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**IMAGI INTERNATIONAL HOLDINGS LIMITED**
**意馬國際控股有限公司***

*(incorporated in Bermuda with limited liability)*
**(Stock Code: 585)**

# ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2016

The board (the "Board") of directors (the "Director(s)") of Imagi International Holdings Limited (the "Company") hereby announces the audited consolidated annual results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2016 (the "Year under Review") together with the comparative figures for the corresponding year in 2015 as follows:

* *for identification purpose only*

## FINANCIAL INFORMATION

## CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

| | | For the year ended 31 December | |
|---|---|---|---|
| | | **2016** | 2015 |
| | *Notes* | ***HK$'000*** | *HK$'000* |
| Revenue | *4* | **1,132** | – |
| Other income | *5* | **4,626** | 8,862 |
| Other gains and losses | *6* | **40,527** | (1,129) |
| Losses from changes in fair value of financial assets classified as held-for-trading | | **(90,746)** | – |
| Impairment loss on available-for-sale investments | | **(79,273)** | – |
| Impairment loss on a purported short-term loan | *14* | **–** | (10,000) |
| Impairment loss on investment in an unconsolidated subsidiary | *12* | **–** | (64,985) |
| Forfeiture of a deposit paid for acquisition of a target company | | **(150,000)** | – |
| Administrative expenses | | **(133,987)** | (13,986) |
| **Loss from operations** | | **(407,721)** | (81,238) |
| Finance costs | | **(2,530)** | – |
| Share of loss of a joint venture | | **(7,311)** | – |
| **Loss before tax** | *7* | **(417,562)** | (81,238) |
| Income tax expense | *8* | **(10,967)** | – |
| **Loss for the year** | | **(428,529)** | (81,238) |
| **Other comprehensive (expense)/income** | | | |
| Items that may be reclassified subsequently to profit or loss: | | | |
| Exchange differences on translating an operation outside Hong Kong | | **120** | 269 |
| Release of fair value reserve upon disposal of available-for-sale investments | | **(1,761)** | 306 |
| Net (loss)/gain on revaluation of available-for-sale investments | | **(544)** | 1,690 |
| Other comprehensive (expense)/income for the year | | **(2,185)** | 2,265 |
| **Total comprehensive expense for the year** | | **(430,714)** | (78,973) |

| | Notes | For the year ended 31 December | |
|---|---|---|---|
| | | **2016** | 2015 |
| | *Notes* | ***HK$'000*** | *HK$'000* |
| **Loss for the year attributable to:** | | | |
| Owners of the Company | | **(424,549)** | (81,238) |
| Non-controlling interests | | **(3,980)** | – |
| | | **(428,529)** | (81,238) |
| **Total comprehensive expense for the year attributable to:** | | | |
| Owners of the Company | | **(426,734)** | (78,973) |
| Non-controlling interests | | **(3,980)** | – |
| | | **(430,714)** | (78,973) |
| | | **2016** | 2015 (restated) |
| **Loss per share** | | | |
| Basic and dilute (HK cents per share) | *10* | **(94)** | (29) |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | Notes | For the year ended 31 December 2016 HK$'000 | 2015 HK$'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | | **33,774** | 98,069 |
| Intangible assets | | **–** | – |
| Available-for-sale investments | *11* | **–** | 76,564 |
| Investment in an unconsolidated subsidiary | *12* | **–** | 23,843 |
| Club debenture | | **1,300** | 1,300 |
| Interest in a joint venture | *13* | **142,689** | – |
| | | **177,763** | 199,776 |
| **Current assets** | | | |
| Other receivables, deposits and prepayments | | **23,171** | 3,875 |
| Purported short-term loan | *14* | **–** | – |
| Amount due from a joint venture | | **71** | – |
| Held-for-trading investments | *15* | **588,638** | – |
| Convertible note receivables | *16* | **43,466** | – |
| Available-for-sale investments | *11* | **48,650** | 15,749 |
| Bank balances and cash | | **246,446** | 625,964 |
| | | **950,442** | 645,588 |
| **Current liabilities** | | | |
| Other payables and accruals | | **7,009** | 3,983 |
| Tax payable | | **10,967** | – |
| | | **17,976** | 3,983 |
| **Net current assets** | | **932,466** | 641,605 |
| **Total assets less current liabilities** | | **1,110,229** | 841,381 |
| **Net assets** | | **1,110,229** | 841,381 |
| **Capital and reserves** | | | |
| Share capital | | **22,741** | 9,969 |
| Reserves | | **1,087,488** | 831,412 |
| **Total equity attributable to owners of the Company** | | **1,110,229** | 841,381 |

## 1. GENERAL

The Company is a public limited company incorporated in Bermuda as an exempted company with limited liability under the Companies Act 1981 of Bermuda and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

**Application of new and revised HKFRSs**

The Hong Kong Institute of Certified Public Accountants ("HKICPA") has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these 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.

**Possible impact of new or revised HKFRSs issued but not yet effective for the year ended 31 December 2016**

Up to the date of issue of these financial statements, the HKICPA has issued the following amendments and new standards which are not yet effective for the year ended 31 December 2016 and which have not been early adopted in these financial statements. These include the following which may be relevant to the Group.

| | |
|---|---|
| Amendments to HKAS 7 | Statement of Cash Flows: Disclosure Initiative[4] |
| Amendments to HKAS 12 | Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses[4] |
| HKFRS 9 | Financial Instruments[1] |
| HKFRS 15 | Revenue from Contracts with Customers[1] |
| HKFRS 16 | Leases[2] |
| Amendments to HKFRS 2 | Share-based payment: Classification and Measurement of Share-Based Payment Transactions[1] |
| Amendments to HKFRS 15 | Classifications to HKFRS 15[1] |

[1] Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted

[2] Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted

[3] Effective for annual periods beginning on or after a date to be determined

[4] Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted

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 the new standards which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below. As the Group has not completed its assessment, further impacts may be identified in due course and will be taken into consideration when determining whether to adopt any of these new requirements before their effective date and which transitional approach to take, where there are alternative approaches allowed under the new standards.

***HKFRS 9 Financial Instruments***

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9 which are relevant to the Group are:

All recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income (FVTOCI). All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in HKAS 39. Under HKFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the retrospective quantitative effectiveness test has been removed. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

Based on the preliminary assessment, the Group expects that its financial assets currently measured at amortised cost and fair value through profit or loss (FVTPL) will continue with their respective classification and measurements upon the adoption of HKFRS 9.

The Group's available-for-sale investments, including those currently stated at cost less impairment, will either be measured as fair value through profit or loss or be designated as FVTOCI (subject to fulfillment of the designation criteria).

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities.

This new impairment model may result in an earlier recognition of credit losses on the Group's trade receivables and other financial assets. However, a more detailed analysis is required to determine the extent of the impact.

The directors do not anticipate that the application of the HKFRS 9 hedge accounting requirements will have a material impact on the Group's consolidated financial statements.

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

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued Clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors anticipate that the application of HKFRS 15 in the future may result in more disclosures, however, the directors do not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

***HKFRS 16 Leases***

Currently the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. The Group enters into some leases as the lessor and others as the lessee.

HKFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. However, once HKFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease the lessee will recognise and measure a lease liability at the present value of the minimum future lease payments and will recognise a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee will recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term.

HKFRS 16 will primarily affect the Group's accounting as a lessee of leases for properties, plant and equipment which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of profit or loss over the period of the lease. The Group will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of HKFRS 16, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of HKFRS 16 and the effects of discounting.

