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 2017

The board (the "Board") of director (the "Director(s)") of Imagi International Holdings Limited (the "Company") presents the unaudited consolidated interim financial information ("Interim Financial Information") of the Company and its subsidiaries (collectively as the "Group") for the six months ended 30 June 2017 (the "Period under Review") as follows:

FINANCIAL INFORMATION

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Six months ended 30 June	
		2017	2016
	Notes	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)
Revenue	*4*	**378**	994
Other income	*5*	**2,879**	1,940
Other gains and losses	*6*	**(62,669)**	(51,106)
Losses from changes in fair value of financial assets classified as held-for-trading		**(159,228)**	(79,970)
Forfeiture of a deposit paid for acquisition of a target company		**–**	(150,000)
Administrative expenses		**(27,911)**	(64,482)
Loss from operations		**(246,551)**	(342,624)
Finance costs		**(153)**	(1,887)
Share of (loss)/profit of a joint venture		**(7,451)**	3,368

* *for identification purpose only*

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

	Notes	Six months ended 30 June **2017** ***HK$'000*** **(unaudited)**	 2016 *HK$'000* (unaudited)
Loss before taxation	*7*	**(254,155)**	(341,143)
Income tax credit	*8*	**10,967**	–
Loss for the period		**(243,188)**	(341,143)
Other comprehensive expense			
Items that may be subsequently reclassified to profit or loss:			
Exchange differences on translating a foreign operation		**(270)**	(4)
Net loss on revaluation of available-for-sale investments		**(42,336)**	(545)
Impairment loss of available-for-sale investments reclassified to profit or loss		**42,336**	–
Cumulative gain reclassified to profit or loss on sale of available-for-sale investments		**–**	(1,760)
Net movement in fair value reserve during the period recognised in other comprehensive income		**–**	(2,305)
Other comprehensive expense for the period		**(270)**	(2,309)
Total comprehensive expense for the period		**(243,458)**	(343,452)
Loss for the period attributable to:			
Owners of the Company		**(243,188)**	(337,163)
Non-controlling interests		**–**	(3,980)
		(243,188)	(341,143)
Total comprehensive expense for the period attributable to:			
Owners of the Company		**(243,458)**	(339,472)
Non-controlling interests		**–**	(3,980)
		(243,458)	(343,452)
		HK cents per share	*HK cents per share* (Restated)
Loss per share	*10*		
Basic and diluted		**(38)**	(104)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30 June 2017 HK$'000 (unaudited)	31 December 2016 HK$'000 (audited)
Non-current assets			
Property, plant and equipment		**2,554**	33,774
Deposit for acquisition of property, plant and equipment		**365**	–
Goodwill		**5,878**	–
Intangible assets		**2,931**	–
Available-for-sale investments	*11*	**73,194**	–
Club debenture		**1,300**	1,300
Interest in a joint venture	*13*	**135,238**	142,689
		221,460	177,763
Current assets			
Accounts receivable	*14*	**1,820**	–
Other receivables, deposits and prepayments		**4,684**	23,171
Amount due from a joint venture		**–**	71
Held-for-trading investments	*15*	**599,902**	588,638
Convertible notes receivable	*16*	**20,969**	43,466
Available-for-sale investments	*11*	**–**	48,650
Bank balances – trust accounts		**4,387**	–
Bank balances and cash		**138,933**	246,446
		770,695	950,442
Current liabilities			
Accounts payable	*17*	**6,185**	–
Other payables and accruals		**7,908**	7,009
Tax payable		**–**	10,967
		14,093	17,976

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

	Notes	**30 June 2017** **HK$'000** **(unaudited)**	31 December 2016 HK$'000 (audited)
Net current assets		**756,602**	932,466
Total assets less current liabilities		**978,062**	1,110,229
Non-current liability			
Deferred tax liability		**484**	–
		484	–
Net assets		**977,578**	1,110,229
Capital and reserves			
Share capital		**27,577**	22,741
Reserves		**950,001**	1,087,488
Total equity attributable to owners of the Company		**977,578**	1,110,229

Notes:

1. BASIS OF PREPARATION

This Interim Financial Information has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), including compliance with Hong Kong Accounting Standard 34 "Interim financial reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). It was authorised for issue on 25 August 2017.

2. PRINCIPAL ACCOUNTING POLICIES

The accounting policies and methods of computation used in the Interim Financial Information for the six months ended 30 June 2017 are the same as those followed in the preparation of the Group's consolidated financial statements for the year ended 31 December 2016.

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

(i) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for the control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred. When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss. Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity. Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interest and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period. Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

(ii) Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Trading rights

Trading rights represent the eligibility rights to trade on or through The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and Hong Kong Futures Exchange Limited with indefinite useful lives. They are carried at cost less any impairment losses.

The HKICPA has issued several amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these developments has had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in the Interim Financial Information.

The Group has not applied any new standards or interpretation that is not yet effective for the current accounting period.

Possible impact of amendments, new standards and interpretations issued but not yet effective for the six months ended 30 June 2017

A number of amendments and new standards are effective for annual periods beginning after 1 January 2017 and earlier application is permitted, however, the Group has not early adopted any new or amended standards in preparing this Interim Financial Information.

The Group has the following updates to the information provided in the last annual financial statements about the possible impacts of the new standards issued but not yet effective which may have a significant impact on the Group's consolidated financial statements.

