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IMPERIAL PACIFIC

INTERNATIONAL HOLDINGS

博華太平洋國際控股有限公司

IMPERIAL PACIFIC INTERNATIONAL HOLDINGS LIMITED

博華太平洋國際控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 1076)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

The board of directors (the “**Directors**”) (the “**Board**”) of Imperial Pacific International Holdings Limited (the “**Company**”) hereby announces the unaudited interim results of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 June 2020 together with comparative figures for the corresponding period of 2019 as follows:

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

For the six months ended 30 June 2020

	<i>Notes</i>	Six months ended 30 June	
		2020 <i>HK\$'000</i> (Unaudited)	2019 <i>HK\$'000</i> (Unaudited)
Revenue	4	26,672	399,438
Cost of sales		(79,659)	(120,468)
Gross (loss)/profit		(52,987)	278,970
Other income, gains and losses, net		15,890	8,909
Selling and marketing expenses		(1,294)	(9,213)
Operating and administrative expenses		(439,119)	(522,677)
Impairment losses recognised for trade receivables, net	11	(222,120)	(1,347,121)
Share-based payments		(527)	(5,906)
Finance costs	6	(96,921)	(169,967)
Share of loss of a joint venture		(846)	–
Loss before tax	5	(797,924)	(1,767,005)
Income tax expense	7	–	(112,939)
Loss for the period attributable to owners of the Company		(797,924)	(1,879,944)

	Six months ended 30 June	
	2020	2019
<i>Note</i>	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
OTHER COMPREHENSIVE (LOSS)/INCOME		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	(49,725)	(16,999)
Reclassification for foreign operation disposed of during the period	(2)	–
	<u> </u>	<u> </u>
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	(49,727)	(16,999)
	<u> </u>	<u> </u>
Other comprehensive (loss)/income that will not be reclassified to profit or loss in subsequent periods:		
Equity investments designated at fair value through other comprehensive income:		
Changes in fair value	(3,131)	1,982
	<u> </u>	<u> </u>
Net other comprehensive (loss)/income that will not be reclassified to profit or loss in subsequent period	(3,131)	1,982
	<u> </u>	<u> </u>
OTHER COMPREHENSIVE LOSS FOR THE PERIOD	(52,858)	(15,017)
	<u> </u>	<u> </u>
TOTAL COMPREHENSIVE LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY	(850,782)	(1,894,961)
	<u> </u>	<u> </u>
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY		
	9	
Basic	<u>HK(0.56) cents</u>	<u>HK(1.31) cents</u>
Diluted	<u>HK(0.56) cents</u>	<u>HK(1.31) cents</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

		30 June 2020	31 December 2019
	<i>Notes</i>	HK\$'000 (Unaudited)	HK\$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	<i>10</i>	7,187,435	7,086,635
Right-of-use assets		214,918	231,178
Investment in a joint venture		148,491	149,283
Prepayments, deposits and other receivables		12,456	29,069
Equity investments designated at fair value through other comprehensive income		5,342	8,473
		<hr/>	<hr/>
Total non-current assets		7,568,642	7,504,638
CURRENT ASSETS			
Inventories		24,107	23,466
Trade receivables	<i>11</i>	1,902,379	2,124,660
Prepayments, deposits and other receivables		303,818	346,362
Restricted bank deposits		44,400	44,621
Cash and cash equivalents		62,254	100,497
		<hr/>	<hr/>
Total current assets		2,336,958	2,639,606
CURRENT LIABILITIES			
Trade payables	<i>12</i>	74,337	77,023
Other payables and accruals	<i>13</i>	3,146,773	2,643,694
Other borrowings	<i>14</i>	1,158,378	1,358,405
Lease liabilities		13,053	23,240
Contract liabilities		2,649,816	2,622,360
Unsecured bonds and notes	<i>15</i>	608,965	480,357
Loans from a joint venture		8,477	10,046
Tax payable		98,612	99,063
		<hr/>	<hr/>
Total current liabilities		7,758,411	7,314,188
NET CURRENT LIABILITIES		(5,421,453)	(4,674,582)
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		2,147,189	2,830,056
		<hr/>	<hr/>

