

2019 Interim Report



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MANAGEMENT DISCUSSION AND ANALYSIS

Highlights

For the six months ended 30 June	2019 HK\$'000	2018 HK\$'000
Group revenue	291,594	263,714
– from toy business	157,156	136,694
– from property investments and associated businesses	128,753	123,324
– from investment business	5,685	3,696
Gross profit	203,954	181,780
Revaluation surplus on investment properties	90,700	160,465
Operating profit	182,300	216,896
Profit before income tax	180,322	214,584
Profit attributable to owners of the Company	176,007	219,377
Earnings per share	HK cents	HK cents
– Basic	8.53	10.95
– Diluted	8.53	10.95
Interim dividend per share	1.50	1.50
Special interim dividend per share	10.00	10.00

Property Investments and Associated Businesses

The property investments and associated businesses recorded a 4.5% growth in revenue to HK\$128.8 million during the first half of 2019 compared to the same period last year (same period in 2018: HK\$123.3 million). Revenue from the property investments and property management businesses increased by 4.8% to HK\$117.7 million (same period in 2018: HK\$112.3 million), while revenue generated from the food and beverage business was approximately flat compared to the first half of 2018 at HK\$11.0 million. The Group's investment properties were revalued by independent professional surveyors at the fair value of HK\$5.9 billion. A revaluation surplus of HK\$90.7 million was recorded in the consolidated income statement of the Group (same period in 2018: HK\$160.5 million). Segment operating profit including revaluation surplus was HK\$190.2 million (same period in 2018: HK\$255.1 million).

(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 overseas investment properties in the United Kingdom, the United States of America and Japan, which in aggregate accounted for 7.4% of the fair value of the Group's overall investment property portfolio (31 December 2018: 7.4%).

Aggregate rental income generated from the investment properties of the Group was HK\$106.9 million, an increase of 4.1% from prior period (same period in 2018: HK\$102.7 million), with an overall occupancy rate of 75% (31 December 2018: 77%).

(i) Commercial

The Group's investment in commercial properties consists of the building, The Toy House, on Canton Road in Tsimshatsui, Kowloon, Hong Kong. With a flagship store of a leading global brand as a tenant, the building is a landmark on Canton Road, which is one of the premier shopping districts in Hong Kong. With the commencement of operation of the Guangzhou-Shenzhen-Hong Kong Express Rail Link in 2018, the Tsimshatsui district is well positioned to benefit from the increased number of tourists visiting the area.

(ii) Residential

The Group's principal investment in residential properties includes units in Hillview on MacDonnell Road, Mid-Levels, Hong Kong. A major renovation of the exterior and common facilities of the building will begin in 2019 which is expected to enhance the value of the property over the longer term. We are optimistic that our investment in the Hillview units will benefit from this renovation with resilient demand for and limited supply of up-market residential properties in Mid-Levels.

(iii) Industrial

The Group's investment in industrial properties consists of Playmates Factory Building in Tuen Mun, New Territories, Hong Kong. In response to the revived government policy to revitalize and optimize the use of existing industrial buildings, the Group has submitted a planning application in June 2019 to the Town Planning Board of Hong Kong to seek permission for the wholesale conversion of Playmates Factory Building for commercial uses.

(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 12.5% to HK\$10.8 million as compared to HK\$9.6 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 2018 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 2019 was HK\$157 million (same period in 2018: HK\$137 million), representing an increase of 15% compared to the prior year period. The increase in turnover was driven by the rollout of *Rise of the Teenage Mutant Ninja Turtles* products across many markets around the world starting in Fall 2018 and continuing throughout the first half of 2019.

Gross profit ratio on toy sales was 51% (same period in 2018: 47%). The increase in gross profit ratio was attributable mainly to: (i) fewer clearance of non-carry forward products in the US market compared to the prior year period, and (ii) lower tooling expenses related to new product introductions. Recurring operating expenses increased by 15% compared to the prior year period (excluding one-time write-off of Toys “R” Us receivables in 2018), reflecting higher marketing and selling expenses for the relaunch of *Teenage Mutant Ninja Turtles* (“TMNT”), higher distribution expenses in line with the increase in sales, and stable overhead expenses.

Playmates Toys group reported an operating loss for the period of HK\$31.1 million (same period in 2018: HK\$41.5 million). Operating loss during the first half of 2018 included a provision for doubtful debts of HK\$9.5 million for Toys “R” Us trade receivables. Net loss of Playmates Toys group during the first half of 2019 was HK\$19.9 million (same period in 2018: HK\$30.5 million).

Despite the continuation of *Rise of the Teenage Mutant Ninja Turtles* and *Ben 10* toy shipments throughout the year, we expect macroeconomic uncertainties and competitive pressure to persist and intensify in the second half of 2019.

While the operating environment remains challenging, we will adhere 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.

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 2019, fair market value of the Group's investment portfolio was HK\$86.8 million (31 December 2018: HK\$97.7 million) representing 1.1% of the total assets of the Group (31 December 2018: 1.2%). This comprised HK\$47.3 million of equities listed in Hong Kong (31 December 2018: HK\$74.2 million), HK\$36.0 million of equities listed overseas (31 December 2018: HK\$19.9 million) and HK\$3.5 million of unlisted managed funds (31 December 2018: HK\$3.6 million). None of the individual securities positions held by the Group had a market value that exceeded 0.2% of the total assets of the Group. The top 10 listed securities in aggregate represented 1.0% of the total assets of the Group and included Wharf Real Estate Investment Company Limited (1997.HK), Amazon.com, Inc. (AMZN.US), Sun Hung Kai Properties Limited (16.HK), Netflix, Inc. (NFLX.US), Alphabet Inc. (GOOG.US), Microsoft Corporation (MSFT.US), Henderson Land Development Company Limited (12.HK), New World Development Company Limited (17.HK), HSBC Holdings plc (5.HK) and Hong Kong Exchanges and Clearing Limited (388.HK).

