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IMPERIAL PACIFIC

博華太平洋

IMPERIAL PACIFIC INTERNATIONAL HOLDINGS LIMITED

博華太平洋國際控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 1076)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2015

The board (the “**Board**”) of directors (the “**Directors**”) of Imperial Pacific International Holdings Limited (the “**Company**”) hereby announces the audited consolidated results of the Company and its subsidiaries (collectively the “**Group**”) for the year ended 31 December 2015, which have been agreed by the auditor of the Company and together with comparative figures for the corresponding year of 2014 as follows:

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

For the year ended 31 December 2015

	<i>Notes</i>	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Revenue	3 & 5	931,924	558,267
Cost of sales		<u>(710,990)</u>	<u>(538,814)</u>
Gross profit		220,934	19,453
Other income	4	227,720	4,699
Selling and distribution expenses		(22,880)	(10,621)
Operating and administrative expenses		(471,110)	(233,626)
Share-based payments		(6,838)	(34,973)
Impairment loss for right of sharing of profit stream		<u>(3,000)</u>	<u>(1,296,550)</u>
Loss from operations		(55,174)	(1,551,618)
Finance costs	6	(27,916)	(6,733)
Loss on disposal of subsidiaries		<u>(1,280)</u>	<u>–</u>
Loss before tax	7	(84,370)	(1,558,351)
Income tax expenses	8	<u>–</u>	<u>–</u>
Loss for the year attributable to owners of the Company		(84,370)	(1,558,351)
Other comprehensive income for the year			
<i>Items that may be reclassified to profit or loss:</i>			
Change in fair value of available-for-sale financial assets		(35,797)	–
Exchange differences on translation of foreign operations		<u>(10,562)</u>	<u>–</u>
Other comprehensive income for the year		<u>(46,359)</u>	<u>–</u>
Total comprehensive income for the year attributable to owners of the Company		<u>(130,729)</u>	<u>(1,558,351)</u>
		<i>HK cents</i>	(Restated) <i>HK cents</i>
Loss per share attributable to owners of the Company			
Basic	10	<u>(0.061)</u>	<u>(1.213)</u>
Diluted	10	<u>(0.061)</u>	<u>(1.213)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	<i>Notes</i>	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		782,832	2,208
Prepaid land lease payments		108,451	82,812
Intangible assets	<i>11</i>	187,517	345,790
Prepayments, deposits and other receivables		1,270	1,051
Goodwill		–	6,098
		1,080,070	437,959
Current assets			
Prepaid land lease payments		3,004	1,537
Inventories		3,658	–
Trade receivables	<i>12</i>	1,052,922	69,641
Prepayments, deposits and other receivables		299,136	31,658
Available-for-sale financial assets		268,882	–
Cash and cash equivalents		611,588	389,051
Current tax assets		–	1,821
		2,239,190	493,708
Current liabilities			
Trade and bills payables	<i>13</i>	317,455	8,823
Accruals, other payables and deposits received		360,829	14,223
Other borrowings	<i>14</i>	–	35,000
Loans from related parties	<i>15</i>	290,000	2,328
		968,284	60,374
Net current assets		1,270,906	433,334
Total assets less current liabilities		2,350,976	871,293
Non-current liabilities			
Deferred tax liabilities		–	10
Convertible notes	<i>16</i>	533,642	–
		533,642	10
NET ASSETS		1,817,334	871,283
Capital and reserves			
Share capital	<i>17</i>	70,326	4,257
Reserves		1,747,008	867,026
TOTAL EQUITY		1,817,334	871,283

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015

		Share	Convertible	Share-based	Exchange	Other	Accumulated	Total
	Share capital	premium	notes reserve	payment	reserve	reserve	losses	
Notes	HK\$'000	HK\$'000	HK\$'000	reserve	reserve	reserve	HK\$'000	HK\$'000
				HK\$'000	HK\$'000	HK\$'000		
At 1 January 2014	4,002	211,005	-	-	-	-	(69,472)	145,535
Loss for the year	-	-	-	-	-	-	(1,558,351)	(1,558,351)
Total comprehensive income for the year	-	-	-	-	-	-	(1,558,351)	(1,558,351)
Placing of shares	17(iii) 255	790,245	-	-	-	-	-	790,500
Transaction costs related to the placing of shares	17(iii) -	(21,706)	-	-	-	-	-	(21,706)
Issue of Convertible Notes	-	-	1,480,332	-	-	-	-	1,480,332
Equity-settled share option arrangement	-	-	-	34,973	-	-	-	34,973
At 31 December 2014	4,257	979,544	1,480,332	34,973	-	-	(1,627,823)	871,283
At 1 January 2015	4,257	979,544	1,480,332	34,973	-	-	(1,627,823)	871,283
Loss for the year	-	-	-	-	-	-	(84,370)	(84,370)
Other comprehensive income	-	-	-	-	(10,562)	(35,797)	-	(46,359)
Total comprehensive income for the year	-	-	-	-	(10,562)	(35,797)	(84,370)	(130,729)
Placing of shares	17(v) 1,733	778,117	-	-	-	-	-	779,850
Transaction costs related to the placing of shares	17(v) -	(22,481)	-	-	-	-	-	(22,481)
Issue of Placing Convertible Notes	16 -	-	136,138	-	-	-	-	136,138
Issue of shares upon conversion of Placing Convertible Notes	16 & 17(vi) 473	210,405	(34,443)	-	-	-	-	176,435
Issuance of new shares under the bonus issues	17(iv) 63,863	(63,863)	-	-	-	-	-	-
Equity-settled share option arrangement	-	-	-	6,838	-	-	-	6,838
At 31 December 2015	70,326	1,881,722	1,582,027	41,811	(10,562)	(35,797)	(1,712,193)	1,817,334

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

1. GENERAL INFORMATION

The Company was incorporated in Bermuda as an investment holding company with limited liability under the Companies Act 1981 of Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The principal place of business is 12th Floor, Entertainment Building, 30 Queen's Road Central, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company, through its major subsidiaries, is principally engaged in the (i) gaming and resort business, including the development and operation of integrated resort on the Island of Saipan and the sharing of profit stream from gaming business in Macau (which was terminated on 28 October 2015); and (ii) processing and trading of food products which mainly include frozen and functional food products.