		30 June 2020	31 December 2019
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Audited)
NON-CURRENT LIABILITIES			
Other payables and accruals	<i>13</i>	319,775	418,157
Other borrowings	<i>14</i>	2,489,226	2,092,351
Lease liabilities		20,931	21,741
Unsecured bonds and notes	<i>15</i>	49,039	176,894
		<hr/>	<hr/>
Total non-current liabilities		2,878,971	2,709,143
		<hr/>	<hr/>
NET (LIABILITIES)/ASSETS		(731,782)	120,913
		<hr/> <hr/>	<hr/> <hr/>
CAPITAL AND RESERVES			
Share capital	<i>16</i>	71,492	71,492
Reserves		(803,274)	49,421
		<hr/>	<hr/>
(DEFICIENCY IN ASSETS)/TOTAL EQUITY		(731,782)	120,913
		<hr/> <hr/>	<hr/> <hr/>

NOTES TO INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2020

1. CORPORATE INFORMATION

Imperial Pacific International Holdings Limited (the “**Company**”) was incorporated in Bermuda as an investment holding company with limited liability under the Companies Act 1981 of Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The principal place of business is Units 05–06, 16th Floor, Global Trade square, No. 21 Wong Chuk Hang Road, Hong Kong. The Company’s shares are listed on The Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

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

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

2.1 BASIS OF PRESENTATION

Despite that the Group reported a net loss of approximately HK\$797,924,000 for the six months ended 30 June 2020 and had net current liabilities of approximately HK\$5,421,453,000, net liabilities of approximately HK\$731,782,000 and capital commitments of approximately HK\$511,958,000 as at 30 June 2020, the Directors consider that the Group will have adequate funds available to enable it to operate as a going concern, based on the Group’s profit forecast and cash flow projection which, inter alia, take into account the past actual operating performance of the Group and the following:

- (a) as at the end of the reporting period, the Company has unutilised credit facility of US\$350,000,000 (equivalent to HK\$2,712,664,000) from an independent third party for its working capital needs. The total facility amount is US\$500,000,000 (equivalent to HK\$3,875,234,000), of which an amount of US\$150,000,000 (equivalent to HK\$1,162,570,000) was drawn down as at the end of the reporting period;
- (b) Inventive Star and other related parties have undertaken to provide additional funding to finance the Group’s operations and capital investments as and when necessary;
- (c) the management will consider other financing arrangements with a view to increasing the Group’s capitalisation/equity; and
- (d) the management will consider to refinance and/or rollover the Group’s existing loans with a view to improving the Group’s liquidity.

Further details are set out in note 18 for events after the reporting period.

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

2.2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited interim condensed consolidated financial information for the six months ended 30 June 2020 has been prepared in accordance with Hong Kong Accounting Standard 34 (“**HKAS 34**”) “**Interim Financial Reporting**” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Other than additional accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2020 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2019.

The unaudited interim condensed consolidated financial information has been prepared under the historical cost convention, except for equity investments designated at fair value through other comprehensive income (“**FVOCI**”), which have been measured at fair value. This unaudited interim condensed consolidated financial information is presented in Hong Kong dollars (“**HK\$**”) and all values are rounded to the nearest thousand except when otherwise indicated.

2.3 APPLICATION OF AMENDMENTS TO HKFRSs

In the current interim period, the Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

The adoption of the Amendments to References to the Conceptual Framework in HKFRS Standards and the amendments to HKFRSs in the current period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

3. OPERATING SEGMENT INFORMATION

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

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

4. REVENUE

The Group's revenue is as follows:

	For the six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
VIP gaming operations	(24,728)	254,705
Mass gaming operations	32,837	97,757
Slot machines and Electronic Table Game (“ETG”) gaming operations	12,762	30,058
Food and beverage	5,801	16,918
	<u>26,672</u>	<u>399,438</u>

5. LOSS BEFORE TAX

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

	For the six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Cost of inventories sold*	1,639	4,491
Business gross revenue tax (“BGRТ”)*	1,185	19,554
Depreciation of property, plant and equipment	125,480	114,160
Depreciation of right-of-use assets	14,574	18,110
Casino licence fees*	60,158	58,822
Rental expense of short-term leases	1,446	10,958
Foreign exchange differences, net	84	(35,431)
Loss on disposal/write-off of items of property, plant and equipment**	–	446
Fair value loss on derivative financial instruments, net**	–	23
Dividend income from equity investments designated at FVOCI**	–	(729)
Gain on disposal of subsidiaries**	(15,227)	–
Staff costs (including directors' remuneration):		
Salaries, bonus and allowances***	135,294	262,054
Retirement benefits scheme contributions	131	789
Total staff costs	<u>135,425</u>	<u>262,843</u>
Compensation received from insurance claims**	–	(7,686)

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

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

*** Staff costs of approximately HK\$74,049,000 (six months ended 30 June 2019: approximately HK\$128,774,000) included in the above were capitalised under property, plant and equipment.

