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DREAM INTERNATIONAL LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 1126)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2023

The board of directors (the "Board") of Dream International Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2023 together with comparative figures for the corresponding period in 2022.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2023 – unaudited
(Expressed in Hong Kong dollars)

		Six months ended 30 June	
		2023	2022
	Notes	***$'000***	*$'000*
Revenue	*3*	**2,489,078**	2,841,692
Cost of sales		**(1,912,511)**	(2,346,000)
Gross profit		**576,567**	495,692
Other revenue		**32,624**	31,590
Other net gain/(loss)		**1,035**	(32,589)
Distribution costs		**(29,656)**	(77,072)
Administrative expenses		**(159,949)**	(153,705)
Profit from operations		**420,621**	263,916
Finance costs	*4(a)*	**(6,755)**	(5,386)
Share of profit of an associate		**2,311**	978
Profit before taxation	*4*	**416,177**	259,508
Income tax	*5*	**(82,329)**	(57,984)
Profit for the period		**333,848**	201,524
Earnings per share			
Basic and diluted	*7*	**$0.493**	$0.298

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2023 – unaudited

(Expressed in Hong Kong dollars)

	Six months ended 30 June	
	2023	2022
	$'000	*$'000*
Profit for the period	**333,848**	201,524
Other comprehensive income for the period (after tax and reclassification adjustments):		
Item that may be or is reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong	**(6,198)**	892
	(6,198)	892
Other comprehensive income for the period	**(6,198)**	892
Total comprehensive income for the period	**327,650**	202,416

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2023 – unaudited

(Expressed in Hong Kong dollars)

	Notes	At 30 June 2023 $'000	At 31 December 2022 $'000
Non-current assets			
Property, plant and equipment	*8*	**1,359,750**	1,402,286
Investment properties		**3,176**	4,004
Long term receivables and prepayments		**21,674**	20,670
Other intangible assets		**25,049**	25,353
Goodwill		**2,753**	2,753
Interests in an associate		**14,317**	12,006
Deferred tax assets		**5,424**	6,890
Time deposits		**5,988**	7,963
Other financial asset	*9*	**2,771**	2,875
		1,440,902	1,484,800
Current assets			
Inventories	*10*	**938,913**	944,935
Trade and other receivables	*11*	**1,147,930**	1,192,922
Current tax recoverable		**1,164**	369
Time deposits		**184,593**	92,377
Cash and cash equivalents		**661,327**	669,264
		2,933,927	2,899,867
Current liabilities			
Trade and other payables and contract liabilities	*12*	**707,563**	817,445
Bank loans		**172,804**	192,294
Lease liabilities		**29,273**	22,234
Current tax payable		**93,522**	94,771
		1,003,162	1,126,744
Net current assets		**1,930,765**	1,773,123
Total assets less current liabilities		**3,371,667**	3,257,923

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
At 30 June 2023 – unaudited
(Expressed in Hong Kong dollars)

	At 30 June 2023 $'000	At 31 December 2022 $'000
Non-current liabilities		
Lease liabilities	**31,143**	42,351
Deferred tax liabilities	**10,447**	10,085
	41,590	52,436
NET ASSETS	**3,330,077**	3,205,487
CAPITAL AND RESERVES		
Share capital	**236,474**	236,474
Reserves	**3,093,603**	2,969,013
TOTAL EQUITY	**3,330,077**	3,205,487

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

1 GENERAL INFORMATION AND BASIS OF PREPARATION

The principal activities of the Group are design, development, manufacture and sale of plastic figures, plush stuffed toys, tarpaulin and die-casting products.

The Company is a limited liability company incorporated in Hong Kong. The address of its registered office is 6/F, Tower 1, South Seas Centre, 75 Mody Road, Tsim Sha Tsui, Kowloon, Hong Kong.

The Company is listed on the Main Board of The Stock Exchange of Hong Kong Limited.

The interim financial results set out in this announcement do not constitute the Group's interim financial report for the six months ended 30 June 2023 but are extracted from those interim financial report.

The interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), including compliance with Hong Kong Accounting Standard ("HKAS") 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). It was authorised for issue on 25 August 2023.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2022 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2023 annual financial statements. Details of any changes in accounting policies are set out in note 2.