In the opinion of the directors (the "Directors") of the Company, 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 Cui Li Jie is the ultimate controlling party. The Controlling Shareholder does not produce financial statements available for public use.

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

In the current year, the Group has adopted all the new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") that are relevant to its operations and effective for its accounting year beginning on 1 January 2015. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies and amounts reported for the current year and prior years.

Amendments to HKAS 19 Defined Benefit Plans: Employee Contributions

Annual Improvements to HKFRSs 2010–2012 Cycle

Annual Improvements to HKFRSs 2011–2013 Cycle

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.

HKFRS 9	Financial Instruments ²
Amendments to HKFRS 10 and HKAS 28 (2011)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	Investment Entities: Applying the Consolidation Exception ¹
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations ¹
HKFRS 14	Regulatory Deferral Accounts ³
HKFRS 15	Revenue from Contracts with Customers ²
Amendments to HKAS 1	Disclosure Initiative ¹
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation ¹
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants ¹
Amendments to HKAS 27 (2011)	Equity Method in Separate Financial Statements ¹
Annual Improvements to HKFRSs 2012–2014 Cycle	Amendments to a number of HKFRSs ¹

¹ Effective for annual periods beginning on or after 1 January 2016

² Effective for annual periods beginning on or after 1 January 2018

³ Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group

⁴ No mandatory effective date is determined but is available for early adoption

3. REVENUE

The Group's revenue is as follows:

	2015	2014
	HK\$'000	HK\$'000
Revenue from provision of gaming operations:		
— VIP gaming operations	622,975	–
— Mass gaming operations	65,683	–
— Slot machines and electronic table games (“ETG”) gaming operations	19,272	–
— Food and beverage	6,613	–
Revenue from sharing of profit stream	6	15,288
	714,549	15,288
Revenue from non-gaming operation:		
— Sales of food products	217,375	542,979
	931,924	558,267

4. OTHER INCOME

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Gain on termination of sharing of profit stream	221,000	–
Commission income	1,619	1,910
Storage income	4,466	1,811
Bank interest income	120	27
Gain on initial recognition	–	929
Dividend income	41	–
Sundry income	474	22
	<hr/> 227,720 <hr/>	<hr/> 4,699 <hr/>

5. SEGMENT INFORMATION

Effective from 1 July 2015, in preparation of the opening of the Temporary Casino on the Island of Saipan, the Group has re-organized its structure by re-aligning segments into two revenue generating functions, enhancing the management's effective and efficient review of the Group's business operations.

Whereby "Profit Stream" was previously standalone as one single segment, this was combined with "Integrated Resort" and transformed into a new "Gaming and Resort" segment.

The comparative information has been reclassified to conform to the presentation of current alignment basis.

The Group's reportable segments are strategic business units that offer different products and services. They are managed separately for the purpose of resources allocation and performance assessment.

The accounting policies of the operating segment are the same as those used in the preparation of the consolidated financial statements. Segment profit or losses do not include finance costs arising from other borrowings and unallocated corporate income and expenses. Segment assets do not include goodwill and unallocated corporate assets. Segment liabilities do not include deferred tax liabilities and unallocated corporate liabilities.

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

(a) Segment revenue and segment profit/(loss) for reportable segments:

	2015		2014	
	Revenue from external customers <i>HK\$'000</i>	Segment profit/(loss) <i>HK\$'000</i>	Revenue from external customers <i>HK\$'000</i>	Segment profit/(loss) <i>HK\$'000</i>
Year ended 31 December				
<i>Gaming and resort</i>	714,549	70,075	15,288	(1,461,882)
<i>Food processing and trading business</i>	217,375	(68,392)	542,979	(42,998)
Segment total	931,924	1,683	558,267	(1,504,880)
Unallocated:				
Headquarters and corporate expenses		(55,834)		(46,726)
Bank interest income		29		1
Net exchange losses		(1,816)		–
Finance costs		(27,916)		(6,733)
Depreciation and amortisation		(516)		(13)
		(84,370)		(1,558,351)

(b) Segment assets for reportable segments:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Segment assets		
As at 31 December		
<i>Gaming and resort</i>	2,308,653	500,478
<i>Food processing and trading business</i>	1,538	78,529
Segment assets for reportable segments	2,310,191	579,007
Unallocated:		
Goodwill	–	6,098
Unallocated cash and cash equivalents	494,731	345,979
Available-for-sale financial assets	268,882	–
Other unallocated assets	245,456	583
	3,319,260	931,667

(c) Segment liabilities for reportable segments:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Segment liabilities		
As at 31 December		
<i>Gaming and resort</i>	621,349	6,338
<i>Food processing and trading business</i>	180	16,367
	<hr/>	<hr/>
Segment liabilities for reportable segments	621,529	22,705
Unallocated:		
Deferred tax liabilities	–	10
Unallocated borrowings	290,000	35,000
Convertible notes	533,642	–
Other unallocated liabilities	56,755	2,669
	<hr/>	<hr/>
	1,501,926	60,384
	<hr/> <hr/>	<hr/> <hr/>

(d) Geographical segment information:

	Revenue		Non-current assets	
	Year ended 31 December		As at 31 December	
	2015	2014	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Island of Saipan	714,543	—	1,071,850	273,596
Mainland China and Hong Kong	217,375	527,908	7,452	6,363
Other countries	6	30,359	768	158,000
	<hr/>	<hr/>	<hr/>	<hr/>
	931,924	558,267	1,080,070	437,959
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

In presenting the geographical information, revenue is based on the locations of the customers.

6. FINANCE COSTS

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Interest expenses on other borrowings wholly repayable within one year	6,762	6,733
Interest expenses on convertible notes	21,154	–
	<hr/>	<hr/>
	27,916	6,733
	<hr/> <hr/>	<hr/> <hr/>

7. LOSS BEFORE TAX

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Directors' emoluments		
Directors' fees	2,640	1,740
Salaries, wages and other benefits and retirement benefit scheme contribution	1,192	–
	<u>3,832</u>	<u>1,740</u>
Auditor's remuneration	2,225	580
Staff costs including directors' emoluments (<i>Note</i>)		
Salaries, bonus and allowances	173,985	21,600
Retirement benefits scheme contributions	462	282
	<u>174,447</u>	<u>21,882</u>
Cost of inventories sold	213,314	537,155
Depreciation	14,196	209
Amortization of prepaid land lease payments	3,148	196
Amortization of prepaid casino resort developer license payments	116,276	45,070
Impairment loss for right of sharing of profit stream (<i>Note 11</i>)	3,000	1,296,550
Loss on property, plant and equipment written off	–	49
Net exchange gains/(losses)	1,568	(295)
Other operating lease charges on Sincere Gold Agreement	–	2,208
Loss on termination of Sincere Gold Agreement	–	6,667
Operating lease charges on land and buildings	60,658	1,501
Equity-settled share-based payments	6,838	34,973
Allowance for trade receivables	23,746	13,664
Allowance for inventories (included in cost of sales)	–	1,659

Note: Staff costs of HK\$30,652,000 (2014: Nil) were capitalised under Property, plant and equipment.

