



2018

INTERIM REPORT

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MANAGEMENT DISCUSSION AND ANALYSIS

Highlights

For the six months ended 30 June	2018 HK\$'000	2017 HK\$'000
Group revenue	263,714	447,783
– from toy business	136,694	322,285
– from property investments and associated businesses	123,324	122,759
– from investment business	3,696	2,739
Gross profit	181,780	296,945
Revaluation surplus/(deficit) on investment properties	160,465	(27,162)
Operating profit	216,896	112,224
Profit before income tax	214,584	111,012
Profit attributable to owners of the Company	219,377	69,506
Earnings per share	HK cents	HK cents
– Basic	10.95	3.28
– Diluted	10.95	3.28
Interim dividend per share	1.50	1.00
Special interim dividend per share	10.00	2.00

Property Investments and Associated Businesses

The property investments and associated businesses recorded a 0.4% growth in revenue to HK\$123.3 million during the first half of 2018 compared to the same period last year (same period in 2017: HK\$122.8 million). Revenue from the property investments and property management businesses increased by 0.4% to HK\$112.3 million (same period in 2017: HK\$111.8 million), while revenue generated from the food and beverage business was approximately flat compared to the first half of 2017 at HK\$11.0 million. The Group's investment properties were revalued by independent professional surveyors at the fair value of HK\$5.7 billion. A revaluation surplus of HK\$160.5 million was reported in the consolidated income statement of the Group, compared to a HK\$27.2 million deficit for the same period last year. Segment operating profit was HK\$255.1 million (including revaluation surplus), compared to segment operating profit of HK\$65.8 million (including revaluation deficit) for the same period last year.

(a) Property Investments

The Group's major investment properties include (i) a commercial building, The Toy House, at 100 Canton Road; (ii) a number of residential units at Hillview, 21-23A MacDonnell Road, and (iii) Playmates Factory Building at 1 Tin Hau Road, Tuen Mun. The Group's property portfolio also includes a number of overseas investment properties in the United Kingdom, the United States of America and Japan, which in aggregate accounted for 7.8% of the fair value of the Group's overall investment property portfolio (31 December 2017: 8.1%).

Aggregate rental income generated from the investment properties of the Group remained stable at HK\$102.7 million in both periods, with an overall occupancy rate of 78% (31 December 2017: 80%).

(i) Commercial

The Group's investments in commercial properties consist of the building, The Toy House, on Canton Road in Tsimshatsui, Kowloon, Hong Kong. With a flagship store of a leading global brand, the building is a landmark on Canton Road, which is one of the premier shopping districts in Hong Kong.

(ii) Residential

The Group's principal investments in residential properties include a number of units in Hillview on MacDonnell Road, Mid-Levels, Hong Kong. The demand for luxury residential units in Hong Kong Mid-Levels continued to be subdued during the first half of 2018. Over the longer term, we remain confident that Hillview will benefit from resilient demand for and limited supply of up-market residential properties in Mid-Levels.

We continue to explore leasing opportunities for the overseas residential properties.

(iii) Industrial

The Group's investments in industrial properties consist of Playmates Factory Building in Tuen Mun, New Territories, Hong Kong. We are optimistic that this investment will benefit from further developments in Tuen Mun.

(b) Property Management

The Group engaged Savills Property Management Limited (“Savills”) to manage The Toy House and Playmates Factory Building. Savills provides comprehensive property management services, including repair and maintenance, building security, general cleaning for common areas, hand-over and take-over of premises, and the monitoring of reinstatement and refurbishment works.

Income generated from the property management business segment increased by 5.5% to HK\$9.6 million as compared to HK\$9.1 million during the same period last year.

(c) Food & Beverage Business

Revenue generated from the food and beverage business was approximately flat compared to the first half of 2017 at HK\$11.0 million.

While we maintain a long term view of our property investments and associated businesses, we will continue to adjust the balance of our property portfolio to achieve our strategic objective of seeking investment returns through capital appreciation and growth in recurring income.

Playmates Toys

Playmates Toys group worldwide turnover during the first half of 2018 was HK\$137 million (same period in 2017: HK\$322 million), a decrease of 57.6% compared to the prior year period. The decrease in turnover was a result of the planned limiting of the supply of *Teenage Mutant Ninja Turtles (“TMNT”)* products in order to prepare for a fresh beginning of the next iteration starting in the fourth quarter of 2018.

Gross profit ratio on toy sales was 47.2% (same period in 2017: 56.0%). The decrease in gross profit ratio was attributable mainly to: (i) a higher percentage of overall sales generated in International markets compared to the prior year period, (ii) clearance of non-carry forward products in the US market, and (iii) higher development and tooling expenses as a percentage of sales to prepare for new product introductions starting in Fall 2018. Recurring operating expenses decreased by 33.9% compared to the prior year period, reflecting lower marketing, selling, and distribution expenses, and stable overhead expenses.

Playmates Toys group reported a net loss for the period of HK\$31 million (same period in 2017: Net profit of HK\$37 million) which included a provision for doubtful debts of HK\$9.5 million for the trade receivables of Toys “R” Us, Inc..

We expect a stronger second half of 2018, driven by the launch of *Rise of the Teenage Mutant Ninja Turtles* in the fourth quarter, and the continuation of *Ben 10* toy shipments throughout the year. We will also launch two internally-developed product lines, *Kuroba* and *Tiny Toes*, in Fall 2018.

Portfolio Investments

The Group engages in portfolio investments which involve investing in listed equity shares and managed funds. The investment policy provides for a set of prudent guidance and control framework to achieve the objective of managing a portfolio that is highly liquid and offers reasonable risk-adjusted returns through capital appreciation and dividend and interest income.

As at 30 June 2018, fair market value of the Group's investment portfolio was HK\$225.0 million (31 December 2017: HK\$138.0 million) representing 2.9% of the total assets of the Group (31 December 2017: 1.8%). This comprised HK\$99.5 million of equities listed in Hong Kong (31 December 2017: HK\$59.8 million), HK\$119.8 million of equities listed overseas (31 December 2017: HK\$72.4 million) and HK\$5.7 million of unlisted managed funds (31 December 2017: HK\$5.8 million). None of the individual securities positions held by the Group had a market value that exceeded 0.3% of the total assets of the Group. The top 10 listed securities in aggregate represented 1.6% of the total assets of the Group and included Wharf Real Estate Investment Company Limited (1997.HK), Swire Pacific Limited (19.HK), Sun Hung Kai Properties Limited (16.HK), Henderson Land Development Company Limited (12.HK), Amazon.com, Inc. (AMZN.US), New World Development Company Limited (17.HK), HSBC Holdings plc (5.HK), Hong Kong Exchanges and Clearing Limited (388.HK), Alphabet Inc. (GOOG.US) and JPMorgan Chase & Co. (JPM.US).

The Group reported a net gain from investments of HK\$6.0 million in the first half of 2018 (same period in 2017: HK\$12.3 million). During the first half of 2018, dividend and interest income generated from the portfolio were HK\$11.0 million (first half of 2017: HK\$7.6 million).

The Group will remain vigilant in monitoring and balancing the investment portfolio, taking into account developments in the major global economies and securities markets.

