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 2018

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 2018 (the "Year under Review") together with the comparative figures for the corresponding year in 2017 as follows:

* *for identification purpose only*

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
Brokerage related commission and clearing fee income	4	**2,227**	1,140
Dividend income from held-for-trading investments	4	**20,577**	751
Interest income on loans receivable and margin clients	4	**3,479**	–
Royalty income	4	**256**	264
Net realised losses from sales of listed equity investments classified as held-for-trading	4	**(8,050)**	(92,573)
		18,489	(90,418)
Other income	5	**2,479**	5,393
Other gain/(loss)	6	**6,390**	(18,265)
Impairment loss on goodwill		**–**	(5,878)
Impairment loss on intangible assets		**–**	(2,072)
Impairment loss on available-for-sale investments		**–**	(64,638)
Net realised losses from sales of listed equity investments classified as fair value through profit or loss		**(8,075)**	–
Losses from changes in fair value of financial assets classified as held-for-trading		**(106,674)**	(236,238)
Administrative expenses		**(33,203)**	(36,423)
Loss from operations		**(120,594)**	(448,539)
Finance costs		**(832)**	(158)
Share of profit/(loss) of a joint venture		**3,521**	(3,308)
Loss before tax	8	**(117,905)**	(452,005)
Income tax credit	9	**342**	10,967
Loss for the year		**(117,563)**	(441,038)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME *(continued)*

	Notes	2018 HK$'000	2017 HK$'000
Other comprehensive expense			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**224**	(440)
Net loss on revaluation of available-for-sale investments		**–**	(64,351)
Impairment loss on available-for-sale investments reclassified to profit or loss		**–**	64,638
Net loss on debt securities at fair value through other comprehensive income (recycling)		**(1,524)**	–
Net movement in investment revaluation reserve during the year recognised in other comprehensive income		**(1,524)**	287
Other comprehensive expense for the year		**(1,300)**	(153)
Total comprehensive expense for the year		**(118,863)**	(441,191)
Loss for the year attributable to owners of the Company		**(117,563)**	(441,038)
Total comprehensive expense for the year attributable to owners of the Company		**(118,863)**	(441,191)

		2018	2017
Loss per share			
Basic and diluted (HK cents per share)	*10*	**(17)**	(66)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
Non-current assets			
Property, plant and equipment		**2,165**	2,626
Goodwill		**–**	–
Intangible assets		**859**	859
Other financial assets	*11*	**6,562**	51,178
Other non-current assets		**1,500**	1,500
Interest in a joint venture		**–**	139,381
Prepayment for film rights	*12*	**3,900**	–
		14,986	195,544
Current assets			
Accounts receivable	*13*	**4,928**	943
Other receivables, deposits and prepayments		**3,296**	2,184
Loans receivable	*14*	**16,516**	–
Held-for-trading investments	*15*	**549,022**	432,023
Convertible notes receivable	*16*	**18,864**	19,293
Bank balances – trust accounts		**4,177**	5,209
Bank balances and cash		**104,244**	134,477
		701,047	594,129
Current liabilities			
Accounts payable	*17*	**4,444**	6,081
Borrowings	*18*	**43,268**	–
Other payables and accruals		**3,137**	3,263
		50,849	9,344
Net current assets		**650,198**	584,785
Total assets less current liabilities		**665,184**	780,329
Non-current liability			
Deferred tax liability		**142**	484
Net assets		**665,042**	779,845
Capital and reserves			
Share capital		**27,677**	27,577
Reserves		**637,365**	752,268
Total equity attributable to owners of the Company		**665,042**	779,845

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 Company acts as an investment holding company. During the Year under Review, the Group were principally engaged in integrated financial services, investment holdings, computer graphic imaging ("CGI"), cultural and entertainment business. The integrated financial services were comprised of securities investments and proprietary trading, the provision of securities brokerage services, margin financing services, money lending services.

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

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

(a) Overview

The Hong Kong Institute of Certified Public Accountants ("HKICPA") has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

HKFRS 9	Financial instruments
HKFRS 15	Revenue from contracts with customers
HK(IFRIC)-Int 22	Foreign currency transactions and advance consideration

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period, except for the amendments to HKFRS 9, Prepayment features with negative compensation which have been adopted at the same time as HKFRS 9.

(b) HKFRS 9, Financial instruments, including the amendments to HKFRS 9, Prepayment features with negative compensation

HKFRS 9 replaces HKAS 39, Financial instruments: recognition and measurement. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Group has applied HKFRS 9 retrospectively to items that existed at 1 January 2018 in accordance with the transition requirements. The Group has recognised the cumulative effect of initial application as an adjustment to the opening equity at 1 January 2018. Therefore, comparative information continues to be reported under HKAS 39.

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

(i) Classification of financial assets and financial liabilities

HKFRS 9 categories financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income ("FVOCI") and at fair value through profit or loss ("FVPL"). These supersede HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics. Under HKFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not separated from the host. Instead, the hybrid instrument as a whole is assessed for classification.

The following table shows the original measurement categories for each class of the Group's financial assets under HKAS 39 and reconciles the carrying amounts of those financial assets determined in accordance with HKAS 39 to those determined in accordance with HKFRS 9.

	HKAS 39 carrying amount at 31 December 2017	**Reclassification**	**Remeasurement**	**HKFRS 9 carrying amount at 1 January 2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets carried at amortised cost				
Bank balances and cash	134,477	–	–	134,477
Bank balances – trust accounts	5,209	–	–	5,209
Accounts receivable	943	–	–	943
Other receivables	405	–	–	405
	141,034	–	–	141,034
Financial assets measured at FVOCI (recycling)				
Debt securities *(note (i))*	–	8,086	–	8,086

	HKAS 39 carrying amount at 31 December 2017	Reclassification	Remeasurement	HKFRS 9 carrying amount at 1 January 2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets carried at FVPL				
Convertible notes receivable *(note (iii))*	19,293	–	–	19,293
Equity securities not held for trading *(note (ii))*	–	43,092	–	43,092
Held-for-trading investments *(note (iii))*	432,023	–	–	432,023
	451,316	43,092	–	494,408
Financial assets classified at available-for-sale under HKAS 39 *(notes (i), (ii))*	51,178	(51,178)	–	–

Notes:

(i) Under HKAS 39, debt securities were classified as available-for-sale financial assets. They are classified as at FVOCI (recycling) under HKFRS 9.