HKFRS 16, Leases

Currently the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. The Group enters into some leases as the lessee.

HKFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. However, once HKFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, that is, at the commencement date of the lease the lessee will recognise and measure a lease liability at the present value of the minimum future lease payments and will recognise a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee will recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (that is, where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term.

HKFRS 16 will primarily affect the Group's accounting as a lessee of leases for properties, plant and equipment which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of profit or loss over the period of the lease. At 30 June 2017, the Group's future minimum lease payments under non-cancellable operating leases amount to $4,597,000 for properties, the majority of which is payable either between 1 and 5 years after the reporting date. Some of these amounts may therefore need to be recognised as lease liabilities, with corresponding right-of-use assets, once HKFRS 16 is adopted. The Group will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of HKFRS 16, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of HKFRS 16 and the effects of discounting. HKFRS 16 is effective for annual periods beginning on or after 1 January 2019. The Group has decided not to early adopt HKFRS 16 in its 2018 consolidated financial statements.

3. SEGMENT REPORTING

On 28 January 2016, the Directors resolved to develop integrated financial services including the provision of securities brokerage services, placing and underwriting services, corporate finance advisory services, investment advisory and management services, margin financing and money-lending business, securities investment and proprietary trading. During the six months ended 30 June 2016, the Group continued its proprietary trading activities related to equity securities listed in Hong Kong, which become the principal business of the Group. The proprietary trading activities are carried out through a wholly-owned subsidiary. The Group has been operating with only one reportable and operating segment: trading of securities segment engaged in the purchase and sales of securities investments. For the six months ended 30 June 2017, the Group acquired a subsidiary which is engaged in securities brokerage services. The chief operating decision maker ("CODM") considers the performance of financial assets classified as held-for-trading investments, financial assets at fair value through profit or loss and securities brokerage as only one reportable and operating segment for the purpose of resources allocation and performance assessment. Accordingly, no further segment information has been presented.

4. REVENUE

	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Commission income	**378**	–
Dividend income from held-for-trading investments	**–**	994
	378	994

5. OTHER INCOME

	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Clearing income	**14**	–
Interest income on convertible notes receivable	**876**	–
Interest income on available-for-sale investments	**–**	1,097
Interest income on bank deposits	**–**	273
Loan interest income	**6**	–
Royalty income	**205**	570
Waive of tax penalty	**1,528**	–
Others	**250**	–
	2,879	1,940

6. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Fair value loss on convertible notes receivable	**(46,030)**	–
Loss on disposal of a subsidiary	**(7)**	–
Write-off of property, plant and equipment	**(177)**	(8)
Impairment loss recognised on unlisted available-for-sale investments	**–**	(52,190)
Net foreign exchange gains/(losses)	**181**	(668)
Gain on derecognition of day one gain on convertible notes	**25,700**	–
Available-for-sale listed securities: reclassified from equity		
– on disposal	**–**	1,760
– on impairment	**(42,336)**	–
	(62,669)	(51,106)

7. LOSS BEFORE TAXATION

	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Loss before tax has been arrived at after charging:		
Directors' emoluments		
– Fees	**438**	497
– Salaries and allowance	**1,860**	1,414
– Contribution to retirement benefit scheme	**33**	21
– Equity-settled share-based payment expenses	**–**	7,958
	2,331	9,890
Other staff costs		
– Salaries and allowance	**6,814**	3,680
– Contribution to retirement benefit scheme	**194**	155
– Equity-settled share-based payment expenses	**–**	21,010
	7,008	24,845
Total staff costs	**9,339**	34,735

	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Auditor's remuneration		
– Audit services	**500**	430
– Non-audit services	**500**	500
Equity-settled share-based payment expense (other than employees and directors) included in administrative expenses *(note)*	**–**	13,453
Operating lease payments in respect of rental properties	**3,586**	3,614
Depreciation of property, plant and equipment	**1,174**	2,789
Changes in fair value of financial assets classified as held-for-trading		
– Realised loss from sale of listed equity investments	**86,816**	50,597
– Unrealised loss from changes fair value of listed equity investments	**72,412**	29,373
	159,228	79,970

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

8. INCOME TAX CREDIT

Income tax credit recognised in profit or loss:

	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Current tax:		
Hong Kong Profits Tax	**–**	–
Overprovision in respect of prior years *(note)*	**(10,967)**	–
	(10,967)	–

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 the periods.

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

Note:

On 21 March 2016, Imagi Crystal Limited ("Imagi Crystal"), a wholly-owned subsidiary of the Company, received a time-barred tax demand note date 14 March 2016 issued by the Hong Kong Inland Revenue Department (the "HKIRD") for approximately HK$9,863,000 for the year of assessment 2009/10. On 23 February 2017, Imagi Crystal received a tax demand note dated 21 February 2017 issued by HKIRD for approximately HK$1,104,000 for the year assessment 2010/11. Since Imagi Crystal is in a net current liabilities position, Imagi Crystal did not purchase tax reserve certificates before the due date and HKIRD had applied a 5% surcharge of approximately HK$493,000 and another 10% additional surcharge of approximately HK$1,035,000 to the outstanding amounts. HKIRD considered that the impairment loss on graphic imaging animation pictures, classified as intangible assets and charged to profit or loss for the respective basis period was not deductible and the costs should have been treated as capital expenditure for the year of assessment of 2009/10. Furthermore, HKIRD considered that the impairment loss on an amount due from a fellow subsidiary as a waiver to the fellow subsidiary in the year of assessment 2010/11 and should not be deductible as there were no documentary evidences to justify the claim for impairment loss. The directors of the Company reassessed the tax position of Imagi Crystal and recognised approximately HK$10,967,000 as income tax expense and approximately HK$1,528,000 as administrative expense in 2016.

