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DREAM INTERNATIONAL LIMITED 德林國際有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 1126)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2016

The board of directors (the “Board”) of Dream International Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2016 together with comparative figures for the corresponding period in 2015. The interim results for the six months ended 30 June 2016 have not been audited, but have been reviewed by KPMG.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE SIX MONTHS ENDED 30 JUNE 2016 – UNAUDITED

| | | Six months ended 30 June | |
|------------------------------------|--------------|---------------------------------|-----------------|
| | <i>Notes</i> | 2016 | 2015 |
| | | HK\$'000 | HK\$'000 |
| Revenue | 3 | 899,575 | 755,553 |
| Cost of sales | | (662,349) | (584,316) |
| Gross profit | | 237,226 | 171,237 |
| Other revenue | | 7,648 | 4,504 |
| Other net income | | 3,871 | 1,269 |
| Distribution costs | | (25,686) | (23,517) |
| Administrative expenses | | (112,849) | (89,348) |
| Profit from operations | | 110,210 | 64,145 |
| Finance costs | 4(a) | (180) | (190) |
| Profit before taxation | 4 | 110,030 | 63,955 |
| Income tax | 5 | (28,062) | (19,708) |
| Profit for the period | | 81,968 | 44,247 |
| Attributable to: | | | |
| Equity shareholders of the Company | | 83,052 | 44,965 |
| Non-controlling interests | | (1,084) | (718) |
| Profit for the period | | 81,968 | 44,247 |
| Earnings per share | 7 | | |
| Basic and diluted | | HK\$0.123 | HK\$0.066 |

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2016 – UNAUDITED

| | Six months ended 30 June | |
|--|---------------------------------|-----------------|
| | 2016 | 2015 |
| <i>Notes</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Profit for the period | 81,968 | 44,247 |
| Other comprehensive income for the period (after tax and reclassification adjustments): | | |
| Item that will not be reclassified to profit or loss: | | |
| Remeasurement of net defined benefit retirement obligation | (82) | (92) |
| Items that may be reclassified subsequently to profit or loss: | | |
| Exchange differences on translation of financial statements of subsidiaries outside Hong Kong | 437 | (2,510) |
| Available-for-sale securities: net movement in the fair value reserve | (168) | – |
| | 269 | (2,510) |
| Other comprehensive income for the period | 187 | (2,602) |
| Total comprehensive income for the period | 82,155 | 41,645 |
| Attributable to: | | |
| Equity shareholders of the Company | 83,231 | 42,366 |
| Non-controlling interests | (1,076) | (721) |
| Total comprehensive income for the period | 82,155 | 41,645 |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2016 – UNAUDITED

| | | At 30 June 2016 <i>HK\$'000</i> | At 31 December 2015 <i>HK\$'000</i> |
|--|--------------|--|--|
| | <i>Notes</i> | | |
| Non-current assets | | | |
| Investment property | 9 | 1,449 | – |
| Interests in leasehold land held for own use under operating leases | 9 | 78,791 | 53,778 |
| Other property, plant and equipment | 9 | 443,735 | 379,369 |
| Long term receivables and prepayments | | 16,243 | 16,105 |
| Other intangible assets | | 7,686 | 7,618 |
| Goodwill | | 2,753 | 2,753 |
| Deferred tax assets | | 5,253 | 7,603 |
| Other financial assets | 8 | 21,374 | 21,099 |
| | | <u>577,284</u> | <u>488,325</u> |
| Current assets | | | |
| Inventories | 10 | 249,511 | 201,752 |
| Trade and other receivables | 11 | 286,967 | 334,816 |
| Current tax recoverable | | 65 | 28 |
| Other financial assets | 8 | 6,785 | 6,591 |
| Time deposits | | 79,274 | 25,123 |
| Cash and cash equivalents | | 284,963 | 251,476 |
| | | <u>907,565</u> | <u>819,786</u> |
| Current liabilities | | | |
| Trade and other payables | 12 | 314,940 | 253,425 |
| Bank loans | | 29,557 | 3,916 |
| Current tax payable | | 28,882 | 22,758 |
| | | <u>373,379</u> | <u>280,099</u> |
| Net current assets | | <u>534,186</u> | <u>539,687</u> |
| Total assets less current liabilities | | <u>1,111,470</u> | <u>1,028,012</u> |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)*AS AT 30 JUNE 2016 – UNAUDITED*

