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## PLAYMATES TOYS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code : 869)

### INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2018

#### MANAGEMENT DISCUSSION AND ANALYSIS

##### Highlights

For the six months ended 30 June	2018 HK\$'000	2017 HK\$'000
Revenue	136,694	322,285
Gross profit	64,490	180,633
Operating (loss)/profit	(41,536)	34,702
(Loss)/Profit before income tax	(33,767)	43,813
Income tax credit/(expense)	3,224	(7,222)
(Loss)/Profit attributable to owners of the Company	(30,543)	36,591
(Loss)/Earnings per share	HK cents	HK cents
- Basic	(2.58)	3.03
- Diluted	(2.58)	3.01
Interim dividend per share	-	3.00

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.

Net loss attributable to shareholders during the first half of 2018 was 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*<sup>®</sup> in the fourth quarter, and the continuation of *Ben 10*<sup>™ & ©</sup> toy shipments throughout the year. We will also launch two internally-developed product lines, *Kuroba*<sup>™ & ©</sup> and *Tiny Toes*<sup>™ & ©</sup>, in Fall 2018.

## Brand Overview

### *Teenage Mutant Ninja Turtles*<sup>®</sup>

Nickelodeon will re-imagine the *TMNT* franchise in an all-new animated series, *Rise of the Teenage Mutant Ninja Turtles*<sup>®</sup>, launching Fall 2018. Pre-release marketing activities are already under way, and the relaunch will be supported by significant promotions during the fourth quarter.

To prepare for this major relaunch, we began limiting shipments of *TMNT* products in late 2017 in order to provide a fresh start for the new product line in Fall 2018. We remain confident in *TMNT*'s prospects as an evergreen entertainment franchise, and anticipate the new TV series to drive a resurgence in popularity of the Turtles.

### *Ben 10*<sup>™ & ©</sup>

Cartoon Network's *Ben 10*<sup>™ & ©</sup> animated TV series continues to be popular in the US and in many international markets. We are actively developing the 2019 product line extensions.

### *Kuroba*<sup>™ & ©</sup>

Playmates Toys will launch *Kuroba*<sup>™ & ©</sup>, an internally-developed toy line, in Fall 2018. *Kuroba*<sup>™ & ©</sup> is a unique way to play the classic game of "rock, paper, scissors" with an interactive twist! Each *Kuroba*<sup>™ & ©</sup> represents one of five elemental tribes of magical creatures that battle to restore peace and harmony. Kids can also create their unique *Kuroba*<sup>™ & ©</sup> by mixing and matching panels of different tribes. An early test is under way at Target Stores in the US, and animated webisodes telling the stories of *Kuroba*<sup>™ & ©</sup> are available on YouTube<sup>®</sup>.

### *Tiny Toes*<sup>™ & ©</sup>

Playmates Toys will launch *Tiny Toes*<sup>™ & ©</sup>, a collectible line of interactive baby dolls, during the fourth quarter of 2018. Each *Tiny Toe*<sup>™ & ©</sup> interactive doll comes to life in your palm with numerous functions and play features.

Amidst a challenging operating environment, we remain committed to the proven strategy of focusing our resources and efforts to manage our established brands for long term profitability, while actively pursuing selective new opportunities that are good fits for our core competence.

## CONDENSED CONSOLIDATED FINANCIAL INFORMATION

### Condensed Consolidated Income Statement and Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2018

	Note	Unaudited Six months ended 30 June		
		2018 US\$'000 (Note 11)	2018 HK\$'000	2017 HK\$'000
<b>Revenue</b>	3	<b>17,525</b>	<b>136,694</b>	322,285
Cost of sales		(9,257)	(72,204)	(141,652)
<b>Gross profit</b>		<b>8,268</b>	<b>64,490</b>	180,633
Marketing expenses		(3,853)	(30,050)	(75,204)
Selling and distribution expenses		(894)	(6,975)	(12,596)
Administration expenses		(7,624)	(59,470)	(58,131)
Impairment loss on trade receivables		(1,222)	(9,531)	-
<b>Operating (loss)/profit</b>		<b>(5,325)</b>	<b>(41,536)</b>	34,702
Other net income	4	1,267	9,883	10,557
Finance costs		(271)	(2,114)	(1,446)
<b>(Loss)/Profit before income tax</b>	5	<b>(4,329)</b>	<b>(33,767)</b>	43,813
<b>Income tax credit/(expense)</b>	6	<b>413</b>	<b>3,224</b>	(7,222)
<b>(Loss)/Profit for the period and total comprehensive income for the period attributable to owners of the Company</b>		<b>(3,916)</b>	<b>(30,543)</b>	36,591
		<i>US cents</i>	<i>HK cents</i>	<i>HK cents</i>
<b>(Loss)/Earnings per share</b>	8			
Basic		(0.33)	(2.58)	3.03
Diluted		(0.33)	(2.58)	3.01