The Group is considering whether to adopt HKFRS 16 before its effective date of 1 January 2019. However, early adoption of HKFRS 16 is only permitted if this is no earlier than the adoption of HKFRS 15. It is therefore unlikely that HKFRS 16 will be adopted before the effective date of HKFRS 15, being 1 January 2018.

*Amendments to HKAS 7 Disclosure Initiative*

The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities including both changes arising from cash flows and non-cash changes. Specially, the amendments require the following changes in liabilities arising from financing activities to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

The application of the amendments will result in additional disclosures on the Group's financing activities, specifically reconciliation between the opening and closing balances in the consolidated statement of financial position for liabilities arising from financing activities will be provided on application.

*Amendments to HKAS 12 Recognition of Deferred Tax Assets for Unrealised Losses*

The amendments provide guidance on how an entity determines, in accordance with HKAS 12 Income Taxes, whether to recognise a deferred tax asset in relation to unrealised tax losses of a debt instrument that is classified as an available-for-sale financial asset in accordance with HKAS 39 Financial Instruments: Recognition and Measurement under certain specific facts and circumstances.

The directors of the Company do not anticipate that the application of these amendments will have a material impact on the Group's consolidated financial statements.

## 3. SEGMENT INFORMATION

On 28 January 2016, the Board resolved to develop integrated financial services including the provision of securities brokerage services, placing and underwriting services, corporate finance advisory services, investment advisory and management services, margin financing and money-lending business, securities investment and proprietary trading. During the current year, the Group started its proprietary trading activities related to equity securities listed in Hong Kong, which become the principal business of the Group. The proprietary trading activities are carried out through wholly owned subsidiaries. The Group has been operating with only one reportable and operating segment: trading of securities segment engaged in the purchase and sales of securities investments. The chief operating decision maker ("CODM") monitors the consolidated revenue and changes in fair value of financial assets classified as held-for-trading investments and financial assets fair value through profit or loss for the purpose of resources allocation and performance assessment. Accordingly, no further segment information has been presented.

## 4. REVENUE

| | **2016** | 2015 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Dividend income from held-for-trading investments | **1,132** | – |
| | **1,132** | – |

## 5. OTHER INCOME

| | 2016 | 2015 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Interest income on convertible note receivables | **523** | – |
| Interest income on available-for-sale investments | **1,097** | 4,771 |
| Interest income on loan receivables and bank deposits | **403** | 3,557 |
| Dividend income from available-for-sale investments | **2,167** | – |
| Royalty income | **436** | 505 |
| Others | **–** | 29 |
| | **4,626** | 8,862 |

## 6. OTHER GAINS AND LOSSES

| | 2016 | 2015 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Fair value gain on convertible note receivables | **18,099** | – |
| Gain on disposal of a subsidiary *(note 17)* | **32,153** | – |
| Gain/(loss) recognised upon disposal of available-for-sale investments | **1,761** | (306) |
| Net foreign exchange losses | **(1,016)** | (823) |
| Impairment loss on property, plant and equipment | **(10,470)** | – |
| | **40,527** | (1,129) |

## 7. LOSS BEFORE TAX

| | 2016 | 2015 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Loss before tax has been arrived at after charging: | | |
| Auditor's remuneration | **1,100** | 1,800 |
| Directors' remuneration | **12,858** | 1,400 |
| Other staff costs (included in administrative expenses) | | |
| Salaries and allowance | **9,269** | 1,092 |
| Contribution to retirement benefit scheme | **280** | 40 |
| Equity-settled share-based payments expenses | **28,757** | – |
| Total staff costs | **51,164** | 2,532 |
| Equity-settled share-based payment expenses (for individuals other than employees and directors ) (included in administrative expenses) | **27,166** | – |
| Depreciation of property, plant and equipment | **5,976** | 2,380 |

## 8. INCOME TAX EXPENSE

**Income tax recognised in profit or loss:**

| | **2016** | 2015 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **Hong Kong Profits Tax** | | |
| Current tax | **–** | – |
| Underprovision in respect of prior years | **10,967** | – |
| | **10,967** | – |

No provision for Hong Kong Profits Tax had been made as the Group had no assessable profits for both years.

On 21 March 2016, Imagi Crystal Limited ("Imagi Crystal"), a wholly-owned subsidiary of the Company, received a time barred tax demand note dated 14 March 2016 of approximately HK$9,863,000 issued by the Hong Kong Inland Revenue Department (the "HKIRD") for the year of assessment 2009/2010. On 23 February 2017, Imagi Crystal received a tax demand note dated 21 February 2017 of approximately HK$1,104,000 for the year assessment 2010/11 issued by HKIRD. Since Imagi Crystal is in a net current liabilities position, Imagi Crystal did not purchase tax reserve certificates before the due date and HKIRD had applied a 5% surcharge of approximately HK$493,000 and another 10% additional surcharge of approximately HK$1,035,000 to the outstanding amounts. HKIRD considered that the impairment loss on graphic imaging animation pictures, classified as intangible assets, charged to profit or loss for the respective year was not deductible and the costs should have been treated as capital expenditure for the year of assessment of 2009/10. Futhermore, HKIRD considered that the impairment loss on an amount due from a fellow subsidiary as waiver to the fellow subsidiary in the year of assessment 2010/2011 and should not be deductible as there were no documentary evidences to justify the claim for impairment loss. The directors of the Company reassessed the tax position of Imagi Crystal and recognized HK$10,967,000 as income tax expense and HK$1,528,000 as administrative expense in the current year.

## 9. DIVIDEND

No dividend was paid or proposed during the year ended 31 December 2016, nor has any dividend been proposed since the end of the reporting period (2015: HK$Nil).

## 10. LOSS PER SHARE

### (a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to owners of the Company of HK$424,549,000 (2015: HK$81,238,000) and the weighted average number of ordinary shares of 449,518,000 shares (2015: 277,703,000 shares (restated)) in issue during the year.

### (b) Diluted loss per share

The calculation of diluted loss per share is based on the loss attributable to owners of the Company of HK$424,549,000 (2015: HK$81,238,000) and the weighted average number of ordinary shares calculated as follows:

**Weighted average number of ordinary shares (diluted)**

| | **2016** | 2015 |
|---|---|---|
| | ***'000*** | *'000* |
| | | *(restated)* |
| Weighted average number of ordinary shares used in the calculation of basic loss per share | **449,518** | 277,703 |
| Effect of deemed issue of shares under the Company's share option scheme for nil consideration | **258** | – |
| Weighted average number of ordinary shares used in the calculation of diluted earnings per share | **449,776** | 277,703 |

The weighted average number of ordinary shares for the purpose of basic and diluted loss per share has been adjusted for the share consolidation on 31 May 2016 and 13 March 2017 and the effect of an open offer on 26 August 2016.