6. FINANCE COSTS

An analysis of finance costs is as follows:

	For the six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest on lease liabilities	2,831	4,726
Interest on other borrowings and loans from related parties	193,324	222,810
Interest on unsecured bonds and notes	34,905	79,727
Interest on convertible bonds and notes	–	2,091
	<u>231,060</u>	<u>309,354</u>
Less: Interest capitalised*	<u>(134,139)</u>	<u>(139,387)</u>
	<u><u>96,921</u></u>	<u><u>169,967</u></u>

* The borrowing costs have been capitalised at the weighted average rate of 11.08% for the six months ended 30 June 2020 (six months ended 30 June 2019: 9.96%).

7. INCOME TAX

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the six months ended 30 June 2020 and 2019. Income tax provision for the six months ended 30 June 2020 and 2019 represents income tax on casino operations for the subsidiaries operating in the CNMI, which is calculated at the applicable tax rates for the six months ended 30 June 2020 and 2019.

	For the six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax — CNMI		
Charge for the period	–	–
Deferred tax		
Credit for the period	–	(151,370)
Impairment of deferred tax assets	–	264,309
	<u>–</u>	<u>112,939</u>
Tax charge for the period	<u><u>–</u></u>	<u><u>112,939</u></u>

8. INTERIM DIVIDEND

No dividend was paid or proposed by the Company for the six months ended 30 June 2020 and 2019.

9. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of the basic loss per share amounts for the period is based on the loss for the period attributable to owners of the Company, and the weighted average number of ordinary shares of approximately 142,984,808,000 (six months ended 30 June 2019: approximately 142,984,808,000) in issue during the period.

No adjustment had been made to the basic loss per share amount presented for the period ended 30 June 2020 in respect of a dilution as the impact of the share options (2019: share option and convertible bonds) had an anti-dilutive effect on the basic loss per share amount presented.

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

	For the six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Loss		
Loss attributable to owners of the Company, used in the basic and diluted loss per share calculation	<u>(797,924)</u>	<u>(1,879,944)</u>
	Number of shares	
	2020	2019
	'000	'000
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic loss per share calculation	<u>142,984,808</u>	<u>142,984,808</u>
Weighted average number of ordinary shares in issue during the period used in the diluted loss per share calculation	<u>142,984,808</u>	<u>142,984,808</u>

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2020, the Group acquired items of property, plant and equipment of approximately HK\$253,322,000 (six months ended 30 June 2019: approximately HK\$529,241,000).

11. TRADE RECEIVABLES

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

	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Within 1 month	–	20,921
More than 1 month but within 3 months	–	41,811
More than 3 months but within 6 months	14,871	60,855
More than 6 months but within 1 year	122,974	218,544
More than 1 year	8,913,002	8,743,573
	9,050,847	9,085,704
Impairment	(7,148,468)	(6,961,044)
	1,902,379	2,124,660

12. TRADE PAYABLES

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

	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Within 1 month	7,320	6,928
More than 1 month but within 3 months	7,625	6,089
More than 3 months but within 6 months	10,981	15,734
More than 6 months but within 1 year	17,752	12,455
More than 1 year	30,659	35,817
	74,337	77,023

The trade payables are non-interest bearing and repayable on demand.

13. OTHER PAYABLES AND ACCRUALS

	30 June 2020	31 December 2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Deposits received	477,448	479,822
BGRT payable	72,985	73,230
Construction related payables	1,313,985	1,230,451
CN 2015 payable	23,400	23,400
Provision for regulatory matters	202,443	203,449
Other payables and accruals	<u>1,376,287</u>	<u>1,051,499</u>
	3,466,548	3,061,851
Less: Non-current portion	<u>(319,775)</u>	<u>(418,157)</u>
Current portion	<u><u>3,146,773</u></u>	<u><u>2,643,694</u></u>

14. OTHER BORROWINGS

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

	30 June 2020	31 December 2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Within 1 year or on demand	1,158,378	1,358,405
In the second year	2,489,226	1,730,256
In the third to fifth years	<u>–</u>	<u>362,095</u>
	3,647,604	3,450,756
Less: Non-current portion	<u>(2,489,226)</u>	<u>(2,092,351)</u>
Current portion	<u><u>1,158,378</u></u>	<u><u>1,358,405</u></u>

