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 2019

The board (the "Board") of directors (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 2019 (the "Period under Review") as follows:

FINANCIAL INFORMATION

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Six months ended 30 June	
		2019	2018
	Notes	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)
Brokerage related commission and clearing fee income	*5*	**627**	521
Dividend income from held-for-trading investments	*5*	**14,541**	65
Interest income on loans receivable and margin clients	*5*	**1,956**	1,940
Royalty income	*5*	**158**	93
Net realised gain/(losses) from sales of listed equity investments classified as held-for-trading	*5*	**26,362**	(16,195)
		43,644	(13,576)
Other income	*6*	**1,204**	1,260
Other (loss)/gain	*7*	**(137)**	6,972
Net realised losses from sales of listed equity investments classified as fair value though profit or loss		**–**	(8,061)
Losses from changes in fair value of financial assets classified as held-for-trading		**(55,608)**	(25,181)
Administrative expenses		**(21,606)**	(15,241)

* *for identification purpose only*

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

		Six months ended 30 June	
		2019	2018
	Notes	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)
Loss from operations		**(32,503)**	(53,827)
Finance costs	*8(a)*	**(1,552)**	(19)
Share of profit of a joint venture		**–**	3,521
Loss before tax	*8*	**(34,055)**	(50,325)
Income tax credit	*9*	**–**	342
Loss for the period		**(34,055)**	(49,983)
Other comprehensive income/(expense)			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation a foreign operation		**33**	108
Net profit/(loss) on debt securities at fair value through other comprehensive income (recycling)		**371**	(1,267)
Other comprehensive income/(expense) for the period		**404**	(1,159)
Total comprehensive expense for the period		**(33,651)**	(51,142)
Loss for the period attributable to owners of the Company		**(34,055)**	(49,983)
Total comprehensive expense for the period attributable to owners of the Company		**(33,651)**	(51,142)
Loss per share			
Basic and diluted (HK cents per share)	*11*	**(5)**	(7)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**30 June 2019** **HK$'000** **(unaudited)**	31 December 2018 *HK$'000* (audited)
Non-current assets			
Property, plant and equipment		**6,994**	2,165
Goodwill		**–**	–
Intangible assets		**859**	859
Other financial assets	*12*	**6,933**	6,562
Other non-current assets		**1,500**	1,500
Prepayment for film rights		**8,167**	3,900
		24,453	14,986
Current assets			
Accounts receivable	*13*	**28,049**	4,928
Other receivables, deposits and prepayments		**3,865**	3,296
Loans receivable	*14*	**10,311**	16,516
Held-for-trading investments	*15*	**423,390**	549,022
Convertible notes receivable	*16*	**18,864**	18,864
Bank balances – trust accounts		**10,151**	4,177
Bank balances and cash		**129,565**	104,244
		624,195	701,047
Current liabilities			
Accounts payable	*17*	**10,559**	4,444
Borrowings	*18*	**–**	43,268
Lease liabilities	*3(d)*	**2,506**	–
Other payables and accruals		**1,769**	3,137
		14,834	50,849
Net current assets		**609,361**	650,198
Total assets less current liabilities		**633,814**	665,184

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

	Notes	**30 June 2019** **HK$'000** **(unaudited)**	31 December 2018 HK$'000 (audited)
Non-current liabilities			
Deferred tax liability		**142**	142
Lease liabilities	*3(d)*	**2,482**	–
		2,624	142
Net assets		**631,190**	665,042
Capital and reserves			
Share capital		**27,677**	27,677
Reserves		**603,513**	637,365
Total equity attributable to owners of the Company		**631,190**	665,042

NOTES:

1. BASIS OF PREPARATION

This interim financial statements 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 23 August 2019.

2. PRINCIPAL ACCOUNTING POLICIES

The accounting policies and methods of computation used in the interim financial statements for the six months ended 30 June 2019 are the same as those followed in the preparation of the Group's consolidated financial statements for the year ended 31 December 2018, except for the accounting policy changes that are expected to be reflected in the 2019 annual consolidated financial statements. Details of any changes in accounting policies are set out in note 3.

3. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a new HKFRS, HKFRS 16, "Leases", and a number of amendments to HKFRSs that are first effective for the current accounting period of the Group.

