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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)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2016

The board of directors (the "Board") of Imagi International Holdings Limited (the "Company") presents the unaudited condensed consolidated interim financial information ("Interim Financial Information") of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2016 (the "Period"), together with the comparative figures for the six months ended 30 June 2015, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Six months ended 30 June	
		2016	2015
	Notes	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)
Revenue	*3*	**994**	–
Other income	*3*	**1,940**	5,391
Other gains and losses	*4*	**(51,106)**	(1,273)
Forfeiture of a deposit paid for acquisition of a target company	*5*	**(150,000)**	–
Losses from changes in fair value of financial assets classified as held-for-trading		**(79,970)**	–
Rent and rates		**(3,614)**	(552)
Depreciation of property, plant and equipment		**(2,789)**	(1,147)
Staff costs			
– equity settled share-based payment expense		**(28,968)**	–
– others		**(5,767)**	(1,280)
Other expenses		**(23,344)**	(3,410)
Share of profit of a joint venture		**3,368**	–
Finance costs		**(1,887)**	–

* *for identification purpose only*

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

	Notes	Six months ended 30 June 2016 HK$'000 (unaudited)	2015 HK$'000 (unaudited)
Loss before tax	6	**(341,143)**	(2,271)
Income tax expense	7	**–**	–
Loss for the period		**(341,143)**	(2,271)
Other comprehensive (expense) income:			
Items that may be subsequently reclassified to profit or loss:			
Exchange differences on translating a foreign operation		**(4)**	1,154
Cumulative (gain) loss reclassified to profit or loss on sale of available-for-sale investments		**(1,760)**	358
Net (loss) gain on revaluation of available-for-sale investments		**(545)**	1,025
Other comprehensive (expense) income for the period		**(2,309)**	2,537
Total comprehensive (expense) income for the period		**(343,452)**	266
Loss for the period attributable to:			
Owners of the Company		**(337,163)**	(2,271)
Non-controlling interests		**(3,980)**	–
		(341,143)	(2,271)
Total comprehensive (expense) income for the period attributable to:			
Owners of the Company		**(339,472)**	266
Non-controlling interests		**(3,980)**	–
		(343,452)	266
Loss per share	9		
Basic (HK cents)		**(13.060)**	(0.103)
Diluted (HK cents)		**(13.030)**	(0.103)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30 June 2016 HK$'000 (unaudited)	31 December 2015 HK$'000 (audited)
Non-current assets			
Property, plant and equipment		**142,947**	98,069
Available-for-sale investments	*10*	**75,733**	76,564
Club debenture		**1,300**	1,300
Investment in an unconsolidated subsidiary	*11*	**–**	23,843
Investment in a joint venture	*12*	**153,368**	–
		373,348	199,776
Current assets			
Other receivables, deposits and prepayments		**11,392**	3,875
Purported short-term loan	*13*	**–**	–
Available-for-sale investments	*10*	**–**	15,749
Held-for-trading investments	*14*	**498,523**	–
Amount due from a joint venture		**71**	–
Bank balances and cash		**194,582**	625,964
		704,568	645,588
Current liabilities			
Other payables and accruals		**2,437**	3,983
Obligation arising from a forward contract with non-controlling interests	*15*	**175,000**	–
		177,437	3,983
Net current assets		**527,131**	641,605
Net assets		**900,479**	841,381
Capital and reserves			
Share capital		**15,161**	9,969
Reserves		**889,298**	831,412
Equity attributable to owners of the Company		**904,459**	841,381
Non-controlling interests		**(3,980)**	–
Total equity		**900,479**	841,381

NOTES:

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") except for not consolidating the financial statements of a wholly owned subsidiary, 廈門盛福明德商務服務有限公司 (Xiamen Sunflower Mingde Business Service Co. Ltd. ("Xiamen Sunflower")) during the period from 1 January 2016 to 9 March 2016 (the date of disposal) in accordance with HKFRS 10 "Consolidated Financial Statements". In addition, the condensed consolidated financial statements include the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules").

2. PRINCIPAL ACCOUNTING POLICIES

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2016 are the same as those followed in the preparation of the Group's consolidated financial statements for the year ended 31 December 2015.

In addition, the Group applies the following accounting policies which are relevant to the Group during the current interim period:

(i) Investment in a joint venture

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of the joint venture are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of the joint venture used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the joint venture. When the Group's share of losses of joint venture exceeds the Group's interest in that joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

An investment in a joint venture is accounted for using the equity method from the date on which the investee becomes a joint venture. On acquisition of the investment in a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with a joint venture of the Group, profits and losses resulting from the transactions with the joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the joint venture that are not related to the Group.

(ii) Financial assets classified as at fair value through profit or loss ("FVTPL")

Financial assets are classified as at FVTPL include financial assets held for trading.

A financial asset is classified as held-for-trading if:

- it has been acquired principally for the purpose of selling in the near term; or

- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets and is included in the "losses from changes in fair value of financial assets classified as held-for-trading" line item.

(iii) Available-for-sale ("AFS") financial assets

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

(iv) Non-controlling interests

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

(v) Obligation arising from a forward contract entered with non-controlling interests

The gross financial liability arising from the forward contract is recognised when contractual obligation to purchase the shares from non-controlling interests is established. The liability for consideration to be settled is initially recognised and measured at present value of the purchase price with the corresponding debit to the non-controlling interests. In subsequent periods, the changes in the carrying amount of obligation under the forward contract with the non-controlling interests relating to interest expense calculated using the effective interest method are recognised in profit or loss.

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant for the preparation of the Group's condensed consolidated financial statements.

Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle

Except for regrouping certain items in the condensed consolidated statement of profit or loss and other comprehensive income by presenting nature to further enhance user's understandability, the application of the above new interpretation and amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in the condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

The Group has not early applied any new or revised standards or amendment to standards that have been issued at the date of the condensed consolidated financial statements are authorised for issuance but are not yet effective.

3. REVENUE, OTHER INCOME AND SEGMENT INFORMATION

On 28 January 2016, the board of directors resolved to develop integrated financial services including provision of securities brokerage services, placing and underwriting services, corporate finance advisory services, investment advisory and management services, margin financing and money lending business, securities investment and proprietary trading. During the current interim period, the Group started its proprietary trading activities related to equity securities listed in Hong Kong, which become its principal business of the Group. The proprietary trading activities are carried out through a wholly owned subsidiary and a subsidiary, of which the Company indirectly held approximately 76.7% of its equity interests as at 30 June 2016.

The Group has been operating with only one reportable and operating segment: trading of securities segment engaged in the purchase and sales of securities investments. The chief operating decision maker ("CODM") monitors the consolidated revenue and changes in fair value of financial assets classified as held-for-trading for the purpose of resources allocation and performance assessment. Accordingly, no further segment information has been presented.

	Six months ended 30 June	
	2016	2015
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Revenue		
Dividend income from held-for-trading investments	**994**	–
Other income		
Interest income from available-for-sale investments	**1,097**	2,727
Interest income on bank deposits	**273**	2,145
Royalty income	**570**	490
Others	**–**	29
	1,940	5,391

4. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2016	2015
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Gain (loss) recognised upon sale of available-for-sale investments	**1,760**	(358)
Write-off of property, plant and equipment	**(8)**	–
Net foreign exchange loss	**(668)**	(915)
Impairment loss recognised on available-for-sales investments	**(52,190)**	–
	(51,106)	(1,273)

5. FORFEITURE OF A DEPOSIT PAID FOR ACQUISITION OF A TARGET COMPANY

On 10 March 2016, the Company entered into a sale and purchase agreement (the "Agreement") with Freeman Financial Investment Corporation (the "Vendor"), an independent third party, for the acquisition of a target company engaging in the securities trading business (the "Acquisition"). The target company and the Vendor are wholly owned by Freeman Financial Corporation Limited ("Freeman"), an independent third party. The total consideration of the Acquisition is HK$1,800 million which will be satisfied, among others, by a cash deposit of HK$150 million (the "Deposit") and the balance of HK$1,650 million will be satisfied by the issuance of promissory notes by the Company on the date of completion of the Acquisition. The Deposit is not refundable except under the circumstances that (i) if the shareholders of Freeman shall have voted against the Acquisition in its extraordinary general meeting, the Vendor shall refund the Deposit in full, without interest, to the Company; or (ii) if the shareholders of the Company shall have voted against the Acquisition in the Company's special general meeting, the Vendor shall be entitled to forfeit half of the Deposit.

On 12 March 2016, the Company paid the Deposit to the Vendor.

On 15 April 2016, the Listing Division of the Stock Exchange (the "Listing Division") ruled that the Acquisition is a reverse takeover and would be treated as if it were a new listing applicant if the Company proceeded with the Acquisition. On 25 April 2016 and 3 June 2016, the Company seek advices from the Listing Committee and the Listing (Review) Committee of the Stock Exchange, respectively, to review the ruling of the Listing Division. The decision by both committees upholding the Listing Division's decision. In this regard, the Company and the Vendor agreed the Acquisition cannot proceed and has to be terminated and the Deposit was forfeited in full in accordance with its terms in the Agreement. As a result, HK$150 million was written off and charged to profit or loss in the current interim period.

6. LOSS BEFORE TAX

	Six months ended 30 June	
	2016	2015
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Loss before tax has been arrived at after charging:		
Directors' emoluments		
Fees	**497**	700
Salaries and allowance	**1,414**	–
Contribution to retirement benefit scheme	**21**	–
Equity-settled share-based payment expense	**7,958**	–
	9,890	700
Other staff costs		
Salaries and allowance	**3,680**	560
Contribution to retirement benefit scheme	**155**	20
Equity-settled share-based payment expense	**21,010**	–
	24,845	580
Total staff costs	**34,735**	1,280
Equity-settled share-based payment expense (other than employees and directors) (included in other expenses) *(Note)*	**13,453**	–

Note:

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

7. INCOME TAX EXPENSE

No provision for Hong Kong Profits Tax has been made as the Group had no assessable profits arising from Hong Kong for both interim periods.

Pursuant to the relevant tax law in the People's Republic of China, the directors of the Company evaluated the possibility of whether or not that a capital gain has arisen from the disposal of Infoport Management Limited ("Infoport", a former wholly owned subsidiary of the Company) and its subsidiaries (collectively referred to as "TE Group") during the year ended 31 December 2013. Taking into account the advice obtained from tax advisor, the directors of the Company are of the opinion that its overall investment loss position is justifiable and accordingly, no capital gain tax needs to be recognised in respect of the disposal of TE Group.

8. DIVIDENDS

No dividends were paid, declared or proposed during the current interim period. The directors of the Company have determined that no dividend will be paid in respect of the current interim period.

