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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 2019

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 2019 (the "Year under Review") together with the comparative figures for the corresponding year in 2018 as follows:

* *for identification purpose only*

FINANCIAL INFORMATION

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Notes	**2019** **HK$'000**	2018 *HK$'000*
Revenue			
Brokerage related commission and clearing fee income	*4*	**1,665**	2,227
Royalty income	*4*	**185**	256
Dividend income from held-for-trading investments	*4*	**15,152**	20,577
Interest income on loans receivable and margin clients	*4*	**12,300**	3,479
Net realised losses from sales of listed equity investments classified as held-for-trading	*4*	**(80,339)**	(8,050)
Total Revenue		**(51,037)**	18,489
Other income	*5*	**2,899**	2,479
Other gain	*6*	**8,297**	6,390
Impairment allowances on accounts receivable	*16(c)*	**(719)**	–
Impairment allowances on loans receivable	*17(d)*	**(2,527)**	–
Net realised losses from sales of listed equity investments classified as fair value though profit or loss		**–**	(8,075)
Losses from changes in fair value of financial assets classified as held-for-trading		**(28,421)**	(106,674)
Administrative expenses		**(71,807)**	(33,203)
Loss from operations		**(143,315)**	(120,594)
Finance costs	*7*	**(16,176)**	(832)
Share of profit of a joint venture		**–**	3,521
Loss before tax	*9*	**(159,491)**	(117,905)
Income tax (expense)/credit	*10*	**(200)**	342
Loss for the year		**(159,691)**	(117,563)

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

For the year ended 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
Other comprehensive income/(expense)			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**122**	224
Net gain/(loss) on debt securities at fair value through other comprehensive income (recycling)		**108**	(1,524)
Other comprehensive income/(expense) for the year		**230**	(1,300)
Total comprehensive expense for the year		**(159,461)**	(118,863)
Loss for the year attributable to:			
Owners of the Company		**(159,496)**	(117,563)
Non-controlling interest		**(195)**	–
		(159,691)	(117,563)
Total comprehensive expense for the year attributable to:			
Owners of the Company		**(159,266)**	(118,863)
Non-controlling interests		**(195)**	–
		(159,461)	(118,863)

	Notes	2019	2018
Loss per share			
Basic and diluted (HK cents per share)	*11*	**(23)**	**(17)**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
Non-current assets			
Property, plant and equipment		**5,371**	2,165
Goodwill		**–**	–
Intangible assets		**859**	859
Other financial assets	*12*	**6,670**	6,562
Other non-current assets		**1,500**	1,500
Deposit for acquisition of subsidiaries	*13*	**102,700**	–
Prepayment for film rights	*14*	**7,783**	3,900
Film rights	*15*	**4,266**	–
		129,149	14,986
Current assets			
Accounts receivable	*16*	**225,606**	4,928
Other receivables, deposits and prepayments		**3,467**	3,296
Loans receivable	*17*	**311,925**	16,516
Held-for-trading investments	*18*	**87,248**	549,022
Convertible notes receivable	*19*	**20,236**	18,864
Bank balances – trust accounts		**5,326**	4,177
Bank balances and cash		**734,412**	104,244
		1,388,220	701,047
Current liabilities			
Accounts payable	*20*	**5,444**	4,444
Borrowings	*21*	**–**	43,268
Lease liabilities		**2,567**	–
Other payables and accruals		**4,178**	3,137
Tax payable		**200**	–
		12,389	50,849
Net current assets		**1,375,831**	650,198
Total assets less current liabilities		**1,504,980**	665,184

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

At 31 December 2019

	Notes	**2019** **HK$'000**	2018 *HK$'000*
Non-current liabilities			
Notes payable	*22*	**996,759**	–
Deferred tax liability		**142**	142
Lease liabilities		**1,199**	–
		998,100	142
Net assets		**506,880**	665,042
Capital and reserves			
Share capital		**27,677**	27,677
Reserves		**477,883**	637,365
Total equity attributable to owners of the Company		**505,560**	665,042
Non-controlling interest		**1,320**	–
Total equity		**506,880**	665,042

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"), and entertainment business. The integrated financial services were comprised of securities investments and proprietary trading, the provision of securities brokerage services, margin financing services and 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")

Changes in accounting policies

The Hong Kong Institute of Certified Public Accountants ("HKICPA") has issued a new HKFRS, HKFRS 16, Leases, and a number of amendments to HKFRSs that are first effective for the current accounting period of the Group.

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

HKFRS 16, Leases

HKFRS 16 replaces HKAS 17, Leases, and the related interpretations, HK(IFRIC) 4, Determining whether an arrangement contains a lease, HK(SIC) 15, Operating leases – incentives, and HK(SIC) 27, Evaluating the substance of transactions involving the legal form of a lease. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("short-term leases") and leases of low-value assets. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

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

The Group has initially applied HKFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and measure the carrying amount of right-of-use asset as if HKFRS 16 had been applied since the commencement date, discounted using the lessee's incremental borrowing rate at the date of initial application. The Group has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

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

a. New definition of a lease

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

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

b. Lessee accounting and transitional impact

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

At the date of transition to HKFRS 16 (i.e. 1 January 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 January 2019. The weighted average of the incremental borrowing rates used for determination of the present value of the remaining lease payments was 5%.

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

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

(ii) when measuring the lease liabilities at the date of initial application of HKFRS 16, the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment).

