DREAM INTERNATIONAL LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 1126)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2019

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 2019 together with comparative figures for the corresponding period in 2018.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE SIX MONTHS ENDED 30 JUNE 2019 – UNAUDITED

		Six months ended 30 June	
	Notes	**2019**	2018
		HK$'000	*HK$'000*
			(Restated)
Continuing operations			
Revenue	*3*	**1,591,075**	1,372,591
Cost of sales		**(1,277,344)**	(1,076,182)
Gross profit		**313,731**	296,409
Other revenue		**9,152**	9,034
Other net gain/(loss)		**1,192**	(1,819)
Distribution costs		**(38,909)**	(35,951)
Administrative expenses		**(135,409)**	(137,847)
Profit from operations		**149,757**	129,826
Finance costs	*4(a)*	**(2,599)**	(1,137)
Profit before taxation	*4*	**147,158**	128,689
Income tax	*5*	**(18,707)**	(29,922)
Profit for the period from continuing operations		**128,451**	98,767

CONSOLIDATED STATEMENT OF PROFIT OR LOSS (CONTINUED)
FOR THE SIX MONTHS ENDED 30 JUNE 2019 – UNAUDITED

	Notes	Six months ended 30 June 2019 HK$'000	2018 HK$'000 (Restated)
Discontinued operations			
Loss for the period from discontinued operations	*13*	**(18,182)**	(20,263)
Profit for the period		**110,269**	78,504
Attributable to:			
Equity shareholders of the Company		**112,439**	83,650
Non-controlling interests		**(2,170)**	(5,146)
Profit for the period		**110,269**	78,504
Profit/(loss) attributable to equity shareholders of the Company arises from:			
– Continuing operations		**125,945**	98,703
– Discontinued operations		**(13,506)**	(15,053)
		112,439	83,650
Earnings/(loss) per share attributable to equity shareholders of the Company for the period	*7*		
Basic and diluted			
– From continuing operations		**HK$0.186**	HK$0.146
– From discontinued operations		**HK$(0.020)**	HK$(0.022)
Earnings per share for the period		**HK$0.166**	HK$0.124

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2019 – UNAUDITED

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
		(Restated)
Profit for the period	**110,269**	78,504
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	**–**	(154)
Unlisted equity security at fair value through other comprehensive income – net movement in fair value reserve (non-recycling)	**(829)**	1,975
	(829)	1,821
Items that may be or are reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong	**(5,416)**	889
Reclassification of accumulated exchange differences to profit or loss upon deregistration of a subsidiary	**392**	–
Investment in debt security at fair value through other comprehensive income – net movement in fair value reserve (recycling)	**87**	249
	(4,937)	1,138
Other comprehensive income for the period	**(5,766)**	2,959
Total comprehensive income for the period	**104,503**	81,463

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2019 – UNAUDITED

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
		(Restated)
Attributable to:		
Equity shareholders of the Company	**106,991**	86,435
Non-controlling interests	**(2,488)**	(4,972)
Total comprehensive income for the period	**104,503**	81,463
Total comprehensive income attributable to equity shareholders of the Company		
– Continuing operations	**120,497**	101,488
– Discontinued operations	**(13,506)**	(15,053)
	106,991	86,435

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019 – UNAUDITED

	Notes	At 30 June 2019 HK$'000	At 31 December 2018 HK$'000
Non-current assets			
Investment properties		**3,743**	3,900
Other property, plant and equipment	*9*	**1,208,112**	1,165,227
Long term receivables and prepayments		**26,345**	23,090
Other intangible assets		**6,891**	7,046
Goodwill		**2,753**	2,753
Interest in an associate		**7,360**	–
Deferred tax assets		**5,882**	4,511
Other financial assets	*8*	**4,370**	5,843
		1,265,456	1,212,370
Current assets			
Inventories	*10*	**552,930**	459,210
Trade and other receivables	*11*	**598,750**	633,121
Current tax recoverable		**3,726**	206
Time deposits		**53,879**	53,705
Cash and cash equivalents		**372,941**	378,503
		1,582,226	1,524,745
Current liabilities			
Trade and other payables and contract liabilities	*12*	**596,943**	592,124
Bank loans		**150,048**	116,895
Lease liabilities		**14,041**	–
Current tax payable		**33,732**	44,046
		794,764	753,065
Net current assets		**787,462**	771,680
Total assets less current liabilities		**2,052,918**	1,984,050

