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IMPERIAL PACIFIC
INTERNATIONAL HOLDINGS

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 2015

The board of directors (the “**Directors**”) (the “**Board**”) of Imperial Pacific International Holdings Limited (the “**Company**”) hereby announces the unaudited interim results of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 June 2015 together with comparative figures for the corresponding period of 2014 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2015

		Six months ended 30 June	
		2015	2014
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)
Revenue	3 & 5	138,225	293,256
Cost of sales		<u>(135,171)</u>	<u>(279,902)</u>
Gross profit		3,054	13,354
Other income	4	3,524	3,022
Selling expenses		(3,348)	(3,085)
Administrative expenses		(167,873)	(32,919)
Share-based payments		(477)	–
Impairment loss for right of sharing of profit stream		<u>(3,000)</u>	<u>–</u>
Loss from operations		(168,120)	(19,628)
Finance costs	6(a)	<u>(729)</u>	<u>–</u>
Loss before tax	6	(168,849)	(19,628)
Income tax expense	7	<u>–</u>	<u>–</u>
Loss for the period attributable to owners of the Company		(168,849)	(19,628)
Other comprehensive expenses for the period, net of tax:			
<i>Items that may be subsequently reclassified to profit or loss:</i>			
Exchange differences on translating foreign operations		<u>(730)</u>	<u>–</u>
Total comprehensive expenses for the period attributable to owners of the Company		<u>(169,579)</u>	<u>(19,628)</u>
		<i>HK Cents</i>	(Restated) <i>HK Cents</i>
Loss per share attributable to owners of the Company			
Basic and diluted	9	<u>(0.12)</u>	<u>(0.02)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2015

	<i>Notes</i>	30 June 2015 HK\$'000 (Unaudited)	31 December 2014 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment	<i>10</i>	67,426	2,208
Prepaid land lease payments	<i>10</i>	112,500	82,812
Intangible assets	<i>11</i>	400,695	345,790
Prepayments and deposits	<i>12</i>	337,218	1,051
Goodwill		6,098	6,098
		<hr/> 923,937 <hr/>	<hr/> 437,959 <hr/>
Current assets			
Prepaid land lease payments	<i>10</i>	4,042	1,537
Trade receivables	<i>13</i>	21,148	69,641
Prepayments, deposits and other receivables	<i>12</i>	52,813	31,658
Bank and cash balances		93,573	389,051
Current tax assets		1,771	1,821
		<hr/> 173,347 <hr/>	<hr/> 493,708 <hr/>
Current liabilities			
Trade and bills payables	<i>14</i>	8,396	8,823
Accruals, other payables and deposits received		8,371	14,223
Other borrowings	<i>16</i>	–	35,000
Due to controlling shareholder		2,326	2,328
		<hr/> 19,093 <hr/>	<hr/> 60,374 <hr/>
Net current assets		<hr/> 154,254 <hr/>	<hr/> 433,334 <hr/>
Total assets less current liabilities		<hr/> 1,078,191 <hr/>	<hr/> 871,293 <hr/>
Non-current liabilities			
Profit guarantee received in advance	<i>15</i>	376,000	–
Deferred tax liabilities		10	10
		<hr/> 376,010 <hr/>	<hr/> 10 <hr/>
NET ASSETS		<hr/> 702,181 <hr/>	<hr/> 871,283 <hr/>
Capital and reserves			
Share capital	<i>17</i>	4,257	4,257
Reserves		697,924	867,026
TOTAL EQUITY		<hr/> 702,181 <hr/>	<hr/> 871,283 <hr/>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2015

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The Company is an investment holding company. The Company, through its major subsidiaries, is principally engaged in the (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 condensed consolidated interim financial statements, Inventive Star Limited (the “Controlling Shareholder”), a company incorporated in the British Virgin Islands, is the ultimate holding company and Ms. Cui Li Jie is the ultimate controlling party. The Controlling Shareholder does not produce financial statements available for public use.

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

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2015 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 unaudited condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2014. 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 2014.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

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; HKAS; and Interpretations.

Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions
Annual Improvements 2010–2012 Cycle	Amendments to a number of HKFRSs
Annual Improvements 2011–2013 Cycle	Amendments to a number of HKFRSs

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. REVENUE

The Group's revenue is as follows:

	Six months ended 30 June	
	2015 <i>HK\$'000</i> (Unaudited)	2014 <i>HK\$'000</i> (Unaudited)
Sales of food products	138,219	281,426
Revenue from sharing of profit stream	6	11,830
	<u>138,225</u>	<u>293,256</u>

4. OTHER INCOME

	Six months ended 30 June	
	2015 <i>HK\$'000</i> (Unaudited)	2014 <i>HK\$'000</i> (Unaudited)
Commission income	1,085	1,236
Storage fee income	1,422	701
Interest income	52	17
Rental income	868	–
Sundry income	97	–
Net exchange gain	–	139
Gain on initial recognition	–	929
	<u>3,524</u>	<u>3,022</u>

5. SEGMENT INFORMATION

For management purposes, the Group has three (for the six months ended 30 June 2014: three) reportable 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 revenue, results, assets and liabilities is as follows:

	Frozen and functional food products <i>HK\$'000</i>	Profit stream <i>HK\$'000</i>	Integrated resort <i>HK\$'000</i>	Total <i>HK\$'000</i>
Six months ended 30 June 2015:	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue from external customers	138,219	6	–	138,225
Segment loss	(24,939)	(3,000)	(127,632)	(155,571)
As at 30 June 2015:	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Segment assets	50,890	173,006	826,497	1,050,393
Segment liabilities	<u>12,227</u>	<u>376,000</u>	<u>6,604</u>	<u>394,831</u>
Six months ended 30 June 2014:	(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)
As at 31 December 2014:	(Audited)	(Audited)	(Audited)	(Audited)
Segment assets	78,529	200,000	300,478	579,007
Segment liabilities	<u>16,367</u>	<u>–</u>	<u>6,338</u>	<u>22,705</u>

Reconciliation of reportable segment results:

	Six months ended 30 June 2015 <i>HK\$'000</i> (Unaudited)	2014 <i>HK\$'000</i> (Unaudited)
Segment loss	(155,571)	(16,264)
Unallocated amounts:		
Unallocated corporate income and expenses	<u>(13,278)</u>	<u>(3,364)</u>
Consolidated loss before tax	<u>(168,849)</u>	<u>(19,628)</u>

6. LOSS BEFORE TAX

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

	Six months ended 30 June	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
(a) Finance costs		
Interest expenses on other borrowings	<u>729</u>	<u>–</u>
(b) Staff costs (Including directors' remuneration)		
Salaries, bonus and allowances*	27,972	3,758
Retirement benefits scheme contributions	<u>297</u>	<u>140</u>
	<u>28,269</u>	<u>3,898</u>
(c) Other items		
Cost of inventories sold	135,171	279,902
Depreciation	1,001	38
Amortization of prepaid casino resort developer license payments	58,151	–
Amortization of prepaid land lease payments	912	–
Net exchange loss/(gain)	3	(139)
Other operating lease charges on an operating lease agreement	–	1,500
Operating lease charges on land and buildings	13,459	438
Allowance for trade receivables	<u>23,746</u>	<u>2,170</u>

* On 27 February 2015, Mr. Ji Xiao Bo, the son of the controlling shareholder of the Company, was employed as the project director of Saipan Casino Resort Project. A sum of approximately HK\$2,635,000 was recognised as salary of the Group for the six months ended 30 June 2015.

7. INCOME TAX EXPENSE

No provision for taxation has been made since the Group has incurred a loss for the periods ended 30 June 2015 and 30 June 2014.

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 2015 (2014: 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\$168,849,000 (2014: approximately HK\$19,628,000) and the weighted average number of approximately 136,238,808,000 ordinary shares (2014: approximately 128,078,808,000 ordinary shares as adjusted to reflect the bonus issue in July 2015) in issue during the period as adjusted to reflect the bonus issue in July 2015.

Diluted loss per share

Diluted loss per share attributable to owners of the Company for the six months ended 30 June 2015 is the same as the respective basic loss per share because conversion of convertible notes and share options 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 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.

