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DREAM INTERNATIONAL LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 1126)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2022

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 2022 together with comparative figures for the corresponding period in 2021.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE SIX MONTHS ENDED 30 JUNE 2022 – UNAUDITED

		Six months ended 30 June	
		2022	2021
	Notes	HK\$'000	HK\$'000
Revenue	3	2,841,692	1,959,471
Cost of sales		(2,346,000)	(1,708,908)
Gross profit		495,692	250,563
Other revenue		31,590	17,855
Other net (loss)/gain		(32,589)	17
Distribution costs		(77,072)	(45,581)
Administrative expenses		(153,705)	(145,904)
Profit from operations		263,916	76,950
Finance costs	4(a)	(5,386)	(3,667)
Share of profits of associates		978	358
Profit before taxation	4	259,508	73,641
Income tax	5	(57,984)	(28,249)
Profit for the period		201,524	45,392
Earnings per share			
Basic and diluted	7	HK\$0.298	HK\$0.067

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2022 – UNAUDITED

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
Profit for the period	<u>201,524</u>	<u>45,392</u>
Other comprehensive income for the period (after tax and reclassification adjustments):		
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)	<u>–</u>	<u>710</u>
	<u>–</u>	<u>710</u>
Item that may be or are reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong	<u>892</u>	<u>3,369</u>
	<u>892</u>	<u>3,369</u>
Other comprehensive income for the period	<u>892</u>	<u>4,079</u>
Total comprehensive income for the period	<u><u>202,416</u></u>	<u><u>49,471</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2022 – UNAUDITED

		At 30 June 2022 <i>HK\$'000</i>	At 31 December 2021 <i>HK\$'000</i>
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment	8	1,421,970	1,387,438
Investment properties		4,151	3,777
Long term receivables and prepayments		36,890	19,719
Other intangible assets		25,374	26,011
Goodwill		2,753	2,753
Interests in an associate		11,247	10,269
Deferred tax assets		5,963	5,147
Time deposits		17,527	3,081
Other financial asset	9	3,255	3,540
		<u>1,529,130</u>	<u>1,461,735</u>
Current assets			
Inventories	10	1,219,836	879,135
Trade and other receivables	11	1,295,383	1,254,554
Current tax recoverable		883	2,836
Time deposits		198,722	218,165
Cash and cash equivalents		343,034	382,989
		<u>3,057,858</u>	<u>2,737,679</u>
Current liabilities			
Trade and other payables and contract liabilities	12	1,229,556	1,184,085
Bank loans		412,326	262,462
Lease liabilities		25,011	15,714
Current tax payable		70,166	32,097
		<u>1,737,059</u>	<u>1,494,358</u>
Net current assets		<u>1,320,799</u>	<u>1,243,321</u>
Total assets less current liabilities		<u>2,849,929</u>	<u>2,705,056</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)*AS AT 30 JUNE 2022 – UNAUDITED*

	At 30 June 2022 <i>Notes</i> HK\$'000	At 31 December 2021 <i>HK\$'000</i>
Non-current liabilities		
Lease liabilities	33,342	20,216
Deferred tax liabilities	7,638	10,620
	<u>40,980</u>	<u>30,836</u>
NET ASSETS	<u>2,808,949</u>	<u>2,674,220</u>
CAPITAL AND RESERVES		
Share capital	236,474	236,474
Reserves	2,572,475	2,437,746
TOTAL EQUITY	<u>2,808,949</u>	<u>2,674,220</u>

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 plastic figures, plush stuffed toys, tarpaulin and die-casting products.

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 2022 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 2022.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2021 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2022 annual financial statements. Details of any changes in accounting policies are set out in note 2.

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA.

The financial information relating to the financial year ended 31 December 2021 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 2021 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 amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA for the current accounting period:

- Amendments to HKAS 16, *Property, plant and equipment: Proceeds before intended use*
- Amendments to HKAS 37, *Provisions, contingent liabilities and contingent assets: Onerous contracts – cost of fulfilling a contract*

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:

Amendments to HKAS 16, *Property, plant and equipment: Proceeds before intended use*

The amendments prohibit an entity from deducting the proceeds from selling items produced before that asset is available for use from the cost of an item of property, plant and equipment. Instead, the sales proceeds and the related costs should be included in profit and loss. The amendments do not have a material impact on these financial statements as the Group does not sell items produced before an item of property, plant and equipment is available for use.

Amendments to HKAS 37, *Provisions, contingent liabilities and contingent assets: Onerous contracts – cost of fulfilling a contract*

The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts.

