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 2019

FINANCIAL HIGHLIGHTS

- Revenue for the Year was approximately HK$233,567,000, representing a decrease of approximately 7.4% over last year.
- Gross profit for the Year was approximately HK$21,148,000, representing a decrease of approximately 23.8% over last year.
- Loss attributable to owners of the Company was approximately HK$77,936,000, representing an increase of approximately 123.3% over last year.
- Basic and diluted loss per share amounted to HK$0.27.

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 2019 ("Year"), together with the comparative audited figures for the year ended 31 December 2018 which have been audited by and agreed with RSM Hong Kong and reviewed by the audit committee of the Company ("Audit Committee") as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2019

	Note	2019 HK$	2018 HK$
REVENUE	4	**233,566,651**	252,363,498
Cost of sales		**(212,419,102)**	(224,610,225)
Gross profit		**21,147,549**	27,753,273
Other income	5	**5,888,835**	1,782,987
Impairment of receivables		**(5,717,467)**	(4,496,080)
Distribution costs		**(26,542,898)**	(7,600,920)
Administrative expenses		**(55,961,544)**	(52,056,849)
Other operating expenses		**(13,427,536)**	(4,829,901)
LOSS FROM OPERATIONS		**(74,613,061)**	(39,447,490)
Gain on disposal of subsidiaries		**55,052**	9,036,315
Finance costs	6	**(3,616,209)**	(2,791,998)
LOSS BEFORE TAX		**(78,174,218)**	(33,203,173)
Income tax expense	7	**(3,262,262)**	(1,966,502)
LOSS FOR THE YEAR	8	**(81,436,480)**	(35,169,675)
Attributable to:			
Owners of the Company		**(77,936,393)**	(34,901,161)
Non-controlling interests		**(3,500,087)**	(268,514)
		(81,436,480)	(35,169,675)
LOSS PER SHARE	10		
Basic		**(0.27)**	(0.12)
Diluted		**(0.27)**	(0.12)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	2019	2018
	HK$	*HK$*
Loss for the year	**(81,436,480)**	(35,169,675)
Other comprehensive loss:		
Item that will not be reclassified to profit or loss:		
Fair value changes of equity instruments at fair value through other comprehensive income (FVTOCI)	**(1,810,996)**	(2,399,604)
Items that may be reclassified to profit or loss:		
Exchange differences on translating foreign operations	**(2,554,896)**	(1,960,853)
Exchange differences reclassified to profit or loss on disposal of foreign operations	**50**	(401,964)
	(2,554,846)	(2,362,817)
Other comprehensive loss for the year, net of tax	**(4,365,842)**	(4,762,421)
Total comprehensive loss for the year	**(85,802,322)**	(39,932,096)
Attributable to:		
Owners of the Company	**(82,302,235)**	(39,663,582)
Non-controlling interests	**(3,500,087)**	(268,514)
	(85,802,322)	(39,932,096)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

	Note	2019	2018
		HK$	*HK$*
Non-current assets			
Property, plant and equipment		**11,515,065**	17,073,939
Investment properties		**24,540,315**	31,155,580
Right-of-use assets		**12,529,460**	—
Goodwill		**10,982,214**	16,482,214
Financial assets at FVTOCI		**2,059,000**	3,869,996
Deposits paid for acquisition of long-term assets		**18,426,799**	1,175,100
Intangible assets		**6,858,032**	20,756,557
		86,910,885	90,513,386
Current assets			
Inventories		**26,399,199**	27,473,657
Contract costs		**620,194**	—
Loan receivables	*11*	**13,643,349**	23,462,019
Trade receivables	*12*	**25,874,427**	26,535,164
Due from related companies		**4,737,355**	5,190,525
Deposits, other receivables and prepayments		**10,512,609**	16,882,840
Financial assets at fair value through profit or loss (FVTPL)		**—**	9,108,800
Cash and bank balances		**56,961,964**	47,338,276
		138,749,097	155,991,281
Current liabilities			
Trade payables	*13*	**10,334,445**	17,315,023
Lease liabilities		**5,026,973**	—
Due to related companies		**7,650,046**	34,372,717
Other payables and accruals		**40,424,354**	46,721,393
Retirement benefit obligations		**65,074**	48,092
Contract liabilities		**3,531,412**	3,130,089
Current tax liabilities		**208,255**	1,757,212
Bank borrowings		**41,416,419**	44,951,928
		108,656,978	148,296,454
NET CURRENT ASSETS		**30,092,119**	7,694,827