CONDENSED CONSOLIDATED FINANCIAL INFORMATION

Condensed Consolidated Income Statement

For the six months ended 30 June 2018

	Note	Unaudited Six months ended 30 June		
		2018 US\$'000 (Note 20)	2018 HK\$'000	2017 HK\$'000
Revenue	3	33,810	263,714	447,783
Cost of sales		(10,504)	(81,934)	(150,838)
Gross profit		23,306	181,780	296,945
Marketing expenses		(3,853)	(30,050)	(75,204)
Selling and distribution expenses		(894)	(6,975)	(12,596)
Administration expenses		(10,549)	(82,273)	(81,083)
Impairment loss on trade receivables		(1,222)	(9,531)	–
Net gain on financial assets at fair value through profit or loss		446	3,480	11,324
Revaluation surplus/(deficit) on investment properties		20,572	160,465	(27,162)
Operating profit		27,806	216,896	112,224
Other net income	4	1,011	7,883	6,307
Finance costs		(1,307)	(10,195)	(7,519)
Profit before income tax	5	27,510	214,584	111,012
Income tax expense	6	(1,337)	(10,432)	(23,151)
Profit for the period		26,173	204,152	87,861
Profit/(Loss) for the period attributable to:				
Owners of the Company		28,125	219,377	69,506
Non-controlling interests		(1,952)	(15,225)	18,355
		26,173	204,152	87,861
		<i>US cents</i>	<i>HK cents</i>	<i>HK cents</i>
Earnings per share	8			
Basic		1.40	10.95	3.28
Diluted		1.40	10.95	3.28

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2018

	Unaudited		
	Six months ended 30 June		
	2018	2018	2017
	US\$'000	HK\$'000	HK\$'000
	(Note 20)		
Profit for the period	26,173	204,152	87,861
Other comprehensive income:			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign subsidiaries	<u>(260)</u>	<u>(2,024)</u>	<u>17,598</u>
Total comprehensive income for the period	<u>25,913</u>	<u>202,128</u>	<u>105,459</u>
Total comprehensive income attributable to:			
Owners of the Company	<u>27,865</u>	<u>217,353</u>	87,104
Non-controlling interests	<u>(1,952)</u>	<u>(15,225)</u>	18,355
	<u>25,913</u>	<u>202,128</u>	<u>105,459</u>

Condensed Consolidated Statement of Financial Position

As at 30 June 2018

		Unaudited 30 June 2018 US\$'000 (Note 20)	Unaudited 30 June 2018 HK\$'000	Audited 31 December 2017 HK\$'000
Non-current assets				
Fixed assets				
– Investment properties	9	728,043	5,678,738	5,502,632
– Other property, plant and equipment	9	32,650	254,667	264,119
		<u>760,693</u>	<u>5,933,405</u>	5,766,751
Prepayments for fixed assets		175	1,368	4,110
Goodwill		766	5,976	5,976
Interest in an associated company		759	5,920	5,920
Deferred tax assets		4,389	34,234	29,165
		<u>766,782</u>	<u>5,980,903</u>	<u>5,811,922</u>
Current assets				
Inventories		2,256	17,595	22,904
Trade receivables	10	5,314	41,451	170,640
Deposits paid, other receivables and prepayments	11	7,116	55,504	46,426
Taxation recoverable		431	3,359	17,391
Financial assets at fair value through profit or loss		28,848	225,015	137,955
Cash and bank balances		185,949	1,450,400	1,423,626
		<u>229,914</u>	<u>1,793,324</u>	<u>1,818,942</u>
Current liabilities				
Bank loans	12	60,824	474,425	478,125
Trade payables	13	3,680	28,706	26,126
Deposits received, other payables and accrued charges	14	20,286	158,236	198,124
Loan from an associated company		748	5,831	5,831
Provisions		5,816	45,368	42,157
Taxation payable		3,445	26,869	16,376
		<u>94,799</u>	<u>739,435</u>	<u>766,739</u>
Net current assets		<u>135,115</u>	<u>1,053,889</u>	<u>1,052,203</u>
Total assets less current liabilities		<u>901,897</u>	<u>7,034,792</u>	<u>6,864,125</u>

		Unaudited 30 June 2018 US\$'000 (Note 20)	Unaudited 30 June 2018 HK\$'000	Audited 31 December 2017 HK\$'000
Non-current liabilities				
Bank loans	12	26,330	205,375	103,250
Deferred tax liabilities		3,893	30,363	31,023
		<u>30,223</u>	<u>235,738</u>	<u>134,273</u>
Net assets		<u>871,674</u>	<u>6,799,054</u>	<u>6,729,852</u>
Equity				
Share capital	15	2,553	19,911	20,278
Reserves		807,120	6,295,535	6,179,207
		<u>809,673</u>	<u>6,315,446</u>	<u>6,199,485</u>
Equity attributable to owners of the Company		<u>809,673</u>	<u>6,315,446</u>	<u>6,199,485</u>
Non-controlling interests		<u>62,001</u>	<u>483,608</u>	<u>530,367</u>
Total equity		<u>871,674</u>	<u>6,799,054</u>	<u>6,729,852</u>

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2018

	Unaudited		
	Six months ended 30 June		
	2018	2018	2017
	<i>US\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Note 20)</i>		
Operating activities			
Cash generated from operations	11,327	88,360	203,815
Overseas tax paid	(652)	(5,086)	(8,902)
Hong Kong tax refunded	1,720	13,414	–
Other cash flows arising from operating activities	(525)	(4,096)	(2,767)
Net cash generated from operating activities	<u>11,870</u>	<u>92,592</u>	<u>192,146</u>
Investing activities			
Capitalised subsequent expenditure on investment properties	(1,636)	(12,761)	(13,462)
Purchases of other property, plant and equipment	(44)	(341)	(10,186)
Purchases of financial assets at fair value through profit or loss	(5,399)	(42,113)	(18,514)
Proceeds from disposal of financial assets at fair value through profit or loss	3,079	24,018	30,764
Other cash flows arising from investing activities	763	5,950	4,869
Net cash used in investing activities	<u>(3,237)</u>	<u>(25,247)</u>	<u>(6,529)</u>
Financing activities			
Dividends paid to owners of the Company	(7,719)	(60,210)	(48,150)
Dividends paid to non-controlling interests	(2,232)	(17,409)	(30,535)
New bank loans	14,103	110,000	110,000
Repayment of bank loans	(1,740)	(13,575)	(18,800)
Repurchase of shares of the Company	(5,269)	(41,096)	(88,386)
Repurchase of its own shares by a listed subsidiary	(2,170)	(16,927)	(16,408)
Other cash flows arising from financing activities	54	419	600
Net cash used in financing activities	<u>(4,973)</u>	<u>(38,798)</u>	<u>(91,679)</u>
Net increase in cash and cash equivalents	3,660	28,547	93,938
Cash and cash equivalents at 1 January	182,516	1,423,626	1,388,706
Effect of foreign exchange rate changes	(227)	(1,773)	1,931
Cash and cash equivalents at 30 June	<u>185,949</u>	<u>1,450,400</u>	<u>1,484,575</u>
<i>Analysis of cash and cash equivalents</i>			
Cash and bank balances	<u>185,949</u>	<u>1,450,400</u>	<u>1,484,575</u>

Condensed Consolidated Statement of Changes in Equity
For the six months ended 30 June 2018

	Unaudited											
	Attributable to owners of the Company											
	Share capital	Share premium	Capital redemption reserve	Share repurchase reserve	Reserve on consolidation	Exchange reserve	Share-based compensation reserve	Property revaluation reserve	Retained profits	Total	Non-controlling interests	Total equity
HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
At 1 January 2017	21,582	1,856	6,129	(3,163)	769,592	(50,645)	4,293	31,812	5,358,375	6,139,831	569,978	6,709,809
Profit for the period	-	-	-	-	-	-	-	-	69,506	69,506	18,355	87,861
Other comprehensive income:												
Exchange differences arising on translation of foreign subsidiaries	-	-	-	-	-	17,598	-	-	-	17,598	-	17,598
Total comprehensive income for the period	-	-	-	-	-	17,598	-	-	69,506	87,104	18,355	105,459
Repurchase of shares of the Company	(782)	-	782	(6,934)	(80,670)	-	-	-	(782)	(88,386)	-	(88,386)
Repurchase of its own shares by a listed subsidiary	-	-	-	(1,625)	(6,544)	-	-	-	-	(8,169)	(8,239)	(16,408)
Share option scheme – shares issued	-	-	-	-	506	-	(207)	-	-	299	301	600
2016 second interim dividend paid	-	-	-	-	(16,050)	-	-	-	-	(16,050)	-	(16,050)
2016 special interim dividend paid	-	-	-	-	(32,100)	-	-	-	-	(32,100)	-	(32,100)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(30,535)	(30,535)
Changes in ownership interests in subsidiaries without change of control	-	-	-	-	-	-	-	-	4,243	4,243	(4,243)	-
Transactions with owners	(782)	-	782	(8,559)	(134,858)	-	(207)	-	3,461	(140,163)	(42,716)	(182,879)
At 30 June 2017	20,800	1,856	6,911	(11,722)	634,734	(33,047)	4,086	31,812	5,431,342	6,086,772	545,617	6,632,389

