IMPERIAL PACIFIC
INTERNATIONAL HOLDINGS
博華太平洋國際控股有限公司

IMPERIAL PACIFIC INTERNATIONAL HOLDINGS LIMITED
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(Incorporated in Bermuda with limited liability)

(Stock Code: 1076)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2018

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 2018 together with comparative figures for the corresponding period of 2017 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the six months ended 30 June 2018

		Six months ended 30 June	
		2018	2017
	Notes	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
			(Restated)
Revenue	*3*	**2,214,795**	4,524,486
Cost of sales		**(261,716)**	(436,738)
Gross profit		**1,953,079**	4,087,748
Other income, gains and losses, net		**(34)**	12,835
Selling and marketing expenses		**(26,678)**	(31,428)
Operating and administrative expenses		**(1,815,376)**	(2,920,315)
Share-based payments		**(8,649)**	(9,173)
Finance costs	*4*	**(112,675)**	(97,079)
(Loss)/profit before tax	*4*	**(10,333)**	1,042,588
Income tax credit/(expenses)	*5*	**89,310**	(130,560)
Profit for the period attributable to owners of the Company		**78,977**	912,028

	Note	Six months ended 30 June **2018** **HK$'000** **(Unaudited)**	2017 HK$'000 (Unaudited) (Restated)
OTHER COMPREHENSIVE INCOME/(LOSS)			
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:			
Available-for-sale investments:			
Changes in fair value		**–**	(8,529)
Reclassification adjustments for loss on disposal of available-for-sale investments included in the profit or loss		**–**	266
		–	(8,263)
Exchange differences on translation of foreign operations		**35,396**	34,012
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		**35,396**	25,749
Other comprehensive loss not to be reclassified to profit or loss in subsequent periods:			
Equity investments designated at fair value through other comprehensive income:			
Net movement in fair value reserve		**(35,682)**	–
Net other comprehensive loss not to be reclassified to profit or loss in subsequent periods		**(35,682)**	–
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD		**(286)**	25,749
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO OWNERS OF THE COMPANY		**78,691**	937,777
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	*7*		
Basic			
— For profit for the period		**0.06 cent**	0.64 cent
Diluted			
— For profit for the period		**0.03 cent**	0.34 cent

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2018

	Notes	**30 June 2018** **HK$'000** **(Unaudited)**	31 December 2017 *HK$'000* (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	*8*	**5,892,355**	5,468,239
Prepaid land lease payments	*9*	**180,591**	181,967
Prepayments, deposits and other receivables		**280,110**	352,963
Available-for-sale investments	*2.3*	**–**	82,464
Equity investments designated at fair value through other comprehensive income	*2.3*	**46,782**	–
Deferred tax assets		**630,818**	504,784
Total non-current assets		**7,030,656**	6,590,417
CURRENT ASSETS			
Prepaid land lease payments	*9*	**3,895**	4,526
Inventories		**37,336**	25,768
Trade receivables	*10*	**7,951,469**	8,531,023
Prepayments, deposits and other receivables		**251,063**	204,030
Derivative financial asset		**212**	1,010
Restricted bank deposits		**68,656**	–
Cash and cash equivalents		**123,149**	284,520
Total current assets		**8,435,780**	9,050,877
CURRENT LIABILITIES			
Trade payables	*11*	**100,263**	78,623
Accruals, other payables and deposits received	*12*	**5,711,028**	6,931,685
Derivative financial liabilities		**42**	1,033
Other borrowings	*13*	**1,303,699**	1,189,492
Loans from related parties	*14*	**180,731**	197,593
Convertible bonds		**47,764**	–
Unsecured notes		**1,176,900**	–
Tax payable		**702,569**	664,775
Total current liabilities		**9,222,996**	9,063,201
NET CURRENT LIABILITIES		**(787,216)**	(12,324)
TOTAL ASSETS LESS CURRENT LIABILITIES		**6,243,440**	6,578,093

	Notes	**30 June 2018** *HK$'000* **(Unaudited)**	31 December 2017 *HK$'000* (Audited)
NON-CURRENT LIABILITIES			
Other borrowings	*13*	**1,595,755**	773,350
Loan from a related party	*14*	**78,080**	151,764
Convertible bonds		**–**	46,713
Unsecured bonds and notes		**629,300**	1,753,301
Total non-current liabilities		**2,303,135**	2,725,128
NET ASSETS		**3,940,305**	3,825,965
CAPITAL AND RESERVES			
Share capital	*15*	**71,492**	71,492
Reserves		**3,868,813**	3,781,473
TOTAL EQUITY		**3,940,305**	3,852,965

NOTES TO INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2018

1. CORPORATE INFORMATION

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

During the period, the Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in the gaming and resort business, including the development of an integrated resort on the Island of Saipan, Commonwealth of the Northern Mariana Islands ("CNMI").