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

The financial information relating to the financial year ended 31 December 2022 that is included in the interim financial report as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Further information relating to these statutory financial statements disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) (the "Companies Ordinance") is as follows:

The Company has delivered the financial statements for the year ended 31 December 2022 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

The Company's auditor has reported on those financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

2 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a new HKFRS and a number of amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

In June 2022, the Government of the Hong Kong SAR (the "Government") gazetted the Hong Kong Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the "Amendment Ordinance"), which will eventually abolish the statutory right of an employer to reduce its long service payment ("LSP") and severance payment payable to a Hong Kong employee by drawing on its mandatory contributions to the mandatory provident fund ("MPF") scheme (also known as the "offsetting mechanism"). The Government has subsequently announced that the Amendment Ordinance will come into effect from 1 May 2025 (the "Transition Date"). Separately, the Government is also expected to introduce a subsidy scheme to assist employers after the abolition.

Among other things, once the abolition of the offsetting mechanism takes effect, an employer can no longer use any of the accrued benefits derived from its mandatory MPF contributions (irrespective of the contributions made before, on or after the Transition Date) to reduce the LSP in respect of an employee's service from the Transition Date. However, where an employee's employment commenced before the Transition Date, the employer can continue to use the above accrued benefits to reduce the LSP in respect of the employee's service up to that date; in addition, the LSP in respect of the service before the Transition Date will be calculated based on the employee's monthly salary immediately before the Transition Date and the years of service up to that date.

In July 2023, the HKICPA published "Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong" that provides guidance on the accounting considerations relating to the offsetting mechanism and the abolition of the mechanism. In particular, the guidance indicates that entities may account for the accrued benefits derived from its mandatory MPF contributions that are expected to be used to reduce the LSP payable to an employee as deemed contributions by that employee towards the LSP. However, applying this approach, upon the enactment of the Amendment Ordinance in June 2022, it is no longer permissible to apply the practical expedient in paragraph 93(b) of HKAS 19 and recognise such deemed contributions as reduction of current service cost in the period the related service is rendered, and any impact from ceasing to apply the practical expedient is recognised as a catch-up adjustment in profit or loss with a corresponding adjustment to the LSP liability during the year ended 31 December 2022.

In this interim financial report and in prior periods, consistent with the HKICPA guidance the Group has been accounting for the accrued benefits derived from its mandatory MPF contributions that are expected to be used to reduce the LSP payable to an employee as deemed employee contributions towards the LSP. However, the Group has been applying the above-mentioned practical expedient.

The Group has assessed the implications of this new guidance on the above accounting policies and has decided to change those accounting policies to conform with the guidance. The management has commenced the processes on implementing the change including additional data collection and impact assessment. However, the impact of the change is not reasonably estimable at the time this interim financial report is authorised for issue, as the Group has yet to fully complete its assessment of the impact of the HKICPA guidance. The Group expects to adopt this guidance in its annual financial statements for the year ending 31 December 2023.

3 REVENUE AND SEGMENT REPORTING

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

(a) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major products lines and geographical location of customers is as follows:

	Six months ended 30 June	
	2023	2022
	$'000	*$'000*
Revenue from sales of goods within the scope of HKFRS 15		
Disaggregated by major product lines		
– Plush stuffed toys	**1,239,913**	850,863
– Plastic figures	**911,871**	1,577,166
– Tarpaulin	**242,050**	303,876
– Die-casting products	**95,244**	109,787
	2,489,078	2,841,692

	Six months ended 30 June	
	2023	2022
	$'000	*$'000*
Disaggregated by geographical location of customers		
– Hong Kong (place of domicile)	**79,362**	26,034
– North America	**1,194,381**	1,953,068
– Japan	**654,266**	446,301
– The PRC	**394,396**	208,163
– Europe	**79,651**	129,419
– Other countries	**87,022**	78,707
	2,489,078	2,841,692

