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**IMPERIAL PACIFIC INTERNATIONAL HOLDINGS LIMITED**

**博華太平洋國際控股有限公司**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 1076)**

**INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2014**

The board (the “Board”) of directors (the “Directors”) of Imperial Pacific International Holdings Limited (the “Company”) announces the unaudited interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2014 together with comparative figures for the corresponding period of 2013 as follows:

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

*For the six months ended 30 June 2014*

	<i>Notes</i>	<b>Six months ended 30 June</b>	
		<b>2014</b> <i>HK\$'000</i> <b>(Unaudited)</b>	<b>2013</b> <i>HK\$'000</i> <b>(Unaudited)</b>
<b>Turnover</b>	<i>3 &amp; 5</i>	<b>293,256</b>	254,171
Cost of sales		<b>(279,902)</b>	(247,537)
Gross profit		<b>13,354</b>	6,634
Other income	<i>4</i>	<b>3,022</b>	1,831
Selling expenses		<b>(3,085)</b>	(1,721)
Administrative expenses		<b>(32,919)</b>	(8,639)
<b>Loss before tax</b>	<i>6</i>	<b>(19,628)</b>	(1,895)
Income tax expense	<i>7</i>	<b>–</b>	–
<b>Loss and total comprehensive expense for the period attributable to owners of the Company</b>		<b>(19,628)</b>	(1,895)
		<i>HK Cents</i>	<i>HK Cents</i> (restated)
<b>Loss per share attributable to owners of the Company</b>	<i>9</i>	<b>(0.25)</b>	(0.02)
Basic and diluted			

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 30 June 2014*

	<i>Notes</i>	<b>30 June 2014 HK\$'000 (Unaudited)</b>	31 December 2013 HK\$'000 (Audited)
<b>Non-current assets</b>			
Property, plant and equipment	<i>10</i>	314	146
Intangible assets	<i>11</i>	1,454,550	–
Prepayments, deposits and other receivables	<i>12</i>	254,735	23,375
Goodwill		<b>6,098</b>	6,098
		<hr/> <b>1,715,697</b>	<hr/> 29,619
<b>Current assets</b>			
Inventories		2,071	2,395
Trade receivables	<i>13</i>	89,673	64,616
Prepayments, deposits and other receivables	<i>12</i>	29,158	9,110
Bank and cash balances		32,558	75,705
Current tax assets		<b>1,826</b>	1,826
		<hr/> <b>155,286</b>	<hr/> 153,652
<b>Current liabilities</b>			
Trade and bills payables	<i>14</i>	28,819	23,168
Accruals, other payables and deposits received		16,969	14,558
Amount due to ultimate holding company	<i>15</i>	17,946	–
		<hr/> <b>63,734</b>	<hr/> 37,726
<b>Net current assets</b>		<hr/> <b>91,552</b>	<hr/> 115,926
<b>Total assets less current liabilities</b>		<hr/> <b>1,807,249</b>	<hr/> 145,545
<b>Non-current liabilities</b>			
Amount due to ultimate holding company	<i>15</i>	201,000	–
Deferred tax liabilities		<b>10</b>	10
		<hr/> <b>201,010</b>	<hr/> 10
<b>NET ASSETS</b>		<hr/> <b>1,606,239</b>	<hr/> 145,535
<b>Capital and reserves</b>			
Share capital	<i>16</i>	4,002	4,002
Reserves		<b>1,602,237</b>	141,533
<b>TOTAL EQUITY</b>		<hr/> <b>1,606,239</b>	<hr/> 145,535

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

*For the six months ended 30 June 2014*

### 1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The Company is an investment holding company. The Company, through its major subsidiaries, is principally engaged in (i) processing and trading of food products which mainly include frozen and functional food products; (ii) sharing of profit stream from gaming business in Macau; and (iii) development and operation of integrated resort on the Island of Saipan.

In the opinion of the directors of the Company (the “Directors”), as at the date of issue of these consolidated financial statements, Inventive Star Limited (the “Controlling Shareholder”), a company incorporated in the British Virgin Islands, is the ultimate holding company and Ms. Cui Lijie is the ultimate controlling party. The Controlling Shareholder does not procure financial statements available for public use.

The unaudited condensed consolidated financial statements have been prepared under the historical cost basis.

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2014 have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

The unaudited condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2013. The accounting policies and methods of computation used in the preparation of these unaudited condensed consolidated interim financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2013. In addition, the Company has adopted the following policies upon issuance of convertible notes:

#### ***Intangible assets acquired in a business combination***

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on intangible assets below).

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

### ***Impairment on intangible assets other than goodwill***

At the end of the reporting period, intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

### ***Convertible notes***

The component parts of the convertible notes issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to share premium. No gain or loss is recognised in profit or loss upon conversion of the conversion option.

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible notes using the effective interest method.