The following table reconciles the operating lease commitments as disclosed in note 23(b) as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019:

	1 January 2019 *HK$'000*
Operating lease commitments at 31 December 2018	6,770
Less: Total future interest expenses	(559)
Total lease liabilities recognised at 1 January 2019	6,211

The right-of-use assets in relation to leases previously classified as operating leases have been recognised as if HKFRS 16 had always been applied since the commencement date of the lease.

So far as the impact of the adoption of HKFRS 16 on leases previously classified as finance leases is concerned, the Group is not required to make any adjustments at the date of initial application of HKFRS 16, other than changing the captions for the balances. Accordingly, instead of "obligations under finance leases", these amounts are included within "lease liabilities", and the depreciated carrying amount of the corresponding leased assets is identified as right-of-use assets. There is no impact on the opening balance of equity and the Group also did not have finance leases.

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

	Carrying amount at 31 December 2018	Capitalisation of operating lease contracts	Carrying amount at 1 January 2019
	HK$'000	*HK$'000*	*HK$'000*
Line items in the consolidated statement of financial position impacted by the adoption of HKFRS 16:			
Property, plant and equipment	2,165	6,010	8,175
Total non-current assets	**14,986**	**6,010**	**20,996**
Lease liabilities (current)	–	2,445	2,445
Current liabilities	**50,849**	**2,445**	**53,294**
Net current assets	**650,198**	**(2,445)**	**647,753**
Total assets less current liabilities	**665,184**	**3,565**	**668,749**
Lease liabilities (non-current)	–	3,766	3,766
Total non-current liabilities	**142**	**3,766**	**3,908**
Net assets	**665,042**	**(201)**	**664,841**
Accumulated losses	(1,168,016)	(201)	(1,168,217)
Total equity	**665,042**	**(201)**	**664,841**

c. ***Impact on the financial result, segment results and cash flows of the Group***

After the initial recognition of right-of-use assets and lease liabilities as at 1 January 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term.

In the statement of cash flows, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element. These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under HKAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under HKAS 17. Although total cash flows are unaffected, the adoption of HKFRS 16 therefore results in a significant change in presentation of cash flows within the statement of cash flows.

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

	2019				2018
	Amounts reported under HKFRS 16 (A)	Add back: HKFRS 16 depreciation and interest expense (B)	Deduct: Estimated amounts related to operating leases as if under HKAS 17 (note 1) (C)	Hypothetical amounts for 2019 as if under HKAS 17 (D=A+B-C)	Compared to amounts reported for 2018 under HKAS 17
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Financial result for year ended 31 December 2019 impacted by the adoption of HKFRS 16:					
Loss from operations	(143,315)	2,447	2,756	(143,624)	(120,594)
Finance costs	(16,176)	310	–	(15,866)	(832)
Loss before tax	(159,491)	2,757	2,756	(159,490)	(117,905)
Loss for the year	(159,691)	2,757	2,756	(159,690)	(117,563)
Reportable segment profit for the year ended 31 December 2019 (note 3(a)) impacted by the adoption of HKFRS 16:					
– Trading of securities and securities brokerage	(88,609)	1,361	1,360	(88,608)	(105,944)
– Unallocated head office and corporate expenses	–	1,396	1,396	–	–
– Total	(86,374)	2,757	2,756	(86,373)	(103,685)

	2019			2018
	Amounts reported under HKFRS 16 (A)	Estimated amounts related to operating leases as if under HKAS 17 (note 1 & 2) (B)	Hypothetical amounts for 2019 as if under HKAS 17 (C=A+B)	Compared to amounts reported HKAS 17
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Line items in the consolidated statement of cash flows for year ended 31 December 2019 impacted by the adoption of HKFRS 16:				
Cash generated from operations				
Net cash used in operating activities	(205,681)	(2,756)	(208,437)	(264,007)
Capital element of lease rentals paid	2,445	(2,445)	–	–
Interest element of lease rentals paid	310	(310)	–	–
Net cash generated from financing activities	936,370	2,755	939,125	46,496

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

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

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.

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.

– trading of securities segment engages in the purchase and sale of securities investments and securities brokerage services;

– provision of finance segment engages in the provision of financing services; and

– entertainment segment engages in CGI business, entertainment business and investment in film rights.

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.

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 2019 and 2018 is set out below.

(a) Segment results, assets and liabilities

For the year ended 31 December 2019

	Trading of securities and securities brokerage HK$'000	Provision of finance HK$'000	Entertainment HK$'000	Elimination HK$'000	Total HK$'000
Segment revenue	(56,868)	5,646	185	–	(51,037)
Inter-segment revenue	–	–	–	–	–
	(56,868)	5,646	185	–	(51,037)
Segment results:	(88,609)	2,612	(377)	–	(86,374)
Reconciliation:					
Other income and other gain					11,196
Depreciation					(3,274)
Finance costs					(16,176)
Unallocated head office and corporate expenses					(64,863)
Consolidated loss before tax					(159,491)
Segment assets	351,215	311,968	12,094	–	675,277
Unallocated head office and corporate assets					842,092
Total consolidated assets					1,517,369
Segment liabilities	(7,725)	(273)	(83)	–	(8,081)
Unallocated head office and corporate liabilities					(1,002,408)
Total consolidated liabilities					(1,010,489)

For the year ended 31 December 2018

	Trading of securities and securities brokerage *HK$'000*	Provision of finance *HK$'000*	Entertainment *HK$'000*	Elimination *HK$'000*	Total *HK$'000*
Segment revenue	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)
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	(47,959)	(34)	(671)	–	(48,664)
Unallocated head office and corporate liabilities					(2,327)
Total consolidated liabilities					(50,991)

(b) Geographical information

The geographical location of customers is based on the location at which the services rendered. Substantially, over 99% (2018: 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:

	2019	2018
	HK$'000	*HK$'000*
Trading of securities and securities brokerage		
Customer A	**–**	1,305
Customer E	**2,084**	–
Customer F	**1,779**	–
Provision of finance		
Customer B	**–**	732
Customer C	**–**	732
Customer D	**–**	641
Customer E	**434**	–

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 2019, revenue from above Customers E and F accounted for 10% or more of the Group's Adjusted Revenue. For the year ended 31 December 2018, revenue from above Customers A to D accounted for 10% or more of the Group's Adjusted Revenue.