As at 30 June 2020, the interest-bearing loans are unsecured and interest-bearing at 7% to 13% (31 December 2019: 7%–13%) per annum, save for (i) an interest-bearing loan amount of HK\$35,235,000 (31 December 2019: HK\$42,602,000) which is secured by the Group's aircraft with a carrying amount of HK\$98,422,000 (31 December 2019: HK\$103,116,000) and interest-bearing at LIBOR + 4% per annum; and (ii) an interest-bearing loan amount of HK\$1,162,530,000 (31 December 2019: HK\$1,168,350,000) which is secured by the issued shares of a subsidiary of the Company (the relevant shares charge arrangement has not been completed as of the date of issuance of these interim financial information), guaranteed by Mr. Ji Xiaobo ("Mr. Ji"), Ms. Cui and Inventive Star and interest bearing at fixed rate of 12% per annum.

As at 30 June 2020, an aggregate amount of HK\$685,388,000 (31 December 2019: HK\$685,086,000) included in the Group's other interest-bearing loans was pledged by certain patrons/guarantors who have guaranteed the repayment of the trade receivables due from some of the Group's patrons (the "Loan Guarantee"). In the opinion of the directors, based on independent legal advice, the Group has the enforceable right to set off the pledged loans against any irrecoverable trade receivables due from these patrons under the Loan Guarantee.

15. UNSECURED BONDS AND NOTES

	Notes	30 June 2020			31 December 2019		
		Effective interest rate (%)	Maturity	HK\$'000 (Unaudited)	Effective interest rate (%)	Maturity	HK\$'000 (Audited)
Current:							
— 2017 Notes — 8.5%	(a)	8.65	2021	544,631	8.65	2020	467,290
— 2017 Bonds AI — 5.25%	(b)	9.53	2020	13,340	9.53	2020	13,067
— 2018 Bonds AAI — 5.25%	(d)	9.53	2021	24,642	—	—	—
— Promissory Notes	(h)	0–12	2021	26,352	—	—	—
				<u>608,965</u>			<u>480,357</u>
Non-current:							
Repayable in the second year							
— 2017 Notes — 8.5%	(a)	—	—	—	8.65	2021	77,880
— 2017 Bonds AII — 6%	(c)	9.56	2022	14,136	—	—	—
— 2018 Bonds AAI — 5.25%	(d)	—	—	—	9.53	2021	24,151
— Promissory Notes	(h)	—	—	—	0–12	2021	26,499
				<u>14,136</u>			<u>128,530</u>
Repayable in the third to fifth years, inclusive							
— 2017 Bonds AII — 6.0%	(c)	—	—	—	9.56	2022	13,915
— 2017 Bonds B — 6.0%	(f)	9.56	2025	24,177	—	—	—
— 2018 Bonds AAI — 6.0%	(e)	9.56	2022	6,469	9.56	2022	6,373
				<u>30,646</u>			<u>20,288</u>
Repayable beyond five years							
— 2017 Bonds B — 6.0%	(f)	—	—	—	9.56	2025	23,871
— 2018 Bonds BB — 6.0%	(g)	9.56	2025	4,257	9.56	2025	4,205
				<u>4,257</u>			<u>28,076</u>
				<u>49,039</u>			<u>176,894</u>

- (a) On 25 January 2017, 27 January 2017 and 7 February 2017, the Company issued the 2017 Notes — 8.5% with an aggregate principal amount of US\$70,000,000 (approximately HK\$544,631,000) to certain independent third parties, which are interest bearing at 8.5% per annum and repayable on 25 April 2021, 26 January 2021 and 6 February 2021, respectively.
- (b) On 15 September 2017, 20 September 2017, 13 October 2017, 3 November 2017 and 17 November 2017, the Company issued the 2017 Bonds AI — 5.25% with an aggregate principal amount of HK\$13,500,000 to certain independent third parties, which are interest bearing at 5.25% per annum and repayable on 14 September 2020, 19 September 2020, 12 October 2020, 2 November 2020 and 16 November 2020 respectively.

