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 2020

The board (the "Board") of directors (the "Director(s)") of Imagi International Holdings Limited (the "Company") presents the unaudited consolidated interim financial results of the Company and its subsidiaries (collectively as the "Group") for the six months ended 30 June 2020 (the "Period under Review") as follows:

FINANCIAL INFORMATION

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Six months ended 30 June	
		2020	2019
	Notes	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)
Revenue			
Brokerage related commission and clearing fee income	5	**525**	627
Royalty income	5	**13**	158
Dividend income from held-for-trading investments	5	**–**	14,541
Interest income on loans receivable and margin clients	5	**26,892**	1,956
Net realised gain from sales of listed equity investments classified as held-for-trading	5	**6,049**	26,362

* *for identification purpose only*

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

		Six months ended 30 June	
		2020	2019
	Notes	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)
Total revenue		**33,479**	43,644
Other income	*6*	**5,070**	1,204
Other loss	*7*	**(34,131)**	(137)
Break fee income in relation to termination of acquisition of target companies	*14*	**119,578**	–
Impairment allowances on margin loans receivable, net		**(248)**	–
Reversal of impairment allowances on loans receivable		**2,020**	–
Gain/(losses) from changes in fair value of financial assets classified as held-for-trading		**23,886**	(55,608)
Administrative expenses		**(27,130)**	(21,606)
Profit/(loss) from operations		**122,524**	(32,503)
Finance costs	*8(a)*	**(37,936)**	(1,552)
Profit/(loss) before tax	*8*	**84,588**	(34,055)
Income tax	*9*	**–**	–
Profit/(loss) for the period		**84,588**	(34,055)
Other comprehensive income/(expense)			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation a foreign operation		**13**	33
Net (loss)/gain on debt securities at fair value through other comprehensive income (recycling)		**(357)**	371
Other comprehensive (expense)/income that may be reclassified subsequently to profit or loss, net of nil tax		**(344)**	404
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:			
Changes in fair value of equity instruments at fair value through other comprehensive income		**21,725**	–

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

		Six months ended 30 June	
		2020	2019
	Notes	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods, net of nil tax		**21,725**	–
Other comprehensive income for the period, net of nil tax		**21,381**	404
Total comprehensive income/(expense) for the period		**105,969**	(33,651)
Profit/(loss) for the period attributable to:			
Owners of the Company		**83,338**	(34,055)
Non-controlling interest		**1,250**	–
		84,588	(34,055)
Total comprehensive income/(expense) for the period attributable to:			
Owners of the Company		**104,719**	(33,651)
Non-controlling interest		**1,250**	–
		105,969	(33,651)
Earnings/(loss) per share			
Basic and diluted (HK cents per share)	*11*	**12**	(5)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**30 June 2020 *HK$'000* (unaudited)**	31 December 2019 *HK$'000* (audited)
Non-current assets			
Property, plant and equipment		3,974	5,371
Goodwill		–	–
Intangible assets		859	859
Investment in equity instrument designated at fair value through other comprehensive income	*12*	109,769	–
Other financial assets	*13*	6,313	6,670
Other non-current assets		1,500	1,500
Deposit for acquisition of subsidiaries	*14*	–	102,700
Prepayment for film rights		7,783	7,783
Film rights		4,266	4,266
		134,464	129,149
Current assets			
Accounts receivable	*15*	121	115
Margin loans receivable	*16*	307,267	225,491
Other receivables, deposits and prepayments		3,812	3,467
Loans receivable	*17*	29,443	311,925
Held-for-trading investments	*18*	110,429	87,248
Convertible notes receivable	*19*	20,063	20,236
Bank balances – trust accounts		5,892	5,326
Bank balances and cash		89,418	734,412
		566,445	1,388,220
Current liabilities			
Accounts payable	*20*	6,162	5,444
Lease liabilities		2,482	2,567
Other payables and accruals		1,994	4,178
Tax payable		–	200
		10,638	12,389

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

	Notes	**30 June 2020** *HK$'000* **(unaudited)**	31 December 2019 *HK$'000* (audited)
Net current assets		555,807	1,375,831
Total assets less current liabilities		690,271	1,504,980
Non-current liabilities			
Notes payable	*21*	–	996,759
Deferred tax liability		142	142
Lease liabilities		–	1,199
		142	998,100
Net assets		690,129	506,880
Capital and reserves			
Share capital		33,197	27,677
Reserves		654,362	477,883
Total equity attributable to owners of the Company		687,559	505,560
Non-controlling interest		2,570	1,320
Total equity		690,129	506,880

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 24 August 2020.

