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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 2017

The board (the "Board") of director (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 2017 (the "Year under Review") together with the comparative figures for the corresponding year in 2016 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
Revenue	4	**1,822**	1,132
Net realised losses from sales of listed equity investments classified as held-for-trading	4	**(87,589)**	(19,085)
		(85,767)	(17,953)
Other income	5	**5,726**	4,626
Other (loss)/gain	6	**(18,265)**	40,527
Losses from changes in fair value of financial assets classified as held-for-trading		**(236,238)**	(71,661)
Impairment loss of goodwill		**(5,878)**	–
Impairment loss of intangible assets		**(2,072)**	–
Impairment loss of available-for-sale investments		**(64,638)**	(79,273)
Forfeiture of a deposit paid for acquisition of a target company		**–**	(150,000)
Administrative expenses		**(41,407)**	(133,987)
Loss from operations		**(448,539)**	(407,721)
Finance costs		**(158)**	(2,530)
Share of loss of a joint venture		**(3,308)**	(7,311)
Loss before tax	7	**(452,005)**	(417,562)
Income tax credit/(expense)	8	**10,967**	(10,967)
Loss for the year		**(441,038)**	(428,529)

	Notes	**2017** HK$'000	2016 HK$'000
Other comprehensive (expense)/income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(440)**	120
Net loss on revaluation of available-for-sale investments		**(64,351)**	(544)
Impairment loss of available-for-sale investments reclassified to profit or loss		**64,638**	–
Release of investment revaluation reserve upon disposal of available-for-sale investments		**–**	(1,761)
Net movement in investment revaluation reserve during the year recognised in other comprehensive income		**287**	(2,305)
Other comprehensive expense for the year		**(153)**	(2,185)
Total comprehensive expense for the year		**(441,191)**	(430,714)
Loss for the year attributable to:			
Owners of the Company		**(441,038)**	(424,549)
Non-controlling interests		**–**	(3,980)
		(441,038)	(428,529)
Total comprehensive expense for the year attributable to:			
Owners of the Company		**(441,191)**	(426,734)
Non-controlling interests		**–**	(3,980)
		(441,191)	(430,714)

	Notes	**2017**	2016
Loss per share			
Basic and diluted (HK cents per share)	*10*	**(66)**	(94)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
Non-current assets			
Property, plant and equipment		**2,626**	33,774
Goodwill		**–**	–
Intangible assets		**859**	–
Available-for-sale investments	*11*	**51,178**	–
Club debenture		**1,300**	1,300
Interest in a joint venture	*12*	**139,381**	142,689
		195,344	177,763
Current assets			
Accounts receivable	*14*	**883**	–
Other receivables, deposits and prepayments		**2,444**	23,171
Amount due from a joint venture		**–**	71
Held-for-trading investments	*15*	**432,023**	588,638
Convertible notes receivable	*16*	**19,293**	43,466
Available-for-sale investments	*11*	**–**	48,650
Bank balances – trust accounts		**5,209**	–
Bank balances and cash		**134,477**	246,446
		594,329	950,442
Current liabilities			
Accounts payable	*17*	**6,081**	–
Other payables and accruals		**3,263**	7,009
Tax payable		**–**	10,967
		9,344	17,976
Net current assets		**584,985**	932,466
Total assets less current liabilities		**780,329**	1,110,229
Non-current liability			
Deferred tax liability		**484**	–
Net assets		**779,845**	1,110,229
Capital and reserves			
Share capital		**27,577**	22,741
Reserves		**752,268**	1,087,488
Total equity attributable to owners of the Company		**779,845**	1,110,229

Notes:

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").

The consolidated financial statements are presented in Hong Kong dollar, which is also the functional currency of the Company.

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 several amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these impact on the accounting policies of the Group. However, additional disclosure has been included in the financial statements to satisfy the new disclosure requirements introduced by the amendments to HKAS 7, Statement of cash flows: Disclosure initiative, which require entities 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.

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

Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2017

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2017 and which have not been early adopted in these financial statements. These include the following which may be relevant to the Group.

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance Contracts[4]
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC) – Int 23	Uncertainly Over Income Tax Treatments[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 40	Transfers of Investment Property[1]
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014-2016 Cycle[2]

[1] Effective for annual periods beginning on or after 1 January 2018

[2] Effective for annual periods beginning on or after 1 January 2019

[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 2021

Except for the new and amendments to HKFRSs and Interpretations mentioned below, the directors anticipate that the application of all other new and amendments to HKFRSs and Interpretations will have no material impact on the consolidated financial statements in the foreseeable future.

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 financial assets are measured at their fair value at 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 ("FVTPL"), 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 Financial Instruments: Recognition and Measurement, 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.

Based on the Group's financial instruments and risk management policies as at 31 December 2017, the directors of the Company anticipate the following potential impact on initial application of HKFRS 9:

(a) Classification and measurement:

- Accounts receivable carried at amortised cost as disclosed in note 14: these are held within a business model whose objective is to collect the contractual cash flows that are solely payments of principal and interest on the principal outstanding. Accordingly, these financial assets will continue to be subsequently measured at amortised cost upon the application of HKFRS 9.

- Listed debt instruments classified as available-for-sale investments carried at fair value as disclosed in note 11: these are held within a business model whose objective is achieved both by collecting contractual cash flows and selling the listed debt instrument in the open market, and the contractual terms give rise to cash flows on specified dates that are solely payments of principal and interest on the principal outstanding. Accordingly, the listed debt instruments will continue to be subsequently measured at FVTOCI upon the application of HKFRS 9, and the fair value gains or losses accumulated in the investment revaluation reserve will continue to be subsequently reclassified to profit or loss when the listed debt securities are derecognised or reclassified.

- Listed equity securities classified as available-for-sale investments carried at fair value as disclosed in note 11: these securities qualified for designation as measured at FVTOCI under HKFRS 9, however, the Group plans not to elect the option for the designation and will measure these securities at fair value with subsequent fair value gains or losses to be recognised in profit or loss.

