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PLAYMATES HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code : 635)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2017

MANAGEMENT DISCUSSION AND ANALYSIS

Highlights

For the six months ended 30 June	2017 HK\$'000	2016 HK\$'000
Group revenue	447,783	726,063
- from toy business	322,285	594,651
- from property investments and associated businesses	122,759	121,485
- from investment business	2,739	9,927
Gross profit	296,945	491,037
Revaluation deficit on investment properties	(27,162)	(212,299)
Operating profit	112,224	13,790
Profit/(Loss) before income tax	111,012	(9,502)
Profit/(Loss) attributable to owners of the Company	69,506	(114,905)
Earnings/(Loss) per share	HK cents	HK cents
		(Note)
- Basic	3.28	(5.31)
- Diluted	3.28	(5.31)
Interim dividend per share	1.00	0.75
Special interim dividend per share	2.00	-

Note: Basic and diluted loss per share and interim dividend per share for the six months ended 30 June 2016 have been adjusted to take into account the effect of the Share Subdivision as detailed in Note 7 of the condensed consolidated financial information.

Property Investments and Associated Businesses

The property investments and associated businesses recorded a 1.1% growth in revenue to HK\$122.8 million during the first half of 2017 compared to the same period last year (HK\$121.5 million). Revenue from the property investments and property management businesses increased by 2.6% to

HK\$111.8 million (same period in 2016: HK\$109.0 million), while revenue from the food and beverage business decreased by 12.0% to HK\$11.0 million (same period in 2016: HK\$12.5 million). The Group's investment properties were revalued by independent professional surveyors at the fair value of HK\$5.4 billion. A revaluation deficit of HK\$27.2 million was reported in the consolidated income statement of the Group, compared to a HK\$212.3 million deficit for the same period last year. Segment operating profit was HK\$65.8 million (including revaluation deficit), compared to segment operating loss of HK\$120.4 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 8.1% of the fair value of the Group's overall investment property portfolio (31 December 2016: 7.9%).

Aggregate rental income generated from the investment properties of the Group was HK\$102.7 million, an increase of 2.3% from the same period last year (HK\$100.4 million), with an overall occupancy rate of 86% (31 December 2016: 87%).

(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 the opening of the Apple flagship store on the podium floors of the building in July 2015, The Toy House reaffirmed its position as a landmark on the premier shopping destination that is Canton Road.

(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 2017. Over the longer term, we remain optimistic 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 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 5.8% to HK\$9.1 million as compared to HK\$8.6 million during the same period last year.

(c) Food & Beverage Business

Revenue generated from the food and beverage business during the first half of 2017 was HK\$11.0 million, a decrease of 12.0% as compared to HK\$12.5 million during the same period last year.

While we maintain a favorable 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 2017 was HK\$322 million (same period in 2016: HK\$595 million), a decrease of 45.8% compared to the prior year period. The decrease in turnover was driven by intensified competitive pressure, whereas revenue for the corresponding period in 2016 had been boosted by shipments of products related to the *Teenage Mutant Ninja Turtles*[®] (“*TMNT*”) movie.

Gross profit ratio on toy sales was 56.0% (same period in 2016: 62.1%). The decrease in gross profit ratio was attributable to a higher proportion of overall sales generated in International markets with lower gross margin compared to the prior year period. Recurring operating expenses decreased by 36.7% compared to the prior year period, which included significant promotional expenses to support the *TMNT* movie.

Playmates Toys reported an operating profit for the period of HK\$35 million (same period in 2016: HK\$139 million).

According to The NPD Group, the leading provider of toys point-of-sale market research data, US retail sales of toys grew by about 3% year-on-year during the first half of 2017¹. Such growth was driven to a large extent by a number of major franchises, including several competitive action adventure brands which pressured our business.

In the second half of 2017, we expect strong competitive pressure to persist. Our *TMNT* business will continue to contract year-over-year, as the brand transitions into its next iteration, *Rise of the Teenage Mutant Ninja Turtles*[®], launching Fall 2018. Our new brands, *Voltron*[®] and *Ben 10*^{™ & ©}, have already begun contributing to our results, and are expected to expand in distribution during the second half of the year.

