



**DREAM INTERNATIONAL LIMITED**  
**德林國際有限公司**

Incorporated in Hong Kong with limited liability  
Stock Code : 1126

# INTERIM REPORT 2021



## MANAGEMENT DISCUSSION & ANALYSIS

### Financial Review

With vaccination rates increasing worldwide and the situation becoming relatively more stable, the pressure from the novel coronavirus (“COVID-19”) was somewhat alleviated and the economy gradually adapted to the new normal of the late-pandemic era, with the consumer market demonstrating early signs of recovery. Nonetheless, the manufacturing industry still encountered challenges on the operation front, as material supply and logistics arrangements were still inevitably impacted. Nevertheless, the Group continued to draw on its competitive advantage as a market leader with dual manufacturing bases to seize business opportunities and doubled its efforts in cost control to navigate this challenging time.

For the six months ended 30 June 2021 (the “Period”), on the back of its established customer base and diversified product portfolio, the Group was able to grasp the opportunities from the market recovery and recorded a 20.2% growth in total revenue to HK\$1,959.5 million (six months ended 30 June 2020: HK\$1,629.6 million). Despite the prices of raw materials having skyrocketed, gross profit was maintained at HK\$250.6 million (six months ended 30 June 2020: HK\$259.1 million), while gross profit margin was 12.8% (six months ended 30 June 2020: 15.9%). Profit for the period was HK\$45.4 million (six months ended 30 June 2020: HK\$87.4 million).

As at 30 June 2021, the Group was in a healthy financial position with cash and cash equivalents and time deposits in current assets amounting to HK\$545.1 million (31 December 2020: HK\$665.4 million). The board (the “Board”) of directors (the “Directors”) of the Company has recommended the payment of an interim dividend of HK2 cents per ordinary share for the six months ended 30 June 2021 (six months ended 30 June 2020: HK2 cents per ordinary share).

## Business Review

### *Product Analysis*

#### *Plastic Figures Segment*

Leveraging its long-term and stable business relationships with customers, the plastic figures segment was able to maintain its momentum and continued to be the Group's major growth driver. Despite the price pressure caused by intensified competition and an unprecedented market environment, the segmental revenue increased by 28.9% to HK\$1,031.4 million during the Period (six months ended 30 June 2020: HK\$799.9 million) and accounted for 52.7% of the Group's total revenue. While actively strengthening its cooperation with its existing strong clientele, the Group also continued to step up efforts in reaching out to new customers for potential projects to enhance its portfolio. Meanwhile, the strategic bundle business of the fashion doll business has enabled the Group to estimate the anticipated order volume, allowing it to better prepare its production plan. In addition, the Group closely monitored the supply chain and inventory level while also endeavored to maximize operational efficiency.

#### *Plush Stuffed Toys Segment*

With various lockdown and strict anti-epidemic measures affecting the operation of theme parks, the Group experienced a decline in sales and thus recorded segmental revenue of HK\$556.8 million during the Period (six months ended 30 June 2020: HK\$653.8 million), representing 28.4% of the Group's total revenue. Sales of the Original Equipment Manufacturing ("OEM") business totaled HK\$535.2 million (six months ended 30 June 2020: HK\$608.6 million), contributing 96.1% of the total revenue of plush stuffed toys. Thanks to the timely review of production capacity of the existing production lines, the Group was able to reorganize its existing production lines for promotional items in order to maximize output and cater for larger order volume. As part of product diversification, the home-living product was introduced towards the end of 2020, with the first shipment completed during the first half of 2021, and has been ramping up its operations during the Period, with smooth product delivery.

The Original Design Manufacturing ("ODM") business, on the other hand, recorded revenue totaled HK\$21.6 million (six months ended 30 June 2020: HK\$45.2 million), accounting for 3.9% of the segment's total revenue. The Group continued to make every possible effort to maintain its close connections with renowned US retailers, so as to be able to cater for a sophisticated customer base and address their diverse needs.

### *Tarpaulin Segment*

The tarpaulin segment provided the Group with yet another impressive set of results during the Period, with revenue amounting to HK\$276.5 million (six months ended 30 June 2020: HK\$100.4 million), up by 175.4% as compared with the three-month operation period ended 30 June 2020 since the completion of acquisition of this business on 31 March 2020, accounting for 14.1% of the Group's total revenue. The encouraging result was attributable to the low-sensitivity nature of the business, alongside the commencement of operation of two plants, which subsequently expanded the production capacity of the segment. This segment is expected to continue to bring stable contributions to the Group in the near future.

### *Die-casting Products Segment*

Two years since its establishment, this segment is showing positive development, having achieved growth of 25.5% in revenue during the Period, amounted to HK\$94.8 million (six months ended 30 June 2020: HK\$75.5 million) and accounted for 4.8% of the total revenue of the Group. The Group continued its efforts to introduce non-seasonal items to clients during the Period, which allowed the Group to secure an increased order volume from new and existing clients and strengthened its revenue stream. It also pursued automation in manufacturing processes to enhance cost-efficiency during the Period.

### ***Geographic Market Analysis***

For the six months ended 30 June 2021, North America remained the Group's largest geographical market, accounting for 74.7% of its total revenue. Japan accounted for 10.1%, thus remaining the second largest market. Contributions from China accounted for 6.0%, followed by Europe at 4.6%.

### ***Operational Analysis***

As at 30 June 2021, the Group operated 21 plants in total, three of which were in China and 18 of which were in Vietnam, with an average utilization rate of approximately 83.0%. In view of the outbreak of COVID-19 in Vietnam, the Group has kept a close eye on the situation and implemented various measures to protect workers while maintaining production levels.

## Prospects

Looking ahead, the ascending vaccination rate and relaxation of various lockdown restrictions, especially in the US, have given many countries and business sectors across the globe a renewed sense of hope. While the improving labor market has raised fears of a sooner-than-expected US interest rate hike, the Group's efforts in establishing a top-tier customer portfolio and two manufacturing bases, as well as its proactive approach to product diversification and sound financial position, have allowed it to withstand the challenges over the years. The Group remains prudently optimistic about the market's prospects and expects its order volume to slowly return to a stable level in view of the recent signs of recovery.

Fueled by the ability to alter its existing production facilities in order to adapt to different operating environments, the Group has been focusing on boosting its production capacity and efficiency with existing production lines to offset the impact from the increase in raw material prices, while also being well-equipped to handle all customer requirements and bulk orders. Boasting its effective two-pronged strategy, the Group will continue to explore opportunities for product diversification, with the aim of creating synergies across its business portfolio, maximizing the utilization of resources and reducing overall costs as a whole. The Group also adheres to and closely monitors the restrictions and measures in place in China and Vietnam, where its production bases are located.