The interim financial statements has been prepared in accordance with the same accounting policies adopted in the 2019 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2020 annual financial statements. Details of any changes in accounting policies are set out in note 3.

2. PRINCIPAL ACCOUNTING POLICIES

The accounting policies and methods of computation used in the interim financial statements for the six months ended 30 June 2020 are the same as those followed in the preparation of the Group's consolidated financial statements for the year ended 31 December 2019, except for the accounting policy changes that are expected to be reflected in the 2020 annual consolidated financial statements. Details of any changes in accounting policies are set out in note 3.

3. CHANGES IN ACCOUNTING POLICIES

The group has applied the following amendments to HKFRSs issued by the HKICPA to these financial statements for the current accounting period:

– Amendments to HKFRS 3, Definition of a Business

– Amendment to HKFRS 16, Covid-19-Related Rent Concessions

Other than the amendment to HKFRS 16, the group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

None of these impact on the accounting policies of the Group.

4. SEGMENT REPORTING

The Group's operating segments are determined based on information reported to the chief operating decision maker of the Group (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.

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 2020 (unaudited)

	Trading of securities and securities brokerage *HK$'000*	Provision of finance *HK$'000*	Entertainment *HK$'000*	Elimination *HK$'000*	Total *HK$'000*
Revenue from external customers	22,016	11,450	13	–	33,479
Inter-segment revenue	–	–	–	–	–
	22,016	11,450	13	–	33,479
Segment results	44,131	13,452	(461)	–	57,122
Reconciliation:					
Other income and other loss					(29,061)
Break fee income in relation to termination of acquisition of target companies					119,578
Depreciation					(1,685)
Finance costs					(37,936)
Unallocated head office and corporate expenses					(23,430)
Consolidated profit before tax					84,588
As at 30 June 2020 (unaudited)					
Segment assets	565,854	29,443	12,104	–	607,401
Unallocated head office and corporate assets					93,508
Total consolidated assets					700,909
Segment liabilities	(7,614)	–	(209)	–	(7,823)
Unallocated head office and corporate liabilities					(2,957)
Total consolidated liabilities					(10,780)

For the six months ended 30 June 2019 (unaudited)

	Trading of securities and securities brokerage	Provision of finance	Entertainment	Elimination	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
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 31 December 2019 (audited)					
Segment assets	351,215	311,968	12,094	–	675,277
Unallocated head office and corporate assets					842,092
Total consolidated assets					1,517,369
Segment liabilities	(7,725)	(273)	(83)	–	(8,081)
Unallocated head office and corporate liabilities					(1,002,408)
Total consolidated liabilities					(1,010,489)

5. REVENUE

	Six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Brokerage related commission and clearing fee income *(notes (i) and (ii))*	**525**	627
Royalty income *(notes (i) and (iii))*	**13**	158
Dividend income from held-for-trading investments *(note (ii))*	**–**	14,541
Interest income on loans receivable and margin clients *(note (iv))*	**26,892**	1,956
Net realised gain from sales of listed equity investments classified as held-for-trading *(notes (ii) and (v))*	**6,049**	26,362
	33,479	43,644

Notes:

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

Included in revenue, during the six months ended 30 June 2020, revenue arising from contract with customers recognised at a point in time and over time were HK$525,000 (2019: HK$627,000) and HK$13,000 (2019: HK$158,000), respectively.

(ii) Amount are reported under trading of securities and securities brokerage segment as set out in note 4.

(iii) Amount are reported under entertainment segment as set out in note 4.

(iv) Amount are reported under trading of securities and securities brokerage of HK$15,442,000 (2019: HK$1,358,000) and provision of finance of HK$11,450,000 (2019: HK$598,000) segment during the six months ended 30 June 2020 as set out in note 4.