9. LOSS PER SHARE

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

	Six months ended 30 June	
	2016	2015
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Loss:		
Loss for the purposes of basic and diluted loss per share	**(337,163)**	(2,271)
Number of shares:		
Weighted average number of ordinary shares for the purposes of basic loss per share	**2,581,660,398**	2,205,864,982
Effect of dilutive potential ordinary shares from options	**5,988,845**	–
Weighted average number of ordinary shares for the purposes of diluted loss per share	**2,587,649,243**	2,205,864,982

The weighted average number of ordinary shares for the six months ended 30 June 2016 and 2015 has been adjusted for share consolidation of every five issued and unissued shares of HK$0.001 each into one consolidated share of HK$0.005 each, which was completed on 31 May 2016 and the open offer to qualifying shareholders, whose name appearing on the register of shareholders on 28 July 2016, ("Qualifying Shareholders") on the basis of one offer share for every two existing shares held by the Qualifying Shareholders. The open offer was completed on 26 August 2016.

10. AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments comprise:

	30 June 2016	31 December 2015
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Listed investments, at fair value		
Corporate bonds listed in Hong Kong with fixed interest rates ranging from 3.3% to 4.8% and maturity dates ranging from 18 October 2016 to 21 November 2018	**–**	51,792
Corporate bonds listed in Singapore with fixed interest rates ranging from 8.5% to 11.1% and maturity dates ranging from 20 March 2017 to 10 January 2019	**–**	16,039
Corporate bonds listed in European market with fixed interest rates ranging from 5.1% to 6.8% and maturity dates ranging from 21 January 2018 to 23 January 2019	**–**	24,482
	–	92,313
Unlisted equity securities, at cost	**127,923**	–
Less: Impairment loss	**(52,190)**	–
	75,733	92,313
Analysed for reporting purposes as:		
Current assets	**–**	15,749
Non-current assets	**75,733**	76,564
	75,733	92,313

During the current interim period, the Group disposed all the listed investments for a cash consideration of HK$91,768,000, resulting in a gain of HK$1,760,000.

On 2 March 2016, the Group subscribed (i) 6,200,000 shares of Joint Global Limited ("Joint Global") and (ii) 450,000 shares of FreeOpt Holdings Limited ("FreeOpt") at consideration of HK$45,198,000 and HK$45,000,000, respectively. On 3 March 2016, the Group subscribed 7,500,000 shares of Freewill Holdings Limited ("Freewill") at consideration of HK$37,725,000. These three companies are incorporated in the Republic of the Marshall Islands. As at 30 June 2016, the Group held 2%, 12% and 1% equity interest in Joint Global, FreeOpt and Freewill, respectively. These investments are held for an identified long term strategic purpose and the investees are principally engaged in investment holding and provision of financial services in Hong Kong. These investments are measured at cost less impairment at the end of the reporting period because the ranges of reasonable fair value estimates are so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

Subsequent to the investments in these three companies, the Group found that all of these three companies have experienced losses due to disposal of their respective investments at a loss. In this regard, an impairment loss of HK$52,190,000, with reference to their respective future cash flows of the three companies, was recognised and charged to profit or loss in the current interim period.

11. INVESTMENT IN AN UNCONSOLIDATED SUBSIDIARY

	30 June 2016 *HK$'000* (unaudited)	31 December 2015 *HK$'000* (audited)
Investment in an unconsolidated subsidiary	–	88,828
Less: Impairment on investment	–	(64,985)
	–	23,843

On 26 February 2015, the Group, through one of its wholly owned subsidiaries, established Xiamen Sunflower in the People's Republic of China (the "PRC") for providing advisory services in relation to business information, enterprise management, investment and social economics (excluding financial business), as well as supply chain management. On 26 June 2015, RMB71,000,000 (equivalent to approximately HK$88,828,000) was injected to bank account of Xiamen Sunflower as paid up capital. As disclosed in the Company's announcement dated 17 December 2015, Xiamen Sunflower entered into an unauthorised tenancy agreement ("Tenancy Agreement") in August 2015 to lease a property for a term of two years from a company ("Sub-lessor") in which. Mr. Shan Jiuliang ("Mr. Shan") and his spouse, Ms. Zhang Peng ("Ms. Zhang"), the two former executive directors of the Company, collectively own 86.83% equity interest, for a rent of RMB2,688,000 per annum. A total sum of RMB6,000,000 (equivalent to approximately HK$7,468,000), representing two years' rent paid in advance and a deposit of RMB624,000 (equivalent to approximately HK$777,000), purportedly under the Tenancy Agreement was paid to the Sub-lessor. The board of directors of the Company other than Ms. Zhang and Mr. Wen Di has subsequently resolved to revoke the transaction but the Company was advised by its PRC legal adviser that although (i) the board of directors of the Company other than Mr. Shan, Ms. Zhang and Mr. Wen Di (the "Board") was not aware of the Tenancy Agreement at the time when it was executed; and (ii) the Board had not approved, authorised or ratified the transaction, this does not invalidate the Tenancy Agreement. The Group is not able to get in contact with Mr. Shan, who is also the legal representative and sole director of Xiamen Sunflower, since November 2015. In addition, the Company has not been able to get access to the books and records, including banks statements, of Xiamen Sunflower since then, neither could the Company get access to Xiamen Sunflower's bank accounts by any means.

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

Taking into account the facts and circumstances, the Board accounted the investment in Xiamen Sunflower at cost less impairment as at 31 December 2015. Accordingly, the Group recognised an impairment loss of approximately HK$64,985,000 on the carrying amount of the investment in Xiamen Sunflower during the year ended 31 December 2015 based on the Consideration less the amount attributable to the net assets (comprised only bank balances) of Imagi Jue Ming Limited and Po Hau Holdings Limited. When preparing the condensed consolidated financial statements for the six months ended 30 June 2016, the Board did not consolidate the financial statements of Xiamen Sunflower from 1 January 2016 to 9 March 2016. This non-consolidation of Xiamen Sunflower from 1 January 2016 to 9 March 2016 is not in compliance with the requirements of HKFRS 10, which requires consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Given the abovementioned circumstances, the Board is unable to ascertain the impact of not consolidating the financial statements of Xiamen Sunflower on the condensed consolidated financial statements.

