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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 2016**

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 2016, which have been agreed by the auditor of the Company and together with comparative figures for the corresponding year of 2015 as follows:

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

*Year ended 31 December 2016*

	<i>Notes</i>	<b>2016</b> <b>HK\$'000</b>	2015 <i>HK\$'000</i> (Restated)
<b>CONTINUING OPERATIONS</b>			
Gross revenue	5	<b>7,488,979</b>	714,549
Less: Commissions		<b>(3,416,342)</b>	(312,264)
Net revenue		<b>4,072,637</b>	402,285
Cost of sales		<b>(855,940)</b>	(185,283)
Gross profit		<b>3,216,697</b>	217,002
Other income, gains and losses, net		<b>51,428</b>	285,837
Selling and marketing expenses		<b>(81,107)</b>	(22,275)
Operating and administrative expenses		<b>(2,022,004)</b>	(395,459)
Share-based payments		<b>(10,347)</b>	(6,838)
Finance costs	7	<b>(57,864)</b>	(27,916)
<b>PROFIT BEFORE TAX FROM CONTINUING OPERATIONS</b>	6	<b>1,096,803</b>	50,351
Income tax expenses	9	<b>(160,910)</b>	–
<b>PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS</b>		<b>935,893</b>	50,351
<b>DISCONTINUED OPERATION</b>			
Loss for the year from a discontinued operation	8	<b>(318)</b>	(68,392)
<b>PROFIT/(LOSS) FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>		<b>935,575</b>	(18,041)

	<i>Note</i>	<b>2016</b> <b>HK\$'000</b>	2015 <i>HK\$'000</i> (Restated)
<b>OTHER COMPREHENSIVE INCOME/(LOSS)</b>			
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:			
Available-for-sale investments:			
Changes in fair value		<b>(32,107)</b>	(35,797)
Reclassification adjustments for loss on disposal of available-for-sale investments included in profit or loss		<b>53,302</b>	—
		<b>21,195</b>	(35,797)
Exchange differences on translation of foreign operations		<b>8,255</b>	(10,562)
<b>OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR</b>			
		<b>29,450</b>	(46,359)
<b>TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>			
		<b>965,025</b>	(64,400)
<b>EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>			
	<i>10</i>		
Basic			
— For profit/(loss) for the year		<b>0.66 cents</b>	(0.01 cents)
— For profit from continuing operations		<b>0.66 cents</b>	0.04 cents
— For loss from discontinued operation		<b>(0.0002 cents)</b>	(0.05 cents)
Diluted			
— For profit/(loss) for the year		<b>0.34 cents</b>	N/A
— For profit from continuing operations		<b>0.34 cents</b>	0.002 cents
— For loss from discontinued operation		<b>N/A</b>	N/A

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2016

	<i>Notes</i>	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i> (Restated)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	<i>11</i>	<b>3,058,388</b>	782,832
Prepaid land lease payments	<i>12</i>	<b>212,791</b>	108,451
Intangible asset	<i>13</i>	–	–
Prepayments, deposits and other receivables	<i>14</i>	<b>593,326</b>	234,357
Available-for-sale investments	<i>15</i>	<b>103,085</b>	268,882
Deferred tax assets		<b>24,363</b>	–
		<hr/>	<hr/>
Total non-current assets		<b>3,991,953</b>	1,394,522
<b>CURRENT ASSETS</b>			
Prepaid land lease payments	<i>12</i>	<b>4,115</b>	3,004
Inventories		<b>6,786</b>	3,658
Trade receivables	<i>16</i>	<b>5,333,904</b>	1,052,922
Prepayments, deposits and other receivables	<i>14</i>	<b>170,776</b>	253,566
Restricted bank deposit		<b>11,624</b>	11,624
Cash and cash equivalents		<b>93,945</b>	599,964
		<hr/>	<hr/>
Total current assets		<b>5,621,150</b>	1,924,738
<b>CURRENT LIABILITIES</b>			
Trade payables	<i>17</i>	<b>521,022</b>	271,690
Accruals, other payables and deposits received	<i>18</i>	<b>3,794,599</b>	406,594
Derivative financial instruments	<i>21</i>	<b>215</b>	69,809
Other borrowings	<i>19</i>	<b>644,917</b>	–
Loans from related parties	<i>20</i>	<b>1,037,241</b>	290,000
Convertible notes	<i>21</i>	<b>590,018</b>	–
Tax payable		<b>164,194</b>	–
		<hr/>	<hr/>
Total current liabilities		<b>6,752,206</b>	1,038,093
<b>NET CURRENT (LIABILITIES)/ASSETS</b>		<hr/> <b>(1,131,056)</b> <hr/>	<hr/> 886,645 <hr/>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<hr/> <b>2,860,897</b> <hr/>	<hr/> 2,281,167 <hr/>
<b>NON-CURRENT LIABILITIES</b>			
Convertible notes	<i>21</i>	–	533,642
		<hr/>	<hr/>
Net assets		<b>2,860,897</b>	1,747,525
<b>CAPITAL AND RESERVES</b>			
Share capital	<i>22</i>	<b>70,826</b>	70,326
Reserves		<b>2,790,071</b>	1,677,199
		<hr/>	<hr/>
Total equity		<b>2,860,897</b>	1,747,525
		<hr/> <hr/>	<hr/> <hr/>

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2016

		Attributable to owners of the Company							
	Notes	Share capital HK\$'000	Convertible notes HK\$'000 (note 21)	Share premium account HK\$'000	Share option reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Available- for-sale investment revaluation reserve HK\$'000	Accumulated losses HK\$'000	Total equity HK\$'000
At 1 January 2015		4,257	1,480,332	979,544	34,973	-	-	(1,627,823)	871,283
Loss for the year, restated		-	-	-	-	-	-	(18,041)	(18,041)
Other comprehensive loss for the year:									
Changes in fair value of available-for-sale investments, net		-	-	-	-	-	(35,797)	-	(35,797)
Exchange differences on translation of foreign operations		-	-	-	-	(10,562)	-	-	(10,562)
Total comprehensive loss for the year		-	-	-	-	(10,562)	(35,797)	(18,041)	(64,400)
Issue of new shares under the bonus issues	22(a)	63,863	-	(63,863)	-	-	-	-	-
Placing of new shares	22(b)	1,733	-	778,117	-	-	-	-	779,850
Transaction costs related to the placing of new shares	22(b)	-	-	(22,481)	-	-	-	-	(22,481)
Issue of shares upon conversion of convertible notes, restated	21	473	-	175,962	-	-	-	-	176,435
Equity-settled share option arrangements		-	-	-	6,838	-	-	-	6,838
At 31 December 2015, as restated		<u>70,326</u>	<u>1,480,332*</u>	<u>1,847,279*</u>	<u>41,811*</u>	<u>(10,562)*</u>	<u>(35,797)*</u>	<u>(1,645,864)*</u>	<u>1,747,525</u>
At 1 January 2016									
As previously reported		70,326	1,582,027	1,881,722	41,811	(10,562)	(35,797)	(1,712,193)	1,817,334
Prior year adjustments	3	-	(101,695)	(34,443)	-	-	-	66,329	(69,809)
As restated		70,326	1,480,332	1,847,279	41,811	(10,562)	(35,797)	(1,645,864)	1,747,525
Profit for the year		-	-	-	-	-	-	935,575	935,575
Other comprehensive income for the year:									
Changes in fair value of available-for-sale investments, net		-	-	-	-	-	21,195	-	21,195
Exchange differences on translation of foreign operations		-	-	-	-	8,255	-	-	8,255
Total comprehensive income for the year		-	-	-	-	8,255	21,195	935,575	965,025
Issue of new shares	22(c)	500	-	137,500	-	-	-	-	138,000
Equity-settled share option arrangements		-	-	-	10,347	-	-	-	10,347
Transfer of reserve upon the lapse of share options		-	-	-	(1,444)	-	-	1,444	-
At 31 December 2016		<u>70,826</u>	<u>1,480,332*</u>	<u>1,984,779*</u>	<u>50,714*</u>	<u>(2,307)*</u>	<u>(14,602)*</u>	<u>(708,845)*</u>	<u>2,860,897</u>

\* These reserve accounts comprise the consolidated reserves of HK\$2,790,071,000 (2015: HK\$1,677,199,000) in the consolidated statement of financial position.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2016*

## 1. CORPORATE AND GROUP INFORMATION

Imperial Pacific International Holdings Limited (the “Company”) was incorporated in Bermuda as an investment holding company with limited liability under the Companies Act 1981 of Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The principal place of business is Suites 7001, 7002 and 7014–7016, 70/F., Two International Finance Centre, No. 8 Finance Street, Central, Hong Kong. The Company’s shares are listed on The Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

During the year, the Company and its subsidiaries (collectively referred to as the “Group”) are principally engaged in the gaming and resort business, including the development of an integrated resort on the Island of Saipan, Commonwealth of the Northern Mariana Islands (“CNMI”). On 26 May 2016, upon the completion of disposal of the companies engaged in the food processing and trading business, the Group ceased to engage in the food processing and trading business.