Subsequent to the period ended 30 June 2017, Imagi Crystal received a confirmation from HKIRD that the aforementioned impairment losses made on graphic imaging animation pictures should be deductible, and the Group reversed the tax provision of approximately HK$10,967,000 and the tax surcharge of approximately HK$1,528,000 accordingly.

9. DIVIDEND

No dividend was paid or proposed during the period ended 30 June 2017, nor has any dividend been proposed since the end of the reporting period (2016: HK$Nil).

10. 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	
	2017	2016
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Loss		
Loss for the purposes of basic loss per share	**(243,188)**	(337,163)
Number of shares		(Restated)
Issued ordinary shares at 1 January	**4,548,172,578**	9,968,812,720
Effective of shares issued	**104,051,933**	1,196,685,083
Effect of shares option exercised	**–**	482,320,442
Effect of shares consolidation	**(4,015,327,801)**	(11,356,622,789)
Effect of open offer	**–**	33,279,479
Weighted average number of ordinary shares at 30 June	**636,896,710**	324,474,935

The weighted average number of ordinary shares for the purpose of basic per share has been adjusted for the share consolidation on 31 May 2016, open offer on 26 August 2016 and share consideration on 13 March 2017.

(b) Diluted loss per share

For the six months ended 30 June 2017 and 2016, the diluted loss per share equals to the basic loss per share as the outstanding share options had anti-diluted effect on the basic loss per share.

11. AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments comprise:

	30 June 2017	31 December 2016
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Listed investments at fair value:		
Equity shares listed in Hong Kong *(note a)*	**65,394**	–
Unlisted equity securities, at cost *(note b)*	**–**	127,923
Less: Impairments loss	**–**	(79,273)
	–	48,650
Unlisted debt securities, at amortised cost *(note c)*	**7,800**	–
	73,194	48,650
Analysed for reporting purposes as:		
Current assets	**–**	48,650
Non-current assets	**73,194**	–
	73,194	48,650

(a) On 22 March 2017, the Company issued shares in exchanged for the shares of Enerchina Holdings Limited, a company listed on the Stock Exchange with a fair value of HK$107,730,000 at the acquisition date. At 30 June 2017, the fair value was HK$65,394,000 and such investments are pledged to a financial institution to secure the margin financing services.

(b) On 2 March 2016, the Group subscribed for (i) 6,200,000 shares of Joint Global Limited ("Joint Global") and (ii) 450,000 shares of FreeOpt Holdings Limited ("FreeOpt") at a consideration of HK$45,198,000 and HK$45,000,000, respectively. On 3 March 2016, the Group subscribed for 7,500,000 shares of Freewill Holdings Limited ("Freewill") at a consideration of HK$37,725,000. These companies all are incorporated in the Republic of the Marshall Islands. As at 31 December 2016, the Group held 2%, 12% and 1% equity interest in Joint Global, FreeOpt and Freewill, respectively. Details of the principal activities and accounting treatments of these companies are mentioned in the 2016 annual report. On 20 January 2017, the Group entered in sale and purchase agreements with independent third parties to dispose of the subsidiaries of the Company holding the shares of Joint Global, FreeOpt and Freewill at a total consideration of HK$51,000,000 (the "Disposals"). The Disposals were completed on 23 January 2017.

(c) On 28 June 2017, the Group subscribed for senior notes issued by China Evergrande Group at USD1,000,000 (equivalent to HK$7,800,000) which bore fixed interest rate of 8.75% per annum and had a maturity date on 28 June 2025.

12. INVESTMENT IN AN UNCONSOLIDATED SUBSIDIARY

	30 June 2017	31 December 2016
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Investment in an unconsolidated subsidiary	**–**	–
Less: Impairment on investment	**–**	–
	–	–

On 26 February 2015, the Group, through one of its wholly-owned subsidiaries, established 廈門盛福明德商務服務有限公司 ("Xiamen Sunflower") in the People's Republic of China (the "PRC") for providing advisory services in relation to business information, enterprise management, investment and social economics (excluding financial business), as well as supply chain management, with Mr. Shan Jiuliang ("Mr. Shan") being appointed as the legal representative and sole director of Xiamen Sunflower. On 26 June 2015, RMB71,000,000 (equivalent to approximately HK$88,828,000) was deposited to a bank account of Xiamen Sunflower as paid up capital. As disclosed in the Company's announcement dated 17 December 2015, Xiamen Sunflower entered into an unauthorised tenancy agreement in August 2015 to lease a property for a term of two years from a company ("Sub-lessor") in which Mr. Shan and his spouse, Ms. Zhang Peng ("Ms. Zhang"), the two former executive directors of the Company, collectively own 86.83% equity interest, at a rent of RMB2,688,000 per annum. The details of the actions taken by the Company and the outcome are set out in 2016 annual report of the Company. In addition, the Group has not been able to gain access to the books and records, including banks statements, of Xiamen Sunflower since then, or access to the funds in Xiamen Sunflower's bank accounts.