| | At 30 June 2016 <i>Notes</i> <i>HK\$'000</i> | At 31 December 2015 <i>HK\$'000</i> |
|--|---|--|
| Non-current liabilities | | |
| Deferred tax liabilities | 1,231 | – |
| Net defined benefit retirement obligation | 1,198 | 1,126 |
| | <u>2,429</u> | <u>1,126</u> |
| NET ASSETS | <u>1,109,041</u> | <u>1,026,886</u> |
| CAPITAL AND RESERVES | | |
| Share capital | 236,474 | 236,474 |
| Reserves | 876,665 | 793,434 |
| Total equity attributable to equity shareholders of the Company | 1,113,139 | 1,029,908 |
| Non-controlling interests | (4,098) | (3,022) |
| TOTAL EQUITY | <u>1,109,041</u> | <u>1,026,886</u> |

NOTES TO THE INTERIM FINANCIAL RESULTS

1. General information and basis of preparation

The principal activities of the Group are design, development, manufacture and sale of plush stuffed toys, plastic figures and ride-on toys.

The Company is a limited liability company incorporated in Hong Kong. The address of its registered office is Unit 501 & 6/F, China Minmetals Tower, 79 Chatham Road South, Tsimshatsui, Kowloon, Hong Kong.

The Company is listed on the Main Board of The Stock Exchange of Hong Kong Limited.

The interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), including compliance with Hong Kong Accounting Standard ("HKAS") 34, *Interim Financial Reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). It was authorised for issue on 23 August 2016.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2015 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2016 annual financial statements. Details of any changes in accounting policies are set out in note 2.

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, issued by the HKICPA.

The financial information relating to the financial year ended 31 December 2015 that is included in the interim financial report as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Further information relating to these statutory financial statements disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) (the "Companies Ordinance") is as follows:

The Company has delivered the financial statements for the year ended 31 December 2015 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

The Company's auditor has reported on those financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under section 406(2), 407(2) or (3) of the Companies Ordinance.

2. Changes in accounting policies

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

- *Annual Improvements to HKFRSs 2012-2014 Cycle*
- *Amendments to HKAS 1, Presentation of Financial Statements: Disclosure Initiative*

None of these developments has had a material effect on how the Group’s results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3. Segment reporting

The Group manages its businesses by divisions, which are organised by a mixture of both business lines and geography. In a manner consistent with the way in which information is reported internally to the Group’s most senior executive management for the purposes of resource allocation and performance assessment, the Group has identified three reportable segments. No operating segments have been aggregated to form the following reportable segments.

(a) Information about profit or loss, assets and liabilities

Information regarding the Group’s reportable segments as provided to the Group’s most senior executive management for the purposes of resource allocation and assessment of segment performance for the period is set out below.

| | Plush stuffed toys | | Plastic figures | | Ride-on toys | | Total | |
|---|--------------------|----------------|-----------------|----------------|----------------|----------------|----------------|----------------|
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| | HK\$’000 | HK\$’000 | HK\$’000 | HK\$’000 | HK\$’000 | HK\$’000 | HK\$’000 | HK\$’000 |
| <i>For the six months ended 30 June</i> | | | | | | | | |
| Revenue from external customers | 644,648 | 540,545 | 245,024 | 213,556 | 9,903 | 1,452 | 899,575 | 755,553 |
| Inter-segment revenue | 14,663 | 23,848 | 1,443 | 1,958 | – | – | 16,106 | 25,806 |
| Reportable segment revenue | 659,311 | 564,393 | 246,467 | 215,514 | 9,903 | 1,452 | 915,681 | 781,359 |
| Reportable segment profit/ (loss)(adjusted EBITDA) | 99,111 | 61,795 | 49,339 | 32,004 | (3,148) | (2,655) | 145,302 | 91,144 |
| <i>As at 30 June/31 December</i> | | | | | | | | |
| Reportable segment assets | 963,674 | 862,234 | 334,161 | 323,300 | 61,502 | 39,517 | 1,359,337 | 1,225,051 |
| Reportable segment liabilities | 302,668 | 248,281 | 213,685 | 197,369 | 79,673 | 45,379 | 596,026 | 491,029 |