- All other financial assets and financial liabilities will continue to be measured on the same bases as are currently measured under HKAS 39.

(b) Impairment:

In general, the directors of the Company anticipate that the application of the expected credit loss model of HKFRS 9 will result in earlier provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised cost and other items that are subject to the impairment provisions upon application of HKFRS 9 by the Group.

Based on the assessment by the directors of the Company, if the expected credit loss model were to be applied by the Group, the accumulated amount of impairment loss to be recognised by the Group as at 1 January 2018 would be increased as compared to the accumulated amount recognised under HKAS 39 mainly attributable to expected credit losses provision on accounts receivable. Such further impairment recognised under expected credit loss model would reduce the opening retained earnings and likely increase the deferred tax assets at 1 January 2018. So far it has concluded that there would be no material impact for the application of the new impairment requirement.

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.

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 of the Company anticipate that the application of HKFRS 15 in the future may result in more disclosures, however, the directors of the Company 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 only enters into the leases 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 models 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. At 31 December 2017 the Group's future minimum lease payments under non-cancellable operating leases amount to HK$2,253,000 for properties, the majority of which is payable within one year after the reporting date. Some of these amounts may therefore need to be recognised as lease liabilities, with corresponding right-of-use assets, once HKFRS 16 is adopted. 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.

HKFRS 16 is effective for annual periods beginning on or after 1 January 2019. The standard offers different transition options and practical expedients, including the practical expedient to grandfather the previous assessment of which existing arrangements are, or contain, leases. If this practical expedient is chosen, the Group will apply the new definition of a lease in HKFRS 16 only to contracts that are entered into on or after the date of initial application. If the practical expedient is not chosen, the Group will need to reassess all of its decisions about which existing contracts are, or contain, leases, using the new definition. Depending on whether the Group elects to adopt the standard retrospectively or follow a modified retrospective method of recognising a cumulative-effect adjustment to the opening balance of equity at the date of initial application, the Group may or may not need to restate comparative information for any changes in accounting resulting from the reassessment.

3. SEGMENT INFORMATION

On 28 January 2016, the board of directors resolved to develop integrated financial services including provision of securities brokerage services, placing and underwriting services, corporate finance advisory services, investment advisory and asset management services, margin financing and money-lending business, securities investment and proprietary trading. During the year ended 31 December 2017, the Group continued 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. For the year ended 31 December 2016, 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. For the year ended 31 December 2017, the Group acquired a subsidiary which is engaged in securities brokerage services. The chief operating decision maker ("CODM") considers the performance of financial assets classified as held-for-trading investments, financial assets at fair value through profit or loss and securities brokerage as only one reportable and operating segment for the purpose of resources allocation and performance assessment. Accordingly, no further segment information has been presented.

4. REVENUE AND NET REALISED LOSSES FROM SALES OF LISTED EQUITY INVESTMENTS CLASSIFIED AS HELD-FOR-TRADING

	2017	2016
	HK$'000	*HK$'000*
Brokerage commission income	**1,071**	–
Dividend income from held-for-trading investments	**751**	1,132
	1,822	1,132
Net realised losses from sales of listed equity investments classified as held-for-trading	**(87,589)**	(19,085)
	(85,767)	(17,953)

5. OTHER INCOME

	2017	2016
	HK$'000	*HK$'000*
Clearing fee income	**69**	–
Interest income on convertible notes receivable	**1,753**	523
Interest income on available-for-sale investments	**350**	1,097
Interest income on loan receivables and bank deposits	**–**	403
Dividend income from available-for-sale investments	**1,512**	2,167
Royalty income	**264**	436
Waive of tax penalty	**1,528**	–
Others	**250**	–
	5,726	4,626

6. OTHER (LOSS)/GAIN

	2017 *HK$'000*	2016 *HK$'000*
Fair value (loss)/gain on convertible notes receivable	**(47,706)**	18,099
(Loss)/gain on disposal of subsidiaries	**(7)**	32,153
Loss on disposal of property, plant and equipment	**(168)**	–
Gain recognised upon disposal of available-for-sale investments	**–**	1,761
Net foreign exchange gain/(loss)	**514**	(1,016)
Impairment loss on property, plant and equipment	**–**	(10,470)
Gain on derecognition of day-one gain on convertible notes	**25,700**	–
Gain from changes in fair value of financial assets classified as available-for-sale investments	**3,402**	–
	(18,265)	40,527

7. LOSS BEFORE TAX

Loss before tax has been arrived at after charging the following:

	2017 *HK$'000*	2016 *HK$'000*
Auditor's remuneration	**1,200**	1,100
Directors' emoluments	**4,278**	12,858
Other staff costs		
– Salaries and allowance	**13,853**	9,269
– Contribution to retirement benefit scheme	**403**	280
– Equity-settled share-based payment expenses	**–**	28,757
Total staff costs	**18,534**	51,164
Equity-settled share-based payment expenses (other than employees and directors) included in administrative expenses *(note)*	**–**	27,166
Depreciation of property, plant and equipment	**1,614**	5,976
Operating lease payments in respect of rental properties	**4,768**	4,031
Changes in fair value of financial assets classified as held-for-trading		
– Realised losses from sale of listed equity investments	**87,589**	19,085
– Unrealised losses from changes in fair value of listed equity investments	**236,238**	71,661
	323,827	90,746

Note:

Amount represent the fair value of share options granted to employees of service providers to motivate them to provide high quality services.

8. INCOME TAX CREDIT/(EXPENSE)

Income tax credit/(expense) recognised in profit or loss

	2017	2016
	HK$'000	*HK$'000*
Hong Kong Profits Tax		
Current tax	**–**	–
Overprovision/(underprovision) in respect of prior years	**10,967**	(10,967)
	10,967	(10,967)

The Group is subject to income tax on an entity basis on profits arising on derived from the jurisdictions in which the members domiciled and operate.

