

TARGET

Intelligence Report

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T U E S D A Y

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**IMPERIAL PACIFIC INTERNATIONAL HOLDINGS LTD:
MISFORTUNES AND/OR DIFFICULT SITUATIONS
TEND TO FOLLOW EACH OTHER IN RAPID
SUCCESSION, OR TO ARRIVE ALL AT THE SAME TIME**

On scanning the Annual Results in respect of the Financial Year, ended December 31, 2020, one is left with the nagging question as to whether or not Imperial Pacific International Holdings Ltd (博華太平洋國際控股有限公司) (Code: 1076, Main Board, The Stock Exchange of Hongkong Ltd) will be able to weather the horrendous financial tsunami in which it finds itself, today.

HLB Hodgson Impey Cheng Ltd (國衛會計師事務所有限公司), the Independent Auditor of Imperial Pacific International Holdings Ltd, has declined to express an opinion on the consolidated financial statements of the Group.

HLB Hodgson Impey Cheng Ltd stated, at Page 21 of the Annual Results, inter alia:

‘Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements and as to whether the consolidated financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.’

The Annual Results in respect of the 2020 Financial Year of the Company were produced and disseminated to shareholders on or about Wednesday, March 31, 2021.

About three months later, on Friday, June 4, 2021, Ms Cui Li Jie (崔麗杰) resigned as an Executive Director and ceased to be the Chairperson of the Executive Committee of the Board of Directors and the Authorised Representative of the Company with immediate effect.

Ms Cui Li Jie is the Sole Director and Sole Shareholder of Inventive Star Ltd.

Inventive Star Ltd, as at December 31, 2019, was deemed to have an equity position at Imperial Pacific International Holdings Ltd, amounting to 63.47 percent of the entire Issued and Fully Paid-Up Share Capital.

At Page Seven of the 2020 Annual Results of Imperial Pacific International Holdings Ltd, it was stated:

‘Inventive Star and other related parties have undertaken to provide additional funding to settle the Group’s operations, liabilities, potential liabilities related to litigation, the casino annual license fee and the community benefit fund and capital investments as and when necessary ...’.

The Financials Of Imperial Pacific International Holdings Ltd

The following are amongst the germane statistics, copied verbatim from the Consolidated Statement of Profit or Loss, found at Page Two of the 2020 Annual Results of Imperial Pacific International Holdings Ltd:

<u>ITEM</u>	2020 \$HK’000	2019 \$HK’000
Revenue	26,507	539,266
Gross Profit/(Loss)	(25,008)	319,810
Operating and Administrative Expenses	(1,258,372)	(1,164,696)
Allowance for Expected Credit Losses on Trade Receivables	(1,119,764)	(2,322,910)
Impairment of Investment in a Joint Venture	(92,424)	Nil
Finance Costs	(404,055)	(362,974)
Net Loss Attributable to Shareholders	<u>(2,853,927)</u>	<u>(3,904,270)</u>

Under the sub-heading, ‘**CURRENT ASSETS**’, where one was presented with the item, ‘Cash and Cash Equivalents’, Page Four of the 2020 Annual Report, headlined, ‘**Consolidated Statement of Financial Position**’, it was shown that the Company had \$HK10,013,000 in its Current Assets, compared with \$HK100,497,000, shown to have been the situation as at December 31, 2019.

At Page Five of the 2020 Annual Results of Imperial Pacific International Holdings Ltd, it was shown that the Company had a ‘**(Deficiency of Assets)/Total Equity**’, amounting to (\$HK2,733,345,000).

As at December 31, 2019, the Company had Total Equity of \$HK120,913,000.

At Page Six and at the top of Page Seven of the 2020 Annual Results, under the heading, ‘**BASIS OF PRESENTATION**’, one was informed:

‘Going Concerns

‘Despite that the Group reported net losses of HK\$2,853,927,000 and HK\$3,904,270,000 respectively for the year ended 31 December 2020 and 2019 and had net current liabilities of HK\$9,369,794,000 and net

liabilities of HK\$2,733,345,000 and capital commitments of HK\$512,166,000 as at 31 December 2020 and the adverse impact from the coronavirus disease 2019 (“COVID-19”) pandemic, which has also resulted in the temporary closure of its casino operation in Saipan since 17 March 2020, 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 business 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 reporting period, the Group is actively exploring and negotiating with the Commonwealth Casino Commission (“CCC”) on the settlement of the casino annual license fee of amount US\$15,000,000 (equivalent to approximately HK\$116,250,000) and community benefit fund contribution of amount US\$30,000,000 (equivalent to approximately HK\$232,590,000), and the related penalties in addition to the amounts claimed which range from US\$50,000 to US\$100,000 per day (equivalent to approximately range from HK\$387,000 to HK\$775,000 per day) and expect to resume its casino operation when the global travel restrictions are lifted.*
- (b) The Company will contact its lenders and bond and note holders to renew certain other borrowing and unsecured bonds and notes with aggregate principal amounts to approximately HK\$3,765,237,000 outstanding as at 31 December 2020 which were originally due for repayment in 2021, for extension of the repayment tenure to 2022;*
- (c) As at the end of the reporting period, the Company has unutilised credit facility of US\$350,000,000 (equivalent to HK\$2,726,150,000) from an independent third party. The total facility amount is US\$500,000,000 (equivalent to HK\$3,894,500,000), of which an amount of US\$150,000,000 (equivalent to HK\$1,168,350,000) was drawn down during the year ended 31 December 2019 and outstanding as at the end of the reporting period. The Company will draw down the unutilised credit facility when necessary;*
- (d) Inventive Star and other related parties have undertaken to provide additional funding to settle the Group’s operations, liabilities, potential liabilities related to litigation, the casino annual license fee and the community benefit fund and capital investments as and when necessary;*
- (e) The management will consider other financing arrangements with a view to increasing the Group’s capitalisation/equity; and*
- (f) The management will continue to refinance and/or roll-over the Group’s existing loans with a view to improving the Group’s liquidity.*

‘The Directors believe that, taking into account the above factors, the Group will have sufficient working capital to satisfy its present requirements for at least the next 12 months from the end of the reporting period. However, should the above financing be unavailable, the Group may be unable to continue as a going concern, in which case adjustments might have to be made to the carrying values of the Group’s assets to write down to their realisable values, to provide for any further liabilities which might arise and to reclassify its non-current assets and non-current liabilities to current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in the results announcement.’

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