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## DREAM INTERNATIONAL LIMITED

### 德林國際有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 1126)

#### RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2014

The board of directors (the “Board”) of Dream International Limited (the “Company” or “Dream International”) is pleased to announce the consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2014, together with the comparative figures for the previous financial year, as follows:

#### CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	2014 HK\$'000	2013 HK\$'000
<b>Turnover</b>	3&4	<b>1,637,265</b>	1,352,607
Cost of sales		<u>(1,270,551)</u>	<u>(958,980)</u>
<b>Gross profit</b>		<b>366,714</b>	393,627
Other revenue	5(a)	17,082	11,573
Other net income/(loss)	5(b)	29,147	(22,718)
Distribution costs		(50,915)	(47,352)
Administrative expenses		<u>(194,712)</u>	<u>(175,398)</u>
<b>Profit from operations</b>		<b>167,316</b>	159,732
Finance costs	7(a)	(899)	(836)
Share of profits less losses of associates		<u>(243)</u>	<u>467</u>
<b>Profit before taxation</b>	7	<b>166,174</b>	159,363
Income tax	8	<u>(44,790)</u>	<u>(42,581)</u>
<b>Profit for the year</b>		<b><u>121,384</u></b>	<b><u>116,782</u></b>
<b>Attributable to:</b>			
Equity shareholders of the Company		122,787	123,934
Non-controlling interests		<u>(1,403)</u>	<u>(7,152)</u>
<b>Profit for the year</b>		<b><u>121,384</u></b>	<b><u>116,782</u></b>
<b>Earnings per share</b>	9		
Basic		<u>18.16 ¢</u>	<u>18.44 ¢</u>
Diluted		<u>18.14 ¢</u>	<u>18.37 ¢</u>

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2014**

	<i>Notes</i>	<b>2014</b> <b>HK\$'000</b>	2013 HK\$'000
<b>Profit for the year</b>		<b>121,384</b>	116,782
<b>Other comprehensive income for the year</b> <b>(after tax and reclassification adjustments):</b>			
Item that will not be reclassified to profit or loss:			
Remeasurement of net defined benefit retirement obligation		(510)	515
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong		(4,960)	2,880
Available-for-sale security: net movement in the fair value reserve		(49)	(174)
		<b>(5,009)</b>	2,706
<b>Other comprehensive income for the year</b>		<b>(5,519)</b>	3,221
<b>Total comprehensive income for the year</b>		<b>115,865</b>	120,003
<b>Attributable to:</b>			
Equity shareholders of the Company		117,102	127,106
Non-controlling interests		(1,237)	(7,103)
<b>Total comprehensive income for the year</b>		<b>115,865</b>	120,003

## CONSOLIDATED BALANCE SHEET

		<b>31 December 2014</b>	31 December 2013
	<i>Notes</i>	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
<b>Non-current assets</b>			
Fixed assets			
– Interests in leasehold land held for own use under operating leases		<b>48,310</b>	31,314
– Other property, plant and equipment		<b>276,189</b>	184,778
		<b>324,499</b>	216,092
Long term receivables and prepayments		<b>12,464</b>	6,368
Other intangible assets		<b>9,400</b>	9,583
Goodwill		<b>2,753</b>	2,753
Interest in associates		–	502
Deferred tax assets		<b>12,425</b>	7,697
Other financial assets	<i>10</i>	<b>25,691</b>	28,980
		<b>387,232</b>	271,975
<b>Current assets</b>			
Inventories		<b>236,368</b>	175,854
Trade and other receivables	<i>11</i>	<b>328,591</b>	263,718
Current tax recoverable		<b>103</b>	45
Other financial assets	<i>10</i>	<b>10,930</b>	11,035
Time deposits		<b>23,037</b>	79,476
Cash and cash equivalents		<b>241,567</b>	320,617
		<b>840,596</b>	850,745
<b>Current liabilities</b>			
Trade and other payables	<i>12</i>	<b>229,325</b>	186,714
Bank loans		<b>35,001</b>	22,274
Current tax payable		<b>15,253</b>	27,541
		<b>279,579</b>	236,529
<b>Net current assets</b>		<b>561,017</b>	614,216
<b>Total assets less current liabilities</b>		<b>948,249</b>	886,191