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

2.1 BASIS OF PRESENTATION

Despite that the Group had net current liabilities of HK$787,216,000 and capital commitments of approximately HK$798,321,000 as at 30 June 2018 as detailed in note 18 to the interim financial information, the Directors consider that the Group will have adequate funds available to enable it to operate as a going concern, based on the Group's profit forecast and cash flow projection which, inter alia, take into account the past actual operating performance of the Group and the following:

(a) subsequent to the end of the reporting period, the Company has raised new unsecured loans for an aggregate amount of approximately HK$462,850,000 from independent third parties, of which HK$350,000,000 is repayable within one year and HK$112,850,000 is repayable in the second year;

(b) subsequent to the end of the reporting period, the Company has raised a new unsecured interest-free loan of HK$40,000,000 from a related party;

(c) subsequent to the end of the reporting period, Inventive Star has issued letters of undertaking to the Company, pursuant to which Inventive Star undertakes that a notice of redemption will not be issued to the Company before February and March 2021 for redemption and payment of the outstanding principal amounts of HK$784,600,000 and HK$392,300,000, which were originally due for redemption in February and March 2019, respectively, of the unsecured notes issued by the Company in 2017 together with accrued interest thereon;

(d) Inventive Star and its related parties have agreed to provide continuous financial support to the Group by way of additional finances and not to demand for repayment of any amounts due to them until the Group is in a financial position to repay without impairing its liquidity position; and

(e) the management is in discussion with other potential investors to secure long term financing for the remaining construction of the integrated gaming resort.

Imperial Pacific International (CNMI), LLC ("IPI"), a wholly-owned subsidiary of the Company, is principally engaged in the development and operation of an integrated gaming resort facility in Saipan. Pursuant to the Casino License Agreement Amendment No.5 entered between IPI and the Commonwealth Lottery Commission of the Commonwealth of the Northern Mariana Islands dated 31 July 2017, IPI is required to complete the construction of, inter alia, a minimum number of hotel rooms, gaming area, food and beverages outlets, retail and meeting space, villa hotel etc. (the "Initial Gaming Facility") by no later than 31 August 2018.

As a result principally to the termination of construction services by certain companies and drastic reduction and non-availability of sufficient skilled and qualified construction labours locally in Saipan and mainland USA in 2017, the construction of the Initial Gaming Facility cannot be completed by 31 August 2018.

Given the importance of the Casino License Agreement to the operation of the Group's only principal activity, IPI has initiated the application for submission to the Office of the Governor to extend the completion deadline, in accordance with the process as provided under the Casino License Agreement. As at the date of approval of this interim announcement, the Directors confirm that the management is in continuous discussion with the relevant government authorities and they expect the discussion will continue on or beyond the stipulated deadline on 31 August 2018. Based on the best of the information, knowledge and belief, the Directors are of the opinion that the necessary approval is likely to be granted for the deadline extension application and the operation of the gaming and resort business will not be affected.

Accordingly, the interim financial information have been prepared on the going concern basis which assumes, among other things, the realisation of assets and satisfaction of liabilities in the normal course of business.

2.2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited interim condensed consolidated financial information has been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange and Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The unaudited interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2017.

The accounting policies and the basis of preparation adopted in the preparation of this unaudited interim condensed consolidated financial information is consistent with those adopted in the Group's annual consolidated financial statements for the year ended 31 December 2017, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, HKASs and Interpretations) issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance, except for the adoption of the new and revised HKFRSs as disclosed in note 2.3 below.

This unaudited interim condensed consolidated financial information has been prepared under the historical cost convention, except for equity investments designated at fair value through other comprehensive income and derivative financial instruments, which have been measured at fair value. This unaudited interim condensed consolidated financial information is presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current period's interim financial information.

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*
HKFRS 9	*Financial Instruments*
HKFRS 15	*Revenue from Contracts with Customers*
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*
Annual Improvements to 2014–2016 Cycle	Amendments to HKFRS 1 and HKAS 28

The Group applies, for the first time, HKFRS 15 *Revenue from Contracts with Customers* and HKFRS 9 *Financial Instruments* that require restatement of previous financial statements. The nature and effect of these changes are disclosed below.

Several other amendments and interpretations are applied for the first time in 2018, but do not have significant impact on the unaudited interim condensed consolidated financial information of the Group.

HKFRS 15 ***Revenue from Contracts with Customers***

HKFRS 15 supersedes HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

Under HKFRS 15, gaming revenue represents the net difference between gaming wins and losses. Commissions related directly to customers are recorded as a reduction to gaming revenue. Gaming contracts include a performance obligation to honor the patron's wager and typically include a performance obligation to provide a product or service to the patron on a complimentary basis to incentivize in exchange for points or complimentary commissions earned under the Group's loyalty programs.

For wagering contracts that include products and services provided to a patron in exchange for complimentary commissions or points earned under the Group's loyalty programs, the Group allocates the estimated stand-alone selling price of the points earned to the loyalty program liability. The loyalty program liability is a deferral of revenue until redemption occurs. Upon redemption of the complimentary commissions or loyalty program points for Group-owned products and services, the stand-alone selling price of each product or service is allocated to the respective revenue type. For redemptions of complimentary commissions or points with third parties, the redemption amount is deducted from the loyalty program liability and paid directly to the third party.

The Group adopted HKFRS 15 using the full retrospective method of adoption. The effect of adopting HKFRS 15 is, as follows:

Impact on the unaudited condensed consolidated statement of profit or loss and other comprehensive income for the six months ended 30 June 2017:

	Six months ended 30 June 2017 (As previously reported) *HK$'000*	Reclassification *HK$'000*	Six months ended 30 June 2017 (restated) *HK$'000*
Gross revenue			
VIP gaming operations	7,091,474	(2,775,735)	4,315,739
Mass gaming operations	147,369	–	147,369
Slot machines and Electronic Table Game ("ETG") gaming operations	34,146	–	34,146
Food and beverage	27,232	–	27,232
	7,300,221	(2,775,735)	4,524,486
Commissions	(2,543,961)	2,543,961	–
Net revenue	4,756,260	(231,774)	4,524,486
Cost of sales	(668,512)	231,774	(436,738)
Gross profit	4,087,748	–	4,087,748

HKFRS 9 Financial Instruments

HKFRS 9 *Financial Instruments* replaces HKAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting.