Previously, the Group included only incremental costs when determining whether a contract was onerous. In accordance with the transitional provisions, the Group has applied the new accounting policy to contracts for which it has not yet fulfilled all its obligations at 1 January 2022, and has concluded that none of them is onerous.

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 2021: 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	
	2022	2021
	HK\$'000	HK\$'000
Revenue from sales of goods within the scope of HKFRS 15		
Disaggregated by major product lines		
– Plastic figures	1,577,166	1,031,407
– Plush stuffed toys	850,863	556,839
– Tarpaulin	303,876	276,454
– Die-casting products	109,787	94,771
	2,841,692	1,959,471

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

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
Reportable segment profit	390,917	158,817
Interest income	10,090	9,369
Depreciation	(81,553)	(74,717)
Gain on step acquisition	–	595
Finance costs	(5,386)	(3,667)
Share of profits of associates	978	358
Unallocated head office and corporate expenses	(55,538)	(17,114)
	<u>259,508</u>	<u>73,641</u>
Consolidated profit before taxation	<u>259,508</u>	<u>73,641</u>

4 PROFIT BEFORE TAXATION

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

(a) **Finance costs**

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
Interest expense on bank borrowings	4,206	2,387
Interest expense on lease liabilities	1,180	1,280
	<u>5,386</u>	<u>3,667</u>

(b) **Other items**

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
Depreciation charge		
– owned property, plant and equipment	68,723	61,455
– leasehold land held for own use	2,029	2,083
– right-of-use assets	10,801	11,179
Expenses related to short-term lease	7,745	5,279
Amortisation of intangible assets	201	227
Inventories write-down (note 10)	8,852	2,521
Reversal of write-down of inventories (note 10)	(3,387)	(2,245)
Reversal of loss allowance of trade receivables	–	(233)
Bank interest income	(10,090)	(9,356)
Interest income from other financial assets	–	(13)
Net (gain)/loss on disposal of other property, plant and equipment	(660)	2,040
Net gain on disposal of other intangible assets	–	(19)
Reversal of impairment of intangible assets	(35)	–
Loss on unauthorised fund transfer (note)	41,420	–
Gain on step acquisition	–	(595)
	<u>–</u>	<u>(595)</u>

Note:

As disclosed in the Company's announcement dated 23 February 2022, the Company discovered that the token for the internet banking of the Company was missing and found out funds amounted to USD5,311,090 (equivalent to approximately HK\$41,420,000) was transferred to a non-related account with the Group (the "Incident") on 17 February 2022. The Company has reported the Incident to the Hong Kong Police Force who are currently conducting the investigation. As at the date of this interim results announcement, the investigation is still ongoing. Management consider the chance to recover the lost funds is remote and recognise a loss of HK\$41,420,000 in "other net (loss)/gain" of the consolidated statement of profit or loss for the six months ended 30 June 2022.

5 INCOME TAX

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
Current tax – Hong Kong Profits Tax	24,297	8,012
Current tax – Outside Hong Kong	37,345	20,261
Deferred taxation	(3,658)	(24)
	<u>57,984</u>	<u>28,249</u>

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 2021: 16.5%) to the six months ended 30 June 2022 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 was calculated at the same basis for the six months ended 30 June 2021.

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.

6 DIVIDENDS

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

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
Interim dividend declared and paid after the interim period of HK10 cents per ordinary share (six months ended 30 June 2021: HK2 cents per ordinary share)	<u>67,687</u>	<u>13,537</u>

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	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Final dividend in respect of the previous financial year, approved and paid during the following interim period, of HK10 cents per ordinary share (six months ended 30 June 2021: HK10 cents per ordinary share)	67,687	67,687

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\$201,524,000 (six months ended 30 June 2021: HK\$45,392,000) and the weighted average number of ordinary shares of 676,865,000 shares (six months ended 30 June 2021: 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 2022 and 2021.

8 PROPERTY, PLANT AND EQUIPMENT

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

During the six months ended 30 June 2022, the Group entered into a number of lease agreements and therefore recognised additions to right-of-use assets of HK\$41,358,000 (six months ended 30 June 2021: HK\$8,779,000).

- (b) **Acquisitions and disposals of owned assets**

During the six months ended 30 June 2022, the Group acquired items of other property, plant and equipment with a cost of HK\$93,066,000 (six months ended 30 June 2021: HK\$79,456,000). Items of other property, plant and equipment with a net book value of HK\$3,137,000 were disposed of during the six months ended 30 June 2022 (six months ended 30 June 2021: HK\$2,132,000), resulting in a net gain on disposal of HK\$660,000 (six months ended 30 June 2021: net loss on disposal of HK\$2,040,000).

