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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 ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

The board (the "**Board**") of directors (the "**Directors**") of Imperial Pacific International Holdings Limited (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2021, together with comparative figures for the corresponding year of 2020 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2021

	Notes	**2021**	2020
		HK$'000	*HK$'000*
Revenue	*5*	**–**	26,507
Cost of sales		**–**	(51,515)
Gross loss		**–**	(25,008)
Other income, gains and losses, net		**944**	49,137
Selling and marketing expenses		**(355)**	(1,582)
Operating and administrative expenses		**(523,087)**	(1,316,252)
Allowance for expected credit losses on trade receivables, net		**–**	(1,119,764)
Allowance for expected credit losses on other receivables		**–**	(11,078)
Impairment of property, plant and equipment		**–**	(4,467,380)
Impairment of investment in a joint venture		**–**	(92,424)
Share-based payments		**(876)**	(932)
Share of loss of a joint venture		**(146)**	(927)
Finance costs	*7*	**(554,097)**	(404,055)
LOSS BEFORE TAX	*6*	**(1,077,617)**	(7,390,265)
Income tax expense	*8*	**–**	–
LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY		**(1,077,617)**	(7,390,265)

	Note	2021 HK$'000	2020 HK$'000
OTHER COMPREHENSIVE (LOSS)/ INCOME			
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**(10,733)**	4,711
Share of other comprehensive income of joint venture		**–**	54
Reclassification of cumulative exchange reserve upon disposal of a foreign operation		**–**	(9)
Net other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods		**(10,733)**	4,756
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:			
Financial assets at fair value through other comprehensive income:			
— Change in fair value		**878**	(1,884)
Net other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods		**878**	(1,884)
OTHER COMPREHENSIVE (LOSS)/ INCOME FOR THE YEAR		**(9,855)**	2,872
TOTAL COMPREHENSIVE LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY		**(1,087,472)**	(7,387,393)
			(Restated)
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	*10*		
Basic and diluted		**HK$(0.01)**	HK$(0.05)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**2,604,980**	2,650,641
Investment in a joint venture		**55,840**	55,986
Prepayments, deposits and other receivables		**31,774**	32,058
Financial assets at fair value through other comprehensive income		**3,550**	5,121
Total non-current assets		**2,696,144**	2,743,806
CURRENT ASSETS			
Inventories		**24,254**	24,118
Trade receivables	*11*	**1,017,646**	1,005,677
Prepayments, deposits and other receivables		**135,583**	138,321
Cash and cash equivalents		**2,075**	10,013
Total current assets		**1,179,558**	1,178,129
CURRENT LIABILITIES			
Trade payables	*12*	**73,759**	72,096
Other payables and accruals		**7,728,274**	6,744,063
Other borrowings		**4,226,835**	3,662,240
Lease liabilities		**889**	3,611
Unsecured bonds and notes		**120,031**	102,997
Loans from a joint venture		**8,530**	8,477
Tax payable		**21,591**	21,048
Total current liabilities		**12,179,909**	10,614,532
NET CURRENT LIABILITIES		**(11,000,351)**	(9,436,403)
TOTAL ASSETS LESS CURRENT LIABILITIES		**(8,304,207)**	(6,692,597)

	2021	2020
	HK$'000	*HK$'000*
NON-CURRENT LIABILITIES		
Lease liabilities	**18,313**	19,097
Other borrowings	**–**	504,099
Unsecured bonds and notes	**29,624**	49,755
Total non-current liabilities	**47,937**	572,951
NET LIABILITIES	**(8,352,144)**	(7,265,548)
CAPITAL AND RESERVES		
Share capital	**71,492**	71,492
Reserves	**(8,423,636)**	(7,337,040)
Total deficiency	**(8,352,144)**	(7,265,548)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

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 located at 22/F, On Hong Commercial Building, 145 Hennessy Road, Wanchai, Hong Kong. The Company's shares are listed on The Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

The Company's shares listed on the Stock Exchange have been suspended from trading since 1 April 2022.

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 ("**Ms. Cui**") is the ultimate controlling party.

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**").

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2021 for the preparation of the consolidated financial statements:

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2

In addition, the Group has early applied the Amendment to HKFRS 16 Covid-19-Related Rent Concessions beyond 30 June 2021, and the agenda decision of the IFRS Interpretations Committee (the "**Committee**") of the International Accounting Standards Board issued in June 2021 which clarified the costs an entity should include as "estimated costs necessary to make the sale" when determining the net realisable value of inventories.

Except as described below, the application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2.1 *Impacts on application of Amendment to HKFRS 16 Covid-19-Related Rent Concessions beyond 30 June 2021*

The Group has early applied the amendment in the current year. The amendment extends the availability of the practical expedient in paragraph 46A of HKFRS 16 *Leases* ("**HKFRS 16**") by one year so that the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met.

The application has had no impact to the opening accumulated losses at 1 January 2021.

2.2 *Impacts on application of Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 Interest Rate Benchmark Reform — Phase 2*

The Group has applied the amendments for the first time in the current year. The amendments relate to changes in the basis for determining the contractual cash flows of financial assets, financial liabilities and lease liabilities as a result of interest rate benchmark reform, specific hedge accounting requirements and the related disclosure requirements applying HKFRS 7 *Financial Instruments: Disclosures* ("**HKFRS 7**").

The amendments have had no impact on the consolidated financial statements as none of the relevant contracts has been transitioned to the relevant replacement rates during the year.

2.3 *Impacts on application of the agenda decision of the Committee — Cost necessary to sell inventories (HKAS 2 Inventories)*

In June 2021, the Committee, through its agenda decision, clarified the costs an entity should include as "estimated costs necessary to make the sale" when determining the net realisable value of inventories. In particular, whether such costs should be limited to those that are incremental to the sale. The Committee concluded that the estimated costs necessary to make the sale should not be limited to those that are incremental but should also include costs that an entity must incur to sell its inventories including those that are not incremental to a particular sale.

The Group's accounting policy prior to the Committee's agenda decision was to determine the net realisable value of inventories taking into consideration incremental costs only. Upon application of the Committee's agenda decision, the Group changed its accounting policy to determine the net realisable value of inventories taking into consideration both incremental costs and other cost necessary to sell inventories. The new accounting policy has been applied retrospectively.

The application of the Committee's agenda decision has had no material impact on the Group's financial positions and performance.

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts and the related Amendments[2]
Amendments to HKFRS 3	Reference to the Conceptual Framework[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[2]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[2]
Amendments to HKAS 8	Definition of Accounting Estimates[2]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[2]
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use[1]
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020[1]

1 Effective for annual periods beginning on or after 1 January 2022.

2 Effective for annual periods beginning on or after 1 January 2023.

3 Effective for annual periods beginning on or after a date to be determined.

Except for the new and amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

Amendments to HKFRS 3 Reference to the Conceptual Framework

The amendments:

- update a reference in HKFRS 3 *Business Combinations* so that it refers to the *Conceptual Framework for Financial Reporting 2018* issued in June 2018 (the "**Conceptual Framework**") instead of *Framework for the Preparation and Presentation of Financial Statements* (replaced by the *Conceptual Framework for Financial Reporting 2010* issued in October 2010);

- add a requirement that, for transactions and other events within the scope of HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or HK(IFRIC)-Int 21 *Levies*, an acquirer applies HKAS 37 or HK(IFRIC)-Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination; and

- add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

Amendments to HKFRS 10 and HKAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments to HKFRS 10 *Consolidated Financial Statements* and HKAS 28 *Investments in Associates and Joint Ventures* deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

Amendments to HKAS 1 Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2021)

The amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:

  (i) the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and

  (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date; and (Note)

- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 *Financial Instruments: Presentation*.

