Imperium Group Global Holdings Limited
帝 國 集 團 環 球 控 股 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 0776)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

The board ("Board") of directors ("Directors") of Imperium Group Global Holdings Limited ("Company") are pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2018, together with the comparative audited figures for the year ended 31 December 2017 which have been reviewed and approved by the audit committee of the Company ("Audit Committee") as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2018

	Note	2018 HK$	2017 HK$
REVENUE	4	**252,363,498**	219,516,957
Cost of sales		**(224,610,225)**	(198,100,254)
Gross profit		**27,753,273**	21,416,703
Other income	5	**1,782,987**	1,849,351
Impairment of receivables		**(4,496,080)**	—
Distribution costs		**(7,600,920)**	(452,329)
Administrative expenses		**(52,056,849)**	(27,662,973)
Other operating expenses		**(4,829,901)**	(149,582)
LOSS FROM OPERATIONS		**(39,447,490)**	(4,998,830)
Gain on disposal of subsidiaries	15	**9,036,315**	—
Finance costs	6	**(2,791,998)**	(2,085,947)
LOSS BEFORE TAX		**(33,203,173)**	(7,084,777)
Income tax expense	7	**(1,966,502)**	(2,027,985)
LOSS FOR THE YEAR	8	**(35,169,675)**	(9,112,762)
Loss for the year attributable to:			
Owners of the Company		**(34,901,161)**	(9,112,762)
Non-controlling interests		**(268,514)**	—
		(35,169,675)	(9,112,762)
LOSS PER SHARE	10		
Basic		**(0.12)**	(0.03)
Diluted		**(0.12)**	(0.03)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	2018	2017
	HK$	*HK$*
Loss for the year	**(35,169,675)**	(9,112,762)
Other comprehensive (loss)/income:		
Item that will not be reclassified to profit or loss:		
Fair value changes of equity instruments at fair value through other comprehensive income (FVTOCI)	**(2,399,604)**	—
Items that may be reclassified to profit or loss:		
Exchange differences on translating foreign operations	**(1,960,853)**	2,935,488
Exchange difference reclassified to profit or loss on disposal of foreign operations	**(401,964)**	—
	(2,362,817)	2,935,488
Other comprehensive (loss)/income for the year, net of tax	**(4,762,421)**	2,935,488
Total comprehensive loss for the year	**(39,932,096)**	(6,177,274)
Total comprehensive loss for the year attributable to:		
Owners of the Company	**(39,663,582)**	(6,177,274)
Non-controlling interests	**(268,514)**	—
	(39,932,096)	(6,177,274)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018

	Note	2018 HK$	2017 HK$
Non-current assets			
Property, plant and equipment		**17,073,939**	14,932,074
Investment properties		**31,155,580**	17,750,320
Goodwill		**16,482,214**	—
Financial assets at FVTOCI		**3,869,996**	—
Deposits paid for acquisition of long-term assets		**1,175,100**	7,802,060
Intangible assets		**20,756,557**	499,999
		90,513,386	40,984,453
Current assets			
Inventories		**27,473,657**	31,552,375
Loan receivables	*11*	**23,462,019**	50,000,000
Trade receivables	*12*	**26,535,164**	27,569,273
Due from related companies		**5,190,525**	4,737,354
Deposits, other receivables and prepayments		**16,882,840**	5,497,479
Financial assets at fair value through profit or loss (FVTPL)		**9,108,800**	16,185,150
Cash and bank balances		**47,338,276**	56,226,589
		155,991,281	191,768,220
Current liabilities			
Trade payables	*13*	**17,315,023**	14,311,638
Due to related companies		**34,372,717**	14,981,902
Other payables and accruals		**46,721,393**	27,597,690
Retirement benefit obligations		**48,092**	—
Contract liabilities		**3,130,089**	—
Current tax liabilities		**1,757,212**	1,963,343
Bank borrowings		**44,951,928**	45,670,368
		148,296,454	104,524,941
NET CURRENT ASSETS		**7,694,827**	87,243,279

	2018	2017
	HK$	*HK$*
TOTAL ASSETS LESS CURRENT LIABILITIES	**98,208,213**	128,227,732
Non-current liabilities		
Other payable	**2,956,862**	—
Retirement benefit obligations	**303,379**	—
Deferred tax liabilities	**2,631,761**	1,715,969
	5,892,002	1,715,969
NET ASSETS	**92,316,211**	126,511,763
CAPITAL AND RESERVES		
Equity attributable to owners of the Company		
Share capital	**2,872,060**	2,872,060
Reserves	**88,182,028**	123,639,703
	91,054,088	126,511,763
Non-controlling interests	**1,262,123**	—
TOTAL EQUITY	**92,316,211**	126,511,763

NOTES:

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1–1111, Cayman Islands. The address of its principal place of business is Room 2408, 24/F, China Merchants Tower, Shun Tak Centre, 168–200 Connaught Road Central, Sheung Wan, 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 is an investment holding company. The principal activities of its subsidiaries are the manufacture and sale of stainless steel furnishings and home products, money lending, property investment and design, development and operation of mobile games.

In the opinion of the Directors, Power Ocean Holdings Limited, a company incorporated in the British Virgin Islands, is the immediate parent and Mr. Chau Cheok Wa and Mr. Cheng Ting Kong are the ultimate controlling parties of the Company.