Going forward, leveraging its strong clientele and sound financial position, the Group is well-equipped to adjust to different market conditions and grasp the emerging opportunities that lay ahead. The Group will continue to consolidate its business portfolio and remain open to suitable business opportunities to facilitate long-term growth and ultimately maximize returns to its shareholders.

## Number and Remuneration of Employees

As at 30 June 2021, the Group had 24,554 (31 December 2020: 23,928) employees in Hong Kong, China, Korea, the US, Japan, Vietnam and Singapore. The Group values its human resources and recognizes 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 2021, the Group had net current assets of HK\$1,136.9 million (31 December 2020: HK\$1,167.7 million). The Group's total cash and cash equivalents as at 30 June 2021 amounted to HK\$383.7 million (31 December 2020: HK\$489.1 million). The total bank loans of the Group as at 30 June 2021 amounted to HK\$335.9 million (31 December 2020: HK\$254.4 million).

The Group's gearing ratio, calculated on the basis of total bank loans over total equity, was 13.2% at 30 June 2021 (31 December 2020: 9.9%).

## Pledge on Group Assets

A property of the Group with carrying amount of HK\$203.1 million (31 December 2020: HK\$206.9 million) as at 30 June 2021 was pledged as security for a mortgage installment loan of the Group of HK\$58.6 million (31 December 2020: HK\$62.8 million).

Factory buildings, certain leasehold land and other property, plant and equipment of the Group with an aggregate carrying amount of HK\$192.3 million (31 December 2020: HK\$147.2 million) as at 30 June 2021 were pledged as security for bank loans of the Group of HK\$53.9 million (31 December 2020: HK\$65.6 million).

Time deposits of the Group with an aggregate carrying amount of HK\$120.0 million (31 December 2020: HK\$59.7 million) as at 30 June 2021 were pledged as security for bank loans of the Group of HK\$159.3 million (31 December 2020: HK\$125.9 million).

## Significant Investment Held

There was no significant investment held by the Group during the six months ended 30 June 2021.

## **Material Acquisitions and Disposals of Subsidiaries and Associated Companies**

The step acquisition of C & H Mekong Company Limited from an associate to a subsidiary during the six months ended 30 June 2021 was considered not material to the Group. There was no material acquisition or disposal of subsidiaries and associated companies by the Group during the six months ended 30 June 2021.

## **Exposure to Fluctuations in Exchange Rates and Any Related Hedges**

The majority of the Group's assets and liabilities and business transactions were denominated in Hong Kong dollars, United States dollars, Renminbi Yuan, Vietnamese Dong and Japanese Yen. During the six months ended 30 June 2021, the Group had not entered into any hedging arrangements. The management will continue to monitor closely its foreign currency exposure and to consider hedging significant foreign currency exposure when necessary.

## **Interim Dividend and Closure of Register of Members**

The Board declared an interim dividend of HK2 cents per ordinary share for the six months ended 30 June 2021 (six months ended 30 June 2020: HK2 cents per ordinary share). The interim dividend of HK\$13,537,000 (six months ended 30 June 2020: HK\$13,537,000) will be paid on 13 October 2021 to shareholders registered at the close of business on the record date, 29 September 2021.

The register of members will be closed for one day on 30 September 2021, 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 29 September 2021.

## Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 30 June 2021, the interests and short positions of each Director and chief executive in the shares, underlying shares and debentures of the Company, its subsidiaries and other associated corporations (within the meaning of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of Part XV of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

### *Long positions in ordinary shares*

	Number of ordinary shares held				Percentage of issued shares of the Company
	Personal interests <i>(Note 1)</i>	Family interests	Corporate interests	Total	
<b>The Company</b>					
Kyoo Yoon Choi	386,525,000	–	72,150,000 <i>(Note 2)</i>	458,675,000	67.76%
Hyun Ho Kim	150,000	–	–	150,000	0.02%
Sung Sick Kim	3,486,000	–	–	3,486,000	0.52%
Min Jung Lee	–	23,500,000 <i>(Note 3)</i>	–	23,500,000	3.47%

#### *Notes:*

- (1) The shares are registered under the names of the Directors and chief executives of the Company who are the beneficial owners.
- (2) Mr. Kyoo Yoon Choi beneficially owns 100% of the issued shares of Uni-Link Technology Limited which owned 72,150,000 shares of the Company.
- (3) These 23,500,000 shares of the Company were held by the spouse of Mr. Min Jung Lee. Pursuant to Part XV of the SFO, Mr. Min Jung Lee was deemed to be interested in these shares.



## **Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures (*Continued*)**

### ***Long positions in ordinary shares (Continued)***

Save as disclosed above, as at 30 June 2021, none of the Directors or chief executives of the Company or any of their spouses or children under 18 years of age had interests or short positions in the shares, underlying shares or debentures of the Company, or any of its subsidiaries or other associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of Part XV of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

### **Directors' Rights to Acquire Shares or Debentures**

At no time during the six months ended 30 June 2021 was the Company, or any of its subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company and its associated corporations and none of the Directors or chief executives of the Company (including their spouses and children under the age of 18) held any interests in or was granted any right to subscribe for the securities of the Company and its associated corporations (within the meaning of Part XV of the SFO), or had exercised any such rights.

## Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares

The register of substantial shareholders required to be kept under Section 336 of Part XV of the SFO shows that as at 30 June 2021, the Company had been notified of the following substantial shareholders' interests and short positions, being 5% or more of the Company's ordinary shares in issue.

Substantial shareholders	Capacity	Number of ordinary shares held (long position)	Percentage of the issued shares of the Company
Kyoo Yoon Choi	Beneficial owner	386,525,000	57.10%
	Corporate interest (Note 1)	72,150,000	10.66%
Uni-Link Technology Limited	Beneficial owner	72,150,000	10.66%
FIL Limited	Interest in a controlled corporation (Note 2)	60,902,000	8.99%
Pandanus Partners L.P.	Interest in a controlled corporation (Note 3)	60,902,000	8.99%
Pandanus Associates Inc.	Interest in a controlled corporation (Note 3)	60,902,000	8.99%
Fidelity Fund	Beneficial owner	36,936,000	5.46%

### Notes:

- (1) Mr. Kyoo Yoon Choi beneficially owns 100% of the issued shares of Uni-Link Technology Limited which owned 72,150,000 shares of the Company.
- (2) FIL Limited owns a series of controlled corporations which directly or indirectly hold 60,902,000 shares of the Company in aggregate. By virtue of the SFO, FIL Limited is deemed to be interested in these shares.