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 30 JUNE 2019 – UNAUDITED

	Notes	At 30 June 2019 HK$'000	At 31 December 2018 HK$'000
Non-current liabilities			
Lease liabilities		**19,178**	–
Deferred tax liabilities		**7,963**	8,627
		27,141	8,627
NET ASSETS		**2,025,777**	1,975,423
CAPITAL AND RESERVES			
Share capital		**236,474**	236,474
Reserves		**1,814,967**	1,762,125
Total equity attributable to equity shareholders of the Company		**2,051,441**	1,998,599
Non-controlling interests		**(25,664)**	(23,176)
TOTAL EQUITY		**2,025,777**	1,975,423

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

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, die-casting products and ride-on toys.

The Company is a limited liability company incorporated in Hong Kong. The address of its registered office is 6/F, South Seas Centre, 75 Mody Road, Tsim Sha Tsui, Kowloon, Hong Kong.

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

The interim financial results set out in this announcement do not constitute the Group's interim financial report for the six months ended 30 June 2019 but are extracted from those interim financial report.

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 26 August 2019.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2018 annual financial statements, except for the accounting policies that are expected to be reflected in the 2019 annual financial statements. Details of those 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 2018 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 2018 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 ACCOUNTING POLICIES ADOPTED IN 2019 FINANCIAL STATEMENTS

(i) 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, *Leases*, 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.

The Group has initially applied HKFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and there are no 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.

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 labilities, adjusted by an amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position at 31 December 2018.

At 1 January 2019, right-of-use assets of HK$30,683,000 and lease liabilities of HK$28,501,000 were recognised, adjusted by prepaid lease payments of HK$2,182,000.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

(ii) Interest in an associate

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). The cost of the investment includes purchase price, other costs directly attributable to the acquisition of the investment, and any direct investment into the associate that forms part of the Group's equity investment. Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment. Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method, together with any other long-term interests that in substance form part of the Group's net investment in the associate (after applying the expected credit loss model to such other long-term interests where applicable).

Unrealised profits and losses resulting from transactions between the Group and its associate are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset.

3 REVENUE AND 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 four (six months ended 30 June 2018: three) reportable segments. No operating segments have been aggregated to form the following reportable segments.

Effective from 1 January 2019, as a re-alignment of business segments for the purposes of reporting to the Group's senior executive management, segment revenue and results from die-casting products were presented as a separate operating segment. Comparative information presented have been adjusted to conform to current period's presentation.

As discussed in note 13, the Group no longer carried on the business of ride-on toys segment. The results of this segment have been classified as discontinued operations of the Group for the period ended 30 June 2019.

(a) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major products or service lines and geographical location of customers is as follows:

	Continuing operations		Discontinued operations	
	Six months ended 30 June			
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
		(Restated)		(Restated)
Revenue from sales of goods within the scope of HKFRS 15				
Disaggregated by major product lines				
– Plush stuffed toys	**775,420**	673,736	**–**	–
– Plastic figures	**770,175**	698,855	**–**	–
– Die-casting products	**45,480**	–	**–**	–
– Ride-on toys	**–**	–	**18,377**	25,575
	1,591,075	1,372,591	**18,377**	25,575

	Continuing operations		Discontinued operations	
	Six months ended 30 June			
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
		(Restated)		(Restated)
Disaggregated by geographical location of customers				
– Hong Kong (place of domicile)	**23,840**	23,419	**–**	–
– North America	**943,838**	877,499	**18,377**	25,575
– Japan	**349,718**	327,797	**–**	–
– The PRC	**104,642**	38,286	**–**	–
– Europe	**80,616**	49,403	**–**	–
– Vietnam	**65,278**	26,556	**–**	–
– Korea	**18,932**	28,276	**–**	–
– Other countries	**4,211**	1,355	**–**	–
	1,591,075	1,372,591	**18,377**	25,575

