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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)**

**ANNOUNCEMENT OF UNAUDITED  
ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021**

For the reasons explained below under “Review of Unaudited Annual Results”, the auditing process for the 2021 annual results of Imperial Pacific International Holdings Limited (the “**Company**”) and its subsidiaries (collectively the “**Group**”) has not been completed. In the meantime, the board (the “**Board**”) of directors (the “**Directors**”) of the Company hereby announces the unaudited consolidated results of the Group for the year ended 31 December 2021, together with comparative figures for the corresponding year of 2020 as follows:

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

*Year ended 31 December 2021*

	<i>Notes</i>	<b>2021</b> <b>HK\$'000</b> <b>(Unaudited)</b>	2020 <b>HK\$'000</b> <b>(Audited)</b>
Revenue	4	–	26,507
Cost of sales		–	(51,515)
Gross loss		–	(25,008)
Other income, gains and losses, net		<b>(45,114)</b>	49,137
Selling and marketing expenses		<b>(356)</b>	(1,582)
Operating and administrative expenses		<b>(238,613)</b>	(1,316,252)
Allowance for expected credit losses on trade receivables		–	(1,119,764)
Allowance for expected credit losses on other receivables		–	(11,078)
Impairment of property, plant and equipment		–	(4,467,380)
Impairment of investment in a joint venture		–	(92,424)
Share-based payments		<b>(940)</b>	(932)
Finance costs	6	<b>(405,718)</b>	(404,055)
Share of loss of a joint venture		<b>(146)</b>	(927)
<b>LOSS BEFORE TAX</b>	5	<b>(690,887)</b>	(7,390,265)
Income tax expense	7	–	–
<b>LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>		<b><u>(690,887)</u></b>	<b><u>(7,390,265)</u></b>

	<i>Note</i>	<b>2021</b> <b>HK\$'000</b> <b>(Unaudited)</b>	2020 HK\$'000 (Audited)
<b>OTHER COMPREHENSIVE (LOSS)/ INCOME</b>			
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		(8,454)	4,711
Share of other comprehensive income of joint venture		–	54
Reclassification of cumulative exchange reserve upon disposal of a foreign operation		(7)	(9)
		<u>(8,461)</u>	<u>4,756</u>
Net other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods			
		<u>(8,461)</u>	<u>4,756</u>
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:			
Equity investments designated at fair value through other comprehensive income:			
— Change in fair value		45,705	(1,884)
		<u>45,705</u>	<u>(1,884)</u>
Net other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods			
		<u>45,705</u>	<u>(1,884)</u>
<b>OTHER COMPREHENSIVE INCOME FOR THE YEAR</b>			
		<u>37,244</u>	<u>2,872</u>
<b>TOTAL COMPREHENSIVE LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>			
		<u>(653,643)</u>	<u>(7,387,393)</u>
			(Restated)
<b>LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>			
	9		
Basic and diluted		<u>HK\$(0.10)</u>	<u>HK\$(1.03)</u>

## UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*31 December 2021*

	<i>Notes</i>	<b>2021</b> <i>HK\$'000</i> <b>(Unaudited)</b>	2020 <i>HK\$'000</i> <b>(Audited)</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>2,658,016</b>	2,650,641
Investment in a joint venture		<b>55,840</b>	55,986
Prepayments, deposits and other receivables		<b>32,049</b>	32,058
Equity investments designated at fair value listed shares through other comprehensive income		<b>2,318</b>	5,121
		<hr/>	<hr/>
Total non-current assets		<b>2,748,223</b>	2,743,806
<b>CURRENT ASSETS</b>			
Inventories		<b>24,254</b>	24,118
Trade receivables	<i>10</i>	<b>1,017,669</b>	1,005,677
Prepayments, deposits and other receivables		<b>137,782</b>	138,321
Cash and cash equivalents		<b>9,559</b>	10,013
		<hr/>	<hr/>
Total current assets		<b>1,189,264</b>	1,178,129
<b>CURRENT LIABILITIES</b>			
Trade payables	<i>11</i>	<b>71,719</b>	72,096
Other payables and accruals		<b>7,333,820</b>	6,744,063
Other borrowings		<b>4,245,286</b>	3,662,240
Lease liabilities		<b>3,611</b>	3,611
Unsecured bonds and notes		<b>111,796</b>	102,997
Loans from a joint venture		<b>–</b>	8,477
Tax payable		<b>21,592</b>	21,048
		<hr/>	<hr/>
Total current liabilities		<b>11,787,824</b>	10,614,532
<b>NET CURRENT LIABILITIES</b>		<b>(10,598,560)</b>	(9,436,403)
		<hr/>	<hr/>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>(7,850,337)</b>	(6,692,597)
		<hr/>	<hr/>