## **Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares (*Continued*)**

- (3) Pandanus Partners L.P. owns a series of controlled corporations which directly or indirectly hold 60,902,000 shares of the Company in aggregate. Pandanus Partners L.P. is an indirectly wholly-owned subsidiary of Pandanus Associates Inc. By virtue of the SFO, Pandanus Partners L.P. and Pandanus Associates Inc. are deemed to be interested in these shares.

Save as disclosed above, as at 30 June 2021, the Company is not aware of any other registered substantial shareholder who holds 5% or more of the issued shares of the Company and none of other person who had interest or short position in the shares and underlying shares of the Company which were required, pursuant to Section 336 of Part XV of the SFO, to be recorded into the register referred to therein.

## **Purchase, Sale or Redemption of the Company's Listed Securities**

During the six months ended 30 June 2021, 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 2021, 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 as set out in Appendix 10 to the Listing Rules as the code of conduct regarding the securities transactions by the Directors 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 2021.

## **Audit Committee and Review of Accounts**

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 2021. The Audit Committee considered that the unaudited interim results for the six months ended 30 June 2021 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 2021 have not been audited, but have been reviewed by KPMG, the Company's auditor, 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 Hong Kong Institute of Certified Public Accountants.

By order of the Board

**Kyoo Yoon Choi**

*Chairman*

Hong Kong, 26 August 2021



## REVIEW REPORT TO THE BOARD OF DIRECTORS OF DREAM INTERNATIONAL LIMITED

*(Incorporated in Hong Kong with limited liability)*

### INTRODUCTION

We have reviewed the interim financial report set out on pages 14 to 42, which comprises the consolidated statement of financial position of Dream International Limited (the “Company”) as of 30 June 2021 and the related consolidated statement of profit or loss, statement of comprehensive income and statement of changes in equity and condensed consolidated cash flow statement for the six month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## REVIEW REPORT TO THE BOARD OF DIRECTORS OF

### DREAM INTERNATIONAL LIMITED (*Continued*)

(*Incorporated in Hong Kong with limited liability*)

#### SCOPE OF REVIEW

We conducted our review 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 Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

#### CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2021 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

Certified Public Accountants

8th Floor, Prince's Building  
10 Chater Road  
Central, Hong Kong

26 August 2021

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the six months ended 30 June 2021 – unaudited

(Expressed in Hong Kong dollars)

	Notes	Six months ended 30 June	
		2021 \$'000	2020 \$'000
<b>Revenue</b>	3, 4	<b>1,959,471</b>	1,629,551
Cost of sales		<b>(1,708,908)</b>	(1,370,461)
<b>Gross profit</b>		<b>250,563</b>	259,090
Other revenue		<b>17,855</b>	16,626
Other net gain		<b>17</b>	1,540
Gain on bargain purchase	19(a)	<b>–</b>	16,406
Distribution costs		<b>(45,581)</b>	(35,823)
Administrative expenses		<b>(145,904)</b>	(139,271)
<b>Profit from operations</b>		<b>76,950</b>	118,568
Finance costs	5(a)	<b>(3,667)</b>	(4,542)
Share of profits/(losses) of associates		<b>358</b>	(475)
<b>Profit before taxation</b>	5	<b>73,641</b>	113,551
Income tax	6	<b>(28,249)</b>	(26,103)
<b>Profit for the period</b>		<b>45,392</b>	87,448
<b>Earnings per share</b>	7		
Basic and diluted		<b>\$0.067</b>	\$0.129

The notes on pages 22 to 42 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in note 15.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 30 June 2021 – unaudited

(Expressed in Hong Kong dollars)

	Six months ended 30 June	
	2021	2020
	\$'000	\$'000
<b>Profit for the period</b>	<b>45,392</b>	87,448
<b>Other comprehensive income for the period (after tax and reclassification adjustments):</b>		
Item that will not be reclassified to profit or loss:		
Unlisted equity security at fair value through other comprehensive income – net movement in fair value reserve (non-recycling)	710	(347)
	<b>710</b>	(347)
Items that may be or are reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong	3,369	(14,151)
Investment in debt security at fair value through other comprehensive income – net movement in fair value reserve (recycling)	–	451
	<b>3,369</b>	(13,700)
<b>Other comprehensive income for the period</b>	<b>4,079</b>	(14,047)
<b>Total comprehensive income for the period</b>	<b>49,471</b>	73,401

The notes on pages 22 to 42 form part of this interim financial report.



## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2021 – unaudited

(Expressed in Hong Kong dollars)

	Notes	At 30 June 2021 \$'000	At 31 December 2020 \$'000
<b>Non-current assets</b>			
Property, plant and equipment	8	1,387,592	1,356,286
Investment properties		4,495	3,387
Long term receivables and prepayments		9,866	30,358
Other intangible assets		27,227	15,313
Goodwill		2,753	2,753
Interests in associates		5,553	12,673
Deferred tax assets		5,982	5,565
Time deposits	12	–	3,024
Other financial asset	9	3,723	3,327
		<b>1,447,191</b>	1,432,686
<b>Current assets</b>			
Inventories	10	871,537	666,110
Trade and other receivables	11	965,473	772,426
Current tax recoverable		12,508	10,087
Time deposits	12	161,439	176,328
Cash and cash equivalents	12	383,652	489,071
		<b>2,394,609</b>	2,114,022
<b>Current liabilities</b>			
Trade and other payables and contract liabilities	13	888,801	647,225
Bank loans	14	335,939	254,417
Lease liabilities		13,481	15,814
Current tax payable		19,530	28,897
		<b>1,257,751</b>	946,353
<b>Net current assets</b>		<b>1,136,858</b>	1,167,669
<b>Total assets less current liabilities</b>		<b>2,584,049</b>	2,600,355

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

at 30 June 2021 – unaudited

(Expressed in Hong Kong dollars)

	<i>Notes</i>	<b>At 30 June 2021 \$'000</b>	At 31 December 2020 \$'000
<b>Non-current liabilities</b>			
Lease liabilities		<b>31,115</b>	29,384
Deferred tax liabilities		<b>10,806</b>	10,627
		<b>41,921</b>	40,011
<b>NET ASSETS</b>			
		<b>2,542,128</b>	2,560,344
<b>CAPITAL AND RESERVES</b>			
	<i>15</i>		
Share capital		<b>236,474</b>	236,474
Reserves		<b>2,305,654</b>	2,323,870
<b>TOTAL EQUITY</b>			
		<b>2,542,128</b>	2,560,344