4. REVENUE

	2019	2018
	HK$'000	*HK$'000*
Brokerage related commission and clearing fee income *(notes (i) and (ii))*	**1,665**	2,227
Royalty income *(notes (i) and (iii))*	**185**	256
Dividend income from held-for-trading investments *(note (ii))*	**15,152**	20,577
Interest income on loans receivable and margin clients *(note (iv))*	**12,300**	3,479
Net realised losses from sales of listed equity investments classified as held-for-trading *(notes (ii) and (v))*	**(80,339)**	(8,050)
	(51,037)	18,489

Notes:

(i) The commission and clearing fee income and royalty income are the revenue arising under the scope of HKFRS 15, while the dividend income, interest income and sales of equity investments are revenue from other sources.

Included in revenue, revenue arising from contract with customers recognised at a point in time and over time were HK$1,665,000 (2018: HK$2,227,000) and HK$185,000 (2018: HK$256,000), respectively.

(ii) Amount are reported under trading of securities and securities brokerage segment as set out in note 3.

(iii) Amount are reported under entertainment segment as set out in note 3.

(iv) Amount are reported under trading of securities and securities brokerage of HK$6,654,000 (2018: HK$70,000) and provision of finance of HK$5,646,000 (2018: HK$3,409,000) segment as set out in note 3.

(v) During the year ended 31 December 2019, the Group disposed of held-for-trading securities at cost of HK$547,010,000 (2018: HK$332,543,000) at gross proceeds of HK$467,548,000 (2018: HK$326,413,000), incurring trading fee of HK$877,000 (2018: HK$1,920,000).

5. OTHER INCOME

	2019	2018
	HK$'000	*HK$'000*
Interest income on convertible notes receivable	**1,740**	1,740
Interest income on debt securities	**683**	678
Interest income on bank	**476**	–
Others	**–**	61
	2,899	2,479

6. OTHER GAIN

	2019	2018
	HK$'000	*HK$'000*
Fair value gain/(loss) on convertible notes receivable	**1,372**	(429)
Gain on disposal of a joint venture *(note)*	**–**	7,098
Loss on disposal of property, plant and equipment	**–**	(44)
Net foreign exchange gain/(loss)	**6,925**	(235)
	8,297	6,390

Note: The Group disposed its joint venture as at 23 April 2018 and share its result up to the date of disposal accordingly.

7. FINANCE COSTS

	2019	2018
	HK$'000	*HK$'000*
Interest on borrowings – margin loans	**1,397**	832
Interest on loans payable	**640**	–
Interest on notes payable	**13,829**	–
Total borrowing costs on financial liabilities that are not at fair value through profit or loss	**15,866**	832
Interest on lease liabilities	**310**	–
	16,176	832

8. DIVIDEND

No dividend was paid or proposed during the year ended 31 December 2019, nor has any dividend been proposed since the end of the reporting period (2018: Nil).

9. LOSS BEFORE TAX

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

	2019 *HK$'000*	2018 *HK$'000*
Auditor's remuneration	**1,300**	1,200
Directors' emoluments	**4,522**	3,894
Other staff costs		
– Salaries and allowance	**14,105**	13,142
– Contribution to retirement benefit scheme	**368**	383
Total staff costs	**18,995**	17,419
Depreciation charge:		
– owned property, plant and equipment	**827**	798
– right-of-use assets	**2,447**	–
Operating lease payments in respect of rental properties under HKAS 17	**–**	3,331
Changes in fair value of financial assets classified as held-for-trading		
– Net realised losses from sales of listed equity investments	**80,339**	8,050
– Unrealised losses from changes in fair value of listed equity investments	**28,421**	106,674
	108,760	114,724

10. INCOME TAX EXPENSE/(CREDIT)

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

	2019 *HK$'000*	2018 *HK$'000*
Hong Kong Profits Tax		
Current tax	**81**	–
Underprovision in respect of prior years	**119**	–
	200	–
Deferred tax		
Origination and reversal of temporary difference	**–**	(342)
	200	(342)

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.

For the year ended 31 December 2019, no provision for Hong Kong Profits Tax had been made in the financial statements, except for one subsidiary of the Group which is a qualifying corporation under the two-tiered Profits Tax rate regime. For this subsidiary, the first HK$2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

For the year ended 31 December 2018, 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.