(ii) Under HKAS 39, equity securities not held for trading were classified as available-for-sale financial assets. These equity securities are classified as at FVPL under HKFRS 9, unless they are eligible for and designated at FVOCI by the Group.

(iii) Held-for-trading investments and convertible notes receivable were classified as financial assets at FVPL under HKAS 39. These assets continue to be measured at FVPL under HKFRS 9.

The measurement categories for all financial liabilities remain the same. The carrying amounts for all financial liabilities at 1 January 2018 have not been impacted by the initial application of HKFRS 9.

The Group did not designate or de-designate any financial asset or financial liability at FVPL at 1 January 2018.

(ii) Credit losses

HKFRS 9 replaces the "incurred loss" model in HKAS 39 with the expected credit loss ("ECL") model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the "incurred loss" accounting model in HKAS 39.

The Group applies the new ECL model to the following items:

– financial assets measured at amortised cost (including bank balances – trust accounts, bank balances and cash, loans receivable, accounts receivable and other receivables); and

– debt securities measured at FVOCI (recycling).

(iii) Transition

Changes in accounting policies resulting from the adoption of HKFRS 9 have been applied retrospectively, except as described below:

– Information relating to comparative periods has not been restated. Differences in the carrying amounts of financial assets resulting from the adoption of HKFRS 9 are recognised in accumulated losses and reserves as at 1 January 2018. Accordingly, the information presented for 2017 continues to be reported under HKAS 39 and thus may not be comparable with the current period.

– The following assessments have been made on the basis of the facts and circumstances that existed at 1 January 2018 (the date of initial application of HKFRS 9 by the Group):

    – the determination of the business model within which a financial asset is held.

– If, at the date of initial application, the assessment of whether there has been a significant increase in credit risk since initial recognition would have involved undue cost or effort, a lifetime ECL has been recognised for that financial instrument.

(c) HKFRS 15, Revenue from contracts with customers

HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. HKFRS 15 replaces HKAS 18, Revenue, which covered revenue arising from sale of goods and rendering of services, and HKAS 11, Construction contracts, which specified the accounting for construction contracts.

The adoption of HKFRS 15 does not have any material impact on the financial position and the financial result of the Group.

(d) HK(IFRIC)-Int 22, Foreign currency transactions and advance consideration

This interpretation provides guidance on determining "the date of the transaction" for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) arising from a transaction in which an entity receives or pays advance consideration in a foreign currency.

The Interpretation clarifies that "the date of the transaction" is the date on initial recognition of the non-monetary asset or liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the date of the transaction for each payment or receipt should be determined in this way. The adoption of HK(IFRIC)-Int 22 does not have any material impact on the financial position and the financial result of the Group.

3. SEGMENT REPORTING

The Group's operating segments are determined based on information reported to the chief operating decision maker of the Group (the directors of the Company who are also directors of all operating subsidiaries) (the "CODM"), for the purpose of resource allocation and performance assessment.

In previous years, the CODM reviewed the Group's result as a whole, which was solely generated from the purchase and sales of securities investments and securities brokerage services, for performance assessment. Therefore no separate segment information is prepared by the Group.

During the year ended 31 December 2018, the Group acquired a subsidiary which is engaged in money lending business. In addition, the Group commences to invest in film rights. Accordingly, the Group reorganises business units based on their services and the CODM regularly review revenue and results analysis of the Group by the reportable operating segments below.

(a) trading of securities segment engages in the purchase and sale of securities investments and securities brokerage services;

(b) provision of finance segment engages in the provision of financing services; and

(c) entertainment segment engages in CGI business, entertainment business and investment in film rights.

The last years operating segment information was restated for aligning to current year's presentation.

All assets are allocated to reportable segments with the exception of the interest in a joint venture and other corporate assets. All liabilities are allocated to reportable segments other than deferred tax liability and other corporate liabilities.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that bank and other interest income (excluding interest income from the provision of finance), finance costs as well as head office and corporate expenses are excluded from such measurement.

Inter-segment transactions are made with reference to the prices used for services made to third parties at the then prevailing market prices.

Disaggregation of revenue from contracts with customers by the timing of revenue recognition, as well as information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2018 and 2017 is set out below.

(a) Segment results, assets and liabilities

For the year ended 31 December 2018

	Trading of securities and securities brokerage	Provision of finance	Entertainment	Elimination	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Disaggregated by timing of revenue recognition					
Point in time	**14,824**	**–**	**–**	**–**	**14,824**
Over time	**–**	**3,409**	**256**	**–**	**3,665**
Revenue from external customers	**14,824**	**3,409**	**256**	**–**	**18,489**
Inter-segment revenue	**–**	**–**	**–**	**–**	**–**
	14,824	**3,409**	**256**	**–**	**18,489**
Segment results:	**(105,944)**	**3,045**	**(786)**	**–**	**(103,685)**
Reconciliation:					
Share of profit of a joint venture					**3,521**
Other income and other gain					**8,869**
Depreciation					**(798)**
Finance costs					**(832)**
Unallocated head office and corporate expenses					**(24,980)**
Consolidated loss before tax					**(117,905)**

	Trading of securities and securities brokerage *HK$'000*	**Provision of finance** *HK$'000*	**Entertainment** *HK$'000*	**Elimination** *HK$'000*	**Total** *HK$'000*
Segment assets	**587,120**	**16,560**	**4,198**	**–**	**607,878**
Unallocated head office and corporate assets					**108,155**
Total consolidated assets					**716,033**
Segment liabilities	**(47,817)**	**(34)**	**(671)**	**–**	**(48,522)**
Deferred tax liability					**(142)**
Unallocated head office and corporate liabilities					**(2,327)**
Total consolidated liabilities					**(50,991)**

