



**ream**  
International  
Limited

DREAM INTERNATIONAL LIMITED

德林國際有限公司

Incorporated in Hong Kong with limited liability

Stock Code : 1126



Interim  
Report **2014**

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## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial Review

During the first half of 2014, the global economy continued to experience a lackluster rate of recovery. The European and US markets have both demonstrated modest improvement in consumer sentiment, which has been reflected in a slight increase in order volumes. However, a relatively stable business environment prevailed in Japan, the largest market for Dream International Limited (the “Company”) and its subsidiaries (together, the “Group”), contributing to the Group’s sustained growth during the review period.

For the six months ended 30 June 2014, the Group’s turnover grew to HK\$663.0 million (six months ended 30 June 2013: HK\$554.0 million), representing an increase of approximately 19.7% over the previous corresponding period in 2013. Nevertheless, escalating labour and material costs continue to put pressure on the entire toy industry, which has inevitably affected the Group’s profitability. Thanks to the Group’s established foundation and relentless efforts in cost control, the Group managed to record a gross profit of HK\$143.6 million for the six months ended 30 June 2014 (six months ended 30 June 2013: HK\$160.0 million). The decline was mainly attributable to the absence of the one-off reversal of provisions for custom duties of HK\$13.4 million recorded during the previous corresponding period in 2013 and an increase in materials usage for the plastic figures segment. Gross margin amounted to 21.7% for the six months ended 30 June 2014 (six months ended 30 June 2013: 28.9%). Accordingly, the Group recorded a profit attributable to equity shareholders of HK\$31.2 million (six months ended 30 June 2013: HK\$50.2 million) with a net margin of 4.7% (six months ended 30 June 2013: 9.1%) during the six months ended 30 June 2014.

The Group maintained a healthy financial position with cash and cash equivalents and bank deposits of HK\$341.3 million as at 30 June 2014 (31 December 2013: HK\$400.1 million).

## Business Review

### Product Analysis

#### *Plush stuffed toys segment*

During the period under review, turnover of the plush stuffed toys business rose to HK\$572.2 million (six months ended 30 June 2013: HK\$508.0 million), accounting for approximately 86.3% of the Group's total turnover.

Within this segment, Original Equipment Manufacturing (“OEM”) remained the core business of the Group, representing approximately 93.9% of plush stuffed toys' sales. In the first half of 2014, the Group continued to nurture its long-term business collaboration with globally renowned cartoon character owners and licensors, which generated a stable income stream of the Group. Leveraging the success built in the previous years, the Group continued to enhance the brand awareness of its products featuring iconic characters from Japan and Korea at the New York Toy Fair 2014, which enjoyed a good response from the Asian market and US retail stores. A special promotional event is scheduled during the second half of 2014 following the successful launch of one of these plush stuffed toy characters at an upscale retail toy store in New York City. On the other hand, apart from the two US customers secured last year, the Group has secured two more new clients, including a video game publisher and a distributor of infant goods, thereby further diversifying its client base. Product shipments for these two customers to the US, European and Asian markets are scheduled during the second half of 2014. The Group will seize more business opportunities from these new clients in order to sustain growth momentum.

The Original Design Manufacturing (“ODM”) business recorded a turnover of HK\$34.7 million during the six months ended 30 June 2014 (six months ended 30 June 2013: HK\$6.3 million), contributing approximately 6.1% of the sales of plush stuffed toys. With wider awareness of its self-owned “Dream, made to love, made to hug” brand, the Group has fine-tuned its positioning to focus on the mass market which presents a larger room for development. In terms of product mix, the Group has strategically expanded the selection of large-size plush stuffed toys to better utilise production capacity and enhance profitability.



### *Ride-on toys segment*

During the period under review, sales generated from the ride-on toys segment amounted to HK\$24.5 million (six months ended 30 June 2013: HK\$22.0 million), and accounted for approximately 3.7% of the Group's total turnover. To maximise the promising sales performance of its high-margin tricycle product line in Japan, the Group has decided to launch an upgraded model in the second half of 2014. A new version of a popular ride-on toy featuring racer characters has been launched in July 2014. Its four-wheel version has just completed trial production and is expected to be launched in Japan in the third quarter. A new tricycle series featuring a famous Japanese cartoon character has reached the final design adjustment stage and is expected to be introduced in Japan in the coming months.

### *Plastic figures segment*

The successful launch of the plastic figures segment has continued to demonstrate rapid growth, with turnover up almost three-fold year-on-year to HK\$66.2 million during the six months ended 30 June 2014 (six months ended 30 June 2013: HK\$24.0 million), representing approximately 10.0% of the Group's total turnover. Besides working with its existing top-tier customers which have increased their order size, the Group has secured a distributor of unique feature plastic figures for licensed characters as a new customer. The Group has received the initial order from this customer during the period under review and the first shipment is expected to be made during the second half of 2014.

## **Market Analysis**

For the six months ended 30 June 2014, Japan remained the largest market of the Group, accounting for approximately 48.5% of the Group's total turnover. North America accounted for approximately 32.8% of the total turnover, followed by Europe at approximately 10.4%. China's contribution grew to approximately 2.7% during the period under review.