The Group has applied HKFRS 9 retrospectively to items that existed at 1 January 2018 in accordance with the transition requirements. Therefore, comparative figures have not been restated.

(a) Classification and measurement

Under HKFRS 9, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Under HKFRS 9, debt financial instruments are subsequently measured at fair value through profit or loss ("FVPL"), amortised cost, or fair value through other comprehensive income ("FVOCI"). The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding (the "SPPI criterion").

The new classification and measurement of the Group's financial assets are, as follows:

- Debt instruments at amortised cost for financial assets that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI criterion. This category includes the Group's trade and other receivables.

Other financial assets are classified and subsequently measured, as follows:

- Equity instruments at FVOCI, with no recycling of gains or losses to profit or loss on derecognition. This category only includes equity instruments, which the Group intends to hold for the foreseeable future and which the Group has irrevocably elected to so classify upon initial recognition or transition. The Group classified its listed equity instruments as equity instruments at FVOCI. Equity instruments at FVOCI are not subject to an impairment assessment under HKFRS 9. Under HKAS 39, the Group's listed equity instruments were classified as available-for-sale (AFS) investments.

- Financial assets at FVPL comprise derivative financial instruments. This category would also include unquoted equity instruments which the Group had not irrevocably elected, at initial recognition or transition, to classify at FVOCI and debt instruments whose cash flow characteristics fail the SPPI criterion or are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell.

The assessment of the Group's business models was made as of the date of initial application, 1 January 2018, and then applied retrospectively to those financial assets that were not derecognised before 1 January 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

Except for the reclassification of AFS investments under HKAS 39 to equity investments designated at fair value through OCI, the adoption of HKFRS 9 has had no significant impact on the classification and measurement of the financial assets of the Group.

The accounting for the Group's financial liabilities remains largely the same as it was under HKAS 39. Similar to the requirements of HKAS 39, HKFRS 9 requires contingent consideration liabilities to be treated as financial instruments measured at fair value, with the changes in fair value recognised in profit or loss.

Under HKFRS 9, embedded derivatives are no longer separated from a host financial asset. Instead, financial assets are classified based on their contractual terms and the Group's business model. The accounting for derivatives embedded in financial liabilities and in non-financial host contracts has not changed from that required by HKAS 39.

The main effects resulting from the application of HKFRS 9 are as follows:

	AFS investments *HK$'000*	**Equity investments designated at fair value through other comprehensive income** *HK$'000*
HKAS 39 carrying amount at 31 December 2017	82,464	–
Reclassification of listed equity investments from AFS to equity investments designated at FVOCI	(82,464)	82,464
HKRFS 9 carrying amount at 1 January 2018	–	82,464

The impact of the above changes on the Group's equity is as follows:

	Investment reserve (non-recycling) *HK$'000*	**Accumulated losses** *HK$'000*
At 31 December 2017	–	(69,815)
Reclassify the impairment loss provided in prior years from retained earnings to investment reserve (non-recycling) in respect of equity investments designated at FVOCI	(33,589)	33,589
At 1 January 2018	(33,589)	(36,226)

(b) Impairment

HKFRS 9 requires an impairment on trade receivables, deposits and other receivables that are not accounted for at fair value through profit or loss under HKFRS 9, to be recorded based on an expected credit loss model either on a 12-month basis or a lifetime basis. The Group applied the simplified approach and recorded lifetime expected losses that were estimated based on the present value of all cash shortfalls over the remaining life of all of its trades receivables.

The Group performed a detailed analysis which considers all reasonable and supportable information, including the historical credit loss experience and forward-looking factors specific to the debtors and the economic environment, for estimation of expected credit losses on its trade receivables.

The loss allowance for trade receivables applying lifetime expected credit loss as compared to the incurred credit loss model under HKAS 39 did not result in a material difference and hence did not result in an adjustment of opening retained earnings as at 1 January 2018.

Loss allowances for other financial assets at amortised cost are measured on a 12-month expected credit loss basis and there had been no significant increase in credit risk since initial recognition.

The adoption of HKFRS 9 has had no significant impact on the impairment of the financial assets of the Group.

2.4 ISSUED BUT NOT YET EFFECTIVE HKFRSs

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective for the current reporting period.

3. REVENUE

Set out below is the disaggregation of the Group's revenue:

	For the six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
		(Restated)
VIP gaming operations	**2,033,042**	4,315,739
Mass gaming operations	**124,408**	147,369
Slot machines and ETG gaming operations	**32,698**	34,146
Food and beverages	**24,647**	27,232
	2,214,795	4,524,486

4. (LOSS)/PROFIT BEFORE TAX

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

		For the six months ended 30 June	
		2018	2017
		HK$'000	*HK$'000*
		(Unaudited)	(Unaudited)
(a)	**Finance costs**		
	Interest on other borrowings and loans from related parties	**133,035**	51,450
	Interest on convertible bonds and notes	**2,043**	15,969
	Interest on unsecured bonds and notes	**75,616**	49,207
		210,694	116,626
	Less: Interest capitalised*	**(98,019)**	(19,547)
		112,675	97,079

* The borrowing costs have been capitalised at the weighted average rate of 9.34% for the six months ended 30 June 2018 (six months ended 30 June 2017: 8.03%).

(b)	**Staff costs (Including directors' remuneration)**		
	Salaries, bonus and allowances*	**326,053**	337,080
	Retirement benefits scheme contributions	**1,231**	1,376
		327,284	338,456

* Staff costs of HK$78,217,000 (six months ended 30 June 2017: HK$69,789,000) included in the above were capitalised under property, plant and equipment.