8. INCOME TAX EXPENSES

No provision for Hong Kong Profits Tax and taxes levied in jurisdictions outside Hong Kong have been made for the years ended 31 December 2015 and 2014 as the Group sustained losses for taxation purposes in both years.

9. DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2015 (2014: Nil).

10. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of the basic and diluted loss per share attributable to the owners of the Company is based on the following data and the weighted average number of approximately 137,732,239,000 ordinary shares (2014: approximately 128,458,862,000 ordinary shares, as restated for the effect of the issue of bonus shares on 3 July 2015 and issue of new shares on 21 August 2015, details of the bonus shares and new shares issue are set out in note 17) in issue during the year.

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i> (Restated)
Loss for the year for the purpose of basic and diluted loss to owners of the Company	<u>84,370</u>	<u>1,558,351</u>
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	<u>137,732,239</u>	<u>128,458,862</u>

Diluted loss per share attributable to owners of the Company for the year ended 31 December 2015 and 2014 is the same as the respective basic loss per share because conversion of convertible notes and share option would decrease the loss per share, therefore, is anti-dilutive.

11. INTANGIBLE ASSETS

	Right of sharing of profit stream from Macau gaming business <i>HK\$'000</i> <i>note (a)</i>	Application of casino resort developer licence <i>HK\$'000</i> <i>note (b)</i>	Total <i>HK\$'000</i>
As at 1 January 2014	–	–	–
Additions during the year	1,454,550	232,860	1,687,410
Impairment during the year	(1,296,550)	–	(1,296,550)
Amortisation for the year	–	(45,070)	(45,070)
As at 31 December 2014 and 1 January 2015	158,000	187,790	345,790
Additions during the year	–	116,303	116,303
Impairment during the year	(3,000)	–	(3,000)
Termination during the year	(155,000)	–	(155,000)
Amortisation for the year	–	(116,276)	(116,276)
Exchange difference	–	(300)	(300)
As at 31 December 2015	<u>–</u>	<u>187,517</u>	<u>187,517</u>

- (a) 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 (the “Junket”), 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 17) in the aggregate principal amount of HK\$400,000,000 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 recognize 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\$1,480,000,000, 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\$1,507,000,000, HK\$8,700,000 and HK\$18,000,000 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 realizing those benefits.

As to the Trade Receivables, they were due on 7 January 2015 without any interest-bearing term whereas the Loan Receivable is collectible on demand without any interest-bearing term.

Applying the figures above, the cost of approximately HK\$1,480,000,000 of the Convertible Notes was allocated to the fair values of approximately HK\$1,507,000,000, HK\$8,700,000 and HK\$18,000,000 of the profit stream from Macau gaming business, the Trade Receivables and the Loan Receivable respectively. The cost of approximately HK\$1,455,000,000 was therefore allocated to the profit stream from Macau gaming business ($\text{HK\$1,480,000,000} \times \text{HK\$1,507,000,000} / \text{HK\$1,533,700,000}$); whereas a gain on initial recognition of approximately HK\$929,000 was recognized in profit or loss for the differences of approximately HK\$303,000 ($\text{HK\$8,700,000} - \text{HK\$1,480,000,000} \times \text{HK\$8,700,000} / \text{HK\$1,533,700,000}$) and HK\$626,000 ($\text{HK\$18,000,000} - \text{HK\$1,480,000,000} \times \text{HK\$18,000,000} / \text{HK\$1,533,700,000}$) arising from initial recognition of the Trade Receivables and of the Loan Receivable respectively.

As a result, the intangible asset of the Group was increased by approximately HK\$1,455,000,000. The reserve of the Group of approximately HK\$1,480,000,000 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 Hong Kong Accounting Standard 32 “Financial Instruments: Presentation”, such Convertible Notes are an 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 recognized initially at fair value of approximately HK\$1,480,000,000.

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 disposal 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 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 the residual period using the growth rate of 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 13.45%.

Due to changes in market condition and decrease in the revenue in second half of year 2014, the management of Excel Earth has revised its cash flow projections. As a result, during the year ended 31 December 2014, 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\$1,296,550,000.

On 28 October 2015, Excel Earth entered into deeds of termination to terminate the loan agreement and the profit transfer agreement dated 8 July 2013 with the Junket and the Junket had returned the unsecured, interest-free loan in the amount of HK\$18,000,000 to Excel Earth.

- (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\$7,750,000) (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\$232,500,000) 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.

12. TRADE RECEIVABLES

The Group's trading terms with customers mainly comprise credit and cash on delivery. The credit terms generally range from 30 to 180 days for gaming operations and from 15 to 90 days for sales of food products. Each customer has a maximum credit limit. 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 marker issues date, invoice date, and net of allowance, is as follows:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Within 1 month	798,212	34,435
More than 1 month but within 3 months	241,922	1,054
More than 3 months but within 6 months	12,788	4,601
More than 6 months but within 1 year	–	27,341
More than 1 year	–	2,210
	<u>1,052,922</u>	<u>69,641</u>

As at 31 December 2015, an allowance of approximately HK\$23,746,000 was made for estimated irrecoverable trade receivables (2014: approximately HK\$13,664,000).

Reconciliation of allowance for trade receivables:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
At 1 January	15,864	2,200
Allowance for the year	23,746	13,664
Disposal of a subsidiary	(39,610)	–
	<u>–</u>	<u>15,864</u>

As at 31 December 2015, no trade receivables (2014: approximately HK\$34,152,000) were past due but not impaired. The aging analysis of these trade receivables is as follows:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Neither past due nor impaired	1,052,922	35,489
More than 3 months but within 6 months	–	4,601
More than 6 months but within 1 year	–	27,341
More than 1 year	–	2,210
	<u>–</u>	<u>34,152</u>
	<u>1,052,922</u>	<u>69,641</u>

Receivables that were past due but not impaired relate to individual independent customers for whom there was no recent history of default.

