



# Interim Report 2013



**ream**  
International  
Limited

DREAM INTERNATIONAL LIMITED  
德林國際有限公司  
Incorporated in Hong Kong with limited liability  
Stock Code : 1126

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## MANAGEMENT DISCUSSION & ANALYSIS

### Financial Review

The global economy has experienced a gradual recovery during the first half of 2013. However, Europe has continued to experience economic setbacks, while improvements in consumer confidence and employment in the US have been more modest than market expectations. The weakness of both regions consequently affected the overall performance of the toy industry. Nevertheless, Japan, the largest market for Dream International Limited (the “Company”) and its subsidiaries (collectively the “Group”), has continued to provide a relatively stable business environment – being the major contributor to the Group’s financial results during the review period.

For the six months ended 30 June 2013, the Group’s turnover dipped to HK\$554.0 million (2012: HK\$589.2 million) resulting from the weak macroeconomic environment. However, gross profit improved by 14.1% to HK\$160.0 million (2012: HK\$140.2 million) with gross margin up to 28.9% (2012: 23.8%). The increases were primarily driven by the Group’s strategic move to high-end products, as well as the reversal of certain provisions relating to PRC factories that were one-off in nature. Excluding the changes in provisions, the gross profit margin would still have risen to 24.6%. Accordingly, operating profit grew to HK\$61.4 million (2012 (restated): HK\$53.7 million), while profit attributable to equity shareholders of the Company increased to HK\$50.2 million (2012 (restated): HK\$43.5 million), translating into a net margin of 9.1% (2012 (restated): 7.4%).

The Group maintained a healthy financial position with cash and bank deposits of HK\$379.6 million (31 December 2012: HK\$438.3 million) as at 30 June 2013.

## **Business Review**

### **Product Analysis**

#### *Plush Stuffed Toys*

As at the reporting period, the plush stuffed toys business recorded turnover of HK\$508.0 million (2012: HK\$551.3 million), accounting for 91.7% of the Group's total turnover. Original Equipment Manufacturing ("OEM") remained the core business of the Group, generating turnover of HK\$501.7 million (2012: HK\$478.0 million), or 98.8% of plush stuffed toys' sales. Over the past six months, the Group also continued to strengthen its business ties with existing customers, including globally renowned cartoon character owners and licensors. Leveraging positive market response following the launch of new products featuring iconic characters from Japan and Korea in the previous year, the Group participated in New York Toy Fair 2013 to further promote these characters and completed shipments to two distributors during the review period. These characters will also be launched at an upscale retail toy store in New York in the second half year. In view of wider acceptance of these characters around the world, the Group will strive to grasp more opportunities in the future.

The Original Design Manufacturing ("ODM") business recorded turnover of HK\$6.3 million (2012: HK\$73.3 million), contributing 1.2% of plush stuffed toys' sales. The decline was mainly attributable to the postponement of certain orders, which will be booked in the second half year. Through the establishment of the "Dream, made to love, made to hug" brand targeting the premium market, the Group aims to enhance and strengthen its brand awareness among target customers, as well as further improve profitability and widen income streams. Following the brand's successful launch at the New York toy fair last year, the Group has been working with customers on new product introductions and expects to finalise a schedule by the end of this year.





### *Ride-on Toys*

During the period under review, sales generated from the ride-on toys segment amounted to HK\$22.0 million (2012: HK\$32.8 million), and accounted for 4.0% of the Group's total turnover. The decline in sales was due to a delay in the placement of orders by a Japanese customer. The Group continued to strengthen its position in the high-end market, especially in China, to enhance profitability and distance itself from keen competition among industry players in the lower priced product categories. The Group's high-margin tricycle product line remained the best selling in China, and it plans to launch an upgraded model in the fourth quarter to further tap local demand. The Group is also going to launch this new product in Japan, and the first shipment will be made within the following months. During the period under review, the Group has further enriched its product portfolio to include baby plastic chairs, with shipments made to both the Japanese and Chinese markets.

### *Plastic Figures*

Following the successful launch of plastic figures last year, this segment has continued to thrive, with turnover surging by 3.7 folds year-on-year to HK\$24.0 million (2012: HK\$5.1 million), representing 4.3% of the Group's total turnover. During the review period, the Group continued to capitalise on its solid relationship with existing customers to secure stable orders for its plastic figures. To meet the flourishing demand, the Group plans to boost production capacity by building an additional factory in Hanoi, Vietnam in the near future.

## **Market Analysis**

For the six months ended 30 June 2013, Japan remained the largest market for the Group, accounting for 53.6% of total turnover. North America accounted for 27.0% of total turnover, followed by Europe at 7.9%. China's contribution grew to 2.6% as at the reporting period.

## **Operational Analysis**

As at 30 June 2013, the Group operated 10 plants in total, five of which were in China and five in Vietnam – running at an average utilisation rate of 79.7%. To support business development, the Group purchased a manufacturing plant in the Mekong Delta, Vietnam in December 2012, which has been running smoothly and enhancing the Group's production capacity for plush stuffed toys. To expedite development of the plastic figure segment, the Group is expanding its existing facilities, and is constructing a clean room in the factory as well. The Group also plans to build a second plastic figures plant in Hanoi, which will commence production by the end of 2013.

## **Prospects**

Looking ahead, perceived challenges associated with the European economy will continue to temper consumption sentiment. In the US, improving economic indicators have translated into opportunities for the recovery of the toy market; however, such a recovery has been at a slower pace than expected. On the operations front, escalating labour and material costs combined with rising pressure from appreciation of the Renminbi and depreciation of Japanese Yen have created a tough environment that will accelerate consolidation of the toy industry. In view of the obstacles ahead, the Group will be committed to maintaining a solid foundation for its businesses, so that when market conditions improve, it will be well prepared to capture fresh opportunities.

Over the years, the Group has steadily built a successful track record in the plush toy industry. By nurturing close ties with existing customers, the Group will actively explore more opportunities to cooperate, spanning across different geographical regions and product categories, to boost sales growth. The Group is also strategically shifting its focus to the high-end market, especially in China, to enhance profitability and operational efficiency. With respect to Japan, its largest market, the Group expects to continue realising stable revenue growth in the future. Not satisfied with the status quo however, the Group has observed rising business opportunities in emerging markets, and has successfully extended its reach to Brazil and Russia. Leveraging its leading position and successful experience, the Group expects to grasp more opportunities, diversify its income streams, strengthen its core businesses and provide sufficient support to new business developments.





Having already established a strong foundation for the plush stuffed toy business, the Group will direct its resources towards further growth of the plastic figures business as a future revenue driver. Over the past two years, the Group has been charting a course for the plastic figures business, which commenced production last year. Thus far, the business has progressed as expected and the Group has already secured internationally renowned customers for the segment. The Group expects the plastic figures business will continue to grow, receive more orders and achieve breakeven point by the end of the year.

### **Number and Remuneration of Employees**

At 30 June 2013, the Group had 9,100 (31 December 2012: 8,578) employees in Hong Kong, Mainland China, the Republic of Korea, the US, Japan and Vietnam. The Group values its human resources and recognises the importance of attracting and retaining quality staff for its continuing success. Staff bonuses and share options are awarded based on individual performance.

### **Liquidity and Financial Resources and Gearing**

The Group continued to maintain a reasonable liquidity position. As at 30 June 2013, the Group had net current assets of HK\$573.4 million (31 December 2012: HK\$604.2 million). The Group's total cash and cash equivalents as at 30 June 2013 amounted to HK\$241.7 million (31 December 2012: HK\$281.6 million). The total borrowings of the Group as at 30 June 2013 amounted to HK\$22.0 million (31 December 2012: HK\$22.6 million).

The Group's gearing ratio, calculated on the basis of total bank borrowings over total equity, was 2.7% at 30 June 2013 (31 December 2012 (restated): 2.7%).

### **Pledge on Group Assets**

Bank borrowings are secured on the Group's buildings, plant and machinery and land use rights with a net book value as at 30 June 2013 of HK\$24.1 million (31 December 2012: HK\$26.5 million).