12. INVESTMENT IN A JOINT VENTURE

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

Details of the Group's interest in a joint venture as at 30 June 2016 is so follows:

	HK$'000 (unaudited)
Cost of interest in a joint venture	150,000
Share of post-acquisition profit and other comprehensive income	3,368
	153,368

The Group had interest in the following unlisted joint venture at 30 June 2016:

Name of joint venture	**Country of incorporation**	**Principal place of business**	**Proportion of ownership interest held by the Group**	**Proportion of voting rights held by the Group**	**Principal activity**
Imagination Holding Limited	Republic of the Marshall Island	Hong Kong	50%	50%	Money lending

Summarised financial information of the joint venture

Summarised financial information in respect of the Group's joint venture is set out below. Except for the carrying amount of a loan receivable and its related interest receivable of approximately HK$29,591,000, the summarised financial information below represents amounts shown in the joint venture's management account prepared in accordance with HKFRSs.

The joint venture is accounted for using the equity method in these condensed consolidated financial statements.

	30 June 2016 *HK$'000* (unaudited)
Current assets	304,301
Non-current assets	2,506
Current liabilities	(71)
Non-current liabilities	–

12. INVESTMENT IN A JOINT VENTURE *(continued)*

The above amounts of assets and liabilities include the following:

	30 June 2016
	HK$'000
	(unaudited)
Cash and cash equivalents	53,829
Current financial liabilities (excluding trade and other payables and provisions)	(71)

	Six months ended 30 June 2016
	HK$'000
	(unaudited)
Revenue	7,214
Profit and total comprehensive income for the period	6,736
Dividends received from the joint venture during the period	–
The above loss for the period include the following:	
Interest income	7,214
Income tax expense	–

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

	30 June 2016
	HK$'000
	(unaudited)
Net assets of the joint venture	306,736
Proportion of the Group's ownership interest in the joint venture	50%
Carrying amount of the Group's interest in the joint venture	153,368

12. INVESTMENT IN A JOINT VENTURE *(continued)*

On 16 March 2016, Simagi Finance Company Limited ("Simagi"), a wholly owned subsidiary of the joint venture company, entered into a deed of assignment with an independent third party (the "Assignor"), whereby a loan receivable of HK$30,000,000 and its accrued interest of HK$1,197,000 of the Assignor was assigned to Simagi at consideration of HK$27,000,000 (the "Loan Receivable"). The borrower, Up Energy Trading Limited ("UETL") is a subsidiary of Up Energy Corporation Group Limited ("UECG"), an exempted company incorporated in Bermuda with its shares listed on the Main Board of The Stock Exchange of Hong Kong Limited. The Loan Receivable and the related interest receivable are guaranteed by UECG and repayable by 20 consecutive monthly instalments of HK$1,500,000 each commencing from 17 December 2015. The effective interest rate of the Loan Receivable is 28.7% per annum. Simagi did not receive settlement from the borrower and UECG received a winding up petition in May 2016 filed by Credit Suisse AG, Singapore Branch against UECG in the Supreme Court of Bermuda for the outstanding balance of the matured convertible notes in the principal amount of HK$150,000,000. UECG is currently undergoing restructuring. Based on the information, including the unaudited financial information up to 31 March 2016 and the proposed restructuring plan of UECG, the management of the joint venture was unable to obtain sufficient and reliable financial information of UETL and UECG to assess the recoverability of the Loan Receivable and the related interest receivable. This may have a consequential adverse impact on the Group's share of profits of the joint venture and the carrying amount of the investment in the joint venture. As at 30 June 2016, the carrying amount of the Loan Receivables and the related interest receivable included in the joint venture company is approximately HK$29,591,000.

13. PURPORTED SHORT-TERM LOAN

	30 June 2016	31 December 2015
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Purported short-term loan	**10,000**	10,000
Less: Allowance for doubtful debt	**(10,000)**	(10,000)
	–	–

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

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

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

14. HELD-FOR-TRADING INVESTMENTS

Held-for-trading investments represents listed equity securities in Hong Kong. The whole balance is pledged to the financial institution to secure the margin financing facilities.

15. OBLIGATION ARISING FROM A FORWARD CONTRACT WITH NON-CONTROLLING INTERESTS

Unimagi Investment Limited ("Unimagi) was incorporate in the British Virgin Islands on 6 June 2016. On 8 June 2016, Dai Gor Capital Limited ("DGCL"), a wholly-owned subsidiary of the Group and Satinu Capital Limited ("Satinu Capital"), an independent third party, subscripted 575 and 175 ordinary shares of Uimagi at consideration of HK$575,000,000 and HK$175,000,000, respectively. On 8 June 2016, DGCL and Satinu Capital held 76.7% and 23.3% equity interest of Unimagi and became a subsidiary of the Company.

On 30 June 2016, DGCL entered into a share buy-back agreement (the "Forward Contract") with Satinu Capital, pursuant to which DGCL has agreed to buy, and Satinu Capital has agreed to sell, 23.3% of the issued share capital of Unimagi, being the entire equity interest of Unimagi held by Satinu Capital, at the consideration of HK$175,000,000. The transaction was completed on 4 July 2016.

At initial recognition, the obligation arising from the Forward Contract represents the present value of the obligation to deliver the share repurchase amount on 30 June 2016 amounting to HK$175,000,000. This amount has been recognised in the condensed consolidated statement of financial position with a corresponding debit to the non-controlling interests.