(b) Information about profit or loss, assets and liabilities

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

	Plush stuffed toys		Plastic figures		Tarpaulin		Die-casting products		Total	
	2023	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022
	$'000	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*
For the six months ended 30 June										
Revenue from external customers	**1,239,913**	850,863	**911,871**	1,577,166	**242,050**	303,876	**95,244**	109,787	**2,489,078**	2,841,692
Inter-segment revenue	**11,993**	20,320	**3,886**	4,484	**2**	–	**50,996**	91,308	**66,877**	116,112
Reportable segment revenue	**1,251,906**	871,183	**915,757**	1,581,650	**242,052**	303,876	**146,240**	201,095	**2,555,955**	2,957,804
Reportable segment profit (adjusted EBITDA)	**377,703**	166,487	**103,328**	198,935	**22,614**	16,095	**7,172**	9,400	**510,817**	390,917
	30 June 2023	31 December 2022	**30 June 2023**	31 December 2022	**30 June 2023**	31 December 2022	**30 June 2023**	31 December 2022	**30 June 2023**	31 December 2022
	$'000	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*
Reportable segment assets	**1,988,933**	1,797,515	**1,351,032**	1,480,963	**320,426**	291,523	**202,327**	170,385	**3,862,718**	3,740,386
Reportable segment liabilities	**439,466**	426,558	**552,707**	429,087	**42,317**	69,102	**315,185**	297,418	**1,349,675**	1,222,165

The measure used for reporting segment profit is "adjusted EBITDA" i.e. "adjusted earnings before interest, taxes, depreciation and amortisation", where "interest" is regarded as including investment income. To arrive at the adjusted EBITDA, the Group's earnings are further adjusted for items not specifically attributed to individual segments, such as share of profit of an associate, directors' and auditors' remuneration and other head office or corporate administration costs.

(c) Reconciliations of reportable segment profit or loss

	Six months ended 30 June	
	2023	2022
	$'000	*$'000*
Reportable segment profit	**510,817**	390,917
Interest income	**18,364**	10,090
Depreciation	**(89,752)**	(81,553)
Finance costs	**(6,755)**	(5,386)
Share of profit of an associate	**2,311**	978
Unallocated head office and corporate expenses	**(18,808)**	(55,538)
Consolidated profit before taxation	**416,177**	259,508

4 PROFIT BEFORE TAXATION

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

(a) Finance costs

	Six months ended 30 June	
	2023	2022
	$'000	*$'000*
Interest expense on bank borrowings	**4,922**	4,206
Interest expense on lease liabilities	**1,833**	1,180
	6,755	5,386

(b) Other items

	Six months ended 30 June	
	2023	2022
	$'000	*$'000*
Depreciation charge		
– owned property, plant and equipment	**73,812**	68,723
– leasehold land held for own use	**2,314**	2,029
– right-of-use assets	**13,626**	10,801
Expenses related to short-term lease	**7,160**	7,745
Amortisation of intangible assets	**124**	201
Inventories write-down *(note 10)*	**7,569**	8,852
Reversal of write-down of inventories *(note 10)*	**(601)**	(3,387)
Bank interest income	**(18,364)**	(10,090)
Net gain on disposal of other property, plant and equipment	**(649)**	(660)
Reversal of impairment of other intangible assets	**–**	(35)
Loss on unauthorised fund transfer *(note)*	**–**	41,420

Note:

As disclosed in the Group's announcement dated 23 February 2022, the Company discovered that the token for the internet banking of the Company was missing and found out funds amounted to USD5,311,090 (equivalent to approximately $41,420,000) was transferred to a non-related account with the Group (the "Incident") on 17 February 2022. Management considered the chance to recover the lost funds was remote and recognised a loss of $41,420,000 in "other net gain/(loss)" of the consolidated statement of profit or loss for the six months ended 30 June 2022.

5 INCOME TAX

	Six months ended 30 June	
	2023	2022
	$'000	*$'000*
Current tax – Hong Kong Profits Tax	**19,233**	24,297
Current tax – Outside Hong Kong	**61,131**	37,345
Deferred taxation	**1,965**	(3,658)
	82,329	57,984

The provision for Hong Kong Profits Tax is calculated by applying the estimated annual effective tax rate of 16.5% (six months ended 30 June 2022: 16.5%) to the six months ended 30 June 2023 except for the Company which is a qualifying corporation under the two-tiered Profits Tax rate regime.

For the Company, the first $2,000,000 of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. The provision for Hong Kong Profits Tax was calculated at the same basis for the six months ended 30 June 2022.

Taxation for subsidiaries outside Hong Kong is calculated similarly using the estimated annual effective rates of taxation that are expected to be applicable in the relevant countries.