10. PROPERTY, PLANT AND EQUIPMENT AND PREPAID LAND LEASE PAYMENTS

During the six months ended 30 June 2015, the Group acquired property, plant and equipment and prepaid land lease payments of approximately HK\$66,222,000 and approximately HK\$33,210,000 respectively (six months ended 30 June 2014: property, plant and equipment of approximately HK\$206,000).

11. INTANGIBLE ASSETS

	Right of sharing of profit stream from Macau gaming business <i>HK\$'000</i> <i>Note (a)</i>	Casino resort developer license <i>HK\$'000</i> <i>Note (b)</i>	Total <i>HK\$'000</i>
Additions during the year	1,454,550	232,860	1,687,410
Impairment during the year	(1,296,550)	–	(1,296,550)
Amortization during the year	–	(45,070)	(45,070)
As at 31 December 2014 (audited)	<u>158,000</u>	<u>187,790</u>	<u>345,790</u>
As at 1 January 2015 (audited)	158,000	187,790	345,790
Additions during the period	–	116,303	116,303
Impairment during the period	(3,000)	–	(3,000)
Amortization during the period	–	(58,151)	(58,151)
Exchange difference	–	(247)	(247)
As at 30 June 2015 (unaudited)	<u>155,000</u>	<u>245,695</u>	<u>400,695</u>

Notes:

- (a) 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.

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 utilized. 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 average revenue growth rate of 4.97% (31 December 2014: 3.84%), with the residual period using the growth rate of 0% (31 December 2014: 0%). 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 13.93% (31 December 2014: 13.45%).

The recoverable amount of the intangible asset as at 30 June 2015 was based on value in use calculation and was determined with reference to the valuation report issued by Roma Appraisals Limited dated 27 August 2015.

The market condition continued to be stagnant and rolling turnover was still decreasing in first half of year 2015, the management of Excel Earth Limited has revised its cash flow projections. As a result, during the six months ended 30 June 2015, the carrying amount of the intangible asset has been reduced to its recoverable amount through recognition of an impairment loss against intangible asset of approximately HK\$3,000,000.

- (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”) on 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 has been disbursed to the Commonwealth of the Northern Mariana Islands (the “CNMI”) Treasurer as the first and fifth year’s annual fee of the Casino Resort Developer License.

During the six months ended 30 June 2015, the second year’s annual fee of the Casino Resort Developer License of US\$15,000,000 (equivalent to approximately HK\$116,303,000) was paid.

12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2015	31 December 2014
	<i>HK\$’000</i>	<i>HK\$’000</i>
	(Unaudited)	(Audited)
Non-current assets		
Deposit paid for prepaid land lease payments	–	505
Long term rental prepayment	1,452	546
Prepayment for land lease payment	146,154	–
Prepayment for property, plant and equipment	189,612	–
	337,218	1,051
Current assets		
Loan receivable	18,000	18,000
Advances to suppliers	10,340	6,140
Advances to staff	447	995
Rental and other deposits	7,943	1,671
Deferred charges	–	1,672
Prepayment and other receivables	16,083	3,180
	52,813	31,658

13. TRADE RECEIVABLES

Trade receivables mainly consist of trade receivables from Frozen and functional food products business and profit stream receivables from Profit stream 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 stream 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:

	30 June 2015 HK\$'000 (Unaudited)	31 December 2014 HK\$'000 (Audited)
Within 1 month	11,544	34,435
More than 1 month but within 3 months	2,839	1,054
More than 3 months but within 6 months	1,194	4,601
More than 6 months but within 1 year	4,438	27,341
More than 1 year	1,133	2,210
	<u>21,148</u>	<u>69,641</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:

	30 June 2015 HK\$'000 (Unaudited)	31 December 2014 HK\$'000 (Audited)
Within 1 month	4,462	5,511
More than 1 month but within 3 months	676	–
More than 3 months but within 6 months	1,127	–
More than 6 months but within 1 year	–	2,970
More than 1 year	2,131	342
	<u>8,396</u>	<u>8,823</u>

15. PROFIT GUARANTEE RECEIVED IN ADVANCE

The profit guarantee received in advance under the profit guarantee agreement, is not refundable and is to be settled by offsetting future profit guarantee or share of future profit.