Unaudited
Attributable to owners of the Company

	Share capital	Share premium	Capital redemption reserve	Share repurchase reserve	Reserve on consolidation	Exchange reserve	Share-based compensation reserve	Property revaluation reserve	Retained profits	Total	Non-controlling interests	Total equity
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
At 1 January 2018	20,278	1,856	7,433	(3,329)	510,684	(21,125)	3,912	31,812	5,647,964	6,199,485	530,367	6,729,852
Profit for the period	-	-	-	-	-	-	-	-	219,377	219,377	(15,225)	204,152
Other comprehensive income:												
Exchange differences arising on translation of foreign subsidiaries	-	-	-	-	-	(2,024)	-	-	-	(2,024)	-	(2,024)
Total comprehensive income for the period	-	-	-	-	-	(2,024)	-	-	219,377	217,353	(15,225)	202,128
Repurchase of shares of the Company	(367)	-	367	(2,122)	(38,607)	-	-	-	(367)	(41,096)	-	(41,096)
Repurchase of its own shares by a listed subsidiary	-	-	-	461	(9,068)	-	-	-	-	(8,607)	(8,320)	(16,927)
Share option scheme												
- value of services	-	-	-	-	-	-	1,169	-	-	1,169	1,128	2,297
- shares issued	-	-	-	-	360	-	(147)	-	-	213	206	419
2017 second interim dividend paid	-	-	-	-	(20,070)	-	-	-	-	(20,070)	-	(20,070)
2017 special interim dividend paid	-	-	-	-	(40,140)	-	-	-	-	(40,140)	-	(40,140)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(17,409)	(17,409)
Changes in ownership interests in subsidiaries without change of control	-	-	-	-	-	-	-	-	7,139	7,139	(7,139)	-
Transactions with owners	(367)	-	367	(1,661)	(107,525)	-	1,022	-	6,772	(101,392)	(31,534)	(132,926)
At 30 June 2018	19,911	1,856	7,800	(4,990)	403,159	(23,149)	4,934	31,812	5,874,113	6,315,446	483,608	6,799,054

Notes to the Condensed Consolidated Financial Information

1. Basis of preparation and accounting policies

This condensed consolidated financial information has been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

This condensed consolidated financial information should be read in conjunction with the 2017 annual financial statements.

The accounting policies used in the preparation of this condensed consolidated financial information are consistent with those used in the annual financial statements for the year ended 31 December 2017, except for the accounting policy changes that are expected to be reflected in the 2018 annual financial statements. Details of any changes in accounting policies are set out in note 2.

2. Changes in accounting policies

The HKICPA has issued a number of new standards, amendments and interpretations to Hong Kong Financial Reporting Standards (“HKFRSs”) that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group’s financial statements:

- HKFRS 9, *Financial instruments*
- HKFRS 15, *Revenue from contracts with customers*
- HK(IFRIC) 22, *Foreign currency transactions and advance consideration*
- Amendments to HKAS 40, *Investment property: Transfer of investment property*

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

Details of the changes in accounting policies for HKFRS 9, HKFRS 15, HK(IFRIC) 22 and Amendments to HKAS 40 are discussed in note 2(a), 2(b), 2(c) and 2(d) respectively.

Upon initial application of the above new standards, amendments and interpretations, there is no significant impact to the Group’s financial statements and accordingly no adjustment to the opening balance of equity at 1 January 2018 and no restatement to the comparative information are required.

(a) HKFRS 9, *Financial instruments*

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

(i) Classification of financial assets and financial liabilities

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

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

- amortised cost, if the financial asset is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the financial asset is calculated using the effective interest method;
- FVOCI-recycling, if the contractual cash flows of the financial asset comprise solely payments of principal and interest and the financial asset is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the financial asset is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss; or
- FVPL, if the financial asset does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the financial asset (including interest) are recognised in profit or loss.

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

The Group's financial assets measured at amortised cost and FVPL continue with their respective classification and measurements upon initial application of HKFRS 9. The Group does not have any financial assets classified as FVOCI.

The classification and measurement requirements for financial liabilities under HKFRS 9 are largely unchanged from HKAS 39, except that HKFRS 9 requires the fair value change of a financial liability designated at FVPL that is attributable to changes of that financial liabilities' credit risk to be recognized in other comprehensive income (non-recycling).

The Group does not have any financial liabilities designated at FVPL and therefore the new requirement on financial liabilities does not have any impact on the Group.

(ii) Impairment

HKFRS 9 replaces the "incurred loss" model in HKAS 39 with the "expected credit loss" ("ECL") model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the "incurred loss" accounting model in HKAS 39.

The Group applies the new ECL model to financial assets measured at amortised cost. Financial assets measured at fair value through profit or loss are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive). ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial assets, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

As a result of this change in accounting policy on financial assets impairment, there is no significant impact to the Group's financial statements and accordingly no adjustment to the opening balance of equity at 1 January 2018 and no restatement to the comparative information are required.

(b) HKFRS 15, *Revenue from contracts with customers*

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

(i) *Timing of revenue recognition*

Previously, revenue arising from provision of services was recognised over time, whereas revenue from sale of goods was generally recognised at a point in time when the risks and rewards of ownership of the goods had passed to the customers.

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised goods or service in the contract. This may be at a single point in time or over time. HKFRS 15 identifies the following three situations in which control of the promised goods or service is regarded as being transferred over time:

A – When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

B – When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

C – When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15 the entity recognises revenue for the sale of that goods or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that is considered in determining when the transfer of control occurs.

The adoption of HKFRS 15 does not have any impact on the timing the Group recognises revenue.

(ii) Presentation of contract assets and liabilities

Under HKFRS 15, a receivable is recognised only if the Group has an unconditional right to consideration. If the Group recognises the related revenue before receiving the consideration or being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset. Similarly, a contract liability, rather than a payable, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue.

HKFRS 15 does not prohibit an entity from using alternative descriptions in the statement of financial position for contract assets and contract liabilities, provided that sufficient information is available for a financial statements user to distinguish between receivables and contract assets, payables and contract liabilities. The Group does not have any significant contract asset and continues to use the term “deposits from customers, distributors and tenants” instead of contract liability in the financial statements.

(iii) Disclosures

HKFRS 15 requires that an entity shall disaggregate revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. Accordingly, the Group has expanded its revenue disclosures in note 3 “Revenue and segment reporting”.

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

This interpretation provides guidance on determining “the date of the transaction” for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income arising from a transaction in which an entity receives or pays advance consideration in a foreign currency. The Interpretation clarifies that “the date of the transaction” is the date on initial recognition of the non-monetary asset or liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the date of the transaction for each payment or receipt should be determined in this way. The adoption of HK(IFRIC) 22 does not have any significant impact on the financial position and the financial result of the Group.

