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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 2018

The board (the "Board") of director (the "Director(s)") of Imagi International Holdings Limited (the "Company") presents the unaudited consolidated interim financial information ("Interim Financial Information") of the Company and its subsidiaries (collectively as the "Group") for the six months ended 30 June 2018 (the "Period under Review") as follows:

FINANCIAL INFORMATION

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Six months ended 30 June	
		2018	2017
	Notes	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)
Revenue	*5*	**2,500**	378
Net realised losses from sales of listed equity investments	*5*	**(24,256)**	(91,250)
		(21,756)	(90,872)
Other income	*6*	**1,379**	2,879
Other gain/(loss)	*7*	**6,972**	(62,669)
Losses from changes in fair value of financial assets classified as held-for-trading		**(25,181)**	(72,412)
Administrative expenses		**(15,241)**	(23,477)
Loss from operations		**(53,827)**	(246,551)
Finance costs		**(19)**	(153)
Share of profit/(loss) of a joint venture		**3,521**	(7,451)

* *for identification purpose only*

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

		Six months ended 30 June	
		2018	2017
	Notes	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)
Loss before tax	*8*	**(50,325)**	(254,155)
Income tax credit	*9*	**342**	10,967
Loss for the period		**(49,983)**	(243,188)
Other comprehensive expense			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation a foreign operation		**108**	(270)
Net loss on revaluation of available-for-sale investments		**–**	(42,336)
Impairment loss of available-for-sale investments reclassified to profit or loss		**–**	42,336
Net loss on debt securities at fair value through other comprehensive income (recycling)		**(1,267)**	–
Net movement in investment revaluation reserve during the period recognised in other comprehensive income		**(1,267)**	–
Other comprehensive expense for the period		**(1,159)**	(270)
Total comprehensive expense for the period		**(51,142)**	(243,458)
Loss for the period attributable to owners of the Company		**(49,983)**	(243,188)
Total comprehensive expense for the period attributable to owners of the Company		**(51,142)**	(243,458)
Loss per share			
Basic and diluted (HK cents per share)	*11*	**(7)**	(38)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**30 June 2018 HK$'000 (unaudited)**	31 December 2017 HK$'000 (audited)
Non-current assets			
Property, plant and equipment		**2,211**	2,626
Goodwill		**–**	–
Intangible assets		**859**	859
Other financial assets	*12*	**6,819**	51,178
Club debenture		**1,300**	1,300
Interest in a joint venture	*13*	**–**	139,381
		11,189	195,344
Current assets			
Accounts receivable	*14*	**2,116**	883
Other receivables, deposits and prepayments		**3,467**	2,444
Loans receivable	*15*	**181,578**	–
Held-for-trading investments	*16*	**377,180**	432,023
Convertible notes receivable	*17*	**19,293**	19,293
Bank balances – trust accounts		**8,514**	5,209
Bank balances and cash		**152,569**	134,477
		744,717	594,329
Current liabilities			
Accounts payable	*18*	**8,596**	6,081
Other payables and accruals	*19*	**18,465**	3,263
		27,061	9,344
Net current assets		**717,656**	584,985
Total assets less current liabilities		**728,845**	780,329
Non-current liability			
Deferred tax liability		**142**	484
Net assets		**728,703**	779,845
Capital and reserves			
Share capital		**27,577**	27,577
Reserves		**701,126**	752,268
Total equity attributable to owners of the Company		**728,703**	779,845

NOTES:

1. BASIS OF PREPARATION

This Interim Financial Information has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), including compliance with Hong Kong Accounting Standard 34 "Interim financial reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). It was authorised for issue on 24 August 2018.

The Interim Financial Information has been prepared in accordance with the same accounting policies adopted in the 2017 annual consolidated financial statements, except for the accounting policy changes that are expected to be reflected in the 2018 annual consolidated financial statements. Details of any changes in accounting policies are set out in note 3.

The preparation of the Interim Financial Information in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This Interim Financial Information contains the consolidated statement of financial position of the Group as of 30 June 2018, the related consolidated statement of profit or loss and other comprehensive income, and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2017 annual consolidated financial statements. The Interim Financial Information and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The Interim Financial Information is unaudited, but has been reviewed by the Company's Audit Committee. The Interim Financial Information has also been reviewed by Crowe (HK) CPA Limited 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 HKICPA.

