as further disclosed in note 18(a) to this results announcement.

(c) Investigation by Federal Government Authorities

As disclosed in the Company’s announcement dated 7 November 2019, on 7 November, 2019, the Federal Government Authorities conducted a search of IPI offices requesting certain documents and information. Subsequently, a federal grand jury issued two grand jury subpoenas on IPI to provide additional documents and information in December 2019. IPI is fully cooperating with the Federal Government Authorities in providing documents and information.

The Group has engaged independent external legal counsels to conduct an independent investigation on the financial transactions undertaken by the Group with the named parties in the two subpoenas for the period from 2013 to 2019. Based on the findings from the investigation reports, the Directors have not identified any transactions which were assessed to be either of a high or moderate risk to a criminal liability exposure. Both the external and internal legal counsels of IPI have also opined that the criminal liability exposures which were assessed to be of a low to moderate risk in the investigation reports do not amount to a material breach of any provisions of IPI’s CLA or the CCC’s regulations. The Directors also believe that IPI had not undertaken any unlawful activities, and IPI has sound defenses that it had acted in good faith and conduct. The Group continues to cooperate with the Federal Government Authorities.

As of the date of issuance of this results announcement, the investigation is still ongoing and it is premature to predict the eventual outcome. Accordingly, the potential for any fines, penalties or other consequences cannot currently be assessed. It is also not yet possible to identify the timescale in which these issues might be resolved.

(d) **Other litigation matters**

As at the end of the reporting period and up to the date of issuance of this results announcement, 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 these cases will not have any significant 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

Other than disclosed elsewhere in this results announcement, the Group also has the following significant events after the reporting period:

- (a) In January 2020, an outbreak of a respiratory illness caused by the COVID-19 was reported in Mainland China. From 2 February 2020, all foreign nationals who were physically present within Mainland China during the 14-day period preceding their attempted entry are not permitted to enter into the US, including Saipan, the CNMI. From 17 March 2020, the Group's casino operation in Saipan has been temporarily closed, until further notice, to support the public effort in the control of the COVID-19 outbreak. Furthermore, from 27 March 2020, the Commonwealth Ports Authority has limited aircraft landing/flight operations at the Saipan International Airport to the hours between 8am and 12pm daily.

The duration and intensity of this global health emergency and related disruptions is uncertain if travel and visitation continue to be restricted. Given the dynamic nature of these circumstances, the Group has been monitoring the impact from the COVID-19 which is expected to have a material effect on the Group's results for at least the first half of 2020.

- (b) On 20 March 2020, the Group entered into a sale and purchase agreement with DeTai New Energy Group Limited ("**DeTai**"), an independent third party, to dispose of 70% equity interest in Colour Palace Investments Limited, a wholly-owned subsidiary of the Company, and 70% of the shareholder's loan owed to the Group for a consideration of HK\$54,000,000. The consideration will be settled by way of an assignment of loan due to DeTai Finance Limited, a subsidiary of DeTai, to DeTai. The transaction is expected to be completed in July 2020.
- (c) On 27 March 2020, the Group entered into a sale and purchase agreement with Pacray International Holdings Limited ("**Pacray**"), an independent third party, to dispose of the entire equity interest in Ideal Best Limited, a wholly-owned subsidiary of the Company, for a consideration of HK\$30,328,000. The consideration will be settled by way of an assignment of loan due to Pacray and other payables due to a subsidiary of Pacray. The transaction is expected to be completed in May 2020.
- (d) On 27 March 2020, the Group entered into certain mortgage agreements with Joy Wealth Finance Limited ("**Joy Wealth**"), an independent third party, to charge the entire shares of East Gain Global Holdings Limited, Proper Grand Limited and Keen State Global Limited, which are all wholly-owned subsidiaries of the Company, as security for certain loans due to Joy Wealth.

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 resorts on the Island of Saipan.

Integrated 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 year ended 31 December 2019, unaudited VIP table games rolling of United States Dollars (“US\$”) 1,789 million (equivalent to approximately HK\$14,022 million) (2018: HK\$126,262 million) and revenue of approximately HK\$254 million (2018: HK\$2,912 million) was generated from the operations of Imperial Palace • Saipan, both the VIP table games rolling and gross revenue showing a decline compared to last year due to adverse market conditions and tightening marker credits.