The Group reported a net gain from investments of HK\$19.8 million in the first half of 2019 (same period in 2018: HK\$3.5 million). During the first half of 2019, dividend and interest income generated from the portfolio were HK\$5.7 million (same period in 2018: HK\$3.7 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 2019

		Unaudited		
		Six months ended 30 June		
	Note	2019 US\$'000 (Note 19)	2019 HK\$'000	2018 HK\$'000
Revenue	3	37,383	291,594	263,714
Cost of sales		<u>(11,236)</u>	<u>(87,640)</u>	<u>(81,934)</u>
Gross profit		26,147	203,954	181,780
Marketing expenses		(5,280)	(41,184)	(30,050)
Selling and distribution expenses		(1,104)	(8,608)	(6,975)
Administration expenses		(10,559)	(82,373)	(82,273)
Impairment loss on trade receivables		–	–	(9,531)
Net gain on financial assets at fair value through profit or loss		2,540	19,811	3,480
Revaluation surplus on investment properties		<u>11,628</u>	<u>90,700</u>	<u>160,465</u>
Operating profit		23,372	182,300	216,896
Other net income	4	1,124	8,768	7,883
Finance costs		<u>(1,378)</u>	<u>(10,746)</u>	<u>(10,195)</u>
Profit before income tax	5	23,118	180,322	214,584
Income tax expense	6	<u>(1,828)</u>	<u>(14,257)</u>	<u>(10,432)</u>
Profit for the period		<u>21,290</u>	<u>166,065</u>	<u>204,152</u>
Profit/(Loss) for the period attributable to:				
Owners of the Company		22,565	176,007	219,377
Non-controlling interests		<u>(1,275)</u>	<u>(9,942)</u>	<u>(15,225)</u>
		<u>21,290</u>	<u>166,065</u>	<u>204,152</u>
		<i>US cents</i>	<i>HK cents</i>	<i>HK cents</i>
Earnings per share	8			
Basic		<u>1.09</u>	<u>8.53</u>	<u>10.95</u>
Diluted		<u>1.09</u>	<u>8.53</u>	<u>10.95</u>

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2019

	Unaudited		
	Six months ended 30 June		
	2019	2019	2018
	US\$'000	HK\$'000	HK\$'000
	(Note 19)		
Profit for the period	21,290	166,065	204,152
Other comprehensive income:			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign subsidiaries	<u>188</u>	<u>1,467</u>	<u>(2,024)</u>
Total comprehensive income for the period	<u>21,478</u>	<u>167,532</u>	<u>202,128</u>
Total comprehensive income attributable to:			
Owners of the Company	<u>22,753</u>	<u>177,474</u>	217,353
Non-controlling interests	<u>(1,275)</u>	<u>(9,942)</u>	<u>(15,225)</u>
	<u>21,478</u>	<u>167,532</u>	<u>202,128</u>

Condensed Consolidated Statement of Financial Position

As at 30 June 2019

		Unaudited 30 June 2019 US\$'000 (Note 19)	Unaudited 30 June 2019 HK\$'000	Audited 31 December 2018 HK\$'000
Non-current assets				
Fixed assets				
– Investment properties	9	762,196	5,945,131	5,844,058
– Other property, plant and equipment	9	30,370	236,884	245,518
		<u>792,566</u>	<u>6,182,015</u>	6,089,576
Prepayments for fixed assets		29	226	2,781
Right-of-use assets		527	4,111	–
Goodwill		766	5,976	5,976
Interest in an associated company		759	5,920	5,920
Deferred tax assets		5,122	39,953	34,141
		<u>799,769</u>	<u>6,238,201</u>	<u>6,138,394</u>
Current assets				
Inventories		2,406	18,763	24,431
Trade receivables	10	4,203	32,785	141,289
Deposits paid, other receivables and prepayments	11	6,988	54,505	93,518
Taxation recoverable		363	2,832	3,524
Financial assets at fair value through profit or loss		11,125	86,772	97,663
Cash and bank balances		211,814	1,652,146	1,479,188
		<u>236,899</u>	<u>1,847,803</u>	<u>1,839,613</u>
Current liabilities				
Bank loans	12	68,372	533,300	474,425
Trade payables	13	4,126	32,185	38,571
Deposits received, other payables and accrued charges	14	18,204	141,975	165,124
Loan from an associated company		748	5,831	5,831
Provisions		5,097	39,758	46,637
Lease liabilities		351	2,739	–
Taxation payable		3,504	27,335	16,481
		<u>100,402</u>	<u>783,123</u>	<u>747,069</u>
Net current assets		<u>136,497</u>	<u>1,064,680</u>	<u>1,092,544</u>
Total assets less current liabilities		<u>936,266</u>	<u>7,302,881</u>	<u>7,230,938</u>

		Unaudited 30 June 2019 US\$'000 (Note 19)	Unaudited 30 June 2019 HK\$'000	Audited 31 December 2018 HK\$'000
Non-current liabilities				
Bank loans	12	30,663	239,175	200,875
Lease liabilities		187	1,462	–
Deferred tax liabilities		3,956	30,855	30,958
		<u>34,806</u>	<u>271,492</u>	<u>231,833</u>
Net assets		<u>901,460</u>	<u>7,031,389</u>	<u>6,999,105</u>
Equity				
Share capital	15	2,601	20,291	21,000
Reserves		835,828	6,519,458	6,478,342
Equity attributable to owners of the Company		838,429	6,539,749	6,499,342
Non-controlling interests		63,031	491,640	499,763
Total equity		<u>901,460</u>	<u>7,031,389</u>	<u>6,999,105</u>

