PLAYMATES HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code：635)

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*
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***TM & © toy shipments throughout the year. We will also launch two internally-developed product lines, ***Kuroba***TM & © and ***Tiny Toes***TM & ©, 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

		Unaudited		
		Six months ended 30 June		
		2018	**2018**	2017
	Note	***US$'000***	***HK$'000***	*HK$'000*
		(Note 11)		
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
		US cents	***HK cents***	*HK cents*
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 11)		
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	**(260)**	**(2,024)**	17,598
Total comprehensive income for the period	**25,913**	**202,128**	105,459
Total comprehensive income attributable to:			
Owners of the Company	**27,865**	**217,353**	87,104
Non-controlling interests	**(1,952)**	**(15,225)**	18,355
	25,913	**202,128**	105,459

Condensed Consolidated Statement of Financial Position
As at 30 June 2018

	Note	**Unaudited 30 June 2018 *US$'000* *(Note 11)***	**Unaudited 30 June 2018 *HK$'000***	Audited 31 December 2017 *HK$'000*
Non-current assets				
Fixed assets				
- Investment properties		**728,043**	**5,678,738**	5,502,632
- Other property, plant and equipment		**32,650**	**254,667**	264,119
		760,693	**5,933,405**	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
		766,782	**5,980,903**	5,811,922
Current assets				
Inventories		**2,256**	**17,595**	22,904
Trade receivables	*9*	**5,314**	**41,451**	170,640
Deposits paid, other receivables and prepayments		**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
		229,914	**1,793,324**	1,818,942
Current liabilities				
Bank loans		**60,824**	**474,425**	478,125
Trade payables	*10*	**3,680**	**28,706**	26,126
Deposits received, other payables and accrued charges		**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
		94,799	**739,435**	766,739
Net current assets		**135,115**	**1,053,889**	1,052,203
Total assets less current liabilities		**901,897**	**7,034,792**	6,864,125

	Note	Unaudited 30 June 2018 US$'000 (Note 11)	Unaudited 30 June 2018 HK$'000	Audited 31 December 2017 HK$'000
Non-current liabilities				
Bank loans		**26,330**	**205,375**	103,250
Deferred tax liabilities		**3,893**	**30,363**	31,023
		30,223	**235,738**	134,273
Net assets		**871,674**	**6,799,054**	6,729,852
Equity				
Share capital		**2,553**	**19,911**	20,278
Reserves		**807,120**	**6,295,535**	6,179,207
Equity attributable to owners of the Company		**809,673**	**6,315,446**	6,199,485
Non-controlling interests		**62,001**	**483,608**	530,367
Total equity		**871,674**	**6,799,054**	6,729,852

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
	HK$'000	*HK$'000*
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
Total revenue	**263,714**	447,783

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	**Investment business**	**Toy business**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
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	**(6,374)**	**-**	**-**	**(6,374)**
Revenue from external customers	**123,324**	**3,696**	**136,694**	**263,714**
Segment profit/(loss) before depreciation	**261,435**	**6,994**	**(39,016)**	**229,413**
Depreciation	**(6,337)**	**-**	**(2,520)**	**(8,857)**
Segment operating profit/(loss)	**255,098**	**6,994**	**(41,536)**	**220,556**
Other net (loss)/income	**(2,000)**	**-**	**9,883**	**7,883**
Finance costs	**(7,817)**	**(71)**	**(2,114)**	**(10,002)**
	(9,817)	**(71)**	**7,769**	**(2,119)**
Segment profit/(loss) before income tax	**245,281**	**6,923**	**(33,767)**	**218,437**
Unallocated corporate expenses				**(3,853)**
Profit before income tax				**214,584**

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

	Property investments and associated businesses *HK$'000*	**Investment business** *HK$'000*	**Toy business** *HK$'000*	**Total** *HK$'000*
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**
Total reportable segment assets	**5,971,761**	**614,116**	**1,149,236**	**7,735,113**
Inter-segment elimination	**-**	**-**	**(1,670)**	**(1,670)**
Deferred tax assets				**34,234**
Taxation recoverable				**3,359**
Unallocated assets				**3,191**
Total assets				**7,774,227**
Reportable segment liabilities	**730,249**	**-**	**187,676**	**917,925**
Inter-segment elimination	**(1,670)**	**-**	**-**	**(1,670)**
Deferred tax liabilities				**30,363**
Taxation payable				**26,869**
Unallocated liabilities				**1,686**
Total liabilities				**975,173**

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

	Property investments and associated businesses *HK$'000*	Investment business *HK$'000*	Toy business *HK$'000*	Total *HK$'000*
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
Total reportable segment assets	5,815,481	508,199	1,260,684	7,584,364
Inter-segment elimination	-	-	(1,669)	(1,669)
Deferred tax assets				29,165
Taxation recoverable				17,391
Unallocated assets				1,613
Total assets				7,630,864
Reportable segment liabilities	629,130	-	224,064	853,194
Inter-segment elimination	(1,669)	-	-	(1,669)
Deferred tax liabilities				31,023
Taxation payable				16,376
Unallocated liabilities				2,088
Total liabilities				901,012

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
	2018	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong (place of domicile)	**125,938**	124,729	**5,431,533**	5,263,581
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	**1,754**	2,821	**-**	-
	137,776	323,054	**515,136**	519,176
	263,714	447,783	**5,946,669**	5,782,757

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
	HK$'000	*HK$'000*
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	**28**	4,756
	7,883	6,307

5. Profit before income tax

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

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
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**	-

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	2017
	HK$'000	*HK$'000*
Current taxation		
Hong Kong profits tax	**14,531**	25,567
Overseas taxation	**1,685**	11,345
Over provision in prior years – Hong Kong	**(20)**	-
	16,196	36,912
Deferred taxation		
Origination and reversal of temporary differences	**(5,764)**	(13,761)
Income tax expense	**10,432**	23,151

7. Dividends

7.1 Dividends attributable to the interim period

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
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
	228,160	61,964

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 announcement.

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
	HK$'000	*HK$'000*
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
	60,210	48,150

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. Trade receivables

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

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	31 December 2017
	HK$'000	*HK$'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
	41,451	170,640

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

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 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.

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.

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.

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

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)*