The notes on pages 22 to 42 form part of this interim financial report.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2021 – unaudited

(Expressed in Hong Kong dollars)

Notes	Attributable to equity shareholders of the Company									
	Share capital \$'000	General reserve fund \$'000	Other reserve \$'000	Exchange reserve \$'000	Fair value reserve (recycling) \$'000	Fair value reserve (non-recycling) \$'000	Retained profits \$'000	Total \$'000	Non-controlling interests \$'000	Total equity \$'000
<b>Balance at 1 January 2020</b>	236,474	26,449	(6,246)	28,260	92	(8,211)	2,110,171	2,386,989	(22,491)	2,364,498
<b>Changes in equity for the six months ended 30 June 2020:</b>										
Profit for the period	-	-	-	-	-	-	87,448	87,448	-	87,448
Other comprehensive income	-	-	-	(14,151)	451	(347)	-	(14,047)	-	(14,047)
<b>Total comprehensive income</b>	-	-	-	(14,151)	451	(347)	87,448	73,401	-	73,401
Appropriation to general reserve fund	-	2,510	-	-	-	-	(2,510)	-	-	-
Acquisition of non-controlling interest of a subsidiary	-	-	(23,145)	654	-	-	-	(22,491)	22,491	-
Final dividend approved in respect of the previous year <i>15(b)</i>	-	-	-	-	-	-	(67,687)	(67,687)	-	(67,687)
<b>Balance at 30 June 2020</b>	236,474	28,959	(29,391)	14,763	543	(8,558)	2,127,422	2,370,212	-	2,370,212
<b>Balance at 1 July 2020</b>	236,474	28,959	(29,391)	14,763	543	(8,558)	2,127,422	2,370,212	-	2,370,212
<b>Changes in equity for the six months ended 31 December 2020:</b>										
Profit for the period	-	-	-	-	-	-	185,328	185,328	-	185,328
Other comprehensive income	-	-	-	18,847	(543)	37	-	18,341	-	18,341
<b>Total comprehensive income</b>	-	-	-	18,847	(543)	37	185,328	203,669	-	203,669
Appropriation to general reserve fund	-	212	-	-	-	-	(212)	-	-	-
Dividends declared in respect of the current year <i>15(a)</i>	-	-	-	-	-	-	(13,537)	(13,537)	-	(13,537)
<b>Balance at 31 December 2020</b>	236,474	29,171	(29,391)	33,610	-	(8,521)	2,299,001	2,560,344	-	2,560,344

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

for the six months ended 30 June 2021 – unaudited

(Expressed in Hong Kong dollars)

Notes	Attributable to equity shareholders of the Company									
	Share capital \$'000	General reserve fund \$'000	Other reserve \$'000	Exchange reserve \$'000	Fair value reserve (recycling) \$'000	Fair value reserve (non-recycling) \$'000	Retained profits \$'000	Total \$'000	Non-controlling interests \$'000	Total equity \$'000
<b>Balance at 1 January 2021</b>	236,474	29,171	(29,391)	33,610	-	(8,521)	2,299,001	2,560,344	-	2,560,344
<b>Changes in equity for the six months ended 30 June 2021:</b>										
Profit for the period	-	-	-	-	-	-	45,392	45,392	-	45,392
Other comprehensive income	-	-	-	3,369	-	710	-	4,079	-	4,079
<b>Total comprehensive income</b>	-	-	-	3,369	-	710	45,392	49,471	-	49,471
Final dividend approved in respect of the previous year	15(b)	-	-	-	-	-	(67,687)	(67,687)	-	(67,687)
<b>Balance at 30 June 2021</b>	236,474	29,171	(29,391)	36,979	-	(7,811)	2,276,706	2,542,128	-	2,542,128

The notes on pages 22 to 42 form part of this interim financial report.

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

for the six months ended 30 June 2021 – unaudited

(Expressed in Hong Kong dollars)

	Six months ended 30 June	
	2021	2020
Notes	\$'000	\$'000
<b>Operating activities</b>		
Cash (used in)/generated from operations	(14,883)	161,931
Tax paid	(39,247)	(87,737)
<b>Net cash (used in)/generated from operating activities</b>	<b>(54,130)</b>	74,194
<b>Investing activities</b>		
Payment for purchase of leasehold land and property, plant and equipment	(61,936)	(93,367)
Proceeds from the disposal of property, plant and equipment	92	8,183
Prepayment for purchase of leasehold land and property, plant and equipment	(6,126)	(5,529)
Payment for purchase of other intangible assets	(12,544)	–
Acquisition of subsidiaries, net of cash and cash equivalents acquired	–	(104,692)
Decrease in time deposits with maturity over three months when placed	18,208	41,118
Other cash flows arising from investing activities	9,541	7,672
<b>Net cash used in investing activities</b>	<b>(52,765)</b>	(146,615)

CONDENSED CONSOLIDATED CASH FLOW STATEMENT (*Continued*)

for the six months ended 30 June 2021 – unaudited

(Expressed in Hong Kong dollars)

	Notes	Six months ended 30 June	
		2021 \$'000	2020 \$'000
<b>Financing activities</b>			
Capital element of lease rentals paid		(8,810)	(7,841)
Interest element of lease rentals paid		(1,280)	(1,139)
Dividends paid		(67,687)	(67,687)
Proceeds from new bank loans		369,465	186,817
Repayment of bank loans		(288,216)	(146,906)
Other cash flows arising from financing activities		(2,387)	(3,403)
<b>Net cash generated from/(used in) financing activities</b>		<b>1,085</b>	(40,159)
<b>Net decrease in cash and cash equivalents</b>		<b>(105,810)</b>	(112,580)
<b>Cash and cash equivalents at 1 January</b>		<b>489,071</b>	583,063
<b>Effect of foreign exchange rate changes</b>		<b>391</b>	(4,568)
<b>Cash and cash equivalents at 30 June</b>	12	<b>383,652</b>	465,915

The notes on pages 22 to 42 form part of this interim financial report.

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

*(Expressed in Hong Kong dollars unless otherwise indicated)*

### 1 Basis of preparation

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, 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 2021.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2020 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2021 annual financial statements. Details of any changes in accounting policies are set out in note 2.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of Dream International Limited (the “Company”) and its subsidiaries (the “Group”) since the 2020 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

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. KPMG’s independent review report to the Board of Directors is included on pages 12 to 13.