	<b>2021</b> <i>HK\$'000</i> <b>(Unaudited)</b>	2020 <i>HK\$'000</i> (Audited)
<b>NON-CURRENT LIABILITIES</b>		
Lease liabilities	<b>19,097</b>	19,097
Other borrowings	–	504,099
Unsecured bonds and notes	<b>49,755</b>	49,755
	<u>68,852</u>	<u>572,951</u>
Total non-current liabilities	<b>68,852</b>	572,951
<b>NET LIABILITIES</b>	<b><u>(7,919,189)</u></b>	<b><u>(7,265,548)</u></b>
<b>CAPITAL AND RESERVES</b>		
Share capital	<b>71,492</b>	71,492
Reserves	<b>(7,990,681)</b>	(7,337,040)
	<u>(7,919,189)</u>	<u>(7,265,548)</u>
Deficiency in assets	<b><u>(7,919,189)</u></b>	<b><u>(7,265,548)</u></b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2021*

## 1. CORPORATE AND GROUP INFORMATION

Imperial Pacific International Holdings Limited (the “**Company**”) was incorporated in Bermuda as an investment holding company with limited liability under the Companies Act 1981 of Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The principal place of business is located at 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

Despite that the Group reported net losses of HK\$690,887,000 for the year ended 31 December 2021 and had net current liabilities of HK\$10,598,560,000 and net liabilities of HK\$7,919,189,000 and capital commitments of approximately HK\$5 million as at 31 December 2021 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) Since the receipt of the order from the Commonwealth Casino Commission to suspend the casino resort developer license in late April 2021, the Group has been 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 has been contacting certain major lenders and bond and note holders to renew certain other borrowing and unsecured bonds and notes with which were originally due for repayment in 2021, for extension of the repayment tenure to 2024 and/or beyond. In addition, certain major lenders and bond and note holders agreed to explore the possibility to settle the indebted amount by way of issuing new shares of the Company if the indebted amount cannot be settled by way of cash within the next 12 months.

- (c) The Company has received an indicative offer of a credit facility of US\$100,000,000 (equivalent to HK\$780,000,000), which is valid until 27 September 2022 from an independent financial institution. As at the date of this announcement, no drawn down has been made;
- (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 rollover the Group's existing loans with a view to improving the Group's liquidity.
- (g) Imperial Pacific International (CNMI), LLC, a wholly-owned subsidiary of the Company has the intention to enter into an exclusive cooperation agreement with an independent third party. Under the agreement, the independent third party will be granted the exclusive right to operate a shopping mall with an area of 8,000 sqm located at the Imperial Palace.Saipan for a period of 4 years. In return, the independent third party has undertaken that the shopping mall will generate a minimum annual revenue and gross profit in the sum of HK\$300 million and HK\$20 million respectively during the term of the agreement and the Group is entitled to share 51% of the gross profit;
- (h) Imperial Pacific International (CNMI), LLC, a wholly-owned subsidiary of the Company has entered into a construction agreement with an independent construction company which has undertaken to finance and complete the remaining constructions of Imperial Palace.Saipan within 24 months after the relief of all the measures, for the purpose to prevent the spread of COVID-19, imposed by local government;
- (i) Imperial Pacific International (CNMI), LLC, a wholly-owned subsidiary of the Company, has been negotiating with an independent third party travel agency which has indicated their intention to underwrite the leasing of 250 hotel rooms and 15 villas at Imperial Palace.Saipan for a period of 4 years at an average rate of US\$1,060 per hotel room per day and US\$2,400 per villa per day; and
- (j) On 30 March 2022, the Company entered into a placing agreement with CNI Securities Group Limited, an independent third party placing agent pursuant to which the placing agent has agreed to act as the sole placing agent, on a best effort basis, for the purpose of arranging independent placees to subscribe for bonds of up to an aggregate principal amount of HK\$800,000,000 at 6% coupon per annum.