## 2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

In the current period, the Group has adopted, for the first time, the following new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are relevant to its operations and effective for the current period’s condensed consolidated interim financial statements. HKFRSs comprise Hong Kong Financial Reporting Standards (“HKFRS”); HKAS; and Interpretations.

Amendments to HKFRS 10, HKFRS 12 and HKFRS 27	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC)-Int 21	Levies

The adoption of these new and revised HKFRSs did not result in significant changes to the Group’s accounting policies, presentation of the Group’s financial statements and amounts reported for the current period and prior years.

The Group has not applied the new and revised HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a material impact on its results of operations and financial position.

## 3. TURNOVER

The Group’s turnover which represents sales of food products to customers and sharing of profit stream from gaming business are as follows:

	Six months ended 30 June	
	2014 HK\$’000 (Unaudited)	2013 HK\$’000 (Unaudited)
Sales of food products	281,426	254,171
Revenue from sharing of profit stream	11,830	–
	<u>293,256</u>	<u>254,171</u>

## 4. OTHER INCOME

	Six months ended 30 June	
	2014 HK\$’000 (Unaudited)	2013 HK\$’000 (Unaudited)
Commission income	1,236	689
Storage fee income	701	965
Interest income	17	72
Net exchange gain	139	41
Gain on initial recognition ( <i>Note 11</i> )	929	–
Sundry income	–	64
	<u>3,022</u>	<u>1,831</u>

## 5. SEGMENT INFORMATION

For management purposes, the Group has three (for the six months ended 30 June 2013: one) operating segments, namely: (i) processing and trading of food products which mainly include frozen and functional food products (“Frozen and functional food products”); (ii) sharing of profit stream from gaming business in Macau (“Profit stream”); and (iii) development and operation of integrated resort on the Island of Saipan (“Integrated resort”).

Information about reportable segment profit or loss and assets is as follows:

	<b>Frozen and functional food products</b> <i>HK\$'000</i>	<b>Profit stream</b> <i>HK\$'000</i>	<b>Integrated resort</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
<b>Six months ended 30 June 2014:</b>	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue from external customers	281,426	11,830	–	293,256
Segment profit/(loss)	(14,143)	11,830	(13,951)	(16,264)
<b>As at 30 June 2014:</b>	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Segment assets	<u>131,926</u>	<u>1,493,091</u>	<u>234,075</u>	<u>1,859,092</u>
<b>Six months ended 30 June 2013:</b>	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue from external customers	254,171	–	–	254,171
Segment loss	(1,255)	–	–	(1,255)
<b>As at 31 December 2013:</b>	(Audited)	(Audited)	(Audited)	(Audited)
Segment assets	<u>176,602</u>	<u>–</u>	<u>–</u>	<u>176,602</u>

Reconciliation of segment profit or loss:

	<b>Six months ended 30 June</b>	
	<b>2014</b>	<b>2013</b>
	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Segment loss	<b>(16,264)</b>	(1,255)
Unallocated amounts:		
Unallocated corporate income and expenses	<u><b>(3,364)</b></u>	<u>(640)</u>
Consolidated loss before tax	<u><b>(19,628)</b></u>	<u>(1,895)</u>

## 6. LOSS BEFORE TAX

The Group's loss before tax is stated after charging/(crediting) the following:

	Six months ended 30 June	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Directors' emoluments	–	170
Directors' fees	<u>870</u>	<u>312</u>
Salaries, wages and other benefits and retirement benefit scheme contribution	<u>870</u>	<u>482</u>
Cost of inventories sold	279,902	247,537
Depreciation	38	41
Net exchange gain	(139)	(41)
Other operating lease charges on an operating lease agreement (Note 12(a))	1,500	1,500
Operating lease charges on land and buildings	438	430
Allowance for trade receivables	<u>2,170</u>	<u>–</u>

## 7. INCOME TAX EXPENSE

No provision for taxation has been made since the Group has incurred a loss for the period ended 30 June 2014 and 30 June 2013.

Tax charge on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

## 8. INTERIM DIVIDENDS

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2014 (2013: nil).

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

### Basic loss per share

The calculation of basic loss per share attributable to owners of the Company is based on the loss for the period attributable to owners of the Company of approximately HK\$19,628,000 (2013: approximately HK\$1,895,000) and the weighted average number of approximately 8,004,925,000 ordinary shares (2013: approximately 8,004,925,000 ordinary shares, as restated for the effect of the share subdivision effected on 11 April 2014, details of the share subdivision are set out in note 16 to the condensed consolidated interim financial statements) in issue during the period.

### Diluted loss per share

Diluted loss per share attributable to owners of the Company for the six months ended 30 June 2014 is the same as the respective basic loss per share because conversion of convertible notes would decrease the loss per share, therefore, is anti-dilutive.

Diluted loss per share attributable to owners of the Company for the six months ended 30 June 2013 is the same as the respective basic loss per share because the Company did not have any dilutive potential ordinary shares during the period.

## 10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2014, the Group acquired property, plant and equipment of approximately HK\$206,000 (six months ended 30 June 2013: approximately HK\$2,000).