2. PRINCIPAL ACCOUNTING POLICIES

The accounting policies and methods of computation used in the Interim Financial Information for the six months ended 30 June 2018 are the same as those followed in the preparation of the Group's consolidated financial statements for the year ended 31 December 2017, except for the accounting policy changes that are expected to be reflected in the 2018 annual consolidated financial statements. Details of any changes in accounting policies are set out in note 3.

3. CHANGES IN ACCOUNTING POLICIES

(a) Overview

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

HKFRS 9, Financial instruments

HKFRS 15, Revenue from contracts with customers

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

Except for HKFRS 9 in relation to classification of financial assets, none of these developments has had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this Interim Financial Information. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

(b) HKFRS 9, Financial instruments

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

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

(i) Classification of financial assets and financial liabilities

HKFRS 9 categories financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income ("FVOCI") and at fair value through profit or loss ("FVPL"). These supersede HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

Non-equity investments held by the Group are classified into one of the following measurement categories:

– amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method;

– FVOCI – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss; or

– FVPL, if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to accumulated losses. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI (non-recycling), are recognised in profit or loss.

Under HKFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not separated from the host. Instead, the hybrid instrument as a whole is assessed for classification.

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

	HKAS 39 carrying amount at 31 December 2017	Reclassification	Remeasurement	**HKFRS 9 carrying amount at 1 January 2018**
	HK$'000	*HK$'000*	*HK$'000*	***HK$'000***
Financial assets carried at amortised cost				
Bank balances and cash	134,477	–	–	**134,477**
Bank balances-trust accounts	5,209	–	–	**5,209**
Accounts and other receivables	1,348	–	–	**1,348**
	141,034	–	–	**141,034**
Financial assets measured at FVOCI (recycling)				
Debt securities *(note (i))*	–	8,086	–	**8,086**
Financial assets carried at FVPL				
Convertible notes receivable *(note (iii))*	19,293	–	–	**19,293**
Equity securities not held for trading *(note (ii))*	–	43,092	–	**43,092**
Held-for-trading investments *(note (iii))*	432,023	–	–	**432,023**
	451,316	43,092	–	**494,408**
Financial assets classified at available-for-sale under HKAS 39 *(notes (i), (ii))*	51,178	(51,178)	–	**–**

Notes:

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

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

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

The measurement categories for all financial liabilities remain the same.

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

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

(ii) Credit losses

The HKFRS 9 impairment requirements are based on an expected credit loss model, replacing the incurred loss methodology model under HKAS 39. Key changes in the Group's accounting policy for impairment of financial assets are listed below.

The Group applies simplified approach to measure expected credit losses ("ECL") on accounts receivable; and general approach to measure ECL on loans receivable and other financial assets accounted for at amortised cost as well as loan commitment.

Under the simplified approach, the Group measures the loss allowance at an amount equal to lifetime ECL.

Under the general approach, financial assets migrate through the following three stages based on the change in credit risk since initial recognition:

Stage 1: 12-months ECL

For exposures where there has not been a significant increase in credit risk since initial recognition and that are not credit impaired upon origination, the portion of the lifetime ECL associated with the probability of default events occurring within the next 12 months is recognised.

Stage 2: Lifetime ECL – not credit-impaired

For exposures where there has been a significant increase in credit risk since initial recognition but are not credit impaired, a lifetime ECL (i.e. reflecting the remaining lifetime of the financial asset) is recognised.

Stage 3: Lifetime ECL – credit-impaired

Exposures are assessed as credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred. For exposures that have become credit-impaired, a lifetime ECL is recognised and interest revenue is calculated by applying the effective interest rate to the amortised cost (net of provision) rather than the gross carrying amount.

At each reporting date, the Group assesses whether there has been a significant increase in credit risk for exposures since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Group considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and also, forward-looking analysis.

The Group assesses whether the credit risk on an exposure has increased significantly on an individual or collective basis. For the purposes of a collective evaluation of impairment, financial instruments are grouped on the basis of shared credit risk characteristics, taking into account instrument type, remaining term to maturity and other relevant factors.

The amount of ECL is measured as the probability-weighted present value of all cash shortfalls over the expected life of the financial asset discounted at its original effective interest rate. The cash shortfall is the difference between all contractual cash flows that are due to the Group and all the cash flows that the Group expects to receive. The amount of the loss is recognised using a provision for doubtful debts account.