The financial information relating to the financial year ended 31 December 2020 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:

## 1 Basis of preparation *(Continued)*

The Company has delivered the financial statements for the year ended 31 December 2020 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 Group has applied the following amendment to HKFRSs issued by the HKICPA to this interim financial report for the current accounting period:

- Amendment to HKFRS 16, *Covid-19-related rent concessions beyond 30 June 2021*

Other than the amendment to HKFRS 16, the Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the amended HKFRSs are discussed below:

### ***Amendment to HKFRS 16, Covid-19-related rent concessions beyond 30 June 2021 (2021 amendment)***

The Group previously applied the practical expedient in HKFRS 16 such that as lessee it was not required to assess whether rent concessions occurring as a direct consequence of the COVID-19 pandemic were lease modifications, if the eligibility conditions are met. One of these conditions requires the reduction in lease payments affect only payments originally due on or before a specified time limit. The 2021 amendment extends this time limit from 30 June 2021 to 30 June 2022.

The Group has early adopted the 2021 amendment in this financial year. There is no impact on the opening balance of equity at 1 January 2021.



### 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 2020: four) reportable segments. No operating segments have been aggregated to form the following reportable segments.

#### (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:

	Six months ended 30 June	
	2021	2020
	\$'000	\$'000
<b>Revenue from sales of goods within the scope of HKFRS 15</b>		
Disaggregated by major product lines		
– Plastic figures	1,031,407	799,901
– Plush stuffed toys	556,839	653,773
– Tarpaulin	276,454	100,385
– Die-casting products	94,771	75,492
	<b>1,959,471</b>	1,629,551

	Six months ended 30 June	
	2021	2020
	\$'000	\$'000
<b>Disaggregated by geographical location of customers</b>		
– Hong Kong (place of domicile)	22,417	15,204
– North America	1,464,417	1,099,709
– Japan	197,947	336,437
– The PRC	116,721	72,795
– Europe	89,352	53,053
– Other countries	68,617	52,353
	<b>1,959,471</b>	1,629,551

### 3 Revenue and segment reporting (Continued)

#### (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.

	Plastic figures		Plush stuffed toys		Tarpaulin		Die-casting products		Total	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
<b>For the six months ended 30 June</b>										
Revenue from external customers	1,031,407	799,901	556,839	653,773	276,454	100,385	94,771	75,492	1,959,471	1,629,551
Inter-segment revenue	11,236	11,834	15,837	8,902	-	-	51,610	23,798	78,683	44,534
<b>Reportable segment revenue</b>	<b>1,042,643</b>	<b>811,735</b>	<b>572,676</b>	<b>662,675</b>	<b>276,454</b>	<b>100,385</b>	<b>146,381</b>	<b>99,290</b>	<b>2,038,154</b>	<b>1,674,085</b>
<b>Reportable segment profit (adjusted EBITDA) As at 30 June/31 December</b>	<b>63,198</b>	<b>41,264</b>	<b>55,724</b>	<b>120,046</b>	<b>26,285</b>	<b>8,794</b>	<b>13,610</b>	<b>8,926</b>	<b>158,817</b>	<b>179,030</b>
<b>Reportable segment assets</b>	<b>1,469,422</b>	<b>1,108,493</b>	<b>1,225,947</b>	<b>1,135,985</b>	<b>367,925</b>	<b>328,453</b>	<b>358,769</b>	<b>346,245</b>	<b>3,422,063</b>	<b>2,919,176</b>
<b>Reportable segment liabilities</b>	<b>596,850</b>	<b>329,436</b>	<b>264,354</b>	<b>248,220</b>	<b>94,594</b>	<b>82,324</b>	<b>355,448</b>	<b>325,124</b>	<b>1,311,246</b>	<b>985,104</b>

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. To arrive at the adjusted EBITDA, the Group's earnings are further adjusted for items not specifically attributed to individual segments, such as gain on bargain purchase, gain on step acquisition, share of profits/(losses) of associates, directors' and auditors' remuneration and other head office or corporate administration costs.

### 3 Revenue and segment reporting (Continued)

#### (c) Reconciliations of reportable segment profit or loss

	Six months ended 30 June	
	2021 \$'000	2020 \$'000
Reportable segment profit	158,817	179,030
Interest income	9,369	7,672
Depreciation	(74,717)	(68,950)
Gain on bargain purchase	–	16,406
Gain on step acquisition	595	–
Finance costs	(3,667)	(4,542)
Share of profits/(losses) of associates	358	(475)
Unallocated head office and corporate expenses	(17,114)	(15,590)
Consolidated profit before taxation	73,641	113,551

### 4 Seasonality of operations

The Group's plastic figures, plush stuffed toys, tarpaulin and die-casting products segments, on average experience higher sales amount in the second half of the year, compared to the first half of the year, due to the increased demand of its products during the holiday season. As such, these segments typically report lower revenue and segment results for the first half of the year than the second half.

For the twelve months ended 30 June 2021, the plastic figures, plush stuffed toys, tarpaulin and die-casting products segments reported reportable segment revenue of \$2,231,164,000, \$1,115,382,000, \$573,115,000 and \$323,251,000 respectively (twelve months ended 30 June 2020: \$2,021,279,000, \$1,758,927,000, \$100,385,000 and \$233,081,000 respectively), and reportable segment profit of \$238,460,000, \$135,537,000, \$82,719,000 and \$22,379,000 respectively (twelve months ended 30 June 2020: profit of \$330,578,000, \$338,790,000, \$8,794,000 and \$29,844,000 respectively).

## 5 Profit before taxation

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

### (a) Finance costs

	Six months ended 30 June	
	2021 \$'000	2020 \$'000
Interest expense on bank borrowings	2,387	3,403
Interest expense on lease liabilities	1,280	1,139
	<b>3,667</b>	4,542

### (b) Other items

	Six months ended 30 June	
	2021 \$'000	2020 \$'000
Depreciation charge		
– owned property, plant and equipment	61,455	59,360
– leasehold land held for own use	2,083	1,186
– right-of-use assets	11,179	8,404
Expenses related to short-term lease	5,279	4,280
Amortisation of intangible assets	227	14
Inventories write-down (note 10)	2,521	–
Reversal of write-down of inventories (note 10)	(2,245)	(566)
(Reversal)/provision of loss allowance of trade receivables	(233)	48
Bank interest income	(9,356)	(7,543)
Interest income from other financial assets	(13)	(129)
Net loss/(gain) on disposal of other property, plant and equipment	2,040	(1,171)
Net gain on disposal of other intangible assets	(19)	(7)
Gain on step acquisition	(595)	–

## 6 Income tax

	Six months ended 30 June	
	2021 \$'000	2020 \$'000
Current tax – Hong Kong Profits Tax	8,012	9,943
Current tax – Outside Hong Kong	20,261	21,720
Deferred taxation	(24)	(5,560)
	<b>28,249</b>	26,103

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 2020: 16.5%) to the six months ended 30 June 2021 except for the Company which is a qualifying corporation under the two-tiered Profits Tax rate regime.