## 11. INTANGIBLE ASSETS

	<b>30 June 2014 HK\$'000 (Unaudited)</b>	31 December 2013 HK\$'000 (Audited)
<b>Right of sharing of profit stream from Macau gaming business</b>		
Additions during the period/year and as at end of reporting period	<u><b>1,454,550</b></u>	<u>–</u>

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 the profit guarantee given by the vendor (the “Profit Guarantee”). The principal asset of Excel Earth is its interests under, and entitlements to, the transfer of five percent (5%) of the distributable profit of Hang Seng Sociedade Unipessoal Limitada, for each twelve-month period (the “Profit Transfer”), which has commenced on 1 January 2014. The Acquisition was satisfied by issuing the 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, details of the share subdivision are set out in note 16 to the condensed consolidated interim financial statements) in the aggregate principal amount of HK\$400 million due on the sixteenth anniversary of the Completion Date (the “Convertible Notes”) to the vendor in accordance with the terms and conditions of the Acquisition agreement. Details of the Acquisition have been disclosed in the circular of the Company dated 8 January 2014.

According to paragraph 2(b) of HKFRS 3 (revised) Business Combinations, HKFRS 3 (revised) applies to a transaction or other event that meets the definition of a business combination. This HKFRS does not apply to the acquisition of an asset or a group of assets that does not constitute a business. In such cases the acquirer shall identify and recognise the individual identifiable assets acquired (including those assets that meet the definition of, and recognition criteria for, intangible assets in HKAS 38 Intangible Assets) and liabilities assumed. The cost of the acquisition shall be allocated to the individual identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction or event does not give rise to goodwill.

On the Completion Date, the fair value of the Convertible Notes was approximately HK\$1,480 million, based on a valuation report issued by an independent valuer, Roma Appraisals Limited (“ROMA”), dated 29 August 2014. Meanwhile, on the Completion Date, Excel Earth had three identifiable assets, namely the intangible asset of the profit stream from Macau gaming business, trade receivables arising from the Profit Transfer (the “Trade Receivables”) and the loan receivable (the “Loan Receivable”). The fair values of the intangible asset of the profit stream from Macau gaming business, the Trade Receivables and the Loan Receivable, based on another valuation report issued by ROMA dated 29 August 2014, were approximately HK\$1,507 million, HK\$8.7 million and HK\$18 million respectively as at the Completion Date.

As to the intangible asset of the profit stream from Macau gaming business, the income-based approach was adopted in arriving its fair value. Under this approach, it estimates the future economic benefits and discounts them to their present values using a discount rate appropriate for the risks associated with realising those benefits.

As to the Trade Receivables, they are due on 7 January 2015 without any interest-bearing term whereas the Loan Receivable is collectible on demand without any interest-bearing term. The fair values were HK\$8,711,297 and HK\$18 million respectively.

## 11. INTANGIBLE ASSETS (continued)

Applying the figures above, the cost of approximately HK\$1,480 million of the Convertible Notes was allocated to the fair values of approximately HK\$1,507 million, HK\$8.7 million and HK\$18 million of the profit stream from Macau gaming business, the Trade Receivables and the Loan Receivable respectively. The cost of approximately HK\$1,455 million was therefore allocated to the profit stream from Macau gaming business (HK\$1,480 million x HK\$1,507 million/HK\$1,533.7 million); whereas a gain on initial recognition of approximately HK\$929,000 was recognised in profit or loss for the differences of approximately HK\$303,000 (HK\$8.7 million — HK\$1,480 million x HK\$8.7 million/HK\$1,533.7 million) and HK\$626,000 (HK\$18 million — HK\$1,480 million x HK\$18 million/HK\$1,533.7 million) arising from initial recognition of the Trade Receivables and initial recognition of the Loan Receivable respectively.

As a result, the intangible asset of the Group was increased by approximately HK\$1,455 million. The reserve of the Group of approximately HK\$1,480 million was increased arising from the issue of the Convertible Notes being stated at fair value upon initial recognition.

The Convertible Notes were issued at fair value upon initial recognition in accordance with HKAS 39 “Financial Instruments: Recognition and Measurement”. According to HKAS 32 “Financial Instruments: Presentation”, such Convertible Notes are equity instrument without liability portion because (i) there is no contractual obligation for the Company to deliver cash to settle; and (ii) such Convertible Notes are settled only by issuing a fixed number of shares of the Company. Therefore, the Convertible Notes are an equity instrument only which is recognised initially at fair value of approximately HK\$1,480 million.

The recoverable amount of the intangible asset has been determined on the basis of the value in use calculation using the income-based approach method. Recoverable amount is the higher of fair value less costs to dispose and value in use.

The key assumptions for the value in use calculation are those regarding the discount rates, growth rates and budgeted profit during the period. The Group estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to this intangible asset. The growth rate is based on long-term average economic growth rate of the geographical area in which this intangible asset is utilised. Budgeted profit is based on past practices and expectations on market development.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by the Directors for the next five years with the residual period using the growth rate of 8.765%. This rate does not exceed the average long-term growth rate of the relevant markets.