If, in a subsequent period, credit quality improves and reverses any previously assessed significant increase in credit risk since origination, then the provision for doubtful debts reverts from lifetime ECL to 12-months ECL.

This change in accounting policy does not have any material impact on the financial position and the financial result of the Group.

(iii) Transition

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

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

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

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

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

(c) HKFRS 15, Revenue from contracts with customers

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

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

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

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

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

4. SEGMENT REPORTING

On 28 January 2016, the board of directors resolved to develop integrated financial services including the provision of securities brokerage services, placing and underwriting services, corporate finance advisory services, investment advisory and assets management services, margin financing and money lending business, securities investments and proprietary trading. For management purposes, the Group is organised into business units based on their services and has reportable operating segments as follows:

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

(b) provision of finance segment engages in the provision of financing services in Hong Kong

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.

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

No analysis of the Group's assets and liabilities by operating segments was provided to the management for review during the six months ended 30 June 2018 and 2017 for the purposes of resource allocation and performance assessment.

During the six months ended 30 June 2018, the Group acquired a subsidiary which is engaged in money lending business that the performance was presented under provision of finance segment.

For the six months ended 30 June 2018

	Trading of securities (unaudited) *HK$'000*	Provision of finance (unaudited) *HK$'000*	Total (unaudited) *HK$'000*
Segment revenue:			
From external	**(23,696)**	**1,940**	**(21,756)**
From intersegment revenue	**–**	**–**	**–**
	(23,696)	**1,940**	**(21,756)**
Reconciliation:			
Elimination of intersegment revenue			**–**
Total revenue			**(21,756)**
Segment results:	**(51,224)**	**1,843**	**(49,381)**
Reconciliation:			
Share of profit of a joint venture			**3,521**
Other income			**8,351**
Depreciation			**(414)**
Finance costs			**(19)**
Unallocated head office and corporate expenses			**(12,383)**
Consolidated loss before tax			**(50,325)**

For the six months ended 30 June 2017

	Trading of securities (unaudited) *HK$'000*	Provision of finance (unaudited) *HK$'000*	Total (unaudited) *HK$'000*
Segment revenue:			
From external	(90,872)	–	(90,872)
From intersegment revenue	–	–	–
	(90,872)	–	(90,872)
Reconciliation:			
Elimination of intersegment revenue			–
Total revenue			(90,872)
Segment results:	(164,654)	–	(164,654)
Reconciliation:			
Share of loss of a joint venture			(7,451)
Other loss			(59,790)
Depreciation			(1,174)
Finance costs			(153)
Unallocated head office and corporate expenses			(20,933)
Consolidated loss before tax			(254,155)

The measure used for reporting segment results is "adjusted EBITDA" i.e. "adjusted earnings before interest, taxes, depreciation and amortisation", where "interest" is regarded as including investment income and "depreciation and amortisation" is regarded as including impairment losses on non-current assets. To arrive at adjusted EBITDA the Group's earnings are further adjusted for items not specifically attributed to individual segments, such as share of profit/(loss) of a joint venture, directors' emoluments and other head office or corporate administration costs.

5. REVENUE AND NET REALISED LOSSES FROM SALES OF LISTED EQUITY INVESTMENTS

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Brokerage commission income	**495**	378
Interest income on financing activities	**1,940**	–
Dividend income from held-for-trading investments	**65**	–
	2,500	378
Net realised losses from sales of listed equity investments	**(24,256)**	(91,250)
	(21,756)	(90,872)

6. OTHER INCOME

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Clearing fee income	**26**	14
Interest income on convertible notes receivable	**863**	876
Interest income on debt securities	**337**	–
Royalty income	**93**	205
Waive of tax penalty	**–**	1,528
Others	**60**	256
	1,379	2,879

7. OTHER GAIN/(LOSS)

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Fair value loss on convertible notes receivable	**–**	(46,030)
Loss on disposal of a subsidiary	**–**	(7)
Gain on disposal of a joint venture	**7,098**	–
Loss on disposal of property, plant and equipment	**(9)**	(177)
Net foreign exchange (loss)/gain	**(117)**	181
Gain on derecognition of day one gain on convertible notes receivable	**–**	25,700
Impairment on available-for-sale listed securities: reclassified from equity	**–**	(42,336)
	6,972	(62,669)