¹ Source: The NPD Group, Inc. / Retail Tracking Service, January-June 2017

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 2017, fair market value of the Group's investment portfolio was HK\$111.8 million (31 December 2016: HK\$91.1 million). The Group reported a net gain from investments of HK\$11.3 million during the first half of 2017, compared to a net loss of HK\$10.5 million during the same period last year. During the first half of 2017, dividend and interest income generated from portfolio investments were HK\$2.7 million (HK\$9.9 million in the first half of 2016) and have been included in the Group's revenue.

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 2017

	Note	Unaudited		
		Six months ended 30 June		
		2017	2017	2016
		US\$'000	HK\$'000	HK\$'000
		(Note 11)		
Revenue	3	57,778	447,783	726,063
Cost of sales		(19,463)	(150,838)	(235,026)
Gross profit		38,315	296,945	491,037
Marketing expenses		(9,704)	(75,204)	(129,088)
Selling and distribution expenses		(1,626)	(12,596)	(42,491)
Administration expenses		(10,462)	(81,083)	(82,868)
Net gain/(loss) on financial assets at fair value through profit or loss		1,461	11,324	(10,501)
Revaluation deficit on investment properties		(3,505)	(27,162)	(212,299)
Operating profit		14,479	112,224	13,790
Other net income/(loss)	4	814	6,307	(14,857)
Finance costs		(970)	(7,519)	(8,435)
Profit/(Loss) before income tax	5	14,323	111,012	(9,502)
Income tax expense	6	(2,987)	(23,151)	(55,699)
Profit/(Loss) for the period		11,336	87,861	(65,201)
Profit/(Loss) for the period attributable to:				
Owners of the Company		8,968	69,506	(114,905)
Non-controlling interests		2,368	18,355	49,704
		11,336	87,861	(65,201)
		US cents	HK cents	HK cents
Earnings/(Loss) per share	8			
Basic		0.42	3.28	(5.31)
Diluted		0.42	3.28	(5.31)

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2017

	Unaudited		
	Six months ended 30 June		
	2017	2017	2016
	US\$'000	HK\$'000	HK\$'000
	(Note 11)		
Profit/(Loss) for the period	11,336	87,861	(65,201)
Other comprehensive income:			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign subsidiaries	2,271	17,598	(9,338)
Total comprehensive income for the period	13,607	105,459	(74,539)
Total comprehensive income attributable to:			
Owners of the Company	11,239	87,104	(124,243)
Non-controlling interests	2,368	18,355	49,704
	13,607	105,459	(74,539)

Condensed Consolidated Statement of Financial Position

As at 30 June 2017

		Unaudited 30 June 2017 US\$'000 (Note 11)	Unaudited 30 June 2017 HK\$'000	Audited 31 December 2016 HK\$'000
Non-current assets				
Fixed assets				
- Investment properties		694,122	5,379,449	5,378,426
- Other property, plant and equipment		34,591	268,077	264,524
		<u>728,713</u>	<u>5,647,526</u>	<u>5,642,950</u>
Goodwill		771	5,976	5,976
Interest in an associated company		781	6,053	6,053
Deferred tax assets		5,507	42,680	28,982
		<u>735,772</u>	<u>5,702,235</u>	<u>5,683,961</u>
Current assets				
Inventories		5,665	43,902	15,422
Trade receivables	9	17,790	137,871	175,692
Deposits paid, other receivables and prepayments		8,310	64,399	87,468
Taxation recoverable		1,685	13,061	22,534
Financial assets at fair value through profit or loss		15,963	123,716	114,267
Cash and bank balances		191,558	1,484,575	1,388,706
		<u>240,971</u>	<u>1,867,524</u>	<u>1,804,089</u>
Current liabilities				
Bank loans		63,616	493,025	497,275
Trade payables	10	8,471	65,653	18,598
Deposits received, other payables and accrued charges		22,504	174,394	175,430
Loan from an associated company		752	5,831	5,831
Provisions		4,756	36,862	37,749
Taxation payable		3,291	25,506	6,969
		<u>103,390</u>	<u>801,271</u>	<u>741,852</u>
Net current assets		<u>137,581</u>	<u>1,066,253</u>	<u>1,062,237</u>
Total assets less current liabilities		873,353	6,768,488	6,746,198