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2019

	Unaudited		
	Six months ended 30 June		
	2019	2019	2018
	<i>US\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Note 19)</i>		
Operating activities			
Cash generated from operations	29,077	226,803	88,360
Overseas tax paid	(1,111)	(8,668)	(5,086)
Hong Kong tax refunded	–	–	13,414
Other cash flows arising from operating activities	(495)	(3,864)	(4,096)
Net cash generated from operating activities	<u>27,471</u>	<u>214,271</u>	<u>92,592</u>
Investing activities			
Capitalised subsequent expenditure on investment properties	(772)	(6,024)	(12,761)
Purchases of financial assets at fair value through profit or loss	–	–	(42,113)
Proceeds from disposal of financial assets at fair value through profit or loss	–	–	24,018
Other cash flows arising from investing activities	1,313	10,243	5,609
Net cash generated from/(used in) investing activities	<u>541</u>	<u>4,219</u>	<u>(25,247)</u>
Financing activities			
Dividends paid to owners of the Company	(8,077)	(63,000)	(60,210)
Dividends paid to non-controlling interests	–	–	(17,409)
New bank loans	13,359	104,200	110,000
Repayment of bank loans	(1,141)	(8,900)	(13,575)
Repurchase of shares of the Company	(9,737)	(75,946)	(41,096)
Repurchase of its own shares by a listed subsidiary	(19)	(149)	(16,927)
Other cash flows arising from financing activities	(170)	(1,329)	419
Net cash used in financing activities	<u>(5,785)</u>	<u>(45,124)</u>	<u>(38,798)</u>
Net increase in cash and cash equivalents	22,227	173,366	28,547
Cash and cash equivalents at 1 January	189,639	1,479,188	1,423,626
Effect of foreign exchange rate changes	(52)	(408)	(1,773)
Cash and cash equivalents at 30 June	<u>211,814</u>	<u>1,652,146</u>	<u>1,450,400</u>
<i>Analysis of cash and cash equivalents</i>			
Cash and bank balances	<u>211,814</u>	<u>1,652,146</u>	<u>1,450,400</u>

Condensed Consolidated Statement of Changes in Equity
For the six months ended 30 June 2019

	Unaudited											
	Attributable to owners of the Company											
	Share capital	Share premium	Capital redemption reserve	Share repurchase reserve	Reserve on consolidation	Exchange reserve	Share-based compensation reserve	Property revaluation reserve	Retained profits	Total	Non-controlling interests	Total equity
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
At 1 January 2018	20,278	1,856	7,433	(3,329)	510,684	(21,125)	3,912	31,812	5,647,964	6,199,405	530,367	6,729,852
Profit for the period	-	-	-	-	-	-	-	-	219,377	219,377	(15,225)	204,152
Other comprehensive income:												
Exchange differences arising on translation of foreign subsidiaries	-	-	-	-	-	(2,024)	-	-	-	(2,024)	-	(2,024)
Total comprehensive income for the period	-	-	-	-	-	(2,024)	-	-	219,377	217,353	(15,225)	202,128
Repurchase of shares of the Company	(367)	-	367	(2,122)	(38,607)	-	-	-	(367)	(41,096)	-	(41,096)
Repurchase of its own shares by a listed subsidiary	-	-	-	461	(9,068)	-	-	-	-	(8,607)	(8,320)	(16,927)
Share option scheme												
- value of services	-	-	-	-	-	-	1,169	-	-	1,169	1,128	2,297
- shares issued	-	-	-	-	360	-	(147)	-	-	213	206	419
2017 second interim dividend paid	-	-	-	-	(20,070)	-	-	-	-	(20,070)	-	(20,070)
2017 special interim dividend paid	-	-	-	-	(40,140)	-	-	-	-	(40,140)	-	(40,140)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(17,409)	(17,409)
Changes in ownership interests in subsidiaries without change of control	-	-	-	-	-	-	-	-	7,139	7,139	(7,139)	-
Transactions with owners	(367)	-	367	(1,661)	(107,525)	-	1,022	-	6,772	(101,392)	(31,534)	(132,926)
At 30 June 2018	19,911	1,856	7,800	(4,990)	403,159	(23,149)	4,934	31,812	5,874,113	6,315,446	483,608	6,799,054

Unaudited
Attributable to owners of the Company

	Share capital	Share premium	Capital redemption reserve	Share repurchase reserve	Reserve on consolidation	Exchange reserve	Share-based compensation reserve	Property revaluation reserve	Retained profits	Total	Non-controlling interests	Total equity
	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>
At 31 December 2018	21,000	122,666	7,927	-	167,400	(32,675)	5,957	31,812	6,175,255	6,499,242	409,763	6,999,105
Impact on initial application of HKFRS 16	-	-	-	-	-	-	-	-	341	341	331	672
Adjusted balance at 1 January 2019	21,000	122,666	7,927	-	167,400	(32,675)	5,957	31,812	6,175,596	6,499,683	500,094	6,999,777
Profit for the period	-	-	-	-	-	-	-	-	176,007	176,007	(9,942)	166,065
Other comprehensive income:												
Exchange differences arising on translation of foreign subsidiaries	-	-	-	-	-	1,467	-	-	-	1,467	-	1,467
Total comprehensive income for the period	-	-	-	-	-	1,467	-	-	176,007	177,474	(9,942)	167,532
Repurchase of shares of the Company	(709)	(73,811)	709	(1,426)	-	-	-	-	(709)	(75,946)	-	(75,946)
Repurchase of its own shares by a listed subsidiary	-	-	-	-	(76)	-	-	-	-	(76)	(73)	(149)
Share option scheme												
- value of services	-	-	-	-	-	-	1,575	-	-	1,575	1,524	3,099
- shares issued	-	-	-	-	68	-	(29)	-	-	39	37	76
- share options lapsed	-	-	-	-	-	-	(422)	-	422	-	-	-
2018 second interim dividend paid	-	-	-	-	(31,500)	-	-	-	-	(31,500)	-	(31,500)
2018 second special interim dividend paid	-	-	-	-	(31,500)	-	-	-	-	(31,500)	-	(31,500)
Transactions with owners	(709)	(73,811)	709	(1,426)	(63,008)	-	1,124	-	(287)	(137,408)	1,488	(135,920)
At 30 June 2019	20,291	48,855	8,636	(1,426)	104,392	(31,208)	7,081	31,812	6,351,316	6,539,749	491,640	7,031,389

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 2018 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 2018, except for the accounting policy changes that are expected to be reflected in the 2019 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 new Hong Kong Financial Reporting Standard (“HKFRS”), HKFRS 16, *Leases*, and a number of amendments to HKFRSs that are first effective for the current accounting period of the Group.