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

(b) Reconciliation between tax expense/(credit) and accounting loss at applicable tax rate:

	2019	2018
	HK$'000	*HK$'000*
Loss before tax	**(159,491)**	(117,905)
Tax at the domestic income tax rate of 16.5%	**(26,316)**	(19,454)
Tax effect of expenses not deductible for tax purpose	**27,747**	22,502
Tax effect of income not taxable for tax purpose	**(1,406)**	(4,806)
Tax effect of utilisation of unused tax losses previously not recognised	**(55)**	(356)
Tax effect of tax losses not recognised	**111**	1,772
Underprovision in respect of prior years	**119**	–
Income tax expense/(credit) for the year	**200**	(342)

(c) At the end of the reporting period, the Group has unused tax losses of approximately HK$341,114,000 (2018: HK$442,729,000) available for offset against future profits. No deferred tax assets has been recognised due to the unpredictability of future profit streams. The tax losses may be carried forward indefinitely.

11. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to ordinary equity shareholders of the Company of HK$159,496,000 (2018: HK$117,563,000) and the weighted average of ordinary shares in issue during the year, calculated as follows:

	2019	2018
	HK$'000	*HK$'000*
Loss		
Loss for the purposes of basic loss per share	**(159,496)**	(117,563)

	2019	2018
Number of shares		
Issued ordinary shares at 1 January	**691,921,572**	689,421,572
Effect of share options exercised	**–**	842,466
Weighted average number of ordinary shares at 31 December	**691,921,572**	690,264,038

(b) Diluted loss per share

For the year ended 31 December 2019, there were no dilutive potential ordinary shares in issue and diluted loss per share is the same as basic loss per share.

For the year ended 31 December 2018, diluted loss per share was the same as the basic loss per share since the exercises of the Company's share options outstanding during the year would have an anti-dilutive effect.

12. OTHER FINANCIAL ASSETS

	31 December 2019	31 December 2018
	HK$'000	*HK$'000*
Financial assets measured at FVOCI (recycling)		
Debt securities listed in Singapore	**6,670**	6,562

13. DEPOSIT FOR ACQUISITION OF SUBSIDIARIES

On 24 July 2019, an indirect wholly-owned subsidiary of the Company, entered into the sale and purchase agreement with the seller, pursuant to which the Group has conditionally agreed to acquire, and the seller has conditionally agreed to sell: (i) the sale shares, which represent the entire issued share capital in Les Ambassadeurs Club Limited (the "Target Group"); and (ii) the sale loan, which represents the aggregate amount owed by the Target Company to the seller as at completion for the consideration of £122,000,000 (subject to adjustment) which shall be settled by the purchaser in cash. The Group paid £10,000,000 to the seller as deposit. Since the transaction is subject to the approval of The Stock Exchange of Hong Kong Limited and shareholders, the acquisition is still on progress.

14. PREPAYMENT FOR FILM RIGHTS

	2019	2018
	HK$'000	*HK$'000*
Prepayment for film rights	**7,783**	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.

During the year ended 31 December 2019, the Group had made a total of approximately HK$8.3 million investments in relation to the development of two of the proposed films.

At 31 December 2019 and 2018, the Group prepaid HK$7,783,000 (2018: HK$3,900,000) in relation to the development of two (2018: 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 2019 and 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.

15. FILM RIGHTS

The balance represented the Group's investments in film productions which entitled the Group to share certain percentage of income to be generated from the films based on the proportion of investment amounts as specified in respective film right investment agreements.

At 31 December 2019, the management of the Group considered that the carrying amounts of the film rights are recoverable from expected future income of related film rights. Accordingly, no impairment loss was recognised.

16. ACCOUNTS RECEIVABLE

	2019	2018
	HK$'000	*HK$'000*
Accounts receivable arising from securities brokerage business:		
– Cash clients *(note d)*	**88**	269
– Margin clients *(note e)*	**226,210**	4,501
	226,298	4,770
Impairment allowances *(note c)*	**(719)**	–
	225,579	4,770
Accounts receivable arising from CGI business	**27**	158
	225,606	4,928

Notes:

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

	2019	2018
	HK$'000	*HK$'000*
Within 90 days	**225,606**	4,928

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

(b) 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:

	2019	2018
	HK$'000	*HK$'000*
Neither past due nor credit impaired	**225,606**	4,928

(c) An analysis of changes in the provision for impairment allowances of margin clients is as follows:

	Stage 1 *HK$'000*	**Stage 2** *HK$'000*	**Stage 3** *HK$'000*	**Total** *HK$'000*
At 1 January 2019	–	–	–	–
Additional provision for impairment allowances for the year	719	–	–	719
At 31 December 2019	719	–	–	719
ECL rate	0.3%	Not applicable	Not applicable	0.3%

The table below shows the credit quality and the maximum exposure to credit risk of accounts receivable from margin clients based on the Group's credit policy, which is mainly based on LTV unless other information is available without undue cost or effort, and year-end staging classification as at 31 December 2019. The amounts presented are carrying amounts for accounts receivable from margin clients.

	Stage 1 *HK$'000*	**Stage 2** *HK$'000*	**Stage 3** *HK$'000*	**Total** *HK$'000*
At 31 December 2019 LTV less than 60%	719	–	–	719

Analysis of the gross carrying amount of accounts receivable from margin clients is as follows:

	Stage 1 *HK$'000*	**Stage 2** *HK$'000*	**Stage 3** *HK$'000*	**Total** *HK$'000*
At 31 December 2019	226,210	–	–	226,210

(d) 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. The Group did not hold any collateral or other credit enhancements over these balances.

Accounts receivable from cash clients as at 31 December 2019 and 2018 relate to clients that have a good track record with the Group for whom there was no recent history of default.

(e) At 31 December 2019, margin loans receivable of HK$226,210,000 (2018: HK$4,501,000), which were secured by underlying equity securities amounted to approximately HK$670,497,000 (2018: HK$69,463,000).