The measure used for reporting segment profit is “adjusted EBITDA” i.e. “adjusted earnings before interest, taxes, depreciation and amortisation”, where “interest” is regarded as including investment income and “depreciation and amortisation” is regarded as including impairment losses on non-current assets. To arrive at the adjusted EBITDA, the Group’s earnings are further adjusted for items not specifically attributed to individual segments, such as directors’ and auditors’ remuneration and other head office or corporate administration costs.

(b) Reconciliations of reportable segment profit or loss

| | Six months ended 30 June | |
|--|--------------------------|-------------------------|
| | 2016 <i>HK\$'000</i> | 2015 <i>HK\$'000</i> |
| Reportable segment profit | 145,302 | 91,144 |
| Interest income | 1,937 | 2,618 |
| Depreciation and amortisation | (22,173) | (17,589) |
| Finance costs | (180) | (190) |
| Unallocated head office and corporate expenses | (14,856) | (12,028) |
| | <u>110,030</u> | <u>63,955</u> |

4. Profit before taxation

Profit before taxation is arrived at after charging/(crediting):

| | Six months ended 30 June | |
|---|--------------------------|-------------------------|
| | 2016 <i>HK\$'000</i> | 2015 <i>HK\$'000</i> |
| (a) Finance costs | | |
| Interest expense on bank borrowings wholly repayable within five years | <u>180</u> | <u>190</u> |
| (b) Other items | | |
| Amortisation of land lease premium | 742 | 474 |
| Depreciation | 21,431 | 17,115 |
| Operating lease charges: minimum lease payments in respect of property rentals | 15,660 | 14,634 |
| Inventories write-down | 484 | 895 |
| Reversal of write-down of inventories | (2,683) | (743) |
| Bargain purchase gain arising from acquisition of a subsidiary | (3,240) | – |
| Bank interest income | (1,405) | (2,047) |
| Interest income from other financial assets | (532) | (571) |
| Net realised and unrealised gain on other financial assets | (264) | (159) |
| Net loss/(gain) on disposal of other property, plant and equipment | <u>331</u> | <u>(119)</u> |

5. Income tax

| | Six months ended 30 June | |
|-------------------------------------|--------------------------|-----------------|
| | 2016 | 2015 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Current tax – Hong Kong Profits Tax | 8,454 | 7,467 |
| Current tax – Outside Hong Kong | 17,216 | 9,429 |
| Deferred taxation | 2,392 | 2,812 |
| | <u>28,062</u> | <u>19,708</u> |

6. Dividends

(a) Dividends payable to equity shareholders of the Company attributable to the interim period

| | Six months ended 30 June | |
|--|--------------------------|-----------------|
| | 2016 | 2015 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Interim dividend declared and paid after the interim period of HK1 cent per ordinary share (six months ended 30 June 2015: HK3 cents per ordinary share) | 6,769 | 20,306 |

The interim dividend has not been recognised as a liability at the end of the reporting period.

(b) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the interim period

| | Six months ended 30 June | |
|--|--------------------------|-----------------|
| | 2016 | 2015 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Final dividend in respect of the previous financial year, approved and paid during the interim period, of HKNil cents per ordinary share (six months ended 30 June 2015: HK5 cents per ordinary share) | – | 33,843 |

7. Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of HK\$83,052,000 (six months ended 30 June 2015: HK\$44,965,000) and the weighted average number of ordinary shares of 676,865,000 shares (six months ended 30 June 2015: 676,865,000 shares) in issue during the interim period.