No provision for Hong Kong Profits Tax had been made in the financial statements as the Group did not have assessable profits arising in Hong Kong for the years ended 31 December 2016 and 2017.

Pursuant to rules and regulations of Bermuda and British Virgin Islands ("BVI"), the Group is not subject to any income tax in Bermuda and BVI.

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 issued by the Hong Kong Inland Revenue Department (the "HKIRD") for approximately HK$9,863,000 for the year of assessment 2009/2010. On 23 February 2017, Imagi Crystal received a tax demand note dated 21 February 2017 issued by the HKIRD for approximately HK$1,104,000 for the year assessment 2010/11. Since Imagi Crystal is in a net current liabilities position, Imagi Crystal did not purchase tax reserve certificates before the due date and the 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. The HKIRD considered that the impairment loss on graphic imaging animation pictures, classified as intangible assets and 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. Furthermore, the HKIRD considered that the impairment loss on an amount due from a fellow subsidiary as a 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 recognised HK$10,967,000 as income tax expense and HK$1,528,000 as administrative expense for the year ended 31 December 2016.

During the year ended 31 December 2017, Imagi Crystal received a confirmation from the HKIRD that the aforementioned impairment losses made on graphic imaging animation pictures should be deductible, and the Group reversed the tax provision of HK$10,967,000 and the tax surcharge of HK$1,528,000 accordingly.

9. DIVIDED

No dividend was paid or proposed during the year ended 31 December 2017, nor has any dividend been proposed since the end of the reporting period (2016: HK$Nil).

10. LOSS PER SHARE

(a) Basic loss per share

The calculation of the basic loss per share attributable to owners of the Company is based on the following data:

	2017	2016
	HK$'000	*HK$'000*
Loss		
Loss for the purposes of basic loss per share	**(441,038)**	(424,549)
Number of shares		
Issued ordinary shares at 1 January	**4,548,172,578**	9,968,812,720
Effect of shares issued	**139,010,959**	2,350,256,147
Effect of share options exercised	**–**	625,204,918
Effect of share consolidations	**(4,023,808,540)**	(12,540,859,905)
Effect of open offer	**–**	46,104,443
Weighted average number of ordinary shares at 31 December	**663,374,997**	449,518,323

For the year ended 31 December 2017, the weighted average number of ordinary shares for the purpose of basic loss per share has been adjusted for the share consolidation on 13 March 2017 ("Share consolidation II").

For the year ended 31 December 2016, the weighted average number of ordinary shares for the purpose of basic loss per share has been adjusted for the share consolidation on 31 May 2016 ("Share Consideration I"), open offer on 26 August 2016 and Share Consideration II on 13 March 2017.

(b) Diluted loss per share

For the years ended 31 December 2016 and 2017, diluted loss per share was the same as the basic loss per share because the exercises of the Company's share options outstanding during the year would have an anti-dilutive effect.

11. AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments comprise:

	2017	2016
	HK$'000	*HK$'000*
Listed investments at fair value:		
Equity shares listed in Hong Kong *(note a)*	**43,092**	–
Debt securities listed in Singapore *(note b)*	**8,086**	–
	51,178	–
Unlisted equity securities, at cost *(note c)*	**–**	127,923
Less: Impairment loss	**–**	(79,273)
	–	48,650
	51,178	48,650
Analysed for reporting purposes as:		
Current assets	**–**	48,650
Non-current assets	**51,178**	–
	51,178	48,650

Notes:

(a) On 22 March 2017, the Company issued shares in exchange for the shares of Enerchina Holdings Limited, a company listed on the Stock Exchange with a fair value of HK$107,730,000 at the acquisition date.

During the year ended 31 December 2017, the Group identified significant decline in the stock price of the shares, and recognised impairment loss in the amount of HK$64,638,000 accordingly. At 31 December 2017, the fair value was HK$43,092,000 and such investments are pledged to a financial institution to secure the margin facilities.

Name of investee company	Place of incorporation	Number of shares held by the Group	Percentage of total issued share capital of the investee company as at 31 December 2017	Market/Fair value as at 31 December 2017	Percentage to the Group's total assets as at 31 December 2017	Percentage to the Group's net assets as at 31 December 2017	Percentage to the Group's total available-for-sale financial assets as at 31 December 2017	Change in fair value recognised in other comprehensive income/(loss) for the year	Dividend income for the year (per note 5)
			%	*HK$'000*	*%*	*%*	*%*	*HK$'000*	*HK$'000*
Enerchina Holdings Limited*	Bermuda	75,600,000	2.60%	43,092	5.46%	5.53%	84.20%	64,638	1,512

* Excluding the listed equity securities classified as held-for-trading investments as disclosed in note 15.

(b) On 21 June 2017, the Group subscribed for senior notes issued by China Evergrande Group at an aggregated principal amount of USD1,000,000 (equivalent to HK$7,800,000). The senior notes carry coupon rate of 8.75% per annum, payable semi-annually in arrears and mature on 21 June 2025. The senior notes are listed on the Singapore Exchange Securities Trading Limited.

(c) On 2 March 2016, the Group subscribed for (i) 6,200,000 shares of Joint Global Limited ("Joint Global") and (ii) 450,000 shares of FreeOpt Holdings Limited ("FreeOpt") at a consideration of HK$45,198,000 and HK$45,000,000, respectively. On 3 March 2016, the Group subscribed for 7,500,000 shares of Freewill Holdings Limited ("Freewill") at a consideration of HK$37,725,000. These companies all 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. Details of the principal activities and accounting treatments of these three companies are mentioned in the 2016 annual report. 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, FreeOpt and Freewill at a total consideration of HK$51,000,000 (the "Disposals"). The Disposals were completed on 23 January 2017.