(d) Amendments to HKAS 40, *Investment property: Transfer of investment property*

The amendments provide guidance on deciding when there is a change in use to transfer a property to or from investment property. The amendments clarify that a change in use occurs when the property meets or ceases to meet the definition of investment property and there is evidence of the change in use. The amendments also re-characterise the list of evidence provided in the standard as a non-exhaustive list of examples i.e. other forms of evidence may support a transfer. The adoption of amendments to HKAS 40 does not have any impact on the financial position and the financial result of the Group.

3. Revenue and segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the Group's senior executive management for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. Based on the internal reports reviewed by the senior executive management of the Group that are used to make strategic decision, the Group has presented the following three reportable segments.

Property investments and associated businesses: this segment invests and leases commercial, industrial and residential premises for rental income, to gain from the appreciation in properties' values in the long term and to provide property management services for property management fee income, and operates restaurants.

Investment business: this segment invests in financial instruments including listed equity and managed funds for interest income and dividend income and to gain from the appreciation in instruments' values.

Toy business: this segment engages in the design, development, marketing and distribution of toys and family entertainment activity products.

Revenue by major products or service lines is as follows:

	Six months ended 30 June	
	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
Sale of toys	136,694	322,285
Rental income from investment properties	102,642	102,632
Property management income	9,646	9,146
Restaurant income	11,036	10,981
Dividend income	2,222	1,515
Interest income	1,474	1,224
	<hr/>	<hr/>
Total revenue	263,714	447,783
	<hr/> <hr/>	<hr/> <hr/>

3.1 Segment results, assets and liabilities

The Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment to assess segment performance and allocate resources between segments.

Inter-segment revenue represents inter-company rental and property management fee charged on properties owned by the Group. Inter-segment transactions are conducted at arm's length.

The segment results for the six months ended 30 June 2018 are as follows:

	Property investments and associated businesses <i>HK\$'000</i>	Investment business <i>HK\$'000</i>	Toy business <i>HK\$'000</i>	Total <i>HK\$'000</i>
Gross segment revenue disaggregated by timing of revenue recognition				
– Point in time	11,036	2,222	136,694	149,952
– Over time	118,662	1,474	–	120,136
Inter-segment revenue	<u>(6,374)</u>	<u>–</u>	<u>–</u>	<u>(6,374)</u>
Revenue from external customers	<u>123,324</u>	<u>3,696</u>	<u>136,694</u>	<u>263,714</u>
Segment profit/(loss) before depreciation	261,435	6,994	(39,016)	229,413
Depreciation	<u>(6,337)</u>	<u>–</u>	<u>(2,520)</u>	<u>(8,857)</u>
Segment operating profit/(loss)	<u>255,098</u>	<u>6,994</u>	<u>(41,536)</u>	<u>220,556</u>
Other net (loss)/income	(2,000)	–	9,883	7,883
Finance costs	<u>(7,817)</u>	<u>(71)</u>	<u>(2,114)</u>	<u>(10,002)</u>
	<u>(9,817)</u>	<u>(71)</u>	<u>7,769</u>	<u>(2,119)</u>
Segment profit/(loss) before income tax	<u>245,281</u>	<u>6,923</u>	<u>(33,767)</u>	218,437
Unallocated corporate expenses				<u>(3,853)</u>
Profit before income tax				<u>214,584</u>

The segment results for the six months ended 30 June 2017 are as follows:

	Property investments and associated businesses <i>HK\$'000</i>	Investment business <i>HK\$'000</i>	Toy business <i>HK\$'000</i>	Total <i>HK\$'000</i>
Gross segment revenue disaggregated by timing of revenue recognition				
– Point in time	10,981	1,515	322,285	334,781
– Over time	118,019	1,224	–	119,243
Inter-segment revenue	(6,241)	–	–	(6,241)
Revenue from external customers	<u>122,759</u>	<u>2,739</u>	<u>322,285</u>	<u>447,783</u>
Segment profit before depreciation	71,995	13,606	37,404	123,005
Depreciation	(6,221)	–	(2,702)	(8,923)
Segment operating profit	<u>65,774</u>	<u>13,606</u>	<u>34,702</u>	<u>114,082</u>
Other net (loss)/income	(4,250)	–	10,557	6,307
Finance costs	(5,801)	(8)	(1,446)	(7,255)
	<u>(10,051)</u>	<u>(8)</u>	<u>9,111</u>	<u>(948)</u>
Segment profit before income tax	<u>55,723</u>	<u>13,598</u>	<u>43,813</u>	113,134
Unallocated corporate expenses				<u>(2,122)</u>
Profit before income tax				<u>111,012</u>

The segment assets and liabilities as at 30 June 2018 are as follows:

	Property investments and associated businesses <i>HK\$'000</i>	Investment business <i>HK\$'000</i>	Toy business <i>HK\$'000</i>	Total <i>HK\$'000</i>
Reportable segment assets				
(including cash and bank balances)	5,971,761	614,116	1,143,316	7,729,193
Interest in an associated company	–	–	5,920	5,920
	<u>5,971,761</u>	<u>614,116</u>	<u>1,149,236</u>	<u>7,735,113</u>
Total reportable segment assets				
	<u>5,971,761</u>	<u>614,116</u>	<u>1,149,236</u>	<u>7,735,113</u>
Inter-segment elimination	–	–	(1,670)	(1,670)
Deferred tax assets				34,234
Taxation recoverable				3,359
Unallocated assets				<u>3,191</u>
Total assets				<u><u>7,774,227</u></u>
Reportable segment liabilities	<u>730,249</u>	<u>–</u>	<u>187,676</u>	917,925
Inter-segment elimination	(1,670)	–	–	(1,670)
Deferred tax liabilities				30,363
Taxation payable				26,869
Unallocated liabilities				<u>1,686</u>
Total liabilities				<u><u>975,173</u></u>

The segment assets and liabilities as at 31 December 2017 are as follows:

	Property investments and associated businesses <i>HK\$'000</i>	Investment business <i>HK\$'000</i>	Toy business <i>HK\$'000</i>	Total <i>HK\$'000</i>
Reportable segment assets				
(including cash and bank balances)	5,815,481	508,199	1,254,764	7,578,444
Interest in an associated company	–	–	5,920	5,920
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total reportable segment assets	<u>5,815,481</u>	<u>508,199</u>	<u>1,260,684</u>	7,584,364
Inter-segment elimination	–	–	(1,669)	(1,669)
Deferred tax assets				29,165
Taxation recoverable				17,391
Unallocated assets				<u>1,613</u>
Total assets				<u>7,630,864</u>
Reportable segment liabilities	<u>629,130</u>	<u>–</u>	<u>224,064</u>	853,194
Inter-segment elimination	(1,669)	–	–	(1,669)
Deferred tax liabilities				31,023
Taxation payable				16,376
Unallocated liabilities				<u>2,088</u>
Total liabilities				<u>901,012</u>

3.2 Geographical information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's fixed assets, prepayments for fixed assets, goodwill and interest in an associated company ("specified non-current assets"). The geographical location of revenue is based on the country in which the customer is located. The geographical location of the specified non-current assets is based on the physical location of the assets in case of fixed assets, prepayments for fixed assets, the location of operation to which they are allocated in case of goodwill, and the location of operation in case of interest in an associated company.

	Revenue from external customers		Specified non-current assets	
	Six months ended 30 June		30 June	31 December
	2018	2017	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong (place of domicile)	<u>125,938</u>	<u>124,729</u>	<u>5,431,533</u>	<u>5,263,581</u>
Americas				
– U.S.A.	70,462	213,620	197,703	198,461
– Others	19,816	19,800	–	–
Europe	27,832	64,418	223,048	228,338
Asia Pacific other than Hong Kong	17,912	22,395	94,385	92,377
Others	<u>1,754</u>	<u>2,821</u>	<u>–</u>	<u>–</u>
	<u>137,776</u>	<u>323,054</u>	<u>515,136</u>	<u>519,176</u>
	<u>263,714</u>	<u>447,783</u>	<u>5,946,669</u>	<u>5,782,757</u>

3.3 Major customers

The Group's customer base is diversified and includes two (2017: four) customers with each of whom transactions have exceeded 10% of the Group's total revenue. Revenue from sales to each of these customers amounted to approximately HK\$79,915,000 and HK\$33,207,000 (2017: HK\$82,403,000, HK\$76,986,000, HK\$54,257,000 and HK\$51,609,000) respectively.

