DREAM INTERNATIONAL LIMITED
德林國際有限公司

Incorporated in Hong Kong with limited liability

Stock Code : 1126

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, Dream International Limited (the "Company") and its subsidiaries (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 (the "Board") of directors (the "Directors") of the Company 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.

Business Review *(Continued)*

Product Analysis (Continued)

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, ad 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.

Prospects *(Continued)*

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).

Liquidity and Financial Resources and Gearing *(Continued)*

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).

Significant Investment Held

There was no significant investment held by the Group during the six months ended 30 June 2022.

Material Acquisitions and Disposals of Subsidiaries and Associated Companies

There was no material acquisition or disposal of subsidiaries and associated companies by the Group during the six months ended 30 June 2022.

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 2022 , 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 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.

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

As at 30 June 2022, 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 of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

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

Long positions in ordinary shares

	Number of ordinary shares held				
	Personal interests *(Note 1)*	Family interests	Corporate interests	Total	Percentage of issued shares of the Company
The Company					
Kyoo Yoon Choi	389,211,000	–	72,150,000 *(Note 2)*	461,361,000	68.16%
Sung Sick Kim	3,486,000	–	–	3,486,000	0.52%
Min Jung Lee	–	23,500,000 *(Note 3)*	–	23,500,000	3.47%
Hyunjoo Kim	250,000	–	–	250,000	0.04%

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 2022, 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 2022 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 2022, 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	389,211,000	57.50%
	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)*	61,010,000	9.01%
Pandanus Partners L.P.	Interest in a controlled corporation *(Note 3)*	61,010,000	9.01%
Pandanus Associates Inc.	Interest in a controlled corporation *(Note 3)*	61,010,000	9.01%
Fidelity Fund	Beneficial owner	48,432,000	7.16%
Brown Brothers Harriman & Co.	Approved lending agent	33,844,800	5.00%

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 61,010,000 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 61,010,000 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 2022, 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 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 Board considered that the Company has complied with the code provisions set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (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 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 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.

By order of the Board
Kyoo Yoon Choi
Chairman

Hong Kong, 26 August 2022

KPMG

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 40, which comprises the consolidated statement of financial position of Dream International Limited (the "Company") as of 30 June 2022 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 2022 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 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the six months ended 30 June 2022 – unaudited
(Expressed in Hong Kong dollars)

		Six months ended 30 June	
	Notes	2022 $'000	2021 $'000
Revenue	*3, 4*	**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	*5(a)*	**(5,386)**	(3,667)
Share of profits of associates		**978**	358
Profit before taxation	*5*	**259,508**	73,641
Income tax	*6*	**(57,984)**	(28,249)
Profit for the period		**201,524**	45,392
Earnings per share	*7*		
Basic and diluted		**$0.298**	$0.067

The notes on pages 22 to 40 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 2022 – unaudited
(Expressed in Hong Kong dollars)

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

The notes on pages 22 to 40 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2022 – unaudited
(Expressed in Hong Kong dollars)

	Notes	**At 30 June 2022 $'000**	At 31 December 2021 $'000
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	*12*	**17,527**	3,081
Other financial asset	*9*	**3,255**	3,540
		1,529,130	1,461,735
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	*12*	**198,722**	218,165
Cash and cash equivalents	*12*	**343,034**	382,989
		3,057,858	2,737,679
Current liabilities			
Trade and other payables and contract liabilities	*13*	**1,229,556**	1,184,085
Bank loans	*14*	**412,326**	262,462
Lease liabilities		**25,011**	15,714
Current tax payable		**70,166**	32,097
		1,737,059	1,494,358
Net current assets		**1,320,799**	1,243,321
Total assets less current liabilities		**2,849,929**	2,705,056

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

at 30 June 2022 – unaudited
(Expressed in Hong Kong dollars)