	<b>31 December 2014</b>	31 December 2013
<i>Notes</i>	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
<b>Non-current liabilities</b>		
Bank loans	–	777
Net defined benefit retirement obligation	<b>891</b>	439
	<u>891</u>	<u>1,216</u>
<b>NET ASSETS</b>	<b><u>947,358</u></b>	<b><u>884,975</u></b>
<b>CAPITAL AND RESERVES</b>		
Share capital : nominal value	–	52,303
Other statutory capital reserves	–	181,013
	<u>236,474</u>	<u>233,316</u>
Share capital and other statutory capital reserves	<b>236,474</b>	233,316
Other reserves	<b>712,553</b>	654,112
	<u>949,027</u>	<u>887,428</u>
<b>Total equity attributable to equity shareholders of the Company</b>	<b>949,027</b>	887,428
<b>Non-controlling interests</b>	<b>(1,669)</b>	(2,453)
	<u>(1,669)</u>	<u>(2,453)</u>
<b>TOTAL EQUITY</b>	<b><u>947,358</u></b>	<b><u>884,975</u></b>

## NOTES TO THE FINANCIAL INFORMATION

### 1. Basis of preparation

The consolidated results set out in this announcement do not constitute the Group's annual consolidated financial statements for the year ended 31 December 2014, but are extracted from the draft consolidated financial statements.

The consolidated financial statements for the year ended 31 December 2014 comprise the Group and the Group's interest in associates.

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and accounting principles generally accepted in Hong Kong. These financial statements also comply with the applicable requirements of the Hong Kong Companies Ordinance, which for this financial year and the comparative period continue to be those of the predecessor Hong Kong Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the new Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. The consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The measurement basis used in the preparation of the consolidated financial statements is the historical cost basis except that financial instruments classified as available-for-sale debt security, equity-linked securities and structured debt securities are stated at their fair value.

### 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:

- 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. Impacts of the adoption of the new or amended HKFRSs are discussed below:

#### **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 these financial statements 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 CGU whose recoverable amount is based on fair value less costs of disposal. These amendments do not have material impact on the classification, recognition and measurements of the amounts recognised in the financial statements in the current and previous periods.

### 3. Turnover

The principal activities of the Group are the design, development, manufacture and sale of plush stuffed toys, ride-on toys and plastic figures. Turnover represents the sales value of goods supplied to customers and excludes value added tax or other sales taxes and is after deduction of any trade discounts.

The Group's customer base is diversified and includes two (2013: two) customers with whom the value of transactions have exceeded 10% of the Group's revenues. During the year ended 31 December 2014, the revenues from sales of plush stuffed toys and plastic figures to these customers amounted to approximately HK\$622,782,000 and HK\$477,912,000 (2013: HK\$526,126,000 and HK\$368,551,000) respectively and incurred in Hong Kong, North America, Japan and Europe (2013: Hong Kong, North America, Japan and Europe) geographical regions in which the plush stuffed toys and plastic figures segments are active.

### 4. 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 presented the following three reportable segments. No operating segments have been aggregated to form the following reportable segments.

- Plush stuffed toys: this segment is involved in the design, development, manufacture and sale of plush stuffed toys. These products are either sourced externally or are manufactured in the Group's manufacturing facilities located primarily in the People's Republic of China (the "PRC") and Vietnam.
- Ride-on toys: this segment is involved in the design, development, manufacture and sale of ride-on toys. These products are manufactured in the PRC and sold to customers mainly located in the PRC and Japan.
- Plastic figures: this segment is involved in design, development, manufacture and sale of plastic figures. These products are manufactured in the Group's manufacturing facilities located primarily in the PRC and Vietnam.

#### (a) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's most senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible assets, goodwill, other intangible assets and current assets with the exception of club memberships, interest in associates, investments in financial assets, deferred tax assets, current tax recoverable and other corporate assets. Segment liabilities include trade creditors and accruals attributable to the manufacturing and sales activities of the individual segments and bank borrowings managed directly by the segments.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments. Other than reporting inter-segment sales, assistance provided by one segment to another, including sharing of assets, is not measured.

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 specially 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.

In addition to receiving segment information concerning the adjusted EBITDA, management is provided with segment information concerning revenue (including inter-segment sales), interest income and expense from cash balances and borrowings managed directly by the segments, depreciation, amortisation and impairment losses and additions to non-current segment assets used by the segments in their operations. Inter-segment sales are priced with reference to prices charged to external parties for similar orders.

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 years ended 31 December 2014 and 2013 is set out below.