	2019	2018
	HK$	*HK$*
TOTAL ASSETS LESS CURRENT LIABILITIES	**117,003,004**	98,208,213
Non-current liabilities		
Lease liabilities	**4,149,368**	—
Other payable	**—**	2,956,862
Long-term loan from related parties	**93,328,042**	—
Retirement benefit obligations	**540,986**	303,379
Deferred tax liabilities	**2,631,761**	2,631,761
	100,650,157	5,892,002
NET ASSETS	**16,352,847**	92,316,211
CAPITAL AND RESERVES		
Equity attributable to owners of the Company		
Share capital	**2,872,060**	2,872,060
Reserves	**15,718,751**	88,182,028
	18,590,811	91,054,088
Non-controlling interests	**(2,237,964)**	1,262,123
TOTAL EQUITY	**16,352,847**	92,316,211

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 online games.

In the opinion of the Directors, during the year ended 31 December 2019, Power Ocean Holdings Limited ("Power Ocean"), a company incorporated in the British Virgin Islands, was the immediate parent and Mr. Chau Cheok Wa and Mr. Cheng Ting Kong were the ultimate controlling parties of the Company. On 18 January 2020, Diamond State Holdings Limited ("Diamond State"), a company incorporated in the British Virgin Islands, has purchased all the shares of the Company held by Power Ocean. Diamond State became the immediate parent and Mr. Cheng Ting Kong became the ultimate controlling party of the Company since then.

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 HONG KONG FINANCIAL REPORTING STANDARDS

(a) Application of new and revised HKFRSs

The HKICPA has issued a new HKFRS, HKFRS 16 Leases, and a number of amendments to HKFRSs that are first effective for the current accounting period of the Group.

Except for HKFRS 16, none of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

HKFRS 16 Leases

HKFRS 16 supersedes HKAS 17 Leases, and the related interpretations, HK(IFRIC) 4 Determining whether an Arrangement contains a Lease, HK(SIC) 15 Operating Leases – Incentives and HK(SIC) 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. HKFRS 16 introduced a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less and leases of low-value assets.

Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have an impact on leases where the Group is the lessor. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

HKFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

The Group has initially applied HKFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

(a) New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases. Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

(b) Lessee accounting and transitional impact

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets which are exempt.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied the incremental borrowing rates of the relevant group entities at the date of initial application. The average incremental borrowing rates applied by the relevant group entities range from 0.9% to 10.5%.

To ease the transition to HKFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of HKFRS 16:

(i) elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 31 December 2019;

(ii) applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in a similar economic environment. Specifically, discount rate for certain leases of leasehold lands and properties was determined on a portfolio basis;

(iii) used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension options;

(iv) excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and

(v) relied on the assessment of whether leases are onerous by applying HKAS 37 as an alternative to an impairment review.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 Income Taxes requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

The following table reconciles the operating lease commitments as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019:

	HK$
Operating lease commitments disclosed as at 31 December 2018	13,801,304
Less: total future interest expenses	(1,789,500)
Lease liabilities recognised as at 1 January 2019	12,011,804
Of which are:	
Current lease liabilities	3,492,099
Non-current lease liabilities	8,519,705
	12,011,804

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of consolidated financial position at 31 December 2018.

Refundable rental deposits paid are accounted under HKFRS 9 *Financial Instruments* ("HKFRS 9") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

The following table summaries the impacts of the adoption of HKFRS 16 on the Group's consolidated statement of financial position:

Line items in the consolidated statement of financial position impacted by the adoption of HKFRS 16	Carrying amount as at 31 December 2018	Effects of adoption of HKFRS 16 Re-classification	 Recognition of leases	Carrying amount as at 1 January 2019
	HK$	*HK$*	*HK$*	*HK$*
Assets				
Right-of-use assets	—	3,898,065	12,011,804	15,909,869
Property, plant and equipment	3,898,065	(3,898,065)	—	—
Liabilities				
Lease liabilities	—	—	12,011,804	12,011,804

(c) *Impact of the financial results and cash flows of the Group*

After the initial recognition of right-of-use assets and lease liabilities as at 1 January 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in a positive impact on the reported profit from operations in the Group's consolidated statement of profit or loss, as compared to the results if HKAS 17 had been applied during the year.

