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**IMPERIAL PACIFIC**

INTERNATIONAL HOLDINGS

博華太平洋國際控股有限公司

**IMPERIAL PACIFIC INTERNATIONAL HOLDINGS LIMITED**

**博華太平洋國際控股有限公司**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 1076)**

**ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020**

The board (the “**Board**”) of directors (the “**Directors**”) of Imperial Pacific International Holdings Limited (the “**Company**”) hereby announces the consolidated results of the Company and its subsidiaries (collectively the “**Group**”) for the year ended 31 December 2020, together with comparative figures for the corresponding year of 2019 as follows:

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

*Year ended 31 December 2020*

	<i>Notes</i>	<b>2020</b> <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Revenue	4	<b>26,507</b>	539,266
Cost of sales		<b>(51,515)</b>	(219,456)
Gross (loss)/profit		<b>(25,008)</b>	319,810
Other income, gains and losses, net		<b>49,137</b>	29,134
Selling and marketing expenses		<b>(1,582)</b>	(14,032)
Operating and administrative expenses		<b>(1,258,372)</b>	(1,164,696)
Allowance for expected credit losses on trade receivables		<b>(1,119,764)</b>	(2,322,910)
Impairment of investment in a joint venture		<b>(92,424)</b>	–
Share-based payments		<b>(932)</b>	(6,805)
Finance costs	6	<b>(404,055)</b>	(362,974)
Share of loss of a joint venture		<b>(927)</b>	(4,852)
<b>LOSS BEFORE TAX</b>	5	<b>(2,853,927)</b>	(3,527,325)
Income tax expense	7	–	(376,945)
<b>LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>		<b><u>(2,853,927)</u></b>	<b><u>(3,904,270)</u></b>

	<i>Note</i>	<b>2020</b> <b>HK\$'000</b>	2019 HK\$'000
<b>OTHER COMPREHENSIVE LOSS</b>			
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		<b>630</b>	(28,464)
Reclassification of cumulative exchange reserve upon disposal of a foreign operation		<b>(9)</b>	—
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods		<b>621</b>	(28,464)
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:			
Equity investments designated at fair value through other comprehensive income:			
— Change in fair value		<b>(1,884)</b>	(9,998)
Net other comprehensive loss that will not be reclassified to profit or loss in subsequent periods		<b>(1,884)</b>	(9,998)
<b>OTHER COMPREHENSIVE LOSS FOR THE YEAR</b>		<b>(1,263)</b>	(38,462)
<b>TOTAL COMPREHENSIVE LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>		<b>(2,855,190)</b>	(3,942,732)
<b>LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>	9		
Basic and diluted		<b>HK(2.00) cents</b>	HK(2.73) cents

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2020

	<i>Notes</i>	<b>2020</b> <i>HK\$'000</i>	2019 <i>HK\$'000</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>7,116,235</b>	7,317,813
Investment in a joint venture		<b>55,986</b>	149,283
Prepayments, deposits and other receivables		<b>32,058</b>	29,069
Equity investments designated at fair value listed shares through other comprehensive income		<b>5,121</b>	8,473
Total non-current assets		<b>7,209,400</b>	7,504,638
<b>CURRENT ASSETS</b>			
Inventories		<b>24,118</b>	23,466
Trade receivables	10	<b>1,005,677</b>	2,124,660
Prepayments, deposits and other receivables		<b>159,096</b>	346,362
Restricted bank deposit		–	44,621
Cash and cash equivalents		<b>10,013</b>	100,497
Total current assets		<b>1,198,904</b>	2,639,606
<b>CURRENT LIABILITIES</b>			
Trade payables	11	<b>72,096</b>	77,023
Other payables and accruals		<b>6,698,229</b>	5,266,054
Other borrowings		<b>3,662,240</b>	1,358,405
Lease liabilities		<b>3,611</b>	23,240
Unsecured bonds and notes		<b>102,997</b>	480,357
Loans from a joint venture		<b>8,477</b>	10,046
Tax payable		<b>21,048</b>	99,063
Total current liabilities		<b>10,568,698</b>	7,314,188
<b>NET CURRENT LIABILITIES</b>		<b>(9,369,794)</b>	(4,674,582)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>(2,160,394)</b>	2,830,056