Except for HKFRS 16, none of the developments have had a material effect on how the Group’s results and financial position for the current or prior periods have been prepared or presented in this interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

HKFRS 16, *Leases*

HKFRS 16 replaces HKAS 17, *Leases*, and the related interpretations, HK(IFRIC) 4, *Determining whether an arrangement contains a lease*, HK(SIC) 15, *Operating leases – incentives*, and HK(SIC) 27, *Evaluating the substance of transactions involving the legal form of a lease*. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less (“Short-Term Leases”) and leases of low value assets. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

The Group has initially applied HKFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

(a) Changes in the accounting policies

(i) New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

There is no impact to the Group's existing contracts under this new lease definition. Contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

(ii) Lessee accounting

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those Short-Term Leases and leases of low value assets. As far as the Group is concerned, these newly capitalised leases are primarily in relation to lease of offices.

When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. For the Group, leases of low value assets are typically for office equipment. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments (if any) that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred. The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses.

(iii) Lessor accounting

The Group leases out a number of properties under its property investments and associated businesses segment. The accounting policies applicable to the Group as a lessor remain substantially unchanged from those under HKAS 17.

(b) Transitional impact

At the date of transition to HKFRS 16 (i.e. 1 January 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 January 2019. The incremental borrowing rate used for determination of the present value of the remaining lease payments was 5%.

To ease the transition to HKFRS 16, the Group elected to adopt the practical expedient by not applying the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application, i.e. where the lease term ends on or before 31 December 2019.

The following table reconciles the operating lease commitments as disclosed in note 17.2.1 as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019:

	<i>HK\$'000</i>
Operating lease commitment as at 31 December 2018	5,775
Less: discounting impact	(293)
	5,482
Lease liabilities as at 1 January 2019	5,482

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities as at 1 January 2019.

The Group presents right-of-use assets and lease liabilities separately in the consolidated statement of financial position.

The following table summarises the impacts of the adoption of HKFRS 16 on the Group's consolidated statement of financial position at initial application:

	At 31 December 2018 HK\$'000	Adoption of HKFRS 16 HK\$'000	At 1 January 2019 HK\$'000
<i>Non-current assets</i>			
Right-of-use assets	–	5,482	5,482
<i>Current liabilities</i>			
Lease liabilities	–	2,630	2,630
<i>Non-current liabilities</i>			
Lease liabilities	–	2,852	2,852
<i>Equity</i>			
Retained profits	6,175,255	341	6,175,596
Non-controlling interests	499,763	331	500,094
	<u> </u>	<u> </u>	<u> </u>

(c) Impact on the financial result of the Group after the adoption of HKFRS 16

In the consolidated income statement, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. The financial impact to the Group's consolidated income statement is not significant.

In the consolidated cash flow statement, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element. The capital element is classified as financing cash flow and interest element is classified as operating cash flow. Total cash flows are unaffected and the adoption of HKFRS 16 does not have a significant impact to the Group's consolidated cash flow statement.

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	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue from contracts with customers:		
– Sale of toys	157,156	136,694
– Restaurant income	11,064	11,036
– Property management income	10,754	9,646
	178,974	157,376
Revenue from other sources:		
– Rental income from investment properties	106,935	102,642
– Dividend income	1,335	2,222
– Interest income	4,350	1,474
	112,620	106,338
Total revenue	291,594	263,714

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 2019 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 revenue from contracts with customers by timing of revenue recognition				
– Point in time	11,064	–	157,156	168,220
– Over time	12,041	–	–	12,041
Gross revenue from other sources	112,362	5,685	–	118,047
Inter-segment revenue	<u>(6,714)</u>	<u>–</u>	<u>–</u>	<u>(6,714)</u>
Revenue from external customers	<u>128,753</u>	<u>5,685</u>	<u>157,156</u>	<u>291,594</u>
Segment profit/(loss) before depreciation	196,254	25,300	(27,305)	194,249
Depreciation	<u>(6,014)</u>	<u>–</u>	<u>(3,766)</u>	<u>(9,780)</u>
Segment operating profit/(loss)	<u>190,240</u>	<u>25,300</u>	<u>(31,071)</u>	<u>184,469</u>
Other net (loss)/income	(1,874)	–	10,468	8,594
Finance costs	<u>(9,586)</u>	<u>(12)</u>	<u>(679)</u>	<u>(10,277)</u>
	<u>(11,460)</u>	<u>(12)</u>	<u>9,789</u>	<u>(1,683)</u>
Segment profit/(loss) before income tax	<u>178,780</u>	<u>25,288</u>	<u>(21,282)</u>	182,786
Unallocated corporate expenses				<u>(2,464)</u>
Profit before income tax				<u>180,322</u>

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

	Property investments and associated businesses <i>HK\$ '000</i>	Investment business <i>HK\$ '000</i>	Toy business <i>HK\$ '000</i>	Total <i>HK\$ '000</i>
Gross revenue from contracts with customers by timing of revenue recognition				
– Point in time	11,036	–	136,694	147,730
– Over time	10,904	–	–	10,904
Gross revenue from other sources	107,758	3,696	–	111,454
Inter-segment revenue	<u>(6,374)</u>	<u>–</u>	<u>–</u>	<u>(6,374)</u>
Revenue from external customers	<u>123,324</u>	<u>3,696</u>	<u>136,694</u>	<u>263,714</u>
Segment profit/(loss) before depreciation	261,435	6,994	(39,016)	229,413
Depreciation	<u>(6,337)</u>	<u>–</u>	<u>(2,520)</u>	<u>(8,857)</u>
Segment operating profit/(loss)	<u>255,098</u>	<u>6,994</u>	<u>(41,536)</u>	<u>220,556</u>
Other net (loss)/income	(2,000)	–	9,883	7,883
Finance costs	<u>(7,817)</u>	<u>(71)</u>	<u>(2,114)</u>	<u>(10,002)</u>
	<u>(9,817)</u>	<u>(71)</u>	<u>7,769</u>	<u>(2,119)</u>
Segment profit/(loss) before income tax	<u>245,281</u>	<u>6,923</u>	<u>(33,767)</u>	218,437
Unallocated corporate expenses				<u>(3,853)</u>
Profit before income tax				<u>214,584</u>