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

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

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

13. INTEREST IN A JOINT VENTURE

	30 June 2017	31 December 2016
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Share of net assets of joint venture	**135,238**	142,689

The Group had interest in the following unlisted joint ventures at 30 June 2017:

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

Imagination Holding Limited is an unlisted corporate entity whose quoted market price is not available.

On 16 March 2016, Simagi Finance Company Limited ("Simagi"), a wholly–owned subsidiary of the joint venture company, entered into a deed of assignment with an independent third party (the "Assignor"), whereby a loan receivable of the Assignor of HK$30,000,000 (the "Loan Receivable") and interest accrued thereon of HK$1,197,000 were assigned to Simagi at a consideration of HK$27,000,000. The borrower, Up Energy Trading Limited ("UETL"), is a subsidiary of Up Energy Development Group Limited ("Up Energy"), an exempted company incorporated in Bermuda with its shares listed on the Stock Exchange. The Loan Receivable and the accrued interest receivable are guaranteed by Up Energy and are repayable by 20 consecutive monthly instalments of HK$1,500,000 each commencing from 17 December 2015. Simagi did not receive any settlements from UETL and Up Energy received a winding up petition in May 2016 filed by Credit Suisse AG, Singapore Branch against Up Energy in the Supreme Court of Bermuda for the outstanding balance of the matured convertible notes in the principal amount of HK$150,000,000. Up Energy was undergoing restructuring. Based on the available information, including the unaudited financial information up to 31 March 2016 and the proposed restructuring plan of Up Energy, the management of the joint venture company considered that the recoverability of the Loan Receivable and the accrued interest receivable is uncertain and an impairment loss of HK$32,010,000 was recognised in the second half of 2016.

14. ACCOUNTS RECEIVABLE

	30 June 2017 *HK$'000* **(unaudited)**	31 December 2016 *HK$'000* (audited)
Accounts receivable arising in the ordinary course of business of dealing in securities:		
Cash clients	**1,657**	–
Clearing houses	**163**	–
	1,820	–

The settlement terms of accounts receivable attributable to the dealing in securities transactions are two days after the trade date.

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

	30 June 2017 *HK$'000* **(unaudited)**	31 December 2016 *HK$'000* (audited)
Current	**1,820**	–

15. HELD-FOR-TRADING INVESTMENTS

Hold-for-trading investments represents equity securities listed in Hong Kong. All these investments are pledged to a financial institution to secure the margin financing facilities.

16. CONVERTIBLE NOTES RECEIVABLE

	30 June 2017 *HK$'000* **(unaudited)**	31 December 2016 *HK$'000* (audited)
Convertible notes receivable – designated at FVTPL		
Convertible Note I	**20,969**	41,299
Convertible Note II	**–**	2,167
	20,969	43,466

Convertible notes receivable acquired are designated at fair value through profit or loss because the relevant financial assets constitute a group that is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management and investment strategy, and information about the Group is provided internally on that basis to the Group's key management personnel.

Convertible Note I represented the fair value of an investment in convertible note issued by China Agri-Products Exchange Limited ("China Agri-Products"), a company listed on the Stock Exchange. The principal amount of the convertible note is HK$23,200,000, which can be converted into 58,000,000 ordinary shares of China Agri-Products at a conversion price of HK$0.4 per share from the inception date until the date which is five business days preceding the maturity date on 18 October 2021. The convertible note receivable carried interest at 7.5% per annum, payable semi-annually on 19 October and 19 April of each calendar year. The convertible note could be redeemed by China Agri-Products any date on or before maturity date at its principal amount.

There is a day-one gain of approximately HK$29,836,000 for Convertible Note I, which is deferred and amortised in the consolidated statement of profit or loss on a straight-line basis within the effective life of the convertible note receivable.

Convertible Note II represented the fair value of 2.14% interest in convertible notes issued by Up Energy, a company listed on the Stock Exchange. The principal amount of the convertible notes is HK$100,000,000 and HK$130,000,000, which can be converted into 134,138,162 and 174,379,611 ordinary shares of Up Energy respectively at a conversion price of HK$0.7455 per share from the inception date until the date which is five business days preceding the maturity date on 31 December 2018. The convertible notes carried interest at 5% per annum, payable semi-annually on 30 June and 31 December of each calendar year. The convertible notes would be redeemed by Up Energy on maturity date at their principal amount. During the six months ended 30 June 2017, the Group disposed of the convertible notes to an independent third party through the disposal of a subsidiary.

For the year ended 31 December 2016, the fair value gain of the convertible notes receivable amounting to HK$16,922,000 plus the amortization of day-one gain for Convertible Note I of HK$1,177,000 for the period are recognised in "other gains or losses."

For the period ended 30 June 2017, the fair value loss of the convertible notes receivable amounting to HK$48,989,000, plus the amortisation of day-one gain for convertible Note I of HK$2,959,000 for the peiod is recognised in "other gains or losses". For the remaining day-one gain of HK$25,700,000 as at 30 June 2017, was de-recognised due to the significant fluctuation of the stock price.

17. ACCOUNTS PAYABLE

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

	30 June 2017	31 December 2016
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Current	**6,185**	–

The settlement terms of accounts payable to cash client arising from the securities brokerage business are two days after trade date.