Major global construction companies, consulting firms, design and engineering firms as well as local sub-contractors have been engaged. As at 31 December 2019, approximately US\$879 million (equivalent to approximately HK\$6,890 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 year, we have secured adequate labour supply from the Mongolia, Turkey, Italy and Taiwan to ensure the need of the construction.

Imperial Casha Hotel

On 10 July 2019, the Group acquired 50% equity interest in American Sinopan LLC (“**American Sinopan**”), which (among others) owns the land for the Imperial Casha Hotel. Details of the acquisition were disclosed in the announcement of the Company dated 10 July 2019.

BUSINESS OUTLOOK

Integrated Resort Development

Imperial Palace • Saipan, perched on the water front of downtown Garapan, will boast 10 restaurants of Michelin grade standard, in addition to the 193 gaming tables and 365 slot machines, and 329 hotel rooms and 15 villas upon completion of construction. As of 31 December 2019, the villa resort has been partially ready for operation and we have been test-running 6 of the villas. We expect the successional opening of villas and hotel rooms of Imperial Palace • Saipan during 2020 will enhance our capacity to better accommodate our high-end patrons to a great extent.

An additional approximately US\$87 million has been invested in design and construction of this super luxurious casino resort during the year which has brought the total investment to approximately US\$879 million by the end of 2019. The lack of the labour situation has been ameliorated tremendously during the year, we have secured adequate labour supply from the Mongolia, Turkey, Italy and Taiwan to ensure the need of the construction.

At the same time, Imperial Casha Hotel is also targeted to be one of the largest hotel in Saipan. The project is expected to provide over 1,000 rooms once completed.

Visitation and hotel industry were on the fast track to recovery from the aftermath of Super Typhoon Yutu in October 2018. According to the Mariana's Visitors Authority (the "MVA"), for the calendar year of 2019, total visitor arrival to CNMI has quickly recovered to 487,008, only a minor decline of 5.9% compared to 2018. Korean market became the top-performing source market with market share of 63.3% compared to last year's 36.0%, showing a dramatic growth of 75.8%. Due to the trade tension between China and the United States, visitor arrivals from China has declined slightly by 1.9% to 31,320, only accounting for 24.7% of the total market. Continued growth is expected as the easing of the China-US trade tension and China's robust outbound visitation market.

Hotel occupancy and room rates remained high, according to the Hotel Association of the Northern Mariana Islands (the "HANMI"), for the calendar year of 2019, average hotel rates kept high at US\$148.20 per night with average hotel occupancy rates of 80.43%, representing a slight decrease of US\$2.66 (or 1.77%) and 1.71% respectively compared to 2018.

Nevertheless, since the outbreak of COVID-19 in around January 2020, a number of travel restrictions remain in place all over the world, which are significantly affecting the number of visitors to Saipan. From 2 February 2020, all foreign nationals who were physically present within Mainland China during the 14-day period preceding their attempted entry are not permitted to enter into the US, including Saipan. To cope with the measures imposed by local government, the casino in Imperial Palace • Saipan has suspended operations since 17 March 2020 to help curb the spread of the COVID-19. Furthermore, from 27 March 2020, the Commonwealth Ports Authority has limited aircraft landing/flight operations at the Saipan International Airport to the hours between 8am and 12pm daily. While it is premature to forecast when COVID-19 can be contained, a prolonged coronavirus crisis may have a material effect on our 2020 financial results and our integrated resorts developments in Saipan, at least for the first half of 2020.

Despite the current impact from the COVID-19, we believe visitation to the Island of Saipan still has great potential in the long run benefiting from the island's favorable weather, stunning attractions, proximity location and flexible visa policies, with more hotels to be built and opened.

Debt/Equity Fund Raising and Refinancing

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 2019, the Group achieved revenue of approximately HK\$539 million, which is principally contributed by the casino gaming operations. Loss attributable to owners of the Company for the year ended 31 December 2019 of approximately HK\$3,904 million, as compared with a loss attributable to owners of approximately HK\$2,965 million in last year. The loss is mainly attributable to decrease in revenue, provision for impairment on trade receivables, share of loss of a joint venture and increase in finance costs and income tax expenses incurred during the year. Basic and diluted loss per share were HK2.73 cents and HK2.73 cents respectively, as compared with basic and diluted loss per share of HK2.07 cents and HK2.07 cents respectively in last year.