4. Other net income

	Six months ended 30 June	
	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net foreign exchange loss on translation of bank loans	(2,000)	(4,250)
Net investment gain and income from Playmates Toys' treasury investments	9,855	5,801
Others	<u>28</u>	<u>4,756</u>
	<u>7,883</u>	<u>6,307</u>

5. Profit before income tax

Profit before income tax is stated after charging/(crediting) the following:

	Six months ended 30 June	
	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Cost of inventories sold	64,078	126,540
Product development and tooling costs	10,734	11,936
Royalties expenses	19,787	42,734
Directors' and staff remunerations	44,104	43,379
Depreciation of other property, plant and equipment	9,085	9,329
Interest on borrowings	7,792	5,506
Net foreign exchange loss/(gain)	1,996	(455)
Impairment loss on trade receivables	9,531	–
	<u> </u>	<u> </u>

6. Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% (2017: 16.5%) on the estimated assessable profits for the period. Overseas taxation of overseas subsidiaries is provided in accordance with the applicable tax laws.

	Six months ended 30 June	
	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Current taxation		
Hong Kong profits tax	14,531	25,567
Overseas taxation	1,685	11,345
Over provision in prior years – Hong Kong	(20)	–
	<u> </u>	<u> </u>
	16,196	36,912
Deferred taxation		
Origination and reversal of temporary differences	(5,764)	(13,761)
	<u> </u>	<u> </u>
Income tax expense	<u>10,432</u>	<u>23,151</u>

7. Dividends

7.1 Dividends attributable to the interim period

	Six months ended 30 June	
	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interim dividend of HK cents 1.50 per share (2017: HK cents 1.00 per share)	29,760	20,655
Special interim dividend of HK cents 10.00 per share (2017: HK cents 2.00 per share)	198,400	41,309
	<u>228,160</u>	<u>61,964</u>

At a meeting held on 10 August 2018, the board of directors has resolved to pay an interim dividend of HK cents 1.5 per share (“Interim Dividend”). In addition, in view of the surplus cash available in the Group and current uncertainties in the global investment climate, the board of directors has resolved to pay a one-time special interim dividend of HK cents 10 per share (“Special Interim Dividend”). The Interim Dividend and the Special Interim Dividend will be payable to the shareholders whose names appear on the Company’s Register of Members on 29 August 2018. The Interim Dividend will be paid in the form of cash and the Special Interim Dividend will be payable in cash with a scrip dividend alternative, details of which are disclosed in the section headed “Additional Information on Interim Dividends” in this interim report.

The Interim Dividend and Special Interim Dividend declared after the end of the reporting period have not been recognised as liabilities in this condensed consolidated financial information for the six months ended 30 June 2018.

7.2 Dividends attributable to the previous financial year and paid during the interim period

	Six months ended 30 June	
	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
Dividends in respect of the previous financial year and paid during the interim period:		
Second interim dividend of HK cents 1.00 per share (2017: HK cents 0.75 per share)	20,070	16,050
Second special interim dividend of HK cents 2.00 per share (2017: HK cents 1.50 per share)	40,140	32,100
	<u>60,210</u>	<u>48,150</u>

8. Earnings per share

The calculation of basic earnings per share is based on the profit attributable to owners of the Company of HK\$219,377,000 (2017: HK\$69,506,000) and the weighted average number of ordinary shares of 2,003,482,000 shares (2017: 2,118,704,000 shares) in issue during the period.

Diluted earnings per share for the six months ended 30 June 2018 and 2017 equals to the basic earnings per share as there were no potential ordinary shares.

The dilutive effect of the share options issued by the Group's listed subsidiary, Playmates Toys Limited was insignificant for the six months ended 30 June 2018 and 2017.

9. Investment properties and other property, plant and equipment

	Investment properties HK\$'000	Other property, plant and equipment HK\$'000
Opening net book amount as at 1 January 2018	5,502,632	264,119
Exchange fluctuation	(1,229)	(707)
Additions	–	341
Capitalised subsequent expenditure	16,870	–
Revaluation surplus	160,465	–
Disposals	–	(1)
Depreciation	–	(9,085)
Closing net book amount as at 30 June 2018	5,678,738	254,667
Opening net book amount as at 1 January 2017	5,378,426	264,524
Exchange fluctuation	14,723	2,696
Additions	–	10,186
Capitalised subsequent expenditure	13,462	–
Revaluation deficit	(27,162)	–
Depreciation	–	(9,329)
Closing net book amount as at 30 June 2017	5,379,449	268,077
Exchange fluctuation	7,350	1,801
Additions	–	3,610
Capitalised subsequent expenditure	7,535	–
Revaluation surplus	108,298	–
Disposals	–	(145)
Depreciation	–	(9,224)
Closing net book amount as at 31 December 2017	5,502,632	264,119

10. Trade receivables

	30 June 2018 HK\$'000	31 December 2017 HK\$'000
Trade receivables	66,719	188,522
Less: Allowance for impairment	(12,195)	(2,664)
Less: Allowance for customer concession	(13,073)	(15,218)
	<u>41,451</u>	<u>170,640</u>

The Group grants credits to retail customers of the toy business to facilitate the sale of slow moving merchandise held by such customers. Such allowance for customer concession is arrived at by using available contemporary and historical information to evaluate the exposure.

The normal trade terms with toy business customers are letters of credit at sight or usance or on open accounts with credit term in the range of 60 to 90 days. For property investments and management business, and restaurant operations, no credit term is granted to tenants and customers. The following is an aging analysis of trade receivables based on the invoice date at the end of the reporting period:

	30 June 2018 HK\$'000	31 December 2017 HK\$'000
0 – 60 days	23,877	126,361
61 – 90 days	5,383	34,096
91 – 180 days	7,729	2,442
Over 180 days	4,462	7,741
	<u>41,451</u>	<u>170,640</u>

11. Deposits paid, other receivables and prepayments

Deposits paid, other receivables and prepayments include receivables related to rent free periods given to tenants of HK\$30,454,000 (31 December 2017: HK\$33,962,000), which are amortised over the respective lease terms.

12. Bank loans

	30 June 2018 HK\$'000	31 December 2017 HK\$'000
Secured bank loans repayable		
Within one year	474,425	478,125
In the second year	9,000	4,500
In the third to fifth years	27,000	13,500
After five years	169,375	85,250
	<u>679,800</u>	<u>581,375</u>
Current portion included in current liabilities	<u>(474,425)</u>	<u>(478,125)</u>
Non-current portion	<u>205,375</u>	<u>103,250</u>

Except for bank loans amounted to HK\$88,625,000 denominated in Japanese Yen (31 December 2017: HK\$86,625,000), all bank loans were denominated in HK dollar. All bank loans were on a floating interest rate basis and their effective interest rate at the end of the reporting period was 2.96% p.a. (31 December 2017: 2.65% p.a.).

As at 30 June 2018, the Group has banking facilities amounting to HK\$743,175,000 (31 December 2017: HK\$752,350,000), of which HK\$679,800,000 (31 December 2017: HK\$581,375,000) were utilised.

The banking facilities of certain subsidiaries are secured by investment properties and land and buildings of the Group with net book value of HK\$5,032,500,000 and HK\$175,956,000 respectively at 30 June 2018 (31 December 2017: HK\$4,863,100,000 and HK\$180,231,000).