9 OTHER FINANCIAL ASSET

	At	At
	30 June	31 December
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Unlisted equity security measured at FVOCI (non-recycling) (<i>note</i>)	3,255	3,540

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 (2021: HK\$Nil).

10 INVENTORIES

During the six months ended 30 June 2022, there is a reversal of write-down of inventories of HK\$3,387,000 (six months ended 30 June 2021: HK\$2,245,000). 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 2022, there was a write-down of inventories of HK\$8,852,000 (six months ended 30 June 2021: HK\$2,521,000). 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 2022, 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 2022 <i>HK\$'000</i>	At 31 December 2021 <i>HK\$'000</i>
Within 1 month	541,055	333,139
1 to 2 months	372,726	393,016
2 to 3 months	103,057	208,400
3 to 4 months	19,975	77,810
Over 4 months	29,310	50,404
	<hr/>	<hr/>
Trade debtors and bills receivable, net of loss allowance	1,066,123	1,062,769
Other receivables and prepayments	206,258	191,785
Loans receivable (<i>note</i>)	23,002	–
	<hr/>	<hr/>
	1,295,383	1,254,554

Trade debtors and bills receivable are due within 30 to 120 days (31 December 2021: 30 to 120 days) from the date of billing.

Note:

Loans receivable at 30 June 2022 are due from third parties, and unsecured, interest-bearing at 2.0% to 6.3% per annum and recoverable within one year.

12 TRADE AND OTHER PAYABLES AND CONTRACT LIABILITIES

As at 30 June 2022, the ageing analysis of trade payables (which are included in trade and other payables and contract liabilities), based on the invoice date, is as follows:

	At 30 June 2022 <i>HK\$'000</i>	At 31 December 2021 <i>HK\$'000</i>
Within 1 month	581,042	367,918
Over 1 month but within 3 months	239,888	307,330
Over 3 months but within 6 months	125,039	218,894
Over 6 months	69,982	51,638
	<hr/>	<hr/>
Trade payables	1,015,951	945,780
Contract liabilities – sales deposit	12,003	21,104
Salary and welfare payables	118,091	139,281
Value-added tax payable	6,895	4,648
Other payables and accrual	52,300	49,965
Receipt in advance	24,316	23,307
	<hr/>	<hr/>
	1,229,556	1,184,085
	<hr/> <hr/>	<hr/> <hr/>

13 ACQUISITION OF A SUBSIDIARY

Step acquisitions of C & H Mekong Company Limited (“C & H Mekong”) from an associate to a subsidiary

On 29 November 2019, the Company entered into an agreement with C & H Co., Ltd. and two independent third parties to acquire 100% of the interests in C & H Vina Company Limited (“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 HK\$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.

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.

	<i>HK\$'000</i>
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
	<hr/>
Total consideration	14,674
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	<i>HK\$'000</i>
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)
	<hr/>
Fair value of identifiable assets acquired and liabilities assumed at the Step Acquisition Date	15,269
Total consideration	(14,674)
	<hr/>
Gain on Step Acquisition	595
	<hr/> <hr/>
Consideration paid, satisfied by cash	7,195
Cash and cash equivalents acquired	(1,933)
	<hr/>
Net cash outflow	5,262
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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 HK\$595,000 has been included in “other net (loss)/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 (i.e. the Step Acquisition Date) to 30 June 2021 contributed by the Step Acquisition were HK\$Nil and HK\$739,000 respectively. Had the Step Acquisition took 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 HK\$1,959,471,000 and HK\$46,092,000, respectively.

MANAGEMENT DISCUSSION & ANALYSIS

Financial Review

The coronavirus disease 2019 (“COVID-19” or the “pandemic”) has lingered on for more than two years, with the entire manufacturing industry has had to face various unanticipated macro-environmental challenges, such as strained supply chains, surging raw materials prices, fluctuating freight costs and cyclical changes. In addition, global economic recovery has slowed down because of geopolitical conflicts, rampant inflation coupled with central banks’ tightening monetary policy at increased intensity and speed. Such challenges, however, have presented a watershed to the polarised industry competition ousting weaker players. With the competitive edges and strong resilience, it gained from including its strategic layout with production bases in Mainland China and Vietnam giving flexibility to production activities, tightly-knitted relationship with customers and partners, and industry-leading track record, the Group has been able to swiftly respond to the ever-changing market trends, capture emerging opportunities and maintain competitiveness for navigating the uncertainty.