	Unaudited 30 June 2017 <i>Note</i> <i>US\$'000</i> <i>(Note 11)</i>	Unaudited 30 June 2017 <i>HK\$'000</i>	Audited 31 December 2016 <i>HK\$'000</i>
Non-current liabilities			
Bank loans	13,613	105,500	5,800
Deferred tax liabilities	3,948	30,599	30,589
	17,561	136,099	36,389
Net assets	855,792	6,632,389	6,709,809
Equity			
Share capital	2,684	20,800	21,582
Reserves	782,706	6,065,972	6,118,249
Equity attributable to owners of the Company	785,390	6,086,772	6,139,831
Non-controlling interests	70,402	545,617	569,978
Total equity	855,792	6,632,389	6,709,809

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 2016 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 2016, except for the accounting policy changes that are expected to be reflected in the 2017 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 amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) that are first effective for the current accounting period of the Group. None of these amendments has had a material effect on the Group’s results and financial position for the current or prior periods. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3. Segment information

3.1 Segment results, assets and liabilities

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.

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 2017 are as follows:

	Property investments and associated businesses HK\$'000	Investment business HK\$'000	Toy business HK\$'000	Total HK\$'000
Gross segment revenue	129,000	2,739	322,285	454,024
Inter-segment revenue	(6,241)	-	-	(6,241)
Revenue from external customers	122,759	2,739	322,285	447,783
Segment profit before depreciation	71,995	13,606	37,404	123,005
Depreciation	(6,221)	-	(2,702)	(8,923)
Segment operating profit	65,774	13,606	34,702	114,082
Other net (loss)/income	(4,250)	-	10,557	6,307
Finance costs	(5,801)	(8)	(1,446)	(7,255)
	(10,051)	(8)	9,111	(948)
Segment profit before income tax	55,723	13,598	43,813	113,134
Unallocated corporate expenses				(2,122)
Profit before income tax				111,012

The segment results for the six months ended 30 June 2016 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	127,535	9,927	594,651	732,113
<u>Inter-segment revenue</u>	<u>(6,050)</u>	<u>-</u>	<u>-</u>	<u>(6,050)</u>
Revenue from external customers	121,485	9,927	594,651	726,063
Segment (loss)/profit before depreciation	(115,407)	(956)	139,851	23,488
<u>Depreciation</u>	<u>(5,013)</u>	<u>-</u>	<u>(1,146)</u>	<u>(6,159)</u>
<u>Segment operating (loss)/profit</u>	<u>(120,420)</u>	<u>(956)</u>	<u>138,705</u>	<u>17,329</u>
Other net loss	(14,035)	-	(822)	(14,857)
<u>Finance costs</u>	<u>(5,500)</u>	<u>(16)</u>	<u>(2,807)</u>	<u>(8,323)</u>
	<u>(19,535)</u>	<u>(16)</u>	<u>(3,629)</u>	<u>(23,180)</u>
Segment (loss)/profit before <u>income tax</u>	<u>(139,955)</u>	<u>(972)</u>	<u>135,076</u>	<u>(5,851)</u>
Unallocated corporate expenses				<u>(3,651)</u>
Loss before income tax				<u>(9,502)</u>

The segment assets and liabilities as at 30 June 2017 are as follows:

	Property investments and associated businesses	Investment business	Toy business	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Reportable segment assets (including cash and bank balances)	5,699,119	541,377	1,267,975	7,508,471
Interest in an associated company	-	-	6,053	6,053
Total reportable segment assets	5,699,119	541,377	1,274,028	7,514,524
Inter-segment elimination	-	-	(1,669)	(1,669)
Deferred tax assets				42,680
Taxation recoverable				13,061
Unallocated assets				<u>1,163</u>
Total assets				<u>7,569,759</u>
Reportable segment liabilities	646,355	-	235,036	881,391
Inter-segment elimination	(1,669)	-	-	(1,669)
Deferred tax liabilities				30,599
Taxation payable				25,506
Unallocated liabilities				<u>1,543</u>
Total liabilities				<u>937,370</u>