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

HKFRS 16, Leases

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

The Group has initially applied HKFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

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

(a) Changes in the accounting policies

(i) New definition of a lease

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

The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases.

Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

(ii) Lessee accounting

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

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received.

The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses, except for the following types of right-of-use asset:

– right-of-use assets that meet the definition of investment property are carried at fair value;

– right-of-use assets related to leasehold land and buildings where the Group is the registered owner of the leasehold interest are carried at fair value; and

– right-of-use assets related to interests in leasehold land where the interest in the land is held as inventory are carried at the lower of cost and net realisable value.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

(b) Critical accounting judgements and sources of estimation uncertainty in applying the above accounting policies

Determining the lease term

As explained in the above accounting policies, the lease liability is initially recognised at the present value of the lease payments payable over the lease term. In determining the lease term at the commencement date for leases that include renewal options exercisable by the Group, the Group evaluates the likelihood of exercising the renewal options taking into account all relevant facts and circumstances that create an economic incentive for the Group to exercise the option, including favourable terms, leasehold improvements undertaken and the importance of that underlying asset to the Group's operation. The lease term is reassessed when there is a significant event or significant change in circumstance that is within the Group's control. Any increase or decrease in the lease term would affect the amount of lease liabilities and right-of-use assets recognised in future years.

(c) Transitional impact

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

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

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

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

(iii) when measuring the right-of-use assets at the date of initial application of HKFRS 16, the Group relied on the previous assessment for onerous contract provisions as at 31 December 2018 as an alternative to performing an impairment review.

The following table reconciles the operating lease commitments as disclosed in note 19 as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019:

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

The right-of-use assets in relation to leases previously classified as operating leases have been recognised as if HKFRS 16 had always been applied since the commencement date of the lease (other than discounting using the relevant incremental borrowing rate at the date of initial application of HKFRS 16). Any difference between the right-of-use asset recognised and the lease liability is recognised as an adjustment to the opening balance of equity at the date of initial application of HKFRS 16.

The Group presents right-of-use assets that do not meet the definition of investment property in "property, plant and equipment" and presents lease liabilities separately in the consolidated statement of financial position.

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

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

The analysis of the carrying value of the Group's right-of-use assets by class of underlying asset at the end of the reporting period and at the date of transition to HKFRS 16 is as follows:

	At 30 June 2019	At 1 January 2019
	HK$'000	*HK$'000*
Included in "property, plant and equipment":		
Other properties leased for own use, carried at depreciated cost	**4,786**	6,010

(d) Lease liabilities

The remaining contractual maturities of the Group's lease liabilities at the end of the reporting period and at the date of transition to HKFRS 16 are as follows:

	At 30 June 2019		At 1 January 2019	
	Present value of the minimum lease payments *HK$'000*	**Total minimum lease payments** *HK$'000*	Present value of the minimum lease payments *HK$'000*	Total minimum lease payments *HK$'000*
Within 1 year	**2,506**	**2,756**	2,445	2,756
After 1 year but within 2 years	**2,482**	**2,636**	2,567	2,756
After 2 years but within 5 years	**–**	**–**	1,199	1,258
	2,482	**2,636**	3,766	4,014
	4,988	**5,392**	6,211	6,770
Less: Total future interest expenses		**(404)**		(559)
Present value of lease liabilities		**4,988**		6,211

(e) Impact on the financial result, segment results and cash flows of the Group

After the initial recognition of right-of-use assets and lease liabilities as at 1 January 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in a change on the reported loss from operations in the Group's consolidated statement of profit or loss, and other comprehensive income as compared to the results if HKAS 17 had been applied during the period.

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

The following tables may give an indication of the estimated impact of adoption of HKFRS 16 on the Group's financial result, segment results and cash flows for the six months ended 30 June 2019, by adjusting the amounts reported under HKFRS 16 in these interim financial statements to compute estimates of the hypothetical amounts that would have been recognised under HKAS 17 if this superseded standard had continued to apply to 2019 instead of HKFRS 16, and by comparing these hypothetical amounts for 2019 with the actual 2018 corresponding amounts which were prepared under HKAS 17.