## ADDITIONAL INFORMATION PROVIDED IN ACCORDANCE WITH THE LISTING RULES

### INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The directors declared an interim dividend of HK3 cents per ordinary share (2012: HK nil cents per ordinary share) for the period ended 30 June 2013. This interim dividend which totals HK\$20,165,000 (2012: HK\$ nil) will be paid on 18 September 2013 to shareholders registered at the close of business on the record date, 9 September 2013.

The register of members will be closed from 10 September 2013 to 12 September 2013, both dates inclusive, during which period no transfer of shares will be effected. In order to qualify for the entitlement of the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Registrar, Tricor Abacus Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong not later than 4:30 p.m. on 9 September 2013.

### DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 30 June 2013, the interests and short positions of each director and chief executive in the shares, underlying shares and debentures of the Company and its 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 ("SEHK") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:







ADDITIONAL INFORMATION PROVIDED IN ACCORDANCE WITH THE LISTING RULES *(Continued)*

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION *(Continued)*

**(i) Long position in ordinary shares of US\$0.01 each**

|                           | Number of ordinary shares held        |                            |                               | Total       | Percentage of issued share capital of the company |
|---------------------------|---------------------------------------|----------------------------|-------------------------------|-------------|---|
|                           | Personal interests<br><i>(Note 1)</i> | Family interests           | Corporate interests           |             |   |
| <b>The Company</b>        |                                       |                            |                               |             |   |
| Kyoo Yoon Choi            | 382,851,000                           | –                          | 72,150,000<br><i>(Note 2)</i> | 455,001,000 | 67.69%  |
| Young M. Lee              | 2,500,000                             | –                          | –                             | 2,500,000   | 0.37%   |
| James Chuan Yung Wang     | 200,000                               | –                          | –                             | 200,000     | 0.03%   |
| Hyun Ho Kim               | 150,000                               | –                          | –                             | 150,000     | 0.02%   |
| <b>C &amp; H Co., Ltd</b> |                                       |                            |                               |             |   |
| Kyoo Yoon Choi            | 189,917                               | 124,073<br><i>(Note 3)</i> | –                             | 313,990     | 61.95%  |

## ADDITIONAL INFORMATION PROVIDED IN ACCORDANCE WITH THE LISTING RULES *(Continued)*

### DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION *(Continued)*

#### **(i) Long position in ordinary shares of US\$0.01 each *(Continued)***

*Notes:*

1. The shares are registered under the names of the directors and chief executives of the Company who are the beneficial owners.
2. Kyoo Yoon Choi beneficially owns 100% of interest of Uni-Link Technology Limited which owned 72,150,000 shares of the Company.
3. The wife of Kyoo Yoon Choi, Woul Hee Cha, holds approximately 24.48% of the issued share capital of C & H Co., Ltd.

#### **(ii) Long positions in underlying shares of the Company**

The directors and chief executives of the Company have been granted options under the Company's share option scheme, details of which are set out in the section "Share option scheme" below.

Save as disclosed above, as at 30 June 2013, none of the directors or chief executives of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the SEHK pursuant to the Model Code.





## ADDITIONAL INFORMATION PROVIDED IN ACCORDANCE WITH THE LISTING RULES *(Continued)*

### SHARE OPTION SCHEME

The Company has a share option scheme which was adopted on 22 January 2002 whereby the directors of the Company are authorised, at their discretion, to invite employees of the Group, including directors of any company in the Group, to take up options to subscribe for shares of the Company. The exercise price of the options is the highest of (i) the nominal value of the shares, (ii) the closing price of the shares on the SEHK on the date of grant and (iii) the average closing price of the shares on the SEHK for the five business days immediately preceding the date of grant. The options may be exercised progressively after one to three years from the date of grant and are exercisable for a period to be notified by the directors to each option holder upon the grant of the option. Such period will not exceed ten years from the date on which the option is granted.

The maximum number of shares which may be issued upon the exercise of all outstanding options and yet to be exercised under the share option scheme shall not exceed 30% of the issued share capital of the Company from time to time. Subject to the above overall limit, the directors may grant options under the share option scheme, generally and without further authority, in respect of such number of shares which may be issued upon exercise of all options to be granted under the share option scheme not exceeding 10% of the issued share capital of the Company as at 7 February 2002, being the date on which the Company's shares were listed on the SEHK. For the purpose of calculating the above, options lapsed in accordance with the share option scheme shall not be counted.

The total number of securities available for issue under the share option scheme as at 30 June 2013 was 42,835,000 shares (including options for 4,700,000 shares that have been granted but not yet lapsed or exercised) which represented 6.37% of the issued share capital of the Company at 30 June 2013. In respect of the maximum entitlement of each participant under the scheme, the number of securities issued and to be issued upon exercise of the options granted to each participant in any 12-month period is limited to 1% of the Company's ordinary shares in issue.

## ADDITIONAL INFORMATION PROVIDED IN ACCORDANCE WITH THE LISTING RULES *(Continued)*

### SHARE OPTION SCHEME *(Continued)*

As at 30 June 2013, the directors and employees in aggregate of the Group had the following interests in options to subscribe for shares of the Company granted at nominal consideration under the share option scheme of the Company. The options are unlisted. Each option gives the holder the right to subscribe for one ordinary share of the Company of par value US\$0.01 each.

|                                   | Date granted     | Period during which options exercisable<br><i>(Note 1)</i> | Exercise price per share | Number of options         |   |                         |
|-----------------------------------|------------------|--|--------------------------|---------------------------|---|-------------------------|
|                                   |                  |  |                          | Balance at 1 January 2013 | Lapsed during the period<br><i>(Note 2)</i> | Balance at 30 June 2013 |
| <b>Directors:</b> <i>(Note 3)</i> |                  |  |                          |                           |   |                         |
| Young M. Lee                      | 23 December 2011 | 23 December 2013 to 22 December 2016                       | HK\$0.466                | 200,000                   | –   | 200,000                 |
| James Chuan Yung Wang             | 23 December 2011 | 23 December 2013 to 22 December 2016                       | HK\$0.466                | 200,000                   | –   | 200,000                 |
| Hyun Ho Kim                       | 23 December 2011 | 23 December 2013 to 22 December 2016                       | HK\$0.466                | 150,000                   | –   | 150,000                 |
| <b>Employees in aggregate:</b>    | 23 December 2011 | 23 December 2013 to 22 December 2016                       | HK\$0.466                | 4,250,000                 | (100,000)                                   | 4,150,000               |
|                                   |                  |  |                          | 4,800,000                 | (100,000)                                   | 4,700,000               |





## ADDITIONAL INFORMATION PROVIDED IN ACCORDANCE WITH THE LISTING RULES *(Continued)*

### SHARE OPTION SCHEME *(Continued)*

*Notes:*

1. Share options granted on 23 December 2011 shall be wholly exercisable from the 2nd anniversary of the date of grant.
2. Pursuant to the conditions of the share option scheme, any unexercised number of options granted to any employee will lapse three months after the employee ceases the employment relationship with the Company. These 100,000 lapsed share options related to an employee who left before 31 March 2013.
3. The share options granted to the directors are registered under the names of the directors who are also the beneficial owners.
4. No share option has been granted, exercised or cancelled during the period.

Save as disclosed above, at no time during the six months ended 30 June 2013 was the Company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors of the Company 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 executive 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.

## ADDITIONAL INFORMATION PROVIDED IN ACCORDANCE WITH THE LISTING RULES *(Continued)*

### SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

The register of substantial shareholders required to be kept under Section 336 of Part XV of the SFO shows that as at 30 June 2013, the Company had been notified of the following substantial shareholders' interests and short positions, being 5% or more of the Company's issued share capital.

| <b>Name</b>                               | <b>Capacity in which shares were held</b> | <b>Number of shares held</b> | <b>Percentage of the issued share capital of the Company</b> |
|---|---|------------------------------|--|
| Uni-Link Technology Limited <i>(Note)</i> | Beneficial owner                          | 72,150,000                   | 10.73%   |

*Note:* Kyoo Yoon Choi beneficially owns 100% of the issued share capital of Uni-Link Technology Limited. James Chuan Yung Wang, being a director of the Company, is also a director of Uni-Link Technology Limited.