13. Trade payables

The following is an aging analysis of trade payables based on the invoice date at the end of the reporting period:

	30 June 2018 HK\$'000	31 December 2017 HK\$'000
0 – 30 days	23,755	22,583
31 – 60 days	2,377	2,647
Over 60 days	2,574	896
	<u>28,706</u>	<u>26,126</u>

14. Deposits received, other payables and accrued charges

	30 June 2018 HK\$'000	31 December 2017 HK\$'000
Deposits from customers, distributors and tenants	103,516	102,339
Accrued product development, sales, marketing and distribution expenses	2,250	12,645
Accrued royalties	29,517	57,533
Accrued directors' and staff remunerations	5,214	10,710
Withholding tax payable	3,801	2,968
Other accrued expenses	13,938	11,929
	<u>158,236</u>	<u>198,124</u>

15. Share capital

	Authorised Ordinary shares of HK\$0.01 each	
	<i>No. of shares</i>	<i>HK\$'000</i>
At 31 December 2017 and 30 June 2018	<u>30,000,000,000</u>	<u>300,000</u>
	Issued and fully paid Ordinary shares	
	<i>No. of shares</i>	<i>HK\$'000</i>
At 1 January 2017, HK\$0.10 each	215,822,000	21,582
Cancellation of repurchased shares, HK\$0.10 each	(6,742,000)	(674)
Share Subdivision (<i>Note (ii)</i>)	1,881,720,000	–
Cancellation of repurchased shares, HK\$0.01 each (<i>Note (i)</i>)	(63,018,000)	(630)
	<u>2,027,782,000</u>	<u>20,278</u>
At 31 December 2017 and 1 January 2018, HK\$0.01 each	2,027,782,000	20,278
Cancellation of repurchased shares, HK\$0.01 each (<i>Note (i)</i>)	(36,660,000)	(367)
	<u>1,991,122,000</u>	<u>19,911</u>
At 30 June 2018, HK\$0.01 each	<u>1,991,122,000</u>	<u>19,911</u>

Notes:

- (i) During the six months ended 30 June 2018, the Company repurchased a total of 38,548,000 shares of HK\$0.01 each of the Company on the Stock Exchange as follows:

Month/year	Par value per share HK\$	Number of shares repurchased	Highest price paid per share HK\$	Lowest price paid per share HK\$	Aggregate price paid HK\$'000
January 2018	0.01	16,124,000	1.07	1.03	16,955
March 2018	0.01	2,998,000	1.09	1.03	3,174
April 2018	0.01	12,806,000	1.10	1.02	13,858
May 2018	0.01	2,182,000	1.10	1.07	2,360
June 2018	0.01	4,438,000	1.07	1.06	4,749

Save and except the 4,670,000 shares of HK\$0.01 each repurchased in May and June 2018 which were cancelled in July 2018, all of the above repurchased shares were cancelled during the period. The 2,782,000 shares of HK\$0.01 each repurchased in December 2017 were also cancelled during the period. The issued capital of the Company was accordingly diminished by the nominal value of these shares. The premium paid on repurchase was charged against either the share premium account or the contributed surplus account. An amount equivalent to the nominal value of the shares cancelled was transferred from retained profits to capital redemption reserve.

- (ii) An ordinary resolution was passed at the annual general meeting of the Company held on 18 May 2017 approving the subdivision of every one issued and unissued share of par value of HK\$0.10 each into ten subdivided shares of par value of HK\$0.01 each ("Share Subdivision"). Following the Share Subdivision became effective on 19 May 2017, the Company's authorised share capital became HK\$300,000,000 divided into 30,000,000,000 shares of HK\$0.01 each.

16. Fair value measurement of financial instruments

16.1 Financial assets and liabilities measured at fair value

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations: Fair value measured using significant unobservable inputs

	At 30 June 2018			
	Level 1	Level 2	Level 3	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Recurring fair value measurement				
Financial assets at fair value through profit or loss:				
Listed equity investment in Hong Kong	99,527	–	–	99,527
Listed equity investment outside Hong Kong	119,794	–	–	119,794
Unlisted managed funds	–	5,694	–	5,694
	<u>219,321</u>	<u>5,694</u>	<u>–</u>	<u>225,015</u>

At 31 December 2017

	Level 1 <i>HK\$'000</i>	Level 2 <i>HK\$'000</i>	Level 3 <i>HK\$'000</i>	Total <i>HK\$'000</i>
Recurring fair value measurement				
Financial assets at fair value through profit or loss:				
Listed equity investment in Hong Kong	59,775	–	–	59,775
Listed equity investment outside Hong Kong	72,347	–	–	72,347
Unlisted managed funds	–	5,833	–	5,833
	<u>132,122</u>	<u>5,833</u>	<u>–</u>	<u>137,955</u>

The fair values of unlisted managed funds in Level 2 have been determined by reference to the reported net asset value at the end of the reporting period.

During the six months ended 30 June 2018 and 2017, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

16.2 Financial assets and liabilities not reported at fair value

The carrying amounts of the Group's financial assets and liabilities (comprising trade receivables, deposits paid and other receivables, bank loans, trade payables, other payables and accrued charges and loan from an associated company carried at amortised cost) approximate their fair values as at 30 June 2018 and 31 December 2017.

17. Commitments

17.1 Licensing commitments

In the normal course of business, the Group enters into contractual licensing agreements to secure its rights to design, develop, market and distribute certain toys and family entertainment activity products for future sales. Certain licensing agreements contain financial commitments by the Group to the licensors to be fulfilled during the terms of the contracts. The amounts of financial commitments contracted but not provided for at 30 June 2018 were payable as follows:

	30 June 2018 HK\$'000	31 December 2017 HK\$'000
Within one year	43,559	43,559
In the second to fifth years	78,078	50,778
	121,637	94,337

17.2 Operating lease commitments

The Group acts as lessee and lessor under operating leases. Details of the Group's commitments under non-cancellable operating leases are set out as follows:

17.2.1 As lessee

At 30 June 2018, the future aggregate minimum lease payments under non-cancellable operating leases for offices payable by the Group were as follows:

	30 June 2018 HK\$'000	31 December 2017 HK\$'000
Within one year	2,803	2,762
In the second to fifth years	4,370	5,775
	7,173	8,537

17.2.2 As lessor

At 30 June 2018, the future aggregate minimum lease payments under non-cancellable operating leases for office, industrial and residential premises receivable by the Group were as follows:

	30 June 2018 HK\$'000	31 December 2017 HK\$'000
Within one year	205,187	198,065
In the second to fifth years	631,064	702,059
	<hr/> 836,251 <hr/>	<hr/> 900,124 <hr/>

17.3 Capital commitments

Capital commitments outstanding at 30 June 2018 not provided for in the condensed consolidated financial information were as follows:

	30 June 2018 HK\$'000	31 December 2017 HK\$'000
Contracted for	2,800	9,664
	<hr/> 2,800 <hr/>	<hr/> 9,664 <hr/>

18. Related party transactions

During the six months ended 30 June 2018 and 2017, the Group did not enter into significant transactions with related parties.

No transactions have been entered with the directors of the Company (being the key management personnel) during the period other than the emoluments paid to them (being the key management personnel compensation).

19 Possible impact of amendments, new standards and interpretations issued but not yet effective for the six months ended 30 June 2018

A number of amendments and new standards are effective for annual periods beginning after 1 January 2018 and earlier application is permitted. The Group has not early adopted any new or amended standards in preparing this interim financial report. The Group has the following update to the information provided in the last annual financial statements in respect of HKFRS 16, *Leases*, which may have impact on the Group's consolidated financial statements.