## 11. AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments comprise:

| | **2016** | 2015 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **Listed investments:** | | |
| Corporate bonds listed in Hong Kong with fixed interest rates ranging from 3.3% to 4.8% and maturity dates between 18 October 2016 and 21 November 2018 | **–** | 51,792 |
| Corporate bonds listed in Singapore with fixed interest rates ranging from 8.5% to 11.1% and maturity dates between 20 March 2017 and 10 January 2019 | **–** | 16,039 |
| Corporate bonds listed in the European market with interest rates ranging from 5.1% to 6.8% and maturity dates between 21 January 2018 and 23 January 2019 | **–** | 24,482 |
| | **–** | 92,313 |
| **Unlisted equity securities, at cost** | **127,923** | – |
| Less: Impairment loss | **(79,273)** | – |
| | **48,650** | – |
| Analysed for reporting purposes as: | | |
| Current assets | **48,650** | 15,749 |
| Non-current assets | **–** | 76,564 |
| | **48,650** | 92,313 |

On 2 March 2016, the Group subscribed (i) 6,200,000 shares of Joint Global Limited ("Joint Global") and (ii) 450,000 shares of FreeOpt Holdings Limited ("FreeOpt") at considerations of HK$45,198,000 and HK$45,000,000, respectively. On 3 March 2016, the Group subscribed 7,500,000 shares of Freewill Holdings Limited ("Freewill") at a consideration of HK$37,725,000. These three companies are incorporated in the Republic of the Marshall Islands. As at 31 December 2016, the Group held 2%, 12% and 1% equity interest in Joint Global, FreeOpt and Freewill, respectively. The investees are principally engaged in investment holding and the provision of financial services in Hong Kong. These investments are measured at cost less impairment at the end of the reporting period because the ranges of reasonable fair value estimates are so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

Subsequent to the investments made in these three companies, the Group found that all of these three companies have experienced losses mainly attributable to losses incurred on their respective investment activities. On 20 January 2017, the Group entered in sale and purchase agreements with independent third parties to dispose of the subsidiaries of the Company holding the shares of Joint Global and FreeOpt and Freewill and Convertible Note II (see note 16) at total consideration of HK$51,000,000 (the "Disposals"). In this regard, impairment losses of HK$79,273,000, with reference to the sale proceeds of the Disposals, was recognized and charged to profit or loss in the current year. The Disposals were completed on 23 January 2017.

## 12. INVESTMENT IN AN UNCONSOLIDATED SUBSIDIARY/IMPAIRMENT LOSS ON INVESTMENT IN AN UNCONSOLIDATED SUBSIDIARY

| | **2016** | 2015 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Investment in an unconsolidated subsidiary | – | 88,828 |
| Less: Impairment on investment | – | (64,985) |
| | – | 23,843 |

On 26 February 2015, the Group, through one of its wholly owned subsidiaries, established (廈門盛福明德商務服務有限公司 ("Xiamen Sunflower")) in the People's Republic of China (the "PRC") for providing advisory services in relation to business information, enterprise management, investment and social economics (excluding financial business), as well as supply chain management, with Mr. Shan Jiuliang ("Mr. Shan") being appointed as the legal representative and sole director of Xiamen Sunflower. On 26 June 2015, RMB71,000,000 (equivalent to approximately HK$88,828,000) was deposited to bank account of Xiamen Sunflower as paid up capital. As disclosed in the Company's announcement dated 17 December 2015, Xiamen Sunflower entered into an unauthorised tenancy agreement ("Tenancy Agreement") in August 2015 to lease a property for a term of two years from a company ("Sub-lessor") in which Mr. Shan and his spouse, Ms. Zhang Peng ("Ms. Zhang"), the two former executive directors of the Company, collectively own 86.83% equity interest, for a rent of RMB2,688,000 per annum. A total sum of RMB6,000,000 (equivalent to approximately HK$7,468,000), representing two years' rent paid in advance and a deposit of RMB624,000 (equivalent to approximately HK$777,000), under the Tenancy Agreement was paid to the Sub-lessor. The board of directors of the Company other than Ms. Zhang and Mr. Wen Di has subsequently resolved to revoke the transaction but the Company was advised by its PRC legal adviser that although (i) the board of directors of the Company other than Mr. Shan, Ms. Zhang and Mr. Wen Di (the "Board") was not aware of the Tenancy Agreement at the time when it was executed; and (ii) the Board had not approved, authorised or ratified the transaction, this does not invalidate the Tenancy Agreement. The Group is not able to get in contact with Mr. Shan since November 2015. In addition, the Group has not been able to gain access to the books and records, including banks statements, of Xiamen Sunflower since then, or access to the funds in Xiamen Sunflower's bank accounts.

On 7 March 2016, the Company entered into a disposal agreement ("Disposal Agreement") with an independent third party (the "Purchaser") to dispose of Imagi Jue Ming Limited (which holds the entire equity interest in Po Hau Holdings Limited and Xiamen Sunflower), together with the shareholder's loan amounting to HK$100,000,000, at a cash consideration of HK$25,000,000 (the "Consideration"). The transaction was completed on 9 March 2016 (date of disposal) and the Purchaser confirmed that the conditions for Disposal Agreement were satisfied on the date of disposal.

Taking into account the facts and circumstances, the Group accounted the investment in Xiamen Sunflower at cost less impairment as at 31 December 2015 and recognised an impairment loss of approximately HK$64,985,000 on the carrying amount of its investment in Xiamen Sunflower during the year ended 31 December 2015 based on the Consideration less the amount attributable to the net assets (comprised only bank balances) of Imagi Jue Ming Limited and Po Hau Holdings Limited. When preparing the consolidated financial statements for the year 2016, the Group did not consolidate the results of Xiamen Sunflower for the period 1 January 2016 to 9 March 2016. This non-consolidation of Xiamen Sunflower from 1 January 2016 to 9 March 2016 is not in compliance with the requirements of HKFRS 10, which provide that the consolidation of a subsidiary should begin when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. As such, the Board is unable to ascertain the impact of not consolidating the financial statements of Xiamen Sunflower on the consolidated financial statements for the year ended 31 December 2015 or in the period from 1 January 2016 to 9 March 2016.

## 13. INTEREST IN A JOINT VENTURE

| | **2016** | 2015 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Cost of interest in a joint venture | **150,000** | – |
| Share of post-acquisition loss and other comprehensive expense | **(7,311)** | – |
| | **142,689** | – |

On 26 February 2016, the Company entered into a joint venture agreement with Bob May Incorporated ("BMI"), pursuant to which the Company and BMI agreed to set-up a joint venture company for the purpose of carrying out the business of the provision of finance and money-lending by contributing HK$150,000,000 each to the initial share capital of the joint venture company. As at 31 December 2016, both the Company and BMI held 50% equity interest in the joint venture company.

Details of the Group's interest in the joint venture which is accounted for using the equity method in the consolidated financial statements, as at 31 December 2016 is as follows:

| Name of joint venture | Country of incorporation | Principal place of business | Proportion of ownership interest held by the Group 31 December 2016 | Proportion of voting rights held by the Group 31 December 2016 | Principal activity |
|---|---|---|---|---|---|
| Imagination Holding Limited | Republic of the Marshall Islands | Hong Kong | 50% | 50% | Investment holding |
| Jocasta Ventures Ltd. | British Virgin Islands | Hong Kong | 50% | 50% | Intermediate holding |
| Simagi Finance Company Limited | Hong Kong | Hong Kong | 50% | 50% | Provision of finance and money lending business |

Imagination Holding Limited, the only joint venture in which the Group participates, is an unlisted corporate entity whose quoted market price is not available.