- (c) On 15 September 2017, 3 November 2017 and 9 November 2017, the Company issued the 2017 Bonds AII — 6.0% with an aggregate principal amount of HK\$15,000,000 to certain independent third parties, which are interest bearing at 6% per annum and repayable on 14 March 2022, 2 May 2022 and 8 May 2022 respectively.
- (d) On 18 April 2018, 8 May 2018 and 28 May 2018, the Company issued the 2018 Bonds AAI — 5.25% with an aggregate principal amount of HK\$25,500,000 to certain independent third parties, which are interest bearing at 5.25% per annum and repayable on 17 April 2021, 7 May 2021 and 27 May 2021 respectively.
- (e) On 15 May 2018 and 14 June 2018, the Company issued the 2018 Bonds AAI — 6% with an aggregate principal amount of HK\$7,000,000, to certain independent third parties, which are interest bearing at 6% per annum and repayable on 14 November 2022 and 13 December 2022 respectively.
- (f) On 12 September 2017, 6 November 2017 and 20 November 2017, the Company issued the 2017 Bonds B — 6.0% with an aggregate principal amount of HK\$28,000,000 to certain independent third parties, which are interest bearing at 6% per annum and repayable on 11 March 2025, 5 May 2025 and 19 May 2025 respectively.
- (g) On 17 April 2018 and 1 June 2018, the Company issued the 2018 Bonds BB — 6% with an aggregate principal amount of HK\$5,000,000, to certain independent third parties, which are interest bearing at 6% per annum and repayable on 16 October 2025 and 30 November 2025 respectively.
- (h) In 2018, the Company issued certain unsecured promissory notes with principal amounts of US\$11,700,000 (approximately HK\$91,258,000) and US\$3,400,000 (approximately HK\$26,352,000) to Inventive Star and certain independent third parties, respectively. Except for a note amount of US\$2,550,000 (approximately HK\$19,764,000) that is interest-free, all notes are interest bearing at 12% per annum and repayable on 24 January 2021 and 6 February 2021 respectively.

On 22 August 2019, Inventive Star issued a deed pursuant to which Inventive Star has agreed that the Company shall have the sole discretion to determine the redemption dates of certain notes together with the interest accrued thereon. Accordingly, the notes were reclassified into perpetual loans under the Company and the Group's reserves in the statement of financial position from the date of the deed.

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

16. SHARE CAPITAL

	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Authorised:		
300,000,000,000 ordinary shares of HK\$0.0005 each	<u>150,000</u>	<u>150,000</u>
Issued and fully paid:		
142,984,807,678 ordinary shares of HK\$0.0005 each	<u>71,492</u>	<u>71,492</u>

17. CONTINGENT LIABILITIES

(a) Unasserted claims and assessments

The Group may be exposed to payment of damages assessed by the United States Equal Employment Opportunity Commission (“EEOC”). As at 30 June 2020, several former employees of a subsidiary have filed discrimination claims against that subsidiary for alleged violations of EEOC regulations. Violations of EEOC regulations may expose the subsidiary to payment of damages, civil and administrative fines or penalties.

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

(b) Regulatory oversight — BSA compliance

The Group is subject to the jurisdiction of the Regulatory Authorities in the conduct of its casino operations through IPI, its wholly-owned subsidiary. Specifically, IPI is required to comply with the rules and regulations of the CCC in the conduct of its gaming operations. IPI is also under the jurisdiction of the FinCEN in terms of its compliance with the anti-money laundering provisions of the BSA. Should IPI violate the requirements of the Regulatory Authorities, it could be subject to various sanctions and disciplinary actions including monetary fines and penalties, restrictions and conditions in the scope of operations, and the potential suspension or revocation of its gaming license.

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

(c) Investigation by Federal Government Authorities

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

The Group has engaged external legal counsels to conduct an independent investigation on the financial transactions undertaken by the Group with the named parties in the two subpoenas for the period from 2013 to 2019. Based on the findings from the investigation reports, the Directors have not identified any transactions which were assessed to be either of a high or moderate risk to a criminal liability exposure. Both the external and internal legal counsels of IPI have also opined that the criminal liability exposures which were assessed to be of a low to moderate risk in the investigation

reports do not amount to a material breach of any provisions of IPI's CLA or the CCC's regulations. The Directors also believe that IPI had not undertaken any unlawful activities, and IPI has sound defenses that it had acted in good faith and conduct. The Group continues to cooperate with the Federal Government Authorities.

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

(d) Other litigation matters

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

18. EVENTS AFTER THE REPORTING PERIOD

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

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

- (b) On 19 August 2020, IPI received a response letter from Commonwealth of the Northern Mariana Islands Office of the Governor (the "**Governor**") which related to the abatement of the casino license fee for the year 2020 and delay payment of the Commonwealth Casino Commission Regulatory fee. According to the response letter, IPI entitled to an adequate and reasonable time to cure.