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

## 2.1 BASIS OF PRESENTATION

Despite that the Group had net current liabilities of HK\$1,131,056,000 and capital commitments of approximately HK\$2,404,097,000 as at 31 December 2016 as detailed in note 24 to the annual results announcement, the Directors consider that the Group will have adequate funds available to enable it to operate as a going concern, based on the Group’s profit forecast and cash flow projection which, inter alia, take into account the past actual operating performance of the Group and the following:

- (a) subsequent to the end of the reporting period, the Company has undertaken a number of financing activities by raising new borrowings in loans/unsecured notes for an aggregate amount of approximately HK\$691,000,000 and HK\$288,000,000 from independent third parties and the Company’s ultimate holding company, respectively. Except for an unsecured loan amount of HK\$80,000,000 due to an independent third party which is repayable on demand, HK\$68,000,000, HK\$288,000,000 and HK\$543,000,000 are repayable in 2018, 2019 and 2020 respectively;
- (b) subsequent to the end of the reporting period, the Company has refinanced an aggregate amount of HK\$876,000,000 due to the ultimate holding company and related parties, which were included in current liabilities at the end of the reporting period, into unsecured notes due to the ultimate holding company and repayable in 2019;
- (c) subsequent to the end of the reporting period, the Company has obtained an unsecured credit facility from an independent third party for its working capital needs; and
- (d) the ultimate holding company and other related parties have agreed to provide continuous financial support to the Group by not demanding repayment of any amounts due to them until the Group is in a financial position to repay without impairing its liquidity position.

Further details are set out in note 26 for events after the reporting period.

Accordingly, these annual results announcement have been prepared on the going concern basis which assumes, among other things, the realisation of assets and satisfaction of liabilities in the normal course of business.

## 2.2 BASIS OF PREPARATION

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. They have been prepared under the historical cost convention, except for available-for-sale investments and derivative financial instruments which have been measured at fair value. These financial statements presented in Hong Kong dollars (“HK\$”) and all values are rounded to the nearest thousand except when otherwise indicated.

## 2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year:

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	<i>Investment Entities: Applying the Consolidation Exception</i>
Amendments to HKFRS 11	<i>Accounting for Acquisitions of Interests in Joint Operations</i>
Amendments to HKAS 1	<i>Disclosure Initiative</i>
Amendments to HKAS 16 and HKAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>
Amendments to HKAS 27 (2011)	<i>Equity Method in Separate Financial Statements</i>
<i>Annual Improvements 2012–2014 Cycle</i>	Amendments to a number of HKFRSs
Amendments to HKAS 16 and HKAS 41	<i>Agriculture: Bearer Plants</i>

The Group has assessed the impact of the adoption of these amended HKFRSs and considered that there was no significant impact on the Group’s results and financial position.

## 2.4 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 2	<i>Classification and Measurement of Share-based Payment Transactions<sup>2</sup></i>
Amendments to HKFRS 4	<i>Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts<sup>2</sup></i>
HKFRS 9	<i>Financial Instruments<sup>2</sup></i>
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture<sup>4</sup></i>
HKFRS 15	<i>Revenue from Contracts with Customers<sup>2</sup></i>
Amendments to HKFRS 15	<i>Clarifications to HKFRS 15 Revenue from Contracts with Customers<sup>2</sup></i>
HKFRS 16	<i>Leases<sup>3</sup></i>
Amendments to HKAS 7	<i>Disclosure Initiative<sup>1</sup></i>
Amendments to HKAS 12	<i>Recognition of Deferred Tax Assets for Unrealised Losses<sup>1</sup></i>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2017

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2018

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2019

<sup>4</sup> No mandatory effective date yet determined but available for early adoption

### 3. PRIOR YEAR ADJUSTMENTS

During the current year, following a reassessment of the terms of agreements relating to the convertible notes issued on 21 August 2015 (“CN 2015”), the Group considered that the embedded conversion rights of CN 2015 should have been recognised as financial derivatives rather than equity instruments as previously accounted for in the prior year’s consolidated financial statements.

Accordingly, certain prior year adjustments have been made and certain comparative amounts as at 31 December 2015 have been restated to reflect the full recognition of the embedded conversion rights of CN 2015 as financial derivatives.

The effects of these prior year adjustments are summarised below:

#### **Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2015**

	<b>(Dr)/Cr</b> <i>HK\$’000</i>
Increase in fair value gain on derivative financial statements	66,329

#### **Consolidated statement of financial position at 31 December 2015**

	<b>(Dr)/Cr</b> <i>HK\$’000</i>
Increase in derivative financial instruments	69,809
Decrease in net current assets and decrease in total assets less current liabilities	69,809
Decrease in share premium	(34,443)
Decrease in equity components of convertible notes	(101,695)
Decrease in accumulated losses	66,329
Decrease in reserves and total equity	(69,809)



#### 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. Information about reportable segment revenue and results, assets and liabilities and other segment information is as follows:

	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i> (Restated)
<b>Segment revenue</b>		
Revenue from external customers	<u>7,488,979</u>	<u>714,549</u>
<b>Segment result</b>	<b>1,471,422</b>	70,075
<i>Unallocated:</i>		
Headquarters and corporate expenses	(381,929)	(55,834)
Bank interest income	71	29
Fair value gain on derivative financial instruments	69,594	66,329
Gain on extinguishment of other borrowings	12,000	–
Net exchange losses	(13,566)	(1,816)
Finance costs	(57,864)	(27,916)
Depreciation and amortisation	<u>(2,925)</u>	<u>(516)</u>
Profit before tax from continuing operations	<u>1,096,803</u>	<u>50,351</u>
<b>Segment assets</b>		
Gaming and resort	9,401,285	2,308,653
<i>Unallocated:</i>		
Unallocated cash and cash equivalents	44,560	494,731
Available-for-sale financial assets	103,085	268,882
Other unallocated assets	64,173	245,456
Assets related to a discontinued operation	<u>–</u>	<u>1,538</u>
Total assets	<u>9,613,103</u>	<u>3,319,260</u>
<b>Segment liabilities</b>		
Gaming and resort	4,391,096	621,349
<i>Unallocated:</i>		
Derivative financial instruments	215	69,809
Other borrowings	644,917	–
Loans from related parties	1,037,241	290,000
Convertible notes	590,018	533,642
Other unallocated liabilities	88,719	56,755
Liabilities related to a discontinued operation	<u>–</u>	<u>180</u>
Total liabilities	<u>6,752,206</u>	<u>1,571,735</u>

## Geographical information

### (a) Revenue from external customers

	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i> (Restated)
Island of Saipan	<b>7,488,979</b>	714,543
Macau	–	6
	<u><b>7,488,979</b></u>	<u>714,549</u>

The revenue information of continuing operations above is based on the locations of the customers.