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

Disaggregation of revenue from 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		Die-casting products		Continuing operations sub-total		Ride-on toys – discontinued operations		Total	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
								(Restated)		(Restated)		
For the six months ended 30 June												
Revenue from external customers	**775,420**	673,736	**770,175**	698,855	**45,480**	–	**1,591,075**	1,372,591	**18,377**	25,575	**1,609,452**	1,398,166
Inter-segment revenue	**9,930**	15,760	**4,907**	4,719	**15,670**	–	**30,507**	20,479	**–**	7,477	**30,507**	27,956
Reportable segment revenue	**785,350**	689,496	**775,082**	703,574	**61,150**	–	**1,621,582**	1,393,070	**18,377**	33,052	**1,639,959**	1,426,122
Reportable segment profit/(loss) (adjusted EBITDA)	**112,223**	92,189	**94,048**	92,052	**15,196**	–	**221,467**	184,241	**(18,117)**	(14,061)	**203,350**	170,180
Impairment on other property, plant and equipment	**–**	(1,394)	**–**	–	**–**	–	**–**	(1,394)	**–**	(2,882)	**–**	(4,276)
As at 30 June/31 December												
Reportable segment assets	**1,442,156**	1,185,256	**812,167**	933,498	**191,414**	134,206	**2,445,737**	2,252,960	**–**	57,084	**2,445,737**	2,310,044
Reportable segment liabilities	**332,681**	238,397	**280,763**	329,153	**280,774**	91,305	**894,218**	658,855	**–**	178,122	**894,218**	836,977

The measure used for reporting segment profit/(loss) 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.

(c) Reconciliations of reportable segment profit or loss

	Continuing operations		Discontinued operations	
	Six months ended 30 June			
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
		(Restated)		(Restated)
Reportable segment profit/(loss)	**221,467**	184,241	**(18,117)**	(14,061)
Interest income	**4,539**	4,571	**–**	2
Depreciation and amortisation	**(61,411)**	(41,364)	**(30)**	(3,291)
Finance costs	**(2,599)**	(1,137)	**–**	–
Impairment loss on other plant and equipment	**–**	(1,394)	**–**	(2,882)
Unallocated head office and corporate expenses	**(14,838)**	(16,228)	**(35)**	(31)
Consolidated profit/(loss) before taxation	**147,158**	128,689	**(18,182)**	(20,263)

4 PROFIT BEFORE TAXATION

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

(a) Finance costs

	Continuing operations		Discontinued operations	
	Six months ended 30 June			
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
		(Restated)		(Restated)
Interest expense on bank borrowings	**1,609**	1,137	**–**	–
Interest on lease liabilities	**990**	–	**–**	–
	2,599	1,137	**–**	–

(b) Other items

	Continuing operations		Discontinued operations	
	Six months ended 30 June			
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
		(Restated)		(Restated)
Amortisation	**1,245**	1,028	**30**	133
Depreciation charge				
– owned property, plant and equipment	**53,797**	40,336	**–**	3,158
– right-of use assets	**6,369**	–	**–**	–
Total minimum lease payments for leases previously classified as operating leases under HKAS 17	**–**	13,749	**–**	–
Total minimum lease payments for short-term leases	**6,260**	–	**–**	–
Inventories write-down	**7,424**	3,563	**–**	–
Reversal of write-down of inventories	**(307)**	(1,552)	**(3,672)**	–
Bank interest income	**(4,479)**	(4,229)	**–**	(2)
Interest income from other financial assets	**(60)**	(342)	**–**	–
Net loss on disposal of other financial assets	**–**	241	**–**	–
Net (gain)/loss on disposal of other property, plant and equipment	**(316)**	442	**(82)**	–
Impairment loss on other property, plant and equipment	**–**	1,394	**–**	2,882