16. OTHER BORROWINGS

The other loans are denominated in HK\$, unsecured, bear an interest charge at 10% per annum and was fully repaid during the six months ended 30 June 2015.

17. SHARE CAPITAL

	30 June 2015 HK\$'000 (Unaudited)	31 December 2014 HK\$'000 (Audited)
Authorized:		
300,000,000,000 ordinary shares of HK\$0.0005 each (31 December 2014:		
32,000,000,000 ordinary shares of HK\$0.0005 each)	<u>150,000</u>	<u>16,000</u>
Issued and fully paid:		
8,514,925,480 ordinary shares of HK\$0.0005 each (31 December 2014:		
8,514,925,480 ordinary shares of HK\$0.0005 each)	<u>4,257</u>	<u>4,257</u>

The authorized share capital of the Company was increased to HK\$150,000,000 by the creation of an additional 268,000,000,000 ordinary shares of HK\$0.0005 each in the share capital of the Company after the ordinary resolution in relation to the increase in authorized share capital were duly approved by the shareholders of the Company on 17 June 2015.

18. COMMITMENTS

(a) 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:

	30 June 2015 HK\$'000 (Unaudited)	31 December 2014 HK\$'000 (Audited)
Within 1 year	50,292	2,259
After 1 year but within 5 years	<u>39,688</u>	<u>553</u>
	<u>89,980</u>	<u>2,812</u>

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

(b) Capital commitments

	30 June 2015 HK\$'000 (Unaudited)	31 December 2014 HK\$'000 (Audited)
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the financial statements	94,835	–
Capital expenditure in respect of the acquisition of prepaid land lease payments contracted for but not provided in the financial statements	5,159	–
	<u>99,994</u>	<u>–</u>

(c) Other Commitments

The Group's other commitments at the end of the reporting period is as follows:

	30 June 2015 HK\$'000 (Unaudited)	31 December 2014 HK\$'000 (Audited)
Casino Resort Developer License fee After 1 year but within 5 years	<u>232,566</u>	<u>349,200</u>

19. CONTINGENT LIABILITIES

The directors are not aware of any material contingent liabilities of the Group as at 30 June 2015 (31 December 2014: nil).

20. EVENTS AFTER THE REPORTING PERIOD

- (a) On 3 July 2015, a bonus issue of shares of the Company (the "Shares") on the basis of fifteen (15) bonus shares for every one (1) existing Share held by the qualifying shareholders on the record date was completed (the "Bonus Issue"). As a result of the Bonus Issue, a total of 127,723,882,200 bonus shares were issued and the number of Shares in issue was increased to 136,238,807,680 immediately after the Bonus Issue.
- (b) On 15 July 2015, Imperial Pacific International (CNMI) LLC (the "Licensee"), an indirect wholly-owned subsidiary of the Company, obtained a "Notice to Proceed" dated 14 July 2015 from the Division of Coastal Resources Management of the Commonwealth of the Northern Mariana Islands. The Notice to Proceed, together with other relevant permits obtained, fulfil the regulatory and statutory requirements for the Licensee to commence site construction of the town hotel, Grand Mariana Casino and Hotel Resort, in Garapan, Saipan. Such integrated resort will have a total of 254 rooms and gaming facilities. The Licensee has commenced site construction on 15 July 2015 and that construction work would be fully completed within 16 months.