12. INTEREST IN A JOINT VENTURE

	2017	2016
	HK$'000	*HK$'000*
Cost of interest in a joint venture	150,000	150,000
Share of post–acquisition loss	(10,619)	(7,311)
	139,381	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, Imagination Holding Limited ("Imagination Holding"), for the purpose of carrying out the business of 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 2017 and 2016, the Company and BMI both held 50% equity interest in Imagination Holding, which has two wholly-owned subsidiaries namely Jocasta Ventures Ltd and Simagi Finance Company Limited.

Details of the Group's interest in the joint venture as at 31 December 2017 is as follows:

Name of joint venture	Country of incorporation	Principal place of business	Proportion of ownership interest held by the Group	Proportion of voting rights held by the Group	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, the joint venture in which the Group participates, is an unlisted corporate entity whose quoted market price is not available.

On 2 February 2018, the Company entered an agreement with its joint venture partner to dispose its whole interests in Imagination Holding and its subsidiaries at a cash consideration of HK$150,000,000. The transaction is subject to the shareholders' approval which is not completed up to the date of issue of this announcement.

Summarised financial information of the joint venture

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

	2017	2016
	HK$'000	*HK$'000*
Current assets	278,762	285,448
Current liabilities	–	(71)
	278,762	285,377
Included in the above assets and liabilities:		
Cash and cash equivalents	150,397	13,255
Current financial liabilities (excluding trade and other payables and provisions)	–	(71)

	2017	2016
	HK$'000	*HK$'000*
Revenue	13,689	17,935
Loss and total comprehensive expense for the year	(6,615)	(14,623)
Dividends received from the joint venture during the year	–	–

	2017	2016
	HK$'000	*HK$'000*
Included in above loss:		
Interest income	13,689	17,935
Impairment loss on available-for-sale investments *(note i)*	(20,146)	–
Impairment loss on loan receivables and interest receivable *(note ii)*	–	(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:

	2017	2016
	HK$'000	*HK$'000*
Net assets of the joint venture	278,762	285,377
Proportion of the Group's ownership interest in the joint venture	50%	50%
Carrying amount of the Group's interest in the joint venture	139,381	142,689

Notes:

(i) During the year ended 31 December 2017, the management of the joint venture company reviewed the carrying amount of available-for-sale investments with reference to the business performance prepared by the investees' management. An impairment loss of HK$20,146,000 in respect of available-for-sale investments has been recognised in profit or loss for the year ended 31 December 2017 in view of significant and prolonged decline in the carrying amount of available-for-sale investments.

(ii) 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 the 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 UETL 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 in the year ended 31 December 2016.

13. INVESTMENT IN AN UNCONSOLIDATED SUBSIDIARY

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 a 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 (the “Tenancy Agreement”) in August 2015 to lease a property for a term of two years from a company (the “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, at 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.

As disclosed in the announcements of the Company dated 17 December 2015 and 23 February 2016, the Board has not been able to get in contact with Mr. Shan, Ms. Zhang and Mr. Wen Di (collectively the “Three Directors”) since November 2015, January 2016 and November 2015, respectively and they were the only two executive directors and one of the non-executive directors of the Company at that material time for 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, 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 the consolidated financial statements for the year ended 31 December 2015.

On 7 March 2016, the Company entered into a disposal agreement (the “Disposal Agreement”) with an independent third party (the “Purchaser”) to dispose 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 (the “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 for 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 ended 31 December 2016, the Group did not consolidate the results of Xiamen Sunflower for the period from 1 January 2016 to 9 March 2016. This non-consolidation of Xiamen Sunflower for the period from 1 January 2016 to 9 March 2016 is not in compliance with the requirements of HKFRS 10, which provides that 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.

14. ACCOUNTS RECEIVABLE

	2017	2016
	HK$'000	*HK$'000*
Accounts receivable arising from securities brokerage business – Cash clients	**883**	–

The ageing analysis of the accounts receivable which are neither past due nor impaired as of the end the reporting period is as follows:

	2017	2016
	HK$'000	*HK$'000*
Neither past due nor impaired	**883**	–

The normal settlement terms of accounts receivable from cash clients are two days after the trade date. Accounts receivable from cash clients are repayable on demand subsequent to the settlement date.

15. HELD-FOR-TRADING INVESTMENTS

Held-for-trading investments represent the listed equity securities in Hong Kong of HK$432,023,000 (2016: HK$586,453,000) and rights issue for a listed equity security in Hong Kong of HK$Nil (2016: HK$2,185,000). All listed equity securities in Hong Kong are pledged to a financial institution to secure margin financing facilities obtained.

Note	Stock code	Stock name	Number of shares held as at 31 December 2017	Closing price as at 31 December 2017	Market value as at 31 December 2017	Realised gain/(loss)	Unrealised gain/(loss)	Approximate% to held-for-trading as at 31 December 2017	Approximate% shareholding in investee as at 31 December 2017	Number of issued share of investee as at 31 December 2017
				HK$	*HK$'000*	*HK$'000*	*HK$'000*	%	%	
(1)	996	Carnival Group International Holdings Limited	602,000,000	0.445	267,890	(1,491)	(229,466)	62.01%	2.80%	21,472,160,585
(2)	689	EPI (Holdings) Limited	145,785,000	0.540	78,724	–	51,462	18.22%	2.91%	5,018,121,822
(3)	1332	China Touyun Tech Group Limited	100,000,000	0.275	27,500	–	(4,500)	6.37%	1.02%	9,797,311,301
(4)	720	Auto Italia Holdings Limited	200,000,000	0.112	22,400	–	(1,600)	5.19%	3.83%	5,219,541,190
(5)	622	Enerchina Holdings Limited*	37,540,449	0.570	21,398	(2,744)	(34,363)	4.95%	1.29%	2,905,883,141
(6)	943	eForce Holdings Limited	60,000,000	0.104	6,240	–	660	1.44%	0.83%	7,213,997,000
(7)	1051	G-Resources Group Limited	36,564,069	0.097	3,547	–	(1,645)	0.82%	0.14%	27,048,844,786
(8)	8153	Code Agriculture (Holdings) Limited	14,400,000	0.190	2,736	–	(12,096)	0.63%	0.78%	1,850,274,675
(9)	2326	New Provenance Everlasting Holdings Limited	10,000,000	0.156	1,560	–	(2,890)	0.36%	0.05%	21,084,072,140
(10)	8202	Inno-Tech Holdings Limited	174,000	0.160	28	–	(50)	0.01%	0.02%	997,949,099

* Excluding the listed equity securities classified as available-for-sale investments as disclosed in note 11.