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.

### 3. SIGNIFICANT ACCOUNTING POLICIES

#### (i) Amended HKFRSs that are effective for annual periods beginning on 1st January 2021:

In the current year, the Group has applied for the first time the following amended HKFRSs issued by the HKICPA, which are relevant to the Group’s operations and effective for the Group’s consolidated financial statements for the annual period beginning on 1st January 2021:

Amendments to HKFRS 16	<i>Covid-19-Related Rent Concessions</i>
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	<i>Interest Rate Benchmark Reform — Phase 2</i>

The adoption of these amended HKFRSs has no material impact on how the results and financial position of the Group for the current and prior periods have been prepared and presented.



**(ii) Issued but not yet effective HKFRSs:**

At the date of authorisation of these consolidated financial statements, certain new and amended HKFRSs have been published but are not yet effective, and have not been adopted early by the Group.

HKFRS 17	<i>Insurance Contracts and other related amendments</i> <sup>2</sup>
Amendments to HKFRS 3	<i>Reference to the Conceptual Framework</i> <sup>4</sup>
Amendments to HKFRS 10 and HKAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> <sup>3</sup>
Amendments to HKFRS 16	<i>Covid-19-Related Rent Concessions beyond 30th June 2021</i> <sup>5</sup>
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5</i> <sup>2</sup>
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i> <sup>2</sup>
Amendments to HKAS 8	<i>Definition of Accounting Estimates</i> <sup>2</sup>
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i> <sup>2</sup>
Amendments to HKAS 16	<i>Property, Plant and Equipment — Proceeds before Intended Use</i> <sup>1</sup>
Amendments to HKAS 37	<i>Onerous Contracts — Cost of Fulfilling a Contract</i> <sup>1</sup>
Amendments to HKFRSs	<i>Annual Improvements to HKFRS Standards 2018-2020</i> <sup>1</sup>
Accounting Guideline 5 (Revised)	<i>Merger Accounting for Common Control</i> <sup>4</sup>

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

<sup>2</sup> Effective for annual periods beginning on or after 1st January 2023

<sup>3</sup> Effective date not yet determined

<sup>4</sup> Effective for business combination/common control combination for which the acquisition/combination date is on or after the beginning of the first annual period beginning on or after 1st January 2022

<sup>5</sup> Effective for annual periods beginning on or after 1st April 2021

The directors anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement. The new and amended HKFRSs are not expected to have a material impact on the Group's financial statements.

#### **4. OPERATING SEGMENT INFORMATION**

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

##### **Geographical information**

Geographical information is not presented since all of the Group's revenue was derived from the Island of Saipan, where the Group provides the services to its customers. Over 90% (2020: over 90%) of the Group's non-current assets are located in the Island of Saipan. Accordingly, the presentation of geographical information would provide no additional useful information to the users of these consolidated financial statements.

## 5. REVENUE

The Group's revenue is as follows:

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

## 6. LOSS BEFORE TAX

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Cost of inventories sold	–	1,760
Business gross revenue tax (“ <b>BGRT</b> ”)	–	1,181
Depreciation of property, plant and equipment	<b>25,206</b>	207,366
Depreciation of right-of-use assets	<b>13,686</b>	29,169
Casino licence fees*	<b>120,853</b>	116,250
Auditors' remuneration	<b>2,257</b>	3,480
Rental expenses of short-term leases	<b>1,698</b>	16,034
Gain on disposal of subsidiaries**	–	47,756
	<u>–</u>	<u>47,756</u>
Employee benefit expenses (including directors' remuneration):		
Wages and salaries***	<b>20,709</b>	187,818
Pension scheme contributions	<b>192</b>	1,365
	<u>20,901</u>	<u>189,183</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.

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

\*\*\* Staff costs of HK\$3,869,000 have been capitalized under property, plant and equipment for the year ended 31 December 2021 (2020: HK\$282,576,000) included in the above were capitalised under property, plant and equipment.

## 7. FINANCE COSTS

An analysis of finance costs is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Interest on lease liabilities	4,812	5,456
Interest on other borrowings and loans from related parties	394,726	375,490
Interest on unsecured bonds and notes	<u>6,180</u>	<u>54,882</u>
	–	435,828
Less: Interest capitalised	<u>–</u>	<u>(31,773)</u>
	<u><b>405,718</b></u>	<u><b>404,055</b></u>

## 8. INCOME TAX

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year (2020: Nil). No provision for the CNMI corporate income tax has been made on casino operations for the subsidiaries operating in the CNMI as the Group did not generate any assessable profits arising in the CNMI during the year (2020: Nil).