In the cash flow statement, the Group as a lessee is required to split rentals paid under capitalised leases into their principal element and interest element. These elements are classified as financing cash outflows and operating cash outflows respectively. Although total cash flows are unaffected, the adoption of HKFRS 16 therefore results in a significant change in presentation of cash flows within the cash flow statement.

The following tables give an indication of the estimated impact of the adoption of HKFRS 16 on the Group's financial result and cash flows for the year ended 31 December 2019, by adjusting the amounts reported under HKFRS 16 in these consolidated financial statements to compute estimates of the hypothetical amounts that would have been recognised under HKAS 17 if this superseded standard had continued to apply in 2019 instead of HKFRS 16, and by comparing these hypothetical amounts for 2019 with the actual 2018 corresponding amounts which were prepared under HKAS 17.

	2019				2018
	Amounts reported under HKFRS 16	**Add back: HKFRS 16 depreciation and interest expense**	**Deduct: Estimated amounts related to operating lease as if under HKAS 17** *(note 1)*	**Hypothetical amounts for 2019 as if under HKAS 17**	Compared to amounts reported for 2018 under HKAS 17
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
Financial result for year ended 31 December 2019 impacted by the adoption of HKFRS 16:					
Loss from operation	**(74,613,061)**	**5,139,024**	**(4,710,225)**	**(74,184,262)**	(39,447,490)
Finance costs	**(3,616,209)**	**388,575**	**—**	**(3,227,634)**	(2,791,998)
Loss before taxation	**(78,174,218)**	**5,527,599**	**(4,710,225)**	**(77,356,844)**	(33,203,173)
Loss for the year	**(81,436,480)**	**5,527,599**	**(4,710,225)**	**(80,619,106)**	(35,169,675)

	2019			2018
	Amounts reported under HKFRS 16 *HK$*	**Estimated amounts related to operating leases as if under HKAS 17** ***(note(s) 1&2)*** *HK$*	**Hypothetical amounts for 2019 as if under HKAS 17** *HK$*	Compared to amounts reported for 2018 under HKAS 17 *HK$*
Line items in the consolidated statement of cash flows for year ended 31 December 2019 impacted by the adoption of HKFRS 16:				
Cash (used in)/generated from operations	(26,945,182)	(4,048,159)	(30,993,341)	11,762,170
Interest element of lease rentals paid	(388,575)	388,575	—	—
Net cash (used in)/generated from operating activities	(32,144,976)	(3,629,584)	(35,774,560)	9,556,612
Principal elements of lease payments	(4,429,921)	4,429,921	—	—
Net cash generated from financing activities	61,572,087	4,424,921	65,997,008	15,736,829

Note 1: The "estimated amounts related to operating leases" is an estimate of the amounts of the cash flows in 2019 that relate to leases which would have been classified as operating leases, if HKAS 17 had still applied in 2019. This estimate assumes that there were no difference between rentals and cash flows and that all of the new leases entered into in 2019 would have been classified as operating leases under HKAS 17, if HKAS 17 had still applied in 2019. Any potential net tax effect is ignored.

Note 2: In this impact table these cash outflows are reclassified from financing to operating in order to compute hypothetical amounts of net cash generated from operating activities and net cash used in financing activities as if HKAS 17 still applied.

(d) Leasehold investment property

Under HKFRS 16, the Group is required to account for all leasehold properties as investment properties when these properties are held to earn rental income and/or for capital appreciation. The adoption of HKFRS 16 does not have a significant impact on the Group's consolidated financial statements as the Group previously elected to apply HKAS 40, *Investment properties*, to account for all of its leasehold properties that were held for investment purposes as at 31 December 2018. Consequentially, these leasehold investment properties continue to be carried at fair value.