8. LOSS BEFORE TAX

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

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Directors' emoluments		
– Fees	**360**	438
– Salaries and allowance	**1,560**	1,860
– Contribution to retirement benefit scheme	**27**	33
	1,947	2,331
Other staff costs		
– Salaries and allowance	**6,510**	6,814
– Contribution to retirement benefit scheme	**186**	194
	6,696	7,008
Total staff costs	**8,643**	9,339
Operating lease payments in respect of rental properties	**1,801**	3,586
Depreciation of property, plant and equipment	**414**	1,174
Unrealised loss from changes in fair value of listed equity investments	**25,181**	72,412

9. INCOME TAX CREDIT

Income tax credit recognised in profit or loss:

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Current tax:		
Hong Kong Profits Tax	**–**	–
Overprovision in respect of prior years *(note)*	**–**	(10,967)
Deferred taxation	**(342)**	–
	(342)	(10,967)

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

No provision for Hong Kong Profits Tax had been made in the consolidated financial statements as the Group did not have assessable profits arising in Hong Kong during both periods.

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

Note:

Details of the tax overprovision had been shown in 2017 annual consolidated financial statements.

10. DIVIDEND

No dividend was paid or proposed during the period ended 30 June 2018, nor has any dividend been proposed since the end of the reporting period (2017: nil).

11. LOSS PER SHARE

(a) Basic loss per share

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

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Loss		
Loss for the purposes of basic loss per share	**(49,983)**	(243,188)
Number of shares		
Issued ordinary shares at 1 January	**689,421,572**	4,548,172,578
Effect of shares issued	**–**	104,051,933
Effect of shares consolidation	**–**	(4,015,327,801)
Weighted average number of ordinary shares at 30 June	**689,421,572**	636,896,710

(b) Diluted loss per share

For the six months ended 30 June 2018 and 2017, diluted loss per share was the same as the basic loss per share because the exercises of the Company's share options outstanding during the periods would have anti-dilutive effect.

12. OTHER FINANCIAL ASSETS

Other financial assets comprise:

	30 June 2018	31 December 2017
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Listed investments at fair value:		
Equity shares listed in Hong Kong *(note a)*	**–**	43,092
Debt securities listed in Singapore *(note b)*	**6,819**	8,086
	6,819	51,178

Notes:

(a) On 22 March 2017, the Company issued shares in exchange for the shares of Enerchina Holdings Limited, a company listed on the Stock Exchange with a fair value of HK$107,730,000 at the acquisition date. The shares were disposed of during the six months ended 30 June 2018 at a total consideration of approximately HK$35,154,000.

(b) On 21 June 2017, the Group subscribed for senior notes issued by China Evergrande Group at an aggregated principal amount of USD1,000,000 (equivalent to HK$7,800,000). The senior notes carry coupon rate of 8.75% per annum, payable semi-annually in arrears and mature on 28 June 2025. The senior notes are listed on the Singapore Exchange Securities Trading Limited.

13. INTEREST IN A JOINT VENTURE

	30 June 2018	31 December 2017
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Share of net assets	**–**	139,381

Particulars of the joint venture of the Group are as follows:

Name of joint venture	Country of incorporation	Principal place of business	Proportion of ownership interest held by the Group	Proportion of voting rights held by the Group	Principally activity
Imagination Holding Limited	Republic of the Marshall Islands	Hong Kong	– (2017: 50%)	– (2017: 50%)	Investment holding
Jocasta Ventures Ltd (wholly-owned subsidiary of Imagination Holding Limited)	British Virgin Islands	Hong Kong	– (2017: 50%)	– (2017: 50%)	Intermediate holding
Simagi Finance Company Limited (wholly-owned subsidiary of Jocasta Ventures Ltd)	Hong Kong	Hong Kong	– (2017: 50%)	– (2017: 50%)	Provision of finance and money lending business

On 2 February 2018, the Company entered into a sale and purchase agreement with its joint venture partner to dispose its whole interest in Imagination Holding Limited and its subsidiaries (the "Joint Venture") at a cash consideration of HK$150,000,000, after which date the Joint Venture was held for disposal. The disposal of Joint Venture was completed on 23 April 2018 and a gain on disposal of HK$7,098,000 was recognised in the consolidated statement of profit or loss for the six months ended 30 June 2018.