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange ("the Listing Rules") and with the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622). Significant accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

3. ADOPTION OF NEW AND REVISED HKFRSs

(a) Application of new and revised HKFRSs

The HKICPA has issued a number of new and revised HKFRSs that are first effective for annual periods beginning on or after 1 January 2018. Of these, the following developments are relevant to the Group's consolidated financial statements:

(i) HKFRS 9 Financial Instruments; and

(ii) HKFRS 15 Revenue from Contracts with Customers

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

HKFRS 9 Financial instruments

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 Financial Instruments: Recognition and Measurement.

The adoption of HKFRS 9 resulted in the following changes to the Group's accounting policies.

(a) Classification

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at FVTOCI or FVTPL, and

- those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVTOCI.

(b) Measurement

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

At initial recognition, the Group measures a financial assets at its fair value plus, in the case of a financial assets not at FVTPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in other income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

- FVTOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVTOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in other income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment losses are presented as separate line item in the statement of profit or loss.

- FVTPL: Assets that do not meet the criteria for amortised cost or FVTOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVTPL are recognised in other income in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVTOCI are not reported separately from other changes in fair value.

(c) Impairment

From 1 January 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVTOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Set out below is the impact of the adoption of HKFRS 9 on the Group.

The impact on the Group's opening accumulated losses as at 1 January 2018 is not significant.

The following table and the accompanying notes below explain the original measurement categories under HKAS 39 and the new measurement categories under HKFRS 9 for each class of the Group's financial assets as at 1 January 2018.

Financial assets	**Note**	**Classification under HKAS 39**	**Classification under HKFRS 9**	**Carrying amount under HKAS 39** *HK$*	**Carrying amount under HKFRS 9** *HK$*
Loan receivables	(a)	Loans and receivables	Amortised cost	50,000,000	50,000,000
Trade receivables	(a)	Loans and receivables	Amortised cost	27,569,273	27,569,273
Due from related companies	(a)	Loans and receivables	Amortised cost	4,737,354	4,737,354
Other receivables	(a)	Loans and receivables	Amortised cost	5,116,067	5,116,067
Cash and bank balances	(a)	Loans and receivables	Amortised cost	56,226,589	56,226,589
Wealth management products	(b)	FVTPL	FVTPL	16,185,150	16,185,150

The measurement categories for all financial liabilities remain the same. The carrying amounts for all financial liabilities at 1 January 2018 have not been impacted by the initial application.

The Group did not designate or de-recognise any financial assets or financial liabilities at FVTPL at 1 January 2018.

Note:

(a) Loan receivables, trade receivables, amounts due from related companies, other receivables and cash and bank balances that were classified as loans and receivables under HKAS 39 are now classified at amortised cost. The impact on opening accumulated losses at 1 January 2018 on transition to HKFRS 9 is not significant.

(b) Wealth management products — held for trading are required to be held as FVTPL as under HKFRS 9. There was no impact on the amounts recognised in relation to these assets from the adoption of HKFRS 9.

For assets in scope of the HKFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile. The Group has determined that the application of HKFRS 9 impairment model requirements at 1 January 2018 does not result in a significant additional impairment allowance.

HKFRS 15 Revenue from contracts with customers

HKFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening accumulated losses (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 Revenue and the related interpretations.

The adoption of HKFRS 15 resulted in the following changes to the Group's accounting policies.

The Group manufactures and sells a range of stainless steel furnishings products. Sales are recognised when control of the products has transferred, being when the products are delivered to the customers, the customers has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

The adoption of HKFRS 15 does not have a significant impact on how the Group recognises revenue from its manufactures and sales of stainless steel furnishings product.

The following table summarises the estimated impact of adoption of HKFRS 15 on the Group's consolidated financial statements for the year ended 31 December 2018, by comparing the amounts reported under HKFRS 15 in these consolidated financial statements with estimates of the hypothetical amounts that would have been recognised under HKAS 18 and HKAS 11 if those superseded standards had continued to apply to 2018 instead of HKFRS 15. These tables show only those line items impacted by the adoption of HKFRS 15:

	Note	Amounts reported in accordance with HKFRS 15	Hypothetical amounts under HKASs 18 and 11	Estimated impact of adoption of HKFRS15
		HK$	*HK$*	*HK$*
As at 31 December 2018				
Consolidated statement of financial position (extract)				
Deferred revenue	(a)	—	3,130,089	3,130,089
Contract liabilities	(a)	3,130,089	(3,130,089)	—

The significant difference arises as a result of the changes in accounting policies described above.

(a) Contract liabilities for sales in relation to virtual tokens or other virtual items via payment channels were previously presented as "deferred revenue" under HKAS 18.

As the contract liabilities are related to the mobile game business commenced during the year, there are no impact on the consolidated financial statements as at 1 January 2018.

(b) New and revised HKFRSs in issue but not yet effective

The Group has not early applied new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning 1 January 2018. These new and revised HKFRSs include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
HKFRS 16 Leases	1 January 2019
HK(IFRIC) 23 Uncertainty over Income Tax Treatments	1 January 2019

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far the Group has identified some aspects of HKFRS 16 which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below. While the assessment has been substantially completed for HKFRS 16, the actual impacts upon the initial adoption of the standards may differ as the assessment completed to date is based on the information currently available to the Group, and further impacts may be identified before the standards are initially applied in the Group's interim financial report for the six months ended 30 June 2019. The Group may also change its accounting policy elections, including the transition options, until the standards are initially applied in that interim financial report.