13. TRADE AND BILLS PAYABLES

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Within 1 month	126,048	5,511
More than 1 month but within 3 months	191,407	–
More than 3 months but within 6 months	–	–
More than 6 months but within 1 year	–	2,970
More than 1 year	–	342
	<u>317,455</u>	<u>8,823</u>

14. OTHER BORROWINGS

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Other loans repayable within 1 year	<u>–</u>	<u>35,000</u>

The other loans as at 31 December 2014 were denominated in HK\$, unsecured and bear an interest charge at 10% per annum.

15. LOANS FROM RELATED PARTIES

The loans from related parties are denominated in HK\$, unsecured and interest bearing at 8% (2014: Nil) and have no fixed terms of repayment.

16. CONVERTIBLE NOTES

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

The net proceeds received from the issue of the Placing Convertible Notes have been split between the liability component and the equity component, as follows:

Placing Convertible Notes

	Liability component <i>HK\$'000</i>	Equity component <i>HK\$'000</i>	Total <i>HK\$'000</i>
At issuance date	688,924	136,138	825,062
Interest and transaction costs amortised	21,154	—	21,154
Conversion of Placing Convertible Notes	<u>(176,436)</u>	<u>(34,443)</u>	<u>(210,879)</u>
At 31 December 2015	<u>533,642</u>	<u>101,695</u>	<u>635,337</u>

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

The directors estimate the fair value of the liability component of the convertible loan notes at 31 December 2015 to be approximately HK\$533,642,000. This fair value has been calculated by discounting the future cash flows at the market interest rate (level 2 fair value measurements).

17. SHARE CAPITAL

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
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 (<i>Note (i)</i>))	<u>150,000</u>	<u>16,000</u>
Issued and fully paid:		
140,651,474,345 ordinary shares of HK\$0.0005 each (2014: 8,514,925,480 ordinary shares of HK\$0.0005 each)	<u>70,326</u>	<u>4,257</u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meeting of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

Movement of the number of shares issued and the share capital during the current year is as follows:

	Number of shares issued <i>'000</i>	Share Capital <i>HK\$'000</i>
At 1 January 2014	400,246	4,002
Share subdivision (<i>Note (ii)</i>)	7,604,679	–
Issue of shares on placement (<i>Note (iii)</i>)	<u>510,000</u>	<u>255</u>
At 31 December 2014 and 1 January 2015	8,514,925	4,257
Issuance of new shares under the bonus issues (<i>Note (iv)</i>)	127,723,882	63,863
Issue of shares on placement (<i>Note (v)</i>)	3,466,000	1,733
Issue of shares upon conversion of Placing Convertible Notes (<i>Note (vi)</i>)	<u>946,667</u>	<u>473</u>
At 31 December 2015	<u>140,651,474</u>	<u>70,326</u>

Notes:

- (i) The authorised 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 authorised share capital were duly approved by the independent shareholders of the Company on 17 June 2015.
- (ii) 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 Subdivided 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 Share which are in issue and fully paid or credited as fully paid, and 23,995,074,520 unissued Subdivided Shares.
- (iii) On 2 December 2014, the Company entered into to the placing agreement with a placing agent (the “Placing Agent”) pursuant to which the Placing Agent has agreed to place, on a best-effort basis, to not less than six independent places up to 510,000,000 new Shares at a price of HK\$1.55 per placing share. The placement was completed on 15 December 2014 and the premium on the issue of shares, amounting to approximately HK\$790,245,000, net of share issue expenses of approximately HK\$21,706,000, was credited to the Company’s share premium account.
- (iv) Pursuant to the ordinary resolution passed at the special general meeting of the Company held on 17 June 2015, bonus shares were issued to shareholders whose names appeared on the register of members of the Company on 24 June 2015, the record date, on the basis of fifteen new shares credited as fully paid for every one share held.

On 3 July 2015, an amount of \$63,863,000 standing to the credit of the share premium account was applied in paying up in full 127,723,882,000 ordinary shares of \$0.0005 each which were allotted and issued as fully paid to the shareholders who were entitled to those bonus shares.

- (v) The Company entered into a Share Placing Agreement with United Simsen Securities Limited and 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 to not less than six independent share places at a price of HK\$0.225 per placing share. The placing of new Shares was completed on 21 August 2015 and number of 3,466,000,000 placing shares were issued. The gross proceeds from the share placing is approximately HK\$779,850,000. Share placing expenses of approximately HK\$22,481,000 was credited to the Company’s share premium account.
- (vi) During the year, 946,667,000 shares were issued pursuant to the exercise of the conversion rights attaching to the Company’s Placing Convertible Notes at a conversion price of HK\$0.225 per share.

18. CONTINGENT LIABILITIES

As at 31 December 2015, the Group did not have any significant contingent liabilities (2014: Nil).

19. PLEDGE OF ASSETS

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

20. 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 as follows:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Within 1 year	84,821	2,259
After 1 year but within 5 years	54,834	553
After 5 years	29,356	–
	<u>169,011</u>	<u>2,812</u>

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

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Company is an investment holding company, and the Group is principally engaged in the (i) gaming and resort business, including the development and operation of integrated resort on the Island of Saipan and the sharing of profit stream from gaming business in Macau (which was terminated on 28 October 2015); and (ii) processing and trading of food products which mainly include frozen and functional food products.

Gaming and Resort Business

(a) Profit Sharing from Macau Gaming Business

For the year ended 31 December 2015, revenue of approximately HK\$6,000 (2014: HK\$15,288,000) was derived from the sharing of profit stream from Macau gaming business of Hang Seng Sociedade Unipessoal Limitada (the “**Junket**”) by Excel Earth Limited (“**Excel Earth**”), a wholly-owned subsidiary of the Company.

The vendor of Excel Earth had 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 released to the Vendor all the convertible notes in the principal amount of HK\$400,000,000 on 14 May 2015.