### (b) Non-current assets

	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i> (Restated)
Island of Saipan	<b>3,832,104</b>	1,108,330
Mainland China and Hong Kong	<b>21,993</b>	16,542
Other countries	<b>10,408</b>	768
	<u><b>3,864,505</b></u>	<u>1,125,640</u>

The non-current asset information of continuing operations above is based on the locations of the assets and excludes available-for-sale investments and deferred tax assets.

## Information about major customers

During the year ended 31 December 2016, no revenue was generated from a single external customer amounted to 10% or more of the Group's total revenue.

During the year ended 31 December 2015, revenue from continuing operations of approximately HK\$428,495,000 was derived from the gaming and resort business to three customers, which individually accounted for over 10% of the Group's total revenue.

	2015 <i>HK\$'000</i>
Customer A	235,630
Customer B	98,573
Customer C	94,292

## 5. GROSS REVENUE

The Group's gross revenue from continuing operations is as follows:

	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i> (Restated)
VIP gaming operations	<b>7,130,167</b>	622,975
Mass gaming operations	<b>261,880</b>	65,683
Slot machines and Electronic Table Game ("ETG") gaming operations	<b>57,294</b>	19,272
Food and beverage	<b>39,638</b>	6,613
Revenue from sharing of profit stream	–	6
	<b><u>7,488,979</u></b>	<b><u>714,549</u></b>

## 6. PROFIT BEFORE TAX FROM CONTINUING OPERATIONS

The Group's profit before tax from continuing operations is arrived at after charging/(crediting):

	<i>Notes</i>	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i> (Restated)
Cost of inventories sold		<b>18,521</b>	2,470
Business gross revenue tax ("BGRT")*		<b>372,784</b>	35,554
Depreciation		<b>105,476</b>	14,148
Amortisation of prepaid land lease payments		<b>6,833</b>	3,148
Casino licence fees*		<b>116,438</b>	116,276
Auditor's remuneration		<b>8,700</b>	2,225
Minimum lease payments under operating leases		<b>123,050</b>	55,569
Employee benefits expenses (including directors' remuneration)			
Wages and salaries***		<b>521,528</b>	171,144
Pension scheme contributions		<b>3,062</b>	194
		<b><u>524,590</u></b>	<b><u>171,338</u></b>
Foreign exchange differences, net		<b>18,672</b>	1,815
Impairment of right of sharing of profit stream**		–	3,000
Impairment of trade receivables	16	<b>847,114</b>	–
Fair value loss on available-for-sale investments (transfer from equity on disposal)**		<b>53,302</b>	–
Fair value gain on derivative financial instruments**	21	<b>(69,594)</b>	(66,329)
Dividend income from available-for-sale investments**		<b>(172)</b>	(41)
Bank interest income**		<b>(99)</b>	(98)
Gain on disposal of subsidiaries**		<b>(19,970)</b>	–
Gain on extinguishment of other borrowings**		<b>(12,000)</b>	–
Gain on termination of sharing of profit stream**		–	(221,000)
		<b><u>–</u></b>	<b><u>(221,000)</u></b>

- \* Included in “Cost of sales” on the face of the consolidated statement of profit or loss and other comprehensive income.
- \*\* Included in “Other income, gains and losses, net” on the face of the consolidated statement of profit or loss and other comprehensive income.
- \*\*\* Staff costs of HK\$147,997,000 (2015: HK\$30,652,000) included in the above were capitalised under property, plant and equipment.

## 7. FINANCE COSTS

An analysis of finance costs from continuing operations is as follows:

	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Interest on other borrowings and loan from related parties	<b>79,084</b>	6,762
Imputed interest on convertible notes ( <i>note 21</i> )	<b>56,376</b>	21,154
	<b>135,460</b>	27,916
Less: Interest capitalised	<b>(77,596)</b>	–
	<b>57,864</b>	27,916

## 8. DISCONTINUED OPERATION

On 29 March 2016, the Company entered into an agreement with an independent third party to dispose of Supreme Wit Limited and its subsidiary (the “Disposal”) at a consideration of HK\$2,000,000. The discontinued operation is engaged in the processing and trading of food products which mainly include frozen and functional food products. The Group had decided to cease its food processing and trading business because it plans to focus its resources on the gaming and resort business. The disposal of the discontinued operation was completed on 26 May 2016. With the Disposal being classified as a discontinued operation, the food processing and trading business is no longer included in the note for operating segment information.

The results of the discontinued operation for the year are presented below:

	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Revenue	–	217,375
Cost of sales	–	(213,443)
Other income and losses, net	–	3,932
Expenses	<b>(318)</b>	(76,256)
Loss for the year from the discontinued operation	<b>(318)</b>	(68,392)

## 9. INCOME TAX EXPENSES

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 (2015: Nil). Income tax provision for the current year represents income tax on casino operations for the subsidiaries operating in the CNMI, which is calculated at the applicable tax rates on the taxable profits for the year ended 31 December 2016 (2015: Nil).

	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Current tax expenses	<b>185,300</b>	–
Deferred tax expense	<b>(24,390)</b>	–
Total tax charge for the year	<b><u>160,910</u></b>	<b><u>–</u></b>

The Covenant of the CNMI provides for the imposition of the Internal Revenue Code of the United States as the local income tax. CNMI legislation provides for income tax rebates with descending graduated percentages ranging from 90% to 50% on local income tax on CNMI source income. The CNMI also imposes graduated (1.5% to 5%) BGRT. For casino gaming revenue, the rebate offset amount shall be 100% of the income tax imposed on net gaming revenue taxable income up to US\$15 million. For casino net gaming taxable income in excess of US\$15 million the rebate offset amount ranges from 90% to 50% of the income tax imposed.

The legislation requires the payment of corporate income tax on CNMI source income only to the extent the pre-rebate income tax exceeds BGRT. The Company records its income tax expense net of the aforementioned BGRT credit, gaming rebate and income tax rebate.

## 10. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of the basic earnings/loss per share amounts is based on the profit for the year attributable to owners of the Company of HK\$935,575,000 (year ended 31 December 2015: loss for the year attributable to owners of the Company of HK\$18,041,000), and the weighted average number of ordinary shares of 140,864,589,099 (2015: 137,732,239,035) in issue during the year.

The calculation of the diluted earnings per share amount for the year ended 31 December 2016 is based on the profit for the year attributable to owners of the Company, adjusted to reflect the interest on the convertible notes and fair value gain on the derivative component of the convertible notes. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

No adjustment had been made to the basic loss from discontinued operation per share amounts presented for the years ended 31 December 2016 and 2015 in respect of a dilution as the impact of the outstanding share options and convertible notes had an anti-dilutive effect on the basic loss per share amounts presented.

No adjustment had been made to the basic loss per share amount presented for the year ended 31 December 2015 in respect of a dilution as the impact of the outstanding share options and convertible notes had an anti-dilutive effect on the basic loss per share amount presented.

The calculations of basic and diluted earnings/(loss) per share are based on:

	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
<b>Earnings</b>		
Profit/(loss) attributable to owners of the Company, used in the basic earnings per share calculation:		
From continuing operations	<b>935,893</b>	50,351
From a discontinued operation	<b>(318)</b>	(68,392)
	<b>935,575</b>	(18,041)
Interest on convertible notes	<b>56,376</b>	21,154
Less: Fair value gain on the derivative component of the convertible notes ( <i>note 6</i> )	<b>(69,594)</b>	(66,329)
	<b>922,357</b>	(63,216)
Profit/(loss) attributable to owners of the Company before interest on convertible notes and fair value change on the derivative component of the convertible notes	<b>922,357</b>	(63,216)
	<b>922,675</b>	5,176
Profit/(loss) attributable to owners of the Company, used in the diluted earnings per share calculation:		
From continuing operations	<b>922,675</b>	5,176
From discontinued operation	<b>(318)</b>	(68,392)
	<b>922,357</b>	(63,216)
	<b>Number of shares</b>	
	<b>2016</b>	2015
	<b>'000</b>	<b>'000</b>
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	<b>140,864,589</b>	137,732,239
Effect of dilution — weighted average number of ordinary shares:		
Share options	<b>293,627</b>	339,885
Convertible notes ( <i>Note</i> )	<b>128,000,000</b>	128,000,000
Weighted average number of ordinary shares in issue during the year used in the diluted earnings per share calculation	<b>269,158,216</b>	266,072,124

*Note:* The impact of the convertible notes issued on 19 March 2014 had a dilutive effect on the basic earnings per share amounts presented for the years ended 31 December 2016 and 2015. CN 2015 had no dilutive effect on the basic earnings per share amount presented as the exercise price of CN 2015 was higher than the average market price of the ordinary shares of the Company during the years ended 31 December 2016 and 2015.