	2019				2018
	Amounts reported under HKFRS 16 (A)	**Add back: HKFRS 16 depreciation and interest expense (B)**	**Deduct: Estimated amounts related to operating leases as if under HKAS 17** *(note 1)* **(C)**	**Hypothetical amounts for 2019 as if under HKAS 17 (D=A+B-C)**	Compared to amounts reported for 2018 under HKAS 17
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	*HK$'000*
Financial result for the six months ended 30 June 2019 impacted by the adoption of HKFRS 16:					
Loss from operations	**(32,503)**	**1,224**	**1,378**	**(32,657)**	(53,827)
Finance costs	**(1,552)**	**155**	**–**	**(1,397)**	(19)
Loss before taxation	**(34,055)**	**1,379**	**1,378**	**(34,054)**	(50,325)
Loss for the period	**(34,055)**	**1,379**	**1,378**	**(34,054)**	(49,983)
Reportable segment profit (adjusted EBITDA) for the six months ended 30 June 2019 (note 4) impacted by the adoption of HKFRS 16:					
– Trading of securities and securities brokerage	**(13,954)**	**600**	**680**	**(14,034)**	(51,789)
– Provision of finance	**388**	**–**	**–**	**388**	1,843
– Entertainment	**(167)**	**–**	**–**	**(167)**	(263)

	2019			2018
	Amounts reported under HKFRS 16 (A)	**Estimated amounts related to operating leases as if under HKAS 17** *(notes 1 & 2)* **(B)**	**Hypothetical amounts for 2019 as if under HKAS 17 (C=A+B)**	Compared to amounts reported under HKAS 17
	HK$'000	***HK$'000***	***HK$'000***	*HK$'000*
Line items in the condensed consolidated cash flow statement for the six months ended 30 June 2019 impacted by the adoption of HKFRS 16:				
Cash from/(used in) operations	**56,019**	**(1,378)**	**54,641**	(168,386)
Net cash generated from/(used in) operating activities	**56,019**	**(1,378)**	**54,641**	(168,386)
Capital element of lease rentals paid	**(1,223)**	**1,223**	**–**	–
Interest element of lease rentals paid	**(155)**	**155**	**–**	–
Net cash used in financing activities	**(46,043)**	**1,378**	**(44,665)**	(2)

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

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

4. SEGMENT REPORTING

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

The Group organises business units based on their services and the CODM regularly review revenue and results analysis of the Group by the reportable operating segments below.

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

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

– entertainment segment engages in computer graphic imaging ("CGI") business, entertainment business and investment in film rights.

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

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

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

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

Segment results, assets and liabilities

For the six months ended 30 June 2019

	Trading of securities and securities brokerage *HK$'000*	Provision of finance *HK$'000*	Entertainment *HK$'000*	Elimination *HK$'000*	Total *HK$'000*
Disaggregated by timing of revenue recognition					
Point in time	**42,888**	**–**	**–**	**–**	**42,888**
Over time	**–**	**598**	**158**	**–**	**756**
Revenue from external customers	**42,888**	**598**	**158**	**–**	**43,644**
Inter-segment revenue	**–**	**–**	**–**	**–**	**–**
	42,888	**598**	**158**	**–**	**43,644**
Segment results:	**(13,954)**	**388**	**(167)**	**–**	**(13,733)**
Reconciliation:					
Other income and other loss					**1,067**
Depreciation					**(1,619)**
Finance costs					**(1,552)**
Unallocated head office and corporate expenses					**(18,218)**
Consolidated loss before tax					**(34,055)**
As at 30 June 2019					
Segment assets	**495,342**	**10,355**	**8,353**	**–**	**514,050**
Unallocated head office and corporate assets					**134,598**
Total consolidated assets					**648,648**
Segment liabilities	**(13,232)**	**(29)**	**(61)**	**–**	**(13,322)**
Deferred tax liability					**(142)**
Unallocated head office and corporate liabilities					**(3,994)**
Total consolidated liabilities					**(17,458)**