Casino Gaming Operations

The following table sets forth the results of the casino gaming operations for the years ended 31 December 2019 and 2018:

	For the year ended 31 December	
	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	15	28
VIP table games rolling	14,022,022	126,262,045
VIP gross table games win	458,316	4,676,523
VIP table games revenue (net of rebate and commissions)	253,787	2,912,324
VIP table games win percentage	3.27%	3.70%
Average number of Mass Gaming tables in operation	32	45
Mass games drop	648,061	660,546
Mass games gross table games win	186,381	208,920
Mass games win percentage	28.76%	31.63%
Average number of slot machines and ETG in operation	289	262
Slot machines and ETG handle	924,449	885,307
Slot machines and ETG gross win	63,237	56,302
Slot machines and ETG hold percentage	6.84%	6.36%

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 rebate, commissions 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 customers that are smaller in scale and entitled to the same scheme of commissions and allowances as the VIP casino customers.

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 licenced junket incentive allowed the Group to bring in new players which mitigated the Group's credit concerns.

VIP rolling chip volume reached approximately HK\$14,022 million (2018: HK\$126,262 million) for the year of 2019. VIP gaming revenue (net of rebate and commissions) was approximately HK\$254 million (2018: HK\$2,912 million) with a win percentage of 3.27% (2018: 3.70%). Our VIP customers primarily consist of credit players. Geographically, most of our direct VIP patrons come from Mainland China, Hong Kong, Macau and Korea.

Impairment

The gross trade receivables decreased to approximately HK\$9,086 million (2018: HK\$9,670 million) from VIP gaming operations as at the year ended 31 December 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 the economic outlook and business conditions and provision for impairment was made on certain customers' trade receivables as follows:

- (i) as at 31 December 2019, the provision for impairment of trade receivables due from the Group's largest and the ten largest debtors amounted to approximately HK\$1,086 million and approximately HK\$2,738 million (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 31 December 2019, the provision for impairment of trade receivables due from the remaining customers of the Group amounted to approximately HK\$4,223 million (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 the impairment provision of 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 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 year ended 31 December 2019, revenue from mass gaming operations amounted to approximately HK\$186 million (2018: HK\$209 million) and mass gaming drop reached approximately HK\$648 million (2018: HK\$661 million). Customers from the mass gaming operations do not receive rebate and commissions from the Group.

Going forward, we will continue to review our mass gaming areas to maximise table utilisation, to expand or to 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\$63 million (2018: HK\$56 million) and hold percentage reached 6.84% (2018: 6.36%) for the year ended 31 December 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 more personal and precision marketing efforts.

Cost of Sales

Cost of sales for the year ended 31 December 2019 was approximately HK\$219 million (2018: HK\$340 million) which comprise principally the direct casino costs such as casino licence fees of approximately HK\$119 million and Saipan's business gross revenue tax of approximately HK\$26 million.

Other income, gains and losses

Other income, gains and losses for the year ended 31 December 2019 mainly represented compensation received from insurance claims of approximately HK\$10 million (2018: Nil) and bad debts recovery of approximately HK\$18 million (2018: Nil).

Operating expenses

Operating expenses, excluding impairment of trade receivables, decreased to approximately HK\$1,165 million. The decrease is mainly attributable to a decrease in staff costs of approximately HK\$159 million, a decrease in professional fee of approximately HK\$105 million, and a decrease in other operating expenses of approximately HK\$223 million during the year ended 31 December 2019.

Adjusted LBITDA

The following table reconciles Adjusted LBITDA to its most directly comparable HKFRSs measurement, loss attributable to owners of the Company, for the years ended 31 December 2019 and 2018.

	For the year ended	
	31 December	
	2019	2018
	HK\$'000	HK\$'000
Loss for the year attributable to the owners of the Company	(3,904,270)	(2,965,023)
Add/(less):		
Depreciation of property, plant and equipment	208,865	167,312
Depreciation of right-of-use assets	33,069	–
Amortisation of prepaid land lease payments	–	4,263
Casino licence fees	119,192	117,578
Interest income	(2)	(1)
Fair value (gain)/loss on derivative financial instruments, net	23	(46)
Finance costs	362,974	257,857
Taxes	403,020	(292,410)
Share-based payments	6,805	17,298
Net foreign currency differences	(13,752)	18,035
Adjusted LBITDA (<i>Note</i>) (unaudited)	<u>(2,784,076)</u>	<u>(2,675,137)</u>

Note: Adjusted LBITDA is used by management as the primary measure of the Group's operating performance with that of our competitors. Adjusted LBITDA 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 LBITDA 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 resorts on the Island of Saipan and investment in American Sinopan, the Company did not have any significant investment, acquisition or disposal during the year that should be notified to the shareholders of the Company.