## 11. PROPERTY, PLANT AND EQUIPMENT

During the year ended 31 December 2016, the Group acquired property, plant and equipment of HK\$2,381,377,000 (2015: HK\$795,026,000).

## 12. PREPAID LAND LEASE PAYMENTS

During the year ended 31 December 2016, the Group acquired prepaid land lease payments of HK\$133,080,000 (31 December 2015: HK\$29,761,000).

## 13. INTANGIBLE ASSET

	<b>Right of sharing of profit stream from Macau gaming business HK\$'000</b>
	<i>Note</i>
As at 1 January 2015	158,000
Impairment during the year	(3,000)
Termination during the year	(155,000)
	<hr/>
As at 31 December 2015, 1 January 2016 and 31 December 2016	<hr/> <hr/> –

### *Note:*

On 19 March 2014 (the “Completion Date”), the Company completed the acquisition (the “Acquisition”) of the entire issued share capital of and shareholder’s loan to Excel Earth Limited (“Excel Earth”) and obtained a profit guarantee given by the vendor. The principal asset of Excel Earth was its interests under, and entitlements to, the transfer of five percent (5%) of the distributable profit of Hang Seng Sociedade Unipessoal Limitada (the “Junket”), for each twelve-month period, which had commenced on 1 January 2014. The Acquisition was satisfied by issuing zero coupon convertible notes at the conversion price of HK\$0.05 per conversion share (as adjusted from HK\$1.00 per conversion share by the effect of the share subdivision) in the aggregate principal amount of HK\$400,000,000 due on the sixteenth anniversary of the Completion Date (“CN 2014”) to the vendor in accordance with the terms and conditions of the acquisition agreement. The conversion price has been subsequently adjusted to HK\$0.003125 per conversion share after the bonus issue on 3 July 2015. On the Completion Date, the fair value of CN 2014 was approximately HK\$1,480,000,000, based on a valuation report issued by an independent valuer, Roma Appraisals Limited, dated 29 August 2014. Details of the Acquisition had been disclosed in the circular of the Company dated 8 January 2014.

Due to changes in market condition and decrease in the revenue in first half of 2015, the management of Excel Earth had revised its cash flow projections. As a result, during the year ended 31 December 2015, the carrying amount of the intangible asset had been reduced to its recoverable amount through recognition of an impairment loss against intangible asset of approximately HK\$3,000,000.

On 28 October 2015, Excel Earth entered into deeds of termination to terminate the loan agreement and the profit transfer agreement dated 8 July 2013 with the Junket and the Junket had returned the unsecured, interest-free loan in the amount of HK\$18,000,000 to Excel Earth. The remaining balance of the intangible asset of HK\$155,000,000 was recognised in profit or loss due to the termination.

#### 14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Rental and other deposits	158,369	173,689
Prepaid casino licence fees	187,597	187,517
Prepayment for acquisition of non-current assets	282,188	36,480
Prepayments and other receivables	135,948	90,237
	<u>764,102</u>	<u>487,923</u>
Less: Current portion	(170,776)	(253,566)
	<u>593,326</u>	<u>234,357</u>

#### 15. AVAILABLE-FOR-SALE INVESTMENTS

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Listed equity investments, at fair value	<u>103,085</u>	<u>268,882</u>

During the year, a gross loss in respect of the Group's available-for-sale investments recognised in other comprehensive income amounted to HK\$32,107,000 (2015: HK\$35,797,000), of which HK\$53,302,000 (2015: Nil) was reclassified from other comprehensive income to profit or loss for the year upon disposal.

The above investments consist of investments in listed equity securities which were designated as available-for-sale financial assets and have no fixed maturity date or coupon rate.

#### 16. TRADE RECEIVABLES

The Group's trading terms with customers are mainly on credit. The credit term is generally 30 days for gaming operations (2015: ranged from 30 to 180 days for gaming operations and food processing and trading business). Each customer has a maximum credit limit. For new customers, payment in advance or certain form of guarantee is normally required. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the management. At the end of the reporting period, the Group has certain concentration of credit risk as 12% (2015: 24%) and 33% (2015: 53%) of the Group's trade receivables were due from the Group's largest customer and the five largest customers, respectively. Trade receivables are non-interest-bearing.

An aged analysis of trade receivables as at the end of the reporting period, based on the program end dates, is as follows:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Within 1 month	1,470,801	798,212
More than 1 month but within 3 months	1,108,291	241,922
More than 3 months but within 6 months	1,034,406	12,788
More than 6 months but within 1 year	2,168,800	–
More than 1 year	98,790	–
	<u>5,881,088</u>	<u>1,052,922</u>
Impairment	(547,184)	–
	<u>5,333,904</u>	<u>1,052,922</u>



As at 31 December 2016, the Group had received guarantee deposits of HK\$2,050,338,000 (note 18(a)) from certain players/guarantors which can be used to offset against certain of the above trade receivables in an aggregate amount of approximately HK\$1,931,203,000 due from certain casino players (including HK\$39,699,000 due within 1 month, HK\$143,736,000 due for more than 1 month but within 3 months, HK\$553,750,000 due for more than 3 months but within 6 months, HK\$1,157,686,000 due for more than 6 months but within 1 year and HK\$36,332,000 due for more than 1 year) in the event that the Group cannot recover the trade receivable amounts from these players in the normal course of its business.

The movements in provision for impairment of trade receivables are as follows:

	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
At beginning of year	–	–
Impairment losses recognised ( <i>note 6</i> )	<b>847,114</b>	–
Uncollectible amounts written off	<b>(299,930)</b>	–
	<hr/>	<hr/>
At end of year	<b>547,184</b>	–
	<hr/> <hr/>	<hr/> <hr/>

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of HK\$547,184,000 (2015: Nil) with a carrying amount before provision of HK\$2,024,552,000 (2015: Nil).

The individually impaired trade receivables relate to customers which management considered that either none or only a portion of the receivables is expected to be recovered.

The aged analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Neither past due nor impaired	<b>1,431,227</b>	1,052,922
Less than 1 month past due	<b>415,476</b>	–
1 to 3 months past due	<b>591,487</b>	–
4 to 6 months past due	<b>372,949</b>	–
7 months to 1 year past due	<b>1,045,397</b>	–
	<hr/>	<hr/>
	<b>3,856,536</b>	1,052,922
	<hr/> <hr/>	<hr/> <hr/>

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers who have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

## 17. TRADE PAYABLES

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i> (Restated)
Within 1 month	420,235	80,283
More than 1 month but within 3 months	42,139	191,407
More than 3 months but within 6 months	36,489	–
More than 6 months but within 1 year	20,166	–
More than 1 year	1,993	–
	<u>521,022</u>	<u>271,690</u>

## 18. ACCRUALS, OTHER PAYABLES AND DEPOSITS RECEIVED

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i> (Restated)
Deposits received ( <i>note (a)</i> )	2,363,814	45,765
Outstanding chips liabilities	183,254	145,890
Accrued commission	144,644	48,746
BGRT payable	33,456	30,556
Construction related payables	664,961	19,345
Others payables and accruals ( <i>note (b)</i> )	404,470	116,292
	<u>3,794,599</u>	<u>406,594</u>

*Notes:*

- (a) As at 31 December 2016, included in the Group's deposits received were deposits of HK\$2,050,338,000 (2015: Nil) from certain players/guarantors who have guaranteed the repayment of the trade receivables due from certain of the Group's casino players (the "Guarantee"). In the opinion of the directors, based on independent legal advice, the Group has the enforceable right to set off the deposits against any irrecoverable trade receivables due from these casino players under the Guarantee.
- (b) As at 31 December 2016, included in the amount was other accruals of HK\$130,675,000 (2015: HK\$27,524,000).