For the six months ended 30 June 2018

	Trading of securities and securities brokerage *HK$'000*	Provision of finance *HK$'000*	Entertainment *HK$'000*	Elimination *HK$'000*	Total *HK$'000*
Disaggregated by timing of revenue recognition					
Point in time	(15,609)	–	–	–	(15,609)
Over time	–	1,940	93	–	2,033
Revenue from external customers	(15,609)	1,940	93	–	(13,576)
Inter-segment revenue	–	–	–	–	–
	(15,609)	1,940	93	–	(13,576)
Segment results:	(51,789)	1,843	(263)	–	(50,209)
Reconciliation:					
Share of loss of a joint venture					3,521
Other income and other gain					8,232
Depreciation					(414)
Finance costs					(19)
Unallocated head office and corporate expenses					(11,436)
Consolidated loss before tax					(50,325)
As at 31 December 2018					
Segment assets	587,120	16,560	4,198	–	607,878
Unallocated head office and corporate assets					108,155
Total consolidated assets					716,033
Segment liabilities	(47,817)	(34)	(671)	–	(48,522)
Deferred tax liability					(142)
Unallocated head office and corporate liabilities					(2,327)
Total consolidated liabilities					(50,991)

5. REVENUE

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Brokerage related commission and clearing fee income	**627**	521
Dividend income from held-for-trading investments	**14,541**	65
Interest income on loans receivable and margin clients	**1,956**	1,940
Royalty income	**158**	93
	17,282	2,619
Net realised gain/(losses) from sales of listed equity investments classified as held-for-trading *(note)*	**26,362**	(16,195)
	43,644	(13,576)

Note: During the six months ended 30 June 2019, the Group disposed of held-for-trading securities at cost of HK$183,680,000 (2018: HK$266,360,000) at gross proceeds of HK$210,474,000 (2018: HK$252,147,000), incurring trading fee of HK$432,000 (2018: HK$1,982,000).

6. OTHER INCOME

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Interest income on convertible notes receivable	**863**	863
Interest income on debt securities	**341**	337
Others	**–**	60
	1,204	1,260

7. OTHER (LOSS)/GAIN

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Gain on disposal of a joint venture	**–**	7,098
Loss on disposal of property, plant and equipment	**–**	(9)
Net foreign exchange losses	**(137)**	(117)
	(137)	6,972

8. LOSS BEFORE TAX

Loss before tax has been arrived at after charging:

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
(a) Finance costs		
Interest on borrowings	**1,397**	19
Interest on lease liabilities	**155**	–
Total interest expense on financial liabilities not at fair value through profit or loss	**1,552**	19
(b) Other items		
Directors' emoluments		
– Fees	**488**	360
– Salaries and allowance	**1,820**	1,560
– Contribution to retirement benefit scheme	**27**	27
	2,335	1,947
Other staff costs		
– Salaries and allowance	**7,877**	6,510
– Contribution to retirement benefit scheme	**195**	186
	8,072	6,696
Total staff costs	**10,407**	8,643
Depreciation charge:		
– owned property plant and equipment	**395**	414
– right-of-use assets	**1,224**	–
Changes in fair value of financial assets classified as held-for-trading		
– Net realised (gain)/losses from sales of listed equity investments	**(26,362)**	16,195
– Unrealised losses from changes in fair value of listed equity investments	**55,608**	25,181
	29,246	41,376

9. INCOME TAX CREDIT

Income tax credit recognised in profit or loss:

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Hong Kong Profits tax:		
Current tax	**–**	–
Deferred tax	**–**	(342)
	–	(342)

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

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

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

10. DIVIDEND

No dividend was paid or proposed during the period ended 30 June 2019, nor has any dividend been proposed since the end of the reporting period (2018: HK$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	
	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Loss		
Loss for the purposes of basic loss per share	**(34,055)**	(49,983)

	Six months ended 30 June	
	2019	2018
	(unaudited)	(unaudited)
Number of shares		
Issued ordinary shares at 1 January and weighted average number of ordinary shares at 30 June	**691,921,572**	689,421,572

(b) Diluted loss per share

For the six months ended 30 June 2019, the diluted loss per share was the same as the base loss per share, as there is no dilutive potential ordinary share in issue during the period.