The segment assets and liabilities as at 31 December 2016 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)	5,721,061	442,752	1,265,903	7,429,716
Interest in an associated company	-	-	6,053	6,053
<u>Total reportable segment assets</u>	<u>5,721,061</u>	<u>442,752</u>	<u>1,271,956</u>	<u>7,435,769</u>
Inter-segment elimination	-	-	(1,591)	(1,591)
Deferred tax assets				28,982
Taxation recoverable				22,534
Unallocated assets				<u>2,356</u>
Total assets				<u>7,488,050</u>
<u>Reportable segment liabilities</u>	<u>548,041</u>	<u>-</u>	<u>191,532</u>	<u>739,573</u>
Inter-segment elimination	(1,591)	-	-	(1,591)
Deferred tax liabilities				30,589
Taxation payable				6,969
Unallocated liabilities				<u>2,701</u>
Total liabilities				<u>778,241</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 investment properties, other property, plant and equipment, 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 investment properties and other property, plant and equipment, 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
	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong (place of domicile)	124,729	122,758	5,148,767	5,160,336
Americas				
- U.S.A.	213,620	431,570	197,876	198,780
- Others	19,800	35,759	-	-
Europe	64,418	80,055	220,884	208,174
Asia Pacific other than Hong Kong	22,395	50,487	92,028	87,689
Others	2,821	5,434	-	-
	323,054	603,305	510,788	494,643
	447,783	726,063	5,659,555	5,654,979

3.3 Major customers

The Group's customer base is diversified and includes four (2016: three) 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\$82,403,000, HK\$76,986,000, HK\$54,257,000 and HK\$51,609,000 (2016: HK\$214,708,000, HK\$92,016,000 and HK\$74,537,000) respectively.

4. Other net income/(loss)

	Six months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
Net foreign exchange loss	(4,250)	(14,035)
Net investment gain from Playmates Toys' treasury investments	5,801	1,741
Others	4,756	(2,563)
	6,307	(14,857)

5. Profit/(Loss) before income tax

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

	Six months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
Cost of inventories sold	126,540	213,916
Product development costs	3,737	7,086
Royalties paid	42,734	78,690
Directors' and staff remunerations	43,379	42,025
Depreciation of other property, plant and equipment	9,329	6,565
Interest on borrowings	5,506	5,242
Net foreign exchange (gain)/loss	(455)	14,850

6. Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 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	
	2017	2016
	HK\$'000	HK\$'000
Current taxation		
Hong Kong profits tax	25,567	29,680
Overseas taxation	11,345	31,579
	36,912	61,259
Deferred taxation		
Origination and reversal of temporary differences	(13,761)	(5,560)
Income tax expense	23,151	55,699

7. Dividends

7.1 Dividends attributable to the interim period

	Six months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
Interim dividend of HK cents 1.00 per share (2016: HK cents 0.75 per share*)	20,655	16,200
Special interim dividend of HK cents 2.00 per share (2016: HK cents nil)	41,309	-
	61,964	16,200

At a meeting held on 25 August 2017, the board of directors declared an interim dividend of HK cents 1.00 per share and a special interim dividend of HK cents 2.00 per share to be paid on 29 September 2017 to shareholders whose names appear on the Company's Register of Members on 13 September 2017. This 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 2017.

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

	Six months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
Dividends in respect of the previous financial year and paid during the interim period:		
Second interim dividend of HK cents 0.75 per share* (2016: HK cents 0.75 per share*)	16,050	16,200
Special interim dividend of HK cents 1.50 per share* (2016: HK cents 1.30 per share*)	32,100	28,080
	48,150	44,280

- * 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"). These dividend per share amounts have been adjusted to take into account the effect of the Share Subdivision.