HKFRS 16 Leases

HKFRS 16 replaces HKAS 17 Leases and related interpretations. The new standard introduces a single accounting model for lessees. For lessees the distinction between operating and finance leases is removed and lessees will recognise right-of-use assets and lease liabilities for all leases (with optional exemptions for short-term leases and leases of low value assets). HKFRS 16 carries forward the accounting requirements for lessors in HKAS 17 substantially unchanged. Lessors will therefore continue to classify leases as operating or financing leases.

HKFRS 16 is effective for annual periods beginning on or after 1 January 2019. The Group intends to apply the simplified transition approach and will not restate the comparative amounts for the year prior to first adoption.

Based on a preliminary assessment, the standard will affect primarily the accounting for the Group's operating leases. The Group's office property leases are currently classified as operating leases and the lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term. Under HKFRS 16 the Group may need to recognise and measure a liability at the present value of the future minimum lease payments and recognise a corresponding right-of-use asset for these leases. The interest expense on the lease liability and depreciation on the right-of-use asset will be recognised in profit or loss. The Group's assets and liabilities will increase and the timing of expense recognition will also be impacted as a result.

The Group's future minimum lease payments under non-cancellable operating leases for its office properties and factory premises amounted to HK$13,801,304 as at 31 December 2018. These leases are expected to be recognised as lease liabilities, with corresponding right-of-use assets, once HKFRS 16 is adopted. The amounts will be adjusted for the effects of discounting and the transition reliefs available to the Group.

Other than the recognition of lease liabilities and right-of-use assets, the Group expects that the transition adjustments to be made upon the initial adoption of HKFRS 16 will not be material. However, the expected changes in accounting policies as described above could have a material impact on the Group's consolidated financial statements from 2019 onwards.

HK(IFRIC) 23 Uncertainty over Income Tax Treatments

The interpretation of HKAS 12 Income Taxes sets out how to apply that standard when there is uncertainty about income tax treatments. Entities are required to determine whether uncertain tax treatments should be assessed separately or as a group depending on which approach will better predict the resolution of the uncertainties. Entities will have to assess whether it is probable that a tax authority will accept an uncertain tax treatment. If yes, the accounting treatment will be consistent with the entity's income tax filings. If not, however, entities are required to account for the effects of the uncertainty using either the most likely outcome or expected value method depending on which method is expected to better predict its resolution.

The Group is unable to estimate the impact of the interpretation on the consolidated financial statements until a more detailed assessment has been completed.

4. SEGMENT INFORMATION

The Group has four (2017: four) major operating segments as follows:

Stainless steel furnishings	—	manufacture and sale of stainless steel furnishings and home products
Property investment	—	rental income from investment properties
Money lending	—	interest income from money lending business
Mobile game	—	design, development and operation of mobile games

The Group's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies.

Segment profits or losses do not include unallocated finance cost and unallocated corporate income and expenses. Segment assets do not include unallocated deposits, other receivables and prepayments, unallocated cash and bank balances and unallocated other corporate assets.

Information about operating segment profit or loss and assets:

	Stainless steel furnishings *HK$*	Property investment *HK$*	Money lending *HK$*	Mobile game *HK$*	Total *HK$*
Year ended 31 December 2018					
Revenue from external customers	238,848,093	1,329,457	7,104,657	5,081,291	252,363,498
Intersegment revenue	—	—	—	—	—
Segment profit/(loss)	(947,161)	3,521,016	2,392,867	(27,905,941)	(22,939,219)
Interest revenue	39,833	577	—	270,486	310,896
Interest expense	(2,630,565)	—	—	(13,488)	(2,644,053)
Depreciation	(3,463,262)	(199,510)	(132,529)	(693,994)	(4,489,295)
Income tax expense	(1,955,869)	(1,549)	—	(9,084)	(1,966,502)
Additions to segment non-current assets	1,090,794	23,855,580	4,800	28,251,095	53,202,269
Other material non-cash items:					
— Impairment of assets	—	—	1,537,981	2,958,099	4,496,080
— Net fair value gains on investment properties	—	439,875	—	—	439,875
As at 31 December 2018					
Segment assets	95,738,612	30,477,170	28,905,609	83,130,341	238,251,732

	Stainless steel furnishings *HK$*	Property investment *HK$*	Money lending *HK$*	Mobile game *HK$*	Total *HK$*
Year ended 31 December 2017					
Revenue from external customers	209,876,725	894,746	8,745,486	—	219,516,957
Intersegment revenue	—	—	—	—	—
Segment profit/(loss)	(7,920,658)	1,323,591	5,683,473	(5,834,636)	(6,748,230)
Interest revenue	17,551	—	8,745,486	—	8,763,037
Interest expense	(1,992,569)	—	—	—	(1,992,569)
Depreciation	(2,924,421)	—	(99,785)	(87,831)	(3,112,037)
Income tax (expense)/credit	(1,986,478)	92,775	(134,282)	—	(2,027,985)
Additions to segment non-current assets	1,178,046	—	323,050	554,152	2,055,248
Other material non-cash item:					
— Net fair value gains on investment properties	—	1,096,530	—	—	1,096,530
As at 31 December 2017					
Segment assets	104,245,494	27,110,699	74,932,427	9,804,773	216,093,393

* Certain comparative figures have been reclassified to conform to the current year's presentation.