The segment assets and liabilities as at 30 June 2019 are as follows:

	Property investments and associated businesses <i>HKS'000</i>	Investment business <i>HKS'000</i>	Toy business <i>HKS'000</i>	Total <i>HKS'000</i>
Reportable segment assets				
(including cash and bank balances)	6,216,014	634,515	1,153,823	8,004,352
Interest in an associated company	—	—	5,920	5,920
	<u>6,216,014</u>	<u>634,515</u>	<u>1,159,743</u>	8,010,272
Total reportable segment assets	<u>6,216,014</u>	<u>634,515</u>	<u>1,159,743</u>	8,010,272
Inter-segment elimination	(54)	—	(2,135)	(2,189)
Deferred tax assets				39,953
Taxation recoverable				2,832
Unallocated assets				<u>35,136</u>
Total assets				<u>8,086,004</u>
Reportable segment liabilities	<u>805,330</u>	<u>—</u>	<u>187,626</u>	992,956
Inter-segment elimination	(1,665)	—	(524)	(2,189)
Deferred tax liabilities				30,855
Taxation payable				27,335
Unallocated liabilities				<u>5,658</u>
Total liabilities				<u>1,054,615</u>

The segment assets and liabilities as at 31 December 2018 are as follows:

	Property investments and associated businesses <i>HK\$ '000</i>	Investment business <i>HK\$ '000</i>	Toy business <i>HK\$ '000</i>	Total <i>HK\$ '000</i>
Reportable segment assets				
(including cash and bank balances)	6,144,691	545,467	1,194,097	7,884,255
Interest in an associated company	–	–	5,920	5,920
	<u>6,144,691</u>	<u>545,467</u>	<u>1,200,017</u>	<u>7,890,175</u>
Total reportable segment assets				
	<u>6,144,691</u>	<u>545,467</u>	<u>1,200,017</u>	<u>7,890,175</u>
Inter-segment elimination	(53)	–	(1,670)	(1,723)
Deferred tax assets				34,141
Taxation recoverable				3,524
Unallocated assets				<u>51,890</u>
Total assets				<u>7,978,007</u>
Reportable segment liabilities	<u>724,718</u>	<u>3,900</u>	<u>201,658</u>	930,276
Inter-segment elimination	(1,670)	–	(53)	(1,723)
Deferred tax liabilities				30,958
Taxation payable				16,481
Unallocated liabilities				<u>2,910</u>
Total liabilities				<u>978,902</u>

3.2 Geographical information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's fixed assets, prepayments for fixed assets, right-of-use assets, goodwill and interest in an associated company ("specified non-current assets"). The geographical location of revenue is based on the country in which the customer is located. The geographical location of the specified non-current assets is based on the physical location of the assets in case of fixed assets and right-of-use assets, the location of operation to which they are allocated in case of goodwill, and the place of domicile 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
	2019	2018	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong (place of domicile)	<u>133,085</u>	<u>125,938</u>	<u>5,688,760</u>	<u>5,603,550</u>
Americas				
– U.S.A.	85,925	70,462	189,659	197,283
– Others	16,172	19,816	–	–
Europe	45,868	27,832	221,709	207,918
Asia Pacific other than Hong Kong	10,140	17,912	98,120	95,502
Others	<u>404</u>	<u>1,754</u>	<u>–</u>	<u>–</u>
	<u>158,509</u>	<u>137,776</u>	<u>509,488</u>	<u>500,703</u>
	<u>291,594</u>	<u>263,714</u>	<u>6,198,248</u>	<u>6,104,253</u>

3.3 Major customers

The Group's customer base includes two (2018: two) 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\$83,443,000 and HK\$52,967,000 (2018: HK\$79,915,000 and HK\$33,207,000) respectively.

4. Other net income

	Six months ended 30 June	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net foreign exchange loss on translation of bank loans	(1,875)	(2,000)
Net investment gain and income from Playmates Toys' treasury investments	10,394	9,855
Others	<u>249</u>	<u>28</u>
	<u>8,768</u>	<u>7,883</u>

5. Profit before income tax

Profit before income tax is stated after charging the following:

	Six months ended 30 June	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost of inventories sold	72,116	64,078
Product development and tooling costs	8,898	10,734
Royalties expenses	21,715	19,787
Directors' and staff remunerations	45,178	44,104
Depreciation		
– other property, plant and equipment	8,608	9,085
– right-of-use assets	1,370	–
Interest		
– on borrowings	9,549	7,792
– on lease liabilities	124	–
Net foreign exchange loss	2,672	1,996
Impairment loss on trade receivables	–	9,531
	<u> </u>	<u> </u>

6. Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 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	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current taxation		
Hong Kong profits tax	15,951	14,531
Overseas taxation	4,264	1,685
Over provision in prior years – Hong Kong	–	(20)
	<u> </u>	<u> </u>
	20,215	16,196
Deferred taxation		
Origination and reversal of temporary differences	(5,958)	(5,764)
	<u> </u>	<u> </u>
Income tax expense	<u> </u>	<u> </u>
	14,257	10,432

7. Dividends

7.1 Dividends attributable to the interim period

	Six months ended 30 June	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interim dividend of HK cents 1.50 per share (2018: HK cents 1.50 per share)	30,406	29,760
Special interim dividend of HK cents 10.00 per share (2018: HK cents 10.00 per share)	202,708	198,400
	<u>233,114</u>	<u>228,160</u>

At a meeting held on 12 August 2019, 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 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 11 September 2019. The Interim Dividend will be paid in the form of cash and the Special Interim Dividend will be payable in cash with a scrip dividend alternative, details of which are disclosed in the section headed “Additional Information on Interim Dividends” in this interim report.

The Interim Dividend and Special Interim Dividend declared after the end of the reporting period have not been recognised as liabilities in this condensed consolidated financial information for the six months ended 30 June 2019.