On 28 October 2015, Excel Earth entered into deeds of termination to terminate the loan agreement and the profit transfer agreement dated 8 July 2013 with the Junket (collectively the “**Termination**”) such that the Junket shall forthwith return the unsecured, interest-free loan in the amount of HK\$18,000,000 (the “**Interest-free Loan**”) to Excel Earth. Based on, among other matters, the amount of non-refundable cash deposit and the intangible asset of the profit stream, immediately upon the Termination, the Interest-free Loan in the amount of HK\$18,000,000 was returned by the Junket and the Group recorded a gain arising from the Termination of approximately HK\$221,000,000. Details of the Termination have been disclosed in the announcement of the Company dated 28 October 2015.

(b) Integrated Resort Development in Saipan

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 (“**CNMI**”) entered into a casino license agreement in respect of the exclusive casino resort developer license for the Island of Saipan (as amended on 19 November 2014 and 4 March 2015, 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 Resort Developer License have been disclosed in the circular of the Company dated 22 November 2014.

Temporary Casino

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

On 7 November 2015, the Licensee launched the VIP gaming operations.

On 27 November 2015, the Licensee launched the grand opening of the Temporary Casino. The grand opening of the Temporary Casino supports the Group’s continuous evolution of Saipan into a diversified and world-leading entertainment and tourism destination.

Garapan Integrated Resort

On 29 April 2015, the Licensee as lessee, entered into a lease agreement (the “**Lease Agreement**”) with Department of Public Lands in CNMI as lessor (the “**Lessor**”), pursuant to which the Lessor agreed to lease to the Licensee the land (the “**Land**”) with a total area of approximately 20,000 square meters in Garapan, Island of Saipan, CNMI, for an initial term of 25 years which may be extended for up to another 15 years in accordance with the terms of the Lease Agreement. The Land, together with the adjacent land with an aggregate area of approximately 39,000 square meters in Garapan, Island of Saipan, CNMI, occupying a total area of approximately 59,000 square meters, will form the location at which the town hotel(s), villa suites, 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 and 17 June 2015.

On 15 July 2015, the Licensee obtained a “Notice to Proceed” 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.

Major global construction companies, consulting firms, design and engineering firms as well as local sub-contractors are engaged. As of the date of this announcement, approximately United States Dollars (“**US\$**”) 60,000,000 (equivalent to approximately HK\$465,000,000) has been invested in design, consulting, engineering, construction material and labour.

During the year ended 31 December 2015, revenue of approximately HK\$714,543,000 (2014: HK\$Nil) was generated from the integrated resort development business. The Licensee's financial statements for the year ended 31 December 2015 were audited by Deloitte and Touche LLC, Saipan.

Food Processing and Trading Business

During the year, 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\$325,604,000 from approximately HK\$542,979,000 for the year ended 31 December 2014 to approximately HK\$217,375,000 for the year ended 31 December 2015. Segment loss of approximately HK\$68,392,000 was resulted during the year ended 31 December 2015 (2014: HK\$42,998,000). Facing the worsening operating environment, allowance for trade receivables of approximately HK\$23,746,000 (2014: approximately HK\$13,664,000) and no allowance for inventories (2014: approximately HK\$1,659,000) were recognized for the year ended 31 December 2015.

On 26 November 2015, Supreme Wit Limited (a direct wholly-owned subsidiary of the Company) as vendor and Top United Enterprises Limited (an independent third party) as purchaser entered into a disposal agreement for sale and assignment of the entire issued share capital of Pacific Prosper Limited ("**Pacific Prosper**") and the shareholder's loan of approximately HK\$42,256,764 due from Pacific Prosper to the vendor at the consideration of HK\$500,001 (the "**Disposal**"). After completion of the Disposal, the Group recorded a loss of disposal of subsidiaries approximately HK\$1,280,000. Details of the Disposal have been disclosed in the announcement of the Company dated 26 November 2015.

The Disposal represents one of the Group's steps to reduce loss from this business segment and therefore the Company could re-allocate most of its resources for the integrated resort business on the Island of Saipan.

Business Outlook

Integrated Resort Development

To put in place a world-class management team, the Group appointed Mr. Mark A. Brown as the President and Chief Executive Officer of the Group's casino project on the Island of Saipan in November 2014. In addition, experienced management teams were hired to oversee major operational areas as well as supporting functions.

During the past year and half, we have spent considerable efforts, energy and capital to build a world-class integrated resort destination at one of the world's most beautiful travel destinations. Significant milestones were achieved under an extremely tight timetable and against natural adversity. These include the opening of the Temporary Casino, building a first-rate management and operational team, ground breaking and commencement of the construction of the Garapan integrated resort project.

Against an anemic gaming environment from around the world, we have been more than happy with the results at the Temporary Casino, particularly the VIP program where significant monthly rolling numbers were achieved. So confident in the strengths of our VIP business that the Board has decided to make monthly voluntary disclosure of the unaudited VIP table games rolling to provide transparency to the markets.

At the end of 2015, total employee headcount in Saipan was 800 strong. Key areas such as table games, slots, mass and VIP marketing, surveillance and securities, cage operations, finance, food and beverage, human resources, information technology, legal and compliance were all staffed by employees with significant gaming and relevant experiences from mainland United States, Macau, the Philippines and other gaming regions. More than half of our employees were recruited from Saipan, creating meaningful job growth and fulfilling our mandate to bring economic growth to the local economy. Most of our local employees are able to upgrade their professional skill sets as well as earning higher wages.

A regional office was also set up in Macau during 2015 where abundance of human resources, gaming expertise and client base can be tapped. Together with our Hong Kong headquarters, the Macau office provides significant support for our Saipan operations. Mr. Yiu Ling Kwong (“**Mr. Kwong**”), a veteran senior executive with decades of experience in the Macau gaming industry, was appointed as the Chief Operating Officer of the Group's casino project on the Island of Saipan in November 2015. Mr. Kwong advises on the gaming operations in Saipan and upon receiving of relevant license, shall oversee the day-to-day gaming operations in Saipan. Mr. Kwong also manages the Macau office and is responsible for the preparation and design for the Garapan integrated resort slated to open at the end of 2016.