16. EVENTS AFTER THE END OF THR REPORTING PERIOD

Other than disclosed elsewhere in this announcement, the Group also has the following significant subsequent events after the end of the reporting period:

(i) On 8 August 2016, the Group entered into a sale and purchase agreement with an independent third party (the "Purchaser"), pursuant to which the Group has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the entire issued share capital of Cicero Capital Limited, which is an immediate holding company of Imagi Service Limited, at the consideration of HK$128 million. Imagi Service Limited is the legal and beneficial owner of the leasehold land and building suited in Hong Kong. The carrying amount of the leasehold land and building as at 30 June 2016 is approximately HK$96,275,000. The gain arising from the disposal is estimated to be approximately HK$33,128,000.

(ii) On 26 August 2016, the Company allotted and issued 1,516,057,526 ordinary shares at HK$0.185 per share for cash as a result of open offer on the basis of one offer share for every two shares held by Qualifying Shareholders on 28 July 2016. The Company had raised gross proceeds of approximately HK$280,471,000.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND OPERATIONAL REVIEW

a) Existing Businesses and Assets

With the appointment of the new management team, the Company had begun an extensive review of its existing businesses and assets. For the computer graphic imaging, cultural and entertainment business, it has been determined that it would no longer be profitable for the Company to become engaged on the production side for this business at this time. However the new management remained committed to the distribution side of the business and had conducted extensive review of intellectual properties owned by the Company and current or previous signed distribution agreements and is negotiating with counter-parties on renewing existing or establishing new distribution agreements. As for the Company's assets in China, after taking into account of the lack of information and the legal difficulties encountered in the Company's effort in recovering its money locked up there, the Company had decided to disengage from its China subsidiaries and subsequently completely disposed all its operations there. As for the Company's property in Wong Chuk Hang, the Company, after reviewing its options, had decided that it is no longer required for the Company's computer graphic imaging business and the property is thus surplus to the Company's requirements. On 8 August 2016, the Company had executed a sales and purchase agreement to dispose the subsidiaries holding the property for a consideration in the amount of HK$128 million of which a non-refundable deposit of HK$12.8 million had been received. Completion of the disposal is expected to take place once all conditions precedent have been fulfilled.

The Company had commenced legal actions to recover money in the principal amount of HK$10 million, due from outside parties in Hong Kong. The Company's wholly owned subsidiary received a tax assessment from the Hong Kong Inland Revenue Department on 21 March 2016, and the subsidiary since then has engaged a firm of tax specialist as its tax adviser to contest the assessment.

b) New Businesses

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

i) Money Lending

The Company has formed a joint venture with Bob May Incorporated ("BMI"), on 26 February 2016 pursuant to which the Company and BMI agreed to cooperate to set-up Imagination Holding Limited (the "JV Company") to carry out the business of provision of finance and money lending. Each had contributed HK$150 million to the initial share capital of the JV Company which had been fully paid. The JV Company had since acquired a company with a money lending license and had commenced its business soon thereafter. It is expected the JV Company will be able to make contributions, beginning the new accounting period for the Company.

ii) Securities Investments and Proprietary Trading

Pursuant to the 28 January 2016 Company's announcement, the Company has commenced the captioned business in earnest with a total of approximately of HK$536.41 million invested as on 1 August 2016. The Company decided, on 29 February 2016, to strengthen and enrich its securities portfolio by engineering a shares swap transaction with the Company issuing subscriptions utilizing the available general mandate to acquire 455,500,000 shares in HengTen Networks Group Limited ("HengTen", Stock Code: 136).

The Company had originally intended to further its short term proprietary trading business by setting up a subsidiary, Unimagi, together with Satinu Capital on 8 June 2016, with Unimagi capitalized at HK$750 million. The Company had subsequently, on 30 June 2016, agreed with Satinu Capital to repurchase Unimagi shares held by Satinu Capital and the completion of that was effected on 4 July 2016. As a result, Unimagi is now an indirect wholly owned subsidiary of the Company.

The Company had initially decided to jump start its captioned business with the acquisition of a target company. However the sales and purchase agreement had now been terminated as the transaction was deemed to be a Reverse Take-over by the Hong Kong Stock Exchange's Listing Department.

The financial market has experienced a turbulent time between now and February this year as a result of the depressing property market and general business environment in Hong Kong; stagnation of the economy in China; and the shock felt by the international market brought on by Brexit. A detailed table as of 1 August 2016 containing information on holdings and performance, on a stock-by-stock basis, is provided below. The Company remains confident on the near and medium term prospects in the Hong Kong financial markets and believe it will breakthrough from its recent doldrums.

Statement of stock holding with realised or unrealised gain or loss as at the 1 August 2016