## 19. OTHER BORROWINGS

The other borrowings are denominated in HK\$, unsecured, interest-bearing at 8%–10% per annum and repayable on demand or within 1 year.

## 20. LOANS FROM RELATED PARTIES

The loans from related parties are denominated in HK\$. Except for a loan of HK\$40,241,000 (2015: HK\$190,000,000) that is interest-free, all loans from related parties are unsecured, interest-bearing at 8%-9.5% per annum and have no fixed terms of repayment.

## 21. CONVERTIBLE NOTES

On 19 March 2014, the Company issued CN 2014 in the aggregate principal of HK\$400,000,000 as settlement of the purchase consideration in relation to the Acquisition. As disclosed in note 13, the aggregate principal amount of CN 2014 of HK\$400,000,000 was fair valued at approximately HK\$1,480,000,000 and recognised as equity in its entirety without a liability portion in accordance with the Group's accounting policy for mandatorily convertible notes.

The Company issued CN 2015 in the aggregate principal of HK\$841,900,000 with zero interest rate on 21 August 2015. The notes mature after 24 months from the date of issuance and are convertible into ordinary shares of the Company at any time between the date of issue of the notes and their settlement date. CN 2015 are convertible at conversion price of HK\$0.225 per share.

The interest amortised for the year is calculated by applying an effective interest rate of 10.06% to the liability component for the 24 month period since the notes were issued.

The net proceeds received from the issue of CN 2015 have been split into the liability and derivative components and their movements are as follows:

	<b>Liability component HK\$'000</b>	<b>Derivative financial instruments HK\$'000 (Restated)</b>	<b>Total HK\$'000</b>
At issuance date	688,923	136,138	825,061
Imputed interest ( <i>note 7</i> )	21,154	–	21,154
Conversion of convertible notes	(176,435)	–	(176,435)
Fair value gain ( <i>note 6</i> )	–	(66,329)	(66,329)
	<hr/>	<hr/>	<hr/>
At 31 December 2015 and 1 January 2016	533,642	69,809	603,451
Imputed interest ( <i>note 7</i> )	56,376	–	56,376
Fair value gain ( <i>note 6</i> )	–	(69,594)	(69,594)
	<hr/>	<hr/>	<hr/>
At 31 December 2016	<u>590,018</u>	<u>215</u>	<u>590,233</u>

## 22. SHARE CAPITAL

	<b>2016 HK\$'000</b>	<b>2015 HK\$'000</b>
Authorised:		
300,000,000,000 ordinary shares of HK\$0.0005 each	<u>150,000</u>	<u>150,000</u>
Issued and fully paid:		
141,651,474,345 (2015: 140,651,474,345) ordinary shares of HK\$0.0005 each	<u>70,826</u>	<u>70,326</u>

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue '000	Issued capital HK\$'000	Share premium account HK\$'000	Total HK\$'000
At 1 January 2015	8,514,925	4,257	979,544	983,801
Issue of new shares under the bonus issues ( <i>note (a)</i> )	127,723,882	63,863	(63,863)	–
Placement of new shares ( <i>note (b)</i> )	3,466,000	1,733	778,117	779,850
Transaction costs related to the placing of new shares ( <i>note (b)</i> )	–	–	(22,481)	(22,481)
Issue of shares upon conversion of convertible notes ( <i>note 21</i> )	946,667	473	175,962	176,435
At 31 December 2015 and 1 January 2016	140,651,474	70,326	1,847,279	1,917,605
Issue of new shares ( <i>note (c)</i> )	1,000,000	500	137,500	138,000
At 31 December 2016	<u>141,651,474</u>	<u>70,826</u>	<u>1,984,779</u>	<u>2,055,605</u>

*Notes:*

- (a) Pursuant to the ordinary resolution passed at the special general meeting of the Company held on 17 June 2015, bonus shares were issued to shareholders whose names appeared on the register of members of the Company on 24 June 2015, the record date, on the basis of 15 new shares credited as fully paid for every one share held. On 3 July 2015, an amount of HK\$63,863,000 standing to the credit of the share premium account was applied in paying up in full 127,723,882,200 ordinary shares of HK\$0.0005 each which were allotted and issued as fully paid to the shareholders who were entitled to those bonus shares.
- (b) The Company entered into a share placing agreement with United Simsen Securities Limited and share placing agents (the "Share Placing Agreement") on 28 July 2015 and supplemental agreements to the Share Placing Agreement on 29 July 2015 and 17 August 2015 pursuant to which the share placing agents had conditionally agreed to place, on a best-effort basis to not less than six independent share places at a price of HK\$0.225 per placing share. The placing of new shares was completed on 21 August 2015 and 3,466,000,000 placing shares were issued. The gross proceeds from the share placing is approximately HK\$779,850,000. Share placing expenses of approximately HK\$22,481,000 were credited to the Company's share premium account.
- (c) On 14 October 2016, 1,000,000,000 shares were issued to an independent third party at HK\$0.15 per share, for the settlement of other borrowings with an outstanding principal of HK\$150,000,000. The fair value of the shares on 14 October 2016 was HK\$0.138 per share and resulted in a gain on extinguishment of other borrowings of HK\$12,000,000 credited to profit or loss for the year.

## 23. OPERATING LEASE COMMITMENTS

At the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Within one year	<b>104,370</b>	84,821
In the second to fifth years, inclusive	<b>66,234</b>	54,834
After five years	<b>28,399</b>	29,356
	<b>199,003</b>	169,011

Except for an operating lease of leasehold land on the Island of Saipan, the leases typically run for an initial period of one to five years. None of the leases includes contingent rentals.

## 24. COMMITMENTS

In addition to the operating lease commitments detailed in note 23 above, the Group had the following commitments at the end of the reporting period:

	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
<b>Capital commitments</b>		
Contracted, but not provided for:		
Property, plant and equipment	<b>2,180,636</b>	2,768,258
Prepaid land lease payments	<b>223,461</b>	23,640
	<b>2,404,097</b>	2,791,898
<b>Other commitments</b>		
Casino licence fees:		
Within one year	<b>116,310</b>	116,260
In the second to fifth years, inclusive	<b>348,930</b>	348,782
After five years	<b>1,977,270</b>	2,092,689
	<b>2,442,510</b>	2,557,731

## 25. CONTINGENT LIABILITIES

### 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 2016, several former employees of a subsidiary had filed discrimination claims against that subsidiary for alleged violation of EEOC regulations. Violations of EEOC regulations may expose the subsidiary to payment of damages, civil and administrative fines or penalties, court costs and fees in excess of US\$1,500,000 (equivalent to HK\$11,670,000).

In the opinion of the directors, after taking into account of the respective legal advices, as the aforementioned matters are possible un-asserted 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 these financial statements.

## **Regulatory oversight**

The Group is subject to the jurisdiction of various state, local and federal regulatory agencies (the “Regulatory Authorities”) in the conduct of its casino operations. Specifically, the Group is required to comply with the rules and regulations of the Commonwealth Casino Commission in the conduct of its gaming operations. The Group is also under the jurisdiction of the Financial Crimes Enforcement Network in terms of its compliance with the anti-money laundering provisions of the Bank Secrecy Act. Should the Group 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 on the scope of its operations, and the potential revocation of its gaming licence.