	<b>2020</b> <i>HK\$'000</i>	2019 <i>HK\$'000</i>
<b>NON-CURRENT LIABILITIES</b>		
Other payables and accruals	–	418,157
Lease liabilities	<b>19,097</b>	21,741
Other borrowings	<b>504,099</b>	2,092,351
Unsecured bonds and notes	<b>49,755</b>	176,894
	<hr/>	<hr/>
Total non-current liabilities	<b>572,951</b>	2,709,143
	<hr/>	<hr/>
<b>NET (LIABILITIES)/ASSETS</b>	<b>(2,733,345)</b>	120,913
	<hr/>	<hr/>
<b>CAPITAL AND RESERVES</b>		
Share capital	<b>71,492</b>	71,492
Reserves	<b>(2,804,837)</b>	49,421
	<hr/>	<hr/>
(Deficiency in assets)/total equity	<b>(2,733,345)</b>	120,913
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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

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

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

## 2 BASIS OF PRESENTATION

### Going Concerns

Despite that the Group reported net losses of HK\$2,853,927,000 and HK\$3,904,270,000 respectively for the year ended 31 December 2020 and 2019 and had net current liabilities of HK\$9,369,794,000 and net liabilities of HK\$2,733,345,000 and capital commitments of HK\$512,166,000 as at 31 December 2020 and the adverse impact from the coronavirus disease 2019 (“**COVID-19**”) pandemic, which has also resulted in the temporary closure of its casino operation in Saipan since 17 March 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 business forecast and cash flow projection which, inter alia, take into account the past actual operating performance of the Group and the following:

- (a) Subsequent to the end of reporting period, the Group is actively exploring and negotiating with the Commonwealth Casino Commission (“**CCC**”) on the settlement of the casino annual license fee of amount US\$15,000,000 (equivalent to approximately HK\$116,250,000) and community benefit fund contribution of amount US\$30,000,000 (equivalent to approximately HK\$232,590,000), and the related penalties in addition to the amounts claimed which range from US\$50,000 to US\$100,000 per day (equivalent to approximately range from HK\$387,000 to HK\$775,000 per day) and expect to resume its casino operation when the global travel restrictions are lifted.
- (b) The Company will contact its lenders and bond and note holders to renew certain other borrowing and unsecured bonds and notes with aggregate principal amounts to approximately HK\$3,765,237,000 outstanding as at 31 December 2020 which were originally due for repayment in 2021, for extension of the repayment tenure to 2022;
- (c) As at the end of the reporting period, the Company has unutilised credit facility of US\$350,000,000 (equivalent to HK\$2,726,150,000) from an independent third party. The total facility amount is US\$500,000,000 (equivalent to HK\$3,894,500,000), of which an amount of US\$150,000,000 (equivalent to HK\$1,168,350,000) was drawn down during the year ended 31 December 2019 and outstanding as at the end of the reporting period. The Company will draw down the unutilised credit facility when necessary;

- (d) Inventive Star and other related parties have undertaken to 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;
- (e) The management will consider other financing arrangements with a view to increasing the Group's capitalisation/equity; and
- (f) The management will continue to refinance and/or roll-over the Group's existing loans with a view to improving the Group's liquidity.

The Directors believe that, taking into account the above factors, the Group will have sufficient working capital to satisfy its present requirements for at least the next 12 months from the end of the reporting period. However, should the above financing be unavailable, the Group may be unable to continue as a going concern, in which case adjustments might have to be made to the carrying values of the Group's assets to write down to 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 effects of these adjustments have not been reflected in the results announcement.

### **Compliance with Casino License Agreement**

The Group was subject to a Bank Secrecy Act (“**BSA**”) compliance examination during 2017 by the Financial Crimes Enforcement Network (“**FinCEN**”). On 4 March 2020, the Group received a letter from the FinCEN, which requested the Group to provide certain information and documents relevant to compliance with the BSA requirements from October 2016 through the present. FinCEN has indicated in the letter that there were apparent violations of the BSA and its implementing regulations and it is considering whether to impose civil money penalty or take additional enforcement action against the Group. As of the date of approve for issuance of this results announcement, the Group is still in the process of preparing for the required information and documents. The Directors believe it is not practicable for the Company to accurately predict the resolution of this matter, including timing and amount of any possible impact to the Group. Notwithstanding the aforesaid, the Directors have made a provision for the estimated civil money penalty in respect of the identified and potential violations.