Save as disclosed above, as at 30 June 2013, the Company is not aware of any other registered substantial shareholder who holds 5% or more of the issued share capital of the Company.





## ADDITIONAL INFORMATION PROVIDED IN ACCORDANCE WITH THE LISTING RULES *(Continued)*

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

During the six-month period ended 30 June 2013, 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-month period ended 30 June 2013, the Company has complied with Corporate Governance Code as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on SEHK, save for the deviation from the code provision A.2.1.

Under the code provision A.2.1, the roles of chairman and chief executive officer ("CEO") should be separated and should not 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 independence element in the composition and will play an active role to ensure a balance of power and authority.

### MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard set out in Appendix 10 of the Listing Rules regarding the Model Code. Based on the specific enquires of the Company's directors, the directors have complied with the required standard set out in the Model Code.

ADDITIONAL INFORMATION PROVIDED IN ACCORDANCE WITH THE LISTING RULES *(Continued)*

AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters of the interim results for the six months ended 30 June 2013.

By order of the Board

**Kyoo Yoon Choi**

*Chairman*

Hong Kong, 26 August 2013







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 18 to 44, which comprises the consolidated balance sheet of Dream International Limited (the “Company”) as of 30 June 2013 and the related consolidated income statement, statement of comprehensive income, 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 2013 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

**KPMG**

*Certified Public Accountants*

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

26 August 2013





**CONSOLIDATED INCOME STATEMENT**  
for the six months ended 30 June 2013 – unaudited  
(Expressed in Hong Kong dollars)

|  | Note | Six months ended 30 June |                              |
|--|------|--------------------------|------------------------------|
|  |      | 2013<br>\$'000           | 2012<br>\$'000<br>(restated) |
| <b>Turnover</b>                            | 3, 4 | <b>554,040</b>           | 589,239                      |
| Cost of sales                              |      | <b>(394,035)</b>         | (448,994)                    |
| <b>Gross profit</b>                        |      | <b>160,005</b>           | 140,245                      |
| Other revenue                              |      | <b>5,367</b>             | 7,117                        |
| Other net income/(loss)                    |      | <b>897</b>               | (631)                        |
| Distribution costs                         |      | <b>(19,035)</b>          | (23,754)                     |
| Administrative expenses                    |      | <b>(85,863)</b>          | (69,255)                     |
| <b>Profit from operations</b>              |      | <b>61,371</b>            | 53,722                       |
| Finance costs                              | 5(a) | <b>(435)</b>             | (602)                        |
| Share of profits less losses of associates |      | <b>649</b>               | (328)                        |
| <b>Profit before taxation</b>              | 5    | <b>61,585</b>            | 52,792                       |
| Income tax                                 | 7    | <b>(15,810)</b>          | (12,499)                     |
| <b>Profit for the period</b>               |      | <b>45,775</b>            | 40,293                       |
| <b>Attributable to:</b>                    |      |                          |                              |
| Equity shareholders of the Company         |      | <b>50,245</b>            | 43,474                       |
| Non-controlling interests                  |      | <b>(4,470)</b>           | (3,181)                      |
| <b>Profit for the period</b>               |      | <b>45,775</b>            | 40,293                       |
| <b>Earnings per share</b>                  | 8    |                          |                              |
| Basic                                      |      | <b>7.5 cents</b>         | 6.5 cents                    |
| Diluted                                    |      | <b>7.5 cents</b>         | 6.5 cents                    |

The notes on pages 25 to 44 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 2013 – unaudited**(Expressed in Hong Kong dollars)*

|  | <b>Six months ended 30 June</b> |                              |
|--|---------------------------------|------------------------------|
|  | <b>2013</b><br><b>\$'000</b>    | 2012<br>\$'000<br>(restated) |
| <b>Profit for the period</b>   | <b>45,775</b>                   | 40,293                       |
| <b>Other comprehensive income for the period<br/>(after tax adjustments):</b>                                      |                                 |                              |
| Item that will not be reclassified to profit or loss:<br>Remeasurement of defined benefit retirement<br>obligation | <b>105</b>                      | (172)                        |
| Items that may be reclassified subsequently to<br>profit or loss:  |                                 |                              |
| Exchange differences on translation of<br>financial statements of subsidiaries<br>outside Hong Kong                | <b>(9,651)</b>                  | (237)                        |
| Available-for-sale securities: net movement<br>in the fair value reserve   | <b>(8)</b>                      | (53)                         |
|  | <b>(9,659)</b>                  | (290)                        |
| <b>Other comprehensive income for the period</b>   | <b>(9,554)</b>                  | (462)                        |
| <b>Total comprehensive income for the period</b>   | <b>36,221</b>                   | 39,831                       |
| <b>Attributable to:</b>  |                                 |                              |
| Equity shareholders of the Company   | <b>40,643</b>                   | 43,090                       |
| Non-controlling interests  | <b>(4,422)</b>                  | (3,259)                      |
| <b>Total comprehensive income for the period</b>   | <b>36,221</b>                   | 39,831                       |

The notes on pages 25 to 44 form part of this interim financial report.



**CONSOLIDATED BALANCE SHEET***at 30 June 2013 – unaudited**(Expressed in Hong Kong dollars)*

|  | <i>Note</i> | <b>At<br/>30 June<br/>2013<br/>\$'000</b> | At<br>31 December<br>2012<br>\$'000<br>(restated) |
|--|-------------|---|---|
| <b>Non-current assets</b>  |             |   |   |
| Fixed assets   | <i>10</i>   |   |   |
| – Interests in leasehold land held for<br>own use under operating leases |             | <b>22,360</b>                             | 22,596  |
| – Other property, plant and equipment                                    |             | <b>174,120</b>                            | 169,046   |
|  |             | <b>196,480</b>                            | 191,642   |
| Long term receivables  |             | <b>930</b>                                | 930   |
| Goodwill   |             | <b>2,753</b>                              | 2,753   |
| Other intangible assets  |             | <b>9,603</b>                              | 9,029   |
| Interest in associates   |             | <b>676</b>                                | 27  |
| Deferred tax assets  |             | <b>6,225</b>                              | 7,825   |
| Other financial assets   | <i>9</i>    | <b>33,479</b>                             | 24,925  |
|  |             | <b>250,146</b>                            | 237,131   |
| <b>Current assets</b>  |             |   |   |
| Inventories  | <i>11</i>   | <b>197,937</b>                            | 183,572   |
| Trade and other receivables  | <i>12</i>   | <b>174,774</b>                            | 208,496   |
| Current tax recoverable  |             | <b>117</b>                                | 1,016   |
| Other financial assets   | <i>9</i>    | <b>17,125</b>                             | 14,674  |
| Time deposits  | <i>13</i>   | <b>137,952</b>                            | 156,735   |
| Cash and cash equivalents  | <i>13</i>   | <b>241,672</b>                            | 281,550   |
|  |             | <b>769,577</b>                            | 846,043   |
| <b>Current liabilities</b>   |             |   |   |
| Trade and other payables   | <i>14</i>   | <b>167,344</b>                            | 208,006   |
| Bank loans   |             | <b>20,695</b>                             | 20,810  |
| Current tax payable  |             | <b>8,122</b>                              | 12,991  |
|  |             | <b>196,161</b>                            | 241,807   |

**CONSOLIDATED BALANCE SHEET (Continued)**

at 30 June 2013 – unaudited

(Expressed in Hong Kong dollars)

|  | Note | At<br>30 June<br>2013<br>\$'000 | At<br>31 December<br>2012<br>\$'000<br>(restated) |
|--|------|---------------------------------|---|
| <b>Net current assets</b>  |      | <b>573,416</b>                  | 604,236   |
| <b>Total assets less current liabilities</b>                           |      | <b>823,562</b>                  | 841,367   |
| <b>Non-current liabilities</b>   |      |                                 |   |
| Other payables   | 6    | 388                             | –   |
| Bank loans   |      | 1,295                           | 1,812   |
| Net defined benefit retirement obligation                              |      | 797                             | 750   |
| Deferred tax liabilities   |      | –                               | 394   |
|  |      | <b>2,480</b>                    | 2,956   |
| <b>NET ASSETS</b>  |      | <b>821,082</b>                  | 838,411   |
| <b>CAPITAL AND RESERVES</b>  |      |                                 |   |
| Share capital  |      | 52,303                          | 52,303  |
| Reserves   |      | 768,551                         | 781,458   |
| <b>Total equity attributable to equity shareholders of the Company</b> |      | <b>820,854</b>                  | 833,761   |
| <b>Non-controlling interests</b>                                       |      | <b>228</b>                      | 4,650   |
| <b>TOTAL EQUITY</b>  |      | <b>821,082</b>                  | 838,411   |

The notes on pages 25 to 44 form part of this interim financial report.





## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*for the six months ended 30 June 2013 – unaudited*  
(Expressed in Hong Kong dollars)

| <i>Note</i>   | Attributable to equity shareholders of the Company |                         |                           |                                |                         |                            |                              |                            |                 |                                     |                        |
|---|--|-------------------------|---------------------------|--------------------------------|-------------------------|----------------------------|------------------------------|----------------------------|-----------------|-------------------------------------|------------------------|
|   | Share capital<br>\$'000                            | Share premium<br>\$'000 | Capital reserve<br>\$'000 | General reserve fund<br>\$'000 | Other reserve<br>\$'000 | Exchange reserve<br>\$'000 | Fair value reserve<br>\$'000 | Retained profits<br>\$'000 | Total<br>\$'000 | Non-controlling interests<br>\$'000 | Total equity<br>\$'000 |
| <b>Balance at 1 January 2012</b>                                    | 52,303   | 181,013                 | 10                        | 18,427                         | (3,062)                 | 44,761                     | 379                          | 401,390                    | 695,221         | 11,792                              | 707,013                |
| <b>Impact of change in accounting policy</b>                        | -  | -                       | -                         | -                              | -                       | -                          | -                            | (4,948)                    | (4,948)         | -                                   | (4,948)                |
| <b>Restated balance at 1 January 2012</b>                           | 52,303   | 181,013                 | 10                        | 18,427                         | (3,062)                 | 44,761                     | 379                          | 396,442                    | 690,273         | 11,792                              | 702,065                |
| <b>Changes in equity for the six months ended 30 June 2012:</b>     |  |                         |                           |                                |                         |                            |                              |                            |                 |                                     |                        |
| Profit for the period (restated)                                    | -  | -                       | -                         | -                              | -                       | -                          | -                            | 43,474                     | 43,474          | (3,181)                             | 40,293                 |
| Other comprehensive income (restated)                               | -  | -                       | -                         | -                              | -                       | (159)                      | (53)                         | (172)                      | (384)           | (78)                                | (462)                  |
| Total comprehensive income (restated)                               | -  | -                       | -                         | -                              | -                       | (159)                      | (53)                         | 43,302                     | 43,090          | (3,259)                             | 39,831                 |
| Equity settled share-based transactions <i>15(a)</i>                | -  | -                       | 223                       | -                              | -                       | -                          | -                            | -                          | 223             | -                                   | 223                    |
| <b>Restated balance at 30 June 2012 and 1 July 2012</b>             | 52,303   | 181,013                 | 233                       | 18,427                         | (3,062)                 | 44,602                     | 326                          | 439,744                    | 733,586         | 8,533                               | 742,119                |
| <b>Changes in equity for the six months ended 31 December 2012:</b> |  |                         |                           |                                |                         |                            |                              |                            |                 |                                     |                        |
| Profit for the period (restated)                                    | -  | -                       | -                         | -                              | -                       | -                          | -                            | 89,527                     | 89,527          | (4,057)                             | 85,470                 |
| Other comprehensive income (restated)                               | -  | -                       | -                         | -                              | -                       | 12,710                     | (103)                        | (2,195)                    | 10,412          | 174                                 | 10,586                 |
| Total comprehensive income (restated)                               | -  | -                       | -                         | -                              | -                       | 12,710                     | (103)                        | 87,332                     | 99,939          | (3,883)                             | 96,056                 |
| Equity settled share-based transactions <i>15(a)</i>                | -  | -                       | 236                       | -                              | -                       | -                          | -                            | -                          | 236             | -                                   | 236                    |
| <b>Restated balance at 31 December 2012</b>                         | 52,303   | 181,013                 | 469                       | 18,427                         | (3,062)                 | 57,312                     | 223                          | 527,076                    | 833,761         | 4,650                               | 838,411                |

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY** *(Continued)*  
*for the six months ended 30 June 2013 – unaudited*  
*(Expressed in Hong Kong dollars)*

|   | Attributable to equity shareholders of the Company |               |                 |                      |               |                  |                    |                  |          |         | Non-controlling interests | Total equity |
|---|--|---------------|-----------------|----------------------|---------------|------------------|--------------------|------------------|----------|---------|---------------------------|--------------|
|   | Share capital                                      | Share premium | Capital reserve | General reserve fund | Other reserve | Exchange reserve | Fair value reserve | Retained profits | Total    |         |                           |              |
| <i>Note</i>   | \$'000   | \$'000        | \$'000          | \$'000               | \$'000        | \$'000           | \$'000             | \$'000           | \$'000   | \$'000  | \$'000                    | \$'000       |
| <b>Balance at 1 January 2013</b>                                | 52,303   | 181,013       | 469             | 18,427               | (3,062)       | 57,312           | 223                | 527,076          | 833,761  | 4,660   | 838,411                   |              |
| <b>Changes in equity for the six months ended 30 June 2013:</b> |  |               |                 |                      |               |                  |                    |                  |          |         |                           |              |
| Profit for the period   | -  | -             | -               | -                    | -             | -                | -                  | 50,245           | 50,245   | (4,470) | 45,775                    |              |
| Other comprehensive income                                      | -  | -             | -               | -                    | -             | (9,699)          | (8)                | 105              | (9,602)  | 48      | (9,554)                   |              |
| <b>Total comprehensive income</b>                               | -  | -             | -               | -                    | -             | (9,699)          | (8)                | 50,350           | 40,643   | (4,422) | 36,221                    |              |
| Equity settled share-based transactions                         | <i>15(b)</i>                                       | -             | -               | 223                  | -             | -                | -                  | -                | 223      | -       | 223                       |              |
| Dividends approved in respect of the previous year              | <i>15(a)(i)</i>                                    | -             | -               | -                    | -             | -                | -                  | (53,773)         | (53,773) | -       | (53,773)                  |              |
| <b>Balance at 30 June 2013</b>                                  | 52,303   | 181,013       | 692             | 18,427               | (3,062)       | 47,613           | 215                | 523,653          | 820,854  | 228     | 821,082                   |              |

The notes on pages 25 to 44 form part of this interim financial report.





**CONDENSED CONSOLIDATED CASH FLOW STATEMENT**

for the six months ended 30 June 2013 – unaudited

(Expressed in Hong Kong dollars)

|   | <i>Note</i> | <b>Six months ended 30 June</b> |           |
|---|-------------|---------------------------------|-----------|
|   |             | <b>2013</b>                     | 2012      |
|   |             | <b>\$'000</b>                   | \$'000    |
| <b>Cash generated from operations</b>                         |             | <b>47,453</b>                   | 124,334   |
| <b>Tax paid</b>   |             | <b>(18,289)</b>                 | (11,466)  |
| <b>Net cash generated from operating activities</b>           |             | <b>29,164</b>                   | 112,868   |
| <b>Net cash used in investing activities</b>                  |             | <b>(6,437)</b>                  | (102,432) |
| <b>Net cash (used in)/generated from financing activities</b> |             | <b>(54,029)</b>                 | 3,983     |
| <b>Net (decrease)/increase in cash and cash equivalents</b>   |             | <b>(31,302)</b>                 | 14,419    |
| <b>Cash and cash equivalents at 1 January</b>                 | <i>13</i>   | <b>281,550</b>                  | 177,115   |
| <b>Effect of foreign exchange rate changes</b>                |             | <b>(8,576)</b>                  | 118       |
| <b>Cash and cash equivalents at 30 June</b>                   | <i>13</i>   | <b>241,672</b>                  | 191,652   |

The notes on pages 25 to 44 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**

This 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 2013.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2012 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2013 annual financial statements. Details of these 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 2012 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 16 and 17.