		Notes		
(c)	**Other items**			
	Cost of inventories sold*		**11,998**	20,879
	Business gross revenue tax ("BGRT")*		**179,155**	345,889
	Depreciation		**76,802**	59,015
	Amortisation of prepaid land lease payments		**2,964**	4,240
	Casino licence fees*		**58,791**	58,308
	Minimum lease payments under operating leases		**45,306**	88,668
	Foreign exchange differences, net		**21,968**	2,389
	Loss on disposal of items of property, plant and equipment		**1,333**	–
	Impairment losses recognised for trade receivables, net	*10*	**983,802**	2,079,957
	Fair value loss on AFS investments (transfer from equity on disposal)**		**–**	266
	Fair value gain on derivative financial instruments, net**		**(193)**	(224)
	Dividend income from AFS investments**		**–**	(14)
	Dividend income from equity investments designated at FVOCI**		**(538)**	–
	Bank interest income**		**–**	(1)
	Gain on disposal of subsidiaries**	*16*	**–**	(11,966)

* Included in "Cost of sales" on the face of the condensed consolidated statement of profit or loss and other comprehensive income.

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

5. INCOME TAX CREDIT/(EXPENSES)

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the six months ended 30 June 2018 and 2017. Income tax credit/(expenses) for the six months ended 30 June 2018 and 2017 represents income tax on casino operations for the subsidiaries operating in the CNMI, which is calculated at the applicable tax rates on the taxable profits for the six months ended 30 June 2018 and 2017.

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

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

6. INTERIM DIVIDEND

No dividend was paid or proposed by the Company during the six months ended 30 June 2018 and 2017.

7. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of the basic earnings per share amounts for the period is based on the profit for the period attributable to owners of the Company, and the weighted average number of ordinary shares of approximately 142,984,808,000 (six months ended 30 June 2017: approximately 142,970,075,000) in issue during the period.

The calculation of the diluted earnings per share amounts for the six months ended 30 June 2018 and 2017 are based on the profit for the period attributable to owners of the Company, adjusted to reflect the effect of the deemed exercise of or conversion of all dilutive potential ordinary shares into ordinary shares. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

The calculations of the basic and diluted earnings per share are based on:

	For the six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to owners of the Company, used in the basic and diluted earnings per share calculations	**78,977**	912,028

	For the six months ended 30 June	
	2018	2017
	'000	*'000*
	(Unaudited)	(Unaudited)
Number of shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	**142,984,808**	142,970,075
Effect of dilution — weighted average number of ordinary shares:		
Share options	**3,856**	257,252
Convertible notes *(Note)*	**128,000,000**	128,000,000
Weighted average number of ordinary shares in issue during the period used in the diluted earnings per share calculation	**270,988,664**	271,227,327

Note: The impact of the convertible notes issued on 19 March 2014 had a dilutive effect on the basic earnings per share amount presented for the six months ended 30 June 2018 and 2017. Convertible notes issued on 21 August 2015 ("CN 2015") and convertible bonds issued on 27 June 2017 ("CB 2017") had no dilutive effect on the basic earnings per share amount presented as the exercise prices of CN 2015 and CB 2017 were higher than the average market price of the ordinary shares of the Company during the period ended 30 June 2018 and 2017.

8. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2018, the Group acquired property, plant and equipment of HK$311,858,000 (six months ended 30 June 2017: HK$1,335,238,000).

9. PREPAID LAND LEASE PAYMENTS

During the six months ended 30 June 2018, there was no addition of prepaid land lease payments (six months ended 30 June 2017: HK$69,996,000).

10. TRADE RECEIVABLES

The Group's trading terms with customers are mainly on credit. The credit terms are generally 30 days for gaming operations. 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.

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

	30 June 2018 *HK$'000* **(Unaudited)**	31 December 2017 *HK$'000* (Audited)
Within 1 month	**282,238**	1,528,190
More than 1 month but within 3 months	**788,269**	1,785,687
More than 3 months but within 6 months	**2,084,078**	2,343,635
More than 6 months but within 1 year	**4,210,395**	5,213,536
More than 1 year	**6,337,672**	2,407,012
	13,702,652	13,278,060
Impairment	**(5,751,183)**	(4,747,037)
	7,951,469	8,531,023

As at 30 June 2018, the Group had received guarantee deposits of HK$1,860,095,000 (31 December 2017: HK$1,881,315,000) (note 12) from certain players/guarantors which can be used to offset against certain of the above trade receivables in an aggregate amount of approximately HK$1,743,644,000 (31 December 2017: HK$1,649,411,000) due from certain casino players in the event that the Group cannot recover the trade receivable amounts from these players in the normal course of its business.

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

	30 June 2018	31 December 2017
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
At beginning of period/year	**4,747,037**	547,184
Impairment losses recognised	**1,793,977**	4,460,738
Impairment losses reversed	**(810,175)**	(275,307)
Exchange differences	**20,344**	14,422
At end of period/year	**5,751,183**	4,747,037

11. TRADE PAYABLES

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

	30 June 2018	31 December 2017
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within 1 month	**14,758**	13,993
More than 1 month but within 3 months	**34,263**	22,866
More than 3 months but within 6 months	**12,342**	24,424
More than 6 months but within 1 year	**34,593**	14,355
More than 1 year	**4,307**	2,985
	100,263	78,623

The trade payables are non-interest bearing and have no fixed terms of repayment.