HKFRS 16, *Leases*

As discussed in the 2017 annual financial statements, 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. Upon the adoption of HKFRS 16, where the Group is the lessee under the lease the Group will be required to account for all leases in a similar way to current finance lease accounting, i.e. recognise and measure a lease liability at the present value of the minimum future lease payments and recognise a corresponding "right-of-use" asset at the commencement date of the lease, subject to practical expedients. HKFRS 16 will primarily affect the Group's accounting as a lessee of leases for offices which are currently classified as operating leases.

Updated information about the Group's future minimum lease payments, based on the non-cancellable operating leases that have been entered into by 30 June 2018 is disclosed in note 17.2.1.

Upon the initial adoption of HKFRS 16 at 1 January 2019, the present value of most of the future minimum lease payments will be recognized as lease liabilities, with corresponding right-of-use assets recognised. 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.

20. US dollar equivalents

These are shown for reference only and have been arrived at based on the exchange rate of HK\$7.8 to US\$1 ruling at 30 June 2018.

INFORMATION PROVIDED IN ACCORDANCE WITH THE LISTING RULES

Liquidity and Financial Resources

The property investments and associated businesses generated a relatively steady income stream throughout the period. Approximately 84% of the total gross floor area of the Group's investment properties in Hong Kong were leased out as at 30 June 2018 (31 December 2017: 87%). Accounts receivables were minimal as at the period end.

Financial assets at fair value through profit or loss include listed equity and managed funds. As at 30 June 2018, the Group's financial assets at fair value through profit or loss amounted to HK\$225,015,000 (31 December 2017: HK\$137,955,000) of which HK\$39,227,000 was held by Playmates Toys for treasury investments (31 December 2017: HK\$18,595,000).

The toy business is inherently seasonal in nature. As a result, a disproportionately high balance of trade receivables is typically generated during the peak selling season in the second half of the year. Consistent with usual trade practices, a significant portion of the trade receivables is collected in the final weeks of the fourth quarter and in the first quarter of the subsequent year, resulting in a seasonal demand for working capital during the peak selling season. As at 30 June 2018, trade receivables related to toy business were HK\$40,274,000 (31 December 2017: HK\$169,379,000) and inventories were HK\$17,402,000 (31 December 2017: HK\$22,728,000).

The Group's gearing ratio, defined as total bank borrowings expressed as a percentage of total tangible assets, at 30 June 2018 was 8.8% compared to 7.6% at 31 December 2017. The current ratio, calculated as the ratio of current assets to current liabilities, remained stable at 2.4 as at both 30 June 2018 and 31 December 2017.

The Group maintains a level of cash that is necessary and sufficient to serve recurring operations as well as further growth and developmental needs. As at 30 June 2018, the Group's cash and bank balances were HK\$1,450,400,000 (31 December 2017: HK\$1,423,626,000), of which HK\$946,645,000 (31 December 2017: HK\$1,202,748,000) was denominated in United States dollar, HK\$24,149,000 (31 December 2017: HK\$27,823,000) in British pound, HK\$50,622,000 (31 December 2017: HK\$52,548,000) in Euro and the remaining balance was mainly denominated in Hong Kong dollar.

Charges on Group Assets

Details of charges on Group assets are set out in note 12 to the condensed consolidated financial information.

Employees

As at 30 June 2018, the Group had a total of 119 employees in Hong Kong, the United States of America and the United Kingdom.

There was no material change in remuneration policies compared to those disclosed in the most recently published annual report.

Share Options

The following shows the particulars of the share options of a subsidiary of the Company that are required to be disclosed under Rule 17.07 of Chapter 17 and Rule 41(2) of Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (“Listing Rules”).

Share options of the Company

The Company has not adopted any share option scheme during the period.

Share options of Playmates Toys Limited (“PTL”)

Particulars of the share options of PTL, an indirect non-wholly owned subsidiary of the Company, granted to directors of the Company, directors of PTL, employees of PTL group and other participants pursuant to the Share Option Scheme adopted on 25 January 2008 (“2008 PTL Scheme”) and the Share Option Scheme adopted on 21 May 2018 (“2018 PTL Scheme”) were as follows:

Participant	Date of grant	Exercise Price HK\$	Number of share options				Balance at 30 June 2018
			Balance at 1 January 2018	Granted during the period (Note (1))	Exercised during the period (Note (2))	Lapsed during the period	
2018 PTL Scheme							
TO Shu Sing, Sidney <i>Chairman and Director of the Company and PTL</i>	29 June 2018	0.826	–	2,000,000	–	–	2,000,000
CHAN, Helen <i>Director of the Company</i>	29 June 2018	0.826	–	1,000,000	–	–	1,000,000
CHENG Bing Kin, Alain <i>Director of the Company and PTL</i>	29 June 2018	0.826	–	1,200,000	–	–	1,200,000

Participant	Date of grant	Exercise Price HK\$	Number of share options				
			Balance at 1 January 2018	Granted during the period (Note (1))	Exercised during the period (Note (2))	Lapsed during the period	Balance at 30 June 2018
<i>Directors of PTL</i>							
CHAN Kong Keung, Stephen	29 June 2018	0.826	–	1,000,000	–	–	1,000,000
CHOW Yu Chun, Alexander	29 June 2018	0.826	–	500,000	–	–	500,000
LEE Ching Kwok, Rin	29 June 2018	0.826	–	500,000	–	–	500,000
YANG, Victor	29 June 2018	0.826	–	500,000	–	–	500,000
<i>Continuous Contract Employees of PTL Group, excluding directors of PTL</i>	29 June 2018	0.826	–	17,272,000	–	–	17,272,000
<i>Other Participants</i>	29 June 2018	0.826	–	5,780,000	–	–	5,780,000
2008 PTL Scheme							
<i>Directors of PTL</i>							
CHOW Yu Chun, Alexander	13 April 2012	0.415	250,000	–	–	–	250,000
	15 May 2013	0.930	525,000	–	–	–	525,000
YANG, Victor	13 April 2012	0.415	125,000	–	–	–	125,000
	15 May 2013	0.930	525,000	–	–	–	525,000
<i>Continuous Contract Employees of PTL Group, excluding directors of PTL</i>	31 March 2008	0.316	13,000	–	–	13,000	–
	20 January 2010	0.828	981,000	–	–	–	981,000
	18 April 2011	0.315	528,000	–	–	–	528,000
	13 April 2012	0.415	1,297,500	–	–	–	1,297,500
	15 May 2013	0.930	4,075,500	–	450,000	–	3,625,500
<i>Other Participants</i>	20 January 2010	0.828	443,000	–	–	–	443,000
	30 March 2010	0.673	1,110,000	–	–	–	1,110,000
	18 April 2011	0.315	574,000	–	–	–	574,000
	13 April 2012	0.415	1,122,000	–	–	–	1,122,000
	15 May 2013	0.930	1,562,500	–	–	–	1,562,500

Notes:

- (1) The closing price of the ordinary shares of PTL on 28 June 2018, being the trading day immediately before the date on which the share options were granted during the period, was HK\$0.810.
- (2) The weighted average closing price of the ordinary shares of PTL immediately before the date on which the share options were exercised by the continuous contract employees of PTL Group during the period was HK\$1.12.

The above share options are exercisable in stages in accordance with the respective terms of the 2008 PTL Scheme and the 2018 PTL Scheme within ten years after the date of grant. No options were cancelled during the period.

Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company or Any Associated Corporation

As at 30 June 2018, the interests of each director of the Company in the shares, underlying shares of equity derivatives and debentures of the Company and its associated corporations (within the meaning of the Securities and Futures Ordinance (“SFO”)) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (“Stock Exchange”) pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules were as follows:

Long positions in shares of the Company

Name of Director	Nature of interest	Number of shares held	Percentage interest held
TO Shu Sing, Sidney	Personal	20,000,000 ordinary shares	1.00%
CHAN, Helen	Personal	24,000,000 ordinary shares	1.21%
CHENG Bing Kin, Alain	Personal	2,300,000 ordinary shares	0.12%
IP Shu Wing, Charles	Personal	3,320,800 ordinary shares	0.17%
LEE Peng Fei, Allen	Personal	1,470,000 ordinary shares	0.07%
LO Kai Yiu, Anthony	Personal	250,000 ordinary shares	0.01%
TSIM Tak Lung	Personal	1,100,160 ordinary shares	0.06%
YU Hon To, David	Personal	1,320,000 ordinary shares	0.07%
	Corporate (Note (a))	5,472,000 ordinary shares	0.27%

Long positions in shares of PTL

Name of Director	Nature of interest	Number of shares held	Percentage interest held
TO Shu Sing, Sidney	Personal	10,000,000 ordinary shares	0.85%
CHENG Bing Kin, Alain	Personal	1,800,000 ordinary shares	0.15%
IP Shu Wing, Charles	Personal	2,487,026 ordinary shares	0.21%
LEE Peng Fei, Allen	Personal	244,000 ordinary shares	0.02%
LO Kai Yiu, Anthony	Personal	376,000 ordinary shares	0.03%
TSIM Tak Lung	Personal	259,632 ordinary shares	0.02%
YU Hon To, David	Personal Corporate (<i>Note (b)</i>)	176,000 ordinary shares 1,065,600 ordinary shares	0.01% 0.09%

Long positions in underlying shares and debentures of PTL

Name of Director	Nature of interest	Number of equity derivatives held	Number of underlying shares (ordinary shares)	Percentage interest held
TO Shu Sing, Sidney	Personal	2,000,000 share options	2,000,000 shares	0.17%
CHAN, Helen	Personal	1,000,000 share options	1,000,000 shares	0.08%
CHENG Bing Kin, Alain	Personal	1,200,000 share options	1,200,000 shares	0.10%

Notes:

- (a) 5,472,000 ordinary shares of the Company were held by a private company which is 50% owned by Mr. Yu Hon To, David and 50% owned by a member of his family.
- (b) 1,065,600 ordinary shares of PTL were held by a private company which is 50% owned by Mr. Yu Hon To, David and 50% owned by a member of his family.

Unless stated otherwise, all the aforesaid shares and equity derivatives were beneficially owned by the directors concerned. The percentage shown was the number of shares or underlying shares the relevant director was interested expressed as a percentage of the number of issued shares of the relevant companies as at 30 June 2018.

Details of the share options held by the directors of the Company are disclosed in the above section headed “Share Options”.

Save as disclosed above, as at 30 June 2018, none of the directors of the Company were interested or deemed to be interested in short positions in the shares, underlying shares of equity derivatives and debentures of the Company or any associated corporation.

Shareholders’ Interests and Short Positions in Shares and Underlying Shares of the Company Required to be Recorded under Section 336 of the SFO

As at 30 June 2018, persons (other than the directors of the Company) who had interests or short positions in the shares and underlying shares of the Company, being 5% or more of the Company’s issued share capital, was recorded in the register required to be kept under section 336 of the SFO were as follows:

Name	Nature of interest	Number of shares held	Percentage interest held
CHAN Chun Hoo, Thomas	Personal	120,000,000 ordinary shares	6.03%
	Associate (<i>Note (i)</i>)	110,000,000 ordinary shares	5.52%
TGC Assets Limited	Corporate (<i>Note (ii)</i>)	920,000,000 ordinary shares	46.21%

Notes:

- (i) 110,000,000 shares of the Company were owned by the wife of Mr. Chan Chun Hoo, Thomas (“Mr. Chan”) and Mr. Chan is therefore deemed to be interested in those shares.
- (ii) 920,000,000 ordinary shares of the Company were beneficially owned by TGC Assets Limited (“TGC”). All the issued share capital of TGC is wholly-owned by Mr. Chan.

Purchase, Sale or Redemption of Shares

During the period, 38,548,000 shares of HK\$0.01 each were repurchased by the Company at prices ranging from HK\$1.02 to HK\$1.10 per share through the Stock Exchange. The particulars of the repurchases are set out in note 15 to the condensed consolidated financial information.

Compliance with the Corporate Governance Code

The Company has applied the principles and complied with all the applicable code provisions (“Code Provisions”) of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2018, except in respect of one Code Provision providing for the roles of the chairman and the chief executive officer to be performed by different individuals.

The Company does not have a designated chief executive officer. The board oversees the management, businesses, strategy and financial performance of the Group. The day-to-day business of the Group is handled by the executive directors collectively. The executive directors supported by the senior executives are delegated with the responsibilities of running the business operations and making operational and business decisions of the Group. The board considers that this structure is adequate to ensure an effective management and control of the Group’s businesses and operations. The structure outlined above will be reviewed regularly to ensure that sound corporate governance is in place.

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the unaudited condensed consolidated financial information for the six months ended 30 June 2018.

Compliance with the Model Code

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules for securities transactions by directors of the Company. All the members of the Board have confirmed, following specific enquiry by the Company, that they have complied with the required standard as set out in the Model Code throughout the period ended 30 June 2018.

Additional Information on Interim Dividends

The Board has resolved to pay the Interim Dividend of HK cents 1.5 per share and the Special Interim Dividend of HK cents 10 per share to shareholders whose names appear on the Register of Members of the Company at the close of business on 29 August 2018. The Interim Dividend and the Special Interim Dividend will be paid out of the distributable reserves of the Company. The Interim Dividend will be paid in the form of cash. In addition, shareholders will be given the option to receive the Special Interim Dividend wholly in cash, or in new, fully-paid shares in lieu of cash, or partly in cash and partly in form of scrip shares (“Scrip Dividend Scheme”). The circular containing details of the Scrip Dividend Scheme and election form will be sent to shareholders in September 2018. The Scrip Dividend Scheme is conditional upon the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the new shares to be issued under the Scrip Dividend Scheme. The cheques for cash dividend and/or the share certificates for the scrip dividend in respect of the Interim Dividend and the Special Interim Dividend are expected to be sent to shareholders on or about 4 October 2018.

Closure of Register of Members

The Register of Members of the Company will be closed from 28 August 2018 to 29 August 2018, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be qualified for the declared dividends, all transfers accompanied by the relevant share certificates must be lodged with the Company’s branch share registrars, Tricor Abacus Limited at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong no later than 4:30 p.m. on 27 August 2018.

On behalf of the Board
To Shu Sing, Sidney
Chairman

Hong Kong, 10 August 2018

CORPORATE INFORMATION

Directors

TO Shu Sing, Sidney (*Chairman*)
CHAN, Helen (*Executive Director*)
CHENG Bing Kin, Alain
(*Executive Director*)
IP Shu Wing, Charles
(*Independent Non-executive Director*)
LEE Peng Fei, Allen
(*Independent Non-executive Director*)
LO Kai Yiu, Anthony
(*Independent Non-executive Director*)
TSIM Tak Lung
(*Deputy Chairman and
Non-executive Director*)
YU Hon To, David
(*Independent Non-executive Director*)

Company Secretary

NG Ka Yan

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Bermuda

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Kowloon, Hong Kong

Auditors

Grant Thornton Hong Kong Limited
Certified Public Accountants

Legal Advisors

Conyers Dill & Pearman
Deacons

Principal Bankers

The Bank of East Asia, Limited
Hang Seng Bank Limited
UBS AG

Principal Share Registrars

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Branch Share Registrars

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Stock Code

The shares of Playmates Holdings Limited
are listed for trading on The Stock
Exchange of Hong Kong Limited
(Stock Code: 635)

Website

www.playmates.net



Playmates Holdings Limited
(Incorporated in Bermuda with limited liability)
(Stock code 635)
www.playmates.net