- (c) The Company received a “Third Party Notice” dated 14 July 2015 (the “Third Party Notice”) whereby in an action brought by Topping Chance Development Limited (the “Plaintiff”) against CCIF CPA Limited (the “Defendant”). The Plaintiff claims against the Defendant for, among other matters, negligence and/or breach of duty and/or breach of contract (the “Action”). It is alleged that loss and damage suffered from dividends and tax wrongly paid amounted to approximately RMB392 million and that fees paid to the Defendant amounted to an aggregate amount of approximately HK\$3 million and the Plaintiff claims against the Defendant such amounts with interest and costs. While the Defendant denies the Plaintiff’s claims, but if, contrary to its defence, the Defendant is found liable to the Plaintiff, the Defendant claims, among other matters, that the Company is liable to indemnify the Defendant. The subject matters of the Action and the Third Party Notice mainly refer to the statutory audit for the consolidated financial statements of the Company and its subsidiaries for the years ended 2003 to 2007. The Board, which comprises of an entirely new management team as compared to that of the material time, shall look into the matters and to the best of its knowledge, information and belief, the Board does not consider the Third Party Notice to have merit. Accordingly, the Company will vigorously dispute the claims made therein and is in the process of seeking independent legal advice.
- (d) On 26 July 2015, the Licensee has launched a soft opening of the temporary casino in Garapan, the Island of Saipan.
- (e) The Company and United Simsen Securities Limited (the “CN Placing Agent”) entered into a placing agreement (the “CN Placing Agreement”) on 27 July 2015 and supplemental agreements to the CN Placing Agreement on 29 July 2015 and 17 August 2015 pursuant to which the CN Placing Agent has conditionally agreed to procure convertible notes placee(s), on a best effort basis, to subscribe for unsecured convertible notes with an aggregate principal amount from HK\$780,000,000 to HK\$1,560,000,000 with initial conversion price of HK\$0.225 per conversion share (the “Convertible Notes”). The placing of Convertible Notes was completed on 21 August 2015 and Convertible Notes with an aggregate principal amount of HK\$841,900,000 were issued, which can be converted into 3,741,777,777 conversion shares.
- (f) The Company entered into a share placing agreement (the “Share Placing Agreement”) with 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 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 3,466,000,000 placing shares were issued. The gross proceeds from the share placing is approximately HK\$779,850,000.

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 27 August 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Company is an investment holding company, and through its major subsidiaries, 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

For the six months ended 30 June 2015, the Group continued to engage in the processing and trading, but on an order-by-order basis, of frozen and functional food products which were sold mainly to the People's Republic of China (“**PRC**”) and Hong Kong. The recovery of the PRC and global economy was slow and food market was still sluggish. This business was still confronted with intense market competition and it was difficult to shift operating costs to customers. By downsizing this business, there was significant decrease in revenue of approximately HK\$143,207,000 from approximately HK\$281,426,000 for the period ended 30 June 2014 to approximately HK\$138,219,000 for the period ended 30 June 2015. Segment loss of approximately HK\$24,939,000 was resulted during the period ended 30 June 2015 (loss of approximately HK\$14,143,000 during the period ended 30 June 2014).

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 (the “**Profit Guarantee**”) given by the vendor (the “**Vendor**”). 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, 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 with no liability portion and their fair value was recognized as convertible notes reserve. Upon completion of the Acquisition, an intangible asset of the profit stream from Macau gaming business of approximately HK\$1,455 million was recorded.

The Vendor has deposited cash in the aggregate amount of HK\$376,000,000 to the Company as alternative security for the Profit Guarantee for the period from 1 January 2015 to 31 December 2029. Accordingly, the Company has released to the Vendor all the Convertible Notes in the principal amount of HK\$400,000,000 on 14 May 2015.

For the six months ended 30 June 2015, an accrued revenue of approximately HK\$6,000 (six months ended 30 June 2014: HK\$11,830,000) was derived from the sharing of profit stream from Macau gaming business, with the segment loss of approximately HK\$3,000,000 recorded (six months ended 30 June 2014: segment profit of approximately HK\$11,830,000). As rolling turnover generated during the period continued to drop, the expected cash inflow from this business segment decreased and therefore an impairment loss of approximately HK\$3,000,000 in respect of intangible asset was recognized.

Integrated Resort Development

On 12 August 2014, Imperial Pacific International (CNMI), LLC (the “**Licensee**”), an indirect wholly-owned subsidiary of the Company, and the Commonwealth of the Northern Mariana Islands entered into a casino license agreement in respect of the exclusive casino resort developer license for the Island of Saipan (the “**Casino License Agreement**”) pursuant to which the Casino Resort Developer License was granted to the Licensee subject to the terms and conditions as stipulated therein. Details of the Casino License Agreement have been disclosed in the announcement of the Company dated 13 August 2014.