18. CAPITAL COMMITMENTS

	30 June 2017	31 December 2016
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Capital expenditure contractual but not provided for in the financial statements:		
– in respect of the acquisition of property, plant and equipment	**108**	–

EXTRACT OF INDEPENDENT AUDITOR'S REVIEW REPORT TO THE BOARD OF DIRECTORS

The following is an extract from the independent auditor's review report:

"Basis for qualified conclusion

(i) As explained in note 17 to the interim financial report, the Group had not been able to access the books and records of a wholly-owned subsidiary, 廈門盛福明德商務服務有限公司 (Xiamen Sunflower Mingde Business Service Co. Ltd. ("Xiamen Sunflower")), since November 2015 as a result of the loss of contact with a former executive director of the Company who was also the legal representative and sole director of Xiamen Sunflower. Against this background, the investment in Xiamen Sunflower had been accounted for on a cost less impairment basis and had not been consolidated in the consolidated financial statements for the year ended 31 December 2015 or in the period from 1 January 2016 to 9 March 2016 (date of disposal). Under Hong Kong Financial Reporting Standard 10 "Consolidated Financial Statements" ("HKFRS 10") issued by the Hong Kong Institute of Certified Public Accountants, consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. The financial statements of Xiamen Sunflower should have been consolidated up to the date of disposal because it was controlled by the Company since its incorporation to the date of disposal and accordingly the consolidated financial statements were not prepared in all material respects in accordance with HKFRS. Had Xiamen Sunflower been consolidated for the period from 1 January 2016 to 9 March 2016 (date of disposal), many elements in the interim financial report for the six months ended 30 June 2016 would have been materially affected. The predecessor auditor disclaimed their conclusion in this aspect for the six months ended 30 June 2016 and we issued a qualified opinion in respect of the consolidated financial statements for the year ended 31 December 2016.

    As disclosed in note 17 to the interim financial report, the Group completed the disposal of Imagi Jue Ming Limited (which holds the entire equity interest in Xiamen Sunflower) during the period ended 30 June 2016 and the purchaser confirmed that the conditions of the disposal were satisfied on 9 March 2016 (the date of disposal). In the absence of reliable financial information of Xiamen Sunflower for the period from 1 January 2016 to the date of disposal, it was not practicable for the auditor to quantify the effects of the departure from the requirement of HKFRS 10 on the interim financial report for the six months ended 30 June 2016, including the amount in relation to the gain or loss on disposal, or to assess whether the disclosures with respect to Xiamen Sunflower in the notes to the interim financial report were appropriate. Any adjustment that would be required may have a consequential significant effect on the loss and total comprehensive expense attributable to the owners of the Company for the six months ended 30 June 2016. The predecessor auditor disclaimed their conclusion in this aspect for the six months ended 30 June 2016 and we issued a qualified opinion in respect of the consolidated financial statements for the year ended 31 December 2016.

Our review conclusion on the current period's interim financial report is also modified because of the possible effect of the matter on the comparability of the current period's figures and the corresponding figures.

(ii) As explained in note 18 to the interim financial report, the management of a joint venture in which the Group held 50% equity interest was unable to obtain sufficient and reliable financial information in respect of a borrower (the "Borrower") or the guarantor (the "Guarantor") of a loan receivable, together with its accrued interest, acquired by the joint venture during the six months period ended 30 June 2016 for a consideration of HK$27,000,000 (the "Loan Receivable") to assess the recoverability of the Loan Receivable and the related interest receivable. The Guarantor received a winding up petition. The Borrower was a subsidiary of the Guarantor and the Guarantor was undergoing restructuring. No repayments in respect of the Loan Receivable and the related interest receivable were received by the joint venture. The auditor was therefore unable to obtain sufficient and reliable financial information in respect of the recoverability of the Loan Receivable and the related interest receivable of HK$29,591,000 as at 30 June 2016. Any adjustment to the carrying amount of the Loan Receivable and the related interest receivable may have consequential effect on the Group's share of profits of the joint venture for the six months ended 30 June 2016. The predecessor auditor disclaimed their conclusion in this aspect for six months ended 30 June 2016. The management made impairment for the Loan Receivable and the corresponding accrued interest receivable in the second half of 2016.

Our review conclusion on the current period's interim financial report is also modified because of the possible effect of the matter on the comparability of the current period's figures and the corresponding figures.

Qualified conclusion

Except for the possible effects of the matters described in the basis for qualified conclusion paragraphs, based on our review, nothing has come to our attention that caused us to believe that the interim financial report as at 30 June 2017 is not prepared, in all material respects, in accordance with HKAS 34.

Other matter

The interim financial report of the Group for the six months ended 30 June 2016 were reviewed by another auditor who issued a disclaimer conclusion on those interim financial report on 26 August 2016."

The aforesaid notes 17 and 18 to the unaudited interim financial report in the extract from the Review Report to the Board of Directors are disclosed in notes 12 and 13 respectively to this results announcement.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND OPERATIONAL REVIEW

(a) Computer Graphic Imaging ("CGI")

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

(b) Integrated Financial Service Business

(i) Securities investments and proprietary trading

The Company conducted its short term proprietary trading business through Unimagi Investment Limited ("Unimagi"), its indirect wholly owned subsidiary. As at 30 June 2017, the aggregate market value of listed securities classified as available-for-sale investments (held for long term purpose) and held-for-trading investments was approximately HK$665 million. The total realised loss from sale of listed equity investments and unrealised loss/impairment loss charged to profit or loss as a result of change in fair value of listed equity investments for the Period under Review were approximately HK$87 million and approximately HK$115 million respectively.