**Summarised financial information of the joint venture**

Summarised financial information in respect of the Group's joint venture is set out below.

| | **2016** |
|---|---|
| | ***HK$'000*** |
| Current assets | **285,448** |
| Current liabilities | **(71)** |
| | **285,377** |
| Included in the above assets and liabilities: | |
| Cash and cash equivalents | **13,255** |
| Current financial liabilities (excluding trade and other payables and provisions) | **(71)** |

| | **2016** |
|---|---|
| | ***HK$'000*** |
| Revenue | 17,935 |
| Loss and total comprehensive expense for the year | (14,623) |
| Dividends received from the joint venture during the year | – |
| Included in the above loss: | |
| Interest income | 17,935 |
| Impairment loss on loan receivable and interest receivable *(note)* | (32,010) |

Reconciliation of the above summarised financial information to the carrying amount of the interest in the joint venture recognised in the consolidated financial statements:

| | **2016** |
|---|---|
| | ***HK$'000*** |
| Net assets of the joint venture | 285,377 |
| Proportion of the Group's ownership interest in the joint venture | 50% |
| Carrying amount of the Group's interest in the joint venture | 142,689 |

*Note:*

On 16 March 2016, Simagi Finance Company Limited ("Simagi"), a wholly owned subsidiary of the joint venture company, entered into a deed of assignment with an independent third party (the "Assignor"), whereby a loan receivable of the Assignor of HK$30,000,000 (the "Loan Receivable") and interest accrued thereon of HK$1,197,000 were assigned to Simagi at a consideration of HK$27,000,000. The borrower, Up Energy Trading Limited ("UETL"), is a subsidiary of Up Energy Development Group Limited ("Up Energy"), an exempted company incorporated in Bermuda with its shares listed on Stock Exchange. The Loan Receivable and the accrued interest receivable are guaranteed by Up Energy and are repayable by 20 consecutive monthly instalments of HK$1,500,000 each commencing from 17 December 2015. Simagi did not receive any settlements from the borrower and Up Energy received a winding up petition in May 2016 filed by Credit Suisse AG, Singapore Branch against Up Energy in the Supreme Court of Bermuda for the outstanding balance of the matured convertible notes in the principal amount of HK$150,000,000. Up Energy is currently undergoing restructuring. Based on the available information, including the unaudited financial information up to 31 March 2016 and the proposed restructuring plan of Up Energy, the management of the joint venture company considered that the recoverability of the Loan Receivable and the accrued interest receivable is uncertain and an impairment loss of HK$32,010,000 was recognised for the year ended 31 December 2016.

## 14. PURPORTED SHORT-TERM LOAN/IMPAIRMENT LOSS ON A PURPORTED SHORT-TERM LOAN

| | **2016** | 2015 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Purported short-term loan | **–** | 10,000 |
| Less: Allowance for doubtful debt | **–** | (10,000) |
| | **–** | – |

On the instruction of Mr. Shan, a wholly–owned subsidiary of the Company transferred HK$10,000,000 to a purported third party ("Fund Recipient") for a purported term of six months (the "Purported Loan") on 6 August 2015. Other than Mr. Shan, the Board does not have knowledge on the details of the Purported Loan and the background of the Fund Recipient.

As disclosed in the Company's announcement dated 23 February 2016, the Board is of the view that there is an element of fraud suspected in the whole transaction after a preliminary investigation conducted by the management of the Company. The Group commenced legal proceedings by issuing a writ of summons in the High Court of Hong Kong on 23 February 2016 against the Fund Recipient for the recovery of the Purported Loan together with interest thereon and costs.

Despite the aforesaid legal proceedings, in the opinion of the Board, the recoverability of the Purported Loan is uncertain at this stage and accordingly, a full allowance of HK$10,000,000 has been provided for the year ended 31 December 2015.

On 9 March 2016, the Company disposed of Imagi Jue Ming Limited, a wholly owned solidarity which indirectly hold the purported short-term loan, and the purported short-term was derecognised through the disposal of subsidiary.

## 15. HELD-FOR-TRADING INVESTMENTS

Held-for-trading investments represents the listed equity securities in Hong Kong of HK$586,453,000 (2015: nil) and right issue for a listed equity securities in Hong Kong of HK$2,185,000 (2015: nil). All the held-for-trading investments are pledged to a financial institution to secure the margin financing facilities obtained.

## 16. CONVERTIBLE NOTE RECEIVABLES

| | **2016** | 2015 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Convertible note receivables – designated at FVTPL | | |
| Convertible Note I | **41,299** | – |
| Convertible Note II | **2,167** | – |
| | **43,466** | – |

Convertible note receivables acquired are designated as at fair value through profit or loss because the relevant financial assets constitute a group that is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management and investment strategy, and information about the Group is provided internally on that basis to the Group's key management personnel.

Convertible Note I represented fair value of an investment in convertible notes issued by China Agri-Products Exchange Limited ("China Agri-Products"), a company listed on the Stock Exchange. The principal amount of the convertible note receivables is HK$23,200,000, which can be converted to 58,000,000 ordinary shares of China Agri-Products at conversion price of HK$0.4 per share from the inception date till the date which is five business days preceding the maturity date on 18 October 2021. The convertible note receivables carried interest at 7.5% per annum, payable semi-annually on 19 October and 19 April each calendar year. The convertible note receivables could be redeemed by China Agri-Products any date on or before maturity date at principal amount.

There is a day-one gain of approximately HK$29,836,000 for Convertible Note I, which is deferred and amortised in the consolidation statement of profit or loss based on a straight line method within the effective lives of the convertible note receivables.

Convertible Note II represented fair value of 2.14% interest in convertible notes issued by Up Energy Development Group Limited ("Up Energy"), a company listed on the Stock Exchange. The principal amount of the convertible note receivables is HK$100,000,000 and HK$130,000,000, which can be converted to 134,138,162 and 174,379,611 ordinary shares of Up Energy at conversion price of HK$0.7455 per share from the inception date until the date which is five business days preceding the maturity date on 31 December 2018. The convertible notes receivables carried interest at 5% per annum, payable semi-annually on 30 June and 31 December of each calendar year. The convertible note would be redeemed by Up Energy on maturity date at principal amount. Subsequent to the end of reporting period, the Group disposed of the convertible notes to independent third party through the disposal of a subsidiary (note 17).

For the year ended 31 December 2016, the fair value gain of the convertible note receivables amounting to HK$16,922,000 (2015: nil) plus the amortization of day-one gain for Convertible Note I of the HK$1,177,000 (2015: nil) for the period is recognised in "other gains or losses'".

## 17. DISPOSAL OF SUBSIDIARY

On 8 August 2016, the Group disposed of its entire 100% equity interest in a subsidiary, Cicero Capital Ltd., to an independent third party for a cash consideration of HK$128,000,000. The disposal was completed on 12 October 2016. The net assets of the subsidiary at the date of disposal were as follows:

| | **2016** |
|---|---|
| | *HK$'000* |
| Net assets disposed of: | |
| Property, plant and equipment | 95,732 |
| Prepayment and deposits | 99 |
| | 95,831 |
| Total consideration | 128,000 |
| Expenses paid in connection with the disposal | (16) |
| Net assets disposal of | (95,831) |
| Gain on disposal of a subsidiary | 32,153 |
| Satisfied by: | |
| Cash | 128,000 |
| Analysis of net inflow of cash and cash equivalents in respect of disposal of a subsidiary | |
| Cash | 128,000 |

## EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The Auditor has informed the Company that they will issue a qualified opinion in the Auditor's report to the shareholders of the Company. The basis of the Auditor's qualified opinion is extracted below:

### Basis for qualified opinion

(i) As explained in Note 23 to the consolidated financial statements, the Group has not been able to access the books and records of a wholly-owned subsidiary, 廈門盛福明德商務服務有限公司 (Xiamen Sunflower Mingde Business Service Co. Ltd. ("Xiamen Sunflower")), since November 2015 as a result of the loss of contact with a former executive director of the Company who was also the legal representative and sole director of Xiamen Sunflower. Against this background, the investment in Xiamen Sunflower has been accounted for on a cost less impairment basis and has not been consolidated in the consolidated financial statements for the year ended 31 December 2015 or in the period from 1 January 2016 to 9 March 2016 (date of disposal). Under Hong Kong Financial Reporting Standard 10 "Consolidated Financial Statements" ("HKFRS 10") issued by the Hong Kong Institute of Certified Public Accountants, consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. The financial statements of Xiamen Sunflower should have been consolidated up to the date of disposal because it was controlled by the Company since its incorporation to the date of disposal and accordingly the consolidated financial statements have not been prepared in all material respects in accordance with HKFRS. Had Xiamen Sunflower been consolidated for the year ended 31 December 2015, many elements in the consolidated financial statements would have been materially affected.