In addition, Hong Kong Interpretation 5 was revised as a consequence of the Amendments to HKAS 1 to align the corresponding wordings with no change in conclusion.

Based on the Group's outstanding liabilities as at 31 December 2021, the application of the amendments will not result in reclassification of the Group's liabilities.

Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies

HKAS 1 is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 *Making Materiality Judgements* (the "**Practice Statement**") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments is not expected to have significant impact on the financial position or performance of the Group but may affect the disclosures of the Group's significant accounting policies.

Amendments to HKAS 8 Definition of Accounting Estimates

The amendments define accounting estimates as "monetary amounts in financial statements that are subject to measurement uncertainty". An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty — that is, the accounting policy may require such items to be measured at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. Developing accounting estimates involves the use of judgements or assumptions based on the latest available, reliable information.

In addition, the concept of changes in accounting estimates in HKAS 8 is retained with additional clarifications.

The application of the amendments is not expected to have significant impact on the Group's consolidated financial statements.

Amendments to HKAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of HKAS 12 *Income Taxes* so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

As disclosed in note 3 to the consolidated financial statements, the Group applies HKAS 12 requirements to the relevant assets and liabilities as a whole. Temporary differences relating to relevant assets and liabilities are assessed on a net basis.

Upon the application of the amendments, the Group will recognise a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences associated with the right-of-use assets and the lease liabilities.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023, with early application permitted. The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

Amendments to HKAS 16 Property, Plant and Equipment — Proceeds before Intended Use

The amendments specify that the costs of any item that were produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management (such as samples produced when testing whether the relevant property, plant and equipment is functioning properly) and the proceeds from selling such items should be recognised and measured in the profit or loss in accordance with applicable standards. The cost of the items are measured in accordance with HKAS 2 *Inventories*.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

Amendments to HKAS 37 Onerous Contracts — Cost of Fulfilling a Contract

The amendments specify that, when an entity assesses whether a contract is onerous in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, the unavoidable costs under the contract should reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it. Costs of fulfilling the contract include incremental costs and an allocation of other costs that relate directly to fulfilling contracts (for example, an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

Amendments to HKFRSs Annual Improvements to HKFRSs 2018–2020

The annual improvements make amendments to the following standards.

HKFRS 9 Financial Instruments

The amendment clarifies that for the purpose of assessing whether modification of terms of original financial liability constitutes substantial modification under the "10 per cent" test, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or the lender on the other's behalf.

HKFRS 16 Leases

The amendment to Illustrative Example 13 accompanying HKFRS 16 removes from the example the illustration of reimbursement relating to leasehold improvements by the lessor in order to remove any potential confusion.

HKAS 41 Agriculture

The amendment ensures consistency with the requirements in HKFRS 13 *Fair Value Measurement* by removing the requirement in paragraph 22 of HKAS 41 to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

3. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Listing Rules**") and by the Hong Kong Companies Ordinance.

Despite that the Group reported incurred net loss of approximately HK$1,077,617,000 during the year ended 31 December 2021 and, as of 31 December 2021, the Group had net current liabilities and net liabilities of approximately HK$11,000,351,000 and approximately HK$8,352,144,000 respectively. The Group's other borrowings with aggregate principal amounts of HK$3,725,339,000 were overdue for repayment as at 31 December 2021 and together with the overdue interests thereon of HK$522,873,000 were not repaid as at 31 December 2021 or subsequently up to the date of this announcement. The Group's aggregate other borrowings and unsecured bonds and notes amounted to approximately HK$4,226,835,000 and approximately HK$149,655,000 respectively as at 31 December 2021 respectively, out of which HK$4,346,866,000 were repayable on demand or were due for repayment within twelve months from 31 December 2021; while its cash and cash equivalents amounted to approximately HK$2,075,000 only as at 31 December 2021. In addition, the contingent liabilities described below may result in outflows of cash from the Group for which no provision has been recognized as at 31 December 2021 in the consolidated financial statements, or in excess of the amount of provision recognized, thus causing the financial performance and financial position of the Group to be worse than that referred to above. The Directors are of the view that the Group will be able to raise adequate funds 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) On 23 April 2021, Imperial Pacific International (CNMI), LLC (the "**Licensee**"), an indirect wholly-owned subsidiary of the Company, received an order from the Commonwealth Casino Commission ("**CCC**") dated 22 April 2021 that, among other matters, the casino resort developer license as granted under the Casino License Agreement (as amended) between the Licensee and the CNMI was suspended, the Licensee shall pay the Annual License Fee of approximately US$31,000,000 (equivalent to approximately HK$240,250,000) and the Casino Regulatory Fee of US$6,300,000 (equivalent to approximately HK$48,825,100) for 2020 and 2021. The Board considered that pursuant to the force majeure clause under the Casino License Agreement, the Licensee is not required to pay the Annual License Fee in the event of natural disasters.

    However, the CCC raised disputes and alleged that the COVID-19 pandemic does not constitute a natural disaster or force majeure. As a result, the Licensee has filed a review with Superior Court in Saipan to determine whether the pandemic constitutes a natural disaster or force majeure. If it is determined that the pandemic constitutes a natural disaster or force majeure, the Licensee will not be required to pay the Annual License Fee and reactivate the casino gaming licence and resume the casino gaming operation business. Such review is still ongoing.

    On 9 June 2022, the wholly-owned subsidiaries of the Company, namely, Best Sunshine International Led. (BVI) and Imperial Pacific International (CNMI), LLC (collectively the "**Plaintiffs**") and CCC jointly provide notice to the United States District Court for the Northern Mariana Island (the "**Court**") that Plaintiffs and the Executive Director of CCC have reached an agreement in principle as to the terms of a settlement.

    The parties are in the process of finalizing the settlement terms through a settlement agreement (the "**Agreement**") and will provide notice to the Court upon the entry of the Agreement.

    Based on the parties' significant progress towards settlement, on 31 May 2022, the Court extended the Temporary Restraining Order through 8 July 2022, and stayed briefing on the Plaintiffs' Complaint and Emergency Motion for Temporary Restraining Order and Order Compelling Arbitration for a period of 30 days.

    The Agreement is expected to be signed by the end of June and IPI is actively planning, under CCC's guidance, for reopening by November 2022.

(b) The Company has received an indicative offer of a credit facility of US$100,000,000 (equivalent to HK$777,000,000), which is valid until 27 September 2023 from an independent financial institution. As at the date of this announcement, no drawn down has been made;

(c) The Group has entered into a construction agreement with an independent construction company which has undertaken to finance and complete the remaining constructions of Imperial Palace • Saipan;

(d) On 30 March 2022, the Company entered into a placing agreement with CNI Securities Group Limited, an independent third party placing agent pursuant to which the placing agent has agreed to act as the sole placing agent, on a best effort basis, for the purpose of arranging independent placees to subscribe for bonds of up to an aggregate principal amount of HK$800,000,000 at 6% coupon per annum.

(e) Inventive Star and other related parties will provide additional funding to settle the Group's operations, liabilities, potential liabilities related to litigation, the casino annual license fee and the community benefit fund and capital investments as and when necessary.

(f) The management will consider other financing arrangements with a view to increasing the Group's capitalisation/equity.

(g) The management will continue to refinance and/or rollover the Group's existing loans with a view to improving the Group's liquidity.

(h) Imperial Pacific International (CNMI), LLC, ("**IPI**") a wholly-owned subsidiary of the Company has entered into an exclusive cooperation agreement with Fujian Jiadingsheng Supply Chian Management Co., Ltd. ("**Jiadingsheng**"), pursuant to which IPI and Jiadingsheng has agreed to form a joint venture which has the exclusive right to operate a shopping mall with an area of 1,000 sqm located at the Imperial Palace • Saipan for a period of 4 years commencing from 20 October 2022. Jiadingsheng has undertaken that the shopping mall will generate a minimum annual revenue and net profit in the sum of HK$300 million and HK$20 million respectively during the term of the agreement and IPI and Jiadingsheng are entitled to share 51% and 49% of the net profit respectively.