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

	Six months ended 30 June	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
Dividends in respect of the previous financial year and paid during the interim period:		
Second interim dividend of HK cents 1.50 per share (2018: HK cents 1.00 per share)	31,500	20,070
Second special interim dividend of HK cents 1.50 per share (2018: HK cents 2.00 per share)	31,500	40,140
	<u>63,000</u>	<u>60,210</u>

8. Earnings per share

The calculation of basic earnings per share is based on the profit attributable to owners of the Company of HK\$176,007,000 (2018: HK\$219,377,000) and the weighted average number of ordinary shares of 2,062,785,000 shares (2018: 2,003,482,000 shares) in issue during the period.

Diluted earnings per share for the six months ended 30 June 2019 and 2018 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 2019 and 2018.

9. Investment properties and other property, plant and equipment

	Investment properties HK\$'000	Other property, plant and equipment HK\$'000
Opening net book amount as at 1 January 2019	5,844,058	245,518
Exchange fluctuation	1,568	(29)
Additions	–	99
Capitalised subsequent expenditure	8,805	–
Revaluation surplus	90,700	–
Disposals	–	(96)
Depreciation	–	(8,608)
	<hr/>	<hr/>
Closing net book amount as at 30 June 2019	5,945,131	236,884
	<hr/> <hr/>	<hr/> <hr/>
Opening net book amount as at 1 January 2018	5,502,632	264,119
Exchange fluctuation	(1,229)	(707)
Additions	–	341
Capitalised subsequent expenditure	16,870	–
Revaluation surplus	160,465	–
Disposals	–	(1)
Depreciation	–	(9,085)
	<hr/>	<hr/>
Closing net book amount as at 30 June 2018	5,678,738	254,667
Exchange fluctuation	(7,490)	(1,775)
Additions	–	1,525
Capitalised subsequent expenditure	52	–
Revaluation surplus	172,758	–
Disposals	–	(80)
Depreciation	–	(8,819)
	<hr/>	<hr/>
Closing net book amount as at 31 December 2018	5,844,058	245,518
	<hr/> <hr/>	<hr/> <hr/>

10. Trade receivables

	30 June 2019 HK\$'000	31 December 2018 HK\$'000
Trade receivables	48,085	160,742
Less: Allowance for impairment	–	(2,664)
Less: Allowance for customer concession	(15,300)	(16,789)
	32,785	141,289

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 2019 HK\$'000	31 December 2018 HK\$'000
0 – 60 days	23,815	95,565
61 – 90 days	5,184	39,872
91 – 180 days	2,043	3,182
Over 180 days	1,743	2,670
	32,785	141,289

11. Deposits paid, other receivables and prepayments

Deposits paid, other receivables and prepayments of the Group include receivables related to rent free periods given to tenants of HK\$24,564,000 (31 December 2018: HK\$27,420,000), which are amortised over the respective lease terms.

12. Bank loans

	30 June 2019 HK\$'000	31 December 2018 HK\$'000
Secured bank loans repayable		
Within one year	533,300	474,425
In the second year	16,200	9,000
In the third to fifth years	127,100	27,000
After five years	95,875	164,875
	<u>772,475</u>	<u>675,300</u>
Current portion included in current liabilities	<u>(533,300)</u>	<u>(474,425)</u>
Non-current portion	<u>239,175</u>	<u>200,875</u>

Except for bank loans amounted to HK\$90,500,000 (31 December 2018: HK\$88,625,000) denominated in Japanese Yen, all bank loans were denominated in HK dollar. All bank loans were on a floating interest rate basis and their effective interest rate at the end of the reporting period was 3.23% p.a. (31 December 2018: 3.23% p.a.).

As at 30 June 2019, the Group has banking facilities amounting to HK\$1,022,975,000 (31 December 2018: HK\$1,033,075,000), of which HK\$772,475,000 (31 December 2018: HK\$675,300,000) were utilised.

The banking facilities of certain subsidiaries are secured by investment properties and land and buildings of the Group with net book value of HK\$5,302,200,000 and HK\$167,405,000 respectively at 30 June 2019 (31 December 2018: HK\$5,212,300,000 and HK\$171,680,000).

13. Trade payables

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

	30 June 2019 HK\$'000	31 December 2018 HK\$'000
0 – 30 days	30,573	37,182
31 – 60 days	42	415
Over 60 days	1,570	974
	<u>32,185</u>	<u>38,571</u>

14. Deposits received, other payables and accrued charges

	30 June 2019 HK\$'000	31 December 2018 HK\$'000
Deposits from customers, distributors and tenants	88,188	100,327
Accrued product development, sales, marketing and distribution expenses	2,606	6,088
Accrued royalties	28,538	33,925
Accrued directors' and staff remunerations	5,216	5,660
Withholding tax payable	4,814	2,996
Other accrued expenses	12,613	16,128
	141,975	165,124

15. Share capital

	Authorised Ordinary shares of HK\$0.01 each	
	<i>No. of shares</i>	<i>HK\$'000</i>
At 31 December 2018 and 30 June 2019	30,000,000,000	300,000
	Issued and fully paid Ordinary shares of HK\$0.01 each	
	<i>No. of shares</i>	<i>HK\$'000</i>
At 1 January 2018	2,027,782,000	20,278
Shares issued in respect of scrip dividend of 2018 first special interim dividend	121,585,752	1,216
Cancellation of repurchased shares	(49,367,752)	(494)
At 31 December 2018 and 1 January 2019	2,100,000,000	21,000
Cancellation of repurchased shares (<i>Note</i>)	(70,888,000)	(709)
At 30 June 2019	2,029,112,000	(20,291)

Notes:

During the six months ended 30 June 2019, the Company repurchased a total of 72,140,000 shares of the Company on the Stock Exchange as follows:

Month/year	Par value per share <i>HK\$</i>	Number of shares repurchased	Highest price paid per share <i>HK\$</i>	Lowest price paid per share <i>HK\$</i>	Aggregate price paid <i>HK\$'000</i>
March 2019	0.01	69,144,000	1.05	1.05	72,601
May 2019	0.01	1,622,000	1.10	1.09	1,784
June 2019	0.01	1,374,000	1.15	1.10	1,561

Save and except the 1,252,000 shares repurchased in June 2019 which were cancelled in July 2019, all of the above repurchased shares were cancelled during the period. The issued capital of the Company was accordingly diminished by the nominal value of these shares. The premium paid on repurchase was charged against either the share premium account or the contributed surplus account. An amount equivalent to the nominal value of the shares cancelled was transferred from retained profits to capital redemption reserve.