	Notes	**At 30 June 2022 $'000**	At 31 December 2021 $'000
Non-current liabilities			
Lease liabilities		**33,342**	20,216
Deferred tax liabilities		**7,638**	10,620
		40,980	30,836
NET ASSETS		**2,808,949**	2,674,220
CAPITAL AND RESERVES	*15*		
Share capital		**236,474**	236,474
Reserves		**2,572,475**	2,437,746
TOTAL EQUITY		**2,808,949**	2,674,220

The notes on pages 22 to 40 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2022 – unaudited
(Expressed in Hong Kong dollars)

	Notes	Share capital $'000	General reserve fund $'000	Other reserve $'000	Exchange reserve $'000	Fair value reserve (non-recycling) $'000	Retained profits $'000	Total $'000
Balance at 1 January 2021		236,474	29,171	(29,391)	33,610	(8,521)	2,299,001	2,560,344
Changes in equity for the six months ended 30 June 2021:								
Profit for the period		–	–	–	–	–	45,392	45,392
Other comprehensive income		–	–	–	3,369	710	–	4,079
Total comprehensive income		–	–	–	3,369	710	45,392	49,471
Final dividend approved in respect of the previous year	*15(b)*	–	–	–	–	–	(67,687)	(67,687)
Balance at 30 June 2021		236,474	29,171	(29,391)	36,979	(7,811)	2,276,706	2,542,128
Balance at 1 July 2021		236,474	29,171	(29,391)	36,979	(7,811)	2,276,706	2,542,128
Changes in equity for the six months ended 31 December 2021:								
Profit for the period		–	–	–	–	–	148,170	148,170
Other comprehensive income		–	–	–	(2,217)	(324)	–	(2,541)
Total comprehensive income		–	–	–	(2,217)	(324)	148,170	145,629
Dividends declared in respect of the current year	*15(a)*	–	–	–	–	–	(13,537)	(13,537)
Balance at 31 December 2021		236,474	29,171	(29,391)	34,762	(8,135)	2,411,339	2,674,220

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY *(Continued)*

for the six months ended 30 June 2022 – unaudited

(Expressed in Hong Kong dollars)

	Notes	Share capital $'000	General reserve fund $'000	Other reserve $'000	Exchange reserve $'000	Fair value reserve (non-recycling) $'000	Retained profits $'000	Total $'000
Balance at 1 January 2022		236,474	29,171	(29,391)	34,762	(8,135)	2,411,339	2,674,220
Changes in equity for the six months ended 30 June 2022:								
Profit for the period		–	–	–	–	–	201,524	201,524
Other comprehensive income		–	–	–	892	–	–	892
Total comprehensive income		–	–	–	892	–	201,524	202,416
Final dividend approved in respect of the previous year	*15(b)*	–	–	–	–	–	(67,687)	(67,687)
Balance at 30 June 2022		236,474	29,171	(29,391)	35,654	(8,135)	2,545,176	2,808,949

The notes on pages 22 to 40 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

for the six months ended 30 June 2022 – unaudited
(Expressed in Hong Kong dollars)

		Six months ended 30 June	
	Notes	**2022** **$'000**	2021 $'000
Operating activities			
Cash generated from/(used in) from operations		**26,266**	(14,883)
Tax paid		**(21,960)**	(39,247)
Net cash generated from/(used in) operating activities		**4,306**	(54,130)
Investing activities			
Payment for purchase of leasehold land and property, plant and equipment	*8*	**(104,708)**	(61,936)
Proceeds from the disposal of property, plant and equipment	*8*	**3,797**	92
Prepayment for purchase of leasehold land and property, plant and equipment		**(16,541)**	(6,126)
Payment for purchase of other intangible assets		**–**	(12,544)
Decrease in time deposits with maturity over three months when placed		**6,368**	18,208
Other cash flows arising from investing activities		**10,750**	9,541
Net cash used in investing activities		**(100,334)**	(52,765)

CONDENSED CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

for the six months ended 30 June 2022 – unaudited
(Expressed in Hong Kong dollars)