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

12. OTHER FINANCIAL ASSETS

Other financial assets comprise:

	30 June 2019 *HK$'000* **(unaudited)**	31 December 2018 *HK$'000* (audited)
Financial assets measured at fair value through other comprehensive income (recycling):		
Debt securities listed in Singapore *(note)*	**6,933**	6,562

Note: On 21 June 2017, the Group subscribed for senior notes issued by China Evergrande Group at an aggregated principal amount of US$1,000,000 (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. ACCOUNTS RECEIVABLE

	30 June 2019 *HK$'000* **(unaudited)**	31 December 2018 *HK$'000* (audited)
Accounts receivable arising from securities brokerage business:		
– Cash clients	**280**	269
– Margin clients	**27,610**	4,501
	27,890	4,770
Accounts receivable arising from CGI business	**159**	158
	28,049	4,928

The normal settlement terms of accounts receivable from margin clients arising from securities brokerage business are two days after the trade date. Accounts receivable from cash clients of brokerage business are repayable on demand subsequent to the settlement date. The credit period for customers of CGI business is generally 30 days.

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 2019 *HK$'000* **(unaudited)**	31 December 2018 *HK$'000* (audited)
Within 90 days	**28,049**	4,928

As at 30 June 2019, except for the carrying amount of margin clients of HK$27,610,000 (31 December 2018: HK$4,501,000), which were secured by underlying equity securities amounted to approximately HK$201,030,000 (31 December 2018: approximately HK$69,463,000), the Group did not hold any collateral or other credit enhancements over these balances. The collateral held can be repledged and can be sold at the Group discretion to settle any outstanding amount owed by margin clients.

14. LOANS RECEIVABLE

	30 June 2019 *HK$'000* **(unaudited)**	31 December 2018 *HK$'000* (audited)
Loans receivable	**10,311**	16,516

Loans receivable represented receivables arising from the provision of finance business of the Group, and bears interest at rates ranging from 7% to 8% (31 December 2018: 6% to 10%) 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 2019 *HK$'000* **(unaudited)**	31 December 2018 *HK$'000* (audited)
Due within 1 month or on demand	**64**	16,516
Due after 1 month but within 3 months	**240**	–
Due after 3 months but within 6 months	**538**	–
Due after 6 months but within 12 months	**9,469**	–
	10,311	16,516

There has been no loans receivable were past due. The expected credit losses allowance of loans receivable is insignificant for the Group.

15. 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.

16. CONVERTIBLE NOTES RECEIVABLE

	30 June 2019	31 December 2018
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Convertible notes receivable	**18,864**	18,864

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 2019, the fair value gain of the convertible notes receivable amounting to approximately HK$Nil (2018: HK$Nil) is recognised with references to the valuation carried out by an independent qualified professional valuer.

17. ACCOUNTS PAYABLE

	30 June 2019	31 December 2018
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Accounts payable arising from securities brokerage business:		
– cash clients and clearing house	**10,559**	4,444

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.

18. BORROWINGS

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

19. COMMITMENTS

(a) Operating lease commitments

The Group as lessee

As at 31 December 2018, the total future minimum lease payments under non-cancellable operating leases were payable as follows:

	31 December 2018 *HK$'000* (audited)
Within one year	2,756
After one year but within five years	4,014
	6,770

The Group is the lessee in respect of three office premises under leases which were previously classified as operating leases under HKAS 17. The Group has initially applied HKFRS 16 using the modified retrospective approach. Under this approach, the Group adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to these leases (see note 3). From 1 January 2019 onwards, future lease payments are recognised as lease liabilities in the consolidated statement of financial position in accordance with the policies set out in note 3.

(b) Commitments

	30 June 2019 ***HK$'000*** **(unaudited)**	31 December 2018 *HK$'000* (audited)
Commitments in respect of the investment for film rights contracted for but not provided in the consolidated financial statements	**14,100**	16,500

20. EVENT AFTER THE REPORTING PERIOD

On 24 July 2019, the Company entered a sale and purchase agreement with an independent third party (the "Vendor") to acquire the entire issued capital of the Les Ambassadeurs Club Limited (the "Target Company") and the sale loan representing the aggregate amount owed by the Target Company to the Vendor as at the completion date, at a consideration of £122,000,000 (equivalent to approximately HK$1,206.1 million) (subject to adjustment). The principal activity of the Target Company is the operation of Les Ambassadeurs Club, which is a private members club located in London, United Kingdom that provides access to a high-end casino as well as luxury travel and concierge services. The transaction is subject to the shareholders' approval and not yet complete as at the date of this announcement.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND OPERATIONAL REVIEW

(a) Computer Graphic Imaging ("CGI") and Entertainment Businesses

The Company sees no improvement in the prospects of the CGI business and will continue to terminate 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.