(b) Diluted earnings per share

The diluted earnings per share is the same as the basic earnings per share as there were no dilutive potential ordinary shares in existence during the six months ended 30 June 2016 and 2015.

8. Other financial assets

| | At 30 June 2016 <i>HK\$'000</i> | At 31 December 2015 <i>HK\$'000</i> |
|---|--|--|
| <i>Non-current</i> | | |
| Structured debt security (<i>notes (i) and (v)</i>) | 8,022 | 7,731 |
| Available-for-sale debt securities – unlisted (<i>note (ii)</i>) | 8,166 | 8,260 |
| Available-for-sale equity security – unlisted (<i>note (iii)</i>) | 5,186 | 5,108 |
| | <u>21,374</u> | <u>21,099</u> |
| <i>Current</i> | | |
| Equity-linked security (<i>notes (iv) and (v)</i>) | 6,785 | 6,591 |
| | <u>28,159</u> | <u>27,690</u> |

Notes:

- (i) Structured debt security represents a debt investment placed with an investment bank in Korea with fixed interest rate at 4.63% per annum and redeemable by the debt issuer on or after 30 January 2018.
- (ii) Available-for-sale debt securities – unlisted represent: (a) an investment in bond amounting to HK\$1,555,000 (31 December 2015: HK\$1,524,000) with fixed interest rate at 3.95% per annum and a maturity date on 11 January 2023, which management has no intention to hold to maturity; and (b) an investment in perpetual bond amounting to HK\$6,611,000 (31 December 2015: HK\$6,736,000) with fixed interest rate at 5.88% per annum.
- (iii) Available-for-sale equity security – unlisted represents an investment in a Korean private company and is carried at cost less impairment loss. In prior years, an impairment loss of HK\$8,705,000 was recognised in order to write down the available-for-sale equity security to its recoverable amount. No further impairment loss was recognised during the six months ended 30 June 2016 and 2015.
- (iv) Equity-linked security represents an equity-linked bond placed with an investment bank in Korea with guaranteed principal and variable interest linked to the Korea Composite Stock Price Index 200, with a maturity date on 6 October 2016.
- (v) Structured debt security and equity-linked security are hybrid instruments that include non-derivative host contracts and embedded derivatives. Upon inception, the financial instruments are designated as fair value through profit or loss with changes in fair value recognised in the consolidated statement of profit or loss.

9. Investment property, leasehold land and other property, plant and equipment

During the six months ended 30 June 2016, the Group acquired items of leasehold land and other property, plant and equipment with a cost of HK\$114,895,000 (six months ended 30 June 2015: other property, plant and equipment of HK\$58,781,000). Items of other property, plant and equipment with a net book value of HK\$829,000 were disposed of during the six months ended 30 June 2016 (six months ended 30 June 2015: HK\$288,000), resulting in a net loss on disposal of HK\$331,000 (six months ended 30 June 2015: net gain on disposal of HK\$119,000).

10. Inventories

During the six months ended 30 June 2016, HK\$2,683,000 (six months ended 30 June 2015: HK\$743,000) has been recognised as a reversal of write-down of inventories. The reversal arose upon utilisation or disposal of these inventories.

11. Trade and other receivables

As at 30 June 2016, the ageing analysis of trade debtors and bills receivable (which are included in trade and other receivables), based on the invoice date or date of revenue recognition, if earlier and net of allowance for doubtful debts, is as follows:

| | At 30 June 2016 <i>HK\$'000</i> | At 31 December 2015 <i>HK\$'000</i> |
|--|--|--|
| Within 1 month | 118,669 | 145,400 |
| 1 to 2 months | 52,474 | 61,394 |
| 2 to 3 months | 24,188 | 22,072 |
| 3 to 4 months | 57 | 2,661 |
| Over 4 months | <u>693</u> | <u>785</u> |
| Trade debtors and bills receivable, net of allowance for doubtful debts | 196,081 | 232,312 |
| Other receivables and prepayments | 81,264 | 90,924 |
| Amounts due from related companies | <u>9,622</u> | <u>11,580</u> |
| | <u><u>286,967</u></u> | <u><u>334,816</u></u> |

Trade debtors and bills receivable are due within 30 to 60 days from the date of billing. Debtors with balances that are more than 3 months past due are requested to settle all outstanding balances before any further credit is granted.