Notes:

(1) Carnival Group International Holdings Limited ("Carnival Group") was incorporated in Bermuda. Carnival Group is an investment holding company principally engaged in theme based leisure and consumption business, focusing on the design, development and operation of integrated large-scale tourist complex projects in key cities in and outside the People's Republic of China (the "PRC") that comprise of theme parks, hotels, shopping and leisure facilities as well as other theme based consumption. Carnival Group operates through four segments: (i) property development and investment segment – developing residential and commercial properties in China and Hong Kong for sales and leasing; (ii) catering segment – operating restaurants in China and Hong Kong; (iii) trading and investment business segment – investing on securities and financial instruments; and (iv) others segment – providing retail-related consultancy and management services, kids' edutainment center and touring carnivals. According to the latest published financial statements, Carnival Group had net assets (excluding non-controlling interests) of approximately HK$7,238 million attributed to its shareholders as at 30 June 2017.

(2) EPI (Holdings) Limited ("EPI (Holdings)") was incorporated in Bermuda. EPI (Holdings) is an investment holding company principally engaged in business of petroleum and production, money lending and investment in securities. EPI (Holdings) operates through three segments: (i) petroleum exploration and production segment – in the Chanares Herrados Area ("CHE Area") and Puesto Pozo Cercado Area ("PPC Area") (together the "Concessions") in Cuyana Basin, Mendoza Province of Argentina; (ii) money lending segment; and (iii) investment in securities segment generally engaging in acquisition of securities listed on the Stock Exchange or other recognised stock exchange and over-the-counter market with good liquidity. According to the latest published financial statements, EPI (Holdings) had net assets of approximately HK$356 million attributed to its shareholders as at 30 June 2017.

(3) China Touyun Tech Group Limited ("China Touyun") was incorporated in Bermuda. China Touyun is an investment holding company principally engaged in provision of QR codes on product packaging and solutions and online advertising display services; the manufacture and sales of packaging products; and investments and trading in securities and money lending. The Company operates through three business segments: (i) QR codes business segment – provision of QR codes on product packaging and solution and online advertising display services; (ii) packaging products segment – manufacturing and sale of watch boxes, jewellery boxes, eyewear cases, bags and pouches and display units; and (iii) treasury investment segment – investment and trading in securities and money lending business. According to the latest published financial statements, China Touyun had net assets (excluding non-controlling interests) of approximately HK$1,100 million attributed to its shareholders as at 30 June 2017.

(4) Auto Italia Holdings Limited ("Auto Italia") was incorporated in Bermuda. Auto Italia is an investment holding company principally engaged in the import, marketing and distribution, and provision of after-sales service of branded cars (including Italian "Maserati") in Hong Kong and Macau, the provision of pre-delivery inspection service in Shanghai, the PRC and Hong Kong as well as provision of financing and property investment. Auto Italia operates through three segments: (i) cars segment – trading of cars and related accessories and the provision of car repairing services; (ii) financial investments and services segment – investment in securities, provision for financing and corporate finance services; and (iii) property investment. According to the latest published financial statements, Auto Italia had net assets of approximately HK$435 million attributed to its shareholders as at 30 June 2017.

(5) Enerchina Holdings Limited ("Enerchina") was incorporated in Bermuda. Enerchina is an investment holding company principally engaged in the financial services sector, including the provision of securities brokerage services, placing and underwriting services, the provision of corporate finance advisory services, trading and investment of securities, provision of margin financing, money lending services, investment advisory and asset management services as well as investment holdings. Enerchina operates through three segments: (i) financial services segment – the provision of securities brokerage and provision of financial, consultancy and corporate financial advisory services; (ii) securities trading and investments segment; and (iii) money lending segment. According to the latest published annual results announcement, Enerchina had net assets (excluding non-controlling interests) of approximately HK$6,082 million attributed to its shareholders as at 31 December 2017.

(6) eForce Holdings Limited ("eForce Holdings") was incorporated in Bermuda. eForce Holdings is an investment holding company principally engaged in the manufacture and trading of healthcare and household products, production and sale of organic agricultural and fertilisers products, money lending business and coal mining business. eForce Holdings operates through four segments: (i) healthcare and household business; (ii) coal mining business; (iii) trading of agricultural and fertilisers products; and (iv) money lending business. According to the latest published financial statements, eForce Holdings had net assets (excluding non-controlling interests) of approximately HK$577 million attributed to its shareholders as at 30 June 2017.

(7) G-Resources Group Ltd. ("G-Resources Group") was incorporated in Bermuda. G-Resources Group is an investment holding company mainly engaged in the principal investment business, financial services business and real property business. G-Resources Group operates its business through three segments: (i) the principal investment business segment – involving in identifying of investment opportunities and investing in different industries, including mining, and in listed and unlisted financial assets such as shares, bonds, other security investments, managed investment funds, convertible bond and perpetual securities; (ii) the financial services business segment – providing financial services, including securities brokerage services, placing and underwriting services, corporate finance advisory services, provision of margin financing, money lending business and investment advisory and management services; and (iii) the real property business segment – involving in the investment of property portfolio on commercial properties in Hong Kong and other countries, but also in other types of properties. According to the latest published financial statements, G-Resources Group had net assets (excluding non-controlling interests) of approximately US$1,377 million attributed to its shareholders as at 30 June 2017.