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

(f) 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.

17. LOANS RECEIVABLE

	2019	2018
	HK$'000	*HK$'000*
Loans receivable	**314,452**	16,516
Less: Impairment allowances	**(2,527)**	–
	311,925	16,516

(a) Loans receivable represented receivables arising from the provision of finance business of the Group, and bears interest at rates ranging from 7% to 12.5% (2018: 6% to 10%) per annum. The Group did not hold any collateral or other credit enhancements over this balance.

(b) Maturity profile

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

	2019	2018
	HK$'000	*HK$'000*
Due within 1 month or on demand	**10,181**	16,516
Due after 1 month but within 3 months	**304,271**	–
	314,452	16,516

(c) At 31 December 2019, loans receivable that are neither past due nor impaired amounted to HK$311,925,000 (2018: HK$16,516,000).

(d) Expected credit loss of loans receivable

Expected credit loss in respect of loans receivable are recorded using an allowance account unless the Group is satisfied that there is no realistic prospect of recovery, in which case the expected credit loss is written off against loans receivable directly.

Reconciliation of changes in gross carrying amount and allowances for loans receivable

The table below provides a reconciliation of the Group's gross carrying amount and allowances for loans receivable for the year ended 31 December 2019.

The transfers of financial instruments represents the impact of stage transfers upon the gross carrying amount and associated allowance for ECL. The net remeasurement of ECL arising from state transfers represents the increase in ECL due to these transfers.

For the year ended 31 December 2019

Reconciliation of gross exposure and allowances for loans receivable

	Non credit-imapired				**Credit-impaired**		**Total**	
	Stage 1		**Stage 2**		**Stage 3**			
	Gross exposure	**Allowance for ECL**	**Gross exposure**	**Allowance for ECL**	**Gross exposure**	**Allowance for ECL**	**Gross exposure**	**Allowance for ECL**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2019	16,516	–	–	–	–	–	16,516	–
New loans/financing originated	536,864	(3,881)	–	–	–	–	536,864	(3,881)
Transfer to Stage 2	(10,037)	96	10,037	(96)	–	–	–	–
Net remeasurement of ECL arising from transfer of stage	–	–	–	(124)	–	–	–	(124)
Loans/financing derecognised or repaid during the year	(238,928)	1,478	–	–	–	–	(238,928)	1,478
At 31 December 2019	304,415	(2,307)	10,037	(220)	–	–	314,452	(2,527)

For the year ended 31 December 2018

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**

18. HELD-FOR-TRADING INVESTMENTS

As at 31 December 2019, held-for-trading investments represent the listed equity securities in Hong Kong of HK$87,248,000 (2018: HK$549,022,000). All listed equity securities in Hong Kong are pledged to financial institutions to secure margin financing facilities obtained. Details of the Group's top seven investments are as follows:

Note	Stock code	Stock name	Number of shares held as at 31 December 2019	Investment cost	Closing price as at 31 December 2019	Market value as at 31 December 2019	Realised loss recognised during the year	Unrealised gain/(loss) recognised during the year	Approximate % to held-for-trading as at 31 December 2019	Approximate % shareholding in investee as at 31 December 2019	Approximate % to the Group's total assets as at 31 December 2019	Number of issued shares of investee as at 31 December 2019	Dividend income recognised during the year
				HK$'000	*HK$*	*HK$'000*	*HK$'000*	*HK$'000*					*HK$'000*
(1)	235	China Strategic Holdings Limited	160,000,000	9,280	0.035	5,600	–	(2,560)	6.42%	0.94%	0.37%	16,987,713,835	–
(2)	708	Evergrande Health Industry Group Limited	10,000,000	90,871	7.770	77,700	(39,050)	(25,300)	89.06%	0.12%	5.12%	8,640,000,000	–
(3)	1051	G-Resources Group Limited	36,564,069	5,449	0.058	2,121	–	329	2.43%	0.14%	0.14%	27,048,844,786	–
(4)	1341	Hao Tian International Construction Investment Group Limited	1,624,000	576	0.300	487	–	(130)	0.56%	0.04%	0.03%	4,427,883,632	–
(5)	1827	Miricor Enterprises Holdings Limited	1,000,000	1,500	1.010	1,010	–	(790)	1.16%	0.25%	0.07%	400,000,000	–
(6)	2326	New Provenance Everlasting Holdings Limited	10,000,000	6,000	0.017	170	–	(130)	0.19%	0.05%	0.01%	21,084,072,140	–
(7)	8173	Union Asia Enterprise Holdings Limited	2,500,000	5,375	0.064	160	–	160	0.18%	0.20%	0.01%	1,221,052,631	–

(1) China Strategic Holdings Limited ("China Strategic") was incorporated in Hong Kong. China Strategic principally engages in the business of investment in securities, trading of commodities and electronic components, money lending as well as securities brokerage. China Strategic operates through four segments: (i) investment in securities, (ii) trading of metal minerals, metal, coke products and electronic components, (iii) money lending and (iv) securities brokerage. According to the latest published unaudited financial statements, China Strategic had net assets of approximately HK$3,555 million attributed to its shareholders as at 30 June 2019.

(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 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, anti-aging and sales of health and living projects in the PRC; and (ii) new energy vehicle segment – technology research and development, production and sales of new energy vehicles in the PRC and other countries. According to the latest published unaudited financial statements, Evergrande had net liabilities of approximately RMB3,533 million attributed to its shareholders as at 30 June 2019.