(v) During the six months ended 30 June 2020, the Group disposed of held-for-trading securities at cost of HK$92,253,000 (2019: HK$183,680,000) at gross proceeds of HK$98,335,000 (2019: HK$210,474,000), incurring trading fee of HK$33,000 (2019: HK$432,000).

6. OTHER INCOME

	Six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Bank interest income	**2,386**	–
Interest income on convertible notes receivable	**868**	863
Interest income on debt securities	**751**	341
Interest income on coupon notes receivable	**1,065**	–
	5,070	1,204

7. OTHER LOSS

	Six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Net foreign exchange losses	**(7,279)**	(137)
Fair value loss on convertible notes receivable	**(173)**	–
Loss on repurchase of notes payable	**(37,835)**	–
Gain on initial recognition of equity instrument designated at fair value through other comprehensive income	**10,764**	–
Others	**392**	–
	(34,131)	(137)

8. PROFIT/(LOSS) BEFORE TAX

Profit/(Loss) before tax has been arrived at after charging:

	Six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
(a) Finance costs		
Interest on borrowings	**–**	1,397
Interest on lease liabilities	**94**	155
Interest on notes payable	**37,842**	–
Total interest expense on financial liabilities not at fair value through profit or loss	**37,936**	1,552
(b) Other items		
Directors' emoluments		
– Fees	**600**	488
– Salaries and allowance	**1,525**	1,820
– Contribution to retirement benefit scheme	**27**	27
	2,152	2,335
Other staff costs		
– Salaries and allowance	**6,029**	7,877
– Contribution to retirement benefit scheme	**169**	195
	6,198	8,072
Total staff costs	**8,350**	10,407
Depreciation charge:		
– Owned property plant and equipment	**461**	395
– Right-of-use assets	**1,224**	1,224
Changes in fair value of financial assets classified as held-for-trading		
– Net realised gain from sales of listed equity investments	**(6,049)**	(26,362)
– Unrealised (gain)/losses from changes in fair value of listed equity investments	**(23,886)**	55,608
	(29,935)	29,246

9. INCOME TAX

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, British Virgin Islands, Cayman Islands, Marshall Islands and England and Wales, the Group is not subject to any income tax in the respective jurisdictions.

10. DIVIDEND

No dividend was paid or proposed during the period ended 30 June 2020, nor has any dividend been proposed since the end of the reporting period (2019: HK$Nil).

11. EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

The calculation of the basic earnings/(loss) per share is based on the profit/(loss) attributable to ordinary equity shareholders of the Company of HK$83,338,000 (2019: loss of HK$34,055,000) and the weighted average of ordinary shares in issue during the period, calculated as follows:

	Six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Profit/(loss)		
Profit/(loss) for the purposes of basic earnings/(loss) per share	**83,338**	(34,055)

	Six months ended 30 June	
	2020	2019
	(unaudited)	(unaudited)
Number of shares		
Issued ordinary shares at 1 January and weighted average number of ordinary shares at 30 June	**722,251,242**	691,921,572

(b) Diluted earnings/(loss) per share

For the six months ended 30 June 2020 and 2019, the diluted earnings/(loss) per share was the same as the basic earnings/(loss) per share, as there is no dilutive potential ordinary share in issue during the period.

12. INVESTMENT IN EQUITY INSTRUMENT DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

On 22 May 2020, the Company issued shares in exchange for the shares of Oshidori International Holdings Limited, a company listed on the Stock Exchange with a fair value of HK$88,044,000 at the acquisition date.

These investments are not held for trading, instead, they are held for long-term strategic purposes. The directors of the Company have elected to designate these investments in equity instruments as fair value through other comprehensive income ("FVTOCI") as the directors believe that recognising short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realising their performance potential in long run.

13. OTHER FINANCIAL ASSETS

	30 June 2020	31 December 2019
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Financial assets measured at FVTOCI (recycling):		
Debt securities listed in Singapore	**6,313**	6,670

14. DEPOSIT FOR ACQUISITION OF SUBSIDIARIES

On 24 July 2019, the Group entered into a sale and purchase agreement (the "Agreement") with the seller in relation to acquisition of the entire issued share capital and the shareholders' loan of the target group. The Group paid £10,000,000 to the seller as deposit.