(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 2019. These new and revised HKFRSs include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 3 Definition of a Business	1 January 2020
Amendments to HKAS 1 and HKAS 8 Definition of Material	1 January 2020
Amendments to HKFRS 9, HKAS 39 and HKFRS 7 Interest Rate Benchmark Reform	1 January 2020

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 it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

4. SEGMENT INFORMATION

The Group has 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
Online game (formerly known as mobile game)	—	design, development and operation of mobile games and computer 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 costs 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$*	Online game *HK$*	Total *HK$*
Year ended 31 December 2019					
Revenue from external customers	182,810,198	1,463,058	5,264,445	44,028,950	233,566,651
Intersegment revenue	—	—	—	—	—
Segment profit/(loss)	(1,460,212)	1,822,468	(4,088,283)	(71,433,720)	(75,159,747)
Interest revenue	159,240	—	—	3,572	162,812
Interest expense	(2,505,370)	—	(37,909)	(78,156)	(2,621,435)
Depreciation	(2,353,002)	—	(58,831)	(1,333,696)	(3,745,529)
Income tax expense	(3,100,100)	(44,589)	—	(117,573)	(3,262,262)
Additions to segment non-current assets	723,379	—	—	1,843,300	2,566,679
Other material non-cash item:					
— Impairment of goodwill	—	—	—	(5,500,000)	(5,500,000)
— Impairment of assets	—	—	(6,976,409)	(5,324,106)	(12,300,515)
— Net fair value gains on investment properties	—	1,081,328	—	—	1,081,328
As at 31 December 2019					
Segment assets	79,883,917	24,540,315	20,321,697	59,094,824	183,840,753

	Stainless steel furnishings *HK$*	Property investment *HK$*	Money lending *HK$*	Online game *HK$*	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 item:					
— 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

Reconciliations of segment revenue and profit or loss:

	2019 ***HK$***	2018 *HK$*
Revenue		
Total revenue of reportable segments	**233,566,651**	252,363,498
Elimination of intersegment revenue	**—**	—
Consolidated revenue	**233,566,651**	252,363,498

	2019	2018
	HK$	*HK$*
Profit or loss		
Total loss of reportable segments	**(75,159,747)**	(22,939,219)
Unallocated finance costs	**(994,774)**	(147,945)
Unallocated corporate income	**545,849**	9,578
Unallocated corporate expenses	**(5,827,808)**	(12,092,089)
Consolidated loss for the year	**(81,436,480)**	(35,169,675)

Reconciliations of segment assets:

	2019	2018
	HK$	*HK$*
Assets		
Total assets of reportable segments	**183,840,753**	238,251,732
Unallocated deposits, other receivables and prepayments	**1,015,662**	158,287
Unallocated cash and bank balances	**34,334,318**	7,641,478
Unallocated other corporate assets	**6,469,249**	453,170
Consolidated total assets	**225,659,982**	246,504,667

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	
	2019	2018	**2019**	2018
	HK$	*HK$*	***HK$***	*HK$*
Hong Kong	**161,107,820**	207,581,258	**7,335,579**	12,327,122
PRC excluding Hong Kong	**27,024,723**	39,067,818	**7,289,639**	11,178,537
East and South East Asia	**45,434,108**	5,714,422	**70,226,667**	63,137,731
Consolidated total	**233,566,651**	252,363,498	**84,851,885**	86,643,390

Revenue from major customer:

	2019	2018
	HK$	*HK$*
Stainless steel furnishings segment		
Customer A	**178,578,853**	238,848,093

5. OTHER INCOME

	2019	2018
	HK$	*HK$*
Bank interest income	**163,027**	311,321
Government grants *(Note)*	**36,386**	34,083
Gain on disposal of property, plant and equipment	**5,716**	—
Exchange gain	**2,435,532**	—
Fair value gain on investment properties	**1,081,328**	439,875
Investment income	**301,559**	409,363
Gain on disposal of investment	**—**	9,157
Marketing income	**—**	105,560
Performance Bonus	**1,800,000**	—
Others	**65,287**	473,628
	5,888,835	1,782,987

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

6. FINANCE COSTS

	2019	2018
	HK$	*HK$*
Interest on bank borrowings and overdrafts	**2,183,464**	2,432,412
Interest on other borrowings	**1,044,170**	359,586
Interest on lease liabilities	**388,575**	—
	3,616,209	2,791,998

7. INCOME TAX EXPENSE

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

	2019	2018
	HK$	*HK$*
Current tax — PRC Enterprise Income Tax		
Provision for the year	**3,100,100**	1,955,869
Current tax — Hong Kong Profits Tax		
Provision for the year	**44,589**	12,176
Over-provision in prior years	**—**	(10,627)
	44,589	1,549
Current tax — Malaysia Corporate Tax		
Provision for the year	**117,573**	9,084
	3,262,262	1,966,502

Under the two-tiered profits tax regime, profits tax rate for the first HK$2 million of assessable profits of qualifying corporations established in Hong Kong will be lowered to 8.25%, profits tax rate for and profits above that amount will be subject to the tax rate of 16.5%.