		Six months ended 30 June	
		2022	2021
	Notes	**$'000**	$'000
Financing activities			
Capital element of lease rentals paid		**(10,460)**	(8,810)
Interest element of lease rentals paid		**(1,180)**	(1,280)
Dividends paid		**(67,687)**	(67,687)
Proceeds from new bank loans	*14*	**445,657**	369,465
Repayment of bank loans	*14*	**(300,651)**	(288,216)
Other cash flows arising from financing activities		**(5,560)**	(2,387)
Net cash generated from financing activities		**60,119**	1,085
Net decrease in cash and cash equivalents		**(35,909)**	(105,810)
Cash and cash equivalents at 1 January		**382,989**	489,071
Effect of foreign exchange rate changes		**(4,046)**	391
Cash and cash equivalents at 30 June	*12*	**343,034**	383,652

The notes on pages 22 to 40 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 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 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 2021 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 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.

1 Basis of preparation *(Continued)*

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 HKFRSs issued by the HKICPA to this interim financial report 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
	$'000	$'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

	Six months ended 30 June	
	2022	2021
	$'000	$'000
Disaggregated by geographical location of customers		
– Hong Kong (place of domicile)	**26,034**	22,417
– North America	**1,953,068**	1,464,417
– Japan	**446,301**	197,947
– Mainland China	**208,163**	116,721
– Europe	**129,419**	89,352
– Other countries	**78,707**	68,617
	2,841,692	1,959,471

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	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000	2022 $'000	2021 $'000	2022 $'000	2021 $'000	2022 $'000	2021 $'000
For the six months ended 30 June										
Revenue from external customers	1,577,166	1,031,407	850,863	556,839	303,876	276,454	109,787	94,771	2,841,692	1,959,471
Inter-segment revenue	4,484	11,236	20,320	15,837	–	–	91,308	51,610	116,112	78,683
Reportable segment revenue	1,581,650	1,042,643	871,183	572,676	303,876	276,454	201,095	146,381	2,957,804	2,038,154
Reportable segment profit (adjusted EBITDA)	198,935	63,198	166,487	55,724	16,095	26,285	9,400	13,610	390,917	158,817
	30 June 2022 $'000	31 December 2021 $'000	30 June 2022 $'000	31 December 2021 $'000	30 June 2022 $'000	31 December 2021 $'000	30 June 2022 $'000	31 December 2021 $'000	30 June 2022 $'000	31 December 2021 $'000
Reportable segment assets	1,648,268	1,469,324	1,913,832	1,647,628	347,464	275,747	248,970	281,258	4,158,534	3,673,957
Reportable segment liabilities	831,947	805,270	392,629	242,141	66,611	62,860	370,188	392,052	1,661,375	1,502,323

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 step acquisition, share of profits 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	
	2022	2021
	$'000	$'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)
Consolidated profit before taxation	**259,508**	73,641

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 2022, the plastic figures, plush stuffed toys, tarpaulin and die-casting products segments reported reportable segment revenue of $3,215,743,000, $1,737,866,000, $499,343,000 and $440,076,000 respectively (twelve months ended 30 June 2021: $2,231,164,000, $1,115,382,000, $573,115,000 and $323,251,000 respectively), and reportable segment profit of $324,137,000, $292,771,000, $51,859,000 and $15,033,000 respectively (twelve months ended 30 June 2021: profit of $238,460,000, $135,537,000, $82,719,000 and $22,379,000 respectively).

5 Profit before taxation

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

(a) Finance costs

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

(b) Other items

	Six months ended 30 June	
	2022	2021
	$'000	$'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 other intangible assets	**(35)**	–
Loss on unauthorised fund transfer *(note)*	**41,420**	–
Gain on step acquisition	**–**	(595)

5 Profit before taxation *(Continued)*

(b) Other items (Continued)

Note:

As disclosed in the Group'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 $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 the issuance of the interim financial report, the investigation is still ongoing. Management consider the chance to recover the lost funds is remote and recognise a loss of $41,420,000 in "other net (loss)/gain" of the consolidated statement of profit or loss for the six months ended 30 June 2022.