Since the seller terminated the transaction, the seller refunded the deposit of £10,000,000 (approximately HK$95,600,000) to the Group and paid break fee of £12,800,000 (approximately HK$119,578,000) to the Group in accordance with the Agreement.

15. ACCOUNTS RECEIVABLE

	30 June 2020 *HK$'000* **(unaudited)**	31 December 2019 *HK$'000* (audited)
Accounts receivable arising from securities brokerage business:		
– Cash clients	**108**	88
Accounts receivable arising from CGI business	**13**	27
	121	115

The normal settlement terms of accounts receivable from cash clients are two days after the trade date. Accounts receivable from cash clients as at 30 June 2020 and 31 December 2019 relate to clients that have a good track record with the Group for whom there was no recent history of default. 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 2020 *HK$'000* **(unaudited)**	31 December 2019 *HK$'000* (audited)
Within 90 days	**121**	115

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

16. MARGIN LOANS RECEIVABLE

	30 June 2020 *HK$'000* **(unaudited)**	31 December 2019 *HK$'000* (audited)
Margin loans receivable arising from securities brokerage business	**307,267**	225,491

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

	Stage 1 *HK$'000*	**Stage 2** *HK$'000*	**Stage 3** *HK$'000*	**Total** *HK$'000*
At 1 January 2020	**719**	**–**	**–**	**719**
Additional provision for impairment allowances for the period	**248**	**–**	**–**	**248**
At 30 June 2020	**967**	**–**	**–**	**967**
Expected credit losses ("ECL") rate	**0.3%**	**Not applicable**	**Not applicable**	**0.3%**

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

The table below shows the credit quality and the maximum exposure to credit risk of accounts receivable from margin clients based on the Group's credit policy and year-end staging classification as at 30 June 2020 and 31 December 2019. The amounts presented are gross carrying amounts for margin loans receivable.

At 30 June 2020	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Margin loans receivable Loan-to-collateral ("LTV") less than 60%	**308,234**	**–**	**–**	**308,234**

At 31 December 2019	Stage 1	Stage 2	Stage 3	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Margin loans receivable LTV less than 60%	226,210	–	–	226,210

(b) At 30 June 2020, margin loans receivable of HK$308,234,000 (31 December 2019: HK$226,210,000), which were secured by underlying equity securities amounted to approximately HK$1,287,112,000 (31 December 2019: HK$670,497,000).

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

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

(d) 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 business in margin financing.

17. LOANS RECEIVABLE

	30 June 2020	31 December 2019
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Loans receivable	**29,950**	314,452
Less: Impairment allowances	**(507)**	(2,527)
	29,443	311,925

(a) Loans receivable represented receivables arising from the provision of finance business of the Group, and bears interest at rates ranging from 6% to 8% (31 December 2019: 7% to 12.5%) per annum. The Group did not hold any collateral or other credit enhancements over this balance.

(b) 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 2020	31 December 2019
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Due within 1 month or on demand	**49**	10,181
Due after 1 month but within 3 months	**–**	304,271
Due after 3 months but within 6 months	**20,031**	–
Due after 6 months but within 12 months	**9,870**	–
	29,950	314,452

(c) The table below provides a reconciliation of the Group's gross carrying amount and allowances for loans receivable for the period/year ended 30 June 2020 and 31 December 2019.