8. Earnings/(Loss) per share

The calculation of basic earnings/(loss) per share is based on the profit attributable to owners of the Company of HK\$69,506,000 (2016: loss of HK\$114,905,000) and the weighted average number of ordinary shares of 2,118,704,000 shares (2016: 2,163,650,000 shares, adjusted to take into account the effect of the Share Subdivision as detailed in Note 7) in issue during the period.

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

Diluted loss per share for the six months ended 30 June 2016 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.

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 2017 and 2016.

9. Trade receivables

	30 June 2017	31 December 2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	143,383	181,320
Less: Allowance for impairment	(2,647)	(2,647)
Less: Allowance for customer concession	(2,865)	(2,981)
	137,871	175,692

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 2017	31 December 2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 – 60 days	101,207	118,291
61 – 90 days	20,483	43,159
91 – 180 days	9,963	9,981
Over 180 days	6,218	4,261
	137,871	175,692

10. 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	31 December
	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 – 30 days	62,196	14,515
31 – 60 days	2,476	3,092
Over 60 days	981	991
	<hr/> 65,653	<hr/> 18,598

11. US dollar equivalents

These are shown for reference only and have been arrived at based on the exchange rate of HK\$7.75 to US\$1 ruling at 30 June 2017.

FINANCIAL ANALYSIS

The property investments and associated businesses generated a relatively steady income stream throughout the period. Approximately 93% of the total gross floor area of the Group's investment properties in Hong Kong were leased out as at 30 June 2017 (31 December 2016: 94%). 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 2017, the Group's financial assets at fair value through profit or loss amounted to HK\$123,716,000 (31 December 2016: HK\$114,267,000) of which HK\$11,877,000 was held by Playmates Toys for treasury investments (31 December 2016: HK\$23,195,000).

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 2017, trade receivables related to toy business were HK\$137,248,000 (31 December 2016: HK\$174,841,000) and inventories were HK\$43,736,000 (31 December 2016: HK\$15,236,000). The higher inventories at interim period end reflected the seasonal build-up of inventories to fulfil existing and expected customer orders.

The Group's gearing ratio, defined as total bank borrowings expressed as a percentage of total tangible assets, at 30 June 2017 was 7.9% compared to 6.7% at 31 December 2016. The current ratio, calculated as the ratio of current assets to current liabilities, was 2.3 at 30 June 2017 compared to 2.4 at 31 December 2016.

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 2017, the Group's cash and bank balances were HK\$1,484,575,000 (31 December 2016: HK\$1,388,706,000), of which HK\$1,232,162,000 (31 December 2016: HK\$1,190,710,000) was denominated in United States dollar, HK\$19,499,000 (31 December 2016: HK\$24,317,000) in British pound, HK\$49,526,000 (31 December 2016: HK\$Nil) in Euro and the remaining balance was mainly denominated in Hong Kong dollar.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the period, 6,682,000 shares of HK\$0.10 each were repurchased by the Company at prices ranging from HK\$9.90 to HK\$12.00 per share and 16,974,000 shares of HK\$0.01 each were repurchased by the Company at prices ranging from HK\$1.13 to HK\$1.15 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 Rules Governing the Listing of Securities on the Stock Exchange throughout the six months ended 30 June 2017, 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.

Since the former chairman of the board, who also acted as the chief executive officer of the Company, retired on 18 May 2017, 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 2017.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 12 September 2017 to 13 September 2017, 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 11 September 2017. The interim dividend and special interim dividend will be paid on 29 September 2017 to the shareholders on the Register of Members of the Company on 13 September 2017.

On behalf of the Board
To Shu Sing, Sidney
Chairman

Hong Kong, 25 August 2017

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

Mr. To Shu Sing, Sidney (*Chairman*), Ms. Chan, Helen (*Executive Director*), Mr. Cheng Bing Kin, Alain (*Executive Director*), Mr. Ip Shu Wing, Charles (*Independent Non-executive Director*), Mr. Lee Peng Fei, Allen (*Independent Non-executive Director*), Mr. Lo Kai Yiu, Anthony (*Independent Non-executive Director*), Mr. Tsim Tak Lung (*Deputy Chairman and Non-executive Director*) and Mr. Yu Hon To, David (*Independent Non-executive Director*)