6 DIVIDENDS

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

	Six months ended 30 June	
	2023	2022
	$'000	*$'000*
Interim dividend declared and paid after the interim period of 20 cents per ordinary share (six months ended 30 June 2022: 10 cents per ordinary share)	**135,373**	67,687

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

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

	Six months ended 30 June	
	2023	2022
	$'000	*$'000*
Final dividend in respect of the previous financial year, approved and paid during the following interim period, of 30 cents per ordinary share (six months ended 30 June 2022: 10 cents per ordinary share)	**203,060**	67,687

7 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of $333,848,000 (six months ended 30 June 2022: $201,524,000) and the weighted average number of ordinary shares of 676,865,000 shares (six months ended 30 June 2022: 676,865,000 shares) in issue during the interim period.

(b) Diluted earnings per share

The diluted earnings per share is the same as the basic earnings per share as there were no dilutive potential ordinary shares in existence during the six months ended 30 June 2023 and 2022.

8 PROPERTY, PLANT AND EQUIPMENT

(a) Right-of-use assets

During the six months ended 30 June 2023, the Group entered into a number of lease agreements and therefore recognised additions to right-of-use assets of $8,763,000 (six months ended 30 June 2022: $41,358,000).

(b) Acquisitions and disposals of owned assets

During the six months ended 30 June 2023, the Group acquired items of other property, plant and equipment with a cost of $37,922,000 (six months ended 30 June 2022: $93,066,000). Items of other property, plant and equipment with a net book value of $1,752,000 were disposed of during the six months ended 30 June 2023 (six months ended 30 June 2022: $3,137,000), resulting in a net gain on disposal of $649,000 (six months ended 30 June 2022: $660,000).

9 OTHER FINANCIAL ASSET

	At 30 June 2023	At 31 December 2022
	$'000	*$'000*
Unlisted equity security measured at FVOCI (non-recycling) *(Note)*	**2,771**	2,875

Note:

Unlisted equity security represents an investment in Joongang Tongyang Broadcasting Company ("JTBC"), a company incorporated in Korea and engaged in multimedia and broadcasting. The Group designated its investment in JTBC at fair value through other comprehensive income ("FVOCI") (non-recycling), as the investment is held for strategic purpose. No dividends were received on this investment during the period (2022: $Nil).

10 INVENTORIES

During the six months ended 30 June 2023, there is a reversal of write-down of inventories of $601,000 (six months ended 30 June 2022: $3,387,000). The reversal arose upon utilisation, disposal or an increase in the estimated net realisable value of these inventories.

During the six months ended 30 June 2023, there was a write-down of inventories of $7,569,000 (six months ended 30 June 2022: $8,852,000). The write-down arose upon a decrease in the estimated net realisable value of these inventories.

11 TRADE AND OTHER RECEIVABLES

As at 30 June 2023, the ageing analysis of trade debtors and bills receivable (which are included in trade and other receivables), based on the invoice date or date of revenue recognition (if earlier) and net of loss allowance, is as follows:

	At 30 June 2023	At 31 December 2022
	$'000	*$'000*
Within 1 month	**717,894**	511,897
1 to 2 months	**156,575**	342,328
2 to 3 months	**12,314**	76,866
3 to 4 months	**4,432**	12,528
Over 4 months	**–**	3,273
Trade debtors and bills receivable, net of loss allowance	**891,215**	946,892
Other receivables	**208,157**	197,475
Prepayments	**18,512**	23,639
Loans receivable	**30,046**	24,916
	1,147,930	1,192,922

Trade debtors and bills receivable are due within 30 to 120 days from the date of billing.

Loans receivable at 30 June 2023 and 31 December 2022 are due from third parties, unsecured, interest-bearing at 6.3% to 9.5% (31 December 2022: 6.3% to 8.0%) per annum and recoverable within one year.