For the Company, the first \$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 was calculated at the same basis for the six months ended 30 June 2020.

Taxation for subsidiaries outside Hong Kong is calculated similarly 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 2020 included withholding tax of \$4,571,000 paid on dividend income from subsidiaries. No withholding tax was paid during the six months ended 30 June 2021.

## 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 \$45,392,000 (six months ended 30 June 2020: \$87,448,000) and the weighted average number of ordinary shares of 676,865,000 shares (six months ended 30 June 2020: 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 2021 and 2020.

## 8 Property, plant and equipment

### (a) Right-of-use assets

During the six months ended 30 June 2021, the Group entered into a number of lease agreements and therefore recognised additions to right-of-use assets of \$8,779,000 (six months ended 30 June 2020: \$13,822,000).

During the six months ended 30 June 2020, the Group received rent concessions in the form of a discount on fixed payments during the period of severe social distancing and travel restriction measures introduced to contain the spread of COVID-19 and the amount of COVID-19 rent concessions was \$174,000. No rent concession was received during the six months ended 30 June 2021.

### (b) Acquisitions and disposals of owned assets

During the six months ended 30 June 2021, the Group acquired items of other property, plant and equipment with a cost of \$79,456,000 (six months ended 30 June 2020: \$105,789,000). Items of other property, plant and equipment with a net book value of \$2,132,000 were disposed of during the six months ended 30 June 2021 (six months ended 30 June 2020: \$6,767,000), resulting in a net loss on disposal of \$2,040,000 (six months ended 30 June 2020: net gain on disposal of \$1,171,000).

## 9 Other financial asset

	<b>At 30 June 2021 \$'000</b>	At 31 December 2020 \$'000
Unlisted equity security measured at FVOCI (non-recycling) (Note)	<b>3,723</b>	3,327

### Note:

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 fair value through other comprehensive income ("FVOCI") (non-recycling), as the investment is held for strategic purpose. No dividends were received on this investment during the period (2020: \$Nil).

## 10 Inventories

During the six months ended 30 June 2021, there is a reversal of write-down of inventories of \$2,245,000 (six months ended 30 June 2020: \$566,000). The reversal arose upon utilisation, disposal or an increase in the estimated net realisable value of these inventories.

During the six months ended 30 June 2021, there was a write-down of inventories of \$2,521,000 (six months ended 30 June 2020: \$Nil). The write-down arose upon a decrease in the estimated net realisable value of these inventories.

## 11 Trade and other receivables

As at 30 June 2021, 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 2021 \$'000	At 31 December 2020 \$'000
Within 1 month	379,830	311,599
1 to 2 months	290,155	216,708
2 to 3 months	62,206	43,811
3 to 4 months	22,919	9,403
Over 4 months	14,554	1,335
Trade debtors and bills receivable, net of loss allowance	769,664	582,856
Other receivables and prepayments	191,752	164,601
Loan to associates	4,057	19,138
Amounts due from related companies ( <i>Note</i> )	–	5,831
	<b>965,473</b>	<b>772,426</b>

Trade debtors and bills receivable are due within 30 to 120 days (31 December 2020: 30 to 120 days) from the date of billing.

*Note:*

As at 31 December 2020, the outstanding balances were trading balances with C & H Creative Co., Ltd (“C & H Creative”). A director of the Company has significant influence over C & H Creative.

**12 Cash and cash equivalents and time deposits**

	<b>At 30 June 2021 \$'000</b>	At 31 December 2020 \$'000
Time deposits within three months to maturity when placed	<b>134,313</b>	97,125
Cash at bank and on hand	<b>249,339</b>	391,946
Cash and cash equivalents in the consolidated statement of financial position and condensed consolidated cash flow statement	<b>383,652</b>	489,071
Time deposits with more than three months to maturity when placed	<b>161,439</b>	179,352
	<b>545,091</b>	668,423



### 13 Trade and other payables and contract liabilities

As at 30 June 2021, 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 2021 \$'000	At 31 December 2020 \$'000
Due within 1 month or on demand	554,335	277,788
Due after 1 month but within 3 months	71,520	101,920
Due after 3 months but within 6 months	20,821	23,374
Due after 6 months but within 1 year	11,775	15,028
Over 1 year	9,975	10,333
Trade payables	668,426	428,443
Contract liabilities – sales deposit	44,217	25,970
Salary and welfare payables	117,049	134,056
Value-added tax payable	3,037	4,527
Other payables and accrual	34,599	32,954
Receipt in advance	21,473	21,275
	<b>888,801</b>	<b>647,225</b>

### 14 Bank loans

As at 30 June 2021, mortgage instalment loan of \$58,587,000 (31 December 2020: \$62,881,000) was secured by mortgage over a property of the Group with an aggregate carrying amount of \$203,125,000 (31 December 2020: \$206,922,000). It is interest-bearing at a rate of 0.64% over HIBOR or lender's prime rate minus 2.3% (31 December 2020: 0.88% over HIBOR or lender's prime rate minus 2.3%), whichever is lower and repayable in March 2028. The above mentioned bank loan contains clauses which give the lender the right at its discretion to demand immediate repayment at anytime irrespective of whether the Company has met the scheduled repayment obligations. The balance is therefore classified as current liabilities in the consolidated statement of financial position as at 30 June 2021 and 31 December 2020.

As at 30 June 2021, bank loan of \$29,280,000 (31 December 2020: \$49,874,000) was secured by factory buildings, certain leasehold land and other property, plant and equipment of the Group with an aggregate amount of \$85,934,000 (31 December 2020: \$89,251,000). It is interest-bearing at a rate of 2.2% to 3.3% (31 December 2020: 2.9% to 3.3%) specified at each withdrawal and repayable within one year.