5 INCOME TAX

	Continuing operations		Discontinued operations	
	Six months ended 30 June			
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
		(Restated)		(Restated)
Current tax – Hong Kong Profits Tax	**12,554**	10,789	**–**	–
Current tax – Outside Hong Kong	**8,289**	21,494	**–**	–
Deferred taxation	**(2,136)**	(2,361)	**–**	–
	18,707	29,922	**–**	–

The provision for Hong Kong Profits Tax is calculated by applying the estimated annual effective tax rate of 16.5% (six months ended 30 June 2018: 16.5%) to the six months ended 30 June 2019 except for the Company which is a qualifying corporation under the two-tiered Profits Tax rate regime.

For the Company, the first HK$2,000,000 of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. The provision for Hong Kong Profits Tax for the Company was calculated at the same basis in 2018.

Taxation for subsidiaries outside Hong Kong is similarly calculated using the estimated annual effective rates of taxation that are expected to be applicable in the relevant countries.

Current tax outside Hong Kong for the six months ended 30 June 2018 included withholding tax of HK$4,479,000 paid on dividend income from a subsidiary.

6 DIVIDENDS

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

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
Interim dividend declared and paid after the interim period of HK3 cents per ordinary share (six months ended 30 June 2018: HK1 cent per ordinary share)	**20,306**	6,769

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 following interim period

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
Final dividend in respect of the previous financial year, approved and paid during the following interim period, of HK8 cents per ordinary share (six months ended 30 June 2018: HK3 cents per ordinary share)	**54,149**	20,306

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$112,439,000 (six months ended 30 June 2018: HK$83,650,000) and the weighted average number of ordinary shares of 676,865,000 shares (six months ended 30 June 2018: 676,865,000 shares) in issue during the interim period.

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
Profit/(loss) attributable to equity shareholders of the Company arises from:		
– Continuing operations	**125,945**	98,703
– Discontinued operations	**(13,506)**	(15,053)
	112,439	83,650

(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 2019 and 2018.

8 OTHER FINANCIAL ASSETS

	At 30 June 2019	At 31 December 2018
	HK$'000	*HK$'000*
Debt securities measured at FVOCI (recyclable) *(note (i))*	**1,597**	1,538
Unlisted equity security measured at FVOCI (non-recyclable) *(note (ii))*	**2,773**	4,305
	4,370	5,843

Notes:

(i) Debt securities represents an investment in bond amounting to HK$1,597,000 (2018: HK$1,538,000) with fixed interest rate at 3.95% per annum.

(ii) Unlisted equity security represents an investment in Joongang Tongyang Broadcasting Company ("JTBC"), a company incorporated in Korea and engaged in multimedia and broadcasting. The Group designated its investment in JTBC at FVOCI (non-recycling), as the investment is held for strategic purpose. No dividends were received on this investment during the period (2018: Nil).

9 OTHER PROPERTY, PLANT AND EQUIPMENT

(a) Right-of-use assets

As discussed in note 2(i), the Group has initially applied HKFRS 16 using the modified retrospective method and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under HKAS 17.

During the six months ended 30 June 2019, the Group entered into a number of lease agreements and therefore recognised the additions to right-of-use assets of HK$9,883,000.

(b) Acquisitions and disposal of owned assets

During the six months ended 30 June 2019, the Group acquired items of other property, plant and equipment with a cost of HK$67,076,000 (six months ended 30 June 2018: HK$307,791,000). Items of other property, plant and equipment with a net book value of HK$1,359,000 were disposed of during the six months ended 30 June 2019 (six months ended 30 June 2018: HK$3,036,000), resulting in a net gain on disposal of HK$398,000 (six months ended 30 June 2018: net loss on disposal of HK$442,000).

10 INVENTORIES

During the six months ended 30 June 2019, there is a write-down of inventories of HK$7,424,000 (six months ended 30 June 2018: HK$3,563,000). The write-down arose upon a decrease in the estimated net realisable value of these inventories.