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

For the six months ended 30 June 2020

Reconciliation of gross exposure and allowances for loans receivable

	Non credit-imapired				Credit-impaired		Total	
	Stage 1		Stage 2		Stage 3			
	Gross exposure *HK$'000*	Allowance for ECL *HK$'000*	Gross exposure *HK$'000*	Allowance for ECL *HK$'000*	Gross exposure *HK$'000*	Allowance for ECL *HK$'000*	Gross exposure *HK$'000*	Allowance for ECL *HK$'000*
At 1 January 2020	304,415	(2,307)	10,037	(220)	–	–	314,452	(2,527)
New loans/financing originated	213,068	(2,163)	381	(28)	–	–	213,449	(2,191)
Change to risk parameters (Model inputs)	–	–	–	(60)	–	–	–	(60)
Loans/financing derecognised or repaid during the period	(497,452)	4,260	(499)	11	–	–	(497,951)	4,271
At 30 June 2020	**20,031**	**(210)**	**9,919**	**(297)**	**–**	**–**	**29,950**	**(507)**

For the year ended 31 December 2019

Reconciliation of gross exposure and allowances for loans receivable

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

18. 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.

19. CONVERTIBLE NOTES RECEIVABLE

	30 June 2020	31 December 2019
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Convertible notes receivable	**20,063**	20,236

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 2020, the fair value loss of the convertible notes receivable amounting to approximately HK$173,000 (2019: HK$Nil) is recognised with references to the valuation carried out by an independent qualified professional valuer.

20. ACCOUNTS PAYABLE

	30 June 2020	31 December 2019
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Accounts payable arising from securities brokerage business:		
– Cash clients and clearing house	**6,162**	5,444

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.

Accounts payable amounting to HK$5,892,000 as at 30 June 2020 (31 December 2019: HK$5,326,000) were payable to clients in respect of the trust and segregated bank balances received and held for clients in the course of conducting the regulated activities. However, the Group does not have a currently enforceable right to offset these payables with the deposits placed.

21. NOTES PAYABLE

On 13 November 2019, a subsidiary of the Company issued the notes ("Notes Payable") at 100% in an aggregate nominal value of HK$1,000,000,000 which will mature on 13 November 2022. The Notes Payable carry interest at the coupon rate of 10% per annum. The interest is payable semiannually in arrears on 13 May and 13 November each year. The Notes Payable are guaranteed by the Company. The notes are listed on Singapore Exchange Securities Trading Limited on 19 December 2019. The directors of the Company considered that no derivatives were embedded in the Notes Payable and it is appropriate to use amortised cost to record the Notes Payable in the consolidated statement of financial position.

During the six months ended 30 June 2020, the Company made on-market repurchases of all of the outstanding notes in an aggregated principal amount of HK$1,000,000,000 and cancellation of all of the repurchased notes were completed by the Group. Upon the cancellation of the repurchased notes, there are no notes outstanding.

22. COMMITMENTS

	30 June 2020	31 December 2019
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Commitments in respect of the investment for film rights contracted for but not provided in the consolidated financial statements	**11,100**	11,100

23. EVENT AFTER THE REPORTING PERIOD

Since January 2020, the outbreak on Novel Coronavirus ("COVID-19") has impacted the global business environment. Up to the date of these interim financial statements, COVID-19 has resulted impact to the Group. Pending the development and spread of COVID-19 subsequent to the date of the financial statements, further changes in economic conditions for the Group arising thereof may have impact on the financial results of the Group, the extent of which could not be estimated as at the date of these financial statements. The Group will continue to monitor the development of COVID-19 and react actively to its impact on the financial position and operating results of the Group.

BUSINESS AND OPERATIONAL REVIEW

(a) Integrated Financial Services Businesses

(i) Securities investments and proprietary trading

As at 30 June 2020 the aggregate market value of listed securities classified as investment in equity instrument designated at fair value through other comprehensive income, debt securities classified as other financial assets and held-for-trading investments was approximately HK$227 million. The net realised and unrealised gains from listed equity investments were approximately HK$6 million and HK$24 million respectively for the Period under Review. In view of the current uncertainty in the local equity market, resulting from both the depressed Hong Kong and worldwide economy due to the COVID-19 pandemic as well as the unstable Hong Kong political situation, the Company is taking a cautious stance in its proprietary trading business. However, the Company is of the view that the longer term prospects of the Hong Kong equity market remain promising and will constantly review the status and the health of the market and will adjust our strategy accordingly.