(i) IPI and Sino Travel Samoa Limited ("**Sino Travel**") has entered into an underwriting agreement, pursuant to which Sino Travel has agreed to underwrite the leasing of 250 hotel rooms and 15 villas at Imperial Palace • Saipan for a term of 4 years after IPI obtains all necessary licenses and approvals from Saipan's authorities in relation to the operation of Imperial Palace • Saipan.

(j) The Company has been contacting certain major lenders and bond and note holders to reach settlement agreement on certain other borrowing and unsecured bonds and notes with were originally due for repayment in 2021, for extension of the repayment term for 24 months and, subject to further agreement of terms, agree to convert all or part of the indebted amount into equity of the Company. As at the date of this announcement, the abovementioned settlement agreement has been accepted by lenders and bond and note holders with an aggregate sum of approximately HK$2,460 million.

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 write down to their realisable values, to provide for any further liabilities which might arise and to reclassify its noncurrent assets and non-current liabilities to current assets and current liabilities respectively. The effects of these adjustments have not been reflected in the consolidated financial statements.

4. 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% (2020: 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 these consolidated financial statements.

Information about major customers

Revenue from gaming operations of approximately HK$Nil (2020: HK$3,667,000) was derived from a single external customer during the year.

5. REVENUE

The Group's revenue is as follows:

	2021	2020
	HK$'000	*HK$'000*
VIP gaming operations	**–**	(24,713)
Mass gaming operations	**–**	32,818
Slot machines and Electronic Table Game gaming operations	**–**	12,754
Food and beverage	**–**	5,648
	–	26,507

6. LOSS BEFORE TAX

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

	2021	2020
	HK$'000	*HK$'000*
Cost of inventories sold	**–**	1,760
Business gross revenue tax ("**BGRT**")	**–**	1,181
Depreciation of property, plant and equipment	**49,251**	171,789
Depreciation of right-of-use assets	**9,805**	27,008
Casino licence fees*	**144,594**	116,250
Auditors' remuneration	**2,257**	3,480
Rental expenses of short-term leases	**3,776**	16,034
Share-based payments	**876**	932
Employee benefit expenses (including directors' remuneration):		
Wages and salaries**	**20,293**	187,818
Pension scheme contributions	**346**	1,365
	20,639	189,183
Foreign exchange differences, net	**19**	(6,845)

* Included in "Cost of sales" and "Operating and administrative expense" on the face of the consolidated statement of profit or loss and other comprehensive income of approximately HK$Nil (2020: HK$43,629,000) and HK$144,594,000 (2020: HK$72,621,000) respectively.

** No staff costs have been capitalized under property, plant and equipment for the year ended 31 December 2021 and 2020 as the construction has been suspended due to the COVID-19 pandemic.

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2021	2020
	HK$'000	*HK$'000*
Interest on lease liabilities	**5,512**	5,456
Interest on other borrowings and loans from related parties	**536,487**	375,490
Interest on unsecured bonds and notes	**12,098**	54,882
	554,097	435,828
Less: Interest capitalised	**–**	(31,773)
	554,097	404,055

8. 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 (2020: 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 (2020: Nil).

9. DIVIDENDS

No dividends have been paid or declared by the Company for the year ended 31 December 2021 (2020: Nil).

10. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculations of the basic and diluted loss per share are based on:

	2021	2020
	HK$'000	*HK$'000*
Loss:		
Loss attributable to owners the Company, used in the basic and diluted loss per share calculations	**(1,077,617)**	(7,390,265)

	Number of shares	
	2021	2020
Shares:		
Weighted average number of ordinary shares in issue during the year	**7,149,240,383**	7,149,240,383
Mandatorily convertible notes	**128,000,000,000**	128,000,000,000
Weighted average number of ordinary shares used in the basic and diluted loss per share calculation	**135,149,240,383**	135,149,240,383

The weighted average number of ordinary shares in issue have been adjusted for the number of ordinary shares that will be issued upon the conversion of the mandatorily convertible notes as the convertible notes were mandatorily convertible into ordinary shares. Hence the ordinary shares that will be issued upon conversion are included in the calculation of basic and dilute earnings per share from the date the contract is entered into.

No adjustment had been made to the basic loss per share amounts presented for the years ended 31 December 2021 and 2020 in arriving at diluted loss per share in respect of the share options outstanding during the years as these options had an anti-dilutive effect on the basic loss per share.

11. TRADE RECEIVABLES

In relation to the VIP gaming operations, the Group grants credit lines (i.e., markers) to its VIP customers. The credit term is generally 30 days (2020: 30 days) for gaming operations. Each customer has a maximum credit limit. For new customers, up front money deposit or certain form of guarantee is normally required. Overdue balances are reviewed regularly by management. At the end of the reporting period, the Group has certain concentration of credit risk as 12% (2020: 12%) and 24% (2020: 24%) of the Group's trade receivables were due from the Group's largest customer and the five largest customers, respectively. Trade receivables are non-interest-bearing.

The credit terms extended by the Group are generally 30 days for gaming operations. An ageing analysis of trade receivables as at the end of the reporting period, based on the program end date, is as follows:

	2021	2020
	HK$'000	*HK$'000*
Within 1 month	**–**	–
More than 1 month but within 3 months	**–**	–
More than 3 months but within 6 months	**–**	–
More than 6 months but within 1 year	**–**	137,901
More than 1 year	**9,105,530**	8,916,631
	9,105,530	9,054,532
Allowance for expected credit losses	**(8,087,884)**	(8,048,855)
	1,017,646	1,005,677

As at 31 December 2021, the Group had received guarantee deposits of HK$1,017,646,000 (2020: HK$1,005,677,000) from certain patrons/guarantors which can be used to offset against certain of the above trade receivables in an aggregate amount of approximately HK$1,017,646,000 (2020: HK$1,005,677,000) due from certain patrons in the event that the Group cannot recover the trade receivable amounts from these patrons in the normal course of its business.

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:

	2021	2020
	HK$'000	*HK$'000*
Within 1 month	**–**	–
More than 1 month but within 3 months	**–**	–
More than 3 months but within 6 months	**–**	–
More than 6 months but within 1 year	**–**	2,301
More than 1 year	**73,759**	69,795
	73,759	72,096

13. CONTINGENT LIABILITIES

(a) Regulatory oversight — BSA compliance

The Group is subject to the jurisdiction of 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.

In March 2019, the Internal Revenue Service ("**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. IPI then 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 2016 to 2021. 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 this announcement, the Group has provided the required information and documents to FinCEN. However, there have been no further developments with respect of the matter. Accordingly, it is not practicable for the Company to accurately predict the resolution of this matter, including timing and amount of any possible impact to the Group. Notwithstanding the aforesaid, as at 31 December 2021 and 2020, the Directors, based on external advice, have made a provision for the estimated civil money penalty in respect of the identified and potential violations.

(b) Investigation by Federal Government Authorities

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 has fully cooperated with the Federal Government Authorities in providing documents and information.

The Group has engaged 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. The external 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 this 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.