For the year ended 31 December 2017

	Trading of securities and securities brokerage *HK$'000*	Provision of finance *HK$'000*	Entertainment *HK$'000*	Elimination *HK$'000*	Total *HK$'000*
Disaggregated by timing of revenue recognition					
Point in time	(90,682)	–	–	–	(90,682)
Over time	–	–	264	–	264
Revenue from external customers	(90,682)	–	264	–	(90,418)
Inter-segment revenue	–	–	–	–	–
	(90,682)	–	264	–	(90,418)
Segment results:	(395,894)	–	1,024	–	(394,870)
Reconciliation:					
Share of loss of a joint venture					(3,308)
Other income and other loss					(12,872)
Depreciation					(1,614)
Finance costs					(158)
Unallocated head office and corporate expenses					(39,183)
Consolidated loss before tax					(452,005)

	Trading of securities and securities brokerage	Provision of finance	Entertainment	Elimination	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment assets	510,032	–	102	–	510,134
Unallocated head office and corporate assets					279,539
Total consolidated assets					789,673
Segment liabilities	(6,263)	–	(60)	–	(6,323)
Deferred tax liability					(484)
Unallocated head office and corporate liabilities					(3,021)
Total consolidated liabilities					(9,828)

(b) Geographical information

The geographical location of customers is based on the location at which the services rendered. Substantially, over 98% of the Group's revenue from external customers, non-current assets and capital expenditure are located in Hong Kong no analysis on revenue from external customers and non-current assets by location are presented.

(c) Major customers

Included in revenue arising from major customers which individually accounted for over 10% of the Group's revenue for the year:

	2018	2017
	HK$'000	*HK$'000*
Trading of securities and securities brokerage		
Customer A	**1,305**	–
Provision of finance		
Customer B	**732**	–
Customer C	**732**	–

The Group's dividend income and net realised losses from sales of listed equity investments classified as held-for-trading are excluded from total revenue ("Adjusted Revenue") for the purpose of identifying major customers of the Group who accounted for over 10% of the Group's revenue.

For the year ended 31 December 2018, revenue from each of above Customers A to C accounted for 10% or more of the Group's Adjusted Revenue. For the year ended 31 December 2017, there was no customer who individually contributed over 10% of the Group's Adjusted Revenue.

4. REVENUE

	2018	2017
	HK$'000	*HK$'000*
Brokerage related commission and clearing fee income	**2,227**	1,140
Dividend income from held-for-trading investments	**20,577**	751
Interest income on loans receivable and margin clients	**3,479**	–
Royalty income	**256**	264
	26,539	2,155
Net realised losses from sales of listed equity investments classified as held-for-trading *(note)*	**(8,050)**	(92,573)
	18,489	(90,418)

Note: During the year ended 31 December 2018, the Group disposed of held-for-trading securities at cost of HK$332,543,000 (2017: HK$587,605,000) at gross proceeds of HK$326,413,000 (2017: HK$500,016,000), incurring trading fee of HK$1,920,000 (2017: HK$4,984,000).

5. OTHER INCOME

	2018	2017
	HK$'000	*HK$'000*
Interest income on convertible notes receivable	**1,740**	1,753
Interest income on debt securities	**678**	350
Dividend income from available-for-sale investments	**–**	1,512
Waive of tax penalty	**–**	1,528
Others	**61**	250
	2,479	5,393

6. OTHER GAIN/(LOSS)

	2018	2017
	HK$'000	*HK$'000*
Fair value loss on convertible notes receivable	**(429)**	(47,706)
Gain on disposal of a joint venture	**7,098**	–
Loss on disposal of a subsidiary	**–**	(7)
Loss on disposal of property, plant and equipment	**(44)**	(168)
Net foreign exchange (loss)/gain	**(235)**	514
Gain on derecognition of day-one gain on convertible notes	**–**	25,700
Gain on initial recognition of available-for-sale investments	**–**	3,402
	6,390	(18,265)

7. DIVIDEND

No dividend was paid or proposed during the year ended 31 December 2018, nor has any dividend been proposed since the end of the reporting period (2017: Nil).

8. LOSS BEFORE TAX

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

	2018	2017
	HK$'000	*HK$'000*
Auditor's remuneration	**1,200**	1,200
Directors' emoluments	**3,894**	4,278
Other staff costs		
– Salaries and allowance	**13,142**	14,388
– Contribution to retirement benefit scheme	**383**	403
Total staff costs	**17,419**	19,069
Depreciation of property, plant and equipment	**798**	1,614
Operating lease payments in respect of rental properties	**3,331**	4,653
Changes in fair value of financial assets classified as held-for-trading		
– Net realised losses from sales of listed equity investments	**8,050**	92,573
– Unrealised losses from changes in fair value of listed equity investments	**106,674**	236,238
	114,724	328,811

9. INCOME TAX CREDIT

Income tax credit recognised in profit or loss

	2018	2017
	HK$'000	*HK$'000*
Hong Kong Profits Tax		
Current tax	**–**	–
Overprovision in respect of prior years	**–**	10,967
	–	10,967
Deferred tax		
Origination and reversal of temporary difference	**342**	–
	342	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 2018 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.

For the year ended 31 December 2017, Imagi Crystal Limited received a confirmation from the Hong Kong Inland Revenue Department. That confirmation stated that the impairment losses made on graphic imaging animation pictures in the previous years could be deductible. Accordingly, the Group reversed the tax provision of HK$10,967,000 and the tax surcharge of HK$1,528,000 for the year ended 31 December 2017.