## Operational Analysis

As at 30 June 2014, the Group operated 11 plants in total, five of which were in China and six in Vietnam, and running at an average utilisation rate of approximately 78%. In order to sustain business growth of the plastic figures segment, the Group is constructing the second dedicated plant for this segment which is expected to commence production during the second half of 2014. The Group is building another new plant in Vietnam as it expects to relocate its ride-on toys production facilities from China for better production efficiency.

## Prospects

There are signs of a gradual recovery of the global economy including the US and Europe supported by various economic data, and accordingly the Group is seeing a modest improvement in the volume of orders. This trend is expected to continue in the near future. However, given the challenges of potential international geopolitical issues and rising costs of various aspects still facing the toy industry, the Group maintains a cautiously optimistic view about its prospects in the near future.

Looking ahead, the Group will further consolidate its three different business arms to maintain sustainable revenue growth in the long run. Emerging as a significant growth driver, the plastic figures segment has expanded rapidly after only a short period of time in operation. In order to better meet the enormous demand from the global market, the Group is constructing the second factory for the segment which is expected to be completed in the second half of 2014. With operation becoming more mature and backed by a stronger capacity, the Group should not only be able to support the rapid growth of this segment but also benefit from greater economies of scale and better production efficiency.





Leveraging its leading position in the plush toy industry, the Group continues to strengthen its well-established business foundation and to foster new business relationships in order to expand its reach into different geographic regions as well as to enhance its product mix. The Group is currently in the process of negotiating product development opportunities for large-scale upcoming events such as the Olympics in Brazil in order to expand its income sources. For the ride-on toys segment, the Group continues its focus on targeting the high-end market so as to enhance segment profitability. After the ramp-up of the production base in Vietnam, the Group expects to enhance its operational efficiency in this segment.

With a clear development roadmap set for the future, the Group is confident that it can sustain growth in the long run and strengthen its leading position in the industry.

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

As at 30 June 2014, the Group had 11,215 (31 December 2013: 7,811) employees in Hong Kong, China, Korea, the US, Japan and Vietnam. The Group values its human resources and recognises the importance of attracting and retaining quality staff for its continuing success. Staff bonuses 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 2014, the Group had net current assets of HK\$574.9 million (31 December 2013: HK\$614.2 million). The Group's total cash and cash equivalents as at 30 June 2014 amounted to HK\$239.1 million (31 December 2013: HK\$320.6 million). The total bank loans of the Group as at 30 June 2014 amounted to HK\$26.1 million (31 December 2013: HK\$23.1 million).

The Group's gearing ratio, calculated on the basis of total bank loans over total equity, was 3.0% at 30 June 2014 (31 December 2013: 2.6%).

### **Pledge on Group Assets**

Bank loans are secured on the Group's buildings, plant and machinery and land use rights with a net carrying value as at 30 June 2014 of HK\$22.3 million (31 December 2013: HK\$24.4 million).

## ADDITIONAL INFORMATION PROVIDED IN ACCORDANCE WITH THE LISTING RULES

### INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The board of directors of the Company (the “Board”) declared an interim dividend of HK3 cents per ordinary share (2013: HK3 cents per ordinary share) for the six months ended 30 June 2014. The interim dividend of HK\$20,306,000 (2013: HK\$ 20,165,000) will be paid on 24 September 2014 to shareholders registered at the close of business on the record date, 15 September 2014.

The register of members will be closed for one day on 16 September 2014, 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 Registrar, Tricor Abacus Limited, Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong not later than 4:30 p.m. on 15 September 2014.

### DIRECTORS’ AND CHIEF EXECUTIVES’ INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2014, 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:







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

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES *(Continued)*

(i) Long position in ordinary shares

	Number of ordinary shares held			Total	Percentage of issued share capital of the company
	Personal interests <i>(Note 1)</i>	Family interests	Corporate interests		
<b>The Company</b>					
Kyoo Yoon Choi	382,851,000	–	72,150,000 <i>(Note 2)</i>	455,001,000	67.22%
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 <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 *(Continued)*

#### **(i) Long position in ordinary shares *(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. Mr. 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 Mr. Kyoo Yoon Choi, Mrs. 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 2014, 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 Stock Exchange 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 Stock Exchange on the date of grant and (iii) the average closing price of the shares on the Stock Exchange 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 Stock Exchange. 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 2014 was 38,135,000 shares which represented 5.63% of the issued share capital of the Company at 30 June 2014. 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 2014, the directors and employees 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.