Reconciliations of segment revenue and profit or loss:

	2018	2017
	HK$	*HK$*
Revenue		
Total revenue of reportable segments	**252,363,498**	219,516,957
Elimination of intersegment revenue	**—**	—
Consolidated revenue	**252,363,498**	219,516,957

	2018	2017
	HK$	*HK$*
Profit or loss		
Total loss of reportable segments	**(22,939,219)**	(6,748,230)
Unallocated finance costs	**(147,945)**	–
Unallocated corporate income	**9,578**	–
Unallocated corporate expenses	**(12,092,089)**	(2,364,532)
Consolidated loss for the year	**(35,169,675)**	(9,112,762)

Reconciliations of segment assets:

Assets		
Total assets of reportable segments	**238,251,732**	216,093,393
Unallocated deposits, other receivables and prepayments	**158,287**	637,739
Unallocated cash and bank balances	**7,641,478**	16,018,739
Unallocated other corporate assets	**453,170**	2,802
Consolidated total assets	**246,504,667**	232,752,673

Geographical information:

The Group's revenue from external customers by location of customers and information about its non-current assets by location of assets are detailed below:

	Revenue		Non-current assets	
	2018	2017	**2018**	2017
	HK$	*HK$*	***HK$***	*HK$*
Hong Kong	**207,581,258**	186,168,120	**16,197,118**	16,194,447
PRC excluding Hong Kong	**39,067,818**	33,348,837	**11,178,537**	24,790,006
East and South East Asia	**5,714,422**	—	**63,137,731**	—
Consolidated total	**252,363,498**	219,516,957	**90,513,386**	40,984,453

Revenue from major customer:

	2018	2017
	HK$	*HK$*
Stainless steel furnishings segment		
Customer A	**238,848,093**	205,546,160

5. OTHER INCOME

	2018	2017
	HK$	*HK$*
Government grants *(Note)*	**34,083**	—
Interest income	**311,321**	18,863
Gain on disposal of property, plant and equipment	**—**	3,750
Rental income from lease of machinery	**—**	605,814
Fair value gain on investment properties	**439,875**	1,096,530
Investment income	**409,363**	124,394
Gain on disposal of investment	**9,157**	—
Marketing income	**105,560**	—
Others	**473,628**	—
	1,782,987	1,849,351

Note: Government grants mainly related to the subsidy received from the local government authority for the achievements of the Group.

6. FINANCE COSTS

	2018	2017
	HK$	*HK$*
Interest on bank borrowings and overdrafts	**2,432,412**	1,992,569
Interest on other borrowings	**359,586**	93,378
	2,791,998	2,085,947

7. INCOME TAX EXPENSE

Income tax has been recognised in profit or loss as following:

	2018	2017
	HK$	*HK$*
Current tax — PRC Enterprise Income Tax		
Provision for the year	**1,955,869**	1,531,513
Under-provision in prior years	**—**	348,021
	1,955,869	1,879,534
Current tax — Hong Kong Profits Tax		
Provision for the year	**12,176**	148,450
(Over)/under-provision in prior years	**(10,627)**	1
	1,549	148,451
Current tax — Malaysia Corporate Tax		
Provision for the year	**9,084**	—
	1,966,502	2,027,985

Hong Kong Profits Tax has been provided at a rate of 16.5% (2017: 16.5%) on the estimated assessable profit for the year ended 31 December 2018.

On 21 March 2018, the Inland Revenue (Amendment) (No. 7) Bill 2017, which introduces a two-tiered profits tax regime, was substantively enacted. Under the two-tiered profits tax regime, the first HK$2 million of assessable profits of qualifying corporations will be taxed at 8.25% with effect from the year assessment 2018/2019. Profits above HK$2 million will continue to be subject to the tax rate of 16.5%.

PRC Enterprise Income Tax has been provided at a rate of 25% (2017: 25%) on the estimated assessable profit for the year ended 31 December 2018.

Malaysia Corporate Tax has been provided at a rate of 24% on the estimated assessable profit for the year ended 31 December 2018.

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

8. LOSS FOR THE YEAR

The Group's loss for the year is stated after charging the following:

	2018	2017
	HK$	*HK$*
Auditor's remuneration	**810,000**	730,000
Cost of inventories sold	**224,610,225**	198,100,254
Depreciation	**4,492,096**	3,250,993
Written off of deposits paid for acquisition of long term assets *(Note)*	**4,830,038**	—
Operating lease charges — buildings	**4,612,813**	3,148,834
Equity-settled share-based payments to consultants	**1,934,907**	—
Net exchange losses	**305,504**	1,437,311

Cost of inventories sold includes staff costs and depreciation of approximately HK$44,496,000 (2017: HK$33,230,000) which are included in the amounts disclosed separately above.

Note:

Due to the unsatisfactory development progress and quality of respective games, the results of the market research and testing are far poorer than the management's expectation. Deposits paid for acquisition of long term assets is written off by HK$4,830,038 (2017: Nil).

9. DIVIDEND

No dividend has been paid or declared by the Company during the year (2017: Nil).