As disclosed in note 23 to the consolidated financial statements, the Group completed the disposal of Imagi Jue Ming Limited (which holds the entire equity interest in Xiamen Sunflower) during the year ended 31 December 2016 and the purchaser confirmed that the conditions of the disposal were satisfied on 9 March 2016 (the date of disposal). In the absence of reliable financial information of Xiamen Sunflower for the period from 1 January 2016 to the date of disposal, it is not practicable for us to quantify the effects of the departure from the requirement of HKFRS 10 on the consolidated financial statements for the year ended 31 December 2016, including the amount in relation to the gain or loss on disposal, or to assess whether the disclosures with respect to Xiamen Sunflower in the notes to the consolidated financial statements were appropriate. Any adjustment that would be required may have a consequential significant effect on the net assets of the Group as at 31 December 2015 and the loss and total comprehensive expense attributable to the owners of the Company for the years ended 31 December 2016 and 2015.

(ii) As disclosed in Note 27 to the consolidated financial statements, the Board has been unable to locate the agreement governing a purported loan or contact the fund recipient and, as such, have been unable to confirm the nature of the fund advance. The Group has commenced legal proceedings against the fund recipient for the recovery of the fund. Given this circumstance, the Board has made full provision in respect of this purported short-term loan for the year ended 31 December 2015. Due to the lack of records in respect of the transaction, we were unable to assess whether the fund advance was properly recorded, accounted for and disclosed in the consolidated financial statements. Any adjustment that would be required may have a consequential effect on the net assets of the Group as at 31 December 2015 and the loss and total comprehensive expense attributable to the owners of the Company for the year ended 31 December 2015.

The aforesaid notes 23 and 27 to the consolidated financial statements in the extract from the Independent Auditor's Report are disclosed in notes 12 and 14 respectively to this results announcement.

## MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS AND OPERATIONAL REVIEW

For the Year under Review, the Group's principal business is to engage in investment business and integrated financial services business, computer graphic imaging ("CGI"), cultural and entertainment business.

The new management of the Company took over the reins of the Company in the midst of great uncertainty caused by the prolong absence of the then executive directors and several questionable transactions undertaken also by those executive directors. The new management immediately began a thorough review on the Company's existing businesses and assets. On the business side, the new management took the view that the then core business of the Company, the CGI business was in the doldrums and unlikely to turn around in the near terms. The new management concluded that for the immediate future, for the CGI business, the Company would stop devoting further efforts and resources for new productions and will concentrate exclusively on the distribution side. With the above in mind, the new management searched for new business lines to become additional core businesses for the Company and had identified integrated financial services business as an additional principal line of business for the Company. The public was informed of the above via a Business Update announced on 28 January 2016 and 16 March 2017. The Company's management immediately began to implement the aforementioned decision and the re-deployment of resources accordingly.

**(i) Existing businesses and assets**

With the appointment of the new management team, the Company had begun an extensive review of its existing businesses and assets. For CGI, cultural and entertainment business, it has been determined that it would no longer be profitable for the Company to become engaged on the production side for this business at this time. However the new management remained committed to the distribution side of the business and had conducted extensive review of intellectual properties owned by the Company and current or previous signed distribution agreements and is negotiating with counter-parties on renewing existing or establishing new distribution agreements. As for the Company's property in Wong Chuk Hang, the Company, after reviewing its options, had decided that it is no longer required for the Company's CGI business and the property is thus surplus to the Company's requirements. On 8 August 2016, the Company had executed a sale and purchase agreement to dispose the subsidiaries holding the property section for a consideration in an amount of HK$128 million and the disposal was completed on 12 October 2016.

As for the Company's assets in China, after taking into account of the lack of information and the legal difficulties encountered in the Company's effort in recovering its money locked up there, the Company had decided to disengage from its China subsidiaries and subsequently completely disposed all of its operations there.

**(ii) New business**

Pursuant to the Company's announcement dated 28 January 2016, the Company has decided to expand the range of its principal businesses to include that of financial services comprising of provision of securities brokerage services, placing and underwriting services, corporate finance advisory services, investment advisory and management services, margin financing and money lending business, securities investment and proprietary trading. The Company has since commenced the development of these businesses.

***(a) Securities investments and proprietary trading***

The Company has commenced the securities investments and proprietary trading business in earnest with a total fair value of the portfolio in listed securities of approximately HK$589 million as at 31 December 2016.

***(b) Money lending business***

The Company has formed a joint venture with Bob May Incorporated ("BMI") on 29 February 2016 pursuant to which the Company and BMI agreed to carry out the business of provision of finance and money lending through the operation of the equal joint venture company (the "JV Company"). The JV Company had since acquired a company with a money lenders licence and had commenced its business soon thereafter.

*(c) Brokerage services*

On 30 August 2016, the Company announced that it had entered into a conditional agreement to acquire John & Wong Securities Company Limited (the "Target Company", a corporate licensed under the Securities and Futures Ordinance, Cap. 571 of the Laws of Hong Kong ("SFO") to carry out Type 1 (dealing in securities) regulated activity). The Target Company principally engaged in the business as dealer in securities and trading in securities. This represent the Company's continual development of its integrated financial services business and the Target Company is intended to be used as a flagship for the Company into other securities related businesses such as fund management, corporate finance advisory etc. The acquisition was completed on 28 February 2017.

## FINANCIAL REVIEW

### Review of results

The net loss before tax for the Year under Review was approximately HK$418 million compared to the net loss before tax of approximately HK$81 million for the last year. It was mainly due to losses from change in fair value of financial assets classified as held-for-trading of approximately HK$91 million (2015: Nil), impairment loss on available-for-sale investments of approximately HK$79 million (2015: Nil) and recognition of HK$150 million forfeited deposit as a result of termination of acquisition of a target company engaging in the securities trading business.

On the expenditure side, administrative expenses significantly increased by approximately HK$120 million or 857% from approximately HK$14 million for the last financial year to approximately HK$134 million for the Year under Review, which was mainly due to the inclusion (i) the cost of trading of securities of approximately HK$12 million (2015: Nil); (ii) increase of legal and professional fee of HK$15 million or 300% from approximately HK$5 million for the last financial year to approximately HK$20 million for the Year under Review; (iii) increase of rent, rates and management fee of HK$6 million or 300% from approximately HK$2 million for the last financial year to approximately HK$8 million for the Year under Review; (iv) increase of staff costs (excluding equity-settled share-based payment expense) of HK$11 million or 367% from approximately HK$3 million for the last financial year to approximately HK$14 million for the Year under Review; (v) the recognition of equity-settled share-based payment of approximately HK$64 million (2015: Nil); and (vi) the net increase in other administrative expenses of approximately HK$12 million. These increases were as a result of expensing new businesses and in line with operation of the Group as well as redomicile exercise carrying out by the Company during the Year under Review.