(c) Commonwealth Casino Commission

As stated in Note 3(a), the Licensee is in breach of its Casino License Agreement due to the failure of the Licensee to pay the annual license fee of US$31,000,000 (equivalent to approximately HK$240,250,000) and Casino Regulatory Fee of US$6,300,000 (equivalent to approximately HK$48,825,000) for 2020 and 2021. The Board considered that pursuant to the force majeure clause under the Casino License Agreement, the Licensee is not required to pay the Annual License Fee in the event of natural disasters. However, the CCC raised disputes and alleged that the COVID-19 pandemic does not constitute a natural disaster or force majeure. As a result, the Licensee has filed a review with Superior Court in Saipan to determine whether the pandemic constitutes a natural disaster or force majeure. If it is determined that the pandemic constitutes a natural disaster or force majeure, the Licensee will not be required to pay the Annual License Fee and reactivate the casino gaming licence and resume the casino gaming operation business. Such review is still ongoing and the casino gumming license have been suspended. On 9 June 2022, the wholly-owned subsidiaries of the Company, namely, Best Sunshine International Led. (BVI) and Imperial Pacific International (CNMI), LLC (collectively the "**Plaintiffs**") and CCC jointly provide notice to the United States District Court for the Northern Mariana Island (the "**Court**") that Plaintiffs and the Executive Director of CCC have reached an agreement in principle as to the terms of a settlement.

The parties are in the process of finalizing the settlement terms through a settlement agreement (the "**Agreement**") and will provide notice to the Court upon the entry of the Agreement.

Based on the parties' significant progress towards settlement, on 31 May 2022, the Court extended the Temporary Restraining Order through 8 July 2022, and stayed briefing on the Plaintiffs' Complaint and Emergency Motion for Temporary Restraining Order and Order Compelling Arbitration for a period of 30 days.

A provision has been made in the consolidated financial statements.

(d) Other litigation matters

As at the end of the reporting period and up to the date of this announcement, apart from expressly stated above, the Group is a party to a number of civil litigation cases, as either a plaintiff or defendant. The claims can potentially lead to further insufficiency of working capital and loss of rights to hire foreign workers for the next five years for the Group because of the alleged breaches of the settlement with the US Department of Labor and the alleged failure to properly pay construction workers and expose the Group to the risk of a total loss of its investment in the casino resort. Should the Group be unable to succeed in its defense of these civil litigation cases, adjustments would have to be made to recognize provisions for the losses, to impair the Group's assets and to provide for further liabilities. In the opinion of the Directors, after taking into account of the respective legal advices, adequate provision has been made in financial information.

Save as disclosed above, the Group did not have any other significant contingent liabilities as at 31 December 2021 and 2020.

14. EVENTS AFTER THE REPORTING PERIOD

On 30 March 2022, the Company entered into a placing agreement with, CNI Securities Group Limited, an independent placing agent pursuant to which the placing agent has agreed to act as the sole placing agent, on a best effort basis, for the purposed of arranging independent placees to subscribe for the Bonds up to an aggregate principal amount of HK$800,000,000 at 6% per annum.

On 20 June 2022, Imperial Pacific International (CNMI), LLC, a wholly-owned subsidiary of the Company has entered into an exclusive cooperation agreement with Fujian Jiadingsheng Supply Chian Management Co., Ltd. ("**Jiadingsheng**"), pursuant to which IPI and Jiadingsheng has agreed to form a joint venture which has the exclusive right to operate a shopping mall with an area of 1,000 sqm located at the Imperial Palace • Saipan for a period of 4 years commencing from 20 October 2022. Jiadingsheng has undertaken that the shopping mall will generate a minimum annual revenue and net profit in the sum of HK$300 million and HK$20 million respectively during the term of the agreement and IPI and Jiadingsheng are entitled to share 51% and 49% of the net profit respectively.

On 20 June 2022, Imperial Pacific International (CNMI), LLC and Sino Travel Samoa Limited has entered into an underwriting agreement, pursuant to which Sino Travel has agreed to underwrite the leasing of 250 hotel rooms and 15 villas at Imperial Palace • Saipan for a term of 4 years after IPI obtains all necessary licenses and approvals from Saipan's authorities in relation to the operation of Imperial Palace • Saipan.

MATERIAL DIFFERENCES BETWEEN 2021 AUDITED ANNUAL RESULTS AND 2021 UNAUDITED ANNUAL RESULTS

Reference is made to the announcement of the Company dated 31 March 2022 in relation to the unaudited annual results of the Group for the Reporting Year (the "**2021 Unaudited Annual Results Announcement**").

Since the financial information contained in the 2021 Unaudited Annual Results Announcement was not audited by the auditors as at the date of its publication and subsequent adjustments have been made to such information upon completion of the auditing process, shareholders and potential investors of the Company are advised to pay attention to the material differences between the financial information in the audited annual results for the Reporting Year as disclosed in this announcement and that disclosed in the 2021 Unaudited Annual Results Announcement.

Set forth below are details and reasons for the material differences in such financial information in accordance with Rule 13.49(3)(ii)(b) of the Listing Rules:

Financial items	**Disclosure in this announcement**	**Disclosure in 2021 Unaudited Annual Results Announcement**	**Difference**	
	HK$'000	*HK$'000*	*HK$'000*	*Notes*
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME				
Other income, gains and losses, net	944	(45,114)	46,058	*1*
Loss for the year	(1,077,617)	(690,887)	(386,730)	*2*
Other comprehensive (loss)/income for the year	(9,855)	37,244	(47,099)	*3*
CONSOLIDATED STATEMENT OF FINANCIAL POSITION				
Non-current assets				
Property, plant and equipment	2,604,980	2,658,016	(53,036)	*4*
Investment in a joint venture	55,840	55,840	–	
Prepayments, deposits and other receivables	31,774	32,049	(275)	
Financial assets at fair value through other comprehensive income	3,550	2,318	1,232	*5*
Current assets				
Inventories	24,254	24,254	–	
Trade receivables	1,017,646	1,017,669	(23)	
Prepayments, deposits and other receivables	135,583	137,782	(2,199)	
Cash and cash equivalents	2,075	9,559	(7,484)	*6*
Current liabilities				
Trade payables	(73,759)	(71,719)	(2,040)	
Other payables and accruals	(7,728,274)	(7,333,820)	(394,454)	*7*
Other borrowings	(4,226,835)	(4,245,286)	18,451	*8*
Lease liabilities	(889)	(3,611)	2,722	
Unsecured bonds and notes	(120,031)	(111,796)	(8,235)	*8*
Loans from a joint venture	(8,530)	–	(8,530)	*9*
Tax payable	(21,591)	(21,592)	1	
Non-current liabilities				
Lease liabilities	(18,313)	(19,097)	784	
Unsecured bonds and notes	(29,624)	(49,755)	20,131	*8*

Notes:

1. The difference is mainly due to reclassification of operating and administrative expenses.

2. The difference is mainly due to the increase of finance costs of approximately HK$148 million and increase of community benefit fund and other legal and operating expenses related to Saipan's operation of approximately HK$238 million.

3. The difference is mainly due to fair value adjustment on financial assets at fair value through other comprehensive income as at 31 December 2021.

4. The difference is mainly due to adjustment on depreciation.

5. The difference is mainly due to adjustment on fair value of financial assets as at 31 December 2021.

6. The difference is mainly due to adjustment for the Saipan's operation.

7. The difference is mainly due to accruals of finance costs of approximately HK$148 million, accruals of other legal and operating expenses related to Saipan's operation of approximately HK$238 million and reclassification of other borrowing, unsecured bonds and notes and loans from a joint venture of approximately HK$22 million.

8. The difference is mainly due to the reclassification of other payables and accruals and other borrowing and unsecured bonds and notes as stated in 7 above.

9. The difference is mainly due to the reclassification of other payables and accruals and loans from a joint venture as stated in 7 above.