However, should the above matter be construed as a material breach of the provisions of the Group's Casino License Agreement (“**CLA**”) or the CCC's regulations, the Group might then not be able to continue operation of its gaming and resort business and hence might not be 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 effects of these adjustments have not been reflected in the results announcement.

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements have been prepared under the historical cost convention, except for equity investments designated at fair value through other comprehensive income and derivative financial instruments, which have been measured at fair value. The consolidated financial statements are presented in Hong Kong dollars (“**HK\$**”), which is the same as functional currency of the Company, and the functional currency of the most of the subsidiaries are United States Dollar (“**US\$**”). The Board of Directors considered that it is more appropriate to present the consolidated financial statements in HK\$ as the shares of the Company are listed on the Stock Exchange. The consolidated financial statements are rounded to the nearest thousands (HK\$'000), unless otherwise stated.

## Application of amendments to Hong Kong Financial Reporting Standings (“HKFRSs”)

In the current year, the Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standards and 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 period beginning on or after 1 January 2020 for the preparation of the results announcement.

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 application of the Amendments to References to the Conceptual Framework in HKFRS Standards and the amendments to HKFRSs in the current year had no material impact on the Group’s financial positions and performance for the current and prior years and/or the disclosures set out in this results announcement.

## 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 <sup>1</sup>
Amendment to HKFRS 16	COVID-19-Related Rent Concessions <sup>4</sup>
Amendments to HKFRS 3	Reference to the Conceptual Framework <sup>2</sup>
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2 <sup>5</sup>
Amendments to HKFRS 10	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) <sup>1</sup>
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use <sup>2</sup>
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract <sup>2</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020 <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2023.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2022.

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined.

<sup>4</sup> Effective for annual periods beginning on or after 1 June 2020.

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2021.

The directors anticipate that the application of all new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

## 3. OPERATING SEGMENT INFORMATION

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

### Geographical information

Geographical information is not presented since all of the Group’s revenue was derived from the Island of Saipan, where the Group provides the services to its customers. Over 90% (2019: 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.

#### 4. REVENUE

The Group's revenue is as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
VIP gaming operations	(24,713)	253,787
Mass gaming operations	32,818	186,381
Slot machines and Electronic Table Game gaming operations	12,754	63,237
Food and beverage	5,648	35,861
	<u>26,507</u>	<u>539,266</u>

#### 5. LOSS BEFORE TAX

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Cost of inventories sold	1,760	8,342
Business gross revenue tax ("BGRT")	1,181	26,075
Depreciation of property, plant and equipment	207,366	208,865
Depreciation of right-of-use assets	29,169	33,069
Casino licence fees*	116,250	119,192
Auditors' remuneration	3,480	12,800
Rental expenses of short-term leases	16,034	15,594
Share-based payments	932	6,805
Employee benefit expenses (including directors' remuneration):		
Wages and salaries***	187,818	724,165
Pension scheme contributions	1,365	2,296
	<u>189,183</u>	<u>726,461</u>
Foreign exchange differences, net	(6,845)	(13,752)
Loss on disposal/write-off of property, plant and equipment, net**	–	807
Gain on termination of leases**	–	(232)
Bad debts recovery**	–	(18,281)
Fair value loss/(gain) on derivative financial instruments, net	–	23
Dividend income from equity investments at fair value through other comprehensive income**	(333)	(544)
Bank interest income**	–	(2)
Compensation received from insurance claims**	–	(9,901)
Gain on disposal of subsidiaries**	47,756	–
	<u>47,756</u>	<u>–</u>

- \* 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\$43,629,000 (2019: HK\$119,192,000) and HK\$72,621,000 (2019: HK\$Nil) respectively.
- \*\* Included in “Other income, gains and losses, net” on the face of the consolidated statement of profit or loss and other comprehensive income.
- \*\*\* No staff costs have been capitalized under property, plant and equipment for the year ended 31 December 2020 (2019: HK\$282,576,000) as the construction has been suspended due to the COVID-19 pandemic.