(8) Code Agriculture (Holdings) Limited ("Code Agriculture") was incorporated in Bermuda. Code Agriculture is an investment holding company principally engaged in the provision of digital television services in Hong Kong and the PRC, provision of car beauty services in Hong Kong, money lending business in Hong Kong and securities investments in Hong Kong. Code Agriculture operates its business through three business segments: (i) digital television segment – mainly engaged in the broadcasting and advertising of digital television in Hong Kong and the PRC; (ii) car beauty segment – provision of car beauty and maintenance services in Hong Kong; and (iii) money lending segment – provision of mortgage loans and short term loans in Hong Kong. According to the latest published financial statements, Code Agriculture had net liabilities (excluding non-controlling interests) of approximately HK$151 million attributed to its shareholders as at 30 September 2017.

(9) New Provenance Everlasting Holdings Limited ("New Provenance") was incorporated in Bermuda. New Provenance is an investment holding company principally engaged in the sourcing and sale of metal minerals and related industrial materials, production and sale of industrial products and production and sale of utilities and provision of logistic services. New Provenance operates its business through four business segment: (i) sourcing and sale of metal minerals and related industrial materials; (ii) production and sale of industrial products; (iii) production and sales of utilities; and (vi) others segment that represents business activities and operating segments not separately reported, including provision of logistics services. According to the latest published financial statements, New Provenance had net assets (excluding non-controlling interests) of approximately HK$481 million attributed to its shareholders as at 30 September 2017.

(10) Inno-Tech Holdings Limited ("Inno-Tech") was incorporated in Bermuda. Inno-Tech is an investment holding company principally engaged in the provision of outdoor advertising on buses and bus stations and television advertising operation in the PRC and event management and marketing services in Hong Kong. Inno-Tech operates its business through two segments: (i) outdoor advertising on buses and bus stations segment – operation of outdoor advertising businesses on buses and bus stations in the PRC; (ii) television advertisements – television advertising operations in the PRC; and (iii) event management and marketing services segment – tailor made event management in Hong Kong. According to the latest published financial statements, Inno-Tech had net liabilities of approximately HK$127 million attributed to its shareholders as at 31 December 2017.

16. CONVERTIBLE NOTES RECEIVABLE

	2017	2016
	HK$'000	*HK$'000*
Convertible notes receivable – designated at FVTPL		
Convertible Note I	19,293	41,299
Convertible Note II	–	2,167
	19,293	43,466

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

During the year ended 31 December 2016, there is a day-one gain of approximately HK$29,836,000 for Convertible Note I, which is deferred and amortised in the consolidated statement of profit or loss on a straight-line basis within the effective life of the convertible notes receivable.

Convertible Note II represented the fair value of 2.14% interest in convertible note issued by Up Energy, a company listed on the Stock Exchange. The principal amount of the convertible notes is HK$100,000,000 and HK$130,000,000, which can be converted into 134,138,162 and 174,379,611 ordinary shares of Up Energy respectively at a 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 carried interest at 5% per annum, payable semi-annually on 30 June and 31 December of each calendar year. The convertible notes would be redeemed by Up Energy on maturity date at their principal amount. During the year ended 31 December 2017, the Group disposed of the convertible notes to an independent third party through the disposal of a subsidiary.

For the year ended 31 December 2016, the fair value gain of the convertible notes receivable amounting to HK$16,922,000 plus the amortisation of day-one gain for Convertible Note I of HK$1,177,000 are recognised in "other loss or gain".

For the year ended 31 December 2017, the fair value loss of the convertible notes receivable amounting to HK$50,665,000, plus the amortisation of day-one gain for Convertible Note I of HK$2,959,000 is recognised in "other loss or gain". The remaining day-one gain of HK$25,700,000 (note 6) as at 31 December 2017 was de-recognised due to the significant fluctuation in the stock price.

17. ACCOUNTS PAYABLE

	2017	2016
	HK$'000	*HK$'000*
Accounts payable arising from securities brokerage business:		
– cash clients and clearing house	**6,081**	–

The settlement terms of accounts payable to cash clients and clearing house are two days after trade date. Accounts payable to cash clients are repayable on demand subsequent to settlement date. No ageing analysis is disclosed as in the opinion of the directors of the Company, the ageing analysis does not give additional value in view of the nature of this business.

EXTRACT OF INDEPENDENT AUDITOR'S REPROT

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

As detailed in the auditor's report dated 31 March 2017 and note 25 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 financial statements of Xiamen Sunflower have not been consolidated in the consolidated financial statements for the year ended 31 December 2015 and up to 9 March 2016 (the date of disposal) during the year ended 31 December 2016 and accordingly the consolidated financial statements have not been prepared in all material respects in accordance with HKFRSs. 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 loss and total comprehensive expense attributable to the owners of the Company for the year ended 31 December 2016. Our audit opinion on the consolidated financial statements for the year ended 31 December 2016 was qualified accordingly.

Our opinion on the consolidated financial statements for the current year is also modified because of the possible effect of the matter on the comparability of the current period's figures and the corresponding figures.

The aforesaid note 25 to the consolidated financial statements in the extract from the Independent Auditor's Report are disclosed in note 13 to this results announcement.

MANAGEMENT DISCUSSION AND ANALYSIS BUSINESS AND OPERATIONAL

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") and entertainment business.