	Date granted	Period during which options are exercisable <i>(Note 1)</i>	Exercise price per share	Number of options			Weighted average closing price per share at respective dates immediately before dates of exercise of options
				Balance at 1 January 2014	Exercised during the period	Balance at 30 June 2014	
<b>Directors: <i>(Note 2)</i></b>							
Young M. Lee	23 December 2011	23 December 2013 to 22 December 2016	HK\$0.466	200,000	(200,000)	-	HK\$1.23
James Chuan Yung Wang	23 December 2011	23 December 2013 to 22 December 2016	HK\$0.466	200,000	(200,000)	-	HK\$1.30
Hyun Ho Kim	23 December 2011	23 December 2013 to 22 December 2016	HK\$0.466	150,000	(150,000)	-	HK\$1.30
<b>Employees in aggregate:</b>	23 December 2011	23 December 2013 to 22 December 2016	HK\$0.466	4,150,000	(4,150,000)	-	HK\$1.30
				<u>4,700,000</u>	<u>(4,700,000)</u>	<u>-</u>	



## 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. The share options granted to the directors are registered under the names of the directors who are also the beneficial owners.
3. No share option has been granted, lapsed or cancelled during the period.

Save as disclosed above, at no time during the six months ended 30 June 2014 was the Company, or any of its subsidiaries or fellow 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 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

The register of substantial shareholders required to be kept under Section 336 of Part XV of the SFO shows that as at 30 June 2014, 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>Substantial shareholder</b>	<b>Capacity</b>	<b>Number of ordinary shares held (long position)</b>	<b>Percentage of the issued share capital of the Company</b>
Uni-Link Technology Limited <i>(Note)</i>	Beneficial owner	72,150,000	10.66%

*Note:* Mr. Kyoo Yoon Choi beneficially owns 100% of the issued share capital of Uni-Link Technology Limited. Mr. 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 2014, the Company is not aware of any other registered substantial shareholder who holds 5% or more of the issued share capital of the Company.

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

During the six months ended 30 June 2014, 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 2014, the Board considered that the Company has complied with the code provisions set out in the Corporate Governance Code contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), save for the deviation from the code provision A.2.1.



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

### CORPORATE GOVERNANCE *(Continued)*

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 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 of the Listing Rules as the code of conduct regarding directors’ securities transactions on terms no less exacting than the required standard. Based on the specific enquires of all the directors of the Company, the Company has confirmed that they had complied with the required standard as set out in the Model Code throughout the six months ended 30 June 2014.

### AUDIT COMMITTEE

The audit committee of the Company has reviewed with the management of the Company with respect to the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters, including a review of the unaudited interim results for the six months ended 30 June 2014. The audit committee considered that the unaudited interim results for the six months ended 30 June 2014 are in compliance with the relevant accounting standards, rules and regulations and that appropriate disclosures have been made.

By order of the Board  
**Kyoo Yoon Choi**  
*Chairman*

Hong Kong, 27 August 2014



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 17 to 42, which comprises the consolidated balance sheet of Dream International Limited (the “Company”) as of 30 June 2014 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 2014 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

27 August 2014

**CONSOLIDATED INCOME STATEMENT**  
for the six months ended 30 June 2014 – unaudited  
(Expressed in Hong Kong dollars)

	Notes	Six months ended 30 June	
		2014 \$'000	2013 \$'000
<b>Turnover</b>	3, 4	<b>662,977</b>	554,040
Cost of sales		<b>(519,386)</b>	(394,035)
<b>Gross profit</b>		<b>143,591</b>	160,005
Other revenue		<b>13,394</b>	5,367
Other net (loss)/income		<b>(4,158)</b>	897
Distribution costs		<b>(21,225)</b>	(19,035)
Administrative expenses		<b>(87,894)</b>	(85,863)
<b>Profit from operations</b>		<b>43,708</b>	61,371
Finance costs	5(a)	<b>(393)</b>	(435)
Share of profits less losses of associates		<b>(243)</b>	649
<b>Profit before taxation</b>	5	<b>43,072</b>	61,585
Income tax	7	<b>(15,173)</b>	(15,810)
<b>Profit for the period</b>		<b>27,899</b>	45,775
<b>Attributable to:</b>			
Equity shareholders of the Company		<b>31,199</b>	50,245
Non-controlling interests		<b>(3,300)</b>	(4,470)
<b>Profit for the period</b>		<b>27,899</b>	45,775
<b>Earnings per share</b>	9		
Basic		<b>4.6 cents</b>	7.5 cents
Diluted		<b>4.6 cents</b>	7.5 cents

The notes on pages 24 to 42 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in note 16.



## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 30 June 2014 – unaudited

(Expressed in Hong Kong dollars)

	Notes	Six months ended 30 June	
		2014 \$'000	2013 \$'000
<b>Profit for the period</b>		<b>27,899</b>	45,775
<b>Other comprehensive income for the period (after tax and reclassification adjustments):</b>			
Item that will not be reclassified to profit or loss:			
Remeasurement of defined benefit retirement obligation		<b>(114)</b>	105
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong		<b>3,797</b>	(9,651)
Available-for-sale security: net movement in the fair value reserve	8	<b>(49)</b>	(8)
		<b>3,748</b>	(9,659)
<b>Other comprehensive income for the period</b>		<b>3,634</b>	(9,554)
<b>Total comprehensive income for the period</b>		<b>31,533</b>	36,221
<b>Attributable to:</b>			
Equity shareholders of the Company		<b>34,808</b>	40,643
Non-controlling interests		<b>(3,275)</b>	(4,422)
<b>Total comprehensive income for the period</b>		<b>31,533</b>	36,221

The notes on pages 24 to 42 form part of this interim financial report.