The rate used to discount the forecast cash flows from this intangible asset is 14.73%.

## 12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	<b>30 June 2014 HK\$'000 (Unaudited)</b>	31 December 2013 HK\$'000 (Audited)
<b>Non-current assets</b>		
Prepayment and deposit for the Sincere Gold Agreement ( <i>Note (a)</i> )	21,875	23,375
Deposit paid for application of casino resort developer licence ( <i>Note (b)</i> )	232,860	–
	<u>254,735</u>	<u>23,375</u>
<b>Current assets</b>		
Prepayment and deposit for the Sincere Gold Agreement ( <i>Note (a)</i> )	3,000	3,000
Loan receivable ( <i>Note 11</i> )	18,000	–
Advances to suppliers	5,671	5,871
Rental and other deposits	2,487	239
	<u>29,158</u>	<u>9,110</u>

### Notes:

- (a) On 5 October 2010, Pacific Prosper Limited (“Pacific Prosper”), an indirect wholly-owned subsidiary of the Company, entered into an operating lease agreement (the “Sincere Gold Agreement”) pursuant to which the total rental for a five-year period and security deposit were HK\$15,000,000 and HK\$20,000,000 respectively. In November 2010, HK\$3,500,000 was paid and the balance of HK\$31,500,000 was paid in February 2011.

The operating lease commenced since mid-February 2011 and HK\$1,500,000 was charged to profit or loss of the Group for the six months ended 30 June 2014 (HK\$1,500,000 was charged to profit or loss of the Group for the six months ended 30 June 2013). As a result, the Group had remaining balances of rental prepayment and security deposit of HK\$4,875,000 (31 December 2013: HK\$6,375,000) and HK\$20,000,000 (31 December 2013: HK\$20,000,000) as at 30 June 2014, in which HK\$3,000,000 (31 December 2013: HK\$3,000,000) of the rental prepayment was classified as a current asset and the remaining rental prepayment of HK\$1,875,000 (31 December 2013: HK\$3,375,000) and the security deposit of HK\$20,000,000 (31 December 2013: HK\$20,000,000) are classified as non-current assets at the end of the reporting period.

- (b) On 21 April 2014, Best Sunshine International Limited (the “Applicant”), a wholly-owned subsidiary of the Company, submitted a preliminary application for the issuance of the casino resort developer license (“Casino Resort Developer License”) for the Island of Saipan (the “Application”). An initial non-refundable application fee of US\$1,000,000 (equivalent to approximately HK\$7,756,000) (the “Application Fee”) has been paid by the Applicant. Further to the abovementioned initial application and the payment of the Application Fee, the refundable deposit (the “Refundable Deposit”) of US\$30,000,000 (equivalent to approximately HK\$232,860,000) was paid and the Applicant has submitted a business plan on 5 May 2014 in support of the Application. The Refundable Deposit is classified as non-current assets at the end of the reporting period.

### 13. TRADE RECEIVABLES

Trade receivables mainly consist of trade receivables from Frozen and functional food products business and profit stream receivables from Profit steam business. The Group's trading terms with customers mainly comprise credit and cash on delivery for Frozen and functional food products business and comprise only credit on semi-annually basis for Profit steam business. The credit terms generally range from 30 to 90 days. For Frozen and functional food products business, each customer has a maximum credit limit, and for new customers, payment in advance is normally required. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the management.

The aging analysis of trade receivables as at the end of the reporting period, based on the invoice date/the date of share of profit receivable, and net of allowance, is as follows:

	<b>30 June 2014 HK\$'000 (Unaudited)</b>	31 December 2013 HK\$'000 (Audited)
Within 1 month	26,917	13,454
More than 1 month but within 3 months	10,344	12,478
More than 3 months but within 6 months	17,807	17,582
More than 6 months but within 1 year	27,254	17,493
More than 1 year	7,351	3,609
	<u>89,673</u>	<u>64,616</u>

### 14. TRADE AND BILLS PAYABLES

The aging analysis of trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	<b>30 June 2014 HK\$'000 (Unaudited)</b>	31 December 2013 HK\$'000 (Audited)
Within 1 month	9,081	7,977
More than 1 month but within 3 months	5,993	8,553
More than 3 months but within 6 months	6,933	4,465
More than 6 months but within 1 year	5,273	634
More than 1 year	1,539	1,539
	<u>28,819</u>	<u>23,168</u>

### 15. AMOUNT DUE TO ULTIMATE HOLDING COMPANY

The amount is unsecured and non-interest bearing. Amount of approximately HK\$16,000,000 will be repayable on 10 April 2015 and was shown under current liabilities. Amount of approximately HK\$201,000,000, which was originally repayable on 29 July 2014, will be repayable on 29 July 2015 and was shown under non-current liabilities as the repayment date was extended for 12 months. Such advancement of HK\$217,000,000 was utilised to finance the Application Fee of US\$1,000,000 (equivalent to approximately HK\$7,756,000) and part of the refundable deposit of US\$30,000,000 (equivalent to approximately HK\$232,860,000) in escrow in support of the application for the Casino Resort Developer License. Remaining balance of approximately HK\$1,946,000 has no fixed terms of repayment.