14. ACCOUNTS RECEIVABLE

	30 June 2018 HK$'000 (unaudited)	31 December 2017 HK$'000 (audited)
Accounts receivable arising in the ordinary course of business of dealing in securities:		
Cash clients	**1,441**	883
Brokers	**675**	–
	2,116	883

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

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

	30 June 2018 HK$'000 (unaudited)	31 December 2017 HK$'000 (audited)
Within 90 days	**2,116**	883

15. LOANS RECEIVABLE

	30 June 2018 HK$'000 (unaudited)	31 December 2017 HK$'000 (audited)
Loans receivable	**181,578**	–

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

Maturity profile

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

	30 June 2018 *HK$'000* **(unaudited)**	31 December 2017 *HK$'000* (audited)
Due within 1 month or on demand	**121,578**	–
Due after 1 month but within 3 months	**60,000**	–
	181,578	–

All loans receivable have been settled by the debtors subsequent to the end of the reporting period.

16. HELD-FOR-TRADING INVESTMENTS

Held-for-trading investments represent equity securities listed in Hong Kong. All listed equity securities in Hong Kong are pledged to financial institutions to secure margin financing facilities obtained.

17. CONVERTIBLE NOTES RECEIVABLE

	30 June 2018 *HK$'000* **(unaudited)**	31 December 2017 *HK$'000* (audited)
Convertible notes receivable	**19,293**	19,293

The convertible notes receivable represented the fair value of an investment in convertible note issued by China Agri-Products Exchange Limited. For the period ended 30 June 2017, the fair value loss of the convertible notes receivable amounting to HK$48,989,000, plus the amortisation of day-one gain for the convertible notes receivable of HK$2,959,000 for the period was recognised in "other gain/(loss)". For the remaining day-one gain of HK$25,700,000 as at 30 June 2017, was de-recognised due to the significant fluctuation in the stock price and was recognised in "other gain/(loss)" for the six months ended 30 June 2017.

The directors considered that the carrying amount of the convertible notes receivable as at 30 June 2018 did not differ significantly from the fair value as at 31 December 2017 with reference to the valuation carried out by an independent qualified professional valuer. Consequently, no change in fair value of the convertible notes receivable has been recognised in the current period.

18. ACCOUNTS PAYABLE

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

19. OTHER PAYABLES AND ACCRUALS

At 30 June 2018, other payables include a margin payable of HK$15,000,000 (31 December 2017: nil) from the securities trading account with interest rate of 12% per annum. The margin payable is secured by the Group's held-for-trading investments with an aggregate carrying value of approximately HK$377,180,000 (31 December 2017: held-for-trading investments of approximately HK$432,023,000 and available-for-sale investments of approximately HK$43,092,000) and repayable on demand.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND OPERATIONAL REVIEW

(a) Computer Graphic Imaging ("CGI")

As previously disclosed, the Company had terminated its efforts on the production side but will retain efforts on the distribution side of the CGI business. During the Period under Review, the CGI business made no profit contribution to the Group.

(b) Integrated Financial Service Business

(i) Securities investments and proprietary trading

As at 30 June 2018, the aggregate market value of listed debt securities classified as other financial assets and listed equity securities classified as held-for-trading investments was approximately HK$384 million. The net realised loss from the sale of listed equity investments and the unrealised loss charged to profit or loss as a result of changes in fair value of listed investments for the Period under Review were approximately HK$24 million and approximately HK$25 million respectively.

(ii) Brokerage services

The Company conducted its brokerage business through its indirect wholly-owned subsidiary, John & Wong Securities Company Limited ("John & Wong"). Besides providing securities brokerage services and margin financing services to clients, John & Wong has always been intended to be used as the flagship of the Company into other securities related businesses such as fund management, placement and underwriting services, corporate finance advisory services, investment advisory and asset management services etc.. As such John & Wong has applied for and subsequently been granted licences to engage in Type 2, 4, 5 and 9 regulated businesses from the Securities and Futures Commission (the "SFC") with effect from 25 May 2018. In anticipation of the expansion in business for John & Wong, the Company had injected an additional new equity of HK$100 million into John & Wong in May 2017. Due to the need and time for the integration and transition period, John and Wong had yet made no profit contribution to the Group for the Period under Review.