## CONSOLIDATED BALANCE SHEET

as at 30 June 2014 – unaudited

(Expressed in Hong Kong dollars)

	<i>Notes</i>	<b>At 30 June 2014 \$'000</b>	At 31 December 2013 \$'000
<b>Non-current assets</b>			
Fixed assets	<i>11</i>		
– Interests in leasehold land held for own use under operating leases		<b>41,455</b>	31,314
– Other property, plant and equipment		<b>230,503</b>	184,778
		<b>271,958</b>	216,092
Long term receivables		<b>7,273</b>	6,368
Goodwill		<b>2,753</b>	2,753
Other intangible assets		<b>9,874</b>	9,583
Interest in associates		<b>249</b>	502
Deferred tax assets		<b>7,786</b>	7,697
Other financial assets	<i>10</i>	<b>12,173</b>	28,980
		<b>312,066</b>	271,975
<b>Current assets</b>			
Inventories	<i>12</i>	<b>227,882</b>	175,854
Trade and other receivables	<i>13</i>	<b>242,860</b>	263,718
Current tax recoverable		<b>106</b>	45
Other financial assets	<i>10</i>	<b>19,440</b>	11,035
Time deposits	<i>14</i>	<b>102,122</b>	79,476
Cash and cash equivalents	<i>14</i>	<b>239,137</b>	320,617
		<b>831,547</b>	850,745
<b>Current liabilities</b>			
Trade and other payables	<i>15</i>	<b>203,027</b>	186,714
Bank loans		<b>25,341</b>	22,274
Current tax payable		<b>28,319</b>	27,541
		<b>256,687</b>	236,529



## CONSOLIDATED BALANCE SHEET (Continued)

as at 30 June 2014 – unaudited

(Expressed in Hong Kong dollars)

<i>Notes</i>	<b>At 30 June 2014 \$'000</b>	At 31 December 2013 \$'000
<b>Net current assets</b>	<b>574,860</b>	614,216
<b>Total assets less current liabilities</b>	<b>886,926</b>	886,191
<b>Non-current liabilities</b>		
Bank loans	777	777
Net defined benefit retirement obligation	1,294	439
	<b>2,071</b>	1,216
<b>NET ASSETS</b>	<b>884,855</b>	884,975
<b>CAPITAL AND RESERVES</b>		
Share capital: nominal value	–	52,303
Other statutory capital reserves	–	181,013
Share capital and other statutory capital reserves	<b>236,474</b>	233,316
Other reserves	<b>654,109</b>	654,112
<b>Total equity attributable to equity shareholders of the Company</b>	<b>890,583</b>	887,428
<b>Non-controlling interests</b>	<b>(5,728)</b>	(2,453)
<b>TOTAL EQUITY</b>	<b>884,855</b>	884,975

The notes on pages 24 to 42 form part of this interim financial report.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2014 – unaudited

(Expressed in Hong Kong dollars)

	Attributable to equity shareholders of the Company										
	Share capital	Share premium	Capital reserve	General reserve fund	Other reserve	Exchange reserve	Fair value reserve	Retained profits	Total	Non-controlling interests	Total equity
Notes	\$'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)
Total comprehensive income	-	-	-	-	-	(9,699)	(8)	50,350	40,643	(4,422)	36,221
Equity settled share-based transactions	16(d)	-	223	-	-	-	-	-	223	-	223
Dividends approved in respect of the previous year	16(a)(i)	-	-	-	-	-	-	(53,773)	(53,773)	-	(53,773)
<b>Balance at 30 June 2013 and 1 July 2013</b>	52,303	181,013	692	18,427	(3,062)	47,613	215	523,653	820,854	228	821,082
<b>Changes in equity for the six months ended 31 December 2013:</b>											
Profit for the period	-	-	-	-	-	-	-	73,689	73,689	(2,682)	71,007
Other comprehensive income	-	-	-	-	-	12,530	(166)	410	12,774	1	12,775
Total comprehensive income	-	-	-	-	-	12,530	(166)	74,099	86,463	(2,681)	83,782
Equity settled share-based transactions	16(d)	-	276	-	-	-	-	-	276	-	276
Dividends declared in respect of the current year	16(a)(i)	-	-	-	-	-	-	(20,165)	(20,165)	-	(20,165)
<b>Balance at 31 December 2013</b>	52,303	181,013	968	18,427	(3,062)	60,143	49	577,587	887,428	(2,453)	884,975



**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)**  
*for the six months ended 30 June 2014 – unaudited*  
*(Expressed in Hong Kong dollars)*