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 2021, no VIP table games rolling (2020: HK$846 million) was generated from the operations of Imperial Palace • Saipan. The VIP table games rolling showed a drastic decline compared to last year due to (i) the coronavirus disease 2019 ("**COVID-19**") pandemic and adverse market conditions; and (ii) the suspension of the casino resort developer license on 23 April 2021 as detailed below.

Since the outbreak of COVID-19, 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.

On 23 April 2021, the Licensee received an order from the Commonwealth Casino Commission ("**CCC**") that, among other matters, the casino resort developer license as granted under the Casino License Agreement (as amended) between the Licensee and the CNMI is suspended, the Licensee shall pay the Annual License Fee of US$15,500,000 (equivalent to HK$120 million) and the Casino Regulatory Fee of US$3,100,000 (equivalent to HK$24 million) immediately and that the Licensee shall pay penalties of US$6,600,000 (equivalent to HK$51 million).

The Board considered that pursuant to the force majeure clause under the Casino License Agreement, the Licensee is not required to pay the Annual License Fee in the event of natural disasters. However, the CCC raised disputes and alleged that the COVID-19 pandemic does not constitute a natural disaster or force majeure. As a result, the Licensee has filed a review with Superior Court in Saipan to determine whether the pandemic constitutes a natural disaster or force majeure. If it is determined that the pandemic constitutes a natural disaster or force majeure, the Licensee will not be required to pay the Annual License Fee.

The parties are in the process of finalizing the settlement terms through a settlement agreement (the "**Agreement**") and will provide notice to the Court upon the entry of the Agreement.

Based on the parties' significant progress towards settlement, on 31 May 2022, the Court extended the Temporary Restraining Order through 8 July 2022, and stayed briefing on the Plaintiffs' Complaint and Emergency Motion for Temporary Restraining Order and Order Compelling Arbitration for a period of 30 days.

The Agreement is expected to be signed by the end of June 2022 and IPI is actively planning, under CCC's guidance, for reopening by November 2022.

Major global construction companies, consulting firms, design and engineering firms as well as local sub-contractors have been engaged. As at 31 December 2021, approximately US$914 million (equivalent to approximately HK$7,098 million) (31 December 2020: US$913 million (equivalent to approximately HK$7,083 million) has been invested in design, consulting, engineering, construction material and labour.

Imperial Casha Hotel

Due to the COVID-19 pandemic, construction for Imperial Casha Hotel has been temporarily suspended.

BUSINESS OUTLOOK

Integrated Resort Development

Imperial Palace • Saipan, perched on the water front of downtown Garapan, will boast 10 restaurants of Michelin grade standard and 329 hotel rooms and 15 villas upon completion of construction.

The CNMI has welcomed the first batch travel bubble tourists in July 2021. In addition, the US government has also approved re-including Hong Kong in the CNMI Visa Waiver program.

Throughout the recovery process our Group remains committed to our mission of enhancing the tourism of Saipan and creating local opportunities. 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. Once the travel restrictions in Saipan are lifted, the casino in Imperial Palace • Saipan shall resume operations and be opened to public. We expect the successional opening of villas and hotel rooms of Imperial Palace • Saipan, subject to the lifting of the global travel restrictions, will enhance our capacity to welcome visitors to Saipan.

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 2021, no revenue was generated from the operations of Imperial Palace • Saipan . Loss attributable to owners of the Company for the year ended 31 December 2021 of approximately HK$1,077 million, as compared with a loss attributable to owners of approximately HK$7,390 million in last year. Basic and diluted loss per share were HK0.01, as compared with basic and diluted loss per share of HK0.05 in last year.

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, 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.

As aforementioned, 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. As a result, no revenue was generated from VIP gaming operations during the period.

Impairment

As of 31 December 2021, the Group had property, plant and equipment and trade receivables amounted to HK$2,604,980,000 and HK$1,017,646,000, respectively.

The gross trade receivables approximated to HK$9,106 million (2020: HK$9,055 million) from VIP gaming operations as at the year ended 31 December 2021. 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 model 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 2021, the provision for impairment of trade receivables due from the Group's largest and the ten largest debtors amounted to approximately HK$1,075 million and approximately HK$2,745 million (2020: HK$1,081 million and HK$2,760 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), ageing of the outstanding amounts, securities provided and past repayment records;

(ii) as at 31 December 2021, the provision for impairment of trade receivables due from the remaining customers of the Group amounted to approximately HK$5,343 million (2020: HK$5,289 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 2021 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 2021, no revenue was generated from mass gaming operations (2020: HK$37 million). Customers from the mass gaming operations do not receive rebate and commissions from the Group.

As aforementioned, 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 and subsequently the casino resort developer license has been suspended since 23 April 2021. As a result, no revenue was generated from VIP gaming operations during the period.

Slot Machines and ETG Gaming Operations

No revenue was generated from the slot machines and ETG game operations (2020: HK$33 million) for the year ended 31 December 2021.

As aforementioned, 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 and subsequently the casino resort developer license has been suspended since 23 April 2021. As a result, no revenue was generated from VIP gaming operations during the period.

Cost of Sales

Given that no revenue was generated from the operations of Imperial Palace • Saipan for the year ended 31 December 2021, cost of sales for the same period decreased to HK$Nil (2020: HK$52 million).

Cost of sales for the year ended 31 December 2020 comprised principally the direct casino costs such as casino licence fees of approximately HK$44 million (2021: HK$Nil) and Saipan's business gross revenue tax of approximately HK$0.2 million (2021 HK$Nil).

Other income, gains and losses

Other income, gains and losses, net for the year ended 31 December 2021 mainly represented interest income from third party of approximately HK$944,000 (2020: Gain on disposal of subsidiaries of HK$47,756,000).

Operating expenses

Operating expenses, excluding impairment of trade receivables, decreased to approximately HK$239 million. The decrease is mainly attributable to decrease in provision of regulatory matters of approximately HK$500 million, a decrease in staff costs of HK$168 million and an decrease in other operating expenses of approximately HK$353 million during the year ended 31 December 2021.

Significant Investment, Acquisition and Disposal

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

Capital expenditure

No capital expenditure had been incurred during the year ended 31 December 2021 (2020: HK$69 million), mainly for construction of the Imperial Palace • Saipan and acquisition of gaming related equipment.

Liquidity, Financial Resources and Going Concern

The Group monitors capital using a gearing ratio, which is net debt divided by the adjusted capital plus net debt. Net debt includes, unsecured bonds and notes, lease liability, 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 31 December 2021 was approximately negative 146.4% due to the Company's negative equity position (31 December 2020: negative 148.4%).

Capital structure

As at 31 December 2021, the Company's total number of issued shares was 7,149,240,383 at HK$0.01 each (after adjustment for capital consolidation which became effective on 16 September 2021) (31 December 2020: 142,984,807,678 at HK$0.0005 each).

On 16 August 2021, the Board proposed to implement a share consolidation on the basis that every twenty (20) issued and unissued existing shares of the Company of HK$0.0005 each will be consolidated into one (1) consolidated Share of HK$0.01 each ("**Consolidated Share(s)**") (the "**Share Consolidation**"), details of which are set out in the circular of the Company dated 25 August 2021. The Share Consolidation was approved by the shareholders at the special general meeting of the Company held on 14 September 2021 ("**SGM**") and became effective on 16 September 2021.

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 2021, the Group had capital commitments of approximately HK$509 million (31 December 2020: HK$512 million).

Contingent Liabilities

(a) Regulatory oversight — BSA compliance

The Group is subject to the jurisdiction of 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.

In March 2019, the Internal Revenue Service ("**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. IPI then 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 this 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 and amount of any possible impact to the Group. Notwithstanding the aforesaid, as at 31 December 2021, the Directors, based on external advice, have made a provision for the estimated civil money penalty in respect of the identified and potential violations.