The Casino Resort Developer License is valid for twenty-five (25) years from the date of the Casino License Agreement with an option of the Licensee 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 (equivalent to approximately HK\$116.3 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 (equivalent to approximately HK\$116.3 million).

On 19 November 2014, the parties to the Casino License Agreement entered into a written amendment to the Casino License Agreement such that any change in ownership of the Licensee shall be considered a transfer of license which requires the express written authorization of the Casino Commission of the CNMI except where the change of ownership or common control is that of the Company (if publicly traded on a top 20 stock exchange (by market capitalization)), provided the current controlling shareholder, Inventive Star, shall not reduce its shareholding in the issued share capital of the Company to below 51%. Details of the Casino Resort Developer License have been disclosed in the circular of the Company dated 22 November 2014.

On 4 March 2015, the parties to the Casino License Agreement finalized and entered into a written amendment to the Casino License Agreement pursuant to which the Licensee may establish and operate a “**Temporary Casino**” in Garapan, the Island of Saipan (the “**Temporary Casino**”). Details of the amendment have been disclosed in the announcement of the Company dated 4 March 2015.

On 29 April 2015, the Licensee was permitted by the local government to launch and operate the Temporary Casino at certain premises located on the Island of Saipan.

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, Island of Saipan, CNMI, occupying a total area of approximately 59,000 square meters, will form the location at which the town hotel(s), consisting of a 250-room hotel, casino and associated facilities, will be constructed. Details of the Lease Agreement have been disclosed in the announcement of the Company dated 25 May 2015.

During the six months ended 30 June 2015, this business was under development stage and no revenue was generated from this segment (six months ended 30 June 2014: nil). Segment loss of approximately HK\$127,632,000 was resulted for the six months ended 30 June 2015 (six months ended 30 June 2014: HK\$13,951,000).

Subsequent to six months ended 30 June 2015

On 15 July 2015, the Licensee obtained a “Notice to Proceed” dated 14 July 2015 from the Division of Coastal Resources Management of the CNMI. The Notice to Proceed, together with other relevant permits obtained, fulfil the regulatory and statutory requirements for the Licensee to commence site construction of the town hotel, Grand Mariana Casino and Hotel Resort, in Garapan, Saipan. Such integrated resort will have a total of 254 rooms and gaming facilities. The Licensee has commenced site construction on 15 July 2015 and that construction work would fully complete within 16 months.

On 26 July 2015, the Licensee launched a soft opening of the Temporary Casino.

BUSINESS OUTLOOK

Food Processing and Trading Business

In view of the continual deteriorating performance of this segment and in order to prioritize the resources to develop the integrated resort business on the Island of Saipan, the Company shall continue to downsize this segment and is actively identifying potential investors to dispose of part or all of the frozen and functional food products business. The Company shall from time to time monitor the performance of this business segment and the progress of its downscaling.

Profit Sharing from Macau Gaming Business

The Vendor has deposited cash in the aggregate amount of HK\$376,000,000 to the Company as alternative security for the Profit Guarantee for the period from 1 January 2015 to 31 December 2029. Such proceeds have been used for developing the integrated resort business on the Island of Saipan. The applicable guaranteed profit share for the period from 1 January 2015 to 31 December 2017 is HK\$72,000,000.

Integrated Resort Development

The Company shall continue to allocate most of its resources for development of the integrated resort on the Island of Saipan pursuant to the Casino Resort Developer License in the near future.

With the launch of soft opening of the Temporary Casino on 26 July 2015, gaming revenue was started to generate. The Company shall ensure that the gambling activities at all times comply with the applicable laws in the CNMI and do not contravene the Gambling Ordinance.

The site construction of the town hotel, Grand Mariana Casino and Hotel Resort, in Garapan, Saipan, which will have a total of 254 rooms and gaming facilities, commenced on 15 July 2015 and such construction work would fully complete within 16 months. The Company has engaged a team of specialists and consultants in the relevant fields, including construction planning, design and operational management, to develop and devise construction and development.