12 TRADE AND OTHER PAYABLES AND CONTRACT LIABILITIES

As at 30 June 2023, the ageing analysis of trade payables (which are included in trade and other payables and contract liabilities), based on the invoice date, is as follows:

	At 30 June 2023	At 31 December 2022
	$'000	*$'000*
Within 1 month	**320,299**	371,200
Over 1 month but within 3 months	**58,680**	131,772
Over 3 months but within 6 months	**102,937**	50,057
Over 6 months	**29,772**	26,630
Trade payables	**511,688**	579,659
Contract liabilities – sales deposit	**5,256**	11,689
Salary and welfare payables	**108,431**	142,503
Value-added tax payable	**4,514**	12,497
Other payables and accruals	**58,322**	46,215
Receipt in advance	**19,352**	24,882
	707,563	817,445

MANAGEMENT DISCUSSION & ANALYSIS

Financial Review

During the first half of 2023, the global pandemic threat began to subside, allowing economic activities to resume gradually. However, uncertainties prevailed in the global economic and business environment from central banks tightening monetary policies, high inflation rate in major economies and geopolitical tensions. The manufacturing sector, as a whole, faced challenges from conservative consumption sentiment, while the mainstream toy markets went into destocking cycle. As such, the performance of certain segments of the Group was affected. Despite these challenges weighing down on its revenue, the Group demonstrated resilience, thanks to its business and market diversification strategies, persistent cost control efforts and flexible planning of capacities at its two production bases, and achieved profit growth.

For the six months ended 30 June 2023 (the "Period"), impacted by the toy industry's overall destocking cycle, the Group recorded revenue of HK$2,489.1 million, representing a decrease of 12.4% (six months ended 30 June 2022: HK$2,841.7 million), partly offset by the strong growth of the plush stuffed toy segment during the Period. With the plush stuffed toy segment bringing in a larger revenue contribution, raw material prices stable, and at the Group's stringent cost control measures and efforts to enhance production efficiency, gross profit for the Period increased by 16.3% to HK$576.6 million (six months ended 30 June 2022: HK$495.7 million), with gross profit margin improved to 23.2% (six months ended 30 June 2022: 17.4%). Profit attributable to shareholders of the Company rose by 65.7% to HK$333.8 million (six months ended 30 June 2022: HK$201.5 million), with net profit margin widening to 13.4% (six months ended 30 June 2022: 7.1%).

As at 30 June 2023, the Group was in a healthy financial position with cash and cash equivalents and current time deposits amounting to HK$845.9 million (31 December 2022: HK$761.6 million). To reward shareholders of the Company for their long-term support, the Board has recommended payment of an interim dividend of HK20 cents per ordinary share (six months ended 30 June 2022: HK10 cents) for the Period.

Business Review

Product Analysis

Plush Stuffed Toys

Revenue of the segment increased by 45.7% to approximately HK$1,239.9 million (six months ended 30 June 2022: HK$850.9 million), representing 49.8% of the Group's total revenue. The growth was primarily attributed to the strong demand from theme parks in the US, Japan, and the PRC. During the Period, the Group strategically enhanced allocation of production capacity to shorten response time and make replenishment quickly, allowing it to seamlessly cater to customer demands, and spare capacity to handle additional promotional and seasonal orders, thereby broadened its income stream and market presence.

Plastic Figures

With the global economic downturn dampening consumption sentiment, certain toy brands held a more conservative view of the market, thus there was a decline in order inflow from customers of this segment and certain projects were delayed, leading to a shrink in the segment's revenue to HK$911.9 million (six months ended 30 June 2022: HK$1,577.2 million), accounting for 36.6% of the Group's total revenue. To address the challenges from the weak macro economy, the Group strived to recruit new customers to expand its customer base and also jointly explored new product series with existing top-tier customers to proactively grow the market and simulate demand. Furthermore, the Group implemented strict cost control measures and enhanced the level of production automation, hence was able to bolster production efficiency and economies of scale. These efforts have paved the way for the Group to meet demand of the traditional peak season in the latter half year.

Tarpaulin

The segment made revenue of HK$242.1 million (six months ended 30 June 2022: HK$303.9 million), representing a 20.3% year-on-year decline and accounting for 9.7% of the Group's total revenue. Although the segment has proven resilience to external economic fluctuations, it was hindered during the first half of the year by customers in the US and Europe with excess inventory to clear and lacking confidence from concerns about inflation. Nevertheless, the Group remained committed to broadening its customer base and continuously exploring opportunities of introducing different kinds of tarpaulin products, so as to revitalise the segment's performance.