Details of the Group's listed securities investments as at 30 June 2020 were as follows:

Stock code	Stock name	Number of shares held as at 30 June 2020	Investment cost	Market price as at 30 June 2020	Market value as at 30 June 2020	Realised gain/(loss) for the Period under Review	Unrealised gain/(loss) for the Period under Review	Unrealised gain measured at FVTOCI (non-recycling) for the Period under Review	Approximate% shareholding in investee as at 30 June 2020	Approximate% to the Group's total assets as at 30 June 2020	Number of issued shares of investee as at 30 June 2020	Dividend income recognised during the Period under Review
			HK$'000	*HK$*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*				*HK$'000*
235	China Strategic Holdings Limited	160,000,000	9,280	0.028	4,480	–	(1,120)	–	0.94%	0.64%	16,987,713,835	–
613	Planetree International Development Limited	118,200	113	1.100	130	–	17	–	0.01%	0.02%	933,527,675	–
622	Oshidori International Holdings Limited	114,342,857	88,044	0.960	109,769	–	–	21,725	1.87%	15.66%	6,113,609,139	–
708	Evergrande Health Industry Group Limited	10,000,000	90,811	10.380	103,800	–	26,100	–	0.12%	14.81%	8,640,000,000	–
1051	G-Resources Group Limited	36,564,069	5,449	0.038	1,389	–	(731)	–	0.14%	0.20%	27,048,844,786	–
1827	Miricor Enterprises Holdings Limited	1,000,000	1,500	0.630	630	–	(380)	–	0.25%	0.09%	400,000,000	–

(ii) Brokerage and related services

The Company conducted its brokerage business and related services through its indirect wholly-owned subsidiary, Imagi Brokerage Limited ("IBL"), formerly known as John & Wong Securities Company Limited. IBL is a registered licensed corporation since 2004 in order to trade in securities through the trading facilities of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), IBL, among other things, an Exchange Participant of the Stock Exchange and a Clearing Participant of Hong Kong Securities Clearing Company Limited. During the Period Under Review, further HK$250 million additional capital injection to IBL was made by the Group for business expansion. Currently IBL has licenses in Type 1 (Dealing in Securities), Type 2 (Dealing in Futures Contracts), Type 4 (Advising on Securities), Type 5 (Advising on Futures Contracts) and Type 9 (Asset Management) regulated activities under Securities and Futures Commission (the "SFC"). Besides providing securities brokerage services and margin financing services to clients, IBL will also provide other securities related businesses including but not limited to fund management, placement and underwriting services, investment advisory and asset management services.

IBL's revenue and profit for the Period under Review were approximately HK$16 million and HK$14 million respectively, compare to revenue of approximately HK$2 million and loss of approximately HK$0.005 million for the same interim period last year, representing a substantial improvement from the same period in 2019. The aforementioned improvement was achieved despite difficult operational environment for the reasons cited above. This demonstrates that the Company's efforts to develop this business are beginning to bear fruits and the Company is confident this will remain as an important and profitable core business for the Company. However, in view of the current unstable and depressed market conditions, due to reasons as mentioned above, IBL is taking a cautious approach towards commencing new businesses and other expansion plans. However, the Company is of the view that the longer term prospects of the Hong Kong equity market remain promising and will constantly review the status and the health of the market and will adjust our strategy accordingly.

(iii) Money lending business

The Company conducted the money lending business through its indirect subsidiary, Imagi Lenders Limited ("ILL"), formerly known as Longtop Enterprises Limited ("Longtop"), a company with a money lenders license granted under the Money Lending Ordinance which is the principal statute which governs the money lending business in Hong Kong. Since the first granting of money lenders license to ILL/Longtop, we have never received any objection from and have never been investigated by the Registrar of Money Lenders nor the Commissioner of Police regarding the renewal of the money lenders license. The money lenders license of ILL was last successfully renewed on 6 August 2020.

For the Period under Review, the Company had devoted additional management and funding resources to expand the business and is happy to report significant improvement in the business' operating performance. Money lending business during the Period under Review contributed a revenue and a profit of approximately HK$11 million and HK$13 million respectively to the Group. The management is confident that the long term prospects for the business is bright. However, given the current aforementioned uncertain and poor economic environment, the Company has adopted a conservative approach towards growing this business. However, the Company is of the view that the longer term prospects of the Hong Kong economy remain promising and will constantly review the status and the health of the money lending market and will adjust our strategy accordingly.