## **Other litigation matters**

As at the end of the reporting period and up to the date of approval of these financial statements, apart from expressly stated, the Group is a party to a number of civil litigation cases, as either a plaintiff or defendant. In the opinion of the directors, after taking into account of the respective legal advices, these cases are either premature and/or the Group has a very high likelihood of success in its action and, therefore will not have any adverse impact to the Group’s results or financial position. Accordingly, no provision has been made in these financial statements.

## **26. EVENTS AFTER THE REPORTING PERIOD**

- (a) In January 2017, CN 2015 with an aggregate principal amount of HK\$300,000,000 were converted into 1,333,333,333 ordinary shares;
- (b) in January 2017, the Company has obtained unsecured loans which are interest-bearing at 8%–12% per annum in an aggregate amount of HK\$148,000,000 from independent third parties, of which HK\$80,000,000 and HK\$68,000,000 are repayable on demand and in 2018, respectively;
- (c) on 8 February 2017, the Company has completed the issuance of unsecured notes in an aggregate principal amount of HK\$543,200,000 to independent third parties, which are interest-bearing at 8.5% per annum and due 2020;
- (d) on 22 February 2017, the Company has completed the issuance of unsecured notes in an aggregate principal amount of HK\$776,000,000 to its ultimate holding company, which are interest-bearing at 7.8% per annum and due 2019. This was used to re-finance an aggregate loan amount of HK\$776,000,000 due to the ultimate holding company and a related party included as current liabilities at the reporting date;
- (e) on 21 March 2017, an amount due to a related party of HK\$100,000,000 was assigned to the ultimate holding company and, together with additional subscription proceeds of HK\$288,000,000 from the ultimate holding company, the Company issued unsecured notes of HK\$388,000,000 to its ultimate holding company, which are interest bearing at 7.8% per annum and repayable in 2019; and
- (f) on 17 March 2017, the Company has obtained an unsecured credit facility from an independent third party, which bears interest at 13% per annum.

Please refer to the Company’s public announcements dated 8 February 2017, 22 February 2017 and 21 March 2017 for further details of notes (c), (d) and (e) above, respectively.

## **27. DIVIDENDS**

No dividends have been paid or declared by the Company for the year ended 31 December 2016 (2015: Nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

The Company is an investment holding company, and the Group is principally engaged in the (i) gaming and resort business, including the development and operation of integrated resort on the Island of Saipan and (ii) processing and trading of food products which mainly include frozen and functional food products (which ceased and was discontinued on 26 May 2016).

#### *Gaming and Resort Business*

In August 2014, Imperial Pacific International (CNMI), LLC (the “**Licensee**”), a wholly-owned subsidiary of the Company, and the Commonwealth of the Northern Mariana Islands (“**CNMI**”) entered into a casino licence agreement in respect of the exclusive casino resort developer licence on the Island of Saipan.

#### *Temporary Casino*

On 27 November 2015, the Licensee launched the grand opening of a “Temporary Casino” in Garapan, Island of Saipan (“**Best Sunshine Live**”). The grand opening of Best Sunshine Live supports the Group’s continuous evolution of Saipan into a diversified and world-leading entertainment and tourism destination.

Following the launch of VIP gaming operations in Best Sunshine Live, the Board has taken into account the unaudited VIP table games rolling amount, the actual operational scale and service reception capability of Best Sunshine Live as well as the number of hotels situated in Saipan and considered that Best Sunshine Live has received significant VIP patron visits which would be favourable to the Group’s continual development of the Imperial Pacific Resort (“**Imperial Pacific Resort**”) (formerly known as Grand Mariana Casino and Hotel Resort).

After a full year operation in 2016, Best Sunshine live achieved significant monthly VIP table games rolling and growth of revenue. During the year ended 31 December 2016, unaudited VIP table games rolling of United States Dollars (“**US\$**”) 32,366 million (equivalent to approximately HK\$251,241 million) and gross revenue of approximately HK\$7,489 million (2015: HK\$715 million) were generated from the operations of gaming and resort business.

### *Garapan Integrated Resort*

On 29 April 2015, the Licensee as lessee, entered into a lease agreement (the “**Lease Agreement**”) with Department of Public Lands in CNMI as lessor (the “**Lessor**”), pursuant to which the Lessor agreed to lease to the Licensee the land (the “**Land**”) with a total area of approximately 20,000 square meters in Garapan, Island of Saipan, CNMI, for an initial term of 25 years which may be extended for up to another 15 years in accordance with the terms of the Lease Agreement. The Land, together with the adjacent land with an aggregate area of approximately 39,000 square meters in Garapan, occupying a total area of approximately 59,000 square meters, forms the location at which the Imperial Pacific Resort is constructed.

The Licensee obtained a “Notice to Proceed” from the Division of Coastal Resources Management of the CNMI and commenced site construction of the Imperial Pacific Resort in July 2015.

The construction of the Imperial Pacific Resort has been progressing smoothly, with over 2,000 workers working around-the-clock to ensure timely completion. It is expected that the site construction of the casino of the Imperial Pacific Resort will be completed on 31 March 2017 and will be opened to the public, while the hotel of the Imperial Pacific Resort will be opened in the second half of 2017.

Major global construction companies, consulting firms, design and engineering firms as well as local sub-contractors are engaged. As of 31 December 2016, approximately US\$343 million (equivalent to approximately HK\$2,662 million) has been invested in design, consulting, engineering, construction material and labour.

### *Discontinued operation*

Similar to 2015, the recovery of the PRC and the global economy was slow and the food market sector had remained sluggish. As such, steps were taken to reduce loss from this business segment, and the Group continued to explore opportunities to downsize its food processing and trading business with eventual view to completely dispose of the segment in order to concentrate its resources on the development and operation of the integrated resort business in Saipan.

On 29 March 2016, the Company as vendor and Paramount Century Investment Limited (an independent third party) as purchaser entered into a disposal agreement for sale of the entire issued share capital of Supreme Wit Limited (“**Supreme Wit**”) at the consideration of HK\$2 million (the “**Disposal**”). Following completion of the Disposal on 26 May 2016, the disposed companies have ceased to be subsidiaries of the Company and the financial results of the disposed companies have been deconsolidated from the Group’s financial statements. Accordingly, the Group has ceased to engage in the processing and trading of food products. Upon completion of the Disposal, the Group recorded a gain on disposal of subsidiaries approximately HK\$1 million. Details of the Disposal have been disclosed in the announcement of the Company dated 29 March 2016.



For the year ended 31 December 2016, the Group did not generate any revenue from food processing and trading business (2015: HK\$217 million). Loss for the year from discontinued operation of approximately HK\$0.3 million (2015: HK\$68 million) was resulted for the year ended 31 December 2016.

## **Business Outlook**

### *Garapan Integrated Resort Development*

Construction of the tower hotel, the Imperial Pacific Resort, has been progressing smoothly. An additional US\$304 million has been invested in design and construction of this luxurious casino resort which has brought the total investment to US\$343 million by the end of 2016. Topping out of the four storey podium and the fourteen storey hotel tower has been finished by end of July and October 2016, respectively. It is expected that the site construction of the casino of the Imperial Pacific Resort will be completed on 31 March 2017 and will be opened to the public, while the hotel of the Imperial Pacific Resort will be opened in the second half of 2017. Best Sunshine Live will cease operation simultaneously upon the opening of the new casino.

The Imperial Pacific Resort, perched on the water front of downtown Garapan, is designed by Steelman Partners, a renowned leader within the gaming and hospitality industries. When it is finished, the resort will boast eleven restaurants with a total of seventeen Michelin Stars in addition to the 193 gaming tables and 365 slot machines which will substantially increase the Company's gaming capacity from its current level of 48 tables and 141 slot machines at the temporary facility.

The Board is pleased with the results at Best Sunshine Live, particularly the VIP program where significant monthly rolling numbers were achieved. After opening of the new casino, to help expand client base and attract new players and clients, we expect to commence collaboration with gaming promoters after they are granted licences to operate on the island of Saipan. As of 31 December 2016, 18 gaming promoters had applied for junket licences with the Commonwealth Casino Commission. The first licence was granted on 12 August 2016. Due to CNMI's low tax regime, we believe very competitive commission rates will be offered to our gaming promoters.