As at the date of these interim financial information, the Group is still actively exploring and negotiating with the Governor on the settlement of the casino license fee.

19. COMPARATIVE AMOUNTS

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Company is an investment holding company, and the Group is principally engaged in the gaming and resort business including the development and operation of integrated 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 Commonwealth of the Northern Mariana Islands (“CNMI”) entered into a casino license agreement (as amended) in respect of the exclusive casino resort developer license for the Island of Saipan pursuant to which the Casino Resort Developer License was granted subject to the terms and conditions as stipulated therein.

Imperial Palace • Saipan

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

During the six months ended 30 June 2020, unaudited VIP table games rolling of United States Dollars (“US\$”) 109 million (equivalent to approximately HK\$846 million) (six months ended 30 June 2019: HK\$8,336 million) was generated from the operations of Imperial Palace • Saipan. The VIP table games rolling showed a decline compared to the first half of last year due to the outbreak of coronavirus disease 2019 (“COVID-19”) pandemic which has severely reduced the number of visitor arrivals to Saipan since March 2020.

Since the outbreak of COVID-19 in around January 2020, a number of travel restrictions remain in place all over the world, which are significantly affecting the number of visitors to Saipan. 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.

Major global construction companies, consulting firms, design and engineering firms as well as local sub-contractors have been engaged. As at 30 June 2020, approximately US\$904 million (equivalent to approximately HK\$7,009 million) (31 December 2019: US\$879 million (equivalent to approximately HK\$6,890 million) has been invested in design, consulting, engineering, construction material and labour.

Imperial Casha Hotel

On 10 July 2019, the Group acquired 50% equity interest in American Sinopan LLC, which (among others) owns the land for the Imperial Casha Hotel. Due to the COVID-19 pandemic, construction work 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, in addition to the 193 gaming tables and 365 slot machines, and 329 hotel rooms and 15 villas upon completion of construction. As of 30 June 2020, the villa resort has been partially ready for operation and we have been test-running 6 of the villas. We expect the successional opening of villas and hotel rooms of Imperial Palace • Saipan during 2021 will enhance our capacity to better accommodate our high-end patrons to a great extent.

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

According to the Mariana's Visitors Authority, monthly visitations had been declining for the first three months of year 2020. Furthermore, from 27 March 2020, the Commonwealth Ports Authority has limited aircraft landing/flight operations at the Saipan International Airport due to the COVID-19 pandemic situation.

Hotel room rates remained high. According to the Hotel Association of the Northern Mariana Islands, for the first four months of year 2020, average hotel rates kept high at US\$161.26 per night (2019: US\$148.20 per night) with average hotel occupancy rates of 40.87% (2019: 80.43%), representing a drastic decrease in occupancy rate due to COVID-19. While it is premature to forecast when COVID-19 can be contained, a prolonged coronavirus crisis may have a material effect on our 2020 financial results and our integrated resorts developments in Saipan, at least for the year 2020.

Despite the current adverse circumstances, the CNMI continues to have one of the lowest numbers of COVID-19 cases in both the US and in the world. We believe visitation to the Island of Saipan still has great potential in the long run benefiting from the island's favorable weather, stunning attractions, proximity location and flexible visa policies, with more hotels to be built and opened.

Debt/Equity Fund Raising and Refinancing

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

FINANCIAL REVIEW

For the six months ended 30 June 2020, the Group achieved revenue of approximately HK\$27 million which is principally contributed by the casino gaming operations. Loss attributable to owners of the Company for the six months ended 30 June 2020 amounted to approximately HK\$798 million, as compared with the loss attributable to owners of approximately HK\$1,880 million in the corresponding period of last year. Basic and diluted loss per share were HK0.56 cents and HK0.56 cents respectively, as compared with basic and diluted loss per share of HK1.31 cent and HK1.31 cent respectively in the corresponding period of 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 commission and allowances based on a percentage of the rolling chip turnover. The allowances can be utilised for expenses incurred on hotel rooms, food and beverages and other discretionary customer-related expenses. The Group's VIP players are also brought to us via intensive marketing campaigns.

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

In addition, a minor operation of the Group's VIP customers has been sourced via a licensed junket operator since August 2016. The establishment of a licensed junket incentive allowed the Group to bring in new players which mitigated the Group's credit concerns.

VIP rolling chip volume reached approximately HK\$846 million (six months ended 30 June 2019: HK\$8,336 million) for the first six months of 2020. Our VIP customers primarily consist of credit players. Geographically, most of our direct VIP patrons come from China, Hong Kong, Macau and Korea.