## LIQUIDITY AND FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group primarily financed by its operation with internally generated cash flows and fund raising exercise. The liquidity and financial position of the Group as at 31 December 2016 remain healthy, with bank balance amounting to HK$246 million (31 December 2015: HK$626 million) and a current ratio (the total amount of current assets over the total amount of current liabilities) of approximately 53 times (2015: approximately 162 times).

As at 31 December 2016, the Group had no bank or other borrowings and therefore the gearing ratio (expressed as a percentage of total borrowings over total capital) was zero (2015: zero).

As at 31 December 2016, the total number of issued shares of the Company was 4,548,172,578 shares with a par value of HK$0.005 each.

## EXPOSURE TO EXCHANGE RATES

Presently, most of the Group's business transactions, assets and liabilities are denominated in Hong Kong dollar and United States dollar. The Group's exposure to currency risk is minimal as Hong Kong dollar is pegged to United States dollar. The Group does not have any currency hedging policy and has not entered into any hedging or other instrument to reduce currency risks. However, the management will closely monitor the Group's exposure to the fluctuation of exchange rates and take appropriate measures as necessary to minimise any adverse impact that may be caused by such fluctuation.

## PLEDGE OF ASSETS

As at 31 December 2016, held-for-trading investments of approximately HK$589 million (31 December 2015: Nil) were pledged to financial institution to secure margin financing facilities provided to the Group.

## MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES

On 7 March 2016, the Company entered into a sale and purchase agreement with an independent third party to dispose the entire issued shares of Imagi Jue Ming Limited together with its subsidiaries, namely Po Hau Holdings Limited and Xiamen Sunflower Mingde Business Services Co., Ltd. ("Xiamen Sunflower") (collectively as the "Xiamen Disposal Group") which comprised of the Company's entire China-related businesses and assets, and assignment of the shareholder's loan amounting to HK$100 million at a cash consideration of HK$25 million. The management had taken into account the great uncertainty pertained in the disposed assets and the amount, if any, that could eventually be realised and recovered. The Directors believed that it was better to dispose the assets thus limiting the exposure and to use the resources thereby free up to more productive use. The disposal was completed on 9 March 2016 and the Xiamen Disposal Group was no longer subsidiaries of the Company upon completion.

On 7 March 2016, the Company acquired entire issued shares of Infinite Lake Limited, a company incorporated in British Virgin Islands and has 100% equity interest in High Gear Holdings Limited, the legal and beneficial owner of a yacht, at the consideration of HK$45 million.

On 8 June 2016, the Company announced that it had formed a company, Unimagi Investment Limited ("Unimagi" or "Joint Venture Company"), with a joint venture partner ("Partner") to engage in business of trading of Hong Kong listed securities. The Joint Venture Company was to be capitalised at HK$750 million with an initial subscribing approximately 76.7% and 23.3% of shareholding of Joint Venture Company at subscription price of HK$575 million and HK$175 million from Dai Gor Capital Ltd. ("DGCL", a direct wholly-owned subsidiary of the Company) and JV Partner respectively. Subsequently on 30 June 2016, DGCL and JV Partner entered into a shares buy-back agreement, pursuant to which DGCL has agreed to buy back, and JV Partner has agreed to sell the 175 shares of Unimagi (the "Shares Buy-Back") representing approximately 23.3% of issued share capital of Unimagi at the original subscription price of HK$175 million as a consideration for the Shares Buy-Back. The Shares Buy-Back was completed on 4 July 2016 and Unimagi became an indirect wholly-owned subsidiary of the Company on the completion date. Detailed information regarding the joint venture arrangement and the Shares Buy-Back was disclosed in the Company's announcements date 8 June 2016, 30 June 2016 and 4 July 2016.

On 8 August 2016, Sky Field Holdings Limited, a direct wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with an independent third party (the "Purchaser") pursuant to which Sky Field Holdings Limited has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the entire issued share capital of Cicero Capital Ltd., its direct wholly-owned subsidiary, together with Imagi Services Limited (collectively as the "Disposal Group") at a total consideration of HK$128 million. Imagi Services Limited is the legal and beneficial owner of a landed property situated at 9th Floor, Global Trade Square, No.21 Wong Chuk Hang Road, Hong Kong, together with 3 car parking spaces at Global Trade Square. The disposal was completed on 12 October 2016 and the Disposal Group was no longer subsidiaries of the Company upon completion.

## CONTINGENT LIABILITIES AND COMMITMENTS

As disclosed in the announcements of the Company dated 17 December 2015 and 23 February 2016, the Board has not been able to contact Mr. Shan Jiuliang, Ms Zhang Peng (the former executive Directors) and Mr. Wen Di (the former non-executive Director) (collectively the "Three Directors") since November 2015, January 2016 and November 2015, respectively and they were the only executive Directors and one of the non-executive Directors at the material time during the year ended 31 December 2015. In making their judgement, the Board, taking into account the legal opinion as advised by the Group's legal advisor, and the results from the following assessment, considered that other than those relating to Xiamen Sunflower, all liabilities, both actual and contingent, of the Group have been properly recorded, accounted for or disclosed in these consolidated financial statements:

(a) In reviewing all board minutes at the material time, the Board has not noticed any contracts and agreements that have not been recorded or disclosed in these consolidated financial statements;

(b) Other than those already been notified to the Board, the company secretary of the Company, who is the custodian of the company chops and seals of all entities within the Group other than Xiamen Sunflower and an insignificant subsidiary in the Netherlands (the "Netherlands Subsidiary"), has confirmed to the Board that there is no other incident on the usage of company chops and seals of the entities within the Group by the Three Directors at the material time. The Board also reviewed all agreements and contracts provided by the sole corporate nominee director of the Netherlands Subsidiary, who were instructed to sign at the material time and no irregularities was noted;

(c) Since the announcement dated 17 December 2015 made by the Company in relation to, among others, the absence of attendance of board meetings by the Three Directors and the various governance issues, and the further announcement made by the Company dated 23 February 2016 to put the Three Directors into compulsory administrative leave with the suspension of their authorities as Directors, the Board has not been approached or notified by any parties for any potential claims, disputes or lawsuits in relation to unrecorded liabilities or commitments made by the Three Directors on behalf of the Group; and

(d) Based on the investigation carried out by an independent firm of forensic accounting specialists appointed by the Board, there is no evidence of any agreements, guarantees or commitments being made by the Three Directors on behalf of the Company which have not been brought to the attention of the Board.

## FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the Year under Review (2015: Nil).

## PROSPECTS

As aforementioned, the past year had been a difficult year for the Company. However, the Directors are confident that the worst for the Company had passed.

Many of the negative factors that contributed to the Company's poor performance such as the costs of sorting out the problem assets from the previous management and the adjustment and teething costs that are associated with the transition to and addition of a complete new line of business, namely the financial services business, are largely completed. While these had been costly, they never-the-less had built a solid foundation and a perfect springboard for us to develop the financial services business.

The Company's money lending business, conducted via its joint venture, Imagination Holding Limited, had been progressing well. The Directors fully believe that this will make significant positive contribution to the Company's financial performance beginning the coming year.

The Company's development in securities brokerage services had just started. The acquisition of John & Wong Securities Company Limited first announced on 30 August 2016 had been completed after the Year under Review. The process of amalgamation of its operation into the Company has been initiated and further plans of the next phase of development are rapidly being mapped out. Currently, the Company has been recruiting high caliber candidates to expand the talent pool for the Company in the provision of financial services. For John & Wong Securities Company Limited, a wholly-owned subsidiary of the Company had already submitted the application for addition of licenses to conduct type 2, 4, 5 and 9 regulated activities under the SFO. The Company had also just entered into a Strategic Alliance Memorandum with Enerchina Holdings Limited which the Directors believe will allow the Company to benefit from their experience and know-how to assist in the Company's efforts to develop a full securities-relating service including brokerage, investment and corporate advisories.