Details of the Group's top ten listed securities investments as at 30 June 2017 were as follows:

Stock code	Stock name	Number of shares held as at 30 June 2017	Market price as at 30 June 2017	Market value as at 30 June 2017	Realised gain/(loss) for the Period under Review	Unrealised gain/(loss) for the Period under Review	Impairment loss for the Period under Review
			HK$	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
622	Enerchina Holdings Limited	590,797,249	0.1730	102,208	–	(23,000)	(42,336)
689	EPI (Holdings) Limited	145,785,000	0.3200	46,651	–	19,389	–
720	Auto Italia Holdings Limited	200,000,000	0.0920	18,400	–	(5,600)	–
943	eForce Holdings Limited	60,000,000	0.0680	4,080	–	(1,500)	–
996	Carnival Group International Holdings Limited	602,000,000	0.7200	433,440	(1,491)	(63,916)	–
1051	G-Resources Group Limited	36,564,069	0.1140	4,168	–	(1,024)	–
1332	China Touyun Tech Group Limited	100,000,000	0.4750	47,500	–	15,500	–
2326	BEP International Holdings Limited	10,000,000	0.2500	2,500	–	(1,950)	–
8153	Code Agriculture (Holdings) Limited	14,400,000	0.1960	2,822	–	(12,010)	–
8173	Union Asia Enterprise Holdings Limited	125,000,000	0.0270	3,375	–	1,625	–

(ii) Brokerage services

The acquisition of John & Wong Securities Company Limited ("John & Wong") was completed on 28 February 2017. Besides providing securities brokerage services and margin financing services to clients, John & Wong has always been intended to be used as the flagship of the Company into other securities related businesses such as fund management, placement and underwriting services, corporate finance advisory services, investment advisory and asset management services etc. After the takeover of John & Wong, the Company started to assimilate and integrate John & Wong into the Company. However, due to the need and time for the integration and transition period, John & Wong had yet made no profit contribution to the Group for the Period under Review.

(iii) Money lending business

The Company's joint venture (the "Joint Venture") formed with Bob May Incorporated, namely Imagination Holding Limited, remained active during the Period under Review and the money lending business contributed an approximately HK$5.2 million of profit to the Joint Venture. However, an approximately HK$20 million impairment loss was incurred by Imagination Holding Limited and as a consequence, the Group has to share an overall loss of the Joint Venture of approximately HK$7.4 million for the Period under Review.

FINANCIAL REVIEW

Review of Results

The net loss for the Period under Review was approximately HK$243 million compared to the net loss of approximately HK$341 million for the same interim period last year. The loss for the Period under Review was mainly due to losses from changes in fair value of financial assets classified as held-for-trading of approximately HK$159 million (six-month period ended 30 June 2016: approximately HK$80 million); impairment loss recognised on available-for-sale investments of approximately HK$42 million (six-month period ended 30 June 2016: approximately HK$52 million); and net fair value loss on convertible notes receivable (net of gain on derecognition of day one gain on convertible notes) of approximately HK$20 million (six-month period ended 30 June 2016: Nil).

On the expenditures side, staff costs (excluding equity-settled share-based payment expenses) increased by approximately 60% from approximately HK$5.8 million last interim period to approximately HK$9.3 million for the Period under Review. There was no equity-settled share-based payment expenses incurred during the Period under Review (six-month period ended 30 June 2016: approximately HK$42.4 million).

Liquidity and Financial Resources

The Group primarily financed by its operation with internally generated cash flows and fund raising exercises. The liquidity and financial position of the Group as at 30 June 2017 remain healthy, with bank balances amounting to approximately HK$139 million (31 December 2016: approximately HK$246 million) and a current ratio (the total amount of current assets over the total amount of current liabilities) of approximately 55 (31 December 2016: 53).

As at 30 June 2017, the Group had no bank or other borrowings and therefore the gearing ratio (expressed as a percentage of total borrowings over total capital) was zero (31 December 2016: zero).

The unaudited consolidated net asset value per share of the Company (the "Share(s)") as at 30 June 2017 was HK$1.4180 (as at 31 December 2016: audited HK$0.2441).

Capital Structure

On 28 February 2017, pursuant to a conditional sale and purchase agreement (the “Agreement”) with independent third parties to acquire (the “Acquisition”) the entire issued share capital of John & Wong, a corporate licensed under the Securities and Futures Ordinance, Cap. 571 of the Laws of Hong Kong (“SFO”) to carry out Type 1 (dealing in securities) regulated activity, 60,000,000 new Shares was issued and allotted under a specific mandate at an issue price of HK$0.20 per Share as a part of consideration for the Acquisition and the balance was settled by cash of approximately HK$6.18 million after a dollar-to-dollar downward adjustment with reference to net asset value of John & Wong as at 28 February 2017. Upon completion of the Acquisition on 28 February 2017, John & Wong became an indirect wholly-owned subsidiary of the Company. Details of the Acquisition were disclosed in the Company’s announcements dated 30 August 2016 and 28 October 2016 and circular dated 7 October 2016.