## 6. FINANCE COSTS

An analysis of finance costs is as follows:

	<b>2020</b> <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Interest on lease liabilities	5,456	9,265
Interest on other borrowings and loans from related parties	375,490	472,383
Interest on convertible bonds and notes	–	2,091
Interest on unsecured bonds and notes	<u>54,882</u>	<u>107,856</u>
	<b>435,828</b>	591,595
Less: Interest capitalised	<u>(31,773)</u>	<u>(228,621)</u>
	<b><u>404,055</u></b>	<b><u>362,974</u></b>

## 7. INCOME TAX

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year (2019: 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 (2019: Nil).

	<b>2020</b> <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Current tax — CNMI		
Over-provision in prior years	–	(135,529)
Deferred tax		
Credit for the year	–	(170,886)
Impairment of deferred tax assets	<u>–</u>	<u>683,360</u>
Total tax charge for the year	<u>–</u>	<u>376,945</u>

## 8. DIVIDENDS

No dividends have been paid or declared by the Company for the year ended 31 December 2020 (2019: Nil).

## 9. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of the basic loss per share amount is based on the loss for the year attributable to owners of the Company of HK\$2,853,927,000 (2019: HK\$3,904,270,000), and the weighted average number of ordinary shares of 142,984,807,678 (2019: 142,984,807,678) in issue during the year 31 December 2020.

No adjustment had been made to the basic loss per share amounts presented for the years ended 31 December 2020 and 2019 in respect of a dilution as the impact of the share options had an anti-dilutive effect on the basic loss per share amounts presented.

## 10. TRADE RECEIVABLES

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:

	<b>2020</b> <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Within 1 month	–	20,921
More than 1 month but within 3 months	–	41,811
More than 3 months but within 6 months	–	60,855
More than 6 months but within 1 year	<b>137,901</b>	218,544
More than 1 year	<b>8,916,631</b>	8,743,573
	<b>9,054,532</b>	9,085,704
Allowance for expected credit losses	<b>(8,048,855)</b>	(6,961,044)
	<b>1,005,677</b>	2,124,660

As at 31 December 2020, the Group had received guarantee deposits of HK\$1,005,677,000 (2019: HK\$1,069,073,000) from certain patrons/guarantors which can be used to offset against certain of the above trade receivables in an aggregate amount of approximately HK\$1,005,677,000 (2019: HK\$1,009,386,000) 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.

## 11. TRADE PAYABLES

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

	<b>2020</b> <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Within 1 month	–	6,928
More than 1 month but within 3 months	–	6,089
More than 3 months but within 6 months	–	15,734
More than 6 months but within 1 year	<b>2,301</b>	12,455
More than 1 year	<b>69,795</b>	35,817
	<b>72,096</b>	77,023

## **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 2020, unaudited VIP table games rolling of United States Dollars (“US\$”) 109 million (equivalent to approximately HK\$846 million) (2019: HK\$14,022 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 the coronavirus disease 2019 (“COVID-19”) pandemic and adverse market conditions.

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. 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.

Major global construction companies, consulting firms, design and engineering firms as well as local sub-contractors have been engaged. As at 31 December 2020, approximately US\$913 million (equivalent to approximately HK\$7,083 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. Affected by the COVID-19 pandemic, construction progress has slowed down considerably during the year.

#### **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, in addition to the 193 gaming tables and 365 slot machines, and 329 hotel rooms and 15 villas upon completion of construction. An additional approximately US\$34 million has been invested in design and construction of this integrated resort during the year which has brought the total investment to approximately US\$913 million by the end of 2020.

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 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 year ended 31 December 2020 of approximately HK\$2,854 million, as compared with a loss attributable to owners of approximately HK\$3,904 million in last year. Basic and diluted loss per share were HK2.00 cents and HK2.00 cents respectively, as compared with basic and diluted loss per share of HK2.73 cents and HK2.73 cents respectively 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.