(b) Investigation by Federal Government Authorities

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 2020. IPI has fully cooperated with the Federal Government Authorities in providing documents and information.

The Group has engaged 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 2020. 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. The external 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 this 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.

(c) Commonwealth Casino Commission

As of the date of issuance of this announcement, there were five individual cases pending before the CCC of aggregate amount of US$19,800,000 (equivalent to HK$153 million) which related to failure of payment of annual license fee, payment of community benefit, lack of cash reserves and payment of regulator fee. The Group did not dispute that it owes this money and instead has argued that a Force Majeure clause contained within the Casino License Agreement should be applicable as a result of the COVID-19 pandemic and/or that payment should be delayed. On 23 April 2021, the Licensee received an order from the CCC that, among other matters, the casino resort developer license as granted under the Casino License Agreement (as amended) between the Licensee and the CNMI is suspended, the Licensee shall pay the Annual License Fee of US$15,500,000 (equivalent to HK$120 million) and the Casino Regulatory Fee of US$3,100,000 (equivalent to HK$24 million) immediately and that the Licensee shall pay penalties of US$6,600,000 (equivalent to HK$51 million). The Board considered that pursuant to the force majeure clause under the Casino License Agreement, the Licensee is not required to pay the Annual License Fee in the event of natural disasters. However, the CCC raised disputes and alleged that the COVID-19 pandemic does not constitute a natural disaster or force majeure. As a result, the Licensee has filed a review with Superior Court in Saipan to determine whether the pandemic constitutes a natural disaster or force majeure. If it is determined that the pandemic constitutes a natural disaster or force majeure, the Licensee will not be required to pay the Annual License Fee. As of the date of this announcement, such review is still ongoing. A provision has been made in the unaudited annual results for the year.

(d) Other litigation matters

As at the end of the reporting period and up to the date of this 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, adequate provision has been made in financial information.

Save as disclosed above, the Group did not have any other significant contingent liabilities as at 31 December 2021.

Pledge of Assets

As at 31 December 2021, the Group pledged an item of property, plant and equipment with a carrying amount of approximately HK$81 million (31 December 2020: HK$92 million) and the issued shares of a subsidiary of the Company (the relevant share charge arrangement has not been completed as of the date of this announcement), as securities for interest-bearing loans with carrying amounts of approximately HK$10 million (31 December 2020: HK$27 million) and HK$1,168 million (31 December 2020: HK$1,168 million), respectively.

ADDRESSING ALL CONCERNS RAISED BY THE COMPANY'S AUDITORS

The Company's auditors issued disclaimer of opinion on the Group's consolidated financial statements for the year ended 31 December 2021. The Group reported net losses of HK$1,077,617 for the year ended 31 December 2021 and had net current liabilities of HK$12,179,909 and net liabilities of HK$8,304,207 and capital commitments of approximately HK$509,000,000 as at 31 December 2021. In this regard, the Board will use their best endeavours to take practicable and feasible actions to resolve the issue including, but not limited to, the following means:

(a) On 23 April 2021, Imperial Pacific International (CNMI), LLC (the "**Licensee**"), an indirect wholly-owned subsidiary of the Company, received an order from the Commonwealth Casino Commission ("**CCC**") dated 22 April 2021 that, among other matters, the casino resort developer license as granted under the Casino License Agreement (as amended) between the Licensee and the CNMI was suspended, the Licensee shall pay the Annual License Fee of approximately US$31,000,000 (equivalent to approximately HK$240,250,000) and the Casino Regulatory Fee of US$6,300,000 (equivalent to approximately HK$48,825,100) for 2020 and 2021. The Board considered that pursuant to the force majeure clause under the Casino License Agreement, the Licensee is not required to pay the Annual License Fee in the event of natural disasters.

However, the CCC raised disputes and alleged that the COVID-19 pandemic does not constitute a natural disaster or force majeure. As a result, the Licensee has filed a review with Superior Court in Saipan to determine whether the pandemic constitutes a natural disaster or force majeure. If it is determined that the pandemic constitutes a natural disaster or force majeure, the Licensee will not be required to pay the Annual License Fee and reactivate the casino gaming licence and resume the casino gaming operation business. Such review is still ongoing.

On 9 June 2022, the wholly-owned subsidiaries of the Company, namely, Best Sunshine International Led. (BVI) and Imperial Pacific International (CNMI), LLC (collectively the "**Plaintiffs**") and CCC jointly provide notice to the United States District Court for the Northern Mariana Island (the "**Court**") that Plaintiffs and the Executive Director of CCC have reached an agreement in principle as to the terms of a settlement.

The parties are in the process of finalizing the settlement terms through a settlement agreement (the "**Agreement**") and will provide notice to the Court upon the entry of the Agreement.

Based on the parties' significant progress towards settlement, on 31 May 2022, the Court extended the Temporary Restraining Order through 8 July 2022, and stayed briefing on the Plaintiffs' Complaint and Emergency Motion for Temporary Restraining Order and Order Compelling Arbitration for a period of 30 days.

The Agreement is expected to be signed by the end of June and IPI is actively planning, under CCC's guidance, for reopening by November 2022.

(b) The Company has received an indicative offer of a credit facility of US$100,000,000 (equivalent to HK$777,000,000), which is valid until 27 September 2023 from an independent financial institution. As at the date of this announcement, no drawn down has been made;

(c) The Group has entered into a construction agreement with an independent construction company which has undertaken to finance and complete the remaining constructions of Imperial Palace • Saipan;

(d) On 30 March 2022, the Company entered into a placing agreement with CNI Securities Group Limited, an independent third party placing agent pursuant to which the placing agent has agreed to act as the sole placing agent, on a best effort basis, for the purpose of arranging independent placees to subscribe for bonds of up to an aggregate principal amount of HK$800,000,000 at 6% coupon per annum.

(e) Inventive Star and other related parties will provide additional funding to settle the Group's operations, liabilities, potential liabilities related to litigation, the casino annual license fee and the community benefit fund and capital investments as and when necessary.

(f) The management will consider other financing arrangements with a view to increasing the Group's capitalisation/equity.

(g) The management will continue to refinance and/or rollover the Group's existing loans with a view to improving the Group's liquidity.

(h) Imperial Pacific International (CNMI), LLC, ("**IPI**") a wholly-owned subsidiary of the Company has entered into an exclusive cooperation agreement with Fujian Jiadingsheng Supply Chian Management Co., Ltd. ("**Jiadingsheng**"), pursuant to which IPI and Jiadingsheng has agreed to form a joint venture which has the exclusive right to operate a shopping mall with an area of 1,000 sqm located at the Imperial Palace • Saipan for a period of 4 years commencing from 20 October 2022. Jiadingsheng has undertaken that the shopping mall will generate a minimum annual revenue and net profit in the sum of HK$300 million and HK$20 million respectively during the term of the agreement and IPI and Jiadingsheng are entitled to share 51% and 49% of the net profit respectively.

(i) IPI and Sino Travel Samoa Limited ("**Sino Travel**") has entered into an underwriting agreement, pursuant to which Sino Travel has agreed to underwrite the leasing of 250 hotel rooms and 15 villas at Imperial Palace • Saipan for a term of 4 years after IPI obtains all necessary licenses and approvals from Saipan's authorities in relation to the operation of Imperial Palace • Saipan.

(j) The Company has been contacting certain major lenders and bond and note holders to reach settlement agreement on certain other borrowing and unsecured bonds and notes with were originally due for repayment in 2021, for extension of the repayment term for 24 months and, subject to further agreement of terms, agree to convert all or part of the indebted amount into equity of the Company. As at the date of this announcement, the abovementioned settlement agreement has been accepted by lenders and bond and note holders with an aggregate sum of approximately HK$2,460 million.