10. LOSS PER SHARE

The calculation of the basic and diluted loss per share is based on the following:

	2018	2017
	HK$	*HK$*
Loss		
Loss for the purpose of calculating basic and diluted loss per share	**(34,901,161)**	(9,112,762)

	2018	2017
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share	**287,206,000**	287,206,000

The Company's share options as at 31 December 2018 do not give rise to any dilutive effect to the loss per share.

11. LOAN RECEIVABLES

The maturity profile of loan receivables at the reporting date is analysed by the remaining periods to their contractual maturity dates as follows:

	2018	2017
	HK$	*HK$*
Within one year	**23,462,019**	50,000,000

The carrying amounts of the loan and interest receivables are denominated in HKD.

At 31 December 2018 and 2017, all loan and interest receivables are unsecured, bear interest at fixed rates and are repayable with fixed terms agreed with the customers.

12. TRADE RECEIVABLES

	2018	2017
	HK$	*HK$*
Trade receivables	**26,535,164**	27,569,273

The Group's trading terms with customers are mainly on credit. The credit terms generally range from 30 to 90 days. The aging analysis of the Group's trade receivables, based on the invoice date, and net of allowance, is as follows:

	2018	2017
	HK$	*HK$*
0–30 days	**23,041,376**	27,483,226
31–60 days	**1,358,705**	86,047
61–90 days	**276,732**	—
Over 90 days	**1,858,351**	—
	26,535,164	27,569,273

	2018	2017
	HK$	*HK$*
HKD	**999,844**	19,300
RMB	**22,542,522**	27,549,973
USD	**2,992,798**	—
	26,535,164	27,569,273

13. TRADE PAYABLES

	2018	2017
	HK$	*HK$*
Trade payables	**17,315,023**	14,311,638

The Group normally obtains credit terms ranging from 30 to 90 days from its suppliers.

The aging analysis of trade payables, based on the date of receipt of goods, is as follows:

	2018	2017
	HK$	*HK$*
0–30 days	**13,342,940**	12,020,671
31–60 days	**957,688**	2,237,345
61–90 days	**1,189,412**	11,280
Over 90 days	**1,824,983**	42,342
	17,315,023	14,311,638

	2018	2017
	HK$	*HK$*
RMB	**13,123,132**	14,311,638
USD	**4,191,891**	—
	17,315,023	14,311,638

14. ACQUISITION OF SUBSIDIARIES

In July 2018, the Group acquired 100% of the issued share capital of Cubinet Interactive (MSC) Sdn. Bhd. and its subsidiaries (the "Cubinet Group") for a total consideration of HK$28,864,510. The Cubinet Group was engaged in design, development and operation of mobile games during the year. The acquisition is for the purpose of enhancing the market participation in gaming industry over the Asia-Pacific region.

The fair value of the identifiable assets and liabilities of the Cubinet Group acquired as at the date of acquisition are as follows:

	HK$
Net assets acquired:	
Property, plant and equipment	4,107,016
Investment properties	23,982,205
Intangible assets	20,323,650
Trade and other receivables	5,185,367
Cash and bank balances	1,183,310
Trade and other payables	(14,102,532)
Bank loan *(Note)*	(10,136,612)
Current tax liabilities	(63,774)
Contract liabilities	(3,129,205)
Deferred tax liabilities	(915,792)
Royalty payables	(12,520,750)
Net identificable assets	13,912,883
Non-controlling interests	(1,530,587)
Goodwill	16,482,214
	28,864,510
Satisfied by:	
Cash	28,864,510
Net cash outflow arising on acquisition:	
Advancement to the Cubinet Group *(Note)*	(10,136,612)
Cash consideration paid	(28,864,510)
Cash and cash equivalents acquired	1,183,310
	(37,817,812)

The fair value of the trade and other receivables acquired is HK$5,185,367. The gross amount due under the contracts is HK$7,485,691, of which HK$2,300,324 is expected to be uncollectible.

Note: Pursuant to the sales and purchase agreements for the acquisition of the Cubinet Group, the Group shall advance a loan to the Cubinet Group for the settlement of the outstanding bank loan.

Acquisition-related costs of HK$3,139,000 have been charged to administrative expenses in the consolidated income statement for the year ended 31 December 2018.

The goodwill arising on the acquisition of the Cubinet Group is attributable to the anticipated profitability of the distribution of the Group's products in the new markets and the anticipated future operating synergies from the combination.

The Cubinet Group contributed approximately HK$4,349,000 to the Group's revenue for the period between the date of acquisition and the end of the reporting period. The Cubinet Group contributed loss of approximately HK$5,659,000 to the Group's loss for the period between the date of acquisition and the end of the reporting period.

If the acquisition had been completed on 1 January 2018, total Group revenue for the year would have been HK$264,259,000, and loss for the year would have been HK$34,866,000. The proforma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2018, nor is intended to be a projection of future results.

15. DISPOSAL OF SUBSIDIARIES

In August 2018, the Group disposed 100% of the issued share capital of Modern Crown Limited and its subsidiaries (the "**Modern Crown Group**") for a total consideration of HK$20,000,000.