The Company began to invest in the movie business by taking minority interests in new movie productions with such investments commenced since the second half of the 2018 fiscal year. For the Period under Review, the Company had invested approximately HK$8.2 million in two movies and for the Period under Review, the movie business had made no profit contribution to the Company.

(b) Integrated Financial Services Businesses

(i) Securities investments and proprietary trading

As at 30 June 2019, 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$430 million. The net realised gain 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$26 million and approximately HK$56 million respectively. With the current depressed local equity market, as a result of the international trade disputes, depressed worldwide economy and the uncertain Hong Kong political situation, the Company is taking a cautious stance in its proprietary trading business.

Details of the Group's top ten listed securities investments as at 30 June 2019 were as follows:

Stock code	Stock name	Number of shares held as at 30 June 2019	Market price as at 30 June 2019	Market value as at 30 June 2019	Realised gain for the Period under Review	Unrealised gain/(loss) for the Period under Review
			HK$	*HK$'000*	*HK$'000*	*HK$'000*
235	China Strategic Holdings Limited	160,000,000	0.068	10,880	–	2,720
622	Oshidori International Holdings Limited	36,034,000	0.980	35,313	18,702	16,610
708	Evergrande Health Industry Group Limited	21,000,000	8.460	177,660	–	(38,640)
718	Tai United Holdings Limited	70,000,000	0.220	15,400	–	(4,550)
720	Auto Italia Holdings Limited	200,000,000	0.069	13,800	–	2,200
943	eForce Holdings Limited	60,000,000	0.172	10,320	–	3,600
997	Chinlink International Holdings Limited	40,000,000	0.900	36,000	–	2,000
1031	Kingston Financial Group Limited	28,726,000	1.590	45,674	–	(7,763)
1293	Grand Baoxin Auto Group Limited	18,228,000	3.220	58,694	–	(3,445)
1332	China Touyun Tech Group Limited	100,000,000	0.068	6,800	–	(6,700)

(ii) Brokerage and related services

The Company conducted its brokerage business and related services 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 will also provide other securities related businesses such as fund management, placement and underwriting services, corporate finance advisory services, investment advisory and asset management services. During the Period under Review, in additional to its brokerage license (Type 1 regulated activities under Securities and Futures Commission (the "SFC")), John & Wong has licences to engage in Type 2, 4, 5 and 9 regulated activities from the SFC with effect from 25 May 2018. In view of the current unstable market conditions, John & Wong had taken a careful approach towards its expansion plans but is continuing such businesses preparations to commence such businesses upon the market's recovery. John & Wong had not made any profit contribution to the Group for the Period under Review.

(iii) Money lending business

The Company conducted the Group's money lending business through Longtop Enterprises Limited ("Longtop"), a company with a money lenders licence. Money lending business during the Period under Review contributed a profit of approximately HK$0.4 million. Given the current uncertain and poor economic environment, the Company has adopted a conservative approach towards this business.

FINANCIAL REVIEW

Review of Result

The net loss for the Period under Review was approximately HK$34 million compared to the net loss of approximately HK$50 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 of approximately HK$29 million (2018: approximately HK$49 million).

On the expenditure side, total staff costs including director's emoluments increased by approximately 20% from approximately HK$8.6 million to approximately HK$10.4 million for the Period under Review.

Liquidity and Financial Resources

During the Period under Review, the Group primarily financed by its operation with internally generated cash flows. The liquidity and financial position of the Group as at 30 June 2019 remain healthy, with bank balances amounting to approximately HK$130 million (31 December 2018: approximately HK$104 million) and a current ratio (the total amount of current assets over the total amount of current liabilities) of approximately 42 times (31 December 2018: approximately 14 times).

As at 30 June 2019, the Group had no bank or other borrowing (31 December 2018: interest-bearing margin payable for trading nature of approximately HK$43 million) and a gearing ratio (expressed as a percentage of total borrowings over total shareholders' equity) was zero (31 December 2018: 6.5%).