## 16. SHARE CAPITAL

	<b>30 June 2014 HK\$'000 (Unaudited)</b>	31 December 2013 HK\$'000 (Audited)
Authorised:		
32,000,000,000 ordinary shares of HK\$0.0005 each (31 December 2013: 800,000,000 ordinary shares of HK\$0.01 each)	<u><b>16,000</b></u>	<u>8,000</u>
Issued and fully paid:		
8,004,925,480 ordinary shares of HK\$0.0005 each (31 December 2013: 400,246,274 ordinary shares of HK\$0.01 each)	<u><b>4,002</b></u>	<u>4,002</u>

The authorised share capital of the Company was increased to HK\$16,000,000 by the creation of an additional 800,000,000 ordinary shares of HK\$0.01 each in the share capital of the Company after the ordinary resolution in relation to the increase in authorised share capital were duly approved by the independent shareholders of the Company on 24 January 2014.

On 11 April 2014, each prior existing issued and unissued share of HK\$0.01 each in the share capital of the Company has been subdivided into 20 subdivided shares of HK\$0.0005 each (the “Share Subdivision” and the shares of HK\$0.0005 each referred to as the “Subdivided Shares”). Upon the Share Subdivision become effective, the authorised share capital of the Company are HK\$16,000,000 divided into 32,000,000,000 Subdivided Shares, consisting of 8,004,925,480 Subdivided Shares which are in issue and fully paid or credited as fully paid, and 23,995,074,520 unissued Subdivided Shares.

## 17. COMMITMENTS

### Operating lease commitments

At the end of the reporting period, the Group had the total future minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	<b>30 June 2014 HK\$'000 (Unaudited)</b>	31 December 2013 HK\$'000 (Audited)
Within 1 year	<b>588</b>	579
After 1 year but within 5 years	<u><b>560</b></u>	<u>33</u>
	<u><b>1,148</b></u>	<u>612</u>

The leases typically run for an initial period of one to two years. None of the leases includes contingent rentals.

## 18. CONTINGENT LIABILITIES

The directors are not aware of any material contingent liabilities of the Group as at 30 June 2014 (31 December 2013: nil).

## **19. MAJOR NON-CASH TRANSACTION**

On 19 March 2014, the Company completed the Acquisition of the entire issued share capital of and shareholder's loan to Excel Earth. The principal asset of Excel Earth is its interests under, and entitlements to the Profit Transfer, which has commenced on 1 January 2014. The Acquisition was satisfied by issuing the Convertible Notes to the vendor in accordance with the terms and conditions of the Acquisition agreement. Details of the Acquisition have been disclosed in the circular of the Company dated 8 January 2014.

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

On 15 July 2014, the Lottery Commission of the Commonwealth of the Northern Mariana Islands ("CNMI") awarded the Applicant the Casino Resort Developer License, conditional upon agreement between the CNMI and the Applicant on license terms and conditions.

On 12 August 2014, Imperial Pacific International (CNMI). LLC ("IPI"), a wholly-owned subsidiary of the Applicant, and the CNMI entered into a casino license agreement in respect of the Casino Resort Developer License pursuant to which the Casino Resort Developer License has been granted to IPI subject to the terms and conditions as stipulated therein.

## **21. APPROVAL OF UNAUDITED CONDENSED CONSOLIDATION INTERIM FINANCIAL STATEMENTS**

The unaudited condensed consolidated interim financial statements were approved and authorised for issue by the board of Directors on 29 August 2014.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW**

Imperial Pacific International Holdings Limited (the “Company”) is an investment holding company, and through its subsidiaries (collectively referred to as the “Group”), is principally engaged in the processing and trading of food products which mainly include frozen and functional food products, the sharing of profit stream from gaming business in Macau and the development and operation of integrated resort on the Island of Saipan.

#### **Food Processing and Trading Business**

During the period under review, the Group continued to engage in the processing and trading of frozen and functional food products which were sold mainly to the People’s Republic of China (“PRC”), Hong Kong and Canada. The recovery of the PRC and global economy was slow and this business was still confronted with intense market competition. Though there was overall increase in turnover of approximately HK\$27,255,000 from approximately HK\$254,171,000 for the period ended 30 June 2013 to approximately HK\$281,426,000 for the period ended 30 June 2014, the gross profit decreased to approximately HK\$1,524,000 for the current period compared with the gross profit of approximately HK\$6,634,000 of the last corresponding period as a result of general decrease in sales price and increased operating cost, which was due to continued increase in the purchase prices of food materials. Segment loss of approximately HK\$14,143,000 was resulted during the period ended 30 June 2014 (loss of approximately HK\$1,255,000 during the period ended 30 June 2013) and allowance for trade receivables of approximately HK\$2,170,000 (2013: nil) was made which was included in segment loss during the period.