VIP gaming operations also include premium mass customers that are smaller in scale and entitled to the same scheme of commissions and allowances as the VIP casino customers.

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

VIP rolling chip volume reached approximately HK\$846 million (2019: HK\$14,022 million) for the year of 2020. Our VIP customers primarily consist of credit players. Geographically, most of our direct VIP patrons come from Mainland China, Hong Kong, Macau and Korea.

## **Impairment**

The gross trade receivables decreased to approximately HK\$9,055 million (2019: HK\$9,086 million) from VIP gaming operations as at the year ended 31 December 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 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 2020, the provision for impairment of trade receivables due from the Group's largest and the ten largest debtors amounted to approximately HK\$1,081 million and approximately HK\$2,760 million (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), ageing of the outstanding amounts, securities provided and past repayment records;
- (ii) as at 31 December 2020, the provision for impairment of trade receivables due from the remaining customers of the Group amounted to approximately HK\$5,289 million (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 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 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 year ended 31 December 2020, revenue from mass gaming operations amounted to approximately HK\$33 million (2019: HK\$186 million) and mass gaming drop reached approximately HK\$110 million (2019: HK\$648 million). Customers from the mass gaming operations do not receive rebate and commissions from the Group.

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

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

Revenue from the slot machines and ETG amounted to approximately HK\$13 million (2019: HK\$63 million) and hold percentage reached 7.30% (2019: 6.84%) for the year ended 31 December 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 more personal and precision marketing efforts.

### **Cost of Sales**

Cost of sales for the year ended 31 December 2020 was approximately HK\$52 million (2019: HK\$219 million) which comprise principally the direct casino costs such as casino licence fees of approximately HK\$44 million (2019: HK\$119 million) and Saipan's business gross revenue tax of approximately HK\$0.2 million (2019: HK\$26 million).

## **Other income, gains and losses**

Other income, gains and losses for the year ended 31 December 2020 mainly represented gain on disposal of subsidiaries of approximately HK\$48 million (2019: Nil).

Other gains and losses for year ended 31 December 2019 mainly represented compensation received from insurance claims of approximately HK\$10 million (2020: Nil) and bad debts recovery of approximately HK\$18 million (2020: Nil).

## **Operating expenses**

Operating expenses, excluding impairment of trade receivables, increased to approximately HK\$1,258 million. The increase is mainly attributable to increase in provision of regulatory matters of approximately HK\$500 million, a decrease in staff costs of HK\$537 million and an increase in other operating expenses of approximately HK\$131 million during the year ended 31 December 2020.

## **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**

The Group incurred capital expenditure of approximately HK\$69 million (2019: HK\$889 million) during the year ended 31 December 2020, mainly for construction of the Imperial Palace • Saipan and acquisition of gaming related equipment.

## **Liquidity, Financial Resources and Going Concern**

The Group generally finances its operation with internal resources and borrowings. As at 31 December 2020, cash and bank balances amounted to approximately HK\$10 million (2019: HK\$100 million). 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 2020 was approximately 270.1% (31 December 2019: 97.1%).

Despite that the Group reported net losses of HK\$2,854 million and HK\$3,904 million for the year ended 31 December 2020 and 2019 respectively and had net current liabilities of HK\$9,370 million and net liabilities of HK\$2,733 million and capital commitments of HK\$512 million as at 31 December 2020 and the adverse impact from the COVID-19 pandemic, which has also resulted in the temporary closure of its casino operation in Saipan since 17 March 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 business forecast and cash

flow projection which, inter alia, take into account the past actual operating performance of the Group and the following:

- (i) subsequent to the end of reporting period, the Group is actively exploring and negotiating with the Commonwealth Casino Commission (“CCC”) on the settlement of the casino annual license fee of amount US\$15,000,000 (equivalent to approximately HK\$116 million) and community benefit fund contribution of amount US\$30,000,000 (equivalent to approximately HK\$233 million) and related penalties in addition to the amounts claimed which range from US\$50,000 to US\$100,000 per day (equivalent to approximately range from HK\$0.4 million to HK\$0.8 million per day) and expect to resume its casino operation when the global travel restrictions are lifted;
- (ii) the Company will contact its lenders and bond and note holders to renew certain other borrowing and unsecured bonds and notes with aggregate principal amounts to approximately HK\$3,765 million outstanding as at 31 December 2020 which were originally due for repayment in 2021, for extension of the repayment tenure to 2022;
- (iii) as at the end of the reporting period, the Company has unutilised credit facility of US\$350,000,000 (equivalent to HK\$2,726 million) from an independent third party. The total facility amount is US\$500,000,000 (equivalent to HK\$3,895 million), of which an amount of US\$150,000,000 (equivalent to HK\$1,168 million) was drawn down during the year ended 31 December 2019 and outstanding as at the end of the reporting period. The Company will draw down the unutilised credit facility when necessary;
- (iv) Inventive Star Limited (the controlling shareholder of the Company) and other related parties have undertaken to 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;
- (v) the management will consider other financing arrangements with a view to increasing the Group’s capitalisation/equity; and
- (vi) the management will continue to refinance and/or roll-over the Group’s existing loans with a view to improving the Group’s liquidity.

The Directors believe that, taking into account the abovementioned 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 non-current assets and non-current liabilities to current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in this announcement.

Further, the Group was subject to a Bank Secrecy Act (“**BSA**”) compliance examination during 2017 by the Financial Crimes Enforcement Network (“**FinCEN**”). On 4 March 2020, the Group received a letter from the FinCEN, which requested the Group to provide certain information and documents relevant to compliance with the BSA requirements from October 2016 through the present. FinCEN has indicated in the letter that there were apparent violations of the BSA and its implementing regulations and it is considering whether to impose civil money penalty or take additional enforcement action against the Group. As of the date of approve for issuance of this results announcement, the Group is still in the process of preparing for the required information and documents. The Directors believe it is not practicable for the Company to accurately predict the resolution of this matter, including timing and amount of any possible impact to the Group. Notwithstanding the aforesaid, the Directors have made a provision for the estimated civil money penalty in respect of the identified and potential violations.

However, should the above matter be construed as a material breach of the provisions of the Group’s Casino License Agreement (“**CLA**”) or the Commonwealth Casino Commission’s regulations, the Group might then not be able to continue operation of its gaming and resort business and hence might not be 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 effects of these adjustments have not been reflected in this announcement.

### **Capital structure**

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

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

## Contingent Liabilities

### (a) *Unasserted claims and assessments*

The Group may be exposed to payment of damages assessed by the United States Equal Employment Opportunity Commission (“**EEOC**”). As at 31 December 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 this announcement.

### (b) *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.

During the year, 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 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.

### (c) *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.

*(d) Commonwealth Casino Commission*

As of the date of issuance of this results 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 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 CLA should be applicable as a result of the COVID-19 pandemic and that payment should be delayed. The CCC decision on fines, payment, and the timeline for both is pending. It is anticipated that an immediate payment will be ordered under threat of cancelation of casino license. In the opinion of the Directors adequate provision has been made in financial information.

*(e) 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 2020.

**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\$92 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 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.

## **EXTRACT FROM INDEPENDENT AUDITORS' REPORT**

The “Disclaimer of Opinion” and “Basis for Disclaimer of Opinion” are extracted from independent auditors’ report for the year ended 31 December 2020 as follows:

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements and as to whether the consolidated financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

### **BASIS FOR DISCLAIMER OF OPINION**

#### **Material uncertainties relating to the going concern basis**

As described in Note to the consolidated financial statements, the Group incurred net loss of approximately HK\$2,853,927,000 during the year ended 31 December 2020 and, as of 31 December 2020, the Group had net current liabilities and net liabilities of approximately HK\$9,369,794,000 and approximately HK\$2,733,345,000 respectively. The Group’s other borrowings with aggregate principal amounts of HK\$439,878,000 were overdue for repayment as at 31 December 2020 and together with the overdue interests thereon of HK\$27,124,000 were not repaid as at 31 December 2020 or subsequently up to the date of this report. The Group’s aggregate other borrowings and unsecured bonds and notes amounted to approximately HK\$4,166,339,000 and approximately HK\$152,752,000 respectively as at 31 December 2020, out of which HK\$3,765,237,000 were repayable on demand or were due for repayment within twelve months from 31 December 2020; while its cash and cash equivalents amounted to approximately HK\$10,013,000 only as at 31 December 2020. 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 2020 in the consolidated financial statements, or in excess of the amount of provision recognised, thus causing the financial performance and financial position of the Group to be worse than that referred to above.