Die-Casting Products

The segment maintained its revenue at approximately HK$95.2 million (six months ended 30 June 2022: HK$109.8 million) under the adverse market, mainly owned to the stable demand for playsets, accounting for 3.9% of the Group's total revenue. During the Period, with the Group continuing to adjust and restructure production lines and heighten automation level, the segment was able to boost productivity, and at the same time, elevate product quality and reduce costs. Moreover, the Group continued to secure new customers and enrich its product offerings to brace expansion of the business.

Geographic Market Analysis

For the six months ended 30 June 2023, North America remained the Group's largest geographical market, accounting for 48.0% of its total revenue. Contribution from Japan, the second largest market, accounted for 26.3% of its total revenue, followed by the PRC at 15.8% and Europe at 3.2%.

Operational Analysis

As at 30 June 2023, the Group operated 27 plants in total, seven in China and 20 in Vietnam, with average utilisation rate at around 87%. Over the years, at its continuous effort to expand production bases, the Group has seen significant improvement in its output capacity and efficiency. That plus increasing automation have enabled the Group to meet climbing demand with quality products at competitive prices. Mindful of the importance of maximising efficiency of its various production lines, the Group would analyse relevant production processes before commencing production, as such, overall production lead time has enhanced. These aforementioned efforts have given the Group greater flexibility in allocating resources well within its existing production capacity.

Prospects

Macroeconomic uncertainties continue to prevail. The high interest rate and inflation in major economies, together with customers in the destocking cycle, are expected to affect the toy industry. Nonetheless, with long-standing foothold in the industry, the Group has kept its market leadership. And with sustained demand coming from theme parks worldwide, the Group holds a cautiously optimistic view about its prospects.

Over the years, the Group has spared no effort in building its presence across all major toy markets, such as the US, Japan and the PRC, via ties with top-tier toy companies. In the past decade, it has also strived to diversify business not only to create growth drivers, but also to avert risks. These strategies have paid off, seeing the Group grow at increasing pace in prosperous times and deliver stable overall performance in adversities. The Group will keep fortifying the established relationship it has with top-tier clients and growing its diverse business segments, as well as enhancing the efficiency of its dual production bases. These efforts will allow it to secure large orders, access more cross-selling opportunities and enjoy higher flexibility in production planning, and ultimately, be able to quickly adapt to the changing macro economy and market trends, and capture opportunities ahead.

Thanks to its continuing capacity expansion plan, the Group has the capacity to cater to the next wave of market demand. The Group is now pressing forward with increasing automation to further enhance the overall efficiency of its production lines. That, plus the pre-production analysis the Group carries out, will strengthen its capabilities to capture more projects and speed up delivery. Although overall raw material price has become relatively stable, the Group will continue to minimise procurement costs through bulk purchases and stock up certain raw materials when necessary to cope with price fluctuation, ultimately to maintain its profitability.

While striving to develop the business, the Group is well aware of its role as a corporate citizen. The Group endeavours to assume social responsibilities by continuously driving progress in sustainability. The Group will closely monitor and work with customers and supply chain partners to incorporate sustainability elements into products and timely review the effectiveness of the initiatives.

To conclude, the aforementioned persistent efforts of the Group to diversify business, as well as to enhance production capacity and efficiency, have augmented its fundamentals. Looking forward, the Group is well-poised to capitalise on its competitive edges and stay ahead of its peers in seizing potential market opportunities for creating long-term value for all stakeholders.

Number and Remuneration of Employees

As at 30 June 2023, the Group had 28,362 (31 December 2022: 28,924) employees in Hong Kong, the PRC, Korea, the US, Japan, Vietnam and Singapore. The total amount of staff costs of the Group for the period was HK$670.6 million (six months ended 30 June 2022: HK$721.4 million). The Group values its human resources and recognises the importance of attracting and retaining quality staff for its continuing success. Staff bonuses are awarded based on individual performance. In addition, the Group provides comprehensive training programs to its employees or sponsors the employees to attend various job-related training course.