#### **Profit Sharing from Macau Gaming Business**

On 19 March 2014, 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 the profit guarantee given by the vendor (the “Profit Guarantee”). The principal asset of Excel Earth is its interests under, and entitlements to, the transfer of five percent (5%) of the distributable profit of Hang Seng Sociedade Unipessoal Limitada, for each twelve-month period (the “Profit Transfer”), which has commenced on 1 January 2014. Details of the Acquisition have been disclosed in the circular of the Company dated 8 January 2014.

The total consideration for the Acquisition was satisfied by the Company issuing the zero coupon convertible notes in the principal amount of HK\$400 million with fair value of approximately HK\$1,480 million on the completion date of the Acquisition (the “Convertible Notes”). The Convertible Notes are equity instrument without liability portion and its fair value was recognised as convertible notes reserve. Upon the completion of the Acquisition, intangible asset of the profit stream from Macau gaming business of approximately HK\$1,455 million was recorded.

For the six months ended 30 June 2014, an accrued revenue of approximately HK\$11,830,000 (six months ended 30 June 2013: nil) was derived from the sharing of profit stream from Macau gaming business since completion of the Acquisition on 19 March 2014, with the segment profit of approximately HK\$11,830,000 recorded (six months ended 30 June 2013: nil).

## **Integrated Resort Development**

On 21 April 2014, Best Sunshine International Limited (the “Applicant”), a wholly-owned subsidiary of the Company, submitted a preliminary application for the issuance of the casino resort developer license (the “Casino Resort Developer License”) for the Island of Saipan (the “Application”). An initial non-refundable application fee of US\$1 million (the “Application Fee”) has been paid by the Applicant which is financed by an interest-free and unsecured shareholder’s loan from Inventive Star Limited (“Inventive Star”), the controlling shareholder of the Company.

On 5 May 2014, the Applicant submitted a business plan in support of the Application. In accordance with the Commonwealth of the Northern Mariana Islands (the “CNMI”) Public Laws 18-38 and 18-43, as repealed and re-enacted by Public Laws 18–56, an applicant who is granted the Casino Resort Developer License shall make an initial investment of at least US\$2 billion, to include a casino and an integrated resort which will include the construction of 2,000 guest rooms.

A refundable deposit (the “Refundable Deposit”) in the amount of US\$30 million had been paid by the Applicant to a third party escrow account designated by the CNMI Treasurer. The Refundable Deposit shall be disbursed to the CNMI Treasurer if the Application is approved as the required annual license payment in the amount of US\$15 million per year for the first and fifth year of the Casino Resort Developer License. The Refundable Deposit was partly financed by an interest-free and unsecured shareholder’s loan from Inventive Star and partly by the Company’s internal resources. Details of the Application have been disclosed in the announcement of the Company dated 7 May 2014.

During the six months ended 30 June 2014, the integrated resort was under development stage and no revenue was generated from this segment. Segment loss of approximately HK\$13,951,000 was resulted for the six months ended 30 June 2014 (six months ended 30 June 2013: nil).

### **Subsequent to six months ended 30 June 2014**

On 15 July 2014, the Lottery Commission of the CNMI awarded the Applicant the Casino Resort Developer License, conditional upon agreement between the CNMI and the Applicant on license terms and conditions.

On 12 August 2014, Imperial Pacific International (CNMI). LLC (“IPI”), a wholly-owned subsidiary of the Applicant, and the CNMI entered into a casino license agreement in respect of the Casino Resort Developer License (the “Casino License Agreement”) pursuant to which the Casino Resort Developer License has been granted to IPI subject to the terms and conditions as stipulated therein.

The Casino Resort Developer License is valid for twenty-five (25) years from the date of the Casino License Agreement with an option of IPI to extend such term for an additional fifteen (15) years (the “Term”).

The annual fee for the Casino Resort Developer License shall be US\$15 million (“Annual Fee”), payable every year to the CNMI Treasurer on the anniversary of the issue date during the Term. The Annual Fee shall be adjusted every five years based on the cumulative change since the issue date in the Consumer Price Index as announced by the Commonwealth Department of Commerce for the Island of Saipan but shall not be less than US\$15 million.

Since the Casino Resort Developer License has been granted to IPI, the Refundable Deposit and any interest thereon has been disbursed to the CNMI Treasurer as the required Annual Fee for the first and fifth year of the Casino Resort Developer License in accordance with the escrow instructions. Details of the Casino License Agreement have been disclosed in the announcement of the Company dated 13 August 2014.