## **1 Basis of preparation (Continued)**

The financial information relating to the financial year ended 31 December 2012 that is included in the interim financial report as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2012 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 26 March 2013.

## **2 Changes in accounting policies**

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

- Amendments to HKAS 1, *Presentation of financial statements – Presentation of items of other comprehensive income*
- HKFRS 10, *Consolidated financial statements*
- HKFRS 12, *Disclosure of interests in other entities*
- HKFRS 13, *Fair value measurement*
- Revised HKAS 19, *Employee benefits*
- *Annual Improvements to HKFRSs 2009-2011 Cycle*
- Amendments to HKFRS 7, *Financial instruments: Disclosures – Disclosures – Offsetting financial assets and financial liabilities*

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

## **2 Changes in accounting policies (Continued)**

### ***Amendments to HKAS 1, Presentation of financial statements – Presentation of items of other comprehensive income***

The amendments to HKAS 1 require entities to present the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met separately from those that would never be reclassified to profit or loss. The Group's presentation of other comprehensive income in these financial statements has been modified accordingly.

### ***HKFRS 10, Consolidated financial statements***

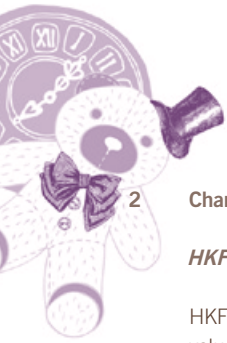
HKFRS 10 replaces the requirements in HKAS 27, *Consolidated and separate financial statements*, relating to the preparation of consolidated financial statements and Hong Kong (SIC) Interpretation 12, *Consolidation – Special purpose entities*. It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns.

As a result of the adoption of HKFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over an investee. The adoption does not change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1 January 2013.

### ***HKFRS 12, Disclosure of interests in other entities***

HKFRS 12 brings together into a single standard all the disclosure requirements relevant to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The disclosures required by HKFRS 12 are generally more extensive than those previously required by the respective standards. Since those disclosure requirements only apply to a full set of financial statements, the Group has not made additional disclosures in this interim financial report as a result of adopting HKFRS 12.





2

**Changes in accounting policies (Continued)*****HKFRS 13, Fair value measurement***

HKFRS 13 replaces existing guidance in individual HKFRSs with a single source of fair value measurement guidance. HKFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments. Some of the disclosures are specifically required for financial instruments in the interim financial reports. The Group has provided those disclosures in note 16. The adoption of HKFRS 13 does not have any material impact on the fair value measurements of the Group's assets and liabilities.

***Revised HKAS 19, Employee benefits***

Revised HKAS 19 introduces a number of amendments to the accounting for defined benefit plans. Among them, revised HKAS 19 eliminates the "corridor method" under which the recognition of actuarial gains and losses relating to defined benefit schemes could be deferred and recognised in profit or loss over the expected average remaining service lives of employees. Under the revised standard, all actuarial gains and losses are required to be recognised immediately in other comprehensive income. Revised HKAS 19 also changed the basis for determining income from plan assets from expected return to interest income calculated at the liability discount rate, and requires immediate recognition of past service cost, whether vested or not.

**2 Changes in accounting policies (Continued)*****Revised HKAS 19, Employee benefits (Continued)***

As a result of the adoption of revised HKAS 19, the Group has changed its accounting policy with respect to defined benefit plans, for which the corridor method was previously applied. This change in accounting policy has been applied retrospectively by restating the balances at 31 December 2012, and the result for the six months ended 30 June 2012 as follows:

|  | As previously<br>reported<br>\$'000 | Effect of<br>adopting<br>revised<br>HKAS 19<br>\$'000 | As restated<br>\$'000 |
|--|-------------------------------------|---|-----------------------|
| <b>Consolidated income statement for<br/>the six months ended 30 June 2012:</b>                      |                                     |   |                       |
| Defined benefit retirement plan expense  | 1,120                               | (259)   | 861                   |
| Profit for the period  | 40,034                              | 259   | 40,293                |
| <b>Consolidated statement of comprehensive<br/>income for the six months ended<br/>30 June 2012:</b> |                                     |   |                       |
| Total comprehensive income<br>for the period   | 39,744                              | 87  | 39,831                |
| <b>Consolidated balance sheet at<br/>31 December 2012:</b>   |                                     |   |                       |
| Net defined benefit retirement asset   | 3,114                               | (3,114)   | –                     |
| Total non-current assets   | 240,245                             | (3,114)   | 237,131               |
| Net defined benefit retirement obligation  | –                                   | 750   | 750                   |
| Total non-current liabilities  | 2,206                               | 750   | 2,956                 |
| Net assets/Total equity  | 842,275                             | (3,864)   | 838,411               |
| Reserves   | 785,322                             | (3,864)   | 781,458               |

This change in accounting policy does not have any material impact on current or deferred taxation.





## 2 **Changes in accounting policies (*Continued*)**

### ***Annual Improvements to HKFRSs 2009-2011 Cycle***

This cycle of annual improvements contains amendments to five standards with consequential amendments to other standards and interpretations. Among them, HKAS 34 has been amended to clarify that total assets for a particular reportable segment are required to be disclosed only if the amounts are regularly provided to the chief operating decision maker (the “CODM”) and only if there has been a material change in the total assets for that segment from the amount disclosed in the last annual financial statements. The amendment also requires the disclosure of segment liabilities if the amounts are regularly provided to the CODM and there has been a material change in the amounts compared with the last annual financial statements. In respect of this amendment, the Group has continued to disclose segment assets and segment liabilities in note 3.

### ***Amendments to HKFRS 7, Financial instruments: Disclosures – Disclosures – Offsetting financial assets and financial liabilities***

The amendments introduce new disclosures in respect of offsetting financial assets and financial liabilities. Those new disclosures are required for all recognised financial instruments that are set off in accordance with HKAS 32, *Financial instruments: Presentation*, and those that are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments and transactions, irrespective of whether the financial instruments are set off in accordance with HKAS 32.

The adoption of the amendments does not have an impact on the Group’s interim financial report because the Group has not offset financial instruments, nor has it entered into master netting arrangement or similar agreement which is subject to the disclosures of HKFRS 7.

## 3 **Segment reporting**

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

**3 Segment reporting (Continued)****(a) Information about profit or loss, assets and liabilities**

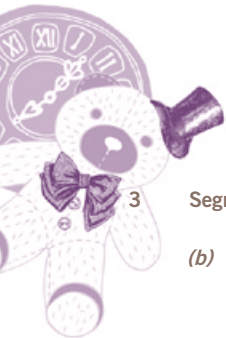
Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the period is set out below.