For the six months ended 30 June 2022 (the “Period”), sustaining growth momentum and with order inflow recovered, all business segments recorded growth, pushing total revenue of the Group increased by 45.0% to HK\$2,841.7 million (six months ended 30 June 2021: HK\$1,959.5 million). Gross profit for the Period climbed 97.8% to HK\$495.7 million (six months ended 30 June 2021: HK\$250.6 million), while gross profit margin improved to 17.4% (six months ended 30 June 2021: 12.8%), despite the increased cost of sales due to rising material costs and the shortage of shipping capacity. Thanks to its adaptability and agility in tackling challenges, profit attributable to equity shareholders of the Company saw an over three-fold surge to HK\$201.5 million (six months ended 30 June 2021: HK\$45.4 million) with net profit margin at 7.1% (six months ended 30 June 2021: 2.3%).

As at 30 June 2022, the Group was in a healthy financial position with cash and cash equivalents and bank deposits amounted to HK\$559.3 million (31 December 2021: HK\$604.2 million). The Board of Directors has recommended payment of an interim dividend of HK10 cents per ordinary share (six months ended 30 June 2021: HK2 cents per ordinary share).

Business Review

Product Analysis

Plastic Figures Segment

The segment remained the major growth driver of the Group, with revenue from sales up 52.9% to approximately HK\$1,577.2 million (six months ended 30 June 2021: HK\$1,031.4 million), accounted for 55.5% of the Group’s total revenue. During the Period, several factors such as surging inflation and the spike of US interest rates sparked recession fear and in turn affected consumption sentiment. Nonetheless, armed with strong production capabilities and affording consistently high quality, the Group was able to win the trust of its top-tier clients. In addition to receiving more orders from existing customers, it was in discussion with potential customers during the Period, aiming to further diversify products and its customer base. With a new plant started operation during the Period, the Group now has greater flexibility in resources allocation to cope better with unexpected restrictions from geopolitical tensions and pandemic control measures.

Plush Stuffed Toys Segment

Revenue of the segment increased by 52.8% to HK\$850.9 million (six months ended 30 June 2021: HK\$556.8 million), representing 29.9% of the Group's total revenue. Sales from Original Equipment Manufacturing ("OEM") business were up by 52.5% to HK\$816.2 million (six months ended 30 June 2021: HK\$535.2 million), contributed 95.9% of the total revenue from plush stuffed toys. The growth was mainly attributable to the re-opening of theme parks in the US and Japan, as well as the inflow of orders from theme parks in Mainland China. The Group timely reviewed operation of its two production bases, thus was able to release capacity and improve efficiency to meet recovering market demand. Original Design Manufacturing ("ODM") business recorded revenue totalling HK\$34.7 million (six months ended 30 June 2021: HK\$21.6 million), accounted for 4.1% of the segment's total revenue.

Tarpaulin Segment

Less susceptible to market environment fluctuation, the tarpaulin segment continued to provide the Group with healthy cash inflow. It contributed revenue of approximately HK\$303.9 million (six months ended 30 June 2021: HK\$276.5 million), representing an increase of 9.9% year-on-year and accounted for 10.7% of the Group's total revenue. Moreover, with two additional plants starting operation last year, stable output and revenue were ensured.

Die-Casting Products Segment

Driven by playsets with die-cast vehicles gaining consumer fancy, the segment's revenue rose by 15.8% to HK\$109.8 million (six months ended 30 June 2021: HK\$94.8 million), accounted for 3.9% of the Group's total revenue. Although the market had been competitive, the Group managed to maintain stable order intakes with existing customers. To stay ahead of peers, it kept revolutionising production crafts, adopting new equipment and via automation to boost mass production, and raw material prices were closely monitored to keep cost stable and heighten cost efficiency.

Geographic Market Analysis

For the six months ended 30 June 2022, North America remained the Group's largest geographical market, accounted for 68.7% of its total revenue. Japan accounted for 15.7%, thus keeping its place as the second largest market, followed by Mainland China and Europe at 7.3% and 4.6%, respectively.

Operational Analysis

As at 30 June 2022, the Group operated 27 plants in total, seven of which were in Mainland China and 20 were in Vietnam, running at full capacity. During the Period, the new plastic figure plant in Kim Son District, Ninh Binh Province, Vietnam started partial operation as scheduled, while three new plants in Mainland China came into full operation. These production optimisation initiatives and capacity upgrades have provided the Group with the necessary infrastructure for supporting continual growth and expansion. At the same time, local management teams were able to deploy human resources with flexibility, and that has enabled the Group to minimise the impact of the pandemic on its production capacity and its ability to fully capture strong market demand.