## Condensed Consolidated Statement of Financial Position

As at 30 June 2018

		Unaudited 30 June 2018 US\$'000 (Note 11)	Unaudited 30 June 2018 HK\$'000	Audited 31 December 2017 HK\$'000
<b>Non-current assets</b>				
Property, plant and equipment		1,084	8,456	10,799
Interest in an associated company		759	5,920	5,920
Deferred tax assets		4,200	32,760	27,871
		<b>6,043</b>	<b>47,136</b>	44,590
<b>Current assets</b>				
Inventories		2,231	17,402	22,728
Trade receivables	9	5,163	40,274	169,379
Deposits paid, other receivables and prepayments		3,344	26,085	12,104
Taxation recoverable		349	2,721	16,114
Financial assets at fair value through profit or loss		5,029	39,227	18,595
Cash and bank balances		129,728	1,011,879	1,021,159
		<b>145,844</b>	<b>1,137,588</b>	1,260,079
<b>Current liabilities</b>				
Trade payables	10	3,562	27,782	24,387
Deposits received, other payables and accrued charges		13,935	108,702	151,690
Loan from an associated company		748	5,831	5,831
Provisions		5,816	45,368	42,157
Taxation payable		1,597	12,457	15,858
		<b>25,658</b>	<b>200,140</b>	239,923
<b>Net current assets</b>		<b>120,186</b>	<b>937,448</b>	1,020,156
<b>Net assets</b>		<b>126,229</b>	<b>984,584</b>	1,064,746
<b>Equity</b>				
Share capital		1,513	11,800	11,958
Reserves		124,716	972,784	1,052,788
<b>Total equity</b>		<b>126,229</b>	<b>984,584</b>	1,064,746

## 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

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 and HK(IFRIC) 22 are discussed in note 2(a), 2(b) and 2(c) 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 and distributors" 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.

**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 only operating segment of the Group is design, development, marketing and distribution of toys and family entertainment activity products. No separate analysis of the reportable segment profit/loss before income tax, reportable segment assets and reportable segment liabilities by operating segment are presented.

Revenue represented sales of toys and was recognised at the point in time when customers obtain the control of the goods.

**3.1 Geographical information**

The following table sets out information about the geographical location of (i) the Group’s revenue and (ii) the Group’s property, plant and equipment, 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 property, plant and equipment, and the location of operation in case of interest in an associated company.

	Revenue		Specified non-current assets	
	Six months ended 30 June		30 June	31 December
	2018	2017	2018	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong (place of domicile)	<b>282</b>	485	<b>12,299</b>	14,110
Americas				
- U.S.A.	<b>70,138</b>	213,497	<b>2,077</b>	2,609
- Others	<b>19,816</b>	19,800	-	-
Europe	<b>27,666</b>	64,292	-	-
Asia Pacific other than Hong Kong	<b>17,038</b>	21,390	-	-
Others	<b>1,754</b>	2,821	-	-
	<b>136,412</b>	321,800	<b>2,077</b>	2,609
	<b>136,694</b>	322,285	<b>14,376</b>	16,719

### 3.2 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\$33,207,000 and HK\$16,759,000 (2017: HK\$82,403,000, HK\$54,257,000, HK\$51,609,000 and HK\$39,079,000) respectively.

### 4. Other net income

	Six months ended 30 June	
	2018	2017
	HK\$'000	HK\$'000
Interest income	<b>7,162</b>	4,661
Dividend income	<b>156</b>	208
Net gain on financial assets at fair value through profit or loss	<b>2,537</b>	932
Others	<b>28</b>	4,756
	<b>9,883</b>	10,557

**5. (Loss)/Profit before income tax**

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

	<b>Six months ended 30 June</b>	
	<b>2018</b>	<b>2017</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Cost of inventories sold	<b>60,575</b>	123,249
Product development and tooling costs	<b>10,734</b>	11,936
Royalties expenses	<b>19,787</b>	42,734
Directors' and staff remunerations	<b>35,037</b>	32,632
Depreciation of property, plant and equipment	<b>2,520</b>	2,702
Impairment loss on trade receivables	<b>9,531</b>	-

**6. Income tax (credit)/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.

	<b>Six months ended 30 June</b>	
	<b>2018</b>	<b>2017</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Current taxation		
Hong Kong profits tax	-	9,473
Overseas taxation	<b>1,685</b>	11,345
<u>Over provision in prior years – Hong Kong</u>	<b>(20)</b>	-
	<b>1,665</b>	20,818
Deferred taxation		
<u>Origination and reversal of temporary differences</u>	<b>(4,889)</b>	(13,596)
<b>Income tax (credit)/expense</b>	<b>(3,224)</b>	7,222

## 7. Dividends

### 7.1 Dividends attributable to the interim period

	Six months ended 30 June	
	2018	2017
	HK\$'000	HK\$'000
Interim dividend declared after the interim period of HK cents nil (2017: HK cents 3) per share	-	36,000

The directors do not recommend the payment of dividend.