16. Fair value measurement of financial instruments

16.1 Financial assets and liabilities measured at fair value

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

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

	At 30 June 2019			
	Level 1	Level 2	Level 3	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Recurring fair value measurement				
Financial assets at fair value through profit or loss:				
Listed equity investment in Hong Kong	47,319	–	–	47,319
Listed equity investment outside Hong Kong	35,996	–	–	35,996
Unlisted managed funds	–	3,457	–	3,457
	83,315	3,457	–	86,772
At 31 December 2018				
	Level 1	Level 2	Level 3	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Recurring fair value measurement				
Financial assets at fair value through profit or loss:				
Listed equity investment in Hong Kong	74,228	–	–	74,228
Listed equity investment outside Hong Kong	19,871	–	–	19,871
Unlisted managed funds	–	3,564	–	3,564
	94,099	3,564	–	97,663

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

During the six months ended 30 June 2019 and 2018, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

16.2 Financial assets and liabilities not reported at fair value

The carrying amounts of the Group's financial assets and liabilities (comprising trade receivables, deposits paid and other receivables, bank loans, trade payables, other payables and accrued charges and loan from an associated company carried at amortised cost) approximate their fair values as at 30 June 2019 and 31 December 2018.

17. Commitments

17.1 Licensing commitments

In the normal course of business, the Group enters into contractual licensing agreements to secure its rights to design, develop, market and distribute certain toys and family entertainment activity products for future sales. Certain licensing agreements contain financial commitments by the Group to the licensors to be fulfilled during the terms of the contracts. The amounts of financial commitments contracted but not provided for at 30 June 2019 were payable as follows:

	30 June 2019 HK\$'000	31 December 2018 HK\$'000
Within one year	67,876	43,852
In the second to fifth years	53,058	43,368
	120,934	87,220

17.2 Lease commitments

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

17.2.1 As lessee

The Group acts as lessee under leases for its offices. All future lease payments for such leases have been recognised as lease liabilities as at 30 June 2019 under HKFRS 16. As a result, no lease commitment as at 30 June 2019 is presented. The lease commitment as at 31 December 2018 presented below represents the future minimum lease payments under all non-cancellable operating leases.

	31 December 2018 HK\$'000
Within one year	2,845
In the second to fifth years	2,930
	<u>5,775</u>

Details of the impact on initial application of HKFRS 16 are disclosed in note 2.

17.2.2 As lessor

At 30 June 2019, the future aggregate minimum lease payments under non-cancellable leases for commercial, industrial and residential premises receivable by the Group were as follows:

	30 June 2019 HK\$'000	31 December 2018 HK\$'000
Within one year	207,146	206,320
In the second to fifth years	449,980	545,733
	657,126	752,053

17.3 Capital commitments

Capital commitments outstanding at 30 June 2019 not provided for in the condensed consolidated financial information were as follows:

	30 June 2019 HK\$'000	31 December 2018 HK\$'000
Contracted for	26,794	5,605

18. Related party transactions

During the six months ended 30 June 2019 and 2018, the Group did not enter into significant transactions with related parties.

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

19. 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 2019.

INFORMATION PROVIDED IN ACCORDANCE WITH THE LISTING RULES

Liquidity and Financial Resources

The property investments and associated businesses generated a relatively steady income stream throughout the period. Overall occupancy rate was 75% as at 30 June 2019 (31 December 2018: 77%). 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 2019, the Group's financial assets at fair value through profit or loss amounted to HK\$86,772,000 (31 December 2018: HK\$97,663,000).

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 2019, trade receivables related to toy business were HK\$31,870,000 (31 December 2018: HK\$140,005,000) and inventories were HK\$18,567,000 (31 December 2018: HK\$24,237,000).

The Group's gearing ratio, defined as total bank borrowings expressed as a percentage of total tangible assets, at 30 June 2019 was 9.6% compared to 8.5% at 31 December 2018. The current ratio, calculated as the ratio of current assets to current liabilities, was 2.4 at 30 June 2019 (31 December 2018: 2.5).

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 2019, the Group's cash and bank balances were HK\$1,652,146,000 (31 December 2018: HK\$1,479,188,000), of which HK\$1,306,402,000 (31 December 2018: HK\$1,007,638,000) was denominated in United States dollar, HK\$17,709,000 (31 December 2018: HK\$21,835,000) in British pound, HK\$46,970,000 (31 December 2018: HK\$49,358,000) in Euro and the remaining balance was mainly denominated in Hong Kong dollar.

Charges on Group Assets

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

Employees

As at 30 June 2019, the Group had a total of 109 employees in Hong Kong, the United States of America and the United Kingdom.

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

Share Options

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

Share options of the Company

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

Share options of Playmates Toys Limited (“PTL”)

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

Participant	Date of grant	Exercise Price HK\$	Number of share options				Balance at 30 June 2019
			Balance at 1 January 2019	Granted during the period (Note (1))	Exercised during the period (Note (2))	Lapsed during the period	
2018 PTL Scheme							
TO Shu Sing, Sidney <i>Chairman and Director of the Company and PTL</i>	29 June 2018	0.826	2,000,000	–	–	–	2,000,000
CHAN, Helen <i>Director of the Company</i>	29 June 2018	0.826	1,000,000	–	–	–	1,000,000
CHENG Bing Kin, Alain <i>Director of the Company and PTL</i>	29 June 2018	0.826	1,200,000	–	–	–	1,200,000