PRC Enterprise Income Tax has been provided at a rate of 25% (2018: 25%) on the estimated assessable profit for the year ended 31 December 2019.

Malaysia Corporate Tax has been provided at a rate of 24% (2018: 24%) on the estimated assessable profit for the year ended 31 December 2019.

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/(crediting) the following:

	2019	2018
	HK$	*HK$*
Auditor's remuneration	**1,020,000**	810,000
Cost of inventories sold	**212,419,102**	224,610,225
Depreciation on property, plant and equipment	**3,657,419**	4,492,096
Depreciation on right-of-use assets	**5,139,024**	—
Written off of deposits paid for acquisition of long term assets *(Note a)*	**1,174,403**	4,830,038
Impairment of goodwill	**5,500,000**	—
Operating lease charges — buildings	**—**	4,612,813
Equity-settled share-based payments to consultants	**3,167,000**	1,934,907
Net exchange (gain)/losses	**(2,435,532)**	305,504

Cost of inventories sold includes staff costs and depreciation of approximately HK$36,412,000 (2018: HK$44,496,000) which are included in the amounts disclosed separately above.

Note:

(a) 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$1,174,403 (2018:HK$4,830,038).

9. DIVIDEND

No dividend has been paid or declared by the Company during the year (2018: Nil).

10. LOSS PER SHARE

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

	2019	2018
	HK$	*HK$*
Loss		
Loss for the purpose of calculating basic and diluted loss per share	**(77,936,393)**	(34,901,161)

	2019	2018
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 2019 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:

	2019	2018
	HK$	*HK$*
Within one year	**4,514,164**	23,462,019
In the second year	**3,822,691**	—
In the third year	**4,848,096**	—
In the fourth year	**458,398**	—
	13,643,349	23,462,019

The carrying amounts of the loan and interest receivables are denominated in Hong Kong dollars ("HKD").

At 31 December 2019 and 2018, 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

	2019	2018
	HK$	*HK$*
Trade receivables	**28,274,613**	28,018,888
Allowance for doubtful debts	**(2,400,186)**	(1,483,724)
	25,874,427	26,535,164

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:

	2019	2018
	HK$	*HK$*
0–30 days	**22,595,328**	23,041,376
31–60 days	**1,123,613**	1,358,705
61–90 days	**71,573**	276,732
Over 90 days	**2,083,913**	1,858,351
	25,874,427	26,535,164

The carrying amounts of the Group's trade receivables are denominated in the following currencies:

	2019	2018
	HK$	*HK$*
HKD	**450,859**	999,844
Renminbi("RMB")	**21,868,717**	22,542,522
United States dollars ("USD")	**3,433,865**	2,992,798
Others	**120,986**	—
	25,874,427	26,535,164

13. TRADE PAYABLES

	2019	2018
	HK$	*HK$*
Trade payables	**10,334,445**	17,315,023

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:

	2019	2018
	HK$	*HK$*
0–30 days	**7,236,774**	13,342,940
31–60 days	**1,401,405**	957,688
61–90 days	**—**	1,189,412
Over 90 days	**1,696,266**	1,824,983
	10,334,445	17,315,023

The carrying amounts of the Group's trade payables are denominated in the following currencies:

	2019	2018
	HK$	*HK$*
RMB	**7,234,019**	13,123,132
USD	**2,829,654**	4,191,891
Thai Baht ("THB")	**111,778**	—
Malaysia Ringit ("MYR")	**72,834**	—
Singapore Dollar ("SGD")	**86,160**	—
	10,334,445	17,315,023

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The business environment in 2019 was over shadowed by the trade dispute between PRC and the U.S.. Amid the challenging business environment, sales of the household products business declined by approximately 23.5% as compared with last year. This is offset by the increase in revenue from the online games business. Accordingly, the total revenue of the Group decreased marginally by approximately 7.4% during the reporting period as compared with last year. This indicated that the Group's business plan to diversify into the online games segment is gaining momentum.