The Company and 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\$780,000,000 to HK\$1,560,000,000 with initial conversion price of HK\$0.225 per conversion share (the “**Placing Convertible Notes**”). The placing of Placing Convertible Notes was completed on 21 August 2015 and Placing Convertible Notes with an aggregate principal amount of HK\$841,900,000 were issued, which are convertible into 3,741,777,777 conversion shares.

The Company also entered into a share placing agreement (the “**Share Placing Agreement**”) with 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 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 3,466,000,000 placing shares were issued. The gross proceeds from the share placing is approximately HK\$779,850,000.

The proceeds from the placing of the Placing Convertible Notes and the placing of shares will be used as the general working capital of the Group, including financing the relevant costs and expenses for development of integrated resort.

In addition, 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 date of this announcement, the Company has not yet identified any other concrete fund raising opportunities.

Other than the launch of Temporary Casino and construction and operation of integrated resort(s) and on the Island of Saipan, 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 “**Listing Rules**”).

FINANCIAL REVIEW

Financial Results

For the six months ended 30 June 2015, the Group’s revenue decreased by approximately HK\$155,031,000 or 52.9% to approximately HK\$138,225,000, with gross profit decreased by approximately HK\$10,300,000 or 77.1%. The Group’s loss attributable to owners of the Company was approximately HK\$168,849,000 for the six months ended 30 June 2015, compared to a loss of approximately HK\$19,628,000 in the corresponding period in 2014. Basic loss per share was HK0.12 cents as compared with last period basic loss per share of HK0.02 cents as adjusted to reflect the bonus issue in July 2015.

Financial Resources and Liquidity

As at 30 June 2015, total assets of the Group were approximately HK\$1,097,284,000 (31 December 2014: approximately HK\$931,667,000), comprising non-current assets of approximately HK\$923,937,000 (31 December 2014: approximately HK\$437,959,000) and current assets of approximately HK\$173,347,000 (31 December 2014: approximately HK\$493,708,000), with net current assets of approximately HK\$154,254,000 (31 December 2014: approximately HK\$433,334,000). In addition, the Group has bank and cash balances of approximately HK\$93,573,000 as at 30 June 2015 (31 December 2014: approximately HK\$389,051,000). As at 30 June 2015, the liquidity of the Group as evidenced by the current ratio (current assets/current liabilities) was 9.08 times (31 December 2014: 8.18 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 2014: 4.0%) as the Group did not have any interest bearing bank and other borrowings.

Capital Structure

On 17 June 2015, the authorized share capital of the Company was increased to HK\$150,000,000 by the creation of an additional 268,000,000,000 ordinary shares of HK\$0.0005 each in the share capital of the Company (the “**Share(s)**”) after the ordinary resolution in relation to the increase in authorized share capital was duly approved by the shareholders of the Company.

As at 30 June 2015, the total number of issued Shares was 8,514,925,480.

Subsequent to six months ended 30 June 2015

On 3 July 2015, a bonus issue of Shares on the basis of fifteen (15) bonus shares for every one (1) existing Share held by the qualifying shareholders on the record date was completed (the “**Bonus Issue**”). As a result of the Bonus Issue, a total of 127,723,882,200 bonus shares were issued and the number of Shares in issue was increased to 136,238,807,680 immediately after the Bonus Issue.

On 21 August 2015, the placing of new Shares was completed and 3,466,000,000 placing shares were issued. The number of Shares in issue was increased to 139,704,807,680 immediately after the placing.

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 exchange rate exposure but the foreign exchange exposure of Hong Kong dollars to US dollars is minimal as Hong Kong dollars is pegged to US dollars. However, the Group will closely monitor this risk exposure and would take prudent measures as appropriate.

Treasury Policy

As at 30 June 2015, the Group had no formal treasury policy.

Significant Investment and Acquisition

Apart from the development of integrated resort in the CNMI, the Company did not have any significant investment, acquisition or disposal during the period that would be notified to the shareholders of the Company.

Commitments

Details of the Commitments of the Group as at 30 June 2015 and 31 December 2014 are set out in note 18 to the condensed consolidated interim financial statements.