The Board and the Audit Committee agreed with the Management's position based on the proposals above and requested the Management to take all necessary actions to address the effect on the basis for disclaimer of opinion. The Group will publish further announcement regarding the above matters if there is any progress on the abovementioned action plans.

EMPLOYEES AND REMUNERATION POLICIES

The total number of staff of the Group as at 31 December 2021 was 385 (31 December 2020: 844).

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.

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 2021, 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.1.8

Code provision A.1.8 of the CG Code provides that appropriate insurance cover in respect of legal action against directors should be arranged. Currently, the Company does not have insurance cover for legal action against its Directors as the previous insurance cover has just expired. The Board is seeking to obtain appropriate insurance cover in this regard.

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

Code provision A.2.7 of the CG Code provides that 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 2021, a formal meeting could not be arranged between the chairperson of the Board and all the independent non-executive Directors without the executive Directors present due to their tight schedules. Although such meeting was not held during the year ended 31 December 2021, the chairperson of the Board could be contacted by email or phone to discuss any potential concerns and/or questions that any independent non-executive Directors might have and would arrange to set up follow-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, a non-executive Director and an independent non-executive Director of the Company, Mr. Ma Wentao and Mr. Robert James Woolsey, were unable to attend the annual general meeting of the Company held on 29 June 2021. 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 C.1.2

Code Provision C.1.2 of the CG Code provides that management should provide all members of the board with monthly updates giving a balanced and understandable assessment of the issuer's performance, position and prospects in sufficient detail to enable the board as a whole and each director to discharge their duties under Rule 3.08 and Chapter 13 of the Listing Rules. Although monthly updates to the members of the Board were not arranged regularly during the year ended 31 December 2021, the management provided information and updates to the members of the Board as and when appropriate to ensure that all members of the Board properly receives adequate, complete and reliable information in a timely manner.

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 29 June 2021. Other Directors, including three independent non-executive Directors, attended and Mr. Ng Hoi Yue chaired the aforementioned meeting. All resolutions proposed were duly passed by shareholders' voting at the meeting

DIVIDEND

No dividend for the year ended 31 December 2021 (2020: Nil) is recommended by the Board.

THE 2021 ANNUAL REPORT

The annual report of the Company for the year ended 31 December 2021 containing the information as required by the Listing Rules will be dispatched to the shareholders of the Company and made available for review on the websites of the Stock Exchange and the Company in due course.

ANNUAL GENERAL MEETING

The time and venue of the 2021 annual general meeting is to be determined. A notice of the meeting, together with a circular thereof, will be published on the website of the Stock Exchange and the Company and dispatched to the shareholders of the Company in the manner as required by the Listing Rules.

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 unaudited consolidated financial statements for the year ended 31 December 2021 have been reviewed and approved by the Audit Committee.

SCOPE OF WORK

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2021 have been agreed by the Group's auditors, KTC Partners CPA Limited, to the amounts as set out in the Group's consolidated financial statements for year ended 31 December 2021. The work performed by KTC Partners CPA Limited 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 KTC Partners CPA Limited on the preliminary announcement.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The following is an extract of the independent auditor's report on the Group's audited consolidated financial statements for the year ended 31 December 2021. The report includes paragraphs of disclaimer of opinion.

BASIS FOR DISCLAIMER OF OPINION

Material uncertainties relating to the going concern basis

As described in Note 3.1 to the consolidated financial statements, the Group incurred net loss of approximately HK$1,077,617,000 during the year ended 31 December 2021 and, as of 31 December 2021, the Group had net current liabilities and net liabilities of approximately HK$11,000,351,000 and approximately HK$8,352,144,000 respectively. The Group's other borrowings with aggregate principal amounts of HK$3,725,339,000 were overdue for repayment as at 31 December 2021 and together with the overdue interests thereon of HK$522,873,000 were not repaid as at 31 December 2021 or subsequently up to the date of the annual report. The Group's aggregate other borrowings and unsecured bonds and notes amounted to approximately HK$4,226,835,000 and approximately HK$149,655,000 respectively as at 31 December 2021 respectively, out of which HK$4,346,866,000 were repayable on demand or were due for repayment within twelve months from 31 December 2021; while its cash and cash equivalents amounted to approximately HK$2,075,000 only as at 31 December 2021. In addition, the contingent liabilities described below may result in outflows of cash from the Group for which no provision has been recognized as at 31 December 2021 in the consolidated financial statements, or in excess of the amount of provision recognized, thus causing the financial performance and financial position of the Group to be worse than that referred to above.

As described in Note 35(a) to the consolidated financial statements, the principal subsidiary of the Group, Imperial Pacific International (CNMI), LLC ("**IPI**"), that holds the gaming license required for the conduct of the Group's casino operations is subject to regulatory oversight in respect of its compliance with the relevant laws and regulations including, inter alia, the Bank Secrecy Act ("**BSA**"). This subsidiary received a letter from the Financial Crimes Enforcement Network ("**FinCEN**") of the US Department of the Treasury 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 IPI to provide certain information and documents relevant to its compliance with these regulatory requirements from 2016 to 2021, before FinCEN evaluates the assessment of any civil money penalties or to take additional enforcement action. The Group has provided the required information and documents to FinCEN. However there have been no further developments with respect to the matter. In the opinion of the directors of the Company, the investigation can lead to fines, penalties or other implications to the Group's casino license subject to the term of the Casino License Agreement ("**CLA**") and hence to the Group's casino operations. However, the ultimate outcome of these matters cannot be assessed with reasonable certainty as at the date of this report.

As disclosed in Note 35(b) to the consolidated financial statements, the Company had made an announcement that IPI has assisted in an investigation by the Federal Government Authorities and provided relevant information and documents as required by the Federal Government Authorities. As at the date of the annual report, the investigation by the Federal Government Authorities is still ongoing. The Group has engaged external legal counsels to conduct an independent investigation on the documents and information submitted and to be submitted to the authorities (the "**Independent Investigation**"). Based on the findings from the independent investigation, the Directors have not identified any transactions which were assessed to be either of a high or moderate risk to a criminal liability exposure and the external legal counsels of IPI have opined that the criminal liability exposures which were assessed to be of a low to moderate risk in their investigation reports do not amount to a material breach of any provisions of CLA or the Commonwealth Casino Commission ("**CCC**") regulations. As at the date of the annual report, the investigation by the Federal Government Authorities is still ongoing and the investigation can lead to fines, penalties or other implications to the Group's casino license subject to the terms of the CLA and hence to the Group's casino operations. However, the ultimate outcome of these matters cannot be assessed with reasonable certainty as at the date of this report.

As disclosed in Note 35(c) to the consolidated financial statements, on 23 April 2021, IPI received an order from the CCC that, among other matters, the casino resort developer license as granted under the CLA between IPI and the CNMI is suspended, IPI shall pay the annual license fee ("**Annual License Fee**") of US$31,000,000 (equivalent to approximately HK$240,250,000) and the Casino Regulatory Fee of US$6,300,000 (equivalent to approximately HK$48,825,000) for 2020 and 2021. The Board considered that pursuant to the force majeure clause under the CLA, IPI is not required to pay the Annual License Fee in the event of natural disasters. However, the CCC raised disputes and alleged that the COVID-19 pandemic does not constitute a natural disaster or force majeure. As a result, IPI has filed a review with Superior Court in Saipan to determine whether the pandemic constitutes a natural disaster or force majeure. Such review is still ongoing and the casino gaming license have been suspended.