However, the performance of the online games business was below expectation as it recorded a segment loss of approximately HK$71,434,000 during the reporting period, which was mainly attributable to the delay in the launch of several game titles. Nevertheless, our effort in developing this business segment had enabled the Group to establish a platform for long term substantive growth of the Group.

Household products business

The revenue from household products business for the year ended 31 December 2019 was approximately HK$182,810,000 (2018: HK$238,848,000), representing a decrease of 23.5% as compared with last year. Apart from the reduction in revenue of approximately 19.9% as measured in RMB, the decrease in revenue as measured in HK$ was attributed to the strong RMB in the first half of 2019. Moreover, the portion of sales from new products during the reporting period was approximately 7.9% as compared to approximately 32.7% and 39.5% in 2017 and 2018 respectively.

While the reduction in revenue had a negative impact on the gross margin, the decrease in the portion of sales from new products had a more significant impact as these products usually carry a higher margin. Further, the Group benefited from certain tax savings due to the implementation of tax reform in the PRC in 2019, and the gross profit margin of household products business maintained to approximately 8.4% (2018: 8.4%). The segment loss for the reporting period was approximately HK$1,460,000 (2018: approximately HK$947,000).

The significant reduction in the portion of sales for new products may also indicate a deterioration in our relationship with the major customer. Given the likely continuous slow down in export from China and the possible diversification of the supply chain of the customer towards other countries, it is critical for us to maintain and restore our relationship with the major customer. In addition, the Group will continue to diversify its customer base for the household products business.

Online games business

The revenue from online games business for the year ended 31 December 2019 was approximately HK$44,029,000 (2018: HK$5,081,000) representing an increase of approximately 766.5% as compared with last year. The segment loss for the reporting period was approximately HK$71,434,000 (2018: approximately HK$27,906,000). Since December 2018, the Group has launched four online games' titles with mixed results. Furthermore, three other titles originally scheduled for release in the market in the fourth quarter of 2019 were delayed.

Such extended delay in the launch of new game titles had significantly affected the profitability of the business as the Group had mobilized sizeable operation teams to prepare for the launch of such game titles. The Group will strive to broaden the source of supply of game titles and to develop a more flexible operation structure in the future.

According to the Global Games Market Reports published by Newzoo, the console games segment is also a significant component of the games market. Hence, the Group plans to extend its offerings to this segment. In December 2019, the Group entered into a licensing agreement for distribution of PC game titled ("W-War") in Southeast Asia and Taiwan. Following the expansion into the PC game business, the Group has changed the name of the business segment from mobile game business to online games business.

Moreover, the Group is exploring the feasibilities of expansion into the lucrative online games segment in PRC. This will enable the business to develop from a broader customer base and enjoy better economy of scale for its operation. The Group is confident in developing the business into a prominent regional game distributor.

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$5,264,000 (2018: HK$7,105,000) while the segment loss was approximately HK$4,088,000 (segment profit in 2018: approximately HK$2,393,000), mainly due to impairment loss on loan receivables and interest receivables for approximately HK$6,976,000 (2018: HK$1,538,000).

Property investment business

The Group's revenue from the property investment business during the reporting period was approximately HK$1,463,000 (2018: approximately HK$1,329,000). The segment profit was approximately HK$1,822,000 (2018: approximately HK$3,521,000), mainly due to fair value gain on investment property which is non-cash in nature.

The Group has disposed an investment property in Hong Kong during the Year and incurred a gain on disposal of approximately HK$514,000.

RESULTS OF OPERATIONS

For the fiscal year ended 31 December 2019, the Group reported a revenue of approximately HK$233,567,000 (2018: approximately HK$252,363,000), representing a decrease of 7.4% from that of the fiscal year of 2018. The decrease in revenue is mainly due to decrease of revenue from household products business in the PRC which offset the increase arising from online game business.

Gross profit margin decreased from 11.0% in 2018 to 9.1% in 2019 due to low profit margin for online game business during the Year.