Net assets at the date of disposal were as follows:

	HK$
Investment properties	10,098,000
Other receivables	1,267,651
Cash and bank balances	5,965
Other payables	(5,967)
Net assets disposed of	11,365,649
Release of foreign currency translation reserve	(401,964)
Gain on disposal of subsidiaries	9,036,315
Total consideration	20,000,000
Consideration satisfied by	
Cash	20,000,000
Net cash inflow arising on disposal:	
Cash consideration received	20,000,000
Cash and cash equivalents disposed of	(5,965)
	19,994,035

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the reporting period, the Group saw marginal improvement in the financial performance of its household products business and successfully established a strong foundation for its mobile business. Whilst this is in line with the Group's plan to broaden its income base, we shall continue to review the profitability and outlook of each business segment and carefully allocate resources to the preferred segments, in order to create the maximum returns for the shareholders. We have reviewed the allocation of corporate expenses to business segments over the past two years to better reflect the financial contribution of the segments to the Group.

Household products business

As export sales in the PRC increased, revenue from the household products business was approximately HK$238,848,000 (2017: approximately HK$209,877,000) representing an increase of 13.8%. As a result, the segment's gross margin was restored to its 2016 historical level. However, in order to meet the requisites established by the major customer raising their ESG requirements, the Group invested more resources into management systems, resulting in a significant increase in administrative costs. The segmental loss for the Group's household products business was approximately HK$947,000 (2017: approximately HK$7,921,000).

The business segment has yet to deliver a positive financial contribution, even after relocating production to the new site in Yuyao City and taking into consideration the full implementation of the environmental protection and energy saving action plan, as set out three years ago. During such period, the Group invested approximately HK$9,500,000 in capital expenditure to fulfil such initiatives. According to management's estimate, the Group is required to invest additional HK$6,000,000 to further enhance its ESG standard, as requested by its major customer. This is in parallel to its efforts to diversify its customer base and ongoing operational efficiency improvement programs, with a view to generating a sustainable contribution to the Group.

Mobile game business

According to the 2018 Global Games Market Report published by Newzoo, the size of the global games market increased by 13.3% to US$137.9 billion in 2018. The Asia Pacific market represented 52% of the global market and grew by 16.8% compared to 2017. Furthermore, mobile gaming was estimated to have generated approximately US$70.2 billion in 2018, representing 51% of all global game revenues (including computer, console and mobile game). This comprises approximately US$56.4 billion from smartphone gaming and approximately US$13.9 billion from tablet games. Growth in 2018 was even higher than the forecast outlined in Newzoo's report released on 28 November 2017.

Besides establishing teams in Hong Kong and Taiwan in the second half of 2017, the Group also acquired the entire interests in Cubinet Interactive (MSC) Sdn. Bhd. ("Cubinet") to develop business in Southeast Asia. The Group was active in identifying mobile games for publishing in the region and has exercised a prudent approach to evaluating such opportunities, particularly after having written off an approximately HK$4,830,000 deposit paid for game license rights in the first six months of 2018. Furthermore, we have developed various co-publishing arrangements with games studios and business partners, to help mitigate the risks associated with publishing game titles. Hence, the Group only launched one new game title in December 2018. Coupled with the contribution from Cubinet, revenue from the mobile game business during the reporting period was approximately HK$5,081,000 (2017: not applicable). The segment loss for the twelve months ended 31 December 2018 was approximately HK$27,906,000 (2017: approximately HK$5,835,000).

Apart from writing off an approximate HK$4,830,000 deposit paid for game license rights, the segment loss for the reporting period included operating expenses of approximately HK$6,803,000 incurred for the promotion of the game title launched in December 2018 and another game title launched in January 2019. The revenue contribution of such game licenses will be reflected in our 2019 results.

Management's efforts in 2018 successfully raised the Group's profile in the industry, resulting in a significant increase in the number and quality of business opportunities available to the Group. The Group is developing a variety of collaboration platforms and appropriate internal control measures to mediate the risks associated with growing the business.

Money lending business

The Group's money lending business continued to provide stable income through its existing customer base. The Group's revenue from the money lending business during the reporting period was approximately HK$7,105,000 (2017: HK$8,745,000) while the segment profit was approximately HK$2,393,000 (2017: approximately HK$5,683,000).

Property investment business

The Group consolidated its position in the property investment business in 2018 by disposing of its entire interest in the hotel in Liaoning Province, the PRC, for approximately HK$20,000,000. As a result, the Group's property investment business now comprises an investment property in Hong Kong and another properties in Malaysia, under Cubinet, for rental purpose. The Group's revenue from the property investment business during the reporting period was approximately HK$1,329,000 (2017: approximately HK$895,000). The segment profit was approximately HK$3,521,000 (2017: approximately HK$1,324,000), mainly due to a gain in the disposal of the interests in the hotel in the PRC.

RESULTS OF OPERATIONS

For the fiscal year ended 31 December 2018, the Group reported a revenue of approximately HK$252,363,000 (2017: approximately HK$219,517,000), representing a increase of 15.0% from that of the fiscal year of 2017. The increase in revenue is mainly due to increase of revenue from household products business in PRC and mobile game business.

Gross profit margin increased from 9.8% in 2017 to 11.0% in 2018 due to the increase in production volume of household product and high profit margin for money lending and low profit margin for mobile game business.

Other income decreased from approximately HK$1,849,000 in 2017 to approximately HK$1,783,000 in 2018, mainly due to the decrease in fair value gain on investment properties during the year.