The Group has adopted comprehensive anti-money laundering (“**AML**”) and counter-terrorism financing control and measures in its operation of the Temporary Casino (the “**Program**”). In order to ensure compliance with the requirements governing AML as provided by the USA Bank Secrecy Act (“**BSA**”) and regulations, as promulgated by the Financial Crimes Enforcement Network (“**FINCen**”), which regulates the operation of casino by the Group in Saipan, the Group has engaged an internationally reputed accounting firm with extensive experience in advising casino operators and on AML to review and provide their independent observations and recommendations on the AML manuals, policy, procedures, systems and controls applied by the management and operation teams at the Temporary Casino. It was observed that the Program requires further enhancement both from policies and procedures perspectives in order to address the continuous expansion of its operations, to appropriately identify, manage and mitigate the inherent money laundering risks that are associates with a gaming business. While the Group has a policy to conduct training for compliance with BSA and FINCen to particularly staff working at the casino, and those who are involve in the Program, additional training sessions shall be arranged for recently joined senior management and members who had not managed to receive training when they came on board. Further, the Group has adopted and will continue to enhance a policy to provide such training within 30

days of effective date of employment, and with plan to to use web-based training programs to meet with the expected exponential growth in staff size. The Group shall review the Program from time to time to monitor and ensure that the casino operations of the Group shall at all times comply with applicable laws in the CNMI and do not contravene the Gambling Ordinance (Chapter 148 of the Laws of Hong Kong).

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

Food Processing and Trading Business

In view of the continual deteriorating performance of this business and in order to prioritize the resources to develop the integrated resort business on the Island of Saipan, the Company has decided to further downsize this business and/or identify potential investors to dispose of the remaining 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.

Debt/Equity Fund Raising

The Company and Huarong International Securities Limited (formerly known as United Simsen Securities Limited) (the “**CN Placing Agent**”) entered into a convertible notes placing agreement (the “**CN Placing Agreement**”) on 27 July 2015 and supplemental agreements to CN Placing Agreement on 29 July 2015 and 17 August 2015 pursuant to which the CN Placing Agent has conditionally agreed to procure placee(s), on a best effort basis, to subscribe for the unsecured convertible notes with an aggregate principal amount from HK\$780,000,000 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 Huarong International Securities Limited (formerly known as United Simsen Securities Limited) and Kingston Securities Limited (the “**Share Placing Agents**”) on 28 July 2015 and supplemental agreements to the Share Placing Agreement on 29 July 2015 and 17 August 2015 pursuant to which the Share Placing Agents have conditionally agreed to place, on a best-effort basis, from 1,733,000,000 to 3,466,000,000 new shares of the Company (the “**Share(s)**”) to not less than six independent share placees at a price of HK\$0.225 per placing share. The placing of new Shares was completed on 21 August 2015 and number of 3,466,000,000 placing shares were issued. The gross proceeds from the share placing were approximately HK\$779,850,000.

Details of the CN Placing Agreement and the Share Placing Agreement have been disclosed in the announcements of the Company dated 28 July 2015, 29 July 2015 and 17 August 2015.

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 concrete fund raising opportunities.

Financial Review

Financial Results

For the year ended 31 December 2015, the Group achieved revenue of HK\$931,924,000, representing an increase of 67% as compared to HK\$558,267,000 in last year. Loss attributable to equity holders of the Company was HK\$84,370,000, as compared with the loss attributable to equity holders of HK\$1,558,351,000 in the corresponding period of last year. This was mainly attributable to an impairment loss for right of sharing of profit stream of HK\$1,296,550,000 in 2014. Basic loss per share and diluted loss per share were HK0.061 cents, as compared with basic and diluted loss per share of HK1.213 cents in the corresponding period of last year.

Temporary Casino

Results of the Gaming operations at the Temporary Casino in Saipan for the year ended 31 December 2015 as compared to the financial results for the year ended 31 December 2014:

	For the year ended	
	31 December	
	2015	2014
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
(in thousands, except for number of gaming tables and slot machines and ETG and percentage)		
Number of VIP gaming tables	12	–
VIP table games rolling	24,198,137	–
VIP gross table games win	622,975	–
VIP table games win percentage	2.58%	–
Number of Mass Gaming tables	34	–
Mass games drop	323,799	–
Mass games gross table games win	65,683	–
Mass games win percentage	20.29%	–
Number of slot machines and ETG	106	–
Slot machines and ETG handle	269,474	–
Slot machines and ETG gross win	19,272	–
Slot machines and ETG hold percentage	7.15%	–
Commissions	312,264	–

Operating Revenue

The following table sets forth the operating revenue for the years ended 31 December 2015 and 2014.

	For the year ended	
	31 December	
	2015	2014
	HK\$'000	HK\$'000
Casino revenue		
VIP gaming operations	622,975	–
Mass gaming operations	65,683	–
Slot machines and ETG gaming operations	19,272	–
Food and beverage	6,613	–
Revenue from sharing of profit stream	6	15,288
	714,549	15,288
Other operating revenue		
Sales of food products	217,375	542,979
	931,924	558,267

Casino Revenue

The Group's Temporary Casino on the Island of Saipan commenced soft opening and subsequent official opening in July and November 2015 respectively.

VIP Gaming Operations

We launched our VIP gaming operations in November 2015. It has since provided the majority of our gaming revenue and profits.

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

In addition, the Company's VIP players are also brought to us via marketing promoters, who often assist the players with travel and entertainment arrangements. In exchange for the marketing promoters' services, they will receive commissions and allowances.

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

VIP rolling chip volume reached approximately HK\$24,198,137,000 for 2015. VIP revenue was HK\$622,975,000 with a win percentage of 2.58%. Our VIP customers primarily consist of cash players and credit players. Geographically, most of our direct VIP patrons are from China, Hong Kong, Macau, Korea and Saipan.

We continue to strive to improve our VIP business volume by maximising productivity from our Temporary Casino. Our efforts to grow the VIP business will continue to center around enhancing the gaming experience of our customers.

Mass Gaming Operations

For the year ended 31 December 2015, revenue from mass gaming operations amounted to HK\$65,683,000 and mass gaming drop reached HK\$323,799,000. Customers from the mass gaming operations do not receive commissions from the Group.

Going forward, we will continue to re-examine our mass gaming areas to maximize table utilization, to expand or refurbish our gaming areas, to innovate our gaming products and to invest in technologies and analytical capability to enhance table productivity and customer retention.

Slot Machines and ETG Gaming Operations

Revenue from the slot machines and ETG handle amounted to HK\$19,272,000 and hold percentage reached 7.15% for the year ended 31 December 2015.