Regarding the investment in American Sinopan, please refer to the announcement of the Company dated 10 July 2019 for details.

Capital expenditure

The Group incurred capital expenditure of approximately HK\$889 million (2018: HK\$1,196 million) during the year ended 31 December 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, loans from a joint venture, 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:

	31 December 2019 HK\$'000	31 December 2018 HK\$'000
Net debt	4,085,937	5,450,190
Total equity	120,913	890,253
Capital and net debt	4,206,850	6,340,443
Gearing ratio	97.1%	86.0%

Capital structure

During the year ended 31 December 2019, there was no change to the authorised and issued share capital of the Company (2018: no change).

As at 31 December 2019, the total number of 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 31 December 2019, the Group had capital commitments of approximately HK\$545 million (31 December 2018: HK\$458 million).

Contingent Liabilities

Save as disclosed in note 17 of this results announcement, the Group did not have any other significant contingent liabilities as at 31 December 2019.

Pledge of Assets

As at 31 December 2019, the Group pledged an item of property, plant and equipment with a carrying amount of approximately HK\$103 million (31 December 2018: Nil) and the issued shares of a subsidiary of the Company (the relevant share charge arrangement has not been completed as of the date of issuance of this results announcement), as securities for interest-bearing loans with carrying amounts of approximately HK\$43 million (31 December 2018: Nil) and HK\$1,168 million (31 December 2018: Nil), respectively.

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

The following is an extract of report on consolidated financial statements by the Company's independent auditor, Ernst & Young:

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 2019, 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\$3,904 million during the year ended 31 December 2019 and, as of that date, had net current liabilities of HK\$4,675 million and capital commitment of HK\$545 million as disclosed in note 33(a) to the consolidated financial statements.

We also draw attention to note 34(b) to the consolidated financial statements which indicates that the principal subsidiary of the Group that holds the gaming license is subject to regulatory oversight in respect of its compliance with the relevant laws and regulations including, inter alia, the Bank Secrecy Act (“BSA”). Subsequent to the end of the reporting period, this subsidiary received a letter from the Financial Crimes Enforcement Network of the US Department of the Treasury (“FinCEN”) dated 4 March 2020, which indicated that there were apparent violations of the BSA and its implementing regulations based on its prior examination, and has requested the subsidiary to provide certain information and documents relevant to its compliance with these regulatory requirements from 2016 and up to the current date, before FinCEN evaluates the assessment of any civil money penalties or to take additional enforcement action. The Group is in the process of preparing the required information and documents for submission to FinCEN.

These conditions, along with other matters as set forth in notes 2.1 and 34(b), 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 2019 was 1,086 (31 December 2018: 1,786).

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 and medical insurance.

SHARE OPTION SCHEME

At the beginning of the financial year ended 31 December 2019, 1,534,781,992 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, no grantee had exercised any share options, no share options were granted and 13,513,976 share options lapsed. As at 31 December 2019, there were 1,521,268,016 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 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.2.7

Under code provision A.2.7, the chairman should at least annually hold meetings with the independent non-executive directors without the presence of other directors. During the year ended 31 December 2019, no formal meeting was held between the Chairperson of the Board and the independent non-executive Directors without the presence of other directors due to tight schedules. Although such meeting was not held during the year, the Chairperson of the Board can be contacted by email or phone to discuss any potential concerns and/or queries that the independent non-executive Directors may have and the Chairperson has delegated the Company Secretary of the Company to gather any concerns that the independent non-executive Directors may have and report to the Board for setting up meetings whenever necessary.

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.

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 2019. 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 2019 (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 consolidated financial statements for the year ended 31 December 2019 have been reviewed and approved by the Audit Committee.

SCOPE OF WORK OF ERNST & YOUNG

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2019 as set out in the preliminary announcement have been agreed by the Company'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 this preliminary announcement.

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

Hong Kong, 31 March 2020

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, Mr. Ma Wentao as non-executive Director 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\$7.838 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.