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:

	2018	2017
	HK$'000	*HK$'000*
Loss		
Loss for the purposes of basic loss per share	**(117,563)**	(441,038)

	2018	2017
Number of shares		
Issued ordinary shares at 1 January	**689,421,572**	4,548,172,578
Effect of shares issued	**–**	139,010,959
Effect of share options exercised	**842,466**	–
Effect of share consolidations	**–**	(4,023,808,540)
Weighted average number of ordinary shares at 31 December	**690,264,038**	663,374,997

(b) Diluted loss per share

For the years ended 31 December 2018 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. OTHER FINANCIAL ASSETS

	31 December 2018	1 January 2018	31 December 2017
	HK$'000	*HK$'000*	*HK$'000*
Financial assets measured at FVPL			
Equity securities listed in Hong Kong not held for trading *(note a)*	**–**	43,092	–
Financial assets measured at FVOCI (recycling)			
Debt securities listed in Singapore *(note b)*	**6,562**	8,086	–
Available-for-sale financial assets			
Equity shares listed in Hong Kong *(note a)*	**–**	–	43,092
Debt securities listed in Singapore *(note b)*	**–**	–	8,086
	–	–	51,178
Total	**6,562**	51,178	51,178

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.

For 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.

(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 28 June 2025. The senior notes are listed on the Singapore Exchange Securities Trading Limited.

12. PREPAYMENT FOR FILM RIGHTS

	2018	2017
	HK$'000	*HK$'000*
Prepayment for film rights	**3,900**	–

During the year ended 31 December 2018, the Group entered into an agreement with an independent third party and agreed to invest six films. The Group is entitled to share certain percentage of income to be generated from the films based on the proportion of investment amounts as specified in the agreement.

The Group prepaid HK$3,900,000 in relation to the development of one of the proposed films. The prepayment will form part of the contribution by the Group for the production cost of the proposed film.

At 31 December 2018, the management of the Group considered that the carrying amounts of prepayment for film rights are recoverable from expected future income of related film rights. Accordingly, no impairment loss was recognised.

13. ACCOUNTS RECEIVABLE

	2018	2017
	HK$'000	*HK$'000*
Accounts receivable arising from securities brokerage business:		
– Cash clients	**269**	883
– Margin clients	**4,501**	–
	4,770	883
Accounts receivable arising from CGI business	**158**	60
	4,928	943

An ageing analysis of the accounts receivable as at the end of the reporting period, based on the trade date, is as follows:

	2018	2017
	HK$'000	*HK$'000*
Within 90 days	**4,928**	943

At 31 December 2018, none (2017: none) of the Group's accounts receivable was considered to be impaired.

(a) Accounts receivable neither past due nor credit-impaired

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

	2018	2017
	HK$'000	*HK$'000*
Neither past due nor impaired	**4,928**	943

Notes:

(a) 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.

(b) Accounts receivable from cash clients as at 31 December 2018 relate to clients that have a good track record with the Group for whom there was no recent history of default.

(c) The Group offsets certain accounts receivable and accounts payable when the Group currently has a legally enforceable right to set off the balances and intends either to settle on a net basis, or to realise the balances simultaneously.

(d) At 31 December 2018, except for margin loans receivable of HK$4,501,000 (2017: Nil), which were secured by underlying equity securities amounted to approximately HK$69,463,000 (2017: Nil), the Group did not hold any collateral or other credit enhancements over these balances.

(e) Trading limits are set for margin customers. The Group seeks to maintain tight control over its outstanding accounts receivable in order to minimise the credit risk. Overdue balances are regularly monitored by management.

14. LOANS RECEIVABLE

	2018	2017
	HK$'000	*HK$'000*
Loans receivable	**16,516**	–

Loans receivable represented receivables arising from the provision of finance business of the Group, and bears interest at rates ranging from 6% to 10% (2017: Nil) per annum. The Group did not hold any collateral or other credit enhancements over this balance.

Maturity profile

At the end of the reporting period, the maturity profile of loans receivable, based on maturity date, is as follows:

	2018	2017
	HK$'000	*HK$'000*
Due within 1 month or on demand	**16,516**	–

At 31 December 2018, loans receivable that are neither past due nor impaired amounted to HK$16,516,000 (2017: Nil). All loans receivable have been settled by the debtors subsequent to the end of the reporting period.

Analysis of the gross carry amount of loans receivable is as follows:

	Stage 1	**Stage 2**	**Stage 3**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Gross carrying amount as at 1 January 2018	–	–	–	–
New loans/financing originated	299,409	–	–	299,409
Loans/financing derecognised or repaid during the year (other than write-offs)	(282,893)	–	–	(282,893)
Gross carrying amount as at 31 December 2018	**16,516**	**–**	**–**	**16,516**

The Group adopts a loan risk classification approach to manage its loans and advances to customers portfolio risk. Loans and advances to customers are categorised into the following stages by the Group:

Stage 1

Loans and advances to customers have not experienced a significant increase in credit risk since origination and impairment recognised on the basis of 12 months expected credit losses (12-month ECLs).

Stage 2

Loans and advances to customers have experienced a significant increase in credit risk since origination and impairment is recognised on the basis of lifetime expected credit losses (Lifetime ECLs non credit-impaired).

Stage 3

Loans and advances to customers that are in default and considered credit impaired (Lifetime ECLs credit-impaired).

The Group applies the new ECL model to measure the impairment loss of the loans and advances to customers.

The Group assessed that there is no significant loss allowance recognised in accordance with HKFRS 9 as at 31 December 2018.

15. HELD-FOR-TRADING INVESTMENTS

Held-for-trading investments represent the listed equity securities in Hong Kong of HK$549,022,000 (2017: HK$432,023,000). All listed equity securities in Hong Kong are pledged to financial institutions to secure margin financing facilities obtained. Details of the Group's top ten investments are as follows:

Note	Stock code	Stock name	Number of shares held as at 31 December 2018	Closing price as at 31 December 2018	Market value as at 31 December 2018	Realised loss	Unrealised gain/(loss)	Approximate % to held-for-trading as at 31 December 2018	Approximate % shareholding in investee as at 31 December 2018	Number of issued shares of investee as at 31 December 2018
				HK$	*HK$'000*	*HK$'000*	*HK$'000*			
(1)	622	Enerchina Holdings Limited	39,434,000	0.485	19,125	(3,942)	2,030	3.48%	0.68%	5,811,766,282
(2)	708	Evergrande Health Industry Group Limited	21,000,000	10.300	216,300	–	25,597	39.40%	0.24%	8,640,000,000
(3)	718	Tai United Holdings Limited	70,000,000	0.285	19,950	–	(44,450)	3.63%	1.33%	5,250,019,852
(4)	887	Emperor Watch & Jewellery Limited	50,750,000	0.230	11,673	–	(4,672)	2.13%	0.75%	6,779,458,129
(5)	996	Carnival Group International Holdings Limited	175,000,000	0.145	25,375	(48,135)	(52,500)	4.62%	0.74%	23,774,780,585
(6)	997	Chinlink International Holdings Limited	40,000,000	0.850	34,000	–	(6,000)	6.19%	2.74%	1,461,609,692
(7)	1031	Kingston Financial Group Limited	28,168,000	1.860	52,392	–	(4,771)	9.54%	0.21%	13,614,480,666
(8)	1224	C C Land Holdings Limited	54,740,242	1.890	103,459	–	6,397	18.84%	1.41%	3,882,334,668
(9)	1332	China Touyun Tech Group Limited	100,000,000	0.135	13,500	–	(14,000)	2.46%	1.02%	9,797,311,301
(10)	6060	ZhongAn Online P & C Insurance Co., Ltd.	500,000	25.050	12,525	–	(1,575)	2.28%	0.11%	469,812,900

(1) Enerchina Holdings Limited ("Enerchina") was incorporated in Bermuda. Enerhina is an investment holding company principally engages in investment holdings, trading and investment in securities, and the provisions of (i) securities brokerage services, (ii) placing and underwriting services, (iii) corporate finance advisory services, (iv) money lending services, (v) investment advisory and asset management services, and (vi) margin financing services. 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 audited financial statements, Enerchina had net assets of approximately HK$6,414 million attributed to its shareholders as at 31 December 2018.

(2) Evergrande Health Industry Group Limited ("Evergrande") was incorporated in Hong Kong. The principal activities of Evergrande include "Internet+" community health management, international hospitals, elderly care and rehabilitation, medical cosmetology and anti-aging in PRC, and the investment in high technology new energy vehicle manufacture. Evergrande operates through two segments: (i) health management segment – "Internet+" community health management, international hospitals, elderly care and rehabilitation, medical cosmetology and anti-aging in PRC; and (ii) new energy vehicle segment – production and sale of new energy automotive planned launching various multi-type vehicle series including FF91 and FF81. According to the latest published unaudited financial statements, Evergrande had net assets of approximately RMB1,030 million attributed to its shareholders as at 30 June 2018.

(3) Tai United Holdings Limited ("Tai United") was incorporated in Bermuda. The principal activities of Tai United include investment and asset management, financial services and other business. Tai United operates through seven segments which is organised into seven operating divisions: (i) financial services segment – fund investment, provision of securities and margin financing, trading and brokerage of futures contracts, asset management, money lending business and insurance brokerage service to customers in Hong Kong; (ii) securities investment segment – trading equity securities and derivatives in the PRC, Hong Kong and Singapore; (iii) commodity trading segment – trading of petrochemical products and metal-related products in Singapore; (iv) property investment segment – property investment and leasing of properties in the PRC, Hong Kong and the United Kingdom; (v) distressed debt asset management segment – managing of assets arising from acquisition of distressed debts assets in the PRC; (vi) mining and exploitation of natural resources segment – mining and production of tungsten resources activities in the Republic of Mongolia; and (vii) others segment – consists of trading of medical equipment and other general goods in the PRC. According to the latest published unaudited financial statements, Tai United had net assets of approximately HK$5,056 million attributed to its shareholders as at 30 June 2018.

(4) Emperor Watch & Jewellery Limited ("Emperor Watch") was incorporated in Hong Kong. Emperor Watch is a leading retailer of European-made internationally renowned watches, together with self-designed fine jewellery products under its own brand, "Emperor Jewellery". Emperor Watch operates through two business segments: (i) sales of watch segment and (ii) sales of jewellery segment. According to the latest published audited financial statements, Emperor Watch had net assets of approximately HK$4,465 million attributed to its shareholders as at 31 December 2018.

(5) 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 PRC that comprise of theme parks, hotels, shopping and leisure facilities as well as other theme based consumption. Carnival Group operates through three segments: (i) property development and investment segment – developing residential and commercial properties in PRC and Hong Kong for sales and leasing; (ii) trading and investment business segment – investing on securities and financial instruments; and (iii) others segment – providing retail-related consultancy and management services, operating kids' edutainment center, touring carnivals and operating restaurants in Hong Kong. According to the latest published unaudited financial statements, Carnival Group had net assets of approximately HK$10,452 million attributed to its shareholders as at 30 June 2018.

(6) Chinlink International Holdings Limited ("Chinlink") was incorporated in Bermuda. Chinlink principally engages in provision of comprehensive financial services in Shaanxi Province and Hong Kong, international trading and supply chain finance businesses, investment and operating commercial properties and large-scale trade and logistics park in Shaanxi Province. Chinlink operates through six segments (i) international trading – trading of consumer goods and electronic components; (ii) property investment – leasing of property and provision of property management services; (iii) financing guarantee services – provision of corporate financing guarantee services and related consultancy services; (iv) finance lease services – provision of finance lease services; (v) financial advisory services – provision of financial advisory and asset management services; and (vi) logistics services – provision of logistic services. According to the latest published unaudited financial statements, Chinlink had net assets of approximately HK$1,960 million attributed to its shareholders as at 30 September 2018.

(7) Kingston Financial Group Limited ("Kingston") was incorporated in Bermuda. Kingston is principally engaged in the provision of financial services including securities brokerage, underwriting and placements, margin and initial public offering financing, corporate finance advisory services, futures brokerage and asset management services. Kingston also provides gaming and hospitality services in Macau. Kingston operates through three segments: (i) the financial services segment – providing financial services, including securities brokerage services, underwriting and placements services, margin and initial public offering financing services, corporate finance advisory services, futures brokerage and asset management services; (ii) hotel and gaming segment – operation and provision of hotel services, operation of restaurants in hotels, and provision of services to casino run by the licence holder Sociedade de Jogos de Macau, S.A. in hotels; and (iii) securities investment segment – trading of listed securities. According to the latest published unaudited financial statements, Kingston had net assets of approximately HK$20,897 million attributed to its shareholders as at 30 September 2018.