Prospects

With geopolitical and economic uncertainties looming, enterprises no doubt face different obstacles, however they are also presented with opportunities not seen before. Over the past years, while working with customers in overcoming challenges in the lack-lustre market, the Group also strengthened its industry leadership. Stepping into the post-pandemic era, economies are recovering gradually. With borders and theme parks worldwide re-opening and that has encouraged order inflow. The Group is cautiously optimistic about its prospects, but will remain vigilant in the still challenging operating environment.

Over the years, the Group has a solid relationship with top-tier international toy companies and character owners has enabled it to stand out in the fierce market competition. To bolster orders, the Group will make the best of its competitive edges to provide sophisticated products to meet customer demand. Its hope is to seize market chances together with its customers and suppliers for achieving all-win.

Moreover, the Group has been striving to optimise its dual production base layout, giving it flexibility and efficiency in using assigning production capacity in Mainland China and Vietnam. Looking ahead, the Group will continue to enhance production efficiency by improving its production processes, with the goal of maximising productivity and profitability. With several new plants starting operation during the Period, the Group has ample production capacity hence is well-positioned to meet strong order demand from customers for its superb quality products.

With proven competitive strengths and shrewd insights of business trends, the Group is committed to developing its existing business, maintaining its top-tier customer portfolio and a healthy financial position, while keeping abreast of and responding swiftly to market demand. Moving forward, the management pledges to take Dream to new heights and create long-term value for shareholders.

Number and Remuneration of Employees

As at 30 June 2022, the Group had 28,666 (31 December 2021: 25,841) employees in Hong Kong, Mainland 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 2022, the Group had net current assets of HK\$1,320.8 million (31 December 2021: HK\$1,243.3 million). The Group's total cash and cash equivalents as at 30 June 2022 amounted to HK\$343.0 million (31 December 2021: HK\$383.0 million). The total bank loans of the Group as at 30 June 2022 amounted to HK\$412.3 million (31 December 2021: HK\$262.5 million).

The Group also maintains a conservative approach to foreign exchange exposure management. The Group is exposed to currency risk primarily through income and expenditure streams denominated in United States Dollar, Renminbi Yuan, Vietnamese Dong and Japanese Yen. To manage currency risks, non-Hong Kong Dollar assets are financed primarily by matching local currency debts as far as possible. The Group's gearing ratio, calculated on the basis of total bank loan over the total equity, was at 14.7% at 30 June 2022 (31 December 2021: 9.8%).

Pledge on Group Assets

A property of the Group with carrying amount of HK\$195.5 million (31 December 2021: HK\$199.3 million) as at 30 June 2022 was pledged as security for a mortgage installment loan of the Group of HK\$49.8 million (31 December 2021: HK\$54.2 million).

Factory buildings, certain leasehold land and other property, plant and equipment of the Group with an aggregate carrying amount of HK\$163.7 million (31 December 2021: HK\$145.0 million) as at 30 June 2022 were pledged as security for bank loans of the Group of HK\$88.9 million (31 December 2021: HK\$38.1 million).

Time deposits of the Group with an aggregate carrying amount of HK\$136.6 million (31 December 2021: HK\$134.0 million) as at 30 June 2022 were pledged as security for bank loans of the Group of HK\$188.0 million (31 December 2021: HK\$132.5 million).

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

During the six months ended 30 June 2022, 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 2022, the Company has complied with Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules, save for the deviation from the code provision C.2.1. Under the code provision C.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 the positions as it helps to maintain the continuity of the policies and stability of the operations of the Company. The Board including three independent non-executive directors has a fairly independent element in the composition and will play an active role to ensure a balance of power and authority.

COMPLIANCE WITH THE MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the code of conduct regarding the securities transactions by the Company's directors (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 2022.

INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Board declared an interim dividend of HK10 cents per ordinary share for the six months ended 30 June 2022 (six months ended 30 June 2021: HK2 cents per ordinary share). The interim dividend of HK\$67,687,000 (six months ended 30 June 2021: HK\$13,537,000) will be paid on 13 October 2022 to shareholders registered at the close of business on the record date, 30 September 2022.

The register of members will be closed for one day on 30 September 2022, 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on 29 September 2022.

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 2022.

The Audit Committee considered that the unaudited interim results for the six months ended 30 June 2022 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 2022 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.

PUBLICATION OF 2022 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 2022 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
Min Jung Lee
Executive Director

Hong Kong, 26 August 2022

At the date of this announcement, the Directors are:

Executive Directors:

Mr. Kyoo Yoon Choi (*Chairman*)
Mr. Sung Sick Kim
Mr. Min Jung Lee
Ms. Hyunjoo Kim

Independent non-executive Directors:

Professor Cheong Heon Yi
Dr. Chan Yoo
Mr. Jong Hun Lim