12. Trade and other payables

As at 30 June 2016, the ageing analysis of trade payables (which are included in trade and other payables), based on the due date, is as follows:

| | At 30 June 2016 <i>HK\$'000</i> | At 31 December 2015 <i>HK\$'000</i> |
|--|--|--|
| Due within 1 month or on demand | 126,370 | 102,572 |
| Due after 1 month but within 3 months | 455 | 1,672 |
| Due after 3 months but within 6 months | — | 100 |
| | <hr/> | <hr/> |
| Trade payables | 126,825 | 104,344 |
| Accrued charges and other payables | 177,001 | 148,968 |
| Amount due to a related company | 11,114 | 113 |
| | <hr/> | <hr/> |
| | 314,940 | 253,425 |
| | <hr/> <hr/> | <hr/> <hr/> |

MANAGEMENT DISCUSSION & ANALYSIS

Financial Review

During the first half of 2016, global market conditions remained challenging. The US economy continued to experience a slow growth after the US Federal Reserve initiated an interest rate hike in December 2015. While in the Euro zone, the unexpected British vote to leave the European Union in June 2016 had seemed to set in motion economic instabilities in that region and even worldwide, leading to weak market sentiment. Despite this difficult environment, the Group managed to achieve outstanding results, thanks to its leadership and competitive advantages established in the toy industry, as well as its ongoing efforts in expansion of both production capacity and the customer base.

For the six months ended 30 June 2016, the Group's revenue rose by 19.1% year-on-year to HK\$899.6 million (six months ended 30 June 2015: HK\$755.6 million), mainly driven by the solid increase in sales volume of plush stuffed toys and plastic figures. Benefitting from the improvement of production efficiency and economies of scale in Vietnam, as well as the relatively stable material costs, gross profit rose significantly by 38.5% to HK\$237.2 million (six months ended 30 June 2015: HK\$171.2 million) during the period, driving the gross profit margin up by 3.7 percentage points to 26.4% (six months ended 30 June 2015: 22.7%). By implementing stringent cost control measures, the Group managed to decrease the distribution cost to revenue ratio and maintained the administrative expenses to revenue ratio at a stable level, helping to boost the operating profit by 71.8% to HK\$110.2 million (six months ended 30 June 2015: HK\$64.1 million). Accordingly, the Group achieved a profit for the period of HK\$82.0 million (six months ended 30 June 2015: HK\$44.2 million), representing a surge of 85.3%, with net margin up by 3.2 percentage points to 9.1% (six months ended 30 June 2015: 5.9%).

The Group maintained a healthy financial position with cash and cash equivalents and bank deposits of HK\$364.2 million as at 30 June 2016 (31 December 2015: HK\$276.6 million).

Business Review

Product Analysis

Plush stuffed toys segment

During the period under review, the plush stuffed toys segment recorded revenue of HK\$644.7 million (six months ended 30 June 2015: HK\$540.5 million), representing a rise of 19.3% year-on-year and accounting for 71.7% of the Group's total revenue. The Original Equipment Manufacturing ("OEM") business under the plush stuffed toys segment remained as the core contributor of the Group's total revenue, with sales rising by 15.3% to HK\$596.4 million (six months ended 30 June 2015: HK\$517.3 million), accounting for 92.5% of total sales of the plush stuffed toys segment. As a preferred partner enjoying a long-term business relationship with well-known customers including globally-renowned cartoon character owners and licensors, the Group has achieved progress under the OEM business during the review period. While it continued to receive increasing order volumes from a popular plush toy collection, business from the theme park opened in Shanghai, China this year also brought in a sales contribution. Moreover, a purveyor of pop culture and licensed-focused company, which was secured as the Group's customer two years ago, has markedly increased its order volume this year due to the launch of a new licensed plush toy line. The Group has also started working closely with a renowned US retailer for its promotional campaign for four consecutive seasons, which will last till early 2017.