(8) C C Land Holdings Limited ("C C Land") was incorporated in Bermuda. C C Land is principally engaged in property development and investment, as well as treasury investments. C C Land operates through two segments: (i) property development and investment segment – developing residential and commercial properties in United Kingdom, Australia and PRC for sales; and (ii) treasury investments segment – investments in securities and notes receivable and provision of financial services. According to the latest published unaudited financial statements, C C Land had net assets of approximately HK$16,937 million attributed to its shareholders as at 30 June 2018.

(9) 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. China Touyun operates through three business segments: (i) QR codes business segment – provision of QR codes on product packaging and solution and 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 unaudited financial statements, China Touyun had net assets of approximately HK$898 million attributed to its shareholders as at 30 June 2018.

(10) ZhongAn Online P & C Insurance Co., Ltd. ("ZhongAn Online") was incorporated in PRC. ZhongAn Online is an internet insuretech company principally engaged in provision of ecosystem-oriented insurance products and insurance information technology services to customers. ZhongAn Online operates through five major ecosystems segments: (i) health ecosystem segment; (ii) consumer finance ecosystem segment; (iii) auto ecosystem segment; (iv) lifestyle consumption ecosystem segment; and (v) travel ecosystem segment. According to the latest published unaudited financial statements, ZhongAn Online had net assets of approximately RMB16,483 million attributed to its shareholders as at 30 June 2018.

16. CONVERTIBLE NOTES RECEIVABLE

	2018	2017
	HK$'000	*HK$'000*
Convertible notes receivable – designated at FVTPL		
Convertible Note I	**18,864**	19,293

Convertible notes receivable acquired are designated 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 Note I 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 Note I carried interest at 7.5% per annum, payable semi-annually on 19 April and 19 October of each calendar year. The Convertible Note I could be redeemed by China Agri-Products any date on or before maturity date at its principal amount.

On initial recognition, there was a day-one gain of approximately HK$29,836,000 for Convertible Note I, which was deferred and amortised in the consolidated statement of profit or loss on a straight-line basis within the effective life of the Convertible Note I. Such gain was derecognised as at 31 December 2017 due to the significant fluctuation in the stock price amounting to HK$25,700,000 (note 6).

During the year ended 31 December 2017, the Group disposed of the convertible notes issued by Up Energy Development Group Limited, a company listed on the Stock Exchange with a carrying amount of HK$2,167,000 to an independent third party through the disposal of a subsidiary.

For the year ended 31 December 2018, the fair value loss of the convertible notes receivable amounting to HK$429,000 (2017: fair value loss of HK$50,665,000, plus the amortisation of day-one gain for Convertible Note I of HK$2,959,000) is recognised in "other gain/(loss)" in note 6.

17. ACCOUNTS PAYABLE

	2018	2017
	HK$'000	*HK$'000*
Accounts payable arising from securities brokerage business:		
– cash clients and clearing house	**4,444**	6,081

The settlement terms of accounts payable to cash clients and cleaning 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.

Accounts payable amounting to HK$4,177,000 as at 31 December 2018 (2017: HK$5,209,000) were payable to clients in respect of the trust and segregated bank balances received and held for clients in the course of conducting the regulated activities. However, the Group does not have a currently enforceable right to offset these payables with the deposits placed.

18. BORROWINGS

As at 31 December 2018, the balance represents margin payables of HK$43,268,000 (2017: Nil) from financial institutions bore interest at 12% (2017: Nil) per annum and were repayable on demand. The Group's held-for-trading investments with an aggregate fair value of approximately HK$540,976,000 (2017: Nil) are pledged to that financial institutions to secure the margin facilities.

19. COMMITMENTS

(a) Operating lease commitments

The Group as lessee

Minimum lease payments paid under operating leases in respect of rented premises were approximately HK$3,331,000 (2017: HK$4,653,000).

At the end of the reporting period, the Group had commitments for future minimum lease payments under a non-cancellable operating lease which fall due as follows:

	2018	2017
	HK$'000	*HK$'000*
Within one year	**2,756**	2,053
In the second to fifth years inclusive	**4,014**	200
	6,770	2,253

The Group is the lessee in respect of two office premises. The leases typically run for an initial period of 1 to 3 years, with an option to renew the leases when all terms are renegotiated. None of the leases includes contingent rentals.

(b) Commitments

	2018	2017
	HK$'000	*HK$'000*
Commitments in respect of the investment for film rights contracted for but not provided in the consolidated financial statements	**16,500**	–

20. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR UNDER REVIEW

A number of amendments and new standards are effective for annual periods beginning after 1 January 2018 and earlier application is permitted, however, the Group has not early adopted any new or amended standards in preparing this interim financial report.

The Group has the following updates to the information provided in the last annual financial statements about the possible impacts of the new standards issued but not yet effective which may have a significant impact on the Group's consolidated financial statements.

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.

HKFRS 16 is effective for annual periods beginning on or after 1 January 2019. As allowed by HKFRS 16, the Group plans to use the practical expedient to grandfather the previous assessment of which existing arrangements are, or contain, leases. The Group will therefore 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. In addition, the Group plans to elect the practical expedient for not applying the new accounting model to short-term leases and leases of low-value assets.

The Group plans to elect to use the modified retrospective approach for the adoption of HKFRS 16 and will recognise the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019 and will not restate the comparative information. As disclosed in note 19, at 31 December 2018 the Group's future minimum lease payments under non-cancellable operating leases amount to $6,770,000 for properties, the majority of which is payable either between 1 and 5 years after the reporting date. Upon the initial adoption of HKFRS 16, the opening balances of lease liabilities and the corresponding right-of-use assets will be adjusted to HK$6,211,000 and HK$6,010,000 respectively, after taking account the effects of discounting, as at 1 January 2019.