During the six months ended 30 June 2019, there is a reversal of write-down of inventories of HK$3,979,000 (six months ended 30 June 2018: HK$1,552,000). The reversal arose upon utilisation, disposal or an increase in the estimated net realisable value of these inventories.

11 TRADE AND OTHER RECEIVABLES

As at 30 June 2019, 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 loss allowance, is as follows:

	At 30 June 2019	At 31 December 2018
	HK$'000	*HK$'000*
Within 1 month	**309,411**	277,047
1 to 2 months	**129,255**	156,745
2 to 3 months	**19,622**	31,091
3 to 4 months	**767**	18,914
Over 4 months	**3,845**	2,300
Trade debtors and bills receivable, net of loss allowance	**462,900**	486,097
Other receivables and prepayments	**119,435**	128,932
Amounts due from related companies	**16,415**	18,092
	598,750	633,121

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 AND CONTRACT LIABILITIES

As at 30 June 2019, the ageing analysis of trade payables (which are included in trade and other payables and contract liabilities), based on the due date, is as follows:

	At 30 June 2019	At 31 December 2018
	HK$'000	*HK$'000*
Due within 1 month or on demand	**300,727**	250,005
Due after 1 month but within 3 months	**105,064**	137,310
Due after 3 months but within 6 months	**2,382**	138
Trade payables	**408,173**	387,453
Contract liabilities – sales deposit	**45,156**	8,440
Salary and welfare payables	**122,650**	143,241
Value-added tax payable	**2,908**	4,778
Payable for acquisition of other property, plant and equipment	**–**	1,285
Other payables and accruals	**15,385**	18,285
Receipt in advance	**2,671**	28,642
	596,943	592,124

13 DISCONTINUED OPERATIONS

During the six months ended 30 June 2019, the Group ceased the operations and scrapped all of the plant and equipment, with full impairment loss made as at 31 December 2018, of the ride-on toys segment. As the ride-on toys segment is considered as a separate major line of business, the corresponding operations have been classified as discontinued operations as a result of the cessation of operations of this segment.

As at 30 June 2019, no assets or liabilities of the ride-on toys segment were held by the Group.

The result of the discontinued operations for the six months ended 30 June 2019 is set out below:

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
Revenue	**18,377**	25,575
Cost of sales	**(34,907)**	(37,274)
Gross loss	**(16,530)**	(11,699)
Other revenue	**247**	567
Other net income/(loss)	**186**	(3,510)
Distribution costs	**(323)**	(1,701)
Administrative expenses	**(1,762)**	(3,920)
Loss from operations	**(18,182)**	(20,263)
Loss before taxation	**(18,182)**	(20,263)
Income tax	**–**	–
Loss for the period from discontinued operations	**(18,182)**	(20,263)
Attributable to:		
Equity shareholders of the Company	**(13,506)**	(15,053)
Non-controlling interests	**(4,676)**	(5,210)
	(18,182)	(20,263)
Cash flow		
Operating cash outflows	**(8,423)**	(8,207)
Investing cash inflows/(outflows)	**82**	(2,826)
Net cash outflows	**(8,341)**	(11,033)

14 COMPARATIVE FIGURES

Certain comparative figures have been adjusted to conform to the disclosure requirement in respect of the discontinued operation set out in note 13. Accordingly, the comparative figures in the consolidated statement of profit or loss have been restated.

MANAGEMENT DISCUSSION & ANALYSIS

Financial Review

During the first half of 2019, even though the global economy has become more volatile with the US-China trade war, the Group has managed to achieve continued revenue growth. This was accomplished by implementing its effective business strategies of strengthening ties with existing top-tier customers while continuing diversification of its product portfolio, as well as ongoing efforts in expanding its production capacity in Vietnam in order to capture the emerging opportunities in the market.