Impairment

The gross trade receivables decreased to approximately HK\$9,051 million (31 December 2019: HK\$9,086 million) from VIP gaming operations for the period ended 30 June 2020. While the scale of VIP gaming operations had a significant impact to the Group, the Group regularly reviews the recoverability of trade receivables to ensure that adequate impairments are made for irrecoverable amounts.

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

- (i) as at 30 June 2020, the provision for impairment of trade receivables due from the Group's largest and the ten largest customers amounted to approximately HK\$1,081 million and approximately HK\$3,061 million (31 December 2019: HK\$1,086 million and HK\$2,738 million) respectively. The aforementioned provisions were made based on the expected credit losses, which includes a review of individual customer's facts and circumstances (such as financial position and ongoing dialogue on settlement arrangements, etc.), aging of the outstanding amounts, securities provided and past repayment records.
- (ii) as at 30 June 2020, the provision for impairment of trade receivables due from the remaining customers of the Group amounted to approximately HK\$4,087 million (31 December 2019: HK\$4,223 million) arising from regular review of the overdue balances by the management.

The Board has also prudently benchmarked against its industry peers on provision of bad debt on trade receivables and considered that the impairment of trade receivables as estimated by the Company in the condensed consolidated statement of profit or loss and other comprehensive income for the period ended 30 June 2020 to be comparable and in line with global industry standard.

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

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

Mass Gaming Operations

For the six months ended 30 June 2020, revenue from mass gaming operations amounted to approximately HK\$33 million (six months ended 30 June 2019: HK\$98 million) and mass gaming drop reached approximately HK\$110 million (six months ended 30 June 2019: HK\$324 million). Customers from the mass gaming operations do not receive commissions from the Group.

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

Slot Machines and ETG Gaming Operations

Revenue from the slot machines and ETG amounted to approximately HK\$13 million (six months ended 30 June 2019: HK\$30 million) and hold percentage reached 7.30% (2019: 6.76%) for the six months ended 30 June 2020.

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

Cost of Sales

Cost of sales for the six months ended 30 June 2020 was approximately HK\$80 million (six months ended 30 June 2019: HK\$120 million) which comprise principally the direct casino costs such as half year casino license fee of US\$7.5 million (equivalent to approximately HK\$60.2 million) (six months ended 30 June 2019: HK\$58.8 million) and Saipan's business gross revenue tax of US\$0.2 million (equivalent to approximately HK\$1.2 million) (six months ended 30 June 2019: HK\$19.6 million).

Other income, gains and losses

Other gains and losses for the six months ended 30 June 2020 mainly represents gain on disposal of subsidiaries of approximately HK\$15 million (six months ended 30 June 2019: HK\$Nil).

Other gain and losses for the six months ended 30 June 2019 mainly represents compensation received from insurance claims of approximately HK\$8 million (six months ended 30 June 2020: HK\$Nil).

Operating expenses

Operating expenses, excluding impairment of trade receivables, decreased to approximately HK\$439 million. The decrease is mainly attributable to a decrease in staff costs of approximately HK\$127 million, partially offset by an increase in depreciation and amortisation of approximately HK\$8 million and an increase in foreign exchange loss of approximately HK\$35 million during the six months ended 30 June 2020.

Significant Investment and Acquisition

Apart from the development of integrated resort on the Island of Saipan, the Company did not have any significant investment, acquisition or disposal during the six months period ended 30 June 2020 that should be notified to the shareholders of the Company.

Capital expenditure

The Group incurred capital expenditure of approximately HK\$253 million (31 December 2019: HK\$889 million) during the six months ended 30 June 2020, mainly for construction of the Imperial Palace • Saipan and acquisition of gaming related equipment.

Liquidity and Financial Resources

The Group monitors capital using a gearing ratio, which is net debt divided by the adjusted capital plus net debt. Net debt includes convertible bonds, unsecured bonds and notes, loans from related parties, other borrowings, less cash and cash equivalents. Capital represents total equity attributable to owners of the Company. The gearing ratios as at 30 June 2020 was approximately 120.8% (31 December 2019: 97.1%).

Capital structure

During the six months ended 30 June 2020, there was no change to the authorised and issued share capital of the Company (31 December 2019: No change).

As at 30 June 2020, the total number of the issued ordinary shares with the par value of HK\$0.0005 each was 142,984,807,678 (31 December 2019: 142,984,807,678).