Stock Code	Stock Name	Quantity (as the Latest Practicable Date)	Price Market *(HK$)*	Market Value *(HK$)*	Realized Gain/(Loss) *(HK$)*	Unrealized Gain/(Loss) *(HK$)*	
136	HENGTEN NET	39,816,000	0.3000	11,944,800.00	(38,436,093.52)	(1,449,513.10)	
235	CHINA STRATEGIC	125,000,000	0.1990	24,875,000.00	–	(2,972,125.00)	
263	GT GROUP HLDG	38,000,000	0.2700	10,260,000.00	624,340.00	(9,569,160.00)	
279	FREEMAN FIN	73,260,000	0.3900	28,571,400.00	1,929,125.35	(4,785,159.90)	
519	APPLIED DEV	75,000,000	0.4050	30,375,000.00	–	2,527,875.00	
613	YUGANG INTL	316,864,000	0.1270	40,241,728.00	(213,315.95)	131,142.28	
622	ENERCHINA HOLD	120,000,000	0.3300	39,600,000.00	(12,791,250.00)	4,677,975.00	
708	EVERG HEALTH	44,000,000	1.0100	44,440,000.00	–	(3,125,900.00)	
720	AUTO ITALIA	200,000,000	0.1570	31,400,000.00	(8,877,900.00)	(4,123,900.00)	
885	RENTIAN TECH	46,000,000	0.5300	24,380,000.00	–	1,218,080.00	
933	BRIGHTOIL	–	0.0000	–	1,738,669.25	–	*(Note 1)*
943	EFORCE HOLDINGS	60,000,000	0.0990	5,940,000.00	(1,797,150.00)	(1,345,410.00)	
996	CARNIVAL GROUP	20,500,000	0.9500	19,475,000.00	(1,244,719.19)	(1,192,664.17)	
1051	G-RESOURCES	195,000,000	0.1360	26,520,000.00	–	(3,028,057.50)	
1224	C C LAND	19,574,000	2.0500	40,126,700.00	–	243,641.09	
1227	NATIONAL INV	100,000,000	0.2750	27,500,000.00	1,748,000.00	(9,629,500.00)	
1332	CHINA OPTO	100,000,000	0.3250	32,500,000.00	7,765,500.00	(5,131,250.00)	
1387	RENHE COMM	109,540,000	0.1990	21,798,460.00	–	(379,833.23)	
2066	SHENGJINGBANK	3,682,500	8.9400	32,921,550.00	–	(208,823.02)	
8075	MEDIA ASIA	–	0.0000	–	416,156.07	–	*(Note 2)*
8173	UNION ASIA ENT	125,000,000	0.1030	12,875,000.00	(14,071,575.92)	7,481,187.50	
				505,744,638.00	(63,210,213.91)	(30,661,395.05)	

Notes:

1) The maximum holding of 933 is 18,057,000 shares.

2) The maximum holding of 8075 is 4,856,000 shares.

FINANCIAL REVIEW

Review of Results

The net loss before tax for the current interim Period (the "Period under Review") was approximately HK$337.16 million compared to the net loss of approximately HK$2.27 million for the same interim period in last year. It was mainly due to loss from changes in fair value of financial assets classified as held-for-trading of approximately HK$79.97 million and recognition of HK$150.00 million forfeited deposit as a result of termination of acquisition of a target company engaging in the securities trading business. Other losses are also increased to approximately HK$51.11 million for the Period under Review (six months ended 30 June 2015: HK$1.27 million) which was mainly represented by impairment loss recognized on available-for-sale investments of approximately HK$52.19 million (six months ended 30 June 2015: Nil).

On the expenditures side, the rent and rates and staff costs (excluding equity-settled share-based payment expense) was increase by approximately HK$3.06 million and HK$4.49 million respectively in this Period as a result of expanding a new business of the Company and being in line with our operation. The Company also recognised approximately HK$42.42 million share-based payment expense to profit and loss for the Period under review of which approximately 28.97 million for granting of share options to directors and staff and approximately HK$13.45 million for employees of service providers.

Liquidity and Financial Resources

The liquidity and financial position of the Group as at 30 June 2016 remained healthy, with bank balances amounting to HK$194.58 million (31 December 2015: HK$625.96 million) and a current ratio of 3.97 (31 December 2015: 162.10).

As at 30 June 2016, the Group had no bank or other borrowings and therefore the gearing ratio (expressed as a percentage of total borrowings over total capital) was zero (31 December 2015: zero).

Capital Structure

Pursuant to the share swap agreement dated 29 February 2016, 1,900,000,000 ordinary shares were allotted and issued to Murtsa Capital Management Limited ("Murtsa") in exchange for 455,500,000 share of HengTen from Murtsa.

Grantees of the share option scheme 2012, exercised their share option with a total 765,000,000 option shares on 7 March 2016, 8 March 2016 & 9 March 2016 respectively.

Pursuant to an ordinary resolution passed by shareholders at the special general meeting on 31 May 2016, the share consolidation of every five issued and unissued shares of HK$0.001 each into one consolidated share of HK$0.005 each became effective on the same date.

On 30 June 2016, the Company allotted and issued an aggregate of 505,352,508 shares by way of placing to independent investors at a price of HK$0.23 per share.

As at 30 June 2016, the total number of issued shares of the Company (the "Share(s)") was 3,032,115,052 Shares with a par value of HK$0.005 each. Based on the closing price of HK$0.241 per Share as at 30 June 2016, the Company's market value as at 30 June 2016 was approximately HK$730.74 million.

Pledge of Assets

As at 30 June 2016, held-for-trading investments of approximately HK$498.52 million (30 June 2015: Nil) were pledged to financial institutions to secure margin financing facilities provided to the Group.

Exposure to Exchange Rates

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

CONTINGENT LIABILITIES AND COMMITMENTS

On 21 March 2016, Imagi Crystal Limited, a wholly owned subsidiary of the Company, received a time-barred tax demand note dated 14 March 2016 of approximately HK$9,863,000 issued by the Hong Kong Inland Revenue Department (the "HKIRD") for the year of assessment 2009/2010. HKIRD disallowed the deduction of an impairment loss on the computer graphic imaging animation pictures recognised in the year of assessment 2009/2010. The Group had lodged an objection to HKIRD related to the assessment and HKIRD requested the Company to purchase tax reserve certificate of the same amount. Since Imagi Crystal Limited is in net current liabilities position, Imagi Crystal Limited did not purchase the tax reserve certificate before the due date and HKIRD had applied 5% surcharge of approximately HK$493,000 to the outstanding amount. The management of the Company considered that the impairment loss on graphic imaging animation pictures is deductible as it is deferred production cost related to revenue generating activities. In addition, the review of the case is still in preliminary stage, the management of the Company considered the outcome of the case does not have material impact on the Group's condensed consolidated financial statements.