Sales of the Original Design Manufacturing (“ODM”) business grew by 108.2% to HK\$48.3 million (six months ended 30 June 2015: HK\$23.2 million) during the six months ended 30 June 2016, contributing 7.5% of the total sales of plush stuffed toys. With the establishment of its self-owned “Dream, made to love, made to hug” brand, the Group continued to fine-tune its positioning to focus on the mass market. In view of the keen competition in the generic toy market, the Group is planning to develop new designs to refresh its existing product lines, so as to cater US retailers’ demand and further strengthen cooperation.

Plastic figures segment

During the period under review, the plastic figures segment has continued its rapid growth, with sales rising by 14.7% to HK\$245.0 million (six months ended 30 June 2015: HK\$213.6 million), contributing 27.2% of the Group’s total revenue. Capturing the cross-selling opportunities riding on its long term business relationships with existing top-tier customers, the Group has continued to receive increasing orders, contributing to the sales growth of plastic figures. In particular, a unique-feature plastic figures licensor secured as a customer in 2014 notably increased its order volume during the review period. The Group is currently in negotiation with several potential clients and developing new figures for existing customers, and expects to conclude these new developments in the second half of 2016.

Ride-on toys segment

During the period under review, sales generated from the ride-on toys segment significantly increased to HK\$9.9 million (six months ended 30 June 2015: HK\$1.5 million). The Group has relocated its ride-on toys production facilities from China to Vietnam for better production efficiency. Since the plant started operations in May 2015, its operations have been smoothly ramping up. The Group is currently in negotiation with potential customers and targets to secure more sizable orders in the near future.

Geographic Market Analysis

For the six months ended 30 June 2016, North America became the largest geographic market of the Group, accounting for 51.6% of its total revenue. Japan came second and accounted for 36.3% of the total revenue, followed by Europe at 6.0%, Hong Kong at 1.6% and others at 4.5%.

Operational Analysis

As at 30 June 2016, the Group operated 15 plants in total, four of which were in China and 11 in Vietnam, and in aggregate running at an average utilisation rate of 84%. The construction work of the Group’s third plant for the plastic figures segment in Hanoi was completed in May 2016 and gradually started ramping up, with full operations expected in the fourth quarter of 2016.

Prospects

Despite the fact that market is anticipating pressure from the possible increase in US interest rates, it also expects stable economic growth there, which will subsequently improve market sentiment in that country and worldwide. The gross domestic product of Japan also exceeded market expectations in the first half of 2016, which hopefully could translate into a more positive consumer sentiment there. Nonetheless, given the potential geopolitical issues, as well as rising production costs in China and more intense competition faced in the manufacturing sector, the Group remains cautiously optimistic about its prospects in the near future.

With the core businesses steadily growing, the Group is exploring new opportunities by enriching the product mix and grasping cross-selling opportunities brought by its established and reputable customer base. Recently, the Group has set up a new “Doll Product” category supported by the existing manufacturing capabilities and expertise, and acquired a parcel of land in Vietnam to build a designated manufacturing facility for this new product category. The first batch of new products is to be delivered by the end of this year. Meanwhile, the Group is in negotiation with potential customers – who are already customers of its plastic figures segment – for this new segment. The Group sees considerable potential and therefore expects a significant contribution from this initiative in the coming years.

Having foreseen the challenges encountered by toy manufacturers in China, the Group has been one of the first movers in the industry to relocate its production base to Vietnam and is now expanding its facilities there in full swing. While the third plant dedicated to manufacturing plastic figures there has commenced operations as scheduled, the Group will consider further expanding its production capacity in this segment subject to the volume of the increasing orders, so as to further strengthen its competitive edge through the greater economies of scale and lower production costs there. The Group will also continue to optimise its product and cost structures to meet the changing market demand and increase its profitability.