In addition to Imperial Pacific Resort, we have already witnessed the opening of the Kensington Hotel Saipan, one of the three hotels in Saipan owned by South Korea's E-Land Group. Supply of hotel rooms remains a serious bottle-neck for the growth of tourist arrivals. According to Hotel Association of the Mariana Islands, for the fiscal year of 2016, average hotel rates reached a new high of US\$141.40 per night with yearly average hotel occupancy rates of 87.49%.

Airlines are expanding to Saipan in an unprecedented fashion. Weekly flights to Saipan have increased from approximately 80 at the end of 2015 to close to 120 by the end of 2016, showing a growth of approximately 50% during the year. Direct flights from Hong Kong to Saipan have been introduced by Hong Kong Airlines and HK Express with five flights per week. Beijing-based carrier Capital Airlines also planned to operate the Hangzhou-Saipan

service three times a week, using Airbus A330-200 aircraft starting from the second quarter of 2017. Flights from Korea also increased significantly to 56 flights per week, more than doubled through the year. According to Mariana's Visitors Authority, for the fiscal year of 2016, total visitor arrival to CNMI grew by 4.5% to 501,489, with China and Korea's continued strong growth of 13.8% and 10.4%, respectively.

To strengthen the Company's corporate governance, former Director of Central Intelligence of United States of America, Mr. Robert James Woolsey, has been appointed as an independent non-executive Director of the Company. An advisory committee with members who have considerable experience of government and regulatory policies was also formed to provide the Group with sound strategic and tactical advice.

The Group has also adopted comprehensive anti-money laundering and counter-terrorism financing control and measures in its operation of Best Sunshine Live (the "**Program**"). The Group has adopted and will continue to enhance a policy to provide such training within 30 days of effective date of employment, and with plan to use web-based training programs to meet with the expected exponential growth in staff size. The Group shall review its internal control policies and the Program from time to time to monitor and ensure that the casino operations of the Group shall at all times comply with applicable laws in the CNMI and do not contravene the Gambling Ordinance (Chapter 148 of the Laws of Hong Kong).

The Group shall continue to allocate most of its resources for development of the integrated resort on the Island of Saipan. In addition, the Group is also actively looking for other investment opportunities around the world to develop tourist resort facilities (including gaming facilities). The Company will, as and when appropriate, comply with all relevant requirements, and where necessary, make further announcement(s) in accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (the "**Listing Rules**").

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

The Company and Huarong International Securities Limited (formerly known as United Simsen Securities Limited) (the "**CN Placing Agent**") entered into a convertible notes placing agreement (the "**CN Placing Agreement**") on 27 July 2015 and supplemental agreements to CN Placing Agreement on 29 July 2015 and 17 August 2015 pursuant to which the CN Placing Agent has conditionally agreed to procure placee(s), on a best effort basis, to subscribe for the unsecured convertible notes with an aggregate principal amount from HK\$780 million to HK\$1,560 million with initial conversion price of HK\$0.225 per conversion share (the "**CN 2015**"). The placing was completed on 21 August 2015 and CN 2015 with an aggregate principal amount of approximately HK\$842 million were issued, which are convertible into 3,741,777,777 conversion shares.

Up to 31 December 2016, CN 2015 in aggregate principal amount of approximately HK\$213 million had been converted into approximately 946,667,000 ordinary shares of the Company.

The Company also entered into a share placing agreement (the “**Share Placing Agreement**”) with Huarong International Securities Limited (formerly known as United Simsen Securities Limited) and Kingston Securities Limited (the “**Share Placing Agents**”) on 28 July 2015 and supplemental agreements to the Share Placing Agreement on 29 July 2015 and 17 August 2015 pursuant to which the Share Placing Agents have conditionally agreed to place, on a best-effort basis, from 1,733,000,000 to 3,466,000,000 new shares of the Company (the “**Share(s)**”) to not less than six independent share placees at a price of HK\$0.225 per placing share. The placing of new Shares was completed on 21 August 2015 and number of 3,466 million placing shares were issued. The gross proceeds from the share placing were approximately HK\$780 million. Details of the CN Placing Agreement and the Share Placing Agreement have been disclosed in the announcements of the Company dated 28 July 2015, 29 July 2015 and 17 August 2015 respectively.

The Company (as issuer) completed the issuance of the 8.5% per annum unsecured notes due 2020 in the aggregate principal amount of HK\$543 million (equivalent to US\$70 million) on 8 February 2017 to certain independent investors.

In addition, the Company completed the issuance of the 7.8% per annum unsecured notes due 2019 in the aggregate principal amount of HK\$776 million (equivalent to US\$100 million) to Inventive Star Limited (“**Inventive Star**”), the controlling shareholder (as defined in the Listing Rules) of the Company, on 22 February 2017.

On 21 March 2017, the Company completed another issuance of the 7.8% per annum unsecured notes due 2019 in the aggregate principal amount of HK\$388 million (equivalent to US\$50 million) to Inventive Star. Details of the issuances of unsecured notes have been disclosed in the announcements of the Company dated 11 January 2017, 8 February 2017, 22 February 2017 and 21 March 2017 respectively.

The Board does not rule out the possibility that the Company may carry out further 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 identified any concrete fund raising opportunities.

## **Financial Review**

### *Continuing Operations*

For the year ended 31 December 2016, the Group achieved gross revenue of HK\$7,489 million, representing an increase of HK\$6,774 million which is principally contributed by the casino gaming operations. Profit for the year of 2016 from continuing operations was HK\$936 million, as compared with the profit of HK\$50 million in the corresponding period of last year. The growth of profit is mainly attributable to operating profits generated by Best Sunshine Live during the year. Basic earnings per share and diluted earnings per share were HK0.66 cents and HK0.34 cents respectively, as compared with basic and diluted earnings per share of HK0.04 cents and HK0.002 cents respectively in the corresponding period of last year.

### Temporary Casino

Results of the Gaming operations at Best Sunshine Live in Saipan for the year ended 31 December 2016 as compared to the financial results for the year ended 31 December 2015:

	<b>For the year ended 31 December</b>	
	<b>2016</b>	2015
	<b>HK\$'000</b>	<i>HK\$'000</i>
	<b>(unaudited)</b>	(unaudited)
(in thousands, except for number of gaming tables and slot machines and ETG and percentage)		
Number of VIP gaming tables	16	12
VIP table games rolling	251,241,203	24,198,137
VIP gross table games win	7,130,167	622,975
VIP table games win percentage	2.84%	2.58%
<hr/>		
Number of Mass Gaming tables	32	34
Mass games drop	918,019	323,799
Mass games gross table games win	261,880	65,683
Mass games win percentage	28.53%	20.29%
<hr/>		
Number of slot machines and ETG	141	106
Slot machines and ETG handle	679,106	269,474
Slot machines and ETG gross win	57,294	19,272
Slot machines and ETG hold percentage	8.44%	7.15%
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Commissions	3,416,342	312,264
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### Gross Revenue

The following table sets forth the gross revenue for the years ended 31 December 2016 and 2015.

	<b>For the year ended 31 December</b>	
	<b>2016</b>	2015
	<b>HK\$'000</b>	<i>HK\$'000</i>
		(Restated)
<b>Casino revenue</b>		
VIP gaming operations	7,130,167	622,975
Mass gaming operations	261,880	65,683
Slot machines and ETG gaming operations	57,294	19,272
Food and beverage	39,638	6,613
Revenue from sharing of profit stream	—	6
<hr/>		
	7,488,979	714,549
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### *VIP Gaming Operations*

As casino operations on the Island of Saipan are relatively new, a significant portion of our VIP casino customers is sourced through the Group's own marketing avenue. Such high-spending VIP players generally receive commission and allowances based on a percentage of the rolling chip turnover. The allowances can be utilized for expenses incurred on hotel rooms, food and beverages and other discretionary customers-related expenses. The Group's VIP players are also brought to us via intensive marketing campaigns.