(b) Computer Graphic Imaging ("CGI") Business and Entertainment Businesses

The Company sees no improvement in the prospects of the CGI business and will continue to suspend 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 remains confident in the future of the movie business, however, in view of the COVID-19 pandemic, the Company will slow down its investment in this sector. As at the date of this financial statements, the Group had invested approximately HK$12.1 million in three movies. For the Period under Review, the movie business had yet to make any profit contribution to the Group.

FINANCIAL REVIEW

Review of Results

The net profit attributable to the owners of the Company for the Period under Review was approximately HK$83 million compare to net loss of approximately HK$34 million for the same interim period last year. The contributions to the profit for the Period under Review were mainly: (i) the income from the brokerage business and money lending business that had increased by approximately HK$14 million and HK$11 million respectively; (ii) the net realised and unrealised gain from listed equity investments for the Period under Review in aggregate of approximately HK$30 million versus net loss of approximately HK$29 million from listed equity investments as for previous period last year; (iii) a non-recurring break fee income in relation to termination of acquisition of target company; and (iv) gain on initial recognition of equity instrument designated at fair value through other comprehensive income of approximately HK$11 million as a results exchange of 138,000,000 shares of the Company for 114,342,857 shares of Oshidori International Holdings Limited ("Oshidori", stock code: 622) on 22 May 2020 pursuant to a share swap agreement dated 6 April 2020 between the Company and Oshidori.

On expenditure side, increase in finance cost as a results of interest payment on notes payable of approximately HK$38 million and a loss on repurchase of the notes payable of approximately HK$38 million were partially offsetting and reduce the profit of the Company. As the guaranteed notes in an aggregate principal amount of HK$1,000,000,000 due 2022 were all repurchased and cancelled in May 2020, the Company considers such increase in interest expenses for notes payable would only be a one-off effect in 2020.

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 2020 remain healthy, with bank balances amounting to approximately HK$89 million (31 December 2019: approximately HK$734 million) and a current ratio (the total amount of current assets over the total amount of current liabilities) of approximately 53 times (31 December 2019: approximately 112 times).

As at 30 June 2020, the Group had no bank or other borrowing (31 December 2019: nominal value of HK$1 billion guaranteed notes payable carry interest at a coupon rate of 10% per annum) and a gearing ratio (expressed as a percentage of total borrowings over total shareholders' equity) was zero (31 December 2019: 196.6%).

The unaudited consolidated net asset value per share of the Company (the "Share(s)") as at 30 June 2020 was approximately HK$0.832 (as at 31 December 2019: audited approximately HK$0.733).

Capital Structure

The Company has not conducted any equity fund raising activities during the Period under Review. On 22 May 2020, pursuant to a share swap agreement dated 6 April 2020 (the "Share Swap Agreement") entered into between the Company and Oshidori, an independent third party, 138,000,000 shares (the "Subscription Shares") were issued and allotted at a subscription price of HK$0.58 each to a nominee of Oshidori in exchange for 114,342,857 shares of Oshidori as consideration shares at a price of HK$0.70 each from Oshidori for a total consideration of HK$80,040,000 (the "Share Swap"). The Subscription Shares were issued under a general mandate granted to the Directors by the Shareholders at an annual general meeting held on 13 June 2019, representing approximately 19.94% of the issued share capital of the Company as at the date of the Share Swap Agreement and approximately 16.63% of the issued share capital of the Company as enlarged by the Subscription Shares issued pursuant to the Share Swap Agreement. The Share Swap was completed on 22 May 2020 and Oshidori became a substantial Shareholder upon completion. Such shares of Oshidori are recorded as investment in equity instrument designated at fair value through other comprehensive income as set out in note 12 to the consolidated financial statements. Details of the Share Swap were disclosed in the Company's announcements dated 6 April 2020, 4 May 2020, 18 May 2020, 19 May 2020 and 22 May 2020.