	Attributable to equity shareholders of the Company										
	Share capital	Share premium	Capital reserve	General reserve fund	Other reserve	Exchange reserve	Fair value reserve	Retained profits	Total	Non-controlling interests	Total equity
Notes	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Balance at 1 January 2014</b>	52,303	181,013	968	18,427	(3,062)	60,143	49	577,587	887,428	(2,453)	884,975
<b>Changes in equity for the six months ended 30 June 2014:</b>											
Profit for the period	-	-	-	-	-	-	-	31,199	31,199	(3,300)	27,899
Other comprehensive income	-	-	-	-	-	3,772	(49)	(114)	3,609	25	3,634
<b>Total comprehensive income</b>	-	-	-	-	-	3,772	(49)	31,085	34,808	(3,275)	31,533
Issuance of shares upon exercise of options under the predecessor Hong Kong Companies Ordinance	16(d)	15	119	(41)	-	-	-	-	93	-	93
Transition to no-par value regime on 3 March 2014	16(b)	181,132	(181,132)	-	-	-	-	-	-	-	-
Issuance of shares upon exercise of options under the new Hong Kong Companies Ordinance	16(d)	3,024	-	(927)	-	-	-	-	2,097	-	2,097
Transfer from retained profits		-	-	370	-	-	-	(370)	-	-	-
Dividends approved in respect of the previous year	16(a)(i)	-	-	-	-	-	-	(33,843)	(33,843)	-	(33,843)
<b>Balance at 30 June 2014</b>	236,474	-	-	18,797	(3,062)	63,915	-	574,459	890,583	(5,728)	884,855

The notes on pages 24 to 42 form part of this interim financial report.

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

for the six months ended 30 June 2014 – unaudited

(Expressed in Hong Kong dollars)

	Notes	Six months ended 30 June	
		2014 \$'000	2013 \$'000
<b>Operating activities</b>			
Cash generated from operations		38,179	47,453
Tax paid		(14,337)	(18,289)
<b>Net cash generated from operating activities</b>		<b>23,842</b>	29,164
<b>Investing activities</b>			
Payment for purchase of property, plant and equipment		(72,594)	(17,610)
Payment for purchase of other financial assets		–	(22,468)
(Increase)/decrease in time deposits with maturity over three months		(22,646)	18,783
Proceeds received upon maturity and/or sale of other financial assets		10,078	11,163
Other cash flows arising from investing activities		6,046	3,695
<b>Net cash used in investing activities</b>		<b>(79,116)</b>	(6,437)
<b>Financing activities</b>			
Dividends paid		(33,843)	(53,773)
Other cash flows arising from financing activities		4,347	(256)
<b>Net cash used in financing activities</b>		<b>(29,496)</b>	(54,029)
<b>Net decrease in cash and cash equivalents</b>		<b>(84,770)</b>	(31,302)
<b>Cash and cash equivalents at 1 January</b>	14	<b>320,617</b>	281,550
<b>Effect of foreign exchange rate changes</b>		<b>3,290</b>	(8,576)
<b>Cash and cash equivalents at 30 June</b>	14	<b>239,137</b>	241,672

The notes on pages 24 to 42 form part of this interim financial report.





## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

### 1 Basis of preparation

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 27 August 2014.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2013 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2014 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 2013 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 15 and 16.

## 1 Basis of preparation *(Continued)*

The financial information relating to the financial year ended 31 December 2013 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 2013 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 25 March 2014.

## 2 Changes in accounting policies

The HKICPA has issued the following amendments to HKFRSs and one new Interpretation 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 HKFRS 10, HKFRS 12 and HKAS 27, *Investment entities*
- Amendments to HKAS 32, *Offsetting financial assets and financial liabilities*
- Amendments to HKAS 36, *Recoverable amount disclosures for non-financial assets*

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

### ***Amendments to HKFRS 10, HKFRS 12 and HKAS 27, Investment entities***

The amendments provide consolidation relief to those parents which qualify to be an investment entity as defined in the amended HKFRS 10. Investment entities are required to measure their subsidiaries at fair value through profit or loss. These amendments do not have an impact on the Group's interim financial report as the Company does not qualify to be an investment entity.





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

### ***Amendments to HKAS 32, Offsetting financial assets and financial liabilities***

The amendments to HKAS 32 clarify the offsetting criteria in HKAS 32. The amendments do not have an impact on the Group's interim financial report as they are consistent with the policies already adopted by the Group.

### ***Amendments to HKAS 36, Recoverable amount disclosures for non-financial assets***

The amendments to HKAS 36 modify the disclosure requirements for impaired non-financial assets. Among them, the amendments expand the disclosures required for an impaired asset or cash generating unit whose recoverable amount is based on fair value less costs of disposal. The amendments do not have an impact on the Group's interim financial report.