The Company had on 8 June 2016 announced its intention to re-domicile from Bermuda back to Hong Kong. In doing so the Company wanted to project a new corporate image to its Shareholders and the investing public. The Company believed that the move will re-affirm the Company's commitment to and recognition of its roots stemming from Hong Kong. Furthermore this will allow the Company to take advantage of and being better placed to expand its financial services business into China through measures such as CEPA. The re-domicile is progressing and the Company looks forward to its implementation in 2017.

## SUBSEQUENT EVENTS UP TO THE DATE OF THIS ANNOUNCEMENT

### (i) Disposal of assets

On 21 February 2017, High Gear Holdings Limited (an indirect wholly-owned subsidiary of the Company as the "Vendor") entered into the Memorandum of Agreement with the independent purchaser (the "Purchaser"), pursuant to which the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the motor yacht at a consideration of US$4.2 million. The disposal was completed on 20 March 2017. Detailed information regarding the disposal was disclosed in the Company's announcement dated 21 February 2017.

**(ii) Share transaction to acquire a licensed corporation under SFO**

On 30 August 2016, the Company entered into a conditional sale and purchase agreement with independent third parties (the "Vendors"), pursuant to which the Company (or its nominee) has conditionally agreed to purchase, and Vendors have conditionally to sell, the entire issued share capital of John & Wong Securities Company Limited (the "Target Company", a corporate licensed under the SFO to carry out Type 1 (dealing in securities) regulated activity) at a consideration in sum of HK$18.4 million, which was partly settled by cash for the amount of HK$6.4 million and the remaining consideration was settled by the Company by issuance of 60,000,000 shares of the Company under a specific mandate at an issue price of HK$0.20 (the "Consideration Shares"). The acquisition was completed on 28 February 2017 and the Target Company became an indirect-wholly owned subsidiary of the Company on the completion date. Detailed information regarding the share transaction and the acquisition was disclosed in the Company's announcements date 30 August 2016 and circular dated 7 October 2016.

**(iii) Share consolidation**

On 10 March 2017, an ordinary resolution to approve the share consolidation was passed by the shareholders at a special general meeting of the Company whereby share consolidation became effective on 13 March 2017 that every eight issued and unissued shares of HK$0.005 each be consolidated into one consolidated share of HK$0.04 each (the "Share Consolidation"). Detailed information regarding the Share Consolidation was disclosed in the Company's announcements dated 26 January 2017 and 10 March 2017 and circular dated 22 February 2017.

**(iv) Strategic Alliance and Share Swap**

On 16 March 2017, the Company and Enerchina Holdings Limited ("Enerchina", stock code: 622) entered into a non-legal binding Strategic Alliance Memorandum, underwhich Enerchina had agreed (a) to provide the Company with technical and business assistance to establish and develop the infra-structure and the frame-work to further the Company's financial services business; and (b) to co-operate with each other to promote mutually beneficial business opportunities. This is another step towards the Company's strategy to develop financial services business as one of the Company's core businesses. Detailed information regarding the aforesaid business updates was disclosed in the Company's announcement dated 16 March 2017.

On 16 March 2017, the Company and Enerchina entered into a share swap agreement (the "Share Swap Agreement") in order to cement the aforementioned relationship with Enerchina. Pursuant to the Share Swap Agreement whereby the Company will issue of 113,400,000 subscription shares to Enerchina in exchange for the 378,000,000 new shares of Enerchina (the "Share Swap"). The Share Swap was completed on 22 March 2017, the 113,400,000 subscription shares was issued and allotted under general mandate granted to the Directors by the shareholders of the Company at a special general meeting held on 28 October 2016, representing approximately 19.69% of the issued share capital of the Company as at the date of Share Swap Agreement. Detailed information regarding the Share Swap was disclosed in the Company's announcement dated 16 March 2017.

## GENERAL INFORMATION

## CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining high standard corporate governance practices as the Board considers that good and effective corporate governance is essential for enhancing accountability and transparency of a company to investing public and other stakeholders.

During the Year under Review, the Company has complied with the code provision (the "Code Provision") set out in the Corporate Governance Code and Corporate Governance Report (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") except for the deviations described below.

***Code Provision A.2.2 to A.2.9 stipulates that the role and responsibility of chairman is to provide leadership for the Board and to ensure a proper management of the Board.***

Since Mr. Leung Pak To ("Mr. Leung") resigned as non-executive Director and chairman of the Board on 23 February 2016, the vacancy left due to his resignation fill up until 13 June 2016 which constitutes a deviation from the Code Provision A.2.2 to A.2.9 of the CG Code.

Mr. Kitchell Osman Bin (Mr. Kitchell) was appointed as an acting chairman of the Board on 13 June 2016 to fill the vacancy occasioned by the resignation of Mr. Leung. Mr. Kitchell took up the responsibility to manage the Board in accordance with code provision A.2.2 to A.2.9 of the CG Code.

***Code Provision A.6.2 stipulates that the non-executive directors should participate in board meeting to bring an independent judgment to bear on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conduct.***

Mr. Wen Di ("Mr. Wen") was the non-executive Director. Based on the Company's records, Mr. Wen last attended a Board meeting of the Company on 27 August 2015. Mr. Wen did not attend any subsequent Board meetings without special leave of absence from the Board for at least six consecutive months which constitutes a deviation from the Code Provision A.6.2 of the CG Code.

***Code Provision A.6.3 stipulates that every director should ensure that he can give sufficient time and attention to the issuer's affairs and should not accept the appointment if he cannot do so.***

Based on the Company's record, Mr. Shan Jiuliang ("Mr. Shan") and Ms. Zhang Peng ("Ms. Zhang") (being the executive Directors) and Mr. Wen (being the non-executive Director) did not attend any Board meetings without special leave of absence from the Board for at least six consecutive months which constitutes a deviation from the Code Provision A.6.3 of the CG Code.

The Board resolved at Board meeting held on 23 February 2016, Mr. Shan, Ms. Zhang and Mr. Wen shall take administrative leave on a compulsory basis with effect from 23 February 2016. As such, the authorities of them as Directors have been suspended from 23 February 2016. Subsequently, Mr. Shan, Ms. Zhang and Mr. Wen were removed from the Board on 12 May 2016, 15 April 2016 and 15 April 2016, respectively.

***Code Provision A.6.7 stipulates that independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of the shareholders.***

Due to other pre-arranged business commitments which must be attended,

(i) Mr. Miu Frank H., being independent non-executive Director, was not present at a special general meeting of the Company held on 30 May 2016; and

(ii) Dr. Santos Antoni Maria, being independent non-executive Director, was not present at a special general meeting held on 28 October 2016.

However, (i) Dr. Kwong Kai Sing Benny, Mr. Chow Chi Wah Vincent and Dr. Santos Antoni Maria, all of them being independent non-executive Directors, were present at the aforesaid special general meeting held on 30 May 2016; and (ii) Dr. Kwong Kai Sing Benny, Mr. Chow Chi Wah Vincent and Mr. Miu Frank H., all of them being independent non-executive Directors, were present at aforesaid special general meeting held on 28 October 2016.