As described in Note to the consolidated financial statements, the principal subsidiary of the Group 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 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. 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 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 to the consolidated financial statements, the Company had made an announcement that a subsidiary of the Company in Saipan, the Commonwealth of Northern Mariana Islands, 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 this 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 this subsidiary 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 this 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 to the consolidated financial statements, the Group is a defendant to a number of civil litigation cases as at 31 December 2020. 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 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 as the Company is in breach of its CLA due to the failure to pay the annual license fee of US\$15,000,000 (equivalent to approximately HK\$116,250,000) in respect of the year ended 31 December 2020 and the breach of the license agreement for failing to pay community benefit fund ("CBF") of US\$30,000,000 (equivalent to approximately HK\$232,590,000) and penalties in addition to the amounts claimed, which range from US\$50,000 to US\$100,000 per day (equivalent to range of approximately HK\$387,000 to HK\$775,000 per day);

- (ii) whether the Group is able to resume gaming operation of the casino as the casino in Imperial Palace • Saipan has suspended operations since 17 March 2020 due to coronavirus disease;
- (iii) whether the Group is able to successfully extend the dates of maturity of the other borrowings and unsecured bonds and notes which were overdue for repayment or will be due for repayment within twelve months from the date of approval of the consolidated financial statements;
- (iv) 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 and the payment of CBF;
- (v) whether the Group is able to secure necessary credit facilities to enable the Group to meet its working capital and financial requirements in the foreseeable future;
- (vi) whether the Company is able to successfully undertake other financing arrangements with a view to increasing the Group's capitalisation/equity; and
- (vii) 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.

## **EMPLOYEES AND REMUNERATION POLICIES**

The total number of staff of the Group as at 31 December 2020 was 830 (31 December 2019: 1,086).

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

## **SHARE OPTION SCHEME**

At the beginning of the financial year ended 31 December 2020, 1,521,268,016 share options were outstanding pursuant to the share option scheme of the Company adopted on 27 June 2013 (the “**Share Option Scheme**”) (each share option shall entitle the holder of the option to subscribe for one new Share) and 13,623,880,768 Shares, being 9.53% of the Shares then in issue, were available for issue under the Share Option Scheme.

During the year, no grantee had exercised any share options, no share options were granted and 77,234,168 share options lapsed. As at 31 December 2020, there were 1,444,033,848 share options outstanding pursuant to the Share Option Scheme.

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

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

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

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

## **CORPORATE GOVERNANCE**

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

During the year ended 31 December 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.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 2020, 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 2020, 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 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 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 2020, 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 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 year ended 31 December 2020 (2019: Nil) is recommended by the Board.

## **ANNUAL REPORT**

The annual report of the Company for the year ended 31 December 2020 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 2020 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 consolidated financial statements for the year ended 31 December 2020 have been reviewed and approved by the Audit Committee.

## SCOPE OF WORK OF AUDITOR

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2020 as set out in the preliminary announcement have been agreed by the Company's auditor, HLB Hodgson Impey Cheng Limited ("HLB"), to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by HLB 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 HLB on this preliminary announcement.

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

Hong Kong, 31 March 2021

*As at the date of this announcement, the Board comprises Ms. Cui Li Jie and Mr. Xu Zhongxiang as executive Directors and Mr. Robert James Woolsey, Mr. Ng Hoi Yue, Mr. Lee Kwok Leung and Mr. Ip Mei Shun as independent non-executive Directors.*

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

*In this announcement, save as otherwise stated, figures in US\$ are translated to HK\$ at the exchange rate of US\$1.00 = HK\$7.838 for illustration purpose only. No representation is made that any amount in US\$ or HK\$ would have been or can be converted at the above rate.*