(3) G-Resources Group Limited ("G-Resources") was incorporated in Bermuda. The principal activities of G-Resources include principal investment business, financial services business, money lending business and real property business. G-Resources operates through three segments: (i) principal investment business, (ii) financial services business and (iii) real property business. According to the latest published unaudited financial statements, G-Resources had net assets of approximately USD$1,477 million attributed to its shareholders as at 30 June 2019.

(4) Hao Tian International Construction Investment Group Limited ("Hao Tian") was incorporated in the Cayman Islands. Hao Tian is principally engaged in the construction machinery business, serving primarily the construction sector in Hong Kong and financial services. Hao Tian operates through four segments: (i) trading of construction machinery, spare parts and construction materials, (ii) rental of construction machinery and provision of repair and maintenance service, (iii) provision of transportation services and (iv) provision of commodities, futures, securities brokerage and financial services. According to the latest published unaudited financial statements, Hao Tian had net assets of approximately HK$847 million attributed to its shareholders as at 30 September 2019.

(5) Miricor Enterprises Holdings Limited ("Miricor Enterprises') was incorporated in the Cayman Islands. Miricor Enterprises is principally engaged in the provision of medical aesthetic services, and the sale of skin care products in Hong Kong. Miricor Enterprises operates through two segments: (i) provision of medical aesthetic services and (ii) sale of skin care products. According to the latest published unaudited financial statements, Miricor Enterprises had net assets of approximately HK$156 million attributed to its shareholders as at 30 September 2019.

(6) New Provenance Everlasting Holdings Limited ("New Provenance") was incorporated in the Bermuda. New Provenance is engaged in sourcing and sale of metal minerals and related industrial materials and production and sale of industrial products. New Provenance operates through three segments: (i) Sourcing and sale of metal minerals and related industrial materials, (ii) Production and sale of industrial products and (iii) others. According to the latest published unaudited financial statements, New Provenance had net assets of approximately HK$494 million attributed to its shareholders as at 30 September 2019.

(7) Union Asia Enterprise Holdings Limited ("Union Asia") incorporated in the Cayman Islands. Union Asia is principally engaged in trading of metals and securities. Union Asia operates through two segments: (i) trading of stainless-steel wires and (ii) investment and trading of listed securities. According to the latest published unaudited financial statements, Union Asia had net liabilities of approximately HK$533 million attributed to its shareholders as at 30 September 2019.

At 31 December 2019, the Group pledged held-for-trading investment of approximately HK$87,248,000 (2018: HK$549,022,000) for the margin loan facilities of approximately HK$21,729,000 (2018: approximately HK$180,806,000) respectively. The Group did not utilise this facilities as at 31 December 2019.

19. CONVERTIBLE NOTES RECEIVABLE

	2019 *HK$'000*	2018 *HK$'000*
Convertible notes receivable – designated at FVTPL		
Convertible Note I	**20,236**	18,864

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.

For the year ended 31 December 2019, the fair value gain of the convertible notes receivable amounting to HK$1,372,000 (2018: fair value loss of HK$429,000) is recognised in "other gain/(loss)" in note 6.

20. ACCOUNTS PAYABLE

	2019 *HK$'000*	2018 *HK$'000*
Accounts payable arising from securities brokerage business:		
– cash clients and clearing house	**5,444**	4,444

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$5,325,000 as at 31 December 2019 (2018: HK$4,177,000) 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.

21. BORROWINGS

As at 31 December 2018, the balance represents margin payables of HK$43,268,000 from financial institutions bore interest at 12% 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 are pledged to that financial institutions to secure the utilised margin facilities.

22. NOTES PAYABLE

On 13 November 2019, a subsidiary of the Company issued the notes ("Notes Payable") at 100% in an aggregate nominal value of HK$1,000,000,000 which will mature on 13 November 2022. The Notes Payable carry interest at the coupon rate of 10% per annum. The interest is payable semiannually in arrears on 13 May and 13 November each year. The Notes Payable are guaranteed by the Company. The notes are listed on Singapore Exchange Securities Trading Limited ("SGX-ST") at 19 December 2019.

The directors of the Company considered that no derivatives were embedded in the Notes Payable and it is appropriate to use amortised cost to record the Notes Payable in the consolidated statement of financial position.

23. COMMITMENTS

(a) Commitments

	2019	2018
	HK$'000	*HK$'000*
Commitments in respect of the investment for film rights contracted for but not provided in the consolidated financial statements	**11,100**	16,500

(b) Operating lease commitments

The Group as lessee

For the year ended 31 December 2018, minimum lease payments paid under operating leases in respect of rented premises were approximately HK$3,331,000.

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
	HK$'000
Within one year	2,756
In the second to fifth years inclusive	4,014
	6,770

24. COMPARATIVE FIGURES

The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. Further details of the changes in accounting policies are disclosed in note 2.

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

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and a new standard, HKFRS 17, Insurance contracts, which are not yet effective for the year ended 31 December 2019 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 3, *Definition of a business*	1 January 2020*
Amendments to HKAS 1 and HKAS 8, *Definition of material*	1 January 2020
Amendments to HKFRS 10 and HKAS 28 Sales or contribution of assets between an investor and its associate and joint venture	To be determined
Amendments to HKFRS 9, HKAS 39 and HKFRS 7, Interest rate benchmark reform	1 January 2020
New standard, HKFRS 17 Insurance contracts	1 January 2021

* Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

The Group is in the process of making an assessment of what the impact of these development is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND OPERATIONAL REVIEW

For the Year under Review, the Group's principal business is to engage in investment business, 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 in a total of six movies with total budgeted investment of HK$20.4 million and the investment incurred during the Year under Review amounted to approximately HK$12.1 million.