## **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 six months ended 30 June 2014 is set out below.

	Plush stuffed toys		Ride-on toys		Plastic figures		Total	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
<i>For the six months ended 30 June</i>								
Revenue from external customers	572,201	508,027	24,544	21,983	66,232	24,030	662,977	554,040
Inter-segment revenue	14,513	6,141	-	-	431	-	14,944	6,141
<b>Reportable segment revenue</b>	<b>586,714</b>	<b>514,168</b>	<b>24,544</b>	<b>21,983</b>	<b>66,663</b>	<b>24,030</b>	<b>677,921</b>	<b>560,181</b>
<b>Reportable segment profit/(loss) (adjusted EBITDA)</b>	<b>85,589</b>	<b>102,333</b>	<b>(8,823)</b>	<b>(13,869)</b>	<b>(12,709)</b>	<b>(4,610)</b>	<b>64,057</b>	<b>83,854</b>
<i>As at 30 June /31 December</i>								
Reportable segment assets	708,764	594,761	67,142	72,656	179,116	128,158	955,022	795,575
Reportable segment liabilities	192,160	140,029	82,610	74,499	131,848	103,415	406,618	317,943

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 the 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

	Six months ended 30 June	
	2014 \$'000	2013 \$'000
Reportable segment profit	64,057	83,854
Share of profits less losses of associates	(243)	649
Impairment loss on club memberships	(5)	–
Interest income	5,835	3,321
Depreciation and amortisation	(14,762)	(11,792)
Finance costs	(393)	(435)
Unallocated head office and corporate expenses	(11,417)	(14,012)
Consolidated profit before taxation	43,072	61,585

### 4 Seasonality of operations

The Group's plush stuffed toys and ride-on toys 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 report lower revenues and segment results during the first half of the year than the second half.

For the twelve months ended 30 June 2014, the plush stuffed toys and ride-on toys segments reported reportable segment revenue of \$1,314,245,000 and \$50,721,000 respectively (twelve months ended 30 June 2013: \$1,244,926,000 and \$45,552,000 respectively), and reportable segment profit of \$198,728,000 and loss of \$14,503,000 respectively (twelve months ended 30 June 2013: \$245,154,000 and loss of \$25,481,000 respectively).

## 5 Profit before taxation

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

	Six months ended 30 June	
	2014 \$'000	2013 \$'000
<b>(a) Finance costs</b>		
Interest expense on bank borrowings wholly repayable within five years	393	435
<b>(b) Other items</b>		
Amortisation of land lease premium	380	279
Depreciation	14,382	11,513
Operating lease charges: minimum lease payments in respect of property rentals	14,208	12,890
Inventories write-down and losses	4,203	5,909
Reversal of write-down of inventories	(5,402)	(5,045)
Reversal of provision for custom duties (note)	–	(13,426)
Bank interest income	(5,213)	(3,180)
Interest income from other financial assets	(622)	(141)
Net realised and unrealised loss/(gain) on other financial assets	40	(2,806)

*Note:* The Company operated a processing factory in Shenzhen, the People's Republic of China (the "PRC"). In May 2012, the Company set up a subsidiary to transform its processing factory into a wholly-owned foreign enterprise. Upon the receipt of clearance document from relevant government authority, provision for custom duties amounting to \$13,426,000 recorded in prior years in the Group's financial statements was reversed and was included in "cost of sales" in the consolidated income statement for the six months ended 30 June 2013.



## 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”).

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 approximately \$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 both parties’ application on striking out the Claim against the Company on 15 April 2013.

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 was fully and finally settled. Claim settlement of US\$250,000 (equivalent to approximately \$1,939,000) was included in “administrative expenses” in the consolidated income statement for the six months ended 30 June 2013.

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

	<b>At 30 June 2014 \$’000</b>	At 31 December 2013 \$’000
Within 1 year ( <i>note 15</i> )	<b>388</b>	1,163

## 7 Income tax

	Six months ended 30 June	
	2014 \$'000	2013 \$'000
Current tax – Hong Kong Profits Tax	7,705	1,829
Current tax – Outside Hong Kong	7,349	12,490
Deferred taxation	119	1,491
	<b>15,173</b>	15,810

The provision for Hong Kong Profits Tax for 2014 is calculated at 16.5% (2013: 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 Other comprehensive income

### *Available-for-sale security*

	Six months ended 30 June	
	2014 \$'000	2013 \$'000
Changes in fair value recognised during the period	–	(8)
Reclassification adjustment for amounts transferred to profit or loss: – disposal	(49)	–
Net movement in the fair value reserve during the period recognised in other comprehensive income	(49)	(8)





## 9 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 \$31,199,000 for the six months ended 30 June 2014 (six months ended 30 June 2013: \$50,245,000) and the weighted average number of ordinary shares of 675,067,000 shares (six months ended 30 June 2013: 672,165,000 shares) in issue during the interim period.

### (b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of \$31,199,000 for the six months ended 30 June 2014 (six months ended 30 June 2013: \$50,245,000) and the weighted average number of ordinary shares of 676,865,000 shares for the six months ended 30 June 2014 (six months ended 30 June 2013: 674,237,000 shares).