Combining the results of both continuing and discontinuing operations, for the six months ended 30 June 2019, contributed by a significant increase in the sales of both plastic figures and plush stuffed toys, the Group has again achieved another record high half-year revenue amounting to HK$1,609.5 million, rising by 15.1% year-on-year (six months ended 30 June 2018: HK$1,398.2 million). Gross profit rose by 4.4% to HK$297.2 million (six months ended 30 June 2018: HK$284.7 million) while gross profit margin was 18.5% (six months ended 30 June 2018: 20.4%). Together with continuously well-executed cost control strategy, profit for the period increased by 40.5% to HK$110.3 million (six months ended 30 June 2018: HK$78.5 million) while net profit margin increased to 6.9% (six months ended 30 June 2018: 5.6%) during the period under review.

As at 30 June 2019, the Group was in a healthy financial position with cash and cash equivalents and time deposits amounting to HK$426.8 million (31 December 2018: HK$432.2 million). The Board has recommended the payment of an interim dividend of HK3 cents per ordinary share (six months ended 30 June 2018: HK1 cent per ordinary share).

Business Review

Product Analysis

Plush Stuffed Toys Segment

During the period under review, well-recognised by top-tier toy companies for its product quality and strong manufacturing capacity, the plush stuffed toys segment recorded a revenue growth of 15.1% to HK$775.4 million (six months ended 30 June 2018: HK$673.7 million), accounting for 48.2% of the Group's total revenue. The Original Equipment Manufacturing business under the plush stuffed toys segment continued to record an increase in revenue, which was up by 19.4% year-on-year to HK$722.1 million (six months ended 30 June 2018: HK$604.8 million), representing 93.1% of total revenue of this segment. Driven by the cross-selling opportunities from existing customers, the baby doll business continued to demonstrate its growth. In particular, the orders from a top-tier toy company have become strong, beginning to contribute significant revenue to the Group. Meanwhile, the Group has exerted efforts in exploring opportunities to expand the promotional product business, so as to further broaden the revenue stream.

The sales of the Original Design Manufacturing business was HK$53.3 million (six months ended 30 June 2018: HK$68.9 million), contributing 6.9% of the total revenue of plush stuffed toys. The Group is progressing in its efforts to establish a new production system which, in turn, will enable its generic products to be produced at a lower cost and therefore generate a higher profit margin as well as boost its competitiveness in the market.

Plastic Figures Segment

The revenue of the plastic figures segment increased by 10.2% to HK$770.2 million (six months ended 30 June 2018: HK$698.9 million), accounting for 47.9% of the Group's total revenue and remained as a major revenue contributor and a growth driver. The growth was mainly thanks to the Addendum to Master Sourcing Agreement between the Group and the licensor of plastic figures with unique features effective this year, driving the significant increase in the sales orders.

Ride-on Toys Segment

Due to the cessation of production of ride-on toys during the first quarter of 2019, the segmental revenue for this segment decreased to HK$18.4 million (six months ended 30 June 2018: HK$25.6 million) during the review period, representing 1.1% of the Group's total revenue.

Die-casting Products Segment

Newly introduced towards the end of the last financial year, the die-casting products business has been performing well, recording a revenue of HK$45.5 million during the review period. The promising start of this new business demonstrated its successful conversion from the ride-on toys segment.

Geographic Market Analysis

For the six months ended 30 June 2019, North America continued to be the largest geographic market of the Group, accounting for 59.8% of its total revenue. Japan was second, accounting for 21.7%, followed by China at 6.5%, Europe at 5.0%, Vietnam at 4.1%, Hong Kong at 1.5% and Others at 1.4%.

Operational Analysis

As at 30 June 2019, the Group operated 19 plants in total, 15 of which were in Vietnam and 4 in China, with an average utilisation rate of approximately 85%. In view of the growing demand for plastic figures, the Group has acquired an additional land in Vietnam for a new factory to capture the business opportunities.

Prospects

Despite the uncertainty surrounding the global economy, the Group remains cautiously optimistic about its prospects. There is an increasing number of customers exploring manufacturers based outside China due to the ongoing US-China trade war. As a toy manufacturer with a strong production capacity especially in Vietnam, the Group is able to stand out from other players to secure more new customers as well as riding on the strength of its good relations with existing customers.