***Code Provision C.1.1 stipulates that management should provide sufficient explanation and information to the Board to enable it to make an informed assessment of financial and other information put before it for approval; and Code Provision C.1.2 stipulates that management should provide all members of the Board with monthly updates giving a balanced and understandable assessment of the issuer's performance, position and prospects in sufficient detail to enable the board as a whole and each director to discharge their duties under Rule 3.08 and Chapter 13 of the Listing Rules.***

Although the management has not been able to provide the complete set of monthly update containing consolidated management accounts of the Group to the Board due to the failure to obtain a copy of monthly bank statements of Xiamen Sunflower Mingde Business Service Co., Ltd. since September 2015, to remedy the situations, the Company convened seven times of Board meetings over four months period from September 2015 to December 2015 in order to manage and understand the operations of the Company. Following with the subsequent disposal of the aforesaid subsidiary as disclosed in the announcement of the Company dated 8 March 2016 which was completed on 9 March 2016, the Company is able to provide a complete set of monthly update to the Board.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as going concern.

***Code Provision E.1.2 stipulates that the chairman of the board should attend annual general meeting of the Company.***

Subsequent to resignation of Mr. Leung as Chairman of the Board on 23 February 2016, the vacancy of the chairman remain left as at the date of the annual general meeting of the Company held on 2 June 2016 ("2015 AGM") which constitutes a deviation from the Code Provision E.1.2 of the CG Code.

Mr. Suen Yick Lun Philip, the former executive Director, took the chair of the 2015 AGM and other members of the Board (including the chairman of each of the Audit Committee, the Remuneration Committee and Nomination Committee) also attended the 2015 AGM to ensure effective communication with the shareholders of the Company.

## RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges that it is responsible for the risk management and internal control systems of the Group and the effective risk management and internal control systems enhance the Group's ability in achieving business objectives, safeguarding assets, complying with applicable laws and regulations, and contribute to the effectiveness and efficiency of its operations.

The Group has in place internal control systems which encompasses control environment, segregation of duties, policies and procedures, monitoring and is reviewed and enhanced by the management at regular intervals.

In light of the corporate governance issues associated with the matters identified in the announcement of the Company dated 17 December 2015 (the "Identified Issues"), the Company engaged an independent forensic specialists (the "Independent Forensic Specialists") to carry out forensic investigation in order to gather relevant factual information that could assist the Board other than the Three Directors in ascertaining, to the extent possible:

(a) What information is available relating to the Identified Issues;

(b) Whether there is evidence of misappropriation of funds by the Three Directors unrelated to the Identified Issues; and

(c) Whether there are any agreements/guarantees/commitments made by the Three Directors on behalf of the Company which have not been brought to the attention of the Board.

Based on the findings of the Independent Forensic Specialists and as disclosed under the section headed "Contingent Liabilities and Commitments", the Board is satisfied that there are no other significant governance matters unrelated to the Identified Issues that have had a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements.

However, certain internal controls were overridden by Mr. Shan Jiuliang during the Year under Review and reference is also made to the announcement of the Company dated 17 December 2015. The potential continuing connected transaction and fund transfer to an independent third party without proper notification to and authorisation of the Board, and the failure to obtain the bank statements of an entity in which the Company owned 100% equity interest demonstrated the discrepancies of the existing internal control systems.

The Company is now making all-out effort and in the process of adopting remedial measures, including but not limited to engaging an independent internal control specialists to carry out a comprehensive internal control review. During the Year under Review two phases of the internal control reviews have been conducted and review reports on the findings with recommendations for further improvement have been submitted by the internal control specialists and considered by the Audit Committee, and remedial and improvement actions are being out and monitored by the management of the Company. Follow-up review will be conducted to ensure the improvement actions are efficiently and effectively in force.

In compliance with the Stock Exchange's implementation of the revised Listing Rules relating to the risk management and internal controls for the accounting periods beginning on the or after 1 January 2016, the terms of reference of the Audit Committee were revised by the Board on 30 March 2016 so as to ensure the corporate governance functions can be properly performed by the Audit Committee. In this regard, the Audit Committee has been delegated with the responsibilities to review the effectiveness of the Company's risk management system annually in compliance with the Code C.2.1 of the CG Code. In the second half of the Year under Review, the Company also engaged another internal control specialists to carry out overall review and implementation of internal control procedure of the Group which including the setting up of risk management function in order to assist the Audit Committee to discharge of its aforesaid duties and responsibilities.

## DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules as the code of conduct regarding directors' securities transactions. In response to the specific enquiry made by the Company, all existing Directors confirmed that they fully complied with the required standard as set out in the Model Code throughout the Year under Review.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the Year under Review, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company.

## HUMAN RESOURCES

As at 31 December 2016, the Group employed 19 employees excluding directors (2015: 3 employees) in Hong Kong. The remuneration policy of the Group is to reward its employees with reference to their qualifications, experience and work performance as well as to market benchmarks. Employee's benefits include medical insurance coverage, mandatory provident fund and share option scheme. The total staff cost excluding equity-settled share-based payment for the year ended 31 December 2016, including director's emoluments, amounted to approximately HK$14 million (2015: HK$2.5 million).

## AUDIT COMMITTEE

The Audit Committee of the Company has met with the external auditor of the Company, Crowe Horwath (HK) CPA Limited, to review the accounting principles and practices adopted by the Group and the annual results of the Group for the year ended 31 December 2016. The Audit Committee has also discussed auditing, financial reporting matters and risk management and internal control systems of the Company. Currently, the Audit Committee comprises four independent non-executive Directors, namely, Mr. Chow Chi Wah Vincent (Chairman of the Audit Committee), Dr. Kwong Kai Sing Benny, Mr. Miu Frank H. and Dr. Santos Antonio Maria.

## SCOPE OF WORK OF CROWE HORWATH (HK) CPA LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2016 as set out in the preliminary announcement have been agreed by the Group's auditor, Crowe Horwath (HK) CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Crowe Horwath (HK) CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Crowe Horwath (HK) CPA Limited on the preliminary announcement.

## ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The forthcoming annual general meeting of the Company (the "AGM") is scheduled to be held on Friday, 26 May 2017. The notice of the AGM will be published on the Stock Exchange website (www.hkexnews.hk) and the Company's website (www.imagi.com.hk) in due course.

The register of members of the Company will be closed, for the purpose of determining shareholders of the Company who are entitled to attend and vote at the AGM, from Tuesday, 23 May 2017 to Friday, 26 May 2017 (both days inclusive), during which no transfer of the Company's shares can be registered. In order to qualify for attending and voting at the AGM, all transfer documents should be lodged for registration with Company's Hong Kong branch share registrar, Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Monday, 22 May 2017.

## PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the Stock Exchange's website (www.hkexnews.hk) and the Company's website (www.imagi.com.hk). The 2016 annual report containing all information required by the Listing Rules will be despatched to the shareholders of the Company and will also be available on websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.imagi.com.hk) in due course.

By order of the Board
**Imagi International Holdings Limited**
**Kitchell Osman Bin**
*Acting Chairman*

Hong Kong, 31 March 2017

*At the date of this announcement, the Board comprises the following Directors:*

*Executive Directors:*
Mr. Kitchell Osman Bin *(Acting Chairman)*
Mr. Wong Yat Fai
Mr. Shimazaki Koji
Ms. Choi Ka Wing

*Independent non-executive Directors:*
Mr. Chow Chi Wah Vincent
Dr. Kwong Kai Sing Benny
Mr. Miu Frank H.
Dr. Santos Antonio Maria