12. ACCRUALS, OTHER PAYABLES AND DEPOSITS RECEIVED

	30 June 2018	31 December 2017
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Deposits received *(note (a))*	**3,403,954**	4,136,214
Outstanding chips liabilities	**5,248**	259,276
Accrued commission	**1,463**	244,901
BGRT payable	**39,795**	201,557
Construction related payables	**1,163,239**	1,075,010
CN 2015 payable	**23,400**	123,400
Other payables and accruals *(note (b))*	**1,073,929**	891,327
	5,711,028	6,931,685

Notes:

(a) As at 30 June 2018, included in the Group's deposits received were deposits of HK$1,860,095,000 (31 December 2017: HK$1,881,315,000) from certain players/guarantors who have guaranteed the repayment of the trade receivables due from certain of the Group's casino players (the "Guarantee"). In the opinion of the directors, the Group has the enforceable right to set off these deposits against any irrecoverable trade receivables due from these casino players under the Guarantee.

(b) As at 30 June 2018, included in the amount was interest payable of HK$162,006,000 (31 December 2017: HK$105,973,000) on loans (including unsecured notes) from related parties.

13. OTHER BORROWINGS

At the end of the reporting period, the Group's other borrowings were repayable as follows:

	30 June 2018 *HK$'000* **(Unaudited)**	31 December 2017 *HK$'000* (Audited)
Within 1 year or on demand	**1,303,699**	1,189,492
After 1 year but within 2 years	**1,519,371**	773,350
After 2 years but within 3 years	**76,384**	–
	2,899,454	1,962,842
Less: current portion	**(1,303,699)**	(1,189,492)
Non-current portion	**1,595,755**	773,350

The other borrowings are unsecured, interest-bearing at 6%–15% (31 December 2017: 8%–13%) per annum.

Included in the amount was a borrowing of HK$130,000,000 (31 December 2017: HK$130,000,000) due to Youth Force Asia Limited, a company in which Ms. Wu Pei Tzu, who is a related party of the Company's controlling shareholder, has a 28% equity interest.

14. LOANS FROM RELATED PARTIES

At the end of the reporting period, the maturity profile of loans from related parties based on the scheduled repayment dates set out in the loan agreements is as follows:

	30 June 2018 *HK$'000* **(Unaudited)**	31 December 2017 *HK$'000* (Audited)
Within 1 year or on demand	**180,731**	197,593
After 1 year but within 2 years	**78,080**	151,764
	258,811	349,357

Except for certain loan amount of HK$78,080,000 (31 December 2017: HK$169,006,000) that is interest-free, all loans from related parties are unsecured, interest-bearing at 7.5%–8% (31 December 2017: 7.5%–8%) per annum.

15. SHARE CAPITAL

	30 June 2018 (Unaudited) ***HK$'000***	31 December 2017 (Audited) *HK$'000*
Authorised:		
300,000,000,000 ordinary shares of HK$0.0005 each	**150,000**	150,000
Issued and fully paid:		
142,984,807,678 ordinary shares of HK$0.0005 each	**71,492**	71,492

16. DISPOSAL OF SUBSIDIARIES

On 20 June 2017, the Group entered into a series of sale and purchase agreements with an independent third party to dispose of its entire equity interests in certain subsidiaries for an aggregate consideration of HK$110,610,000. The transaction was completed on 20 June 2017.

Details of the net assets of the subsidiaries disposed of and the financial impact are summarised as follows:

	Note	**2017** ***HK$'000***
Net assets disposed of:		
Prepaid land lease payments		**98,640**
Prepayments, deposits and other receivables		**12**
Accruals and other payables		**(8)**
		98,644
Gain on disposal of subsidiaries	*4(c)*	**11,966**
		110,610
Satisfied by:		
Cash		**110,610**

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	2017 ***HK$'000***
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	**110,610**

17. OPERATING LEASE COMMITMENTS

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

	30 June 2018	31 December 2017
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within one year	**76,248**	78,521
In the second to fifth years, inclusive	**61,492**	81,724
After five years	**29,743**	34,575
	167,483	194,820

Except for operating leases of leasehold land on the Island of Saipan which have periods of 25 and 55 years, the leases typically run for an initial period of one to five years. None of the leases includes contingent rentals.

18. COMMITMENTS

In addition to the operating lease commitments detailed in note 17 above, the Group had the following commitments at the end of the reporting period:

	30 June 2018	31 December 2017
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Capital commitments		
Contracted, but not provided for:		
Property, plant and equipment	**719,779**	474,368
Prepaid land lease payments	**78,542**	79,167
	798,321	553,535
Other commitments		
Casino license fee:		
In the second to fifth years, inclusive	**470,760**	468,840
After five years	**1,883,040**	1,875,360
	2,353,800	2,344,200
Community development fund fees:		
Within one year	**78,460**	156,280
After one year but within two years	**156,920**	–
	235,380	156,280
	2,589,180	2,500,480

19. CONTINGENT LIABILITIES

Unasserted claims and assessments

The Group may be exposed to payment of damages assessed by the United States Equal Employment Opportunity Commission (EEOC). As at 30 June 2018, several former employees of a subsidiary had filed discrimination claims against that subsidiary for alleged violation of EEOC regulations. Violations of EEOC regulations may expose the subsidiary to payment of damages, court costs and other fees in excess of US$1,500,000 (HK$11,769,000).

In the opinion of the Directors, after taking into account of the respective legal advice, as the aforementioned matters are possible un-asserted claims and assessments and the likelihood of the Group making any significant amount of payments in respect of claims for damages is remote, the Group has not made any provision for loss in the interim financial information.