(iii) *Money lending business*

The Company originally conducted the Group's money lending business through Imagination Holding Limited, its joint venture (the "Joint Venture") with Bob May Incorporated. On 2 February 2018, the Company had decided that, to further develop its money lending business, it needs the business to be wholly under its control. As a result, after arm's length negotiations, it had agreed to dispose the Company's 50% interest in the Joint Venture to Bob May Incorporated for a cash consideration of HK$150 million. The disposal of the Joint Venture was completed on 23 April 2018. In preparation for the development of the money lending business under full control of the Group, the Company had acquired Longtop Enterprises Limited ("Longtop") on 22 March 2018, a company with a money lenders licence. The Group began to conduct money lending business through Longtop as from May 2018. Money lending business remained active during the Period under Review and contributed a profit of approximately HK$3.5 million from the Joint Venture prior to the disposal and HK$1.8 million from Longtop.

FINANCIAL REVIEW

Review of Results

The net loss for the Period under Review was approximately HK$50 million compared to the net loss of approximately HK$243 million for the same interim period last year. The loss for the Period under Review was mainly due to losses from net changes in fair value of listed equity investments and change in valuation of convertible notes receivable of approximately HK$49 million (2017: approximately HK$226 million).

On the expenditures side, staff costs decreased by approximately 8% from approximately HK$9.3 million last interim period to approximately HK$8.6 million for the Period under Review.

Liquidity and Financial Resources

During the Period under Review, the Group primarily financed its operation with internally generated cash flows. The liquidity and financial position of the Group as at 30 June 2018 remain healthy, with bank balances amounting to approximately HK$153 million (31 December 2017: approximately HK$134 million) and a current ratio (the total amount of current assets over the total amount of current liabilities) of approximately 28 times (31 December 2017: approximately 64 times).

As at 30 June 2018, the Group had no bank or other borrowing (save as margin payable of HK$15 million arising from trading nature in the ordinary course of business) and a gearing ratio (expressed as a percentage of total borrowings over total capital) was zero (31 December 2017: zero).

The unaudited consolidated net asset value per share of the Company (the "Share(s)") as at 30 June 2018 was approximately HK$1.057 (31 December 2017: audited approximately HK$1.131).

Capital Structure

The Company has not conducted any equity fund raising activities during the Period under Review. As at 30 June 2018, the total number of issued Shares was 689,421,572 with a par value of HK$0.04 each. Based on the closing price of HK$0.92 per Share as at 29 June 2018 (being the last trading day before the period ended 30 June 2018), the Company's market value as at 30 June 2018 was approximately HK$634 million (31 December 2017: approximately HK$462 million).

Pledge of Assets

As at 30 June 2018, held-for-trading investments of approximately HK$377 million (31 December 2017: held-for-trading investments and available-for-sale investments of approximately HK$432 million and HK$43 million respectively) 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 risk. 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 Capital Commitments

As at 30 June 2018, the Group did have not any significant contingent liabilities and capital commitments.

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the Period under Review (six-month period ended 30 June 2017: nil).

FUTURE PLANS AND PROSPECTS

CGI Business

As aforementioned, 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 business until there are substantial change in potential and prospects for the business.

Integrated Financial Services Businesses

As previously disclosed, the Company intended to engage into full and integrated financial services businesses comprising of securities brokerage services, placing and underwriting services, corporate finance advisory services, investment advisory and asset management services, margin financing and money lending business, securities investments and proprietary trading.

In preparation for further expansion in brokerage and other related corporate finance services, on 12 May 2017, the Company made HK$100 million capital injection into John & Wong and had recruited additional personnel to undertake additional services and businesses. John & Wong had obtained additional licences including Type 2, 4, 5 and 9 licence from the SFC in May 2018. The management of the Company is confident John & Wong will become significant contributor to the Group's operations and profits.

The Company will continue to expand its money lending business through Longtop, its newly acquired indirect wholly-owned subsidiary, and is confident that the money lending business will in future provide consistent and significant returns to the Group.

HUMAN RESOURCES

As at 30 June 2018, the Group employed 27 employees excluding 6 Directors (2017: 28 employees excluding 6 Directors). The emolument 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 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. The total staff cost paid to Directors and staff for the Period under Review amounted to approximately HK$8.6 million (2017: approximately HK$9.3 million).