## 14 Bank loans (Continued)

As at 30 June 2021, bank loans of \$101,934,000 (31 December 2020: \$77,019,000) were secured by time deposits of the Group with an aggregate amount of \$63,330,000 (31 December 2020: \$28,773,000). They are interest-bearing at a rate of 2.0% to 3.5% (31 December 2020: 2.6% to 3.0%) specified at each withdrawal and repayable within one year.

As at 30 June 2021, bank loans of \$24,610,000 (31 December 2020: \$15,750,000) were secured by certain leasehold land and other property, plant and equipment of the Group with an aggregate amount of \$106,346,000 (31 December 2020: \$57,964,000). They are interest-bearing at a rate of 2.1% to 2.7% (31 December 2020: 2.1% to 3.0%) over LIBOR specified at each withdrawal and repayable within one year.

As at 30 June 2021, bank loans of \$57,409,000 (31 December 2020: \$48,893,000) were secured by time deposits of the Group with an aggregate amount of \$56,648,000 (31 December 2020: \$30,910,000). They are interest-bearing at a rate of 1.3% to 2.0% (31 December 2020: 1.3% to 2.0%) over LIBOR specified at each withdrawal and repayable within one year.

As at 31 December 2020, an unutilised banking facility of \$27,135,000 was secured by certain leasehold land and other property, plant and equipment of the Group with an aggregate amount of \$53,768,000. There was no unutilised banking facility that was secured by leasehold land and other property, plant and equipment of the Group as at 30 June 2021.

## 15 Capital, reserves and dividends

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

	Six months ended 30 June	
	2021 \$'000	2020 \$'000
Interim dividend declared and paid after the interim period of 2 cents per ordinary share (six months ended 30 June 2020: 2 cents per ordinary share)	13,537	13,537

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

## 15 Capital, reserves and dividends (Continued)

### (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	
	2021 \$'000	2020 \$'000
Final dividend in respect of the previous financial year, approved and paid during the following interim period, of 10 cents per ordinary share (six months ended 30 June 2020: 10 cents per ordinary share)	67,687	67,687

## 16 Fair value measurement of financial instruments

### (a) Financial asset measured at fair value

#### (i) Fair value hierarchy

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

The Group engaged external valuer to perform valuations for the unlisted equity security measured at FVOCI (non-recycling) which is categorised into level 3 of the fair value hierarchy. The external valuer report directly to management. A valuation report with analysis of changes in fair value measurement is prepared by external valuer at each interim and annual reporting date, and is reviewed and approved by management.

## 16 Fair value measurement of financial instruments (Continued)

## (a) Financial asset measured at fair value (Continued)

## (i) Fair value hierarchy (Continued)

	Fair value measurements as at 30 June 2021 categorised into			
	Fair value at 30 June 2021 \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
<b>Recurring fair value measurement</b>				
<i>Financial asset:</i>				
Unlisted equity security	3,723	-	-	3,723

  

	Fair value measurements as at 31 December 2020 categorised into			
	Fair value at 31 December 2020 \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
<b>Recurring fair value measurement</b>				
<i>Financial asset:</i>				
Unlisted equity security	3,327	-	-	3,327

During the six months ended 30 June 2021, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2020: Nil). 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 Fair value measurement of financial instruments (Continued)

### (a) Financial asset measured at fair value (Continued)

#### (ii) Information about Level 3 fair value measurements

	Valuation technique	Significant unobservable input	Percentage
Unlisted equity security	Market comparable companies	Discount for lack of marketability	30% (2020: 30%)

The fair value of unlisted equity security is determined using the price/earning ratios of comparable listed companies adjusted for lack of marketability discount. The fair value measurement is negatively correlated to the discount for lack of marketability. As at 30 June 2021, it is estimated that with all other variables held constant, a decrease/increase in discount for lack of marketability by 5% would have increased/decreased the Group's other comprehensive income by \$266,000 (2020: \$238,000).

The movement during the period in the balance of Level 3 fair value measurements is as follows:

	2021 \$'000	2020 \$'000
Unlisted equity security:		
At 1 January	3,327	2,974
Unrealised gain/(loss) recognised in other comprehensive income during the period	710	(347)
Exchange difference	(314)	(121)
At 30 June	3,723	2,506

## 16 Fair value measurement of financial instruments *(Continued)*

### *(a) Financial assets measured at fair value (Continued)*

#### *(ii) Information about Level 3 fair value measurements (Continued)*

Any gains or losses arising from the remeasurement of the Group's unlisted equity security held for strategic purpose is recognised in the fair value reserve (non-recycling) in other comprehensive income. Upon disposal of the equity security, the amount accumulated in other comprehensive income is transferred directly to retained profits.

### *(b) Fair values of financial assets and liabilities carried at other than fair value*

The carrying amounts of the Group's financial instruments carried at cost or amortised cost were not materially different from their fair values as at 30 June 2021 and 31 December 2020.

## 17 Commitments

### *Capital commitments outstanding at 30 June 2021 not provided for in the interim financial report*

	<b>At 30 June 2021 \$'000</b>	At 31 December 2020 \$'000
Contracted for	<b>20,877</b>	56,101
Authorised but not contracted for	<b>24,984</b>	30,493
	<b>45,861</b>	86,594

The capital commitments outstanding as at 30 June 2021 and 31 December 2020 represent additional investments in land and buildings and plant and equipment in Vietnam.

## 18 Material related party transactions

Except for the balances and transactions disclosed elsewhere in these financial statements, the Company entered into material related party transactions set out below.

### (a) Transactions with related parties

During the six months ended 30 June 2021, the Group entered into the following transactions with its related parties:

		Six months ended 30 June	
		2021 \$'000	2020 \$'000
<b>(a) Key management personnel remuneration</b>			
Salaries and other short-term benefits		15,228	15,589
<b>(b) Purchase of materials from</b>			
Associates	<i>(Note (i))</i>	15,563	2,762
<b>(c) Processing fee received from</b>			
A related company	<i>(Note (ii))</i>	–	4,550

Notes:

- (i) These are transactions with HH Dream Printing Company Limited, an associate of the Group and C & H Mekong Company Limited (“C & H Mekong”), formerly known as Young Long Ho Company Limited, a former associate of the Group.
- (ii) These are transactions with C & H Co., Ltd (“C & H”) and its subsidiaries (“C & H Group”). A director of the Company has significant influence over C & H Group.