Contingent Liabilities

The Group did not have any significant contingent liabilities as at 30 June 2015 (31 December 2014: nil).

Pledge of Assets

As at 30 June 2015, the Group did not have any pledge of assets (31 December 2014: nil).

Segment information

Details of segment information of the Group for the six months ended 30 June 2015 are set out in note 5 to the condensed consolidated interim financial statements.

EVENTS SUBSEQUENT TO SIX MONTHS ENDED 30 JUNE 2015

- (a) On 3 July 2015, Bonus Issue of Shares on the basis of fifteen (15) bonus shares for every one (1) existing share held by the qualifying shareholders on the record date was completed. As a result of the Bonus Issue, a total of 127,723,882,200 bonus shares were issued and the number of Shares in issue was increased to 136,238,807,680 immediately after the Bonus Issue.
- (b) On 15 July 2015, the Licensee, an indirect wholly-owned subsidiary of the Company, obtained a “Notice to Proceed” dated 14 July 2015 from the Division of Coastal Resources Management of the Commonwealth of the Northern Mariana Islands. The Notice to Proceed, together with other relevant permits obtained, fulfil the regulatory and statutory requirements for the Licensee to commence site construction of the town hotel, Grand Mariana Casino and Hotel Resort, in Garapan, Saipan. Such integrated resort will have a total of 254 rooms and gaming facilities. The Licensee has commenced site construction on 15 July 2015 and that construction work would fully complete within 16 months.
- (c) The Company received a “Third Party Notice” dated 14 July 2015 (the “**Third Party Notice**”) whereby in an action brought by Topping Chance Development Limited (the “**Plaintiff**”) against CCIF CPA Limited (the “**Defendant**”). The Plaintiff claims against the Defendant for, among other matters, negligence and/or breach of duty and/or breach of contract (the “**Action**”). It is alleged that loss and damage suffered from dividends and tax wrongly paid amounted to approximately RMB392 million and that fees paid to the Defendant amounted to an aggregate amount of approximately HK\$3 million and the Plaintiff claims against the Defendant such amounts with interest and costs. While the Defendant denies the Plaintiff’s claims, but if, contrary to its defence, the Defendant is found liable to the Plaintiff, the Defendant claims, among other matters, that the Company is liable to indemnify the Defendant. The subject matters of the Action and the Third Party Notice mainly refer to the statutory audit for the consolidated financial statements of the Company and its subsidiaries for the years ended 2003 to 2007. The Board, which comprises of an entirely new management team as compared to that of the material time, shall look into the matters and to the best of its knowledge, information and belief, the Board does not consider the Third Party Notice to have merit. Accordingly, the Company will vigorously dispute the claims made therein and is in the process of seeking independent legal advice.
- (d) On 26 July 2015, the Licensee launched a soft opening of the Temporary Casino in Garapan, the Island of Saipan.
- (e) The Company and the CN Placing Agent entered into 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 convertible notes placee(s), on a best effort basis, to subscribe for the unsecured convertible notes with an aggregate principal amount from HK\$780,000,000 to HK\$1,560,000,000 with initial conversion price of HK\$0.225 per conversion share. The placing of Placing Convertible Notes was completed on 21 August 2015 and Placing Convertible Notes with an aggregate principal amount of HK\$841,900,000 were issued, which are convertible into 3,741,777,777 conversion shares.

- (f) The Company entered into a share placing agreement (the “**Share Placing Agreement**”) with 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 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 3,466,000,000 placing shares were issued. The gross proceeds from the share placing is approximately HK\$779,850,000.

EMPLOYEES AND REMUNERATION POLICIES

The total number of staff of the Group as at 30 June 2015 was 179 (31 December 2014: 35).

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 announcement.

CORPORATE GOVERNANCE

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

During the six months ended 30 June 2015, the Company was in full compliance with the Code Provisions as set out in Appendix 14 of the Listing Rules.

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 2015.

DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 30 June 2015 (six months ended 30 June 2014: Nil).

AUDIT COMMITTEE REVIEW

The Company has an audit committee which was established in accordance with the requirements of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules, 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 2015 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 August 2015

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.

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