Other income increased from approximately HK$1,783,000 in 2018 to approximately HK$5,889,000 in 2019, mainly due to increase in exchange gain, fair value gain on investment properties and performance bonus.

Distribution costs increased from approximately HK$7,601,000 in 2018 to approximately HK$26,543,000 in 2019 due to increase in marketing expenses and preparation cost for new online games.

Administrative expenses increased from approximately HK$52,057,000 in 2018 to approximately HK$55,962,000 in 2019, mainly due to increase in staff costs and equity settled share-based transactions.

Other operating expenses increased from approximately HK$4,830,000 in 2018 to approximately HK$13,428,000 in 2019, mainly due to impairment loss on game software and goodwill.

Finance costs increased from approximately HK$2,792,000 in 2018 to approximately HK$3,616,000 in 2019, attributable to the increase in bank and other borrowings during the Year.

Income tax expense increased from approximately HK$1,967,000 in 2018 to approximately HK$3,262,000 in 2019, mainly due to withholding tax for distribution of profits from a PRC subsidiary during the Year.

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

As at 31 December 2019, the Group had cash and bank balances of approximately HK$56,962,000 (2018: approximately HK$47,338,000) and net current assets of approximately HK$30,092,000 (2018: approximately HK$7,695,000), the increase in net current assets is mainly due to increase in cash and bank balances and decrease in due to related companies and other payables and accruals.

The Group had bank borrowings of approximately HK$41,416,000 as at 31 December 2019 (2018: approximately HK$44,952,000). All bank borrowings were repayable within one year. The Group's bank borrowings carried interests at fixed rate.

The Group had loan from related parties of approximately HK$93,328,000 as at 31 December 2019 (2018: approximately HK$30,000,000). The loan from related parties carried interest at fixed rate and repayable within three years.

As at 31 December 2019, the Group had current liabilities of approximately HK$108,657,000 (2018: approximately HK$148,296,000). The decrease in current liabilities was mainly due to the decrease in trade payables, other payables and accruals and current tax liabilities.

BANK BORROWINGS

As at 31 December 2019, bank borrowings of approximately HK$41,416,000 (2018: HK$44,952,000) 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 and loan from related companies to total assets, increased from 30.4% in 2018 to 59.7% in 2019, as a result of the increase in long-term loan from related parties.

COMMITMENTS

As at 31 December 2019, the Group's capital commitments amounted to approximately HK$11,393,000 (2018: Nil), attributable to acquisition of licensing right and other video material of online game.

CONTINGENT LIABILITIES

As at 31 December 2019, the Group did not have any significant contingent liabilities (2018: Nil).

EXPOSURE TO FLUCTUATION IN EXCHANGE RATES AND RELATED HEDGES

All transactions of the Group are denominated in RMB, HKD, and USD, MYR, SGD and THB. The Group is exposed to foreign exchange risk with respect to the fluctuation of RMB which may affect the Group's performance and assets. The Group has not entered into any derivative contract to hedged against the risk.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2019, the Group employed approximately 558 staffs. The Group's remuneration to employees, including Directors' emoluments, decreased by approximately HK$2,686,000 to approximately HK$66,751,000 for the fiscal year of 2019.

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

To maximize returns to the shareholders, we would focus on cost saving measures and adopt more flexible structure to meeting the challenges in a rapidly changing economic environment. We will evaluate the business operations and financial position of the Group from time to time and also consider whether any restructuring and/or integration of the existing businesses of the Group will be appropriate in order to enhance long-term growth potential of the Company. To better position of the game business, we are broadening our product range to console games and exploring possible expansion to the lubricant PRC market.

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 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.

EVENT AFTER THE REPORTING PERIOD

The outbreak of the novel coronavirus (COVID-19) has been declared a pandemic by the World Health Organisation as at the date of this announcement. If the outbreak remains protracted, the Group's performances would be negatively impacted, including the Group's export sales in household product business. The Board will continue to assess the impact of the outbreak on the Group's operation and financial performance and closely monitor the Group's exposure to the risks and uncertainties in connection with the outbreak. The Company will make further announcement(s) in accordance with the Listing Rules as and when necessary.

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 2019.

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 2019, 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 2019 (2018: 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, 20 March 2020

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.