On 10 March 2017, an ordinary resolution to approve share consolidation was passed by the Shareholders at a special general meeting of the Company whereby share consolidation became effective on 13 March 2017 that every eight issued and unissued Shares of HK$0.005 each be consolidated into one consolidated Share of HK$0.04 each. Details of the share consolidation were disclosed in the Company’s announcements dated 26 January 2017 and 10 March 2017 and circular dated 22 February 2017.

On 22 March 2017, pursuant to a share swap agreement dated 16 March 2017 (the “Share Swap Agreement”) entered into between the Company and Enerchina Holdings Limited (“Enerchina”, an independent third party), 113,400,000 new Shares (the “Subscription Share(s)”) were issued and allotted at a subscription price of HK$0.90 per Subscription Share to a nominee of Enerchina in exchange for 378,000,000 shares of Enerchina Holdings Limited (stock code: 622) as consideration shares at a total consideration of HK$102.06 million pursuant to the Share Swap Agreement (the “Share Swap”). The Subscription Shares were issued under general mandate granted to the Directors by the Shareholders at a special general meeting held on 28 October 2016, representing 20% of the issued share capital in the Company as at 28 October 2016 and approximately 19.69% of the issued share capital in the Company as at 22 March 2017. Upon completion of the Share Swap on 22 March 2017, Enerchina became a substantial Shareholder. Details of the Share Swap were disclosed in the Company’s announcement dated 16 March 2017.

As at 30 June 2017, the total number of issued Shares was 689,421,572 with a par value of HK$0.04 each. Based on the closing price of HK$0.64 per Share as at 30 June 2017, the Company’s market value as at 30 June 2017 was approximately HK$441 million (31 December 2016: approximately HK$682 million).

Pledge of Assets

As at 30 June 2017, equity securities listed in Hong Kong classified as available-for-sale investments and held-for-trading investments in aggregate of approximately HK$665 million (31 December 2016: HK$586 million) were pledged to financial institution to secure margin financing facilities provided to the Group.

Exposure to Exchange Rates

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

Contingent Liabilities and Commitments

As at 30 June 2017, the Group did not have any significant contingent liabilities and commitments.

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the Period under Review (six-month period ended 30 June 2016: Nil).

FUTURE PLAN AND PROSPECTS

CGI Business

As aforementioned, the management of the Company does not see immediate improving prospects for the CGI business. After considering costs and benefits, the Company will devote minimal resources to maintain the business until there are substantial change in potential and prospects for the business.

Integrated Financial Services Businesses

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

The Company will continue to look for future expansions in the money lending business either through the Joint Venture or conducting money lending of its own in tandem with those of the Joint Venture. Options are currently under reviewed and no firm plans have been made as at this time. The management of the Company is confident that the money lending business will in future provide consistent and significant returns to the Group.

In preparation for further expansion in brokerage and other related corporate finance services, on 12 May 2017, the Company made HK$100 million capital injection into John & Wong and also has recruited and plan to recruit additional personnel to undertake additional services and businesses. In the meantime, John & Wong is in the process of applying for additional licences from the Securities and Futures Commission (the "SFC") including Type 2, 4, 5 and 9 licence. The management of the Company is confident the stride to full-fledged financial services will begin in the second half of 2017 and also confident John & Wong will become significant contributor to the Group's operations and profits once the Company begins to move available in-house trading businesses to John & Wong as well as the expansion of John & Wong connections through the Company's assistance and introduction.

The management of the Company has been disappointed with the performance to date of the short term proprietary trading business and is continually looking for ways and means to enhance the business future performance including the addition of management expertise. The Company remains confident the business will turn around with new positive macro factors such as the "One Belt One Road", the "Shanghai Connect" and the "Shenzhen Connect" just to name a few.

Re-domicile

The Company announced on 8 June 2016 its intention to re-domicile from Bermuda to Hong Kong. The exercise involves complicated technical, legal, compliance and regulatory issues transcending The Stock Exchange of Hong Kong Limited (the ''Stock Exchange'') and the SFC. The Company is working hard together with its professional advisors to resolve all necessary issues to bring the matter to a vote to the Shareholders. The management of the Company remains in its convictions that the exercise will prove to be beneficial to the Company and all its Shareholders. Further disclosure will be made as and when appropriate in timely fashion.

HUMAN RESOURCES

As at 30 June 2017, the Group employed 21 employees (excluding 6 Directors). The emolument policy is reviewed regularly to ensure compliance of the latest labour laws and market norms where the Group has operations. In addition to basic salaries, incentives in the form of bonus and share options may also be offered to eligible employees on the basis of individual performance and the Group's business results. The total staff cost paid to Directors and staff excluding equity-settled share-based payment for the Period under Review amounted to approximately HK$9.3 million (six-month period ended 30 June 2016: HK$5.8 million).

DISCLOSURE OF OTHER INFORMATION

Other Information for the Period under Review

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

(i) Disposal of Yacht and Related Subsidiary

On 20 March 2017, a yacht held by High Gear Holdings Limited ("High Gear", an indirect wholly-owned subsidiary of the Company) was disposed to an independent purchaser (the "Purchaser") at a consideration of US$4.2 million pursuant to the Memorandum of Agreement with the Purchaser entered on 21 February 2017. Details information regarding the disposal was disclosed in the Company's announcement dated 21 February 2017.

Upon completion of yacht disposal, marine facilities were no longer required by the Group. On 23 June 2017, High Gear was disposed to Global Value Group Limited (a subsidiary of Enerchina being a substantial Shareholder) at a cash consideration of HK$490,000 which was reference to the net assets of High Gear at the date of disposal.