|   | Plush stuffed toys |                              | Ride-on toys    |                | Plastic figures |                | Total          |                              |
|---|--------------------|------------------------------|-----------------|----------------|-----------------|----------------|----------------|------------------------------|
|   | 2013<br>\$'000     | 2012<br>\$'000<br>(restated) | 2013<br>\$'000  | 2012<br>\$'000 | 2013<br>\$'000  | 2012<br>\$'000 | 2013<br>\$'000 | 2012<br>\$'000<br>(restated) |
| <i>For the six months ended 30 June</i>                   |                    |                              |                 |                |                 |                |                |                              |
| Revenue from external customers                           | 508,027            | 551,342                      | 21,983          | 32,796         | 24,030          | 5,101          | 554,040        | 589,239                      |
| Inter-segment revenue                                     | 6,141              | 1,528                        | –               | –              | –               | –              | 6,141          | 1,528                        |
| <b>Reportable segment revenue</b>                         | <b>514,168</b>     | <b>552,870</b>               | <b>21,983</b>   | <b>32,796</b>  | <b>24,030</b>   | <b>5,101</b>   | <b>560,181</b> | <b>590,767</b>               |
| <b>Reportable segment profit/(loss) (adjusted EBITDA)</b> | <b>102,333</b>     | <b>85,359</b>                | <b>(13,869)</b> | <b>(8,442)</b> | <b>(4,610)</b>  | <b>(6,841)</b> | <b>83,854</b>  | <b>70,076</b>                |
| <i>As at 30 June/ 31 December</i>                         |                    |                              |                 |                |                 |                |                |                              |
| Reportable segment assets                                 | 543,341            | 553,754                      | 80,577          | 95,247         | 65,906          | 57,992         | 689,824        | 706,993                      |
| Reportable segment liabilities                            | 148,954            | 203,625                      | 77,122          | 76,273         | 59,403          | 48,458         | 285,479        | 328,356                      |

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







### 3 Segment reporting *(Continued)*

#### *(b) Reconciliations of reportable segment profit or loss*

|  | <b>Six months ended 30 June</b> |                      |
|--|---------------------------------|----------------------|
|  | <b>2013</b>                     | 2012                 |
|  | <b>\$'000</b>                   | \$'000<br>(restated) |
| Reportable segment profit                      | <b>83,854</b>                   | 70,076               |
| Share of profits less losses of associates     | <b>649</b>                      | (328)                |
| Interest income                                | <b>3,321</b>                    | 2,762                |
| Depreciation and amortisation                  | <b>(11,792)</b>                 | (11,142)             |
| Finance costs                                  | <b>(435)</b>                    | (602)                |
| Unallocated head office and corporate expenses | <b>(14,012)</b>                 | (7,974)              |
| Consolidated profit before taxation            | <b>61,585</b>                   | 52,792               |

### 4 Seasonality of operations

The Group's plush stuffed toys and ride-on toys divisions, on average experience higher sales in the second half year, compared to the first half year, due to the increased demand of its products during the holiday season. As such, the first half year reports lower revenues and segment results for these segments than the second half.

For the twelve months ended 30 June 2013, the plush stuffed toys and ride-on toys divisions reported reportable segment revenue of \$1,244,926,000 and \$45,552,000 respectively (twelve months ended 30 June 2012: \$1,137,894,000 and \$68,312,000 respectively), and reportable segment profit of \$245,154,000 and loss of \$25,481,000 respectively (twelve months ended 30 June 2012 (restated): \$181,788,000 and loss of \$19,100,000 respectively).

**5 Profit before taxation**

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

|  | <b>Six months ended 30 June</b> |         |
|--|---------------------------------|---------|
|  | <b>2013</b>                     | 2012    |
|  | <b>\$'000</b>                   | \$'000  |
| <b>(a) Finance costs</b>   |                                 |         |
| Interest expense on bank borrowings wholly repayable within five years         | <b>435</b>                      | 602     |
| <b>(b) Other items</b>   |                                 |         |
| Amortisation of land lease premium   | <b>279</b>                      | 270     |
| Depreciation   | <b>11,513</b>                   | 10,872  |
| Operating lease charges: minimum lease payments in respect of property rentals | <b>12,890</b>                   | 11,459  |
| Inventories write-down and losses  | <b>5,909</b>                    | 2,062   |
| Reversal of write-down of inventories  | <b>(5,045)</b>                  | (2,183) |
| Reversal of provision for custom duties  | <b>(13,426)</b>                 | –       |
| Reversal of provision for social insurance                                     | <b>(10,522)</b>                 | –       |
| Bank interest income   | <b>(3,180)</b>                  | (2,694) |
| Interest income from other financial assets                                    | <b>(141)</b>                    | (68)    |
| Net realised and unrealised (gain)/loss on other financial assets              | <b>(2,806)</b>                  | 300     |

**6 Claim settlement**

In March 2012, a customer (the “Customer”) initiated a claim in the Hong Kong High Court (the “Court”) against the Company and two subsidiaries of the Company including one subsidiary in the PRC (the “PRC Subsidiary”) and requested compensation in respect of products manufactured by the PRC Subsidiary and sold to the Customer mostly during the year ended 31 December 2010 (the “Claim”).





6

**Claim settlement (Continued)**

The subsidiaries filed and served their defence and counterclaim on 30 January 2013, denying liability in respect of the Claim and counterclaiming against the Customer for US\$78,000 (equivalent to \$605,000), being the sum of various outstanding invoices and debit notes rendered to the Customer in 2010 and 2011, plus interest and costs.

On 20 February 2013, the Company applied to strike out the Claim against it (but not against the subsidiaries) on the basis that the Claim discloses no reasonable cause of action against the Company. The Customer agreed to discontinue its Claim against the Company and pay the Company's costs incurred in the action. On 9 April 2013, the Customer and the Company made a joint application to the Court for leave for the Customer to discontinue the Claim against the Company. The Court made an order in terms of the parties' application on striking out the Claim against the Company on 15 April 2013. The Company is now assessing the costs relating to striking out the Claim against the Company incurred in the action and will seek recovery of those costs from the Customer.

In late July 2013, the Customer and the subsidiaries entered into a commercial settlement, which was recorded in the form of a Tomlin Order filed with the Court on 29 July 2013. Upon performance of the Tomlin Order, the Claim will be fully and finally settled. Claim settlement of US\$250,000 (equivalent to \$1,939,000) was included in "administrative expenses" in the consolidated income statement for the period ended 30 June 2013.

In accordance with the Tomlin Order, the claim settlement is payable as follows:

|                                  | \$'000 |
|----------------------------------|--------|
| Within 1 year ( <i>note 14</i> ) | 1,551  |
| After 1 year but within 5 years  | 388    |
|                                  | 1,939  |

**7 Income tax**

|                                     | <b>Six months ended 30 June</b> |        |
|-------------------------------------|---------------------------------|--------|
|                                     | <b>2013</b>                     | 2012   |
|                                     | <b>\$'000</b>                   | \$'000 |
| Current tax – Hong Kong Profits Tax | <b>1,829</b>                    | 1,183  |
| Current tax – Outside Hong Kong     | <b>12,490</b>                   | 9,448  |
| Deferred taxation                   | <b>1,491</b>                    | 1,868  |
|                                     | <b>15,810</b>                   | 12,499 |

The provision for Hong Kong Profits Tax for 2013 is calculated at 16.5% (2012: 16.5%) of the estimated assessable profits for the period. Taxation for subsidiaries outside Hong Kong is similarly calculated using the estimated annual effective rates of taxation that are expected to be applicable in the relevant countries.

**8 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 \$50,245,000 (six months ended 30 June 2012 (restated): \$43,474,000) and the weighted average number of ordinary shares of 672,165,000 shares (six months ended 30 June 2012: 672,165,000 shares).

**(b) Diluted earnings per share**

The calculation of diluted earnings per share for the six months ended 30 June 2013 is based on the profit attributable to ordinary equity shareholders of the Company of \$50,245,000 and the weighted average number of ordinary shares of 674,237,000 shares.

The diluted earnings per share was the same as the basic earnings per share for the six months ended 30 June 2012 as the potential ordinary shares in respect of outstanding share options were anti-dilutive.