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

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

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

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

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

FUTURE PLANS AND PROSPECTS

The Company will actively pursue and expand its already begun money lending business and its proprietary trading and securities investments business.

The past performance of the Company's securities portfolio, since February 2016, had been adversely affected by depressing international economic environment in light of Brexit as well as more local factors including sluggish economy and depressed property market in Hong Kong, stagnating China market and uncertainty surrounding the Renminbi exchange rate. However the Directors remain robust on the near and medium term prospects of the financial market, after taking into account of the following factors:

(a) Hong Kong remains as a major financial market of the Asia-Pacific region and the premium fund-raising and financial window of the Greater China Area;

(b) The economies of Hong Kong and China are resilient and will soon begin to rebound;

(c) With many beneficial policies aimed at boosting Hong Kong including CEPA, One belt one road, Shenzhen Hong Kong Connect and Shanghai Hong Kong Connect, having been put in place, Hong Kong, and in particular its financial market, should start to reap the benefits of these in the near term future;

    Furthermore the Company has substantially increased its capabilities in pursuit of its securities investments by the employment of several well experienced investment professionals to look after this segment of business; and

(d) With the above in mind, the directors are confident and believe that it is beneficial and in the best interests of the Company and its shareholders to apply additional resources, including funds raised by the open offer, into the securities and proprietary trading business.

The Company has been actively reviewing its options on how to begin its other financial services businesses including the provision of securities brokerage services, placing and underwriting services, corporate finance advisory services, investment advisory and management services, margin financing, such as by acquisition or by undertaking a complete start-up approach or a combination of above.

The Company intends to put before its shareholders reorganisation proposals involving a change of domicile of the Company by way of a scheme of arrangement (the ''Scheme'') to be effected under section 99 of the Companies Act 1981 of Bermuda. It is proposed that a new holding company of the Group incorporated in Hong Kong (the ''Newco'') will, by means of the Scheme, become the sole beneficial shareholder of the Company and that the shareholders will receive one share in the Newco for every one existing issued share held by them as at a record time such that the percentage interest of each shareholder in the Company and its subsidiaries will remain unchanged. Upon implementation of the Scheme, the Company will become a wholly-owned subsidiary of Newco and the shareholders will become the shareholders of Newco. As a result, all existing subsidiaries of Imagi will become indirect subsidiaries of Newco. An announcement was made by the Company on 8 June 2016 for details.

GENERAL INFORMATION

CORPORATE GOVERNANCE PRACTICES

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

During the Period under Review, the Company has complied with the code provisions set out in the Corporate Governance Code and Corporate Governance Report (the ''CG Code'') contained in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), saved for the followings:

Code provision A.2.1 to A.2.9

Code provision A.2.1 stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Code provision A.2.2 to A.2.9 stipulates that the role and responsibility of chairman to the Board.

Mr. Shan Jiuliang ("Mr. Shan") was the chairman and executive director of the Company. Based on the Company's record, Mr. Shan last attended the Board meeting of the Company on 15 October 2015. He did not attend any subsequent Board meetings without special leave of absence from the Board for at least six consecutive months, which constitutes a deviation from the code provisions A.2.1 to A.2.9 of the CG Code.

Due to the absence of Mr. Shan, Mr. Leung Pak To ("Mr. Leung") was appointed as a chairman to replace Mr. Shan on 29 December 2015. Mr. Leung resigned on 23 February 2016. Mr. Kitchell Osman Bin has been appointed as an acting chairman of the Board with effect from 13 June 2016 responsible for the management of Board of the Company in accordance to code provision A.2.1 to A.2.9.

Code provision A.6.2

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

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

Code provision A.6.3

Code provision A.6.3 of the CG Codes stipulates that every director should ensure that he can give sufficient time and attention to the issuer's affairs and should not accept the appointment if he cannot do so. Ms. Zhang Peng ("Ms. Zhang") was the executive director. Based on Company's record, Ms. Zhang last attended a Board meeting of the Company on 27 August 2015, she did not attend any subsequent Board meetings without special leave of absence from the Board for at least six consecutive months. Due to absence of Mr. Shan, Ms. Zhang and Mr. Wen from the Board meeting for at least six consecutive months, which constitutes a deviation from the code provision A.6.3.

Ms. Zhang and Mr. Wen were removed from the Board on 15 April 2016. Mr. Shan was removed from the Board on 12 May 2016.

Code provision E.1.2

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

Mr. Shan, the Chairman of the Board did not attend the annual general meeting of the Company held on 2 June 2016 (the "2015 AGM") due to absence from the Board for at least six consecutive months, which constitutes a deviation from the code provision E.1.2 of the CG Code.

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

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.

CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the code of conduct regarding to directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules. In response to the specific enquiry made by the Company, all the directors of the Company (the "Director(s)") confirmed that they fully complied with the required standard as set out in the Model Code throughout the Period under Review.

SHARE OPTION SCHEME

2012 Option Scheme

The Company's share option scheme (the "2012 Option Scheme") was adopted pursuant to a resolution passed by the Shareholders on 11 November 2012. The purpose of the 2012 Option Scheme is to provide incentives to eligible participants. During the six months ended 30 June 2016, 200,403,614 option (as adjusted) had been granted and there was 47,403,614 (as adjusted) outstanding share option of the Company as at 30 June 2016.