(ii) Strategic Alliance

On 16 March 2017, the Company and Enerchina entered into a non-legal binding Strategic Alliance Memorandum, underwhich Enerchina had agreed (a) to provide the Company with technical and business assistance to establish and develop the infra-structure and the frame-work to further the Company's financial services business; and (b) to co-operate with each other to promote mutually beneficial business opportunities (collectively as the "Strategic Alliance"). Details information regarding the aforesaid business updates was disclosed in the Company's announcement dated 16 March 2017.

(iii) Proposed Re-domicile from Bermuda to Hong Kong

On 8 June 2016, the Company announced its intention to re-domicile from Bermuda to Hong Kong by way of scheme of arrangement under Section 99 of the Companies Act of Bermuda (as amended) (the "Re-domicile"). The Company, having the bulk of its business and operations and its listing in Hong Kong believed that the move with re-affirm the Company's commitment to and recognition of its roots stemming from Hong Kong. The Re-domicile is progressing and the Company looks forward of its implementation in 2017. Details information regarding the Re-domicile was disclosed in the Company's announcements dated 8 June 2016 and 11 November 2016.

(iv) Disposal of Subsidiaries

On 23 January 2017, Emperor Investments Limited ("Emperor Investments", a direct wholly-owned subsidiary of the Company) was disposed to an independent third party at a consideration of HK$20 million. The material assets held by Emperor Investments was unlisted investment of 7,500,000 shares of Freewill Holdings Limited (representing approximately 1% of its issued share capital). In this regard, impairment losses of approximately HK$18 million with reference to the sale proceeds was recognised and charged to profit or loss in the financial year ended 31 December 2016.

On 23 January 2017, Top Gate Holdings Ltd. ("Top Gate", a direct wholly-owned subsidiary of the Company) was disposed to an independent third party at a consideration of HK$31 million. The material assets held by Top Gate were unlisted investments including (a) 450,000 shares of FreeOpt Holdings Limited (representing approximately 12% of its issued share capital); (b) 6,200,000 shares of Joint Global Limited (representing approximately 2% of its issued share capital); and (c) 2.14% interest in an principal amount of HK100 million and HK$130 million of two respective tranche of convertible notes issued by Up Energy Development Group Limited at a conversion price of HK$0.7455. In this regard, impairment losses of approximately HK$61 million with reference to the sale proceeds was recognised and charged to profit or loss in the financial year ended 31 December 2016.

(v) Finalised of Prior Years Tax Assessment of Imagi Crystal Limited with Hong Kong Inland Revenue Department ("HKIRD")

With reference to tax demand notes issued by HKIRD to Imagi Crystal Limited ("ICL" an indirect wholly-owned subsidiary of the Company) for the years of assessment 2009/10 and 2010/11 since March 2016, the Directors reassessed the tax position of ICL and recognised approximately HK$10.97 million tax liabilities as income tax expenses and approximately HK$1.5 million surcharge as administrative expenses in the financial year 2016.

ICL since then engaged professional tax specialist as its tax adviser to lodge objection to HKIRD. After supply of additional required information and discussion with HKIRD, ICL received a ruling dated 24 July 2017 from HKIRD regarding objection for the years of assessment 2009/10 and 2010/11 that HKIRD consented the impairment loss on the CGI animation pictures recognised in the year of assessment 2009/10 would be deductible under profits tax. However, HKIRD remains disallow the deduction of the impairment loss on amount due from a fellow subsidiary recognised in the year of assessment 2010/11. A revised notice of assessment and a letter of discharge surcharges for the year of assessment 2009/10 were issued by HKIRD on 2 August 2017 and 9 August 2017 respectively. As a consequence of updated tax position for the year of assessment 2009/10, ICL had tax losses carried forward to set-off against the disallowed impairment loss on amount due from fellow subsidiary recognised in the year of assessment 2010/11. ICL thus reversed the tax provision of approximately HK$10.97 million and surcharges of approximately HK$1.5 million during the Period under Review.

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 provisions set out in the Corporate Governance Code and Corporate Governance Report (the ''CG Code'') contained in Appendix 14 to the Listing Rules, saved for the followings:

Code Provision A.6.7

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

Due to other pre-arranged business commitments which must be attended,

(i) Dr. Kwong Kai Sing Benny and Dr. Santos Antonio Maria, being independent non-executive Directors, were not present at a special general meeting of the Company held on 10 March 2017; and

(ii) Mr. Miu Frank H., being independent non-executive Director, was not present at an annual general meeting of the Company held on 26 May 2017.

However, (i) Mr. Chow Chi Wah Vincent and Mr. Miu Frank H., all of them being independent non-executive Directors, were present at the aforesaid special general meeting held on 10 March 2017; and (ii) Dr. Santos Antonio Maria and Ms. Liu Jianyi, all of them being independent non-executive Directors, were present at aforesaid annual general meeting held on 26 May 2017.

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

Code for Securities Transactions by Directors

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

Purchase, Sale or Redemption of Listed Securities of the Company

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

REVIEW OF THE RESULTS

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 Information 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 (http://www.hkex.com.hk) and the Company's website (www.imagi.com.hk). The interim report containing all information required by the Listing Rules will be despatched to the Shareholders and will also be available on 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, 25 August 2017

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