## 9 Other financial assets

|   | At<br>30 June<br>2013<br>\$'000 | At<br>31 December<br>2012<br>\$'000 |
|---|---------------------------------|-------------------------------------|
| <b><i>Non-current</i></b>   |                                 |                                     |
| Equity-linked securities ( <i>notes (i) and (vii)</i> )               | –                               | 3,469                               |
| Structured debt securities ( <i>notes (ii) and (vii)</i> )            | <b>13,483</b>                   | –                                   |
| Available-for-sale debt security – unlisted<br>( <i>note (iii)</i> )  | <b>6,396</b>                    | 6,856                               |
| Available-for-sale equity security – unlisted<br>( <i>note (iv)</i> ) | <b>13,600</b>                   | 14,600                              |
|   | <b>33,479</b>                   | 24,925                              |
| <b><i>Current</i></b>   |                                 |                                     |
| Equity-linked securities ( <i>notes (v) and (vii)</i> )               | <b>9,987</b>                    | 14,674                              |
| Structured debt security ( <i>notes (vi) and (vii)</i> )              | <b>7,138</b>                    | –                                   |
|   | <b>17,125</b>                   | 14,674                              |
|   | <b>50,604</b>                   | 39,599                              |

### Notes:

- (i) Equity-linked securities as at 31 December 2012 represented structured funds placed with an investment bank in Korea with guaranteed principal and variable interest linked to the Korea Composite Stock Price Index 200, with a maturity date of 10 February 2014.
- (ii) Structured debt securities represent: (a) a debt investment placed with an investment bank in Korea, amounting to \$6,767,000 with variable interest linked to USD/RMB fixing rate and maturity date of 15 March 2015; and (b) a debt investment placed with an investment bank in Korea, amounting to \$6,716,000 with fixed interest rate at 6.25% per annum and redeemable by the debt issuer on or after 15 April 2024.

## 9 Other financial assets *(Continued)*

*Notes: (Continued)*

- (iii) Available-for-sale debt security – unlisted represents an investment in bonds issued by an investment bank in Korea with a maturity date of 30 March 2039. Management has no intention to hold the investment to maturity.
- (iv) Available-for-sale equity security – unlisted represents an investment in a Korean private company and is carried at cost.
- (v) Equity-linked securities represent three structured funds placed with investment banks in Korea, amounting to \$3,398,000, \$3,385,000 and \$3,204,000 with guaranteed principal and variable interest linked to the Korea Composite Stock Price Index 200 and maturity date of 3 September 2013, 3 September 2013 and 10 February 2014, respectively.

Equity-linked securities as at 31 December 2012 represented four structured funds placed with an investment bank in Korea, amounting to \$3,682,000, \$3,672,000, \$3,676,000 and \$3,644,000 with guaranteed principal and variable interest linked to the Korea Composite Stock Price Index 200 and maturity date of 5 March 2013, 5 March 2013, 3 September 2013 and 3 September 2013, respectively.

- (vi) Structured debt security represents a debt investment placed with an investment bank in Korea with fixed interest rate at 7.00% per annum and redeemable by the debt issuer on or after 30 July 2013.
- (vii) Structured debt securities and equity-linked securities are hybrid instruments that include non-derivative host contracts and embedded derivatives. Upon inception, the financial instruments are designated as fair value through profit or loss with changes in fair value recognised in the income statement.
- (viii) None of the above other financial assets are past due or impaired.

## 10 Fixed assets

During the six months ended 30 June 2013, the Group acquired items of fixed assets with a cost of \$17,610,000 (six months ended 30 June 2012: \$27,501,000). Items of fixed assets with a net book value of \$1,404,000 were disposed of during the six months ended 30 June 2013 (six months ended 30 June 2012: \$383,000), resulting in a gain on disposal of \$50,000 (six months ended 30 June 2012: \$175,000).





## 11 Inventories

During the six months ended 30 June 2013, \$5,045,000 (six months ended 30 June 2012: \$2,183,000) has been recognised as a reversal of write-down of inventories. The reversal arose upon disposal of these inventories.

## 12 Trade and other receivables

As of the balance sheet date, the ageing analysis of trade debtors and bills receivable (which are included in trade and other receivables), based on the invoice date and net of allowance for doubtful debts, is as follows:

|  | At<br>30 June<br>2013<br>\$'000 | At<br>31 December<br>2012<br>\$'000 |
|--|---------------------------------|-------------------------------------|
| Within 1 month   | <b>70,436</b>                   | 93,996                              |
| 1 to 2 months  | <b>31,943</b>                   | 18,194                              |
| 2 to 3 months  | <b>10,257</b>                   | 13,279                              |
| 3 to 4 months  | <b>1,536</b>                    | 2,087                               |
| Over 4 months  | <b>3,844</b>                    | 6,942                               |
| Trade debtors and bills receivable,<br>net of allowance for doubtful debts | <b>118,016</b>                  | 134,498                             |
| Other receivables and prepayments  | <b>50,341</b>                   | 51,941                              |
| Compensation receivable  | –                               | 12,858                              |
| Amounts due from related companies   | <b>6,159</b>                    | 6,699                               |
| Amount due from an associate   | <b>258</b>                      | 2,500                               |
|  | <b>174,774</b>                  | 208,496                             |

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

**13 Cash and cash equivalents and time deposits**

|  | <b>At<br/>30 June<br/>2013<br/>\$'000</b> | At<br>31 December<br>2012<br>\$'000 |
|--|---|-------------------------------------|
| Bank deposits within three months to maturity when placed  | <b>103,828</b>                            | 101,669                             |
| Cash at bank and in hand   | <b>137,844</b>                            | 179,881                             |
| Cash and cash equivalents in the consolidated balance sheet and condensed consolidated cash flow statement | <b>241,672</b>                            | 281,550                             |
| Time deposits with more than three months to maturity when placed  | <b>137,952</b>                            | 156,735                             |
|  | <b>379,624</b>                            | 438,285                             |

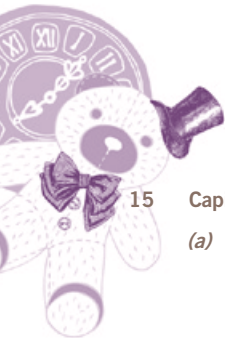
**14 Trade and other payables**

Included in trade and other payables are trade creditors with the following ageing analysis as of the balance sheet date:

|  | <b>At<br/>30 June<br/>2013<br/>\$'000</b> | At<br>31 December<br>2012<br>\$'000 |
|--|---|-------------------------------------|
| Due within 1 month or on demand        | <b>69,130</b>                             | 44,970                              |
| Due after 1 month but within 3 months  | <b>3,749</b>                              | 11,841                              |
| Due after 3 months but within 6 months | <b>116</b>                                | 10                                  |
| Due after 6 months but within 1 year   | <b>314</b>                                | 799                                 |
| Trade creditors                        | <b>73,309</b>                             | 57,620                              |
| Accrued charges and other payables     | <b>90,805</b>                             | 147,118                             |
| Claim settlement ( <i>note 6</i> )     | <b>1,551</b>                              | –                                   |
| Amounts due to related companies       | –   | 1,573                               |
| Amount due to an associate             | <b>1,679</b>                              | 1,695                               |
|  | <b>167,344</b>                            | 208,006                             |







## 15 Capital, reserves and dividends

### (a) Dividends

- (i) *Dividends payable to equity shareholders of the Company attributable to the interim period*

|  | Six months ended 30 June |                |
|--|--------------------------|----------------|
|  | 2013<br>\$'000           | 2012<br>\$'000 |
| Interim dividend declared and paid after the interim period of 3 cents per ordinary share (2012: nil cents per ordinary share) | 20,165                   | –              |

The interim dividend has not been recognised as a liability at the balance sheet date.

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

|  | Six months ended 30 June |                |
|--|--------------------------|----------------|
|  | 2013<br>\$'000           | 2012<br>\$'000 |
| Final dividend in respect of the previous financial year, approved and paid during the interim period, of 8 cents per ordinary share (six months ended 30 June 2012: nil cents per ordinary share) | 53,773                   | –              |

### (b) Equity settled share-based transactions

On 23 December 2011, 4,900,000 share options were granted to the directors and the employees of the Company under the Company's share option scheme. Each option gives the holder the right to subscribe for one ordinary share of US\$0.01 each of the Company. These share options will vest on 22 December 2013, and then be exercisable until 2016. The exercise price is \$0.466, being the weighted average closing price of the Company's ordinary shares immediately before the grant. No options were granted during the period ended 30 June 2013 (2012: nil).