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current tax — CNMI		
Over-provision in prior years	–	–
Deferred tax		
Credit for the year	–	–
Impairment of deferred tax assets	<u>–</u>	<u>–</u>
Total tax charge for the year	<u><b>–</b></u>	<u><b>–</b></u>

## 9. DIVIDENDS

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

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

The calculation of the basic loss per share amount is based on the loss for the year attributable to owners of the Company of HK\$690,887,000 (2020: HK\$7,329,513,000), and the weighted average number of ordinary shares of 7,149,240,383 (2020: 142,984,807,678) in issue during the year 31 December 2021.

No adjustment had been made to the basic loss per share amounts presented for the years ended 31 December 2021 and 2020 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.

## 11. 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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 1 month	–	–
More than 1 month but within 3 months	–	–
More than 3 months but within 6 months	–	–
More than 6 months but within 1 year	–	137,901
More than 1 year	<u>9,105,553</u>	<u>8,916,631</u>
	<b>9,105,553</b>	9,054,532
Allowance for expected credit losses	<u>(8,087,884)</u>	<u>(8,048,855)</u>
	<u><b>1,017,669</b></u>	<u>1,005,677</u>

As at 31 December 2021, the Group had received guarantee deposits of HK\$1,017,669,000 (2020: HK\$1,005,677,000) from certain patrons/guarantors which can be used to offset against certain of the above trade receivables in an aggregate amount of approximately HK\$1,017,669,000 (2020: HK\$1,005,677,000) due from certain patrons in the event that the Group cannot recover the trade receivable amounts from these patrons in the normal course of its business.

## 12. TRADE PAYABLES

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 1 month	–	–
More than 1 month but within 3 months	–	–
More than 3 months but within 6 months	–	–
More than 6 months but within 1 year	–	2,301
More than 1 year	<u>71,719</u>	<u>69,795</u>
	<b>71,719</b>	72,096

## 13. CAPITAL STRUCTURE

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

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW**

The Company is an investment holding company, and the Group is principally engaged in the gaming and resort business including the development and operation of integrated resorts on the Island of Saipan.

#### **Integrated Resort Business**

In August 2014, Imperial Pacific International (CNMI), LLC, an indirect wholly-owned subsidiary of the Company, and the CNMI entered into a casino license agreement (as amended) in respect of the exclusive casino resort developer license for the Island of Saipan pursuant to which the Casino Resort Developer License was granted subject to the terms and conditions as stipulated therein.

#### **Imperial Palace • Saipan**

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

During the year ended 31 December 2021, no unaudited VIP table games rolling (2020: HK\$846 million) was generated from the operations of Imperial Palace • Saipan. The VIP table games rolling showed a drastic decline compared to last year due to 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.

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

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

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

### **Imperial Casha Hotel**

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

## **BUSINESS OUTLOOK**

### **Integrated Resort Development**

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

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

Throughout the recovery process our Group remains committed to our mission of enhancing the tourism of Saipan and creating local opportunities. Despite the current impact from the COVID-19, we believe visitation to the Island of Saipan still has great potential in the long run benefiting from the island's favorable weather, stunning attractions, proximity location and flexible visa policies, with more hotels to be built and opened. Once the travel restrictions in Saipan are lifted, the casino in Imperial Palace • Saipan shall resume operations and be opened to public. We expect the successional opening of villas and hotel rooms of Imperial Palace • Saipan, subject to the lifting of the global travel restrictions, will enhance our capacity to welcome visitors to Saipan.

## **Debt/Equity Fund Raising and Refinancing**

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

## **FINANCIAL REVIEW**

For the year ended 31 December 2021, no revenue was generated from the operations of Imperial Palace • Saipan . Loss attributable to owners of the Company for the year ended 31 December 2021 of approximately HK\$691 million, as compared with a loss attributable to owners of approximately HK\$7,390 million in last year. Basic and diluted loss per share were HK0.10 and HK1.03 respectively, as compared with basic and diluted loss per share of HK0.10 and HK1.03 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.