After initiating and going through a revamp of the Company's business and operations, making the integrated financial services business as an additional principal business in 2016, the Company continued in 2017 and further the completion an overhaul and rationalisation of its assets and operations. The Company's core business of the integrated financial services businesses comprises of securities investments and proprietary trading, securities brokerage services, margin financing and money lending business. The major segments of the Company's business for the Year under Review are as follows:

(a) Integrated financial services businesses

(i) Securities investments and proprietary trading

The Company conducted its short term proprietary trading business through Unimagi Investment Limited, an indirect wholly-owned subsidiary of the Company. As at 31 December 2017, the aggregate market value of listed debt and equity securities classified as available-for-sale investments (held for long-term purpose) and held-for-trading investments was approximately HK$483 million. Total realised loss from sale of listed equity investments and unrealised loss/impairment loss charged to profit or loss as a results of change in fair value of listed equity investments for the Year under Review were approximately HK$88 million and approximately HK$236 million respectively. The management of the Company has been disappointed with the performance of the short term proprietary trading business for the Year under Review and is continually looking for ways and means to enhance the business future performance including the addition of management expertise. However, the Company remains confident the business will turn around with new positive macro factors such as the "One Belt One Road", the "Shanghai Connect" and the "Shenzhen Connect" just to name a few.

(ii) Brokerage services

The acquisition of John & Wong Securities Company Limited (‘‘John & Wong’’) was completed on 28 February 2017 and John & Wong became an indirect wholly-owned subsidiary of the Company. In preparation for further expansion in brokerage and other related corporate finance services, on 12 May 2017, the Company had made HK$100 million further capital injection into John & Wong and also has recruited and planned to recruit additional personnel to undertake additional services and businesses including corporate finance advisory services, investment advisory and asset management services. In the meantime, John & Wong is in the process of applying for additional licences including Type 2, 4, 5 and 9 from the Securities and Futures Commission of Hong Kong (the ‘‘SFC’’). For the Year under Review, John & Wong had yet made no profit contribution to the Group as it is still in transition period for the Company to assimilate and integrate the brokerage services business. The management of the Company is confident the stride to full-fledged financial services will begin in the foreseeable future.

(iii) Money lending business

For the Year under Review, the Company engaged in money lending business through a company with money lenders licence under Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong) within a subsidiary company under 50-50 equal joint venture, Imagination Holding Limited (the ‘‘JV Company’’). For the Year under Review, the money lending business contributed an approximately HK$14 million profit to the JV Company. However, an approximately HK$20 million impairment loss was incurred by the JV Company and as a consequence, the Group has to share an overall loss of the JV Company of approximately HK$7 million for the Year under Review. The Company decided to look for future expansions in the money lending business by conducting money lending of its own. In anticipation of the above, the Company is seeking the disposal of its equity interests in the JV Company to the existing joint venture partner.

(b) CGI business

The management of the Company does not see immediate improving prospects for the CGI business. After considering costs and benefits, the Company will devote minimal resources to maintain the CGI business until there are substantial changes in potential and prospects for such business segment. Accordingly, the Company had terminated its efforts on the production side of the GCI business but will only retain efforts on the distribution side of the CGI business.

FINANCIAL REVIEW

Review of results

The net loss before tax for the Year under Review was approximately HK$452 million compared to the net loss before tax of approximately HK$418 million for the last year. The current year net loss was mainly due to losses from changes in fair value of financial assets classified as held-for-trading investments of approximately HK$324 million (2016: approximately HK$91 million); impairment loss on available-for-sale investments of approximately HK$65 million (2016: approximately HK$79 million); impairment loss on goodwill of approximately HK$6 million (2016: Nil); impairment loss on intangible assets of approximately HK$2 million (2016: Nil) and net fair value loss on convertible notes receivable (net of gain on derecognition of day one gain on convertible notes) of approximately HK$22 million (2016: net fair value gain on convertible notes receivable of approximately HK$18 million).

On the expenditure side, administrative expenses significantly decreased by approximately HK$93 million or approximately 69% from approximately HK$134 million for the last financial year to approximately HK$41 million for the Year under Review. Total staff costs (excluding equity-settled share-based payment expenses) decreased by approximately 14% from approximately HK$22 million last financial year to approximately HK$19 million for the Year under Review. There was no equity-settled share-based payment expenses incurred during the Year under Review (2016: approximately HK$64 million).

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 2017 remain healthy, with bank balances and cash amounting to HK$134 million (31 December 2016: HK$246 million) and a current ratio (the total amount of current assets over the total amount of current liabilities) of approximately 64 times (2016: approximately 53 times).

As at 31 December 2017, 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 (2016: zero).

As at 31 December 2017, the total number of issued Shares was 689,421,572 Shares with a par value of HK$0.04 each. Based on the closing price of HK$0.67 per Share as at 29 December 2017 (the last trading date before year ended 31 December 2017), the market value of the Company as at 31 December 2017 was approximately HK$462 million.

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 exposure of the Group 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 2017, held-for-trading investments and available-for-sale investments of approximately HK$432 million and HK$43 million respectively (31 December 2016: held-for-trading investments of approximately HK$586 million) was pledged to a financial institution to secure margin financing facilities provided to the Group.

ACQUISITION AND DISPOSAL OF SUBSIDIARIES

On 23 January 2017, Emperor Investments Limited ("Emperor Investments", a direct wholly-owned subsidiary of the Company) was disposed to an independent third party at a consideration of HK$20 million. The material assets held by Emperor Investments was unlisted investment of 7,500,000 shares of Freewill Holdings Limited (representing approximately 1% of its issued share capital). In this regard, impairment losses of approximately HK$18 million with reference to the sale proceeds was recognised and charged to profit or loss in the financial year ended 31 December 2016.

On 23 January 2017, Top Gate Holdings Ltd. ("Top Gate", a direct wholly-owned subsidiary of the Company) was disposed to an independent third party at a consideration of HK$31 million. The material assets held by Top Gate were unlisted investments including (a) 450,000 shares of FreeOpt Holdings Limited (representing approximately 12% of its issued share capital); (b) 6,200,000 shares of Joint Global Limited (representing approximately 2% of its issued share capital); and (c) 2.14% interest in an principal amount of HK$100 million and HK$130 million of two respective tranche of convertible notes issued by Up Energy Development Group Limited at a conversion price of HK$0.7455. In this regard, impairment losses of approximately HK$62 million with reference to the sale proceeds was recognised and charged to profit or loss in the financial year ended 31 December 2016.