The unaudited consolidated net asset value per share of the Company (the "Share(s)") as at 30 June 2019 was approximately HK$0.912 (as at 31 December 2018: audited approximately HK$0.961).

Capital Structure

The Company has not conducted any equity fund raising activities during the Period under Review. As at 30 June 2019, the total number of issued Shares was 691,921,572 with a par value of HK$0.04 each. Based on the closing price of HK$2.02 per Share as at 28 June 2019 (being the last trading day before the period ended 30 June 2019), the Company's market value as at 30 June 2019 was approximately HK$1,398 million (31 December 2018: approximately HK$1,093 million).

Pledge of Assets

As at 30 June 2019, held-for-trading investments of approximately HK$423 million (31 December 2018: approximately HK$549 million) 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

Save as disclosed in note 19 to consolidated financial statements, the Group did have not any other significant contingent liabilities and capital commitments as at 30 June 2019.

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the Period under Review (six-month period ended 30 June 2018: Nil).

FUTURE PLANS AND PROSPECTS

CGI and Entertainment Businesses

As aforementioned, the management of the Company does not see immediate improving prospects for the CGI business and will devote minimal resources to maintain the business until there are substantial change in potential and prospects for the business. The Company will continue to review the opportunities in movie presented to the Company and will invest when there are suitable opportunities.

Integrated Financial Services Businesses

The Company intended to continue its expansion 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. However in view of the poor economic climate, will do so at a cautious and conservative pace.

Gaming Business

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

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

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

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

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

The Acquisition constitutes a very substantial acquisition of the Company under Chapter 14 of the Listing Rules and is subject to the approval of the Shareholders at the SGM. The Acquisition also constitutes a reverse takeover for the Company under Rule 14.06(6) of the Listing Rules. Accordingly, the Company will be treated as if it were a new listing applicant under Rule 14.54 of the Listing Rules and the Acquisition is therefore subject to the approval by the Listing Committee of the New Listing Application to be made by the Company. The enlarged group or the Target Company must be able to meet the requirements under Rule 8.05 of the Listing Rules and the enlarged group must be able to meet all the other basic conditions set out in Chapter 8 of the Listing Rules.

Furthermore, the completion is conditional upon the satisfaction and/or waiver (as the case may be) of many conditions in the Sale and Purchase Agreement. There are thus no assurance on whether the Acquisition can be completed or not the Acquisition, if materialized, will likely to be completed towards the end of 2019 or the first quarter of 2020. Details on the potential Acquisition are fully laid out in the Company's announcement dated 24 July 2019.

HUMAN RESOURCES

As at 30 June 2019, the Group employed 27 employees excluding 8 Directors (2018: 27 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$10.4 million (2018: approximately HK$8.6 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 announcement:

Proposed Adoption of Share Award Scheme

On 14 August 2019, the Board proposed to adopt a share award scheme, which is an incentive measure with a view to expressing the Company's recognition of valuable contributions by certain eligible participants and providing them with incentives in order to retain them for continual operation and development of the Group including its gaming operations, and attracting suitable personnel for further development of the Group.

The Scheme is conditional upon: (i) the Scheme and its implementation including a specific mandate for the issue of awarded shares under the Scheme being approved by Shareholders entitled to vote at a special general meeting of the Company; and (ii) the listing of and permission to deal in the awarded shares to be issued having been granted by the Stock Exchange, whether with or without condition. Details of information in relation to the proposed adoption of share award scheme was disclosed in the Company's announcement dated 14 August 2019.

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 set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 14 to the Listing Rules.

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 INTERIM 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 five independent non-executive Directors, namely Dr. Santos Antonio Maria, Mr. Miu Frank H., Ms. Liu Jianyi, Mr. Chan Hak Kan and Mr. Ngai Wai Kin. 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 the unaudited consolidated financial statements of the Company for the Period under Review.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT

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

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

Hong Kong, 23 August 2019

At the date of this announcement, the Board comprises the following Directors:

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

Independent non-executive Directors:
Dr. Santos Antonio Maria
Mr. Miu Frank H.
Ms. Liu Jianyi
Mr. Chan Hak Kan
Mr. Ngai Wai Kin