As at 30 June 2020, the total number of issued Shares was 829,921,572 with a par value of HK$0.04 each. Based on the closing price of HK$0.72 per Share as at 30 June 2020, the Company's market value as at 30 June 2020 was approximately HK$598 million (31 December 2019: approximately HK$609 million).

Pledge of Assets

As at 30 June 2020, investment in equity instrument designated at fair value through other comprehensive income and held-for-trading investments of approximately HK$110 million and HK$110 million respectively (31 December 2019: held-for-trading investments of approximately HK$87 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 22 to consolidated financial statements, the Group did not have any other significant contingent liabilities and capital commitments as at 30 June 2020.

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the Period under Review (six-month period ended 30 June 2019: Nil).

FUTURE PLANS AND PROSPECTS

Integrated Financial Services Businesses

The Company intends to continue its expansion into full and integrated financial services businesses comprising of securities brokerage services, margin financing, placing and underwriting services, futures trading and advisory services, investment advisory and asset management services, securities investments and proprietary trading and money lending business.

Currently the Company's activities are still primarily in the brokerage, margin financing, securities investments/proprietary trading and money lending businesses. With the advent of the new licenses, the Company is putting together the infrastructure needed and is beginning to launch and offer the corresponding additional services to create new business opportunities. However, in view of the current poor economic climate, the Company will do so at a cautious and conservative pace. Nevertheless, the Company is of the view that the longer term prospects of the Hong Kong equity market remain promising and will constantly review the status and the health of the market and will adjust our strategy accordingly.

Even while we have a controlled approach to our new business expansion, the Company has already experienced the benefits of the new licenses on its other traditional businesses such as in marketing to brokerage clients with emphasis of our new in added capabilities.

CGI Business 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 investment opportunities in movie presented to the Company and will invest when there are suitable opportunities.

HUMAN RESOURCES

As at 30 June 2020, the Group employed 24 employees excluding 8 Directors (2019: 27 employees excluding 8 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, share options and share award 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$8.4 million (2019: approximately HK$10.4 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 interim results announcement, the Group have the following events for the Period under Review and up to the date of this interim results announcement:

(i) Termination of Very Substantial Acquisition and Cease of Reverse Takeover Application

On 18 March 2020, termination notice was served by the seller whereby the seller elected to terminate the sale and purchase agreement dated 24 July 2019 (the "Sales and Purchase Agreement") in relation to the potential very substantial acquisition in UK gaming business (the "Acquisition") and the Sale and Purchase Agreement was terminated on 25 March 2020. In light of the termination, the seller had paid the break fee of £12,800,000 as liquidated damages in accordance with the terms of the Sale and Purchase Agreement. The sum of £10,000,000 that was paid into the escrow account (being the first payment instalment under the Sale and Purchase Agreement) with accrued interest had also been refunded to the Group in accordance with the terms of the escrow agreement.

As a result of the termination of the Sale and Purchase Agreement, the Acquisition and new listing application as reverse takeover of the Company under Chapter 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") will not proceed. Details information regarding the Acquisition and its termination were disclosed in the Company's announcements dated 20 May 2019, 24 July 2019 and 18 March 2020.

(ii) Repurchase and Cancellation of HK$1,000,000,000 Guaranteed Notes

In May 2020, the Company (as the purchaser) repurchased 10% guaranteed notes in an aggregate principal amount of HK$1,000,000,000 due 2022 (the "Notes") carry interest at a coupon rate of 10% per annum on the Singapore Exchange Securities Trading Limited (the "SGX-ST") at an average price of approximately HK$1.0226. The Notes were issued by Imagi Holdings Limited, a company incorporated in British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company, on 6 November 2019 and listed on the SGX-ST on 19 December 2019. Upon cancellation of the repurchased Notes on 19 May 2020 and 22 May 2020, there is no Notes outstanding. Details information regarding the repurchase and cancellation of the Notes were disclosed in the Company's announcements dated 19 May 2020 and 22 May 2020.

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 THE 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 four independent non-executive Directors, namely Dr. Santos Antonio Maria, Mr. Miu Frank H., Ms. Liu Jianyi and Mr. Chan Hak Kan. 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 2020.

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.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, 24 August 2020

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

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

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