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

	Six months ended 30 June	
	2018	2017
	HK\$'000	HK\$'000
Dividends in respect of the previous financial year and paid during the interim period: Second interim dividend of HK cents 3 (2017: HK cents 5) per share	35,409	60,535

## 8. (Loss)/Earnings per share

The calculation of (loss)/basic earnings per share is based on the loss attributable to owners of the Company of HK\$30,543,000 (2017: profit of HK\$36,591,000) and the weighted average number of ordinary shares of 1,185,430,000 shares (2017: 1,209,413,000 shares) in issue during the period.

Diluted loss per share for the six months ended 30 June 2018 equals to the basic loss per share as the potential ordinary shares on exercise of share options are anti-dilutive and therefore were not included in the calculation of diluted loss per share.

Diluted earnings per share for the six months ended 30 June 2017 is calculated based on the profit attributable to owners of the Company of HK\$36,591,000 and the weighted average number of ordinary shares of 1,215,883,000 shares in issue during the period, adjusted for the effects of 6,470,000 dilutive potential shares on exercise of share options.

## 9. Trade receivables

	<b>30 June 2018</b>	31 December 2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	<b>65,542</b>	187,261
Less: Allowance for impairment	<b>(12,195)</b>	(2,664)
<u>Less: Allowance for customer concession</u>	<b>(13,073)</b>	(15,218)
	<b>40,274</b>	169,379

The Group grants credits to retail customers 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 customers are letters of credit at sight or usance or on open accounts with credit term in the range of 60 to 90 days. The following is an aging analysis of trade receivables based on the invoice date at the end of the reporting period:

	<b>30 June 2018</b>	31 December 2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 – 60 days	<b>22,946</b>	125,151
61 – 90 days	<b>5,167</b>	34,080
91 – 180 days	<b>7,699</b>	2,408
<u>Over 180 days</u>	<b>4,462</b>	7,740
	<b>40,274</b>	169,379

## 10. Trade payables

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

	<b>30 June 2018</b>	31 December 2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 – 30 days	<b>22,888</b>	20,984
31 – 60 days	<b>2,377</b>	2,645
<u>Over 60 days</u>	<b>2,517</b>	758
	<b>27,782</b>	24,387

## 11. 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.

## **FINANCIAL ANALYSIS**

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 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 current ratio, calculated as the ratio of current assets to current liabilities, was 5.7 at 30 June 2018 compared to 5.3 at 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\$1,011,879,000 (31 December 2017: HK\$1,021,159,000), of which HK\$739,579,000 (31 December 2017: HK\$980,053,000) was denominated in United States dollar and the remaining balance was mainly denominated in Hong Kong dollar.

As at 30 June 2018, the Group's treasury investment in listed equities amounted to HK\$39,227,000 (31 December 2017: HK\$18,595,000) representing 3.3% of the total assets of the Group (31 December 2017: 1.4%). This comprised HK\$39,227,000 of equities listed overseas (31 December 2017: HK\$3,338,000 of equities listed in Hong Kong and HK\$15,257,000 of equities listed overseas). None of the individual securities positions held by the Group had a market value that exceeded 0.4% of the total assets of the Group. The top 10 listed securities in aggregate represented 2.1% of the total assets of the Group and included Alphabet Inc. (GOOG.US), Amazon.com, Inc. (AMZN.US), JPMorgan Chase & Co. (JMP.US), VISA Inc. (V.US), The Boeing Company (BA.US), Microsoft Corporation (MSFT.US), General Dynamics Corporation (GD.US), Alibaba Group Holding Limited (BABA.US), Schlumberger Limited (SLB.US) and Morgan Stanley (MS.US).

The Group is exposed to foreign currency risk primarily through sales that are denominated in United States dollar. The Group does not hedge its foreign currency risks, as the rate of exchange between Hong Kong dollar and the United States dollar is controlled within a tight range. Long-term changes in foreign exchange rates would have an impact on consolidated earnings.

## **PURCHASE, SALE OR REDEMPTION OF SHARES**

During the period, 15,450,000 shares of HK\$0.01 each were repurchased by the Company at prices ranging from HK\$1.06 to HK\$1.11 per share through the Stock Exchange.

## CORPORATE GOVERNANCE

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.

On behalf of the Board  
**To Shu Sing, Sidney**  
*Chairman*

Hong Kong, 10 August 2018

As at the date hereof, the board of directors of the Company comprises the following directors:

Mr. To Shu Sing, Sidney (*Chairman*), Mr. Chan Kong Keung, Stephen (*Executive Director*), Mr. Cheng Bing Kin, Alain (*Executive Director*), Mr. Chow Yu Chun, Alexander (*Independent Non-executive Director*), Mr. Lee Ching Kwok, Rin (*Independent Non-executive Director*) and Mr. Yang, Victor (*Independent Non-executive Director*)