DISCLOSURE OF OTHER INFORMATION

Other Information for the Period under Review and up to the date of this announcement

Save as disclosed elsewhere in this announcement, the Group have the following events for the Period under Review and up to the date of this interim report:

(i) Disposal of joint venture

Pursuant to a sale and purchase agreement dated 2 February 2018, the Company has conditionally agreed to sell 1,500,000 shares of Imagination Holding Limited ("Imagination" or the "JV Company"), representing 50% of the total issued shares of Imagination, to Bob May Incorporated (a joint venture partner of the JV Company) at a cash consideration of HK$150 million. The disposal of the JV Company was approved by the Shareholders at a special general meeting held on 19 April 2018 and was completed on 23 April 2018. Upon completion of the disposal, the Company ceased to hold any beneficial interest in Imagination and its subsidiaries. Details information regarding the disposal was disclosed in the Company's announcements dated 2 February 2018 and 19 April 2018.

(ii) Acquisition of subsidiary

In anticipation of the completion of the disposal of the JV Company, the Company intended to establish money lending business fully under its management and control. On 21 March 2018, the Company resolved to acquire a dormant company with a money lenders licence, Longtop Enterprises Limited ("Longtop"), from an independent third party at a consideration of HK$50,000 and the acquisition had been completed on 22 March 2018. Longtop commenced money lending business within the Group since May 2018.

(iii) Proposed subscription and termination

On 11 May 2018, the Company entered into a subscription agreement (the "Subscription Agreement") with an independent third party (the "Subscriber"), subject to the fulfillment of certain conditions, the parties involved have agreed amongst other things that, the Subscriber shall subscribe for, and the Company shall issue and allot, 137,884,314 subscription shares (the "Subscription Share(s)") under the general mandate granted to Directors by the Shareholders at an annual general meeting held on 26 May 2017 at a price of HK$0.90 per Subscription Share, for a total consideration of approximately HK$124 million. On 4 July 2018, as the Company has not obtained approval from the Listing Committee of the Stock Exchange for listing of and permission to dealing in the Subscription Shares due to protracted regulatory processes, the parties to the Subscription Agreement had mutually agreed to terminate the Subscription Agreement. Details information in relation to proposed subscription and termination were disclosed in the Company's announcements dated 11 May 2018, 31 May 2018, 11 June 2018, 12 June 2018 and 4 July 2018.

(iv) Proposal of a special dividend and termination

On 11 May 2018, the Company proposed a special dividend (the "Proposed Special Dividend") of HK$0.25 per Share to the Shareholders except for the Subscriber in its own capacity holding the Subscription Shares. The Proposed Special Dividend is subject to the Shareholders' approval at a special general meeting. The despatch of the circular regarding the Proposed Special Dividend had been continually delayed due to protracted regulatory processes. As a result, the Board had resolved to terminate the declaration and payment of the Proposed Special Dividend on 4 July 2018. Details information in relation to the Proposed Special Dividend and termination were disclosed in the Company's announcements dated 11 May 2018, 24 May 2018, 8 June 2018, 29 June 2018 and 4 July 2018.

Corporate Governance Practices

The Company is committed to maintain 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 provision (the "Code Provision") set out in the Corporate Governance Code and Corporate Governance Report (the "CG Code") contained in Appendix 14 to the Rules (the "Listing Rules") Governing the Listing of Securities on the Stock Exchange, excepted for the deviations described below:

Code Provision A.6.7

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

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

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

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

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

Code for Securities Transactions by Directors

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

Purchase, Sale or Redemption of Listed Securities of the Company

During the 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 THE RESULTS

As at the date of this announcement, the Board is comprised of three executive Directors, namely Mr. Kitchell Osman Bin (Acting Chairman), Mr. Shimazaki Koji and Ms. Choi Ka Wing; and three independent non-executive Directors, namely Dr. Santos Antonio Maria, Mr. Miu Frank H. and Ms. Liu Jianyi. The Audit Committee of the Company has reviewed, with the management and the independent auditor of the Company, the interim results and the unaudited interim financial report of the Company for the Period under Review.

The Board has approved and authorised to issue the unaudited consolidated financial statements of the Company for the Period under Review on 24 August 2018.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT

This interim results announcement is published on the websites of the Stock Exchange (http://www.hkex.com.hk) and the Company (www.imagi.com.hk). The interim report containing all information required by the Listing Rules will be despatched to the Shareholders and will also be available on same websites of the Stock Exchange and the Company in due course.

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

Hong Kong, 24 August 2018

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