## 10 Other financial assets

	At 30 June 2014 \$'000	At 31 December 2013 \$'000
<b>Non-current</b>		
Equity-linked security (notes (i) and (vii))	–	10,927
Structured debt security (notes (ii) and (vii))	6,213	5,770
Available-for-sale debt security – unlisted (note (iii))	–	6,633
Available-for-sale equity security – unlisted (note (iv))	5,960	5,650
	<b>12,173</b>	28,980
<b>Current</b>		
Equity-linked security (notes (v) and (vii))	11,681	3,473
Structured debt security (notes (vi) and (vii))	7,759	7,562
	<b>19,440</b>	11,035
	<b>31,613</b>	40,015

## 10 Other financial assets *(Continued)*

### *Notes:*

- (i) Equity-linked security as at 31 December 2013 represented an equity-linked bond 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 8 May 2015. This security is classified as “current assets” as at 30 June 2014 (see note (v)).
- (ii) Structured debt security represents a debt investment placed with an investment bank in Korea with fixed interest rate at 6.25% per annum and redeemable by the debt issuer on or after 15 April 2024.
- (iii) Available-for-sale debt security – unlisted as at 31 December 2013 represented an investment in bonds issued by an investment bank in Korea with a maturity date of 30 March 2039. The security was disposed of during the six months ended 30 June 2014. No gain or loss on disposal was recognised in the consolidated income statement.
- (iv) Available-for-sale equity security – unlisted represents an investment in a Korean private company and is carried at cost less impairment loss.
- (v) The equity-linked security as at 30 June 2014 represents the security mentioned in note (i).

Equity-linked security as at 31 December 2013 represented a structured fund placed with an investment bank in Korea with guaranteed principal and variable interest linked to the Korea Composite Stock Price Index 200 and a maturity date of 10 February 2014.

- (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, except for the available-for-sale equity security (see note (iv)). No impairment loss was recognised during the six months ended 30 June 2014.



## 11 Fixed assets

During the six months ended 30 June 2014, the Group acquired items of fixed assets with a cost of \$72,594,000 (six months ended 30 June 2013: \$17,610,000). Items of fixed assets with a net book value of \$242,000 were disposed of during the six months ended 30 June 2014 (six months ended 30 June 2013: \$1,404,000), resulting in a loss on disposal of \$31,000 (six months ended 30 June 2013: gain of \$50,000).

## 12 Inventories

During the six months ended 30 June 2014, \$5,402,000 (six months ended 30 June 2013: \$5,045,000) has been recognised as a reversal of write-down of inventories. The reversal arose upon disposal of these inventories.

## 13 Trade and other receivables

As at 30 June 2014, 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 allowance for doubtful debts, is as follows:

	At 30 June 2014 \$'000	At 31 December 2013 \$'000
Within 1 month	<b>83,023</b>	134,697
1 to 2 months	<b>43,950</b>	22,880
2 to 3 months	<b>16,178</b>	12,192
3 to 4 months	<b>2,023</b>	7,884
Over 4 months	<b>13,506</b>	3,669
Trade debtors and bills receivable, net of allowance for doubtful debts	<b>158,680</b>	181,322
Other receivables and prepayments	<b>77,201</b>	68,242
Amounts due from related companies	<b>6,979</b>	14,154
	<b>242,860</b>	263,718

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.

#### 14 Cash and cash equivalents and time deposits

	At 30 June 2014 \$'000	At 31 December 2013 \$'000
Bank deposits within three months to maturity when placed	51,975	89,654
Cash at bank and in hand	187,162	230,963
Cash and cash equivalents in the consolidated balance sheet and condensed consolidated cash flow statement	239,137	320,617
Time deposits with more than three months to maturity when placed	102,122	79,476
	<b>341,259</b>	400,093

#### 15 Trade and other payables

Included in trade and other payables are trade creditors with the following ageing analysis as at 30 June 2014:

	At 30 June 2014 \$'000	At 31 December 2013 \$'000
Due within 1 month or on demand	75,322	79,079
Due after 1 month but within 3 months	33,628	5,053
Due after 3 months but within 6 months	9	271
Due after 6 months but within 1 year	839	847
Trade creditors	109,798	85,250
Accrued charges and other payables	92,514	97,272
Claim settlement (note 6)	388	1,163
Amounts due to related companies	-	68
Amount due to an associate	327	2,961
	<b>203,027</b>	186,714



## 16 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	
	2014 \$'000	2013 \$'000
Interim dividend declared and paid after the interim period of 3 cents per ordinary share (six months ended 30 June 2013: 3 cents per ordinary share)	<b>20,306</b>	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	
	2014 \$'000	2013 \$'000
Final dividend in respect of the previous financial year, approved and paid during the interim period, of 5 cents per ordinary share (six months ended 30 June 2013: 8 cents per ordinary share)	<b>33,843</b>	53,773

## 16 Capital, reserves and dividends (Continued)

### (b) Share capital

As at 31 December 2013, 5,000,000,000 ordinary shares, with par value of US\$0.01 each, were authorised for issue. Under the new Hong Kong Companies Ordinance (Cap. 622), which commenced operation on 3 March 2014, the concepts of “authorised share capital” and “par value” no longer exist. As part of the transition to the no-par value regime, the amounts standing to the credit of the share premium account on 3 March 2014 have become part of the Company’s share capital, under the transitional provisions set out in section 37 of Schedule 11 to the new Hong Kong Companies Ordinance (Cap. 622). These changes do not have an impact on the number of shares in issue or the relative entitlement of any of the members.