On 28 February 2017, the Company acquired entire issued shares of John & Wong (a corporate licensed under the SFO to carry out Type 1 (dealing in securities) regulated activity) at a consideration of HK$18.4 million (the "Acquisition") pursuant to a sale and purchase agreement dated 30 August 2016 (the "Agreement") entered into between the Company and independent third parties. The consideration was finally satisfied by issuing of 60,000,000 new Shares at fair value of approximately HK$6.48 million which were issued and allotted on 28 February 2017, share options granted to the former owner at fair value of approximately HK$1.85 million and cash settlement of approximately HK$6.18 million after taking into account of a dollar-to-dollar downward adjustment pursuant to the Agreement. John & Wong became an indirect wholly-owned subsidiary of the Company upon completion of the Acquisition on 28 February 2017 and to carry out brokerage services. Details information regarding the Acquisition was disclosed in the Company's announcement dated 30 August 2016 and circular dated 7 October 2016.

On 23 June 2017, as marine facilities under High Gear Holdings Limited ("High Gear" an indirect wholly-owned subsidiary of the Company) were no longer required by the Group after disposal of a yacht held by High Gear in March 2017, High Gear was disposed to Global Value Group Limited (a subsidiary of Enerchina being a substantial Shareholder) at a cash consideration of HK$490,000 which was reference to the net assets of High Gear at the date of disposal.

CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

As at 31 December 2017, the Group did not have any significant contingent liabilities and capital commitments.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the Year under Review (2016: Nil).

PROSPECTS

As stated above, the past year had been taxing for the Company. As expected with the implementation of a new core business, there are many development expenses as well as adjustment costs resulting in many segments of the new core business not performing up to expectation. As such learning phase is primarily completed, the Company hopes and expects that the performance of the main stream under integrated financial services business segment set out below will improve significantly in the coming year.

(a) Securities investments and proprietary trading

With the addition of management expertise and the rationalisation of the investment decision process, the Company is confident that the business will turn around with new positive macro factors such as the "One Belt One Road", the "Shanghai Connect" and the "Shenzhen Connect" just to name a few.

(b) Brokerage services

The takeover and rationalisation of John & Wong's business and management began in earnest after completion of acquisition of John & Wong in February 2017. The Company is confident with the further capital injection, additional staff and the additional licences, including Type 2, 4, 5 and 9, when were granted from the SFC, the stride to full-fledged financial services will begin in the foreseeable future. John & Wong will become a significant contributor to the Group's operations and profits once the Company begins to move available in-house proprietary trading businesses to John & Wong as well as the expansion of John & Wong's connections through the Company's assistance and introduction.

(c) Money lending business

The Company decided to look for future expansions in the money lending business by conducting money lending of its own. In anticipation of the above, the Company is seeking the disposal of its equity interest in the JV Company to existing joint venture partner with the Company. The Company expects its new money lending business will commence in the second half of 2018. With the experience and know-how gained through the JV Company, the Company is confident that this will soon become significant contributor to the Company's business.

EVENTS AFTER THE REPORTING PERIOD

On 2 February 2018, the Company entered a sale and purchase agreement with its joint venture partner to dispose its whole interests in Imagination Holding Limited and its subsidiaries, a joint venture company, at a cash consideration of HK$150 million. The transaction is subject to the shareholders' approval and not yet complete as at the date of this announcement.

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 Listing Rules except for the deviations described below.

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) Dr. Kwong Kai Sing Benny and Dr. Santos Antonio Maria, both of them being independent non-executive Directors, were not present at a special general meeting of the Company held on 10 March 2017; and

(ii) Mr. Miu Frank H., being independent non-executive Director, was not present at an annual general meeting held on 26 May 2017.

However, (i) Mr. Chow Chi Wah Vincent and Mr. Miu Frank H., both of them being independent non-executive Directors, were present at the aforesaid special general meeting held on 10 March 2017; and (ii) Dr. Santos Antonio Maria and Ms. Liu Jianyi, both of them being independent non-executive Directors, were present at aforesaid annual general meeting held on 26 May 2017.

A such, the Board considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") 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 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 2017, the Group employed 29 employees excluding directors (2016: 19 employees). 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 non-cash equity-settled share-based payment expenses) for the Year under Review, including director's emoluments, amounted to approximately HK$19 million (2016: approximately HK$22 million).

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") has met with the external auditor of the Company, Crowe Horwath (HK) CPA Limited, and the management of the Company to review the accounting principles and practices adopted by the Group and the annual results of the Group for the Year under Review. The Audit Committee has also discussed auditing, financial reporting matters, risk management and internal control systems of the Company. As at the date of this announcement, the Audit Committee comprises three independent non-executive Directors, namely Mr. Miu Frank H. (Chairman of the Audit Committee), Dr. Santos Antonio Maria and Ms. Liu Jianyi.

SCOPE OF WORK OF CROWE HORWATH (HK) CPA LIMITED

The figures in respect of the Company'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 2017 as set out in the preliminary announcement have been agreed by the Company's auditor, Crowe Horwath (HK) CPA Limited, to the amounts set out in the Company's audited consolidated financial statements for the year ended 31 December 2017. 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 Wednesday, 13 June 2018. The notice of the AGM will be published on the Stock Exchange's 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 Friday, 8 June 2018 to Wednesday, 13 June 2018 (both days inclusive), during which period no transfer of share(s) of the Company can be registered. In order to qualify for attending and voting at the AGM, all transfer documents accompanied by the relevant share certificate(s) should be lodged for registration with the Hong Kong branch share registrar of the Company, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Thursday, 7 June 2018.

PUBLICATION OF 2017 ANNUAL RESULTS ANNOUNCEMENT AND 2017 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 2017 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, 23 March 2018

As at the date of this announcement, the Board comprises the following Directors:

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

Independent non-executive Directors:
Dr. Santos Antonio Maria
Mr. Miu Frank H.
Ms. Liu Jianyi