Liquidity and Financial Resources and Gearing

The Group continued to maintain a reasonable liquidity position. As at 30 June 2023, the Group had net current assets of HK$1,930.8 million (31 December 2022: HK$1,773.1 million). The Group's total cash and cash equivalents as at 30 June 2023 amounted to HK$661.3 million (31 December 2022: HK$669.3 million). The bank loans of the Group as at 30 June 2023 amounted to HK$172.8 million (31 December 2022: HK$192.3 million). The Group financed its operations by internally generated cashflows and banking facilities provided by the banks. The Group maintains a prudent approach in managing its financial requirements.

The Group also maintains a conservative approach to foreign exchange exposure management. The Group is exposed to currency risk primarily through income and expenditure streams denominated in United States Dollar, Renminbi Yuan, Vietnamese Dong and Japanese Yen. To manage currency risks, non-Hong Kong Dollar assets are financed primarily by matching local currency debts as far as possible. The Group's gearing ratio, calculated on the basis of total bank loan over the total equity, was at 5.2% at 30 June 2023 (31 December 2022: 6.0%).

PLEDGE ON GROUP ASSETS

Factory buildings, certain leasehold land, property, plant and equipment, and bank deposit of the Group with an aggregate carrying amount of HK$189.1 million (2022: HK$223.6 million) as at 30 June 2023 were pledged as security for bank loans of the Group of HK$172.8 million (2022: HK$192.3 million).

As at 30 June 2023, unutilised banking facility of HK$130.9 million (2022: HK$31.2 million) was secured by factory buildings, leasehold land and other property, plant and equipment, and bank deposit of the Group with an aggregate carrying amount of HK$148.8 million (2022: HK$66.8 million).

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

During the six months ended 30 June 2023, 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 2023, the Board considered that the Company has complied with the code provisions set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), save for the deviation from the code provision C.2.1.

Under the code provision C.2.1 of the CG Code, the roles of chairman and chief executive officer ("CEO") should be separated and should not be held by the same individual. Mr. Kyoo Yoon Choi has been appointed as the CEO on 4 October 2012 and has performed both the roles as the chairman and CEO of the Company. The Board is of the opinion that it is appropriate and in the best interests of the Company at the present stage for Mr. Kyoo Yoon Choi to hold both positions as it helps to maintain the continuity of the policies and stability of the operations of the Company. The Board including three independent non-executive Directors has a fairly independent element in the composition and will play an active role to ensure a balance of power and authority.

COMPLIANCE WITH THE MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transaction by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the code of conduct regarding the securities transactions by the Directors on terms no less exacting than the required standard. The Company has made specific enquires of all the Directors, and all Directors have confirmed that they had complied with the required standard as set out in the Model Code at all applicable times during the six months ended 30 June 2023.

INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Board declared an interim dividend of HK20 cents per ordinary share for the six months ended 30 June 2023 (six months ended 30 June 2022: HK10 cents per ordinary share). The interim dividend of HK$135,373,000 (six months ended 30 June 2022: HK$67,687,000) will be paid on 16 October 2023 to shareholders registered at the close of business on the record date, 3 October 2023.

The register of members will be closed for one day on 3 October 2023, during that day no transfer of shares will be effected. In order to qualify for the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Share Registrar, Tricor Abacus Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on 29 September 2023.

AUDIT COMMITTEE AND REVIEW OF ACCOUNTS

The audit committee of the Company (the "Audit Committee") has reviewed with management of the Company with respect to the accounting principles and practices adopted by the Group and discussed risk management and internal control systems and financial reporting matters, including a review of the unaudited interim results for the six months ended 30 June 2023. The Audit Committee considered that the unaudited interim results for the six months ended 30 June 2023 were in compliance with the relevant accounting standards, rules and regulations and that appropriate disclosures have been made. The interim results for the six months ended 30 June 2023 have not been audited, but have been reviewed by KPMG, the Company's auditor, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

PUBLICATION OF 2023 INTERIM RESULTS AND INTERIM REPORT

The electronic version of this interim results announcement is published on the websites of the Company (www.dream-i.com.hk) and Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk). An interim report for the six months ended 30 June 2023 prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Listing Rules will be dispatched to the shareholders of the Company and published on the above websites in due course.

By order of the Board
Dream International Limited
Min Jung Lee
Executive Director

Hong Kong, 25 August 2023

At the date of this announcement, the Directors are:

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

Independent non-executive Directors:
Professor Cheong Heon Yi
Dr. Chan Yoo
Mr. Jong Hun Lim