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

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

VIP rolling chip volume reached approximately HK\$251,241 million for 2016. VIP revenue increased by HK\$6,507 million to HK\$7,130 million with a win percentage of 2.84% (2015: 2.58%). Our VIP customers primarily consist of cash players and credit players. Geographically, most of our direct VIP patrons are from China, Hong Kong, Macau, Korea and Saipan.

### *Mass Gaming Operations*

For the year ended 31 December 2016, revenue from mass gaming operations increased by HK\$196 million to HK\$262 million and mass gaming drop reached HK\$918 million. Customers from the mass gaming operations do not receive commissions from the Group and, accordingly has a higher win percentage of 28.53% (2015: 20.29%) than VIP operations.

Going forward, we will continue to re-examine our mass gaming areas to maximize table utilization, 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 handle increased by 152% to HK\$679 million and hold percentage reached 8.44% (2015: 7.15%) for the year ended 31 December 2016.

Going forward, we will continue to re-examine the mix of our slot machines and ETG games in operation to maximize 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 increased by HK\$671 million as compared with last year and such is principally contributed by the direct casino costs such as casino licence fees of US\$15 million (equivalent to approximately HK\$116 million) and Saipan's business gross revenue tax of US\$48 million (equivalent to approximately HK\$373 million).

## Other income, gains and losses, net

Other gains and losses, net for the year ended 31 December 2016 mainly represent fair value gain amounted to approximately HK\$70 million on derivative financial instruments, gain on disposal of subsidiaries HK\$20 million and gain on extinguishment of other borrowings amounted to approximately HK\$12 million, partially net off by losses of approximately HK\$53 million arising from the Company's disposal of available-for-sale investments.

Other income in 2015 mainly represented gain of HK\$221 million arose from the termination of share of profit stream from gaming business in Macau.

## Operating expenses

Operating expenses increased to HK\$2,113 million. The increase is mainly attributable to the full year operation of Best Sunshine Live in 2016. Operating expenses for the year ended 31 December 2016 include impairment of trade receivables of HK\$847 million, staff cost of HK\$377 million, and depreciation and amortizations expenses of HK\$112 million.

## Adjusted EBITDA

The following table reconciles Adjusted EBITDA to its most directly comparable HKFRSs measurement, profit attributable to owners of the Company, for the years ended 31 December 2016 and 2015.

	For the year ended 31 December	
	2016	2015
	HK\$'000	HK\$'000 (Restated)
<b>Profit for the year from continuing operations</b>	<b>935,893</b>	50,351
Add/(less):		
Depreciation and amortization	<b>112,309</b>	17,296
Casino licence fees	<b>116,438</b>	116,276
Interest income	<b>(99)</b>	(98)
Fair value loss on available-for-sale investments	<b>53,302</b>	–
Fair value gain on derivative financial instruments	<b>(69,594)</b>	(66,329)
Finance costs	<b>57,864</b>	27,916
Taxation	<b>533,694</b>	35,554
Share-based payments	<b>10,347</b>	6,838
Net foreign currency differences	<b>18,672</b>	1,815
	<hr/>	<hr/>
Adjusted EBITDA ( <i>Note</i> ) (unaudited)	<b>1,768,826</b>	189,619
	<hr/>	<hr/>



*Note:*

Adjusted EBITDA is used by management as the primary measure of the Group's operating performance with that of our competitors. Adjusted EBITDA should not be considered in isolation, construed as an alternative to profit or operating profit as reported under HKFRSs or other combined operations or cash flow data, or interpreted as an alternative to cash flow as a measure of liquidity. Adjusted EBITDA presented in this report may not be comparable to other similarly titled measures of other companies operating in the gaming or other business industry sectors.

### *Discontinued Operation*

The Group's food processing and trading business segment did not generate any revenue and reported loss attributable to owners of the Company of approximately HK\$0.3 million during the year. The segment's revenue and loss attributable to owners of the Company were approximately HK\$217 million and HK\$68 million respectively for the year ended 31 December 2015.

### *Significant Investment and Acquisition*

Apart from the development of integrated resort on the Island of Saipan and the Disposal, 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\$2,514 million (2015: approximately HK\$519 million) during the year ended 31 December 2016, mainly for construction of the Imperial Pacific Resort on the Island of Saipan and acquisition of gaming related equipment.

### *Liquidity and Financial Resources*

On 8 February 2017, the Company (as issuer) completed the issuance of the 8.5% per annum unsecured notes due 2020 in the aggregate principal amount of HK\$543 million (equivalent to US\$70 million) to certain independent investors.

In addition, on 22 February 2017, the Company completed the issuance of the 7.8% per annum unsecured notes due 2019 in the aggregate principal amount of HK\$776 million (equivalent to US\$100 million) to Inventive Star.

On 21 March 2017, the Company completed another issuance of the 7.8% per annum unsecured notes due 2019 in the aggregate principal amount of HK\$388 million (equivalent to US\$50 million) to Inventive Star.

Details of the issuances of unsecured notes have been disclosed in the announcements of the Company dated 11 January 2017, 8 February 2017, 22 February 2017 and 21 March 2017 respectively.

### *Capital structure*

During the year, there was no change to the authorised share capital of the Company.

On 14 October 2016, 1,000,000,000 subscription shares were successfully subscribed by Ally High Limited (the “**Subscriber**”) at the subscription price of HK\$0.15 per subscription share. The consideration in the aggregate sum of HK\$150 million was satisfied by setting-off the interest-free loan due from the Company to the Subscriber for the same amount upon completion.

As at 31 December 2016, the total number of issued Shares was 141,651,474,345 (31 December 2015: 140,651,474,345).

### *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 2016, the Group had capital commitment of HK\$2,404 million (31 December 2015: HK\$2,792 million).

### *Contingent Liabilities*

Except for the disclosure in note 25 of the annual result announcement, the Group did not have any other significant contingent liabilities as at 31 December 2016 (31 December 2015: Nil).

### *Pledge of Assets*

As at 31 December 2016, the Group did not have any pledge of assets (31 December 2015: Nil).

### **Employees and Remuneration Policies**

The total number of staff of the Group as at 31 December 2016 was 1,560 (31 December 2015: 917). Total staff costs, including Directors’ emoluments, amounted to approximately HK\$525 million (2015: approximately HK\$171 million).

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 share options.



## Share Option Scheme

At the beginning of the financial year ended 31 December 2016, 1,547,918,384 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 9.69% of the Shares then in issue, were available for issue under the Share Option Scheme.

During the year under review, no grantee had exercised any share options and 85,248,576 share options lapsed. As at 31 December 2016, there were 1,462,669,808 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 2016, 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.6.7*

This stipulates that independent non-executive directors and other non-executive directors should attend the general meetings. Due to their other important engagements, the then independent non-executive Director, Mr. Eugene Raymond Sullivan, and independent non-executive Director of the Company Mr. Robert James Woolsey were unable to attend the annual general meeting and the special general meeting of the Company held on 27 June 2016.

## **Dividend**

No dividend for the year ended 31 December 2016 (2015: Nil) is recommended by the Board.

## **Audit Committee Review**

An Audit Committee of the Company 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 2016 have been reviewed and approved by the Audit Committee.

By order of the Board  
**Imperial Pacific International Holdings Limited**  
**Cai Lingli**  
*Executive Director*

Hong Kong, 27 March 2017

*As at the date of this announcement, the Board comprises Ms. Cai Lingli and Ms. Xia Yuki Yu as executive Directors, Mr. Eugene Raymond Sullivan as non-executive Director and Mr. Robert James Woolsey, Mr. Ng Hoi Yue, Mr. Tso Hon Sai Bosco and Mr. Lee Kwok Leung as independent non-executive Directors.*

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

*In this announcement, save as otherwise stated, figures in US\$ are translated to HK\$ at the exchange rate of US\$1.00 = HK\$7.76 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.*