## **BUSINESS OUTLOOK**

### **Food Processing and Trading Business**

In view of the continual deteriorating performance of this segment and in order to prioritise the resources to develop the integrated resort business on the Island of Saipan, the Company has decided to no longer focus on developing but downsize this segment or identify potential investors to dispose of part or all of the frozen and functional food products business. It is expected that the Company shall explore options to early terminate the long-term operating lease agreement with the owner of the food processing plant in Jiangmen, the PRC for and negotiate with such owner for advance return of the security deposit and the prepaid rental expenses. In addition, the Company shall also employ necessary measures to minimise the operating costs of this segment such that the Company could re-allocate most of its resources for the integrated resort business. The Company shall from time to time monitor the performance of this segment and the progress of downscaling of this segment.

### **Profit Sharing from Macau Gaming Business**

By virtue of the Profit Transfer and the Profit Guarantee, it is expected that the Group will receive a secured and guaranteed annual income of HK\$25 million on average with substantial upside potential over a period of 16 years. The applicable guaranteed profit share for the year ending 2014 is HK\$24 million.

### **Integrated Resort Development**

IPI shall review from time to time the business environment and market circumstances and may develop integrated resort(s) beyond the proposal requirements under the Casino License Agreement.

The Applicant and IPI are actively looking for quality land on the Island of Saipan for the development of an integrated resort as well as engaging a team of specialists in the relevant fields, including construction planning, design and operational management, to develop and devise the concrete Implementation Schedules. The CNMI has agreed to actively assist IPI in efforts to secure suitable property for the required land.

In this regard, the Company plans to allocate most of its resources for development of the integrated resort pursuant to the Casino Resort Developer License in the near future.

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 “Listing Rules”) if there is any further development in relation to the Casino Resort Developer License.

In addition, the board of directors (the “Directors”) of the Company (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 casino and the integrated resort on the Island of Saipan. As at the reporting date, the Company has not yet identified any concrete fund raising opportunities.

## **FINANCIAL REVIEW**

### **Financial Results**

For the six months ended 30 June 2014, the Group’s revenue increased by HK\$39,085,000 or 15.4% to approximately HK\$293,256,000, with gross profit increased by approximately HK\$6,720,000 or 101.3%. The Group’s loss attributable to owners of the Company was approximately HK\$19,628,000 for the six months ended 30 June 2014, compared to a loss of approximately HK\$1,895,000 in the corresponding period in 2013. Basic loss per share was HK0.25 cents as compared with last period basic loss per share of HK0.02 cents (restated).

### **Financial Resources and Liquidity**

As at 30 June 2014, total assets of the Group were approximately HK\$1,870,983,000 (31 December 2013: approximately HK\$183,271,000), comprising non-current assets of approximately HK\$1,715,697,000 (31 December 2013: approximately HK\$29,619,000) and current assets of approximately HK\$155,286,000 (31 December 2013: approximately HK\$153,652,000), with net current assets of approximately HK\$91,552,000 (31 December 2013: approximately HK\$115,926,000). In addition, the Group has bank and cash balances of approximately HK\$32,558,000 as at 30 June 2014 (31 December 2013: approximately HK\$75,705,000). As at 30 June 2014, the liquidity of the Group as evidenced by the current ratio (current assets/current liabilities) was 2.44 times (31 December 2013: 4.07 times) and the Group’s gearing ratio on the basis of the Group’s interest bearing liabilities divided by total equity was nil (31 December 2013: nil) as the Group did not have any interest bearing bank and other borrowings.

### **Capital Structure**

On 24 January 2014, the authorised share capital of the Company was increased to HK\$16,000,000 by the creation of an additional 800,000,000 ordinary shares of HK\$0.01 each in the share capital of the Company after the ordinary resolution in relation to the increase in authorised share capital was duly approved by the independent shareholders of the Company.

On 19 March 2014, the Acquisition was completed and as a result, Excel Earth had become a wholly-owned subsidiary of the Company. The Company had issued the Convertible Notes in the aggregate principal amount of HK\$400 million due on the 192 months from the date of issuance of the Convertible Notes (the “Maturity Date”) at completion to the vendor as consideration for the Acquisition. The Convertible Notes are denominated in Hong Kong dollars. The Convertible Notes entitle the holder to convert them into ordinary shares of the Company at any time on or after one year from the date of issuance of the Convertible Notes up to the Maturity Date at the adjusted conversion price of HK\$1.00 per ordinary share of the Company. If the Convertible Notes have not been converted, they shall be mandatorily converted into ordinary shares of the Company at the conversion price on Maturity Date.