Distribution costs increased from approximately HK$452,000 in 2017 to approximately HK$7,601,000 in 2018 due to increase in marketing expenses and preparation cost for new mobile games which has been launched in December 2018 and in January 2019 respectively.

Administrative expenses increased from approximately HK$27,663,000 in 2017 to approximately HK$52,057,000 in 2018, mainly due to increase in staff costs for new gaming business, legal and professional fee incurred for acquisition and equity. settled share-based transactions.

Other operating expenses increased from approximately HK$150,000 in 2017 to approximately HK$4,830,000 in 2018, mainly due to written off of deposit paid for mobile game license rights in first half of 2018.

Finance costs increased from approximately HK$2,086,000 in 2017 to approximately HK$2,792,000 in 2018, attributable to the increase in bank and other borrowings during the year.

Income tax expense slightly decreased from approximately HK$2,028,000 in 2017 to approximately HK$1,967,000 in 2018, mainly due to decrease of operating profits in money lending business during the year.

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

As at 31 December 2018, the Group had cash and bank balances of approximately HK$47,338,000 (2017: approximately HK$56,227,000) and net current assets of approximately HK$7,695,000 (2017: approximately HK$87,243,000), the decrease in net current assets is mainly due to decrease in loan receivables, financial assets at fair value through profit or loss and increase in due to related companies and other payables.
The Group had bank borrowings of approximately HK$44,952,000 as at 31 December 2018 (2017: approximately HK$45,670,000). All borrowings were repayable within one year. The Group's borrowings carried interests at fixed rate.

As at 31 December 2018, the Group had current liabilities of approximately HK$148,296,000 (2017: approximately HK$104,525,000). The increase in current liabilities was mainly due to the increase in trade payables, other payables and accruals and contract liabilities.

BANK BORROWINGS

As at 31 December 2018, bank borrowings of approximately HK$44,952,000 (2017: HK$45,670,000) were secured by corporate guarantee given by a related company.

GEARING RATIO

The Group's gearing ratio, which was derived from the total bank borrowings to total assets, decreased from 19.6% in 2017 to 18.2% in 2018, as a result of the decrease in bank borrowings in the PRC.

COMMITMENTS

As at 31 December 2018, the Group's capital and operating lease commitments amounted to approximately HK$Nil and HK$13,801,000 (2017: approximately HK$18,835,000 and HK$14,719,000) respectively, attributable to acquisition of property, plant and equipment and unlisted equity instruments and mobile game license rights and rental payable for certain offices and factory premises.

CONTINGENT LIABILITIES

As at 31 December 2018, the Group did not have any significant contingent liabilities (2017: Nil).

EXPOSURE TO FLUCTUATION IN EXCHANGE RATES AND RELATED HEDGES

All transactions of the Group are denominated in RMB, HKD, United States dollars, Malaysia Ringgit and Thai Baht. The Group is exposed to foreign exchange risk with respect to the fluctuation of RMB which may affect the Group's performance and asset. The Group has not entered into any derivative contract to hedged against the risk.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2018, the Group employed approximately 590 staffs. The Group's remuneration to employees, including Directors' emoluments, increased by approximately HK$23,239,000 to approximately HK$69,437,000 for the fiscal year of 2018.

The Group reviews employee remuneration annually and rewards its employees with reference to the length of services and performance. The Group also has the liberty to grant share options and bonuses to employees of the Group at the discretion of the Directors based on the financial performance of the Group.

TREASURY POLICIES AND CAPITAL STRUCTURE

The Group adopts a prudent approach with respect to treasury and funding policies, with a focus on risk management and transactions that are directly related to the underlying business of the Group.

FUTURE PROSPECTS

In order to create maximum returns for shareholders in a sustainable manner, we have evaluated the outlook and risk factors of the Group's two major businesses as follows:

Household products business

Despite our continuous efforts to diversify our customer base, the Group's household products business is heavily concentrated, with its largest customer contributing over 95% of the segment's revenue. Any disruption to our relationship with the customer or the customer's final performance, could adversely affect the Group's sales performance, financial condition and the results of our operations.

In addition, the raising of requirements for employee benefits and environmental protection initiatives has increased the burden of maintaining the profitability of operations. The recent increased public concern in these areas has further amplified pressure from the Group's customers to invest in equipment and facilities to meet such requests, in addition to raised material costs.

Furthermore, as the trade dispute between China and the United States continues, the manufacturing sector in China will likely face intense pressure and become much more competitive. This could pose a significant challenge for the Group to improve its financial performance for the household products business.

Mobile game business

The mobile game industry is a fast-growing segment with ever-changing dynamics and opportunities to gain significant market share through enhanced consumer experiences via new products and IPs. Whilst the Group only expanded into this segment in the second half of 2017, it has already established a strong foundation for its accelerated growth in the near future. Notwithstanding the above, the Group is also mindful of the risk associated with this fast growing industry including:

The majority of revenue from mobile games is generated through the sale of in-game virtual items in operating self/co-developed games and licensed games. If the Group is unable to effectively market in-game virtual items or there is a need to change the revenue model in the future, its revenue, operations, financial conditions and business prospects could be materially and adversely affected.