As aforementioned, to cope with the measures imposed by local government, the casino in Imperial Palace • Saipan has suspended operations since 17 March 2020 to help curb the spread of the COVID-19. As a result, no revenue was generated from VIP gaming operations during the period.

## **Impairment**

As of 31 December 2021, the Group had property, plant and equipment and trade receivables amounted to HK\$2,658,016,000 and HK\$1,017,669,000, respectively.

The Company would like to emphasis that as of the date of this results announcement, the assessments on the value of the property, plant and equipment and the expected credit loss are not available for the Company, thus, there would be significant adjustments on the abovementioned areas subject to the availability of the finalized assessments and the auditors' review. Investors are advised to pay attention to the potential subsequent adjustments that could be included in the final audited results.

The gross trade receivables approximated to HK\$9,106 million (2020: HK\$9,055 million) from VIP gaming operations as at the year ended 31 December 2021. While the scale of VIP gaming operations had a significant impact to the Group, the Group regularly reviews the recoverability of trade receivables to ensure that adequate impairments are made for irrecoverable amounts.

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

- (i) as at 31 December 2021, the provision for impairment of trade receivables due from the Group's largest and the ten largest debtors amounted to approximately HK\$1,075 million and approximately HK\$2,745 million (2020: HK\$1,081 million and HK\$2,760 million) respectively. The aforementioned provisions were made based on the expected credit losses, which includes a review of individual customer's facts and circumstances (such as financial position and ongoing dialogue on settlement arrangements, etc), ageing of the outstanding amounts, securities provided and past repayment records;
- (ii) as at 31 December 2021, the provision for impairment of trade receivables due from the remaining customers of the Group amounted to approximately HK\$5,343 million (2020: HK\$5,289 million) arising from regular review of the overdue balances by the management.

The Board has also prudently benchmarked against its industry peers on the impairment provision of trade receivables and considered that the impairment of trade receivables as estimated by the Company in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2021 to be comparable and in line with global industry standard.

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

- (i) credit terms extended by the Group are generally 30 days for gaming operations. The Group's credit and collection department, along with representatives of the VIP marketing department, regularly meet on a monthly basis to identify customers whose debts are due and the VIP marketing department will make contact with customers for recovery of the outstanding debts; and



- (ii) once the receivables are overdue for repayment and if the customers still have not repaid the outstanding debts within six months of the programme end date, the Group's credit and collection department will then issue demand letters to the customers, along with its guarantors (if applicable), for demand of immediate payments. If no responses were received thereafter, the Group's management may consider bringing legal actions against the customers in order to collect the outstanding debts.

### **Mass Gaming Operations**

For the year ended 31 December 2021, no revenue was generated from mass gaming operations (2020: HK\$37 million). Customers from the mass gaming operations do not receive rebate and commissions from the Group.

As aforementioned, to cope with the measures imposed by local government, the casino in Imperial Palace • Saipan has suspended operations since 17 March 2020 to help curb the spread of the COVID-19. As a result, no revenue was generated from VIP gaming operations during the period.

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

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

As aforementioned, to cope with the measures imposed by local government, the casino in Imperial Palace • Saipan has suspended operations since 17 March 2020 to help curb the spread of the COVID-19. As a result, no revenue was generated from VIP gaming operations during the period.

### **Cost of Sales**

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

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

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

Other income, gains and losses for the year ended 31 December 2021 mainly represented loss on equity investments designated at fair value listed shares through other comprehensive income of approximately HK\$45 million (2020:HK\$1 million).

## **Operating expenses**

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

## **Significant Investment, Acquisition and Disposal**

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

## **Capital expenditure**

The Group incurred capital expenditure of approximately HK\$8 million (2020: HK\$69 million) during the year ended 31 December 2021, mainly for construction of the Imperial Palace • Saipan and acquisition of gaming related equipment.

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

The Group monitors capital using a gearing ratio, which is net debt divided by the adjusted capital plus net debt. Net debt includes, unsecured bonds and notes, lease liability, loans from related parties, other borrowings, less cash and cash equivalents. Capital represents total equity attributable to owners of the Company. The gearing ratios as at 31 December 2021 was approximately negative 126.2% due to the Company's negative equity position (31 December 2020: negative 148.4%).