Movements of the Company’s ordinary shares are set out below:

	At 30 June 2014		At 31 December 2013	
	No. of shares '000	\$'000	No. of shares '000	\$'000
<b>Ordinary shares, issued and fully paid:</b>				
At 1 January	<b>672,165</b>	<b>52,303</b>	672,165	52,303
Issuance of shares upon exercise of options under the predecessor Hong Kong Companies Ordinance (note 16(d))	<b>200</b>	<b>15</b>	-	-
Transition to no-par value regime on 3 March 2014	-	<b>181,132</b>	-	-
Issuance of shares upon exercise of options under the new Hong Kong Companies Ordinance (note 16(d))	<b>4,500</b>	<b>3,024</b>	-	-
At 30 June/31 December	<b>676,865</b>	<b>236,474</b>	672,165	52,303



## 16 Capital, reserves and dividends *(Continued)*

### *(c) Share premium*

Prior to 3 March 2014, the application of the share premium account was governed by section 48B of the predecessor Hong Kong Companies Ordinance (Cap. 32). In accordance with the transitional provisions set out in section 37 of Schedule 11 to the new Hong Kong Companies Ordinance (Cap. 622), on 3 March 2014 any amount standing to the credit of the share premium account has become part of the Company's share capital (see note 16(b)). The use of share capital as from 3 March 2014 is governed by the new Hong Kong Companies Ordinance (Cap. 622).

### *(d) 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 gave the holder the right to subscribe for one ordinary share of US\$0.01 each of the Company. 200,000 share options were lapsed before vesting. 4,700,000 share options vested on 22 December 2013, and then are exercisable until 22 December 2016. The exercise price was \$0.466, being the weighted average closing price of the Company's ordinary shares immediately before the grant.

These options were exercised during the six months ended 30 June 2014 (see note 16(b)) (2013: nil). No options were granted during the period ended 30 June 2014 (2013: nil).

## 17 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 each balance sheet date 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

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

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

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

- 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

	Fair value at 30 June 2014 \$'000	Fair value measurements as at 30 June 2014 categorised into		
		Level 1 \$'000	Level 2 \$'000	Level 3 \$'000

#### Recurring fair value measurement

##### Financial assets:

Equity-linked security	11,681	–	11,681	–
Structured debt securities	13,972	–	13,972	–

	Fair value at 31 December 2013 \$'000	Fair value measurements as at 31 December 2013 categorised into		
		Level 1 \$'000	Level 2 \$'000	Level 3 \$'000

#### Recurring fair value measurement

##### Financial assets:

Available-for-sale debt security:				
– unlisted	6,633	–	6,633	–
Equity-linked securities	14,400	–	14,400	–
Structured debt securities	13,332	–	13,332	–





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

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

*(i) Fair value hierarchy (Continued)*

During the six months ended 30 June 2014, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3.

During the year ended 31 December 2013, available-for-sale debt security – unlisted with a carrying amount of \$6,633,000 was transferred from Level 1 to Level 2 because quoted price in the market for such debt security became no longer regularly available.

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 are not materially different from their fair values as at 31 December 2013 and 30 June 2014.

**18 Capital commitments outstanding not provided for in the interim financial report**

	<b>At 30 June 2014 \$'000</b>	At 31 December 2013 \$'000
Contracted for	<b>87,984</b>	49,090
Authorised but not contracted for	<b>34,535</b>	25,022
	<b>122,519</b>	74,112

The capital commitments outstanding as at 30 June 2014 and 31 December 2013 represent additional investments in buildings, plant and machineries and land use rights in Vietnam and in the PRC.

## 19 Material related party transactions

During the six months ended 30 June 2014, the Group entered into the following transactions with its related parties:

		Six months ended 30 June	
	<i>Notes</i>	2014 \$'000	2013 \$'000
<b>(a) Key management personnel remuneration</b>			
Salaries and other short-term benefits		10,838	12,336
Share-based payments		–	56
		<b>10,838</b>	<b>12,392</b>
<b>(b) Sales of goods to</b>			
Related companies	<i>(i)</i>	3,545	372
<b>(c) Purchase of goods from</b>			
An associate		–	907
A related company	<i>(i)</i>	5	–
<b>(d) Purchase of materials from</b>			
An associate		3,915	2,461
A related company	<i>(i)</i>	149	–
<b>(e) Rental paid/payable to</b>			
A related company	<i>(i)</i>	1,567	1,575
<b>(f) Processing fees paid/payable to</b>			
An associate	<i>(ii)</i>	1,709	1,604



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

*Notes:*

- (i) These are transactions with C & H Co., Ltd and its subsidiaries (“C & H Group”). A director of the Company is the controlling shareholder of both the C & H Group and the Group.
- (ii) Processing fees paid/payable to an associate relates to subcontracting services provided.

## 20 Non-adjusting event after the reporting period

Subsequent to the balance sheet date, a non-wholly owned subsidiary of the Company entered into an asset transfer agreement on 9 July 2014 with a third party to dispose of land and buildings situated in Taicang City, Jiangsu Province, the PRC for a total consideration of RMB58,000,000 (equivalent to approximately \$72,500,000).

The Group is in process of assessing the impact of the disposal on the Group's financial statements.

## 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**

Unit 501 & 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

Level 22, Hopewell Centre

183 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

1126