Going forward, we will continue to re-examine the mix of our slot machines and ETG games in operation to maximize our casino profitability. We will also aim to develop technologies to enhance our analytical capability to help us deliver much more personal and precision marketing efforts.

Revenue from sharing of profit stream

Sharing of profit stream from gaming business in Macau amounted to HK\$6,000 (2014: HK\$15,288,000) for the year ended 31 December 2015. On 28 October 2015, the Company has terminated the loan agreement and the profit transfer agreement with the Junket. Details of the Termination have been disclosed in the announcement of the Company dated 28 October 2015.

Sales of Food Products

Sales of food products reduced to HK\$217,375,000 (2014: HK\$542,979,000). On 26 November 2015, in consistence to prioritize resources to develop the integrated resort business on the Island of Saipan, the Company enter into an agreement with a third party to partially disposal part of its Food Processing and Trading Business for a consideration of HK\$500,001. Details of the Disposal have been disclosed in the announcement of the Company dated 26 November 2015.

Cost of Sales

Cost of sales increased by 32 percent as compared with last year and such is principally contributed by the direct casino costs such as commissions of approximately HK\$312,264,000, casino license fees of US\$15,000,000 (equivalent to approximately HK\$116,303,000) and Saipan's business gross revenue tax of US\$4,587,000 (equivalent to approximately HK\$35,554,000), partially net off by decrease to cost of sales deriving from sales of food products of approximately HK\$326,000,000 following the downsizing and subsequent partial disposal of our food processing and trading business.

Other Income

Other income for the year increased by HK\$223,021,000 to HK\$227,720,000 and mainly represents gain arising from the termination of sharing of profit stream from gaming business in Macau.

Operating expenses

Operating expenses increased by HK\$221,608,000. This is mainly due to increase of salaries and wages, and depreciation and amortizations expenses of HK\$121,913,000 and HK\$88,145,000 respectively as a result of the official opening of the Temporary Casino during the year.

Adjusted EBITDA

The following table reconciles Adjusted EBITDA to its most directly comparable HKFRS measurement, loss attributable to owners of the Company, for the years ended 31 December 2015 and 2014.

	For the year ended	
	31 December	
	2015	2014
	HK\$'000	HK\$'000
Loss attributable to the owners of the Company	(84,370)	(1,558,351)
Add/(less):		
Depreciation and amortization	133,620	45,475
Interest income	(120)	(27)
Finance costs	27,916	6,733
Taxation	35,554	–
Share-based payments	6,838	34,973
Net foreign currency differences	1,568	(295)
Adjusted EBITDA (Note) (unaudited)	121,006	(1,471,492)

Note:

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

Significant Investment and Acquisition

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

Capital expenditure

The Group incurred capital expenditure of approximately HK\$519,000,000 (2014: approximately HK\$2,000,000) during the year ended 31 December 2015, mainly for construction of the integrate resort project in the Island of Saipan and acquisition of gaming related equipment.

Liquidity and Financial Resources

On 27 July 2015 (after trading hours), the Company entered into a convertible notes placing agreement (the “**CN Placing Agreement**”) (as amended) with Huarong International Securities Limited (formerly known as United Simsen Securities Limited) (the “**CN Placing Agent**”) pursuant to which the CN Placing Agent has agreed to procure CN Placee(s) to subscribe for the convertible notes with an aggregate principal amount from HK\$780,000,000 to HK\$1,560,000,000 (the “**CN Placing**”). The market price of the shares of the Company was HK\$0.238 per Share as at the date of the CN Placing Agreement. Completion of the CN Placing took place on 21 August 2015, whereby the Placing Convertible Notes with an aggregate principal amount of HK\$841,900,000 have been successfully placed to not less than six independent places.

On 28 July 2015, the Company entered into a placing agreement (the “**Share Placing Agreement**”) (as amended) with Huarong International Securities Limited (formerly known as United Simsen Securities Limited) and Kingston Securities Limited (the “**Share Placing Agents**”) pursuant to which the Share Placing Agents have agreed to place to not less than six independent places between 1,733,000,000 to 3,466,000,000 new Shares at a price of HK\$0.225 per share (the “**Share Placing**”). The market price of the shares of the Company was HK\$0.238 per Share as at the date of the Share Placing Agreement. Completion of the Share Placing took place on 21 August 2015, whereby a total of 3,466,000,000 shares had been successfully placed to not less than six independent places at the placing price and net price of HK\$0.225 and HK\$0.219 respectively per placing share.

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 after the ordinary resolution in relation to the increase in authorized share capital was duly approved by the shareholders of the Company.

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.

During the year, 946,666,665 new Shares were issued and allotted upon exercise of conversion rights attached to the Placing Convertible Notes.

As at 31 December 2015, the total number of issued Shares was 140,651,474,345.

Risk of Foreign Exchange Fluctuation

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

Capital Commitments

As at 31 December 2015, the Group had capital commitment of HK\$2,792,000,000 (31 December 2014: HK\$100,000,000).

Contingent Liabilities

As at 31 December 2015, the Group did not have any significant contingent liabilities (31 December 2014: Nil).

Pledge of Assets

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

Employees and Remuneration Policies

The total number of staff of the Group as at 31 December 2015 was 917 (31 December 2014: 35). Total staff costs, including Directors’ emoluments, amounted to approximately HK\$174,447,000 (2014: approximately HK\$21,882,000).

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

Share Option Scheme

On 27 June 2013, the then existing share option scheme of the Company was terminated and a new share option scheme was adopted (the “**Share Option Scheme**”). The purpose of the Share Option Scheme is to enable the Group to attract, retain and motivate talented participants, including employee, officer, agent, consultant or representative of any member of the Group (including any executive or non-executive director of any member of the Group) to strive for future development and expansion of the Group. The Share Option Scheme shall be valid and effective for a period of ten years.

At the beginning of the financial year ended 31 December 2015, 70,000,000 share options were outstanding pursuant to the Share Option Scheme (each option shall entitle the holder of the option to subscribe for one new Share) and 800,492,548 Shares, being 9.4% of the Shares then in issue were available for issue.