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

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, CGI and entertainment business.

As previously disclosed, starting from 2016 continuing to the present the Company began to focus on the integrated financial services business as an additional principal business. The Company expected that this will remain as one of our core business for the future. The Company's core business of the integrated financial services business comprises of securities investments and proprietary trading, securities brokerage services, margin financing and money lending business. The Company had also decided to invest in movie business with minority interests in each movie with total budgeted investment of HK$20.4 million and the investment incurred during the Year under Review amounted to HK$3.9 million.

The major segments of the Company's business for the Year under Review are as follows:

(a) Integrated financial services business

(i) Securities investments and proprietary trading

The Company conducted its short term proprietary trading business through Unimagi Investment Limited. As at 31 December 2018, the market value of listed debt securities classified as financial assets measured at fair value through other comprehensive income (held for long-term purpose) and held-for trading investments were approximately HK$6.6 million and approximately HK$549 million respectively. Total net realised loss from sale of listed equity investments and unrealised loss/ impairment loss charged to profit or loss as a result of changes in fair value of listed equity investments for the Year under Review were approximately HK$16 million and approximately HK$107 million respectively. While the management of the Company has been disappointed with the performance of the short term proprietary trading business for the Year under Review but the Company noted the significant reduction in losses and will continually look 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 and market sentiments improve and with positive macro factors such as the "One Belt One Road", the "Shanghai Connect" and the "Shenzhen Connect" just to name a few, start to kick in.

(ii) Brokerage services

John & Wong Securities Company Limited ("John & Wong"), an indirect wholly-owned subsidiary of the Company, began its business expansion in brokerage and other related corporate finance services with additional capital injection by the Company. John & Wong also has recruited and planned to recruit additional personnel to undertake additional services and businesses including corporate finance advisory services, investment advisory services and asset management services. During the Year under Review, John & Wong had been granted additional licences including Type 2, 4, 5 and 9 from the Securities and Futures Commission of Hong Kong ("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 initially engaged in money lending business through a company with money lenders licence under Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong) under 50-50 equal joint venture company (the "JV Company"), Imagination Holding Limited. The Company decided to look for future expansions in the money lending business by conducting money lending of its own. The Company disposed its equity interests in the JV Company to the then joint venture partner on 23 April 2018 and thereafter began new money lending operations through Longtop Enterprises Limited ("Longtop"), a newly acquired indirect wholly-owned subsidiary. For the Year under Review, the money lending business contributed a profit of approximately HK$3.5 million from the JV Company prior to disposal and approximately HK$3.4 million revenue generated from the wholly-owned money lender since May 2018 respectively.

(b) CGI business and entertainment 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 CGI business but will only retain efforts on the distribution side of the CGI business.

The Company had decided to invest in the movie business with minority interests in each movie with the capital commitment as at 31 December 2018 of HK$16.5 million. It is expected the first production will appear in movie theatre in the second half of 2019.

FINANCIAL REVIEW

Review of results

The net loss attributable to shareholders of the Company (the "Shareholders") for the Year under Review was approximately HK$118 million, an improvement of approximately 73% as compared to last financial year. Such decrease of loss was mainly attributable to: (i) the aggregate net realised loss from sale of listed equity investments of approximately HK$16 million as compared to approximately HK$93 million for last year; and (ii) change in fair value/impairment of listed equity investments and change in valuation of convertible notes receivables of approximately HK$107 million as compared to approximately HK$319 million last year.

LIQUIDITY AND FINANCIAL RESOURCES

During the Year under Review, the Group primarily financed its operation with internally generated cash flows. The liquidity and financial position of the Group as at 31 December 2018 remain healthy, with bank balances amounting to approximately HK$104 million (2017: approximately HK$134 million) and a current ratio (the total amount of current assets over the total amount of current liabilities) of approximately 14 times (2017: approximately 64 times).

As at 31 December 2018, the Group had interest-bearing margin payables of approximately HK$43 million arising in the ordinary course of business for trading nature and the gearing ratio (expressed as a percentage of total borrowings over total shareholders' equity) was 6.5% (2017: zero).

CAPITAL STRUCTURE

During the Year under Review, the Company has not successfully conducted any equity fund raising activities. As at 31 December 2018, the total number of issued shares of the Company was 691,921,572 shares with a par value of HK$0.04 each. Based on the closing price of HK$1.58 per share as at 31 December 2018, the market value of the Company as at 31 December 2018 was approximately HK$1,093 million (2017: approximately HK$462 million).

The consolidated net asset value per share of the Company (the "Share(s)") as at 31 December 2018 was approximately HK$0.961 (2017: approximately HK$1.131).

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 2018, held-for-trading investments of approximately HK$549 million (2017: held-for-trading investments and available-for-sale investments of approximately HK$432 million and HK$43 million respectively) was pledged to financial institutions to secure margin financing facilities provided to the Group.

DISPOSAL OF A JOINT VENTURE

On 2 February 2018, the Company (as the Vendor) and Bob May Incorporated (a joint venture partner of the JV Company as the "Purchaser") entered into a sale and purchase agreement, pursuant to which the Company disposed 1,500,000 shares of the JV Company, namely Imagination Holding Limited, representing 50% of the total issued shares of the JV Company to the Purchaser at a cash consideration of HK$150 million. The proceeds from the disposal was used to finance the money lending business whish is fully under control of the management of the Company. The disposal of the JV Company was approved by the Shareholders at a special general meeting held on 19 April 2018 and was completed on 23 April 2018 with a gain of approximately HK$7 million recognised in the consolidated statement of profit or loss for the Year under Review. Upon completion of the disposal, the Company ceased to hold any beneficial interest in the JV Company and its subsidiaries. Details information regarding the disposal was disclosed in the Company's announcements dated 2 February 2018 and 19 April 2018 and circular dated 29 March 2018.