6 Income tax

	Six months ended 30 June	
	2022	2021
	$'000	$'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)
	57,984	28,249

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 $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.

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 $201,524,000 (six months ended 30 June 2021: $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 $41,358,000 (six months ended 30 June 2021: $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 $93,066,000 (six months ended 30 June 2021: $79,456,000). Items of other property, plant and equipment with a net book value of $3,137,000 were disposed of during the six months ended 30 June 2022 (six months ended 30 June 2021: $2,132,000), resulting in a net gain on disposal of $660,000 (six months ended 30 June 2021: net loss on disposal of $2,040,000).

9 Other financial asset

	At 30 June 2022 $'000	At 31 December 2021 $'000
Unlisted equity security measured at FVOCI (non-recycling) *(Note)*	**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: $Nil).

10 Inventories

During the six months ended 30 June 2022, there is a reversal of write-down of inventories of $3,387,000 (six months ended 30 June 2021: $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 $8,852,000 (six months ended 30 June 2021: $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 $'000	At 31 December 2021 $'000
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
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	**23,002**	–
	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.

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 Cash and cash equivalents and time deposits

	At 30 June 2022 $'000	At 31 December 2021 $'000
Time deposits within three months to maturity when placed	**61,283**	106,824
Cash at bank and on hand	**281,751**	276,165
Cash and cash equivalents in the consolidated statement of financial position and condensed consolidated cash flow statement	**343,034**	382,989
Time deposits with more than three months to maturity when placed	**216,249**	221,246
	559,283	604,235

Included in the balance of cash and cash equivalents and time deposits with more than three months to maturity when placed is an amount of approximately $137,109,000 (31 December 2021: $72,255,000) representing deposits placed with banks in Mainland China by the Group. The remittance of these funds out of Mainland China is subject to the exchange control restrictions imposed by the government.

13 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 $'000	At 31 December 2021 $'000
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
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 accruals	**52,300**	49,965
Receipt in advance	**24,316**	23,307
	1,229,556	1,184,085

14 Bank loans

As at 30 June 2022, mortgage instalment loan of $49,833,000 (31 December 2021: $54,202,000) was secured by mortgage over a property of the Group with an aggregate carrying amount of $195,532,000 (31 December 2021: $199,328,000). It is interest-bearing at a rate of 0.64% over Hong Kong Interbank Offered Rate ("HIBOR") or lender's prime rate minus 2.3% (31 December 2021: 0.64% over HIBOR or lender's prime rate minus 2.3%), whichever is lower and repayable by 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 2022 and 31 December 2021.

As at 30 June 2022, bank loan of $68,364,000 (31 December 2021: $21,442,000) was secured by factory buildings, certain leasehold land and other property, plant and equipment of the Group with an aggregate amount of $90,970,000 (31 December 2021: $95,819,000). It is interest-bearing at a rate of 2.2% to 2.4% (31 December 2021: 2.2% to 2.4%) specified at each withdrawal and repayable within one year.

As at 30 June 2022, bank loans of $20,512,000 (31 December 2021: $16,640,000) were secured by certain leasehold land and other property, plant and equipment of the Group with an aggregate amount of $72,735,000 (31 December 2021: $49,132,000). As at 30 June 2022, they are interest-bearing at a rate of 2.13% to 2.3% over Secured Overnight Financing Rate specified at each withdrawal and repayable within one year (31 December 2021: 2.1% to 2.7% over London Interbank Offered Rate ("LIBOR")).

As at 30 June 2022, bank loans of $73,827,000 (31 December 2021: $43,927,000) were secured by bank deposits of the Group with an aggregate amount of $56,882,000 (31 December 2021: $57,590,000). They are interest-bearing at a rate of 1.3% to 2.0% (31 December 2021: 1.3% to 2.3%) over LIBOR specified at each withdrawal and repayable within one year.