## **Capital structure**

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

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

### **Risk of Foreign Exchange Fluctuation**

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

### **Capital Commitments**

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

### **Contingent Liabilities**

#### *(a) Regulatory oversight — BSA compliance*

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

In March 2019, the Internal Revenue Service (“**IRS**”) issued a report (“**IRS Report**”) with findings on IPI’s compliance with the BSA. IPI, through its external legal counsel, had responded to the IRS Report and acknowledged certain of the findings of violations noted in the IRS Report. IPI then received a letter from FinCEN dated 4 March 2020, which has requested IPI to provide certain information and documents relevant to compliance with these regulatory requirements from October 2016 through the present. FinCEN has indicated in the letter that there were apparent violations of the BSA and its implementing regulations and it is considering whether to impose civil money penalties or take additional enforcement action against IPI. As of the date of this announcement, IPI is still in the process of preparing for the information to be submitted to FinCEN. Accordingly, it is not practicable for the Company to accurately predict the resolution of this matter, including timing and amount of any possible impact to the Group. Notwithstanding the aforesaid, as at 31 December 2021, the Directors, based on external advice, have made a provision for the estimated civil money penalty in respect of the identified and potential violations.

*(b) Investigation by Federal Government Authorities*

On 7 November, 2019, the Federal Government Authorities conducted a search of IPI offices requesting certain documents and information. Subsequently, a federal grand jury issued two grand jury subpoenas on IPI to provide additional documents and information in December 2020. IPI has fully cooperated with the Federal Government Authorities in providing documents and information.

The Group has engaged external legal counsels to conduct an independent investigation on the financial transactions undertaken by the Group with the named parties in the two subpoenas for the period from 2013 to 2020. Based on the findings from the investigation reports, the Directors have not identified any transactions which were assessed to be either of a high or moderate risk to a criminal liability exposure. The external legal counsels of IPI have also opined that the criminal liability exposures which were assessed to be of a low to moderate risk in the investigation reports do not amount to a material breach of any provisions of IPI’s CLA or the CCC’s regulations. The Directors also believe that IPI had not undertaken any unlawful activities, and IPI has sound defenses that it had acted in good faith and conduct. The Group continues to cooperate with the Federal Government Authorities. As of the date of this announcement, the investigation is still ongoing and it is premature to predict the eventual outcome. Accordingly, the potential for any fines, penalties or other consequences cannot currently be assessed. It is also not yet possible to identify the timescale in which these issues might be resolved.

*(c) Commonwealth Casino Commission*

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

*(d) Other litigation matters*

As at the end of the reporting period and up to the date of this announcement, apart from expressly stated above, the Group is a party to a number of civil litigation cases, as either a plaintiff or defendant. In the opinion of the Directors, after taking into account of the respective legal advices, adequate provision has been made in financial information.

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

## **Pledge of Assets**

As at 31 December 2021, the Group pledged an item of property, plant and equipment with a carrying amount of approximately HK\$81 million (31 December 2020: HK\$86 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\$34 million (31 December 2020: HK\$35 million) and HK\$1,170 million (31 December 2020: HK\$1,165 million), respectively.

## **REVIEW OF UNAUDITED ANNUAL RESULTS BY THE AUDIT COMMITTEE**

The Company established the Audit Committee with written terms of reference in compliance with the Listing Rules. The Audit Committee comprises three members, namely, Mr. Chi Yuan, Mr. Lee Kwok Leung and Mr. Ip Mei Shun, all of whom are independent non-executive Directors. Mr. Chi Yuan is the chairman of the Audit Committee. The Audit Committee has reviewed the Company's unaudited annual results for the year ended 31 December 2021 and discussed with the management of the Company on the accounting principles and practices adopted by the Group.

## **EMPLOYEES AND REMUNERATION POLICIES**

The total number of staff of the Group as at 31 December 2021 was 355 (31 December 2020: 844).

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

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

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

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

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

## **CORPORATE GOVERNANCE**

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

During the year ended 31 December 2021, the Company was in full compliance with the Code Provisions set out in Appendix 14 of the Listing Rules (the “CG Code”), except for the following deviation:

### **Code Provision A.1.8**

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

### **Code Provision A.2.1**

Under code provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separated and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing. The Company currently does not have any officer with the title chief executive. At present, Ms. Cui Li Jie, being the Chairperson and an Executive Director of the Company and who has considerable industry experience, is responsible for the strategic planning, formulation of overall corporate development policies and managing the businesses of the Group. Notwithstanding the aforementioned, the Board will review the current structure from time to time and as and when appropriate if candidate with suitable leadership, knowledge, skills and experience is identified, the Company may make the necessary modification to the management structure.