Moreover, the inability to extend the relatively short expected life-span of a mobile game or maintain a game's popularity during its expected life cycle, due to rapid technological changes in the industry, could quickly render games obsolete or unattractive to users.

The mobile games industry is highly competitive. Major competitive factors include the ability to acquire popular games from developers and successful marketing strategies, which increases the visibility of publishers' games amongst the large number of games in the market. Therefore, significant marketing campaigns and promotional efforts are necessary to achieve commercial success, and as such, mobile game operators/publishers need to possess sufficient financial resources.

External interruptions, such as hacking, could weaken players' confidence and drive them away if the Group fails to discover and eliminate such external interruptions. This could disrupt operations and may adversely affect the Group's sales performance, financial position and the result of operations.

Mobile games are operated in a number of countries which have different legal and regulatory requirements. Changes in such requirements could lead to a disruption in our financial performance and in operation model.

During the reported period, the Group implemented appropriate internal control measures to monitor the performance of its business. To further expand the business, the Group will publish more new game titles in 2019, as well as investing in research and development to create its own games. This will be achieved through various partnerships with studios and investors throughout the region. Apart from expanding our network in the mobile game industry, such commercial arrangements will also enable us to better manage the risk associated in growing in this segment.

In summary, the Group believes the mobile game business will become the major contributor of the Group's financial performance in the near future. As such, we will prioritise our the allocation of our resources to focus our growth in the mobile game business, in order to deliver sustainable returns to shareholders.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares during the year.

CODE OF BEST PRACTICE

The Group is committed to ensuring high standards of corporate governance and business practices. The Company's corporate governance practices are based on the principles and the code provisions (the "Code Provisions") as set out in the Corporate Governance Code and Corporate Governance Report (the "CG Code"), amended from time to time, contained in Appendix 14 of the Listing Rules. As far as the CG Code is concerned, during the year and up to the date of this announcement, the Company complies with all aspect of the Code Provisions except disclosed below:

Under the code provision E.1.2 of the CG Code, the chairman of the Board should attend the AGM and invite the chairmen of audit committee, remuneration committee and nomination committee to attend. However, in the AGM held on 29 June 2018 ("2018 AGM"), our chairman was unable to attend the meeting as he had to attend to other business commitments. He appointed an executive Director to chair the 2018 AGM on his behalf and answer any question from the shareholders concerning the Company's corporate governance. As provided for in the code provision A.6.7 of the CG Code, independent non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders, Mr. Fung Tze Wa, an independent non-executive Director, was unable to attend the 2018 AGM due to other business commitments.

Under the code provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. The role of chief executive officer was shared among the members of the Board during the reporting period. There is no time schedule to change this structure, as the Directors consider that this structure provides the Group with consistent leadership in the Company's decision making process and operational efficiency. The Board shall review this arrangement from time to time to ensure appropriate and timely action is taken to meet changing circumstances.

DIRECTORS' SECURITIES TRANSACTIONS

The Group has adopted a code of conduct regarding directors' securities transactions as set out in Appendix 10 of the Listing Rules. Having made specific enquiry, all Directors have fully complied with the required standard set out in Appendix 10 of the Listing Rules for the year ended 31 December 2018.

AUDIT COMMITTEE

The Company has established an Audit Committee with written terms of reference in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules. The Audit Committee comprises the following three members, all independent non-executive Directors:

(i) Mr. Fung Tze Wa, Chairman of Audit Committee

(ii) Mr. Ting Wong Kacee

(iii) Mr. Tse Ting Kwan

Given below are the main duties of the Audit Committee:

(i) to make recommendations with respect to the appointment, re-appointment and removal of the Company's external auditor, and to evaluate their independence, objectivity and effectiveness of the audit process;

(ii) to review and monitor the interim and annual financial statements, reports and accounts of the Company, and to review significant and judgemental financial reporting issues contained therein;

(iii) to review the Company's financial controls, internal controls and risk management systems; and

(iv) to discuss with the management the system of internal controls, and to ensure that the management has discharged its duties and responsibilities in implementing an effective internal control system.

REVIEW OF ANNUAL RESULTS

The Audit Committee has reviewed the audited financial statements for the year ended 31 December 2018, including the accounting principles and practice adopted by the Group, in conjunction with the Company's external auditors.

ANNUAL GENERAL MEETING

A notice convening the AGM of the Company will be published and dispatched to the shareholders of the Company in the manner as required by the Listing Rules in due course.

FINAL DIVIDEND

The Board does not recommend the payment of final dividend for the year ended 31 December 2018 (2017: Nil).

PUBLICATION OF THE FINAL RESULTS AND ANNUAL REPORT

This results announcement is published on the websites of the Company (http://www.776.hk) and the Stock Exchange (http://www.hkexnews.hk/index.htm). The annual report containing all the information required by the Listing Rules will be dispatched to the shareholders and published on the aforesaid websites in due course.

By Order of the Board
Imperium Group Global Holdings Limited
Cheng Ting Kong
Chairman

Hong Kong, 29 March 2019

As at the date of this announcement, the executive Directors are Mr. Cheng Ting Kong, Ms. Yeung So Mui, Mr. Luk Wai Keung and Mr. Leung Kwok Yin; and the independent non-executive Directors are Mr. Fung Tze Wa, Mr. Ting Wong Kacee and Mr. Tse Ting Kwan.