As at 30 June 2022, bank loan of $114,181,000 (31 December 2021: $88,544,000) were secured by bank deposits of the Group with an aggregate amount of $79,679,000 (31 December 2021: $76,441,000). They are interest-bearing at a rate of 2.0% to 3.5% (31 December 2021: 2.0% to 3.5%) specified at each withdrawal and repayable within one year.

As at 30 June 2022, bank loans of $85,609,000 (31 December 2021: $37,707,000) were unsecured.

15 Capital, reserves and dividends

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

	Six months ended 30 June	
	2022	2021
	$'000	$'000
Interim dividend declared and paid after the interim period of 10 cents per ordinary share (six months ended 30 June 2021: 2 cents per ordinary share)	**67,687**	13,537

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
	$'000	$'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 2021: 10 cents per ordinary share)	**67,687**	67,687

16 Fair value measurement of financial instruments

(a) Financial assets 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 has a team headed by finance manager performing valuations for the unlisted equity security measured at FVOCI (non-recycling) which is categorised into level 3 of the fair value hierarchy at interim reporting date. The Group engages external valuer performing valuations for the unlisted equity security measured at FVOCI (non-recycling) which is categorised into level 3 of the fair value hierarchy at annual reporting date. The external valuer reports directly to management. A valuation report with analysis of changes in fair value measurement is prepared by the finance team at each interim reporting date and by external valuer at each annual reporting date, and is reviewed and approved by management.

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

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

(i) Fair value hierarchy (Continued)

	Fair value at 30 June 2022 $'000	Fair value measurements as at 30 June 2022 categorised into Level 1 $'000	Level 2 $'000	Level 3 $'000
Recurring fair value measurement				
Financial assets:				
Unlisted equity security	3,255	–	–	3,255

	Fair value at 31 December 2021 $'000	Fair value measurements as at 31 December 2021 categorised into Level 1 $'000	Level 2 $'000	Level 3 $'000
Recurring fair value measurement				
Financial assets:				
Unlisted equity security	3,540	–	–	3,540

During the six months ended 30 June 2022, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2021: 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 assets 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% (2021: 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 2022, 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 $232,000 (2021: $253,000).

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

	2022 $'000	2021 $'000
Unlisted equity security:		
At 1 January	**3,540**	3,327
Unrealised gain recognised in other comprehensive income during the period	**–**	710
Exchange difference	**(285)**	(314)
At 30 June	**3,255**	3,723

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 2022 and 31 December 2021.

17 Commitments

Capital commitments outstanding at 30 June 2022 not provided for in the interim financial report

	At 30 June 2022 $'000	At 31 December 2021 $'000
Contracted for		
– acquisition of property, plant and equipment	2,833	49,456
– capital contribution to subsidiaries	4,677	14,677
Authorised but not contracted for acquisition of property, plant and equipment	541	24,587
	8,051	88,720

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.

Transactions with related parties

During the six months ended 30 June 2022, the Group entered into the following transactions with its related parties:

			Six months ended 30 June	
			2022	2021
			$'000	$'000
(a)	***Key management personnel remuneration***			
	Salaries and other short-term benefits		**12,840**	15,228
(b)	***Purchase of materials from***			
	Associates	*(Note (i))*	**20,847**	15,563

Note:

(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.

19 Acquisition of a subsidiary

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 Co., Ltd. ("C & H") 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.

19 Acquisition of a subsidiary *(Continued)*

Step acquisitions of C & H Mekong from an associate to a subsidiary (Continued)

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.

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
Total consideration	14,674
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
Total consideration	(14,674)
Gain on step acquisition	595
Consideration paid, satisfied by cash	7,195
Cash and cash equivalents acquired	(1,933)
Net cash outflow	5,262

19 Acquisition of a subsidiary *(Continued)*

Step acquisitions of C & H Mekong from an associate to a subsidiary (Continued)

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 (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 (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.