Regulatory oversight

The Group is subject to the jurisdiction of various state, local and federal regulatory agencies (the "Regulatory Authorities") in the conduct of its casino operations. Specifically, the Group is required to comply with the rules and regulations of the Commonwealth Casino Commission in the conduct of its gaming operations. The Group is also under the jurisdiction of the Financial Crimes Enforcement Network in terms of its compliance with the anti-money laundering provisions of the Bank Secrecy Act. Should the Group violate the requirements of the Regulatory Authorities, it could be subject to various sanctions and disciplinary actions including monetary fines and penalties, restrictions and conditions on the scope of its operations, and the potential revocation of its gaming licence.

Other matters

In March 2017, an accident occurred at the Group's hotel construction site that resulted in the death of a worker employed by a contractor. The accident resulted in investigations performed by various government agencies, and it was determined that the contractors and sub-contractors employed workers who did not possess appropriate work visas. Management of the Group denies any knowledge of illegal hiring practices of the contractors and sub-contractors. Furthermore, management asserts that there will not be any material adverse impact to the Group's results and financial position as a result of this matter.

Other litigation matters

As at the end of the reporting period and up to the date of approval of this interim results announcement, apart from where expressly above stated, the Group is a party to a number of civil litigation cases, as a plaintiff or defendant. In the opinion of the Directors, after taking into account of the respective legal advices, these cases are either premature and/or the Group has a very high likelihood of success in its action and, therefore will not have any adverse impact to the Group's results or financial position. In the opinion of the Directors, adequate provision has been made in this financial information.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

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

Gaming and Resort Business

In 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, 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.

Imperial Pacific Resort Hotel • Saipan

On 27 November 2015, the Licensee launched the grand opening of the Temporary Casino within on the first floor of the T Galleria by DFS Saipan in Garapan, Island of Saipan ("**Best Sunshine Live**"). The grand opening of Best Sunshine Live supports the Group's continuous evolution of Saipan into a diversified and world-leading entertainment and tourism destination.

On 6 July 2017, the Licensee successfully transferred operations of Best Sunshine Live to the casino portion of Imperial Pacific Resort Hotel • Saipan and commenced operation on the same day. The operations of Best Sunshine Live was closed simultaneously. After the transfer, the Company's gaming capacity was increased from 48 tables and 141 slot machines at the Best Sunshine Live to 78 tables and 246 slot machines at present with maximum capacity of up to 193 tables and 365 slot machines upon completion of Imperial Pacific Resort Hotel • Saipan.

On 31 July 2017, the parties to the Casino License Agreement entered into a written amendment to the Casino License Agreement (the "**Amendment Agreement**") pursuant to which, among other things, the implementation schedules under the Casino License Agreement have been amended and the proposal requirements thereunder have been set out in more details. Details of the Amendment Agreement have been disclosed in the announcement of the Company dated 31 July 2017.

During the six months ended 30 June 2018, unaudited VIP table games rolling of United States Dollars ("**US$**") 12,793 million (equivalent to approximately HK$100,284 million) and gross revenue of approximately HK$3,602 million (six months ended 30 June 2017: HK$7,300 million) was generated from the operations of Imperial Pacific Resort Hotel • Saipan, both the VIP table games, rolling and gross revenue showing a decline compared to the first half of last year due to the impact of the FIFA World Cup and due to tightening marker credits.

As amended in the Amendment Agreement, the required date of completion and initiation of operations of the Imperial Pacific Resort Hotel • Saipan has been amended to by no later than 31 August 2018, with a minimum of a 329-room four or five star luxury hotel, 14,140 square meters of gaming area and other elements and associated support components.

As a result principally to the termination of construction services by certain companies and drastic reduction and non-availability of sufficient skilled and qualified construction labours locally in Saipan and mainland USA in 2017, the construction of the Initial Gaming Facility cannot be completed by 31 August 2018.

Given the importance of the Casino License Agreement to the operation of the Group's only principal activity, IPI has initiated the application for submission to the Office of the Governor to extend the completion deadline, in accordance with the process as provided under the Casino License Agreement. As at the date of approval of this interim announcement, the Directors confirm that the management is in continuous discussion with the relevant government authorities and they expect the discussion will continue on or beyond the stipulated deadline on 31 August 2018. Based on the best of the information, knowledge and belief, the Directors are of the opinion that the necessary approval is likely to be granted for the deadline extension application and the operation of the gaming and resort business will not be affected. Further announcement(s) will be made by the Company as and when appropriate or required in accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

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 US$708 million (equivalent to approximately HK$5,558 million) has been invested in design, consulting, engineering, construction material and labour. The lack of the labour situation has been ameliorated tremendously during the period, we have secured adequate labour supply from Guam, the Philippines and Taiwan to ensure the need of the construction.

BUSINESS OUTLOOK

Integrated Resort Development

The Imperial Pacific Resort Hotel • Saipan, perched on the water front of downtown Garapan, will boast with Michelin Stars, in addition to the 193 gaming tables and 365 slot machines, and 329 hotel rooms and 15 villas upon completion of construction. An additional US$58 million has been invested in design and construction of this super luxurious casino resort which has brought the total investment to US$708 million by the end of the first half of 2018. With the engagement of a new main contractor and the labour supply issue being resolved, the Board believes that the construction work has been back on track.

With the transfer to the new casino completed on 6 July 2017, and the upcoming opening of the villa part of the Imperial Pacific Resort Hotel • Saipan, we believe that new customers will continue to be attracted to Saipan and broaden our client base. We have also been working closely with gaming promoters and regulators for the grant of junket operator licenses. Having the advantage of CNMI's relatively low tax regime, we believe we will be able to offer very competitive commission rates to potential gaming promoters.