Number and Remuneration of Employees

As at 30 June 2016, the Group had 15,793 (31 December 2015: 15,267) employees in Hong Kong, China, Korea, the US, Japan and Vietnam. The Group values its human resources and recognises the importance of attracting and retaining quality staff for its continuing success. Staff bonuses and share options are awarded based on individual performance.

Liquidity and Financial Resources and Gearing

The Group continued to maintain a reasonable liquidity position. As at 30 June 2016, the Group had net current assets of HK\$534.2 million (31 December 2015: HK\$539.7 million). The Group’s total cash and cash equivalents as at 30 June 2016 amounted to HK\$285.0 million (31 December 2015: HK\$251.5 million). The total bank loans of the Group as at 30 June 2016 amounted to HK\$29.6 million (31 December 2015: HK\$3.9 million).

The Group’s gearing ratio, calculated on the basis of total bank loans over total equity, was 2.7% at 30 June 2016 (31 December 2015: 0.4%).

Pledge on Group Assets

Certain property, plant and equipment of the Group with an aggregate carrying amount of HK\$19,019,000 as at 30 June 2016 (31 December 2015: HK\$27,542,000) were pledged as security for an unutilised bank facility of the Group of HK\$11,639,000 (31 December 2015: HK\$11,627,000).

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the six months ended 30 June 2016, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

During the six months ended 30 June 2016, the Board considered that the Company has complied with the code provisions set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules, save for the deviation from the code provision A.2.1.

Under the code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer ("CEO") should be separated and should not be held by the same individual. Mr. Kyoo Yoon Choi has been appointed as the CEO on 4 October 2012 and has performed both the roles as the chairman and CEO of the Company. The Board is of the opinion that it is appropriate and in the best interests of the Company at the present stage for Mr. Kyoo Yoon Choi to hold both positions as it helps to maintain the continuity of the policies and stability of the operations of the Company. The Board including three independent non-executive directors has a fairly independent element in the composition and will play an active role to ensure a balance of power and authority.

COMPLIANCE WITH THE MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the code of conduct regarding directors' securities transactions on terms no less exacting than the required standard. The Company has made specific enquires of all directors of the Company and all directors have confirmed that they had complied with the required standard as set out in the Model Code at all applicable times during the six months ended 30 June 2016.

INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Board declared an interim dividend of HK1 cent per ordinary share for the six months ended 30 June 2016 (six months ended 30 June 2015: HK3 cents per ordinary share). The interim dividend of HK\$6,769,000 (six months ended 30 June 2015: HK\$20,306,000) will be paid on 15 September 2016 to shareholders registered at the close of business on the record date, 6 September 2016.

The register of members will be closed for one day on 7 September 2016, during that day no transfer of shares will be effected. In order to qualify for the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Share Registrar, Tricor Abacus Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on 6 September 2016.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") has reviewed with the management of the Company with respect to the accounting principles and practices adopted by the Group and discussed risk management and internal control systems and financial reporting matters, including a review of the unaudited interim results for the six months ended 30 June 2016. The Audit Committee considered that the unaudited interim results for the six months ended 30 June 2016 were in compliance with the relevant accounting standards, rules and regulations and that appropriate disclosures have been made.

PUBLICATION OF 2016 INTERIM RESULTS AND INTERIM REPORT

The electronic version of this interim results announcement is published on the websites of the Company (www.dream-i.com.hk) and Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk). An interim report for the six months ended 30 June 2016 prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Listing Rules will be dispatched to shareholders of the Company and published on above websites in due course.

By order of the Board
Dream International Limited
Kyoo Yoon Choi
Executive Director

Hong Kong, 23 August 2016

As at the date of this announcement, the directors of the Company are as follows:

Executive Directors

Mr. Kyoo Yoon Choi (*Chairman*)
Mr. Young M. Lee
Mr. James Chuan Yung Wang
Mr. Hyun Ho Kim

Independent Non-executive Directors

Professor Cheong Heon Yi
Mr. Tae Woong Kang
Dr. Chan Yoo