On 9 June 2022, the wholly-owned subsidiaries of the Company, namely, Best Sunshine International Led. (BVI) and Imperial Pacific International (CNMI), LLC (collectively the "**Plaintiffs**") and CCC jointly provide notice to the United States District Court for the Northern Mariana Island (the "**Court**") that Plaintiffs and the Executive Director of CCC have reached an agreement in principle as to the terms of a settlement.

The parties are in the process of finalizing the settlement terms through a settlement agreement (the "**Agreement**") and will provide notice to the Court upon the entry of the Agreement.

Based on the parties' significant progress towards settlement, on 31 May 2022, the Court extended the Temporary Restraining Order through 8 July 2022, and stayed briefing on the Plaintiffs' Complaint and Emergency Motion for Temporary Restraining Order and Order Compelling Arbitration for a period of 30 days.

As disclosed in Note 35(d) to the consolidated financial statements, the Group is a defendant to a number of civil litigation cases as at 31 December 2021. The claims can potentially lead to further insufficiency of working capital and loss of rights to hire foreign workers for the next five years for the Group because of the alleged breaches of the settlement with the US Department of Labor and the alleged failure to properly pay construction workers and expose the Group to the risk of a total loss of its investment in the casino resort. Should the Group be unable to succeed in its defense of these civil litigation cases, adjustments would have to be made to recognize provisions for the losses, to impair the Group's assets and to provide for further liabilities. The ultimate outcome of these litigation cases are subject to the judgement of the relevant court and cannot be assessed with reasonable certainty as at the date of this report.

The directors of the Company are undertaking a number of plans and measures to improve the Group's liquidity and financial position, as set out in Note 3.1 to the consolidated financial statements. The consolidated financial statements have been prepared on a going concern basis, the validity of which depends on the successful eventual outcome of these plans and measures and are subject to multiple uncertainties, including:

(i) whether the Group is able to reactivate the casino license from the suspension by CCC's order dated 22 April 2021 as IPI is in breach of its CLA due to the failure to pay the annual license fee of approximately US$31,000,000 (equivalent to approximately HK$240,250,000) for 2020 and 2021 and the breach of the license agreement for failing to pay Casino Regulatory Fee of US$6,300,000 (equivalent to approximately HK$48,825,000), failure to maintain a required amount of expected obligations in cash and cash equivalents in a restricted account in the bank in the CNMI or United States of America of amount US$8,400,000 (equivalent to approximately HK$65,100,000) and penalties in addition to the amounts claimed of US$6,600,000 (equivalent to approximately HK$51,150,000);

(ii) whether the Group is able to defend in the Superior Court in Saipan to determine the pandemic constitutes a natural disaster or force majeure and reactivate the casino gaming license and resume the casino gaming operation business;

(iii) whether Inventive Star Limited and other related parties are able to provide adequate financial support to the Group to enable the Group to continue to operate as a going concern in the foreseeable future and to settle the Group's liabilities as and when they fall due, including the liabilities from the potential claims in relation to the litigation cases, the casino annual license fees, the payment of Casino Regulatory Fee and the penalty;

(iv) whether the Group is able to continue to secure necessary credit facilities to enable the Group to meet its working capital and operation of Imperial Palace • Saipan and other matters in the foreseeable future since the gaming license have been suspended;

(v) whether the Company is able to successfully undertake other financing arrangements with a view to increasing the Group's capitalisation/equity; and

(vi) whether the Company is able to refinance and/or rollover the Group's existing loans with a view to improving the Group's liquidity.

Should the Group fail to achieve successful outcomes from the above-mentioned plans and measures, it might not be able to continue to operate as a going concern. We have not been provided with sufficient appropriate audit evidence to conclude on the appropriateness of management's use of the going concern basis of accounting in the preparation of the consolidated financial statements because of the lack of detailed analysis provided by management in relation to its plans and measures for future actions in its going concern assessment which take into account the uncertainty of outcome of these plans and measures and how variability in outcome would affect the future cash flows of the Group. Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to write down the carrying value of assets to their recoverable amounts, to provide for further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effects of these adjustments have not been reflected in these consolidated financial statements and we were unable to determine whether such adjustment were necessary.

Opening balance and corresponding figures —Impairment losses on property, plant and equipment

As disclosed in Note 15 to the consolidated financial statements, included in the property, plant and equipment of the Group as at 31 December 2020 are certain property, plant and equipment, including right-of-use assets and construction in progress, of the Imperial Palace Saipan resort.

As aforementioned above, due to the closure of the casino operations in the Imperial Palace Saipan resort since 17 March 2020 as a result of the COVID-19 coronavirus pandemic and the suspension order from the Commonwealth Casino Commission dated 22 April 2021, the management considered that impairment indicators for the property, plant and equipment of the Imperial Palace Saipan resort existed as at 31 December 2020. Based on the impairment review conducted, impairment losses of HK$1,892,604,000 and HK$2,574,776,000 on the property, plant and equipment and construction in progress respectively have been recognised in the consolidated profit or loss for the year ended 31 December 2020 to write down the carrying amounts of the property, plant and equipment of the Imperial Palace Saipan resort to their recoverable amounts as at 31 December 2020, which were determined based on their fair value less costs of disposal using the income approach.

When applying the income approach for the purpose of estimating the fair values of the properties of the Imperial Palace Saipan resort as at 31 December 2020, the valuer engaged by the Group to perform the valuation of the properties had taken into consideration the fact that the casino license of the resort was suspended under an order from the Commonwealth Casino Commission dated 22 April 2021. The valuer had assumed that (i) the proposed development of the resort would be completed in accordance with the provided development scheme and timeline and would be completed in all phases and ready for immediate occupation in December 2023 with the benefits of all approvals and permits, planning, building regulations, guidelines and consents required from all relevant government authorities would be issued without onerous conditions and delays; and (ii) there were no any legal, planning nor construction impediments to interrupt the completion of the proposed development.

As stated in the auditors' report of the auditors of the Group for the financial year ended 31 December 2020 (the "**Predecessor Auditors**"), the Predecessor Auditors were not provided with sufficient appropriate audit evidence to satisfy themselves that the above-mentioned assumptions underlying were reasonable under the prevailing facts and circumstances, particularly in relation to the uncertainties concerning the resort development completion date and additional development costs to be incurred due to the prolonged suspension of development since early 2020. Accordingly, they were unable to satisfy themselves as to whether there were material misstatements in the fair value less costs of disposal as at 31 December 2020 of the property, plant and equipment of the Imperial Palace Saipan resort and the resulting provision for impairment loss of property, plant and equipment of HK$4,467,380,000 recognised in consolidated profit or loss for the year then ended. Any adjustments to the recoverable amounts as at 31 December 2020 of these property, plant and equipment including construction in progress found to be necessary would affect the consolidated financial performance and the amounts presented in cash flows of the Group for the years ended 31 December 2021 and 2020 and the financial position of the Group at 31 December 2020 presented as current year and comparative figures in the consolidated financial statements and the related elements making up the consolidated financial statements and disclosures in the consolidated financial statements.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

The annual results announcement of the Company is published on the website of the Stock Exchange (www.hkexnews.hk) and on the website of the Company (www.hanveygroup.com.hk). The annual report of the Company for the 2021 containing all the relevant information required by the Listing Rules will be dispatched to the Shareholders on the websites of the Stock Exchange and the Company in due course.

By order of the Board
Imperial Pacific International Holdings Limited
Xu Zhongxiang
Executive Director

Hong Kong, 23 June 2022

As at the date of this announcement, the Board comprises Mr. Xu Zhongxiang and Mr. Chen Feng as executive Directors and Mr. Robert James Woolsey, Mr. Lee Kwok Leung, Mr. Ip Mei Shun and Mr. Chi Yuan 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$7.797 for illustration purpose only. No representation is made that any amount in US$ or HK$ would have been or can be converted at the above rate.