The major segments of the Group'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 ("Unimagi"). As at 31 December 2019, 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 listed equity investments were approximately HK$6.7 million and approximately HK$87 million respectively. Total net realised losses from sales of listed equity investments and unrealised 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$80 million and approximately HK$28 million respectively. In view of the underlying uncertainties from factors previously discussed, the Company will continuously carefully review its strategy in this business.

(ii) Brokerage services

John & Wong Securities Company Limited ("John & Wong"), an indirect wholly-owned subsidiary of the Company, continued its business expansion in brokerage and other related services with further HK$128 million additional capital injection by the Group during the Year under Review. John & Wong also has recruited and planned to recruit additional personnel to undertake additional services and businesses including placement and underwriting, investment advisory services and asset management services. For the Year under Review, after completion of assimilation and integration of the brokerage services business including the margin financing services, John & Wong began to generate profit to the Group. The management of the Company is confident the stride to fullfledged financial services and profitable operations in the foreseeable future.

(iii) Money lending business

The Company offered money lending via Longtop Enterprises Limited ("Longtop"), a company with money lenders licence under Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong). On 3 July 2019, Longtop issued and allotted 1,000 new shares, representing approximately 9% of the enlarged issued share capital of Longtop, to an independent third party for a consideration of HK$1.5 million and since then Longtop became a non-wholly-owned subsidiary of the Company. During Year under Review, the Company made a total loan principal of approximately HK$537 million and as at 31 December 2019, a total principal amount and accrued interest on loans receivable of approximately HK$312 million remains outstanding. Total interest of approximately HK$5.6 million was earned by Longtop for the Year under Review. The management of the Company is confident that the money lending business will in future provide consistent and significant returns to the Group.

(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 also decided to invest in movie business with minority interests in each movie in a total of six movies with total budgeted investment of HK$20.4 million and the investment incurred during the Year under Review amounted to approximately HK$8.3 million. As at 31 December 2019, the Group had made a total of approximately HK$12.1 million investments in relation to the development of three of the proposed films. One of the aforementioned films was staged from October 2019.

FINANCIAL REVIEW

Review of results

The net loss attributable to Shareholders for the Year under Review was approximately HK$159 million, an increase of approximately 36% as compared to last financial year. Such increase in loss was mainly attributable to: (i) increase in legal and professional fee for an on-going corporate exercise in relation to a very substantial acquisition and reverse takeover involving a new listing application carried out during the Year under Review; (ii) interest expenses of approximately HK$14 million arising from the HK$1 billion 10% 3-year guaranteed notes issued by the Group on 13 November 2019; and (iii) net effect of the aggregate net realised loss from the sale of listed equity of approximately HK$80 million as compared to approximately HK$16 million for last year while losses from changes in fair value of financial assets classified as held-for-trading of approximately HK$28 million as compared to approximately HK$107 million last year.

LIQUIDITY AND FINANCIAL RESOURCES

During the Year under Review, expect for HK$1 billion 3-year guaranteed notes issued on 13 November 2019 for general corporate purposes including but not limited to the funding in whole or in part of proposed conditional acquisition of entire issued share capital in Les Ambassadeurs Club Limited the Group primarily financed its existing operation with internally generated cash flows. The liquidity and financial position of the Group as at 31 December 2019 remain healthy, with bank balances amounting to approximately HK$734 million (2018: approximately HK$104 million) and a current ratio (the total amount of current assets over the total amount of current liabilities) of approximately 112 times (2018: approximately 14 times).

As at 31 December 2019, the Group had nominal value of HK$1 billion guaranteed notes payable carry interest at the coupon rate of 10% per annum which will mature on 13 November 2022 and the gearing ratio (expressed as a percentage of total borrowings over total Shareholders' equity) was 196.6% (2018: 6.5%).

CAPITAL STRUCTURE

During the Year under Review, the Company has not conducted any equity fund raising activities. As at 31 December 2019, the total number of issued Shares was 691,921,572 Shares with a par value of HK$0.04 each. Based on the closing price of HK$0.88 per Share as at 31 December 2019, the market value of the Company as at 31 December 2019 was approximately HK$609 million (2018: approximately HK$1,093 million).

The consolidated net asset value per Share as at 31 December 2019 was approximately HK$0.733 (2018: approximately HK$0.961).

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 2019, held-for-trading investments of approximately HK$87 million (2018: approximately HK$549 million) was pledged to financial institutions to secure margin financing facilities provided to the Group.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the Year under Review (2018: Nil).

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

Save as disclosed in note 23 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 difficult for the Company and still remaining taxing. The Company hopes and expects that the performance of the principal core business of integrated financial services business segment set out below will improve significantly in the coming year. The Group is hoping that the new acquisition of gaming business currently being contemplated will materialise in the second half of next year and will provide an additional profitable core business to the Company.

(a) Securities investments and proprietary trading

The Hong Kong equities' markets had been negatively affected by international factors, such as the trade disputes between United States and the PRC, which had been ongoing for the last couple of years. With the first stage of trade accords between these countries, we hope that such damaging factors will be minimised. The Hong Kong market was further eroded by the local factors such as the political turbulence which had been disruptive and created many uncertainties. Looking into the future, the effect of the 2019 novel coronavirus disease (COVID-19) would also likely to have a strong negative impact for the local securities market in 2020. With the above in mind, the Company will constantly assess the situation and will proceed with caution accordingly.