Participant	Date of grant	Exercise Price HK\$	Number of share options				Balance at 30 June 2019
			Balance at 1 January 2019	Granted during the period (Note (1))	Exercised during the period (Note (2))	Lapsed during the period	
<i>Directors of PTL</i>							
CHAN Kong Keung, Stephen	29 June 2018	0.826	1,000,000	–	–	–	1,000,000
CHOW Yu Chun, Alexander	29 June 2018	0.826	500,000	–	–	–	500,000
LEE Ching Kwok, Rin	29 June 2018	0.826	500,000	–	–	–	500,000
YANG, Victor	29 June 2018	0.826	500,000	–	–	–	500,000
<i>Continuous Contract Employees of PTL Group, excluding directors of PTL</i>	29 June 2018	0.826	16,772,000	–	–	100,000	16,672,000
<i>Other Participants</i>	29 June 2018	0.826	5,780,000	–	–	–	5,780,000
	12 April 2019	0.792	–	20,000,000	–	–	20,000,000
2008 PTL Scheme							
<i>Directors of PTL</i>							
CHOW Yu Chun, Alexander	13 April 2012	0.415	250,000	–	–	–	250,000
	15 May 2013	0.930	525,000	–	–	–	525,000
YANG, Victor	13 April 2012	0.415	125,000	–	–	–	125,000
	15 May 2013	0.930	525,000	–	–	–	525,000
<i>Continuous Contract Employees of PTL Group, excluding directors of PTL</i>	20 January 2010	0.828	981,000	–	–	–	981,000
	18 April 2011	0.315	528,000	–	–	–	528,000
	13 April 2012	0.415	1,297,500	–	–	–	1,297,500
	15 May 2013	0.930	3,625,500	–	–	–	3,625,500
<i>Other Participants</i>	20 January 2010	0.828	443,000	–	–	443,000	–
	30 March 2010	0.673	1,110,000	–	–	–	1,110,000
	18 April 2011	0.315	574,000	–	–	–	574,000
	13 April 2012	0.415	1,122,000	–	184,000	186,000	752,000
	15 May 2013	0.930	1,562,500	–	–	600,000	962,500

Notes:

- (1) The closing price of the ordinary shares of PTL on 11 April 2019, being the trading day immediately before the date on which the share options were granted during the period, was HK\$0.70.
- (2) The weighted average closing price of the ordinary shares of PTL immediately before the date on which the share options were exercised by the other participant of PTL Group during the period was HK\$0.82.

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

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

As at 30 June 2019, the interests of each director of the Company in the shares, underlying shares of equity derivatives and debentures of the Company and its associated corporations (within the meaning of the Securities and Futures Ordinance (“SFO”)) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (“Stock Exchange”) pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules were as follows:

Long positions in shares of the Company

Name of Director	Nature of interest	Number of shares held	Percentage interest held
TO Shu Sing, Sidney	Personal	20,000,000 ordinary shares	0.99%
CHAN, Helen	Personal	26,000,000 ordinary shares	1.28%
CHENG Bing Kin, Alain	Personal	2,300,000 ordinary shares	0.11%
IP Shu Wing, Charles	Personal	3,320,800 ordinary shares	0.16%
LO Kai Yiu, Anthony	Personal	250,000 ordinary shares	0.01%
TSIM Tak Lung	Personal	1,100,160 ordinary shares	0.05%
YU Hon To, David	Personal	1,320,000 ordinary shares	0.07%
	Corporate (<i>Note (a)</i>)	5,472,000 ordinary shares	0.27%

Long positions in shares of PTL

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

Long positions in underlying shares and debentures of PTL

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

Notes:

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

Unless stated otherwise, all the aforesaid shares and equity derivatives were beneficially owned by the directors concerned. The percentage shown was the number of shares or underlying shares the relevant director was interested expressed as a percentage of the number of issued shares of the relevant companies as at 30 June 2019.

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

Save as disclosed above, as at 30 June 2019, none of the directors of the Company were interested or deemed to be interested in short positions in the shares, underlying shares of equity derivatives and debentures of the Company or any associated corporation.

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

As at 30 June 2019, persons (other than the directors of the Company) who had interests or short positions in the shares and underlying shares of the Company, being 5% or more of the Company's issued share capital, was recorded in the register required to be kept under section 336 of the SFO were as follows:

Name	Nature of interest	Number of shares held	Percentage interest held
CHAN Chun Hoo, Thomas	Personal	132,000,000 ordinary shares	6.51%
	Associate (<i>Note (i)</i>)	120,000,000 ordinary shares	5.91%
TGC Assets Limited	Corporate (<i>Note (ii)</i>)	1,008,000,000 ordinary shares	49.68%

Notes:

- (i) 120,000,000 shares of the Company were owned by the wife of Mr. Chan Chun Hoo, Thomas ("Mr. Chan") and Mr. Chan is therefore deemed to be interested in those shares.
- (ii) 1,008,000,000 ordinary shares of the Company were beneficially owned by TGC Assets Limited ("TGC"). All the issued share capital of TGC is wholly-owned by Mr. Chan.

Purchase, Sale or Redemption of Shares

During the period, 72,140,000 shares of HK\$0.01 each were repurchased by the Company at prices ranging from HK\$1.05 to HK\$1.15 per share through the Stock Exchange. The particulars of the repurchases are set out in note 15 to the condensed consolidated financial information.

Compliance with the Corporate Governance Code

The Company has applied the principles and complied with all the applicable code provisions ("Code Provisions") of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2019, 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 2019.

Compliance with the Model Code

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules for securities transactions by directors of the Company. All the members of the Board have confirmed, following specific enquiry by the Company, that they have complied with the required standard as set out in the Model Code throughout the period ended 30 June 2019.

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 11 September 2019. 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 2019. 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 23 October 2019.

Closure of Register of Members

The Register of Members of the Company will be closed from 10 September 2019 to 11 September 2019, 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 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong no later than 4:30 p.m. on 9 September 2019.

On behalf of the Board
To Shu Sing, Sidney
Chairman

Hong Kong, 12 August 2019

CORPORATE INFORMATION

Directors

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

Company Secretary

NG Ka Yan

Registered Office

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Bermuda

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Tsimshatsui
Kowloon, Hong Kong

Auditors

Grant Thornton Hong Kong Limited
Certified Public Accountants

Legal Advisors

Conyers Dill & Pearman
Deacons

Principal Bankers

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

Principal Share Registrars

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Branch Share Registrars

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Stock Code

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

Website

www.playmates.net



Playmates Holdings Limited

(Incorporated in Bermuda with limited liability)
(Stock code 635)

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