Risk of Foreign Exchange Fluctuation

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

Capital Commitments

As at 30 June 2020, the Group had capital commitments of approximately HK\$512 million (31 December 2019: HK\$545 million).

Contingent Liabilities

Save as disclosed in note 17 of this interim result announcement, the Group did not have any other significant contingent liabilities as at 30 June 2020 (31 December 2019: Nil).

Pledge of Assets

As at 31 December 2020, the Group pledged an item of property, plant and equipment with a carrying amount of approximately HK\$98 million (31 December 2019: HK\$103 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 issuance of this announcement), as securities for interest-bearing loans with carrying amounts of approximately HK\$35 million (31 December 2019: HK\$43 million) and HK\$1,163 million (31 December 2019: HK\$1,168 million), respectively.

REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

An Audit Committee of the Company (the “**Audit Committee**”) has been established for the purposes of reviewing and providing supervision over the financial reporting process and internal controls of the Group. The Audit Committee comprises three independent non-executive Directors. The Group’s condensed consolidated financial statements for the six months ended 30 June 2020 have been reviewed and approved by the Audit Committee.

Further, the Group’s unaudited interim condensed consolidated financial information for the six months ended 30 June 2020 has been reviewed by HLB Hodgson Impey Cheng Limited (the “**Practitioner**”) in accordance with Hong Kong Standard on Review Engagements 2400 (Revised), “Engagements to Review Historical Financial Statements” issued by the HKICPA.

EXTRACT OF INDEPENDENT PRACTITIONERS’ REVIEW REPORT ON THE INTERIM FINANCIAL INFORMATION

The following is an extract of the Practitioners’ Review Report.

“Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”.

Material uncertainty related to going concern

We draw attention to note 2.1 to the condensed consolidated interim financial statements which indicates that the Group incurred a net loss of HK\$797,924,000 during the six-month period ended 30 June 2020 and, as of that date, had net current liabilities of HK\$5,421,453,000, net liabilities of HK\$731,782,000, capital commitments of HK\$511,958,000 as disclosed in note 18 to the condensed consolidated interim financial statements and event after the reporting period as disclosed in note 21 to the condensed consolidated interim financial statement.

We also draw attention to note 19 to the condensed consolidated interim financial statements which indicates that the principal subsidiary of the Group that holds the gaming license is subject to regulatory oversight in respect of its compliance with the relevant laws and

regulations including, inter alia, the Bank Secrecy Act (“BSA”). 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 the subsidiary to provide certain information and documents relevant to its compliance with these regulatory requirements from 2016 and up to the current date, before FinCEN evaluates the assessment of any civil money penalties or to take additional enforcement action. The Group is in the process of preparing for the required information and documents for submission to FinCEN.

These conditions, along with other matters as set forth in notes 2.1, note 18, note 19 and note 21, indicate the existence of a material uncertainty which may cast significant doubt on the Group’s ability to continue as a going concern. Our review conclusion is not modified in respect of this matter.”

The above note 2.1, note 19 and note 21 to the condensed consolidated financial statements is disclosed as note 2.1, note 17 and note 18 to this announcement respectively.

PURCHASE, REDEMPTION OR SALE OF LISTED SHARES

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules. The Company had made specific enquiries of all Directors regarding any non-compliance with the Model Code during the period under review, and received confirmations from all Directors that they had fully complied with the standards as set out in the Model Code.

CORPORATE GOVERNANCE

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

During the six months ended 30 June 2020, 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.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 2020. However, the Board believes that the presence of the other independent non-executive Directors at such general meeting allowed the Board to develop a balanced understanding of the views of shareholders.

Code Provision E.1.2

According to code provision E.1.2 of the CG Code, the chairman of the board should attend the annual general meeting. Ms. Cui Li Jie, being the Chairperson and an Executive Director of the Company, was unable to attend the annual general meeting of the Company held on 29 June 2020. 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 six months ended 30 June 2020 (six months ended 30 June 2019: Nil) is recommended by the Board.

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

Hong Kong, 31 August 2020

As at the date of this announcement, the Board comprises Ms. Cui Li Jie as executive Director, Mr. Ma Wentao as non-executive Director and Mr. Robert James Woolsey, Mr. Ng Hoi Yue, Mr. Tso Hon Sai Bosco and Mr. Lee Kwok Leung as independent non-executive Directors.

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

In this announcement, save as otherwise stated, figures in US\$ are translated to HK\$ at the exchange rate of US\$1.00 = HK\$7.75 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.