Hotel occupancy and room rates remained high. According to the Hotel Association of the Northern Mariana Islands (the "**HANMI**"), for first half of the calendar year of 2018, average hotel rates reached a new high of US$153.11 per night with average hotel occupancy rates of 86.91%, representing growth of US$7.64 (or 5.25%) and drop of 5.29% respectively compared to the same period of 2017. We currently have 3 villas and 4 yachts in place as well as hotel rooms secured from local high quality hotels to provide better accommodations to our VIP customers. We also expect the successional opening of villas rooms and hotels rooms of the Resort next year will to a great extent enhance our capacity to better accommodate patrons.

According to the Mariana's Visitors Authority (the "**MVA**"), for the first half of the calendar year of 2018, total visitor arrival to CNMI declined by 8.8% to 304,640 due to temporary schedule adjustment of flights from Japan and Korea. Korean visitation has continued to be the dominating force with market share of 48.4%. Visitor arrivals from Mainland China remained strong and steady with market share of 38.0% and growth of 5.2%. Benefiting from Saipan's favorable weather, stunning attractions, proximity location and flexible visa policies, with more hotels room to be built and opened and more flights to be introduced, we believe visitation to the Island still have great potential.

Debt/Equity Fund Raising and Refinancing

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

FINANCIAL REVIEW

For the six months ended 30 June 2018, the Group achieved gross revenue of HK$3,602 million which is principally contributed by the casino gaming operations. Profit attributable to owners of the Company for the six months ended 30 June 2018 of HK$79 million, as compared with the profit attributable to owners of HK$912 million in the corresponding period of last year. Basic and diluted earnings per share were HK0.06 cent and HK0.03 cent respectively, as compared with basic and diluted earnings per share were HK0.64 cent and HK0.34 cent respectively in the corresponding period of last year.

Casino Gaming Operations

The following table set forth the results of the casino gaming operations for the six months ended 30 June 2018 and 2017:

	For the six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
(in thousands, except for number of gaming tables and slot machines and ETG and percentage)		
Average number of VIP gaming tables	**30**	16
VIP table games rolling	**100,283,756**	196,279,291
VIP gross table games win	**3,420,358**	7,091,474
VIP table games win percentage	**3.41%**	3.61%
Average number of Mass Gaming tables	**48**	32
Mass games drop	**387,624**	463,325
Mass games gross table games win	**124,408**	147,369
Mass games win percentage	**32.10%**	31.79%
Average number of slot machines and ETG	**246**	141
Slot machines and ETG handle	**520,230**	402,175
Slot machines and ETG gross win	**32,698**	34,146
Slot machines and ETG hold percentage	**6.29%**	8.51%
Commissions	**1,292,956**	2,543,961

Operating Revenue

The following table sets forth the operating revenue for the six months ended 30 June 2018 and 2017.

	For the six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
VIP gaming operations	**3,420,358**	7,091,474
Mass gaming operations	**124,408**	147,369
Slot machines and ETG gaming operations	**32,698**	34,146
Food and beverages	**24,647**	27,232
Gross casino revenue	**3,602,111**	7,300,221
Less: commissions and complimentary costs	**(1,387,316)**	(2,775,735)
	2,214,795	4,524,486

VIP Gaming Operations (Gross)

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

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

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

VIP rolling chip volume reached approximately HK$100,284 million (for the first six months of 2017: HK$196,279 million) for the first six months of 2018. VIP gross revenue was HK$3,420 million (for the first six months of 2017: HK$7,091 million) with a win percentage of 3.41% (2017: 3.61%). Our VIP customers primarily consist of credit players. Geographically, most of our direct VIP patrons are come from China, Hong Kong, Macau and Korea.

Impairment

The gross trade receivables increased to HK$13,703 million (2017: HK$13,278 million) for the period ended 30 June 2018. While the scale of VIP gaming operations had a significant impact to the Group, the Group regularly reviews the recoverability of trade receivables to ensure that adequate impairments are made for irrecoverable amounts.

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

(i) as at 30 June 2018, there was no provision for impairment of trade receivables due from the Group's largest debtor (2017: HK$1,093 million). The provision for impairment of trade receivables due from the Group's ten largest debtors amounted to HK$2,456 million (2017: HK$1,867 million). The aforementioned provisions were made based on the expected credit losses, which includes a review of individual customer's facts and circumstances (such as financial position and ongoing dialogue on settlement arrangements, etc), aging of the outstanding amounts, securities provided and any subsequent repayments;

(ii) as at 30 June 2018, the provision for impairment of trade receivables due from the remaining customers of the Group amounted to HK$3,295 million (2017: HK$2,880 million) arising from regular review of the overdue balances by the management.

The Board has also prudently benchmarked against its industry peers on provision of bad debt on trade receivables and considered that the impairment of trade receivables as estimated by the Company in the condensed consolidated statement of profit or loss and other comprehensive income for the period ended 30 June 2018 to be comparable and in line with global industry standard.

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

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

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

Mass Gaming Operations (Gross)

For the six months ended 30 June 2018, revenue from mass gaming operations amounted to HK$124 million (for the first six months of 2017: HK$147 million) and mass gaming drop reached HK$388 million (for the first six months of 2017: HK$463 million). Customers from the mass gaming operations do not receive commissions from the Group.