### **Code Provision A.2.7**

Code provision A.2.7 of the CG Code provides that the chairman should at least annually hold meetings with the independent non-executive directors without the presence of other directors. During the year ended 31 December 2021, a formal meeting could not be arranged between the chairperson of the Board and all the independent non-executive Directors without the executive Directors present due to their tight schedules. Although such meeting was not held during the year ended 31 December 2021, the chairperson of the Board could be contacted by email or phone to discuss any potential concerns and/or questions that any independent non-executive Directors might have and would arrange to set up follow-up meetings, whenever necessary.

### **Code Provision A.6.7**

Under code provision A.6.7 of the CG Code, independent non-executive directors and other non-executive directors should attend the general meetings and develop a balanced understanding of the views of shareholders. Due to other engagements, a non-executive Director and an independent non-executive Director of the Company, Mr. Ma Wentao and Mr. Robert James Woolsey, were unable to attend the annual general meeting of the Company held on 29 June 2021. However, the Board believes that the presence of the other independent non-executive Directors at such general meeting allowed the Board to develop a balanced understanding of the views of shareholders.

### **Code Provision C.1.2**

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

### **Code Provision E.1.2**

According to code provision E.1.2 of the CG Code, the chairman of the board should attend the annual general meeting. Ms. Cui Li Jie, being the Chairperson and an Executive Director of the Company, was unable to attend the annual general meeting of the Company held on 29 June 2021. Other Directors, including three independent non-executive Directors, attended and Mr. Ng Hoi Yue chaired the aforementioned meeting. All resolutions proposed were duly passed by shareholders' voting at the meeting

### **DIVIDEND**

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



## **THE 2020 AND 2021 ANNUAL REPORT**

The annual report of the Company for the year ended 31 December 2020 has been published on the websites of the Stock Exchange on 31 March 2022 and will be dispatched on or before 20 April 2022.

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

## **ANNUAL GENERAL MEETING**

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

## **AUDIT COMMITTEE REVIEW**

An audit committee of the Company (the “**Audit Committee**”) has been established for the purposes of reviewing and providing supervision over the financial reporting process and internal controls of the Group. The Audit Committee comprises three independent non-executive Directors. The Group’s unaudited consolidated financial statements for the year ended 31 December 2021 have been reviewed and approved by the Audit Committee.

## **FURTHER ANNOUNCEMENT(S)**

Due to the fifth wave of COVID-19 in early 2022, epidemic prevention and control measures and restrictions were implemented in Saipan and Hong Kong and certain accounting staff and their family members located in Saipan and Hong Kong had been infected. Thus, the progress of the preparation of the management accounts for audit purposes were significantly affected and there was the inability to complete the audit of the Group’s annual results for the year ended 31 December 2021 by 31 March 2022 in accordance with the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

Upon completion of the auditing process, the Company will issue further announcement(s) in relation to the audited results for the year ended 31 December 2021 and the material differences as compared with the unaudited annual results contained herein after taking into consideration of the finalized valuation report and the auditors’ review. In addition, the Company will issue further announcement(s) as and when necessary if there are other material development in the completion of the auditing process, which is expected to be completed on or around 29 April 2022.

## **PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT**

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

**The financial information contained herein in respect of the annual results of the Group have not been audited and have not been agreed with the Company's independent auditors. Shareholders and potential investors of the Company are advised to exercise extreme caution when dealing in the securities of the Company.**

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

Hong Kong, 31 March 2022

*As at the date of this announcement, the Board comprises Mr. Xu Zhongxiang and Mr. Chen Feng as executive Directors and Mr. Robert James Woolsey, Mr. Lee Kwok Leung, Mr. Ip Mei Shun and Mr. Chi Yuan as independent non-executive Directors.*

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

*In this announcement, save as otherwise stated, figures in US\$ are translated to HK\$ at the exchange rate of US\$1.00 = HK\$7.797 for illustration purpose only. No representation is made that any amount in US\$ or HK\$ would have been or can be converted at the above rate.*