No options were exercised during the six months ended 30 June 2013 (2012: nil).

**16 Fair value measurement of financial instruments**

**(a) Financial assets and liabilities measured at fair value**

*(i) Fair value hierarchy*

|  | Fair value measurements<br>as at 30 June 2013 using |  |   |
|--|---|--|---|
|  | Fair value at<br>30 June<br>2013<br>\$'000          | Quoted prices<br>in active<br>market<br>for identical<br>assets<br>(Level 1)<br>\$'000 | Significant<br>other<br>observable<br>inputs<br>(Level 2)<br>\$'000 |

**Recurring fair value measurement**

*Financial assets:*

|                                   |        |   |        |
|-----------------------------------|--------|---|--------|
| Available-for-sale debt security: |        |   |        |
| – Unlisted                        | 6,396  | – | 6,396  |
| Equity-linked securities          | 9,987  | – | 9,987  |
| Structured debt securities        | 20,621 | – | 20,621 |

|  | Fair value measurements<br>as at 31 December 2012 using |   |   |
|--|---|---|---|
|  | Fair value at<br>31 December<br>2012<br>\$'000          | Quoted prices<br>in active<br>market for<br>identical assets<br>(Level 1)<br>\$'000 | Significant<br>other<br>observable<br>inputs<br>(Level 2)<br>\$'000 |

**Recurring fair value measurement**

*Financial assets:*

|                                   |        |       |        |
|-----------------------------------|--------|-------|--------|
| Available-for-sale debt security: |        |       |        |
| – Unlisted                        | 6,856  | 6,856 | –      |
| Equity-linked securities          | 18,143 | –     | 18,143 |





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

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

#### (i) *Fair value hierarchy (Continued)*

During the six months ended 30 June 2013, available-for-sale debt security – unlisted with a carrying amount of \$6,396,000 was transferred from Level 1 to Level 2 because quoted price in the market for such debt security became no longer regularly available. There were no transfers from Level 2 to Level 1 (2012: no transfers in either direction). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the balance sheet date in which they occur.

#### (ii) *Valuation techniques and inputs used in Level 2 fair value measurements*

The fair value of available-for-sale debt security, equity-linked securities and structured debt securities in Level 2 is determined using quoted prices from financial institutions.

### (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 are not materially different from their fair values as at 31 December 2012 and 30 June 2013.

## 17 Capital commitments outstanding not provided for in the interim financial report

|                                   | <b>At<br/>30 June<br/>2013<br/>\$'000</b> | At<br>31 December<br>2012<br>\$'000 |
|-----------------------------------|---|-------------------------------------|
| Contracted for                    | –   | 1,660                               |
| Authorised but not contracted for | <b>51,972</b>                             | 4,688                               |
|                                   | <b>51,972</b>                             | 6,348                               |

The capital commitments outstanding as at 30 June 2013 represent additional investments for the plastic figures segment in Vietnam.

**18 Material related party transactions**

During the six months ended 30 June 2013, the Group entered into the following transactions with its related parties:

|             |   | <b>Six months ended 30 June</b> |        |
|-------------|---|---------------------------------|--------|
|             |   | <b>2013</b>                     | 2012   |
| <i>Note</i> |   | <b>\$'000</b>                   | \$'000 |
| <b>(a)</b>  | <b><i>Key management personnel remuneration</i></b> |                                 |        |
|             | Salaries and other short-term benefits              | <b>12,336</b>                   | 6,201  |
|             | Share-based payments                                | <b>56</b>                       | 56     |
|             |   | <b>12,392</b>                   | 6,257  |
| <b>(b)</b>  | <b><i>Sales of goods to</i></b>                     |                                 |        |
|             | Related companies <i>(i)</i>                        | <b>372</b>                      | –      |
|             | Ultimate holding company <i>(i)</i>                 | –                               | 437    |
|             | A fellow subsidiary <i>(i)</i>                      | –                               | 139    |
| <b>(c)</b>  | <b><i>Purchase of goods from</i></b>                |                                 |        |
|             | An associate  | <b>907</b>                      | 7,799  |
| <b>(d)</b>  | <b><i>Purchase of materials from</i></b>            |                                 |        |
|             | A fellow subsidiary <i>(i)</i>                      | –                               | 17     |
|             | An associate  | <b>2,461</b>                    | 81     |
| <b>(e)</b>  | <b><i>Commission received/receivable from</i></b>   |                                 |        |
|             | A fellow subsidiary <i>(i)</i>                      | –                               | 2,783  |



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

|  |                     | Six months ended 30 June |        |
|--|---------------------|--------------------------|--------|
|  |                     | 2013                     | 2012   |
| <i>Note</i>  |                     | \$'000                   | \$'000 |
| <b>(f) Sharing of administrative services from</b> |                     |                          |        |
| Ultimate holding company                           | <i>(i) and (ii)</i> | –                        | 7,906  |
| <b>(g) Rental paid/payable to</b>                  |                     |                          |        |
| A related company                                  | <i>(i)</i>          | 1,575                    | –      |
| Ultimate holding company                           | <i>(i)</i>          | –                        | 1,439  |
| <b>(h) Processing fees paid/payable to</b>         |                     |                          |        |
| An associate                                       | <i>(iii)</i>        | 1,604                    | 1,050  |

*Notes:*

- (i) These are transactions with C & H Co., Ltd and its subsidiaries (“C & H Korea Group”). A director of the Company is the controlling shareholder of both the C & H Korea Group and the Group. C & H Co., Ltd ceased to be the ultimate holding company on 27 July 2012.
- (ii) Sharing of administrative services from the ultimate holding company related to administrative services performed for the Company which was charged on actual basis.
- (iii) Processing fees paid/payable to an associate relate to subcontracting services provided.

**19 Comparative figures**

As a result of the application of revised HKAS 19, *Employee benefits*, certain comparative figures have been adjusted to conform to current period's presentation and to provide comparative amounts in respect of items disclosed for the first time in 2013. Further details of these developments are disclosed in note 2.

## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### **Executive Directors**

Mr. Kyoo Yoon CHOI (*Chairman and Chief Executive Officer*)  
Mr. Young M. LEE (*Vice President and Chief Financial Officer*)  
Mr. James Chuan Yung WANG  
Mr. Hyun Ho KIM

#### **Independent Non-executive Directors**

Professor Cheong Heon YI  
Professor Byong Hun AHN  
Mr. Tae Woong KANG

#### **AUDIT COMMITTEE**

Professor Cheong Heon YI (*Chairman*)  
Professor Byong Hun AHN  
Mr. Tae Woong KANG

#### **REMUNERATION COMMITTEE**

Professor Byong Hun AHN (*Chairman*)  
Professor Cheong Heon YI  
Mr. Tae Woong KANG  
Mr. Young M. LEE

#### **NOMINATION COMMITTEE**

Mr. Tae Woong KANG (*Chairman*)  
Professor Cheong Heon YI  
Professor Byong Hun AHN  
Mr. Young M. LEE

#### **REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS**

6th Floor  
China Minmetals Tower  
79 Chatham Road South  
Tsimshatsui  
Kowloon  
Hong Kong





## COMPANY SECRETARY

Ms. Tsz Wai NG, *CPA*

## AUDITOR

KPMG

*Certified Public Accountants*

8th Floor, Prince's Building

10 Chater Road, Central

Hong Kong

## AUTHORISED REPRESENTATIVES

Mr. Young M. LEE

Ms. Tsz Wai NG

## PRINCIPAL BANKERS

Citibank, N.A.

Shinhan Bank

Bank of China

## SHARE REGISTRAR

Tricor Abacus Limited

26th Floor, Tesbury Centre

28 Queen's Road East

Hong Kong

## FINANCIAL RELATIONS CONSULTANT

Strategic Financial Relations Limited

Unit A, 29th Floor, Admiralty Centre I

18 Harcourt Road, Admiralty, Hong Kong

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## STOCK CODE

Stock Exchange, Hong Kong 1126

Access to Reuters 1126.HK

Access to Bloomberg 1126:HK