(b) Brokerage and related services

The Company is confident with the further capital injection, additional staff and the additional licences, including Type 2 (dealing in future contracts), Type 4 (advisory on securities), Type 5 (advisory on future contracts) and Type 9 (asset management) granted from the SFC, the stride to full-fledged financial services had begun and will continue to progress. The management expects that John & Wong will become a significant contributor to the Group's operations and profits in the foreseeable future.

(c) Money lending business

With the experience and know-how gained through the 50-50 owned joint venture company in running the money lending business, the Group commenced money lending business through Longtop since the second quarter of 2018, during 2019 the Group made a total loan principal of approximately HK$537 million and generated a total interest of approximately HK$5.6 million for the Year under Review. The management of the Company is confident that the money lending business will in future provide consistent and significant returns to the Group.

(d) Gaming business

On 20 May 2019, the Company executed a term sheet with United Time Corporation Limited (the "Seller") concerning a possible acquisition of Les Ambassadeurs Club Limited (the "Target Company"). On 24 July 2019, Project Martini Limited (the "Purchaser"), an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement (the "Sale and Purchase Agreement") with the Seller and Mr. Suen (the "Guarantor"), who indirectly owns the entire issued share capital in the Seller and who agreed to guarantee the guaranteed obligations as set out in the Sale and Purchase Agreement (the "Guaranteed Obligations"), pursuant to which the Purchaser has conditionally agreed to acquire, and the Seller has conditionally agreed to sell:

(i) the Sale Shares, which represent the entire issued share capital in the Target Company; and

(ii) the Sale Loan, which represents the aggregate amount owed by the Target Company to the Seller as at completion,

for a consideration of £122,000,000 (equivalent to approximately HK$1,206.1 million) (subject to adjustments) which shall be settled in full by the Purchaser in cash (the "Acquisition"). The Guarantor shall guarantee the Guaranteed Obligations. The Target Company is a private company incorporated in England and Wales with limited liability. The principal activity of the Target Company is the operation of Les Ambassadeurs Club, which is a private members club located in London, United Kingdom that provides access to a high-end casino as well as luxury travel and concierge services. Les Ambassadeurs Club has an international customer base and delivers particular attention and outstanding services to its members, which consist primarily of suitable wealthy individuals, the majority of whom are domiciled outside of the United Kingdom. The Seller and the Guarantor are respectively independent third parties not connected to the Company and the Company's connected persons.

A special general meeting (the "SGM") will be convened for the purpose of considering, and if thought fit, approving the Sale and Purchase Agreement and the transactions contemplated thereunder and the Company will despatch the circular in accordance with the requirements under the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Acquisition constitutes a very substantial acquisition of the Company under Chapter 14 of the Listing Rules and is subject to the approval of the Shareholders at the SGM. The Acquisition also constitutes a reverse takeover for the Company under Rule 14.06(6) of the Listing Rules. Accordingly, the Company will be treated as if it were a new listing applicant under Rule 14.54 of the Listing Rules and the Acquisition is therefore subject to, among other things, the approval by the Listing Committee of the deemed new listing application to be made by the Company. According to Rule 14.54(1) of the Listing Rules, (i) the Target Group must be able to meet the suitability for listing requirement under Rule 8.04 of the Listing Rules and the new listing track record requirements under Rule 8.05 of the Listing Rules (or Rule 8.05A or 8.05B of the Listing Rules); and (ii) the Enlarged Group must be able to meet all the new listing requirements as set out in Chapter 8 of the Listing Rules (except Rule 8.05 of the Listing Rules).

Furthermore, the completion of the Acquisition is conditional upon the satisfaction and/or waiver (as the case may be) of certain conditions precedent in the Sale and Purchase Agreement. There is thus no assurance on whether the Acquisition can be completed or not. Further information about the Acquisition are laid out in the Company's announcements dated 20 May 2019, 24 July 2019 and 30 December 2019. The Company will make further announcement(s) regarding the development and status of the Acquisition as and when appropriate and in compliance with the Listing Rules.

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 Listing Rules.

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 the 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. These parties all play important roles in the system. Such system is designed to ensure that significant risks are properly managed rather than eliminated from the Company's business environment.

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

The Board has put in place adequate measures to perform the internal audit function necessary at different levels of the Company. An independent review of the adequacy and effectiveness of the risk management and internal control systems has also 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 2019.

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 2019, the Group employed 37 employees excluding Directors (2018: 27 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, share option and award shares 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$19 million (2018: approximately HK$17 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 five independent non-executive Directors, namely Mr. Miu Frank H. (Chairman of the Audit Committee), Dr. Santos Antonio Maria, Ms. Liu Jianyi, Mr. Chan Hak Kan and Mr. Ngai Wai Kin.

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 2019 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, 11 June 2020. The notice of the AGM will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.imagi.hk) in due course.

The register of members of the Company will be closed, for the purpose of determining the Shareholders who are entitled to attend and vote at the AGM, from Monday, 8 June 2020 to Thursday, 11 June 2020 (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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Friday, 5 June 2020.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND 2019 ANNUAL REPORT

This annual results announcement is published on the Stock Exchange's website (www.hkexnews.hk) and the Company's website (www.imagi.hk). The 2019 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.hk) in due course.

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

Hong Kong, 16 March 2020

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
Mr. Chan Hak Kan
Mr. Ngai Wai Kin