HUMAN RESOURCES

The Group currently employs a total of 24 employees in Hong Kong. Emolument policy is reviewed regularly to ensure compliance of the latest labour laws and market norms where the Group has operations. In addition to basic salaries, incentives in the form of bonus and share options may also be offered to eligible employees on the basis of individual performance and the Group's business results.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

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

REVIEW OF INTERIM RESULTS

Except as explained in the section "Extract of the Independent Auditor's Report on Review of Interim Financial Information", the Company's external auditor, Deloitte Touche Tohmatsu, has conducted a review of the Interim Financial Information in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

Currently, the Audit Committee comprises four independent non-executive directors, namely, Mr. Chow Chi Wah Vincent, Dr. Kwong Kai Sing Benny, Mr. Miu Frank H. and Dr. Santos Antonio Maria. The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group, and discussed legal and compliance, internal controls, risk management and financial reporting matters including the review of the unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2016.

EXTRACT OF THE INDEPENDENT AUDITOR'S REVIEW REPORT

The auditor was unable to form a conclusion on the Group's condensed consolidated financial statements for the six months ended 30 June 2016 and the following is an extract of the independent auditor's report on review of condensed consolidated financial statements for the six months ended 30 June 2016:

"Basis for Disclaimer of Conclusion

(i) As explained in Note 13 to the condensed consolidated financial statements, the Group has not been able to access the books and records of a wholly owned subsidiary, 廈門盛福明德商務服務有限公司 (Xiamen Sunflower Mingde Business Service Co. Ltd. ("Xiamen Sunflower")) since November 2015 as a result of the loss of contact with a former executive director of the Company who was also the legal representative and sole director of Xiamen Sunflower. Against the background, the investment in Xiamen Sunflower is accounted for on a cost less impairment basis. Also, the Group has not consolidated the financial statements of Xiamen Sunflower for the year ended 31 December 2015 or the period from 1 January 2016 to 9 March 2016 (date of disposal). Under Hong Kong Financial Reporting Standard 10 "Consolidated Financial Statements" issued by the Hong Kong Institute of Certified Public Accountants, consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. The financial statements of Xiamen Sunflower should have been consolidated up to the date of disposal because it was controlled by the Company since its incorporation to the date of disposal and accordingly the condensed consolidated financial statements have not been prepared in all material respects in accordance with HKAS 34. Had Xiamen Sunflower been consolidated, many elements in the condensed consolidated financial statements would have been materially affected. In the absence of reliable financial information of Xiamen Sunflower for the period from 1 January 2016 to the date of disposal, it is not practicable for us to quantify the effects of the departure from this requirement on the condensed consolidated financial statements for the six months ended 30 June 2016, including the amount in relation to the gain or loss on disposal, or to assess whether the disclosures including the potential disclosure of additional contingent liabilities and commitments, with respect to Xiamen Sunflower in the notes to the condensed consolidated financial statements were appropriate.

(ii) As disclosed in Note 15 to the condensed consolidated financial statements, the Board has been unable to locate the agreement governing this purported loan or contact the fund recipient and as such have been unable to confirm the nature of the fund advance. The Group has commenced legal proceedings against the fund recipient for recovery of the fund. Given this circumstance, the Board has provided full provision in respect of this purported short-term loan. Due to the lack of records in respect of the transaction, we were unable to assess whether the fund advances are properly recorded, accounted for and disclosed in the condensed consolidated financial statements.

(iii) As explained in Note 14 to the condensed consolidated financial statements, the management of a joint venture in which the Group held 50% equity interest was unable to obtain sufficient and reliable financial information in respect of a borrower (the "Borrower") or the guarantor (the "Guarantor") of a loan receivable, together with its accrued interest acquired by the joint venture during the six months period ended 30 June 2016 for a consideration of HK$27,000,000 (the "Loan Receivable") to assess the recoverability of the Loan Receivable and the related interest receivable. The Guarantor has received a winding up petition. The Borrower is a subsidiary of the Guarantor and the Guarantor is currently undergoing restructuring. No repayments in respect of the Loan Receivable and the related interest receivable have been received by the joint venture. We were therefore unable to obtain sufficient and reliable financial information in respect of the recoverability of the Loan Receivable and the related interest receivable of HK$29,591,000 as at 30 June 2016. Any adjustment to the carrying amount of the Loan Receivable and the related interest receivable may have consequential effect on the Group's share of profits of the joint venture for the six months ended 30 June 2016 and the carrying amount of the investment in the joint venture as at 30 June 2016.

The above matters in (i) and (ii) caused auditor to disclaim their opinion on the consolidated financial statements in respect of the year ended 31 December 2015.

DISCLAIMER OF CONCLUSION

Because of the significance of the matters described in the Basis for Disclaimer of Conclusion paragraphs, we have not been able to obtain sufficient appropriate evidence to form a conclusion on the condensed consolidated financial statements. Accordingly, we do not express a conclusion on these condensed consolidated financial statements."

The aforesaid notes 13, 15 and 14 to the condensed consolidated financial statements in the extract from the Independent Auditor's Report on Review of condensed consolidated financial statements are disclosed in notes 11, 13 and 12 respectively to this announcement.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is published on the Company's website at http://www.imagi.com.hk and the website of Hong Kong Exchanges and Clearing Limited at http://www.hkexnews.hk. The 2016 interim report of the Company will be despatched to the shareholders of the Company who have selected to have a printed copy and available on the above websites before the end of September 2016.

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

Hong Kong, 26 August 2016

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

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

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