ACQUISITION OF A SUBSIDIARY

In anticipation of the completion of the disposal of the JV Company, the Company intended to establish money lending business fully under its management and control. On 22 March 2018, the Company acquired Longtop, a dormant company with a money lenders licence, from an independent third party at a cash consideration of HK$50,000. Longtop commenced money lending business within the Group since May 2018.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the Year under Review (2017: Nil).

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

Save as disclosed in note 19 to consolidated financial statements, the Group did not have any other significant capital commitments and contingent liabilities.

PROSPECTS

As stated above, the past year had seen significant improvement in performance from the Company but still remaining taxing. As expected with the implementation of a new core business, there are many development expenses as well as adjustment costs and such adjustments seemed to begin to take effect with the aforementioned improvement in performance. 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

The Year under Review was negatively impacted with the trade disputes between United States and PRC and the ensuing global business slowdown. However, with the addition of management expertise and the rationalisation of the investment decision process, the Company is confident that the business will turn around once the trade issues is resolved and with positive macro factors such as the "One Belt One Road", the "Shanghai Connect" and the "Shenzhen Connect" just to name a few begin to take effect.

(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 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.

(c) Money lending business

The Company decided to look for future expansions in the money lending business by conducting money lending of its own. The Company had completed the disposal of its equity interest in the JV Company to the then joint venture partner with the Company. The Company's new money lending business commenced in the second quarter 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.

GENERAL INFORMATION

CORPORATE GOVERNANCE PRACTICES

The Company recognises the importance of good 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 provisions (the "Code Provision") set out in the Corporate Governance Code (the "CG Code") and Corporate Governance Report contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), except for deviations from the Code Provision A.6.7 of the CG Code as described below.

Code Provision A.6.7 stipulated that independent non-executive directors and other non-executive directors, as equal board members, should also attend general meetings to gain and develop a balanced understanding of the views of the shareholders.

(i) Ms. Liu Jianyi, being independent non-executive Director, was not present at a special general meeting and an annual general meeting of the Company held on 19 April 2018 and 13 June 2018 respectively as Ms. Liu was on maternity leave during that period; and

(ii) Dr. Santos Antonio Maria, being independent non-executive Director, was not present at an annual general meeting of the Company held on 13 June 2018 due to other pre-arranged business commitments which must be attended.

However, Dr. Santos Antonio Maria and Mr. Miu Frank H., both of them being independent non-executive Directors, were present at the aforesaid special general meeting held on 19 April 2018; and Mr. Miu Frank H., being independent non-executive Director, was present at aforesaid annual general meeting held on 13 June 2018.

As 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.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is committed to establish good corporate governance that ensures legal and regulatory compliance of the Company. The Board acknowledges that it has overall responsibility for establishing and maintaining sound and effective risk management and internal control systems, and evaluating and determining the nature and extent of the risks that the Company shall take in achieving its strategic objectives.

The Board, supported by the Audit Committee as well as the management of the Company, engaged a team of independent internal control advisors to conduct a review of the Company's risk management and internal control systems during the Year under Review. The review covered financial, operational and compliance controls, as well as the adequacy of resources in accounting, financial reporting and internal audit functions.

The risk management and internal control functions of the Company include the following elements:

- identify significant risks that may potentially impact the Company's performance;
- introduce appropriate controls to manage identified risks; and
- monitor and review the effectiveness of such measures.

The risk management and internal control systems of the Company is largely top-down, involving the Board, the Audit Committee, and key business units. All these parties play an important role in ensuring that significant risks are properly managed in, but not eliminated from, the Company's business environment.

The internal control system also includes control procedures implemented to ensure that the unauthorised access and the use of inside information are strictly prohibited. The Company has developed a disclosure policy which provides a general guide to the Directors, officers, senior management and relevant employees of the Company in handling confidential information, monitoring information disclosure and responding to enquiries.

An independent review of the adequacy and effectiveness of the risk management and internal control systems has been performed by a team of independent internal control advisors during the Year under Review. This review has been conducted based on risk parameters such as the probability and hazard of the risks, critical points that may trigger the risk control measures, and the prioritisation of risk control, among others. Relevant information has been collected from the management during the assessment period for the purpose of classifying and analysing the identified risk areas, reasonable estimates about the probability of these risks, as well as the losses they may generate.

Key issues in relation to financial, information technology, operational and compliance controls and risk management functions have been examined during the review and discussed with the management, on which findings and recommendations for improvement have been provided to the Audit Committee. The Company will be carrying out these recommendations as appropriate, and ongoing review of the same will be conducted in subsequent years.

In general, the Company has established and maintained appropriate and effective risk management and internal control systems for the year ended 31 December 2018.

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 standards 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 2018, the Group employed 27 employees excluding Directors (2017: 29 employees excluding Directors). 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. The Company will review the remuneration policy regularly to ensure compliance of the latest labour laws and market norms where the Group has operations. In addition to basic salaries, employee's benefits include medical insurance coverage, mandatory provident fund, incentives in the form of bonus and share option scheme may also be offered to eligible employees on the basis of individual performance and the Group's business results. The total staff cost for the Year under Review, including Director's emoluments, amounted to approximately HK$17 million (2017: approximately HK$19 million).

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") has met with the external auditor of the Company, Crowe (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 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 (HK) CPA LIMITED

The figures in respect of the preliminary announcement 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 2018 as set out in this preliminary announcement have been agreed by the Company's auditors, Crowe (HK) CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Crowe (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 (HK) CPA Limited in this 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 Thursday, 13 June 2019. The notice of the AGM will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.imagi.com.hk) in due course.

The register of members of the Company will be closed, for the purpose of determining Shareholders who are entitled to attend and vote at the AGM, from Monday, 10 June 2019 to Thursday, 13 June 2019 (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 share transfer documents accompanied by the relevant share certificate(s) must be lodged for registration with the Hong Kong branch share registrar of the Company, Tricor Secretaries Limited of Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Thursday, 6 June 2019.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND 2018 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 2018 annual report containing all information required by the Listing Rules will be despatched to the Shareholders 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, 22 March 2019

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