Going forward, the Group will continue to employ its parallel development strategy of developing the core plastic figures and plush stuffed toys businesses while seeking product diversification. In the case of the former, it forecasts accelerating opportunities in business growth with the current product categories in the next couple years partially due to the China-US trade war, and it will continuously expand its production capacity to meet growing demand. As for the latter, in addition to the baby dolls business which has been added to its product division since 2016, the restructuring process of die-casting products from the ride-on toys segment was successful, which will consequently result in an expansion of the Group's revenue stream. The Group cautiously expects a healthy growth for die-casting products. Given the increasing volume of orders received for the second half of 2019, the Group will consider to expand its production capacity for die-casting products. It will continue to explore opportunities of cross-selling between different product segments from existing customers which are global top-tier toy companies, so as to achieve greater revenue contributions and create synergies across its business.

The Group will consider investment opportunities for acquisitions of suitable companies with growth potential to boost revenue and profit. Through all these strategies, the Group is working towards the goal of reaching an annual revenue of US$700 million by 2021.

Capitalising on its leadership in the toy manufacturing industry which is currently undergoing consolidation and its timely capacity expansion plan in Vietnam to meet the strengthening market demand, the Group is well prepared to grasp the tremendous opportunities in order to strive for long-term and steady growth and, ultimately, bring promising returns to its shareholders.

Number and Remuneration of Employees

As at 30 June 2019, the Group had 23,620 (31 December 2018: 23,242) 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 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 2019, the Group had net current assets of HK$787.5 million (31 December 2018: HK$771.7 million). The Group's total cash and cash equivalents as at 30 June 2019 amounted to HK$372.9 million (31 December 2018: HK$378.5 million). The total bank loans of the Group as at 30 June 2019 amounted to HK$150.0 million (31 December 2018: HK$116.9 million).

The Group's gearing ratio, calculated on the basis of total bank loans over total equity, was 7.4% at 30 June 2019 (31 December 2018: 5.9%).

Pledge on Group Assets

Certain leasehold land and other property, plant and equipment of the Group with an aggregate carrying amount of HK$17.0 million as at 30 June 2019 (31 December 2018: HK$17.7 million) were pledged as security for an unutilised bank facility of the Group of HK$11.7 million (31 December 2018: HK$11.7 million).

A property with carrying amount of HK$218.3 million as at 30 June 2019 (31 December 2018: HK$222.1 million) was pledged as security for a mortgage instalment loan of HK$74.8 million (31 December 2018: HK$77.8 million). Certain property, plant and equipment for the Group with an aggregate carrying amount of HK$69.3 million as at 30 June 2019 were pledged as security for term loans of HK$38.9 million (31 December 2018: Nil).

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

During the six months ended 30 June 2019, 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 2019, 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (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 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 the Directors, 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 2019.

INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Board declared an interim dividend of HK3 cents per ordinary share for the six months ended 30 June 2019 (six months ended 30 June 2018: HK1 cent per ordinary share). The interim dividend of HK$20,306,000 (six months ended 30 June 2018: HK$6,769,000) will be paid on 27 September 2019 to shareholders registered at the close of business on the record date, 13 September 2019.

The register of members will be closed for one day on 16 September 2019, 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on 13 September 2019.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") has reviewed with 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 2019. The Audit Committee considered that the unaudited interim results for the six months ended 30 June 2019 were in compliance with the relevant accounting standards, rules and regulations and that appropriate disclosures have been made. The interim results for the six months ended 30 June 2019 have not been audited, but have been reviewed by KPMG.

PUBLICATION OF 2019 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 2019 prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Listing Rules will be dispatched to the shareholders of the Company and published on the above websites in due course.

By order of the Board
Dream International Limited
Young M. Lee
Executive Director

Hong Kong, 26 August 2019

As at the date of this announcement, the Directors are:

Executive Directors
Mr. Kyoo Yoon Choi *(Chairman)*
Mr. Young M. Lee
Mr. Hyun Ho Kim
Mr. Sung Sick Kim

Independent Non-executive Directors
Professor Cheong Heon Yi
Mr. Tae Woong Kang
Dr. Chan Yoo