Going forward, we will continue to review 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 (Gross)

Revenue from the slot machines and ETG amounted to HK$33 million (for the first six months of 2017: HK$34 million) and hold percentage reached 6.29% (2017: 8.51%) for the six months ended 30 June 2018.

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.

Cost of Sales

Cost of sales to the six months ended 30 June 2018 was HK$262 million (for the first six months of 2017: HK$437 million) which comprise principally the direct casino costs such as half year casino license fee of US$7.5 million (equivalent to HK$59 million) (for the first six months of 2017: HK$58 million) and Saipan's business gross revenue tax of US$23 million (equivalent to HK$179 million) (for the first six months of 2017: HK$346 million).

Other income, gains and losses

Other gains and losses for the six months ended 30 June 2018 mainly represents the net fair value gain amounted to approximately HK$0.2 million (for the first six months of 2017: HK$0.2 million) on derivative financial instruments and dividend income from equity investments designated at FVOCI of approximately HK$0.5 million (for the first six months of 2017: Nil).

Operating expenses

Operating expenses decreased to HK$1,851 million. The decrease is mainly attributable to the decrease in impairment of trade receivables in accordance with the Group's normal provision of bad debt policy and management's consideration of individually impaired trade receivables which are unlikely to be recovered. Operating expenses for the six months ended 30 June 2018 include net impairment losses of trade receivables of HK$984 million, staff cost of HK$327 million, and depreciation and amortizations expenses of HK$80 million.

Adjusted EBITDA

The following table reconciles Adjusted EBITDA to its most directly comparable HKFRS measurement, profit attributable to owners of the Company, for the six months ended 30 June 2018 and 2017.

	For the six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Profit for the period attributable to the owners of the Company	**78,977**	912,028
Add/(less):		
Depreciation and amortization	**79,766**	63,255
Casino license fees	**58,791**	58,308
Interest income	**–**	(1)
Fair value loss on available-for-sale investments	**–**	266
Fair value gain on derivative financial instruments, net	**(193)**	(224)
Finance costs	**112,675**	97,079
Taxes	**89,845**	476,449
Share-based payments	**8,649**	9,173
Net foreign currency differences	**21,968**	2,389
Adjusted EBITDA *(Note)* (unaudited)	**450,478**	1,618,722

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 announcement 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 Company did not have any significant investment, acquisition or disposal during the six months period ended 30 June 2018 that should be notified to the shareholders of the Company.

Capital expenditure

The Group incurred capital expenditure of approximately HK$312 million (year ended 31 December 2017: approximately HK$2,636 million) during the six months ended 30 June 2018, mainly for construction of the Imperial Pacific Resort • Saipan and acquisition of gaming related equipment.

Liquidity and Financial Resources

The Group monitors capital using a gearing ratio, which is net debt divided by the adjusted capital plus net debt. Net debt includes convertible bonds, unsecured bonds and notes, loans from related parties, other borrowings, trade and other payables and accruals, less cash and cash equivalents and restricted bank deposits. Capital includes convertible bonds and equity attributable to owners of the Company. The gearing ratios as at the end of the reporting periods were as follows:

	30 June 2018 *HK$'000*	31 December 2017 *HK$'000*
Net debt	**7,227,761**	6,701,787
Convertible bonds	**47,764**	46,713
Total equity	**3,940,305**	3,852,965
Adjusted capital	**3,988,069**	3,899,678
Capital and net debt	**11,215,830**	10,601,465
Gearing ratio	**64.44%**	63.22%

Capital structure

During the six months ended 30 June 2018, there was no change to the authorised and issued share capital of the Company.

As at 30 June 2018, the total number of the issued ordinary shares with the par value of HK$0.0005 each was 142,984,807,678 (31 December 2017: 142,984,807,678).

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 30 June 2018, the Group had capital commitments of approximately HK$798 million (31 December 2017: approximately HK$554 million).

Contingent Liabilities

Save as disclosed in note 19 of the interim result announcement, the Group did not have any other significant contingent liabilities as at 30 June 2018.

Pledge of Assets

As at 30 June 2018, the Group did not have any pledge of assets (31 December 2017: Nil).

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 period.

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 six months ended 30 June 2018, 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.2.1

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

Code Provision A.6.7

Under code provision A.6.7 of the CG Code, independent non-executive directors and other non-executive directors should attend the general meetings and develop a balanced understanding of the views of shareholders. Due to other engagements, two independent non-executive Directors of the Company, Mr. Lee Kwok Leung and Mr. Robert James Woolsey, were unable to attend the annual general meeting of the Company held on 25 June 2018. However, the Board believes that the presence of the other independent non-executive Directors at such general meeting allowed the Board to develop a balanced understanding of the views of shareholders.

DIVIDEND

No dividend for the six months ended 30 June 2018 (six months ended 30 June 2017: 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 condensed consolidated financial statements for the six months ended 30 June 2018 have been reviewed and approved by the audit committee.

By order of the Board
Imperial Pacific International Holdings Limited
Xia Yuki Yu
Executive Director

Hong Kong, 30 August 2018

As at the date of this announcement, the Board comprises Ms. Xia Yuki Yu, Mr. Teng Sio I and Ms. Cui Li Jie as executive Directors and Mr. Robert James Woolsey, Mr. Ng Hoi Yue, Mr. Tso Hon Sai Bosco and Mr. Lee Kwok Leung as independent non-executive Directors.

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

In this announcement, save as otherwise stated, figures in US$ are translated to HK$ at the exchange rate of US$1.00 = HK$7.85 for illustration purpose only. No representation is made that any amount in US$ or HK$ would have been or can be converted at the above rate.