## 18 Material related party transactions *(Continued)*

### *(b) Other transactions with related parties*

On 31 March 2020, the Company completed the acquisitions of 100% equity interests in C & H Vina Joint Stock Company (“C & H Vina”) and C & H Tarps Co., Ltd. (“C & H Tarps”) from C & H. The acquisition considerations of C & H Vina and C & H Tarps were satisfied by cash of US\$11,000,000 (equivalent to \$85,793,000) and US\$5,000,000 (equivalent to \$38,998,000) respectively. The considerations were determined with reference to valuations performed by independent professional valuers. These transactions also constituted a disclosable transaction and a connected transaction as defined in Chapter 14 and Chapter 14A of the Listing Rules, respectively. Further details are set out in note 19(a).

## 19 Acquisition of subsidiaries

### *(a) Acquisitions of C & H Vina and C & H Tarps*

On 29 November 2019, the Company entered into an agreement with C & H and two independent third parties to acquire 100% of the interests in C & H Vina with consideration of US\$11,000,000 (equivalent to \$85,793,000). On the same date, the Company entered into an agreement with C & H to acquire 100% of the interests in C & H Tarps with consideration of US\$5,000,000 (equivalent to \$38,998,000).

The acquisitions of C & H Vina and C & H Tarps (the “Acquisition”) were approved by the shareholders of the Company at the extraordinary general meeting of the Company held on 23 March 2020 and were completed on 31 March 2020 (the “Acquisition Date”). By the Acquisition Date, the acquisition considerations have been settled. Upon completion of the Acquisition, C & H Vina and C & H Tarps became wholly-owned subsidiaries of the Group.

The principal activity of C & H Vina and C & H Tarps is manufacture and sales of tarpaulin. The directors of the Company are of opinion that the Acquisition was made as part of the Group’s strategy to accelerate the growth of the Group’s revenue and profit.



**19 Acquisition of subsidiaries (Continued)****(a) Acquisitions of C & H Vina and C & H Tarps (Continued)**

The following table summarises the consideration paid for the Acquisition, the fair values of assets acquired and liabilities assumed at the Acquisition Date.

	\$'000
Other property, plant and equipment	48,476
Long-term receivables and prepayments	429
Interest in an associate	6,355
Inventories	53,464
Trade and other receivables	85,439
Time deposits with maturity over three months when placed	35,181
Cash and cash equivalents	20,099
Trade and other payables and contract liabilities	(20,968)
Bank loans	(81,596)
Deferred tax liabilities	(5,682)
Fair value of identifiable assets acquired and liabilities assumed at the Acquisition Date	141,197
Total consideration	(124,791)
Gain on bargain purchase recognised in the consolidated statement of profit or loss	16,406
Consideration paid, satisfied by cash	124,791
Cash and cash equivalents acquired	(20,099)
Net cash outflow	104,692

As at the Acquisition Date, the fair values of the receivables were their gross contractual amounts. None of them was expected to be uncollectible. The gain on bargain purchase was attributable to the increase in fair value of the net assets acquired, from the date of valuations that the considerations were based on, to the Acquisition Date.

The Group incurred transaction costs of \$823,000 in connection with the Acquisition. The transaction costs were included in administrative expenses in the consolidated statement of profit or loss.

## 19 Acquisition of subsidiaries *(Continued)*

### *(a) Acquisitions of C & H Vina and C & H Tarps (Continued)*

An analysis of the cash flows in respect of the Acquisition is as follows:

	\$'000
Net cash consideration and cash outflow included in cash used in investing activities	104,692
Less: transaction costs for the Acquisition included in cash flows from operating activities	(823)
	103,869

Revenue and net profit attributable to the Group during the period from 31 March 2020, the Acquisition Date, to 30 June 2020 contributed by the Acquisition were \$100,385,000 and \$9,668,000 respectively. Had the Acquisition taken place and completed at the beginning of the six months ended 30 June 2020, revenue and net profit attributable to the Group would have been \$1,711,828,000 and \$93,706,000, respectively.

### *(b) Step acquisitions of C & H Mekong from an associate to a subsidiary*

On 29 November 2019, the Company entered into an agreement with C & H and two independent third parties to acquire 100% of the interests in C & H Vina, which held 48.98% equity interests of C & H Mekong. The acquisition was completed on 31 March 2020. C & H Mekong was classified as an associate as the Group had significant influence in C & H Mekong.

On 29 April 2021 (the "Step Acquisition Date"), C & H Vina completed the acquisition of the remaining 51.02% of the interests in C & H Mekong at cash consideration of US\$917,000 (equivalent to \$7,195,000) (the "Step Acquisition") from an independent third party. By the Step Acquisition Date, the acquisition consideration has been settled. Upon the completion of the Step Acquisition, C & H Mekong became a wholly-owned subsidiary of the Group.

The principal activity of C & H Mekong is manufacture of tarpaulin. The directors of the Company are of opinion that the Step Acquisition was made to achieve synergies in saving cost of manufacturing of tarpaulin.

**19 Acquisition of subsidiaries (Continued)****(b) Step acquisitions of C & H Mekong from an associate to a subsidiary (Continued)**

The following table summarises the total consideration for the Step Acquisition, and the fair values of assets acquired and liabilities assumed at the Step Acquisition Date.

	\$'000
Consideration paid, satisfied by cash	7,195
Fair value of pre-existing equity interests in C & H Mekong at the Step Acquisition Date	7,479
<b>Total consideration</b>	<b>14,674</b>
	\$'000
Other property, plant and equipment	23,277
Trade and other receivables	9,033
Cash and cash equivalents	1,933
Trade and other payables and contract liabilities	(3,413)
Loans from shareholders	(15,561)
Fair value of identifiable assets acquired and liabilities assumed at the Step Acquisition Date	15,269
<b>Total consideration</b>	<b>(14,674)</b>
<b>Gain on step acquisition</b>	<b>595</b>
Consideration paid, satisfied by cash	7,195
Cash and cash equivalents acquired	(1,933)
<b>Net cash outflow</b>	<b>5,262</b>

As at the Step Acquisition Date, the fair values of the receivables were their gross contractual amounts. None of them was expected to be uncollectible. The gain on step acquisition of \$595,000 has been included in “other net gain” of the consolidated statement of profit or loss for the six months ended 30 June 2021.

Revenue and net profit attributable to the Group during the period from 29 April 2021 (the Step Acquisition Date) to 30 June 2021 contributed by the Step Acquisition were \$Nil and \$739,000 respectively. Had the Step Acquisition taken place and completed at the beginning of the six months ended 30 June 2021, revenue and net profit attributable to the Group would have been \$1,959,471,000 and \$46,092,000, respectively.