The total number of the shares issued and to be issued upon exercise of the options granted to each participant, together with all options granted and to be granted to him/her under any other share option scheme(s) of the Company, within the 12-month period immediately preceding the proposed date of grant (including exercised, cancelled and outstanding options) shall not exceed 1% of the total number of the shares in issue as at the proposed date of grant. The subscription price will be a price determined by the Board and at least the highest of: (a) the closing price of the shares as stated in the Stock Exchange’s daily quotations sheets on the date of grant of the option, which must be a business day; (b) the average closing price of the shares as stated in the Stock Exchange’s daily quotation sheets for the five business days immediately preceding the date of grant of the option; and (c) the nominal value of the shares. The total number of shares which may be issued upon exercise of options must not exceed 30% of the number of shares in issue from time to time. No options may be granted if such grant would result in the 30% limit being exceeded. No share option has been granted or exercised since the adoption of the Share Option Scheme.

On 18 June 2015, the Company granted 30,387,399 share options (the “**Options**”) to 43 eligible grantees (“**Grantees**”) enabling the Grantees to subscribe for an aggregate of 30,387,399 shares of the Company under the Share Option Scheme. Details are as follows:

Date of grant:	18 June 2015 (the “ Date of Grant ”)
Exercise price of the Options granted:	HK\$3.52 per new share
Number of the Options granted:	30,387,399 Options (each Option shall entitle the holder of the Option to subscribe for one new share)
Validity period of the Options:	Ten (10) years, from 18 June 2015 to 17 June 2025 (both dates inclusive) (the “ Option Period ”)

No Options will be exercisable after the expiry of the Option Period. Vesting period of the Options granted:

- (i) 25% of the Options granted will be vested on the third anniversary of the Date of Grant;
- (ii) another 25% of the Options granted will be vested on the fourth anniversary of the Date of Grant;
- (iii) another 25% of the Options granted will be vested on the fifth anniversary of the Date of Grant; and
- (iv) the remaining 25% of the Options granted will be vested on the sixth anniversary of the Date of Grant.

Among the Options granted, a total of 1,763,636 Options were granted to the Directors, details of which are as follows:

Name of Directors	Position held with the Company	Number of Options Granted
Ms. Cai Lingli	Executive Director	881,818
Ms. Xia Yuki Yu	Executive Director	881,818

In accordance with Rule 17.04(1) of the Listing Rules, the grant of Options to the above Directors has been approved by the independent non-executive Directors.

Pursuant to the relevant terms and conditions of the Share Option Scheme and the requirements as set out in the Listing Rules, as a result of the Bonus Issue, the exercise price and the number of Shares falling to be issued upon full exercise of the subscription rights attaching to the share options were adjusted with effect from 25 June 2015 as follows:

Date of grant	Exercise price (HK\$)	Number of outstanding share options	Adjusted exercise price (HK\$)	Adjusted number of outstanding share options
3 December 2014	1.684	70,000,000	0.10525	1,120,000,000
18 June 2015	3.52	30,387,399	0.22	486,198,384

During the special general meeting of the Company held on 27 July 2015, the then existing scheme mandate limit in respect of granting of options to subscribe for shares of the Company under the Share Option Scheme was refreshed and renewed provided that the total number of shares of the Company which may be allotted and issued pursuant to the grant or exercises of the options under the Share Option Scheme (excluding options previously granted, outstanding, cancelled, lapsed or exercised) shall not exceed 10% of the shares of the Company in issue as at 27 July 2015, that is 13,623,880,768 shares of the Company.

On 26 November 2015, the Company granted 3,800,000 share options (the “**Options (II)**”) to Mr. Eugene Raymond Sullivan (“**Judge Sullivan**”), an independent non-executive Director of the Company, enabling him to subscribe for an aggregate of 3,800,000 shares of the Company under the Share Option Scheme. Details are as follows:

Date of grant:	26 November 2015 (the “ Date of Grant (II) ”)
Exercise price of the Options (II) granted:	HK\$0.255 per new share
Number of the Options (II) granted:	3,800,000 Options (II) (each Option (II) shall entitle the holder of the Option (II) to subscribe for one new share)
Validity period of the Options (II):	Ten (10) years, from 26 November 2015 to 25 November 2025 (both dates inclusive) (the “ Option Period (II) ”)

No Options (II) will be exercisable after the expiry of the Option Period (II). Vesting period of the Options (II) granted:

- (i) 25% of the Options (II) granted will be vested on the first anniversary of the Date of Grant (II);
- (ii) another 25% of the Options (II) granted will be vested on the second anniversary of the Date of Grant (II);
- (iii) another 25% of the Options (II) granted will be vested on the third anniversary of the Date of Grant (II); and
- (iv) the remaining 25% of the Options (II) granted will be vested on the fourth anniversary of the Date of Grant (II).

In accordance with Rule 17.04(1) of the Listing Rules, the grant of Options (II) to Judge Sullivan has been approved by the independent non-executive Directors (excluding himself).

During the year under review, 62,080,000 share options lapsed. As at 31 December 2015, no grantee had exercised any share options and there were 1,547,918,384 share options outstanding pursuant to the Share Option Scheme (each option shall entitle the holder of the option to subscribe for one new Share).

Purchase, Redemption or Sale of Listed Shares

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

Model Code for Securities Transactions by Directors

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

Corporate Governance

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

During the year ended 31 December 2015, the Company was in full compliance with the Code Provisions set out in Appendix 14 of the Listing Rules (the “**CG Code**”), except for the following deviation:

— *Code Provision A.6.7*

This stipulates that independent non-executive directors and other non-executive directors should attend the general meetings. Due to their other important engagements, the independent non-executive Directors of the Company, Mr. Ng Hoi Yue and Mr. Tso Hon Sai Bosco were unable to attend the special general meeting of the Company held on 27 July 2015.

Dividend

No dividend for the year ended 31 December 2015 (2014: Nil) is recommended by the Board.

Audit Committee Review

An audit committee of the Company has been established for the purposes of reviewing and providing supervision over the financial reporting process and internal controls of the Group. The audit committee comprises three independent non-executive Directors. The Group’s consolidated financial statements for the year ended 31 December 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, 14 March 2016

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

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

In this announcement, save as otherwise stated, figures in US\$ are translated to HK\$ at the exchange rate of US\$1.00 = HK\$7.75 for illustration purpose only. No representation is made that any amount in US\$ or HK\$ would have been or can be converted at the above rate.