On 10 April 2014, shareholders of the Company approved the ordinary resolution in relation to the proposed share subdivision at a special general meeting of the Company, pursuant to which with effect from 11 April 2014, each issued and unissued share of HK\$0.01 each in the share capital of the Company was subdivided into 20 subdivided shares of HK\$0.0005 each (the “Share Subdivision”). Upon the Share Subdivision becoming effective and as at 30 June 2014, the authorised share capital of the Company was HK\$16,000,000, divided into 32,000,000,000 shares, of which 8,004,925,480 shares with the par value of HK\$0.0005 were in issue and fully paid or credited as fully paid. As a result of the Share Subdivision, adjustments have been made to the conversion price and the number of shares which may fall to be issued upon conversion of the Convertible Notes, the conversion price was adjusted from HK\$1.00 per conversion share to HK\$0.05 per conversion share and the adjusted number of conversion shares to be issued upon conversion of the Convertible Notes was adjusted from 400,000,000 conversion shares to 8,000,000,000 conversion shares. The board lot size was changed from 5,000 shares to 10,000 subdivided shares upon the Share Subdivision was effective.

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

The business transactions of the Group are mainly carried in Hong Kong dollars and US dollars meaning that it will be subject to reasonable exchange rate exposure. However, the Group will closely monitor this risk exposure and would take prudent measures as appropriate.

### **Treasury Policy**

As at 30 June 2014, the Group had no formal treasury policy.

### **Significant Investment and Acquisition**

Save for the Acquisition and the payment of Application Fee and the Refundable Deposit, the Company did not have any significant investment, acquisition or disposal during the period that would be notified to the shareholders of the Company.

### **Capital Commitments**

As at 30 June 2014, the Group had no material capital commitment (31 December 2013: nil).

## **Contingent Liabilities**

As at 30 June 2014, the Group did not have any significant contingent liabilities (31 December 2013: nil).

## **Pledge of Assets**

As at 30 June 2014, the Group did not have any pledge of assets (31 December 2013: nil).

## **Segment information**

Details of segment information of the Group for the six months ended 30 June 2014 are set out in Note 5 to the condensed consolidated interim financial statements.

## **EVENTS SUBSEQUENT TO SIX MONTHS ENDED 30 JUNE 2014**

On 15 July 2014, the Lottery Commission of the CNMI awarded the Applicant the Casino Resort Developer License, conditional upon agreement between the CNMI and the Applicant on license terms and conditions.

On 12 August 2014, IPI and the CNMI entered into the Casino License Agreement pursuant to which the Casino Resort Developer License has been granted to IPI subject to the terms and conditions as stipulated therein.

## **CHANGE OF COMPANY NAME**

On 29 May 2014, the Certificate of Incorporation on Change of Name and the Certificate of Secondary Name of the Company were issued by the Registrar of Companies in Bermuda certifying the change of English name of the Company from “First Natural Foods Holdings Limited” to “Imperial Pacific International Holdings Limited” and the adoption of the Chinese name “博華太平洋國際控股有限公司” as the secondary name of the Company to replace the then existing Chinese name “第一天然食品有限公司” which was used for identification purposes only with effect from 22 May 2014.

## **EMPLOYEES AND REMUNERATION POLICIES**

The total number of staff of the Group as at 30 June 2014 was 17 (31 December 2013: 23).

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 provident fund.

## **PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY**

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

## **PUBLIC FLOAT**

Based on the information that is publicly available to the Company and to the best knowledge of the Directors, the Company has maintained sufficient public float as required under the Listing Rules as at the date of this interim report.

## **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 period ended 30 June 2014, 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.5.6**

This requires that the nomination committee should have a policy concerning diversity of board members. During the period since this code came into effect on 1 September 2013 to 24 March 2014, the Company had yet to adopt the relevant policy. However, the Board and the Nomination Committee have adopted the board diversity policy on 24 March 2014.

### **— 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, Mr. Ng Hoi Yue was unable to attend special general meeting of the Company held on 20 May 2014, Mr. Tso Hon Sai Bosco was unable to attend special general meeting of the Company held on 10 April 2014 and Mr. Lee Kwok Leung was unable to attend the annual general meeting held on 20 June 2014 and special general meetings of the Company held on 20 May 2014 and 24 January 2014.

## **CODE OF CONDUCT REGARDING DIRECTORS' SECURITIES TRANSACTIONS**

The Company has adopted the terms contained in the Model Code for Security Transactions by Directors of Listed Issuers (Appendix 10 of the Listing Rules) as the Company's code of conduct for security transactions and dealing ("Model Code"). All existing Directors, upon specific enquiry, have confirmed that they have complied with the Model Code during the six months ended 30 June 2014.

## **DIVIDEND**

The Board has resolved not to declare an interim dividend for the six months ended 30 June 2014 (six months ended 30 June 2013: Nil).

## **AUDIT COMMITTEE REVIEW**

The Company has an audit committee which was established in accordance with the requirements of the CG Code, 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 of the Company. The Group's unaudited condensed consolidated interim statements for the six months ended 30 June 2014 have been reviewed and approved by the audit committee.

## **BOARD OF DIRECTORS**

As at the date of this announcement, the Board comprises Ms. Cai Lingli and Ms. Xia Yuki Yu as executive Directors; and Mr. Ng Hoi Yue, Mr. Tso Hon Sai Bosco and Mr. Lee Kwok Leung as independent non-executive Directors.

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

Hong Kong, 29 August 2014