	Plush stuffed toys		Ride-on toys		Plastic figures		Total	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Revenue from external customers	1,377,432	1,219,744	47,608	48,160	212,225	84,703	1,637,265	1,352,607
Inter-segment revenue	41,603	21,955	671	–	1,582	117	43,856	22,072
<b>Reportable segment revenue</b>	<b>1,419,035</b>	<b>1,241,699</b>	<b>48,279</b>	<b>48,160</b>	<b>213,807</b>	<b>84,820</b>	<b>1,681,121</b>	<b>1,374,679</b>
<b>Reportable segment profit/(loss) (adjusted EBITDA)</b>	<b>226,595</b>	<b>215,472</b>	<b>6,023</b>	<b>(19,549)</b>	<b>(12,555)</b>	<b>8,831</b>	<b>220,063</b>	<b>204,754</b>
Bank interest income	5,257	3,756	45	12	37	86	5,339	3,854
Interest expense	(899)	(836)	–	–	–	–	(899)	(836)
Depreciation and amortisation for the year	(17,607)	(15,518)	(4,988)	(5,846)	(9,956)	(3,875)	(32,551)	(25,239)
Impairment loss on fixed assets	–	–	(4,049)	–	–	–	(4,049)	–
<b>Reportable segment assets</b>	<b>889,603</b>	<b>594,761</b>	<b>32,417</b>	<b>72,656</b>	<b>252,073</b>	<b>128,158</b>	<b>1,174,093</b>	<b>795,575</b>
Additions to non-current segment assets during the year	117,893	20,221	16,195	5,642	49,423	25,090	183,511	50,953
<b>Reportable segment liabilities</b>	<b>211,977</b>	<b>140,029</b>	<b>62,095</b>	<b>74,499</b>	<b>225,562</b>	<b>103,415</b>	<b>499,634</b>	<b>317,943</b>

(b) Reconciliations of reportable segment revenues, profit or loss, assets and liabilities

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
<b>Revenue</b>		
Reportable segment revenue	1,681,121	1,374,679
Elimination of inter-segment revenue	<u>(43,856)</u>	<u>(22,072)</u>
Consolidated turnover	<u><b>1,637,265</b></u>	<u><b>1,352,607</b></u>
<b>Profit</b>		
Reportable segment profit	220,063	204,754
Gain on disposal of interest in associates	111	–
Share of profits less losses of associates	(243)	467
Interest income	9,278	7,747
Depreciation and amortisation	(32,551)	(25,239)
Finance costs	(899)	(836)
Impairment loss on fixed assets	(4,049)	–
Impairment loss on club memberships	–	(1,583)
Unallocated head office and corporate expenses	<u>(25,536)</u>	<u>(25,947)</u>
Consolidated profit before taxation	<u><b>166,174</b></u>	<u><b>159,363</b></u>
<b>Assets</b>		
Reportable segment assets	1,174,093	795,575
Elimination of inter-segment receivables	<u>(269,418)</u>	<u>(130,790)</u>
	<b>904,675</b>	664,785
Club memberships	9,400	9,583
Interest in associates	–	502
Other financial assets	36,621	40,015
Deferred tax assets	12,425	7,697
Current tax recoverable	103	45
Unallocated head office and corporate assets	<u>264,604</u>	<u>400,093</u>
Consolidated total assets	<u><b>1,227,828</b></u>	<u><b>1,122,720</b></u>



	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
<b>Liabilities</b>		
Reportable segment liabilities	<b>499,634</b>	317,943
Elimination of inter-segment payables	<b>(269,418)</b>	(130,790)
	<b>230,216</b>	187,153
Current tax payable	<b>15,253</b>	27,541
Unallocated head office and corporate liabilities	<b>35,001</b>	23,051
Consolidated total liabilities	<b>280,470</b>	237,745

(c) **Geographical information**

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's fixed assets, other intangible assets, prepayments for fixed assets, goodwill and interest in associates ("specified non-current assets"). The geographical location of customers is based on the location at which the goods were delivered. The geographical location of the specified non-current assets is based on the physical location of the assets in the case of property, plant and equipment, the location of the operation to which they are allocated in the case of other intangible assets, prepayments for fixed assets and goodwill, and the location of operations in the case of interest in associates.

	Revenue from external customers		Specified non-current assets	
	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Hong Kong (place of domicile)	<b>21,027</b>	10,645	<b>1,682</b>	767
North America	<b>599,856</b>	483,340	<b>199</b>	200
Japan	<b>758,617</b>	634,979	<b>3,566</b>	3,637
Europe	<b>175,085</b>	124,817	–	–
South America	<b>18,290</b>	40,899	–	–
The PRC	<b>30,904</b>	32,347	<b>33,140</b>	55,938
Vietnam	<b>23,690</b>	9,061	<b>299,172</b>	162,030
Korea	<b>7,509</b>	10,821	<b>7,944</b>	6,358
Other countries	<b>2,287</b>	5,698	–	–
	<b>1,616,238</b>	1,341,962	<b>344,021</b>	228,163
	<b>1,637,265</b>	1,352,607	<b>345,703</b>	228,930

## 5. Other revenue and net income/(loss)

### (a) Other revenue

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Bank interest income	5,339	3,854
Interest income from other financial assets	3,939	3,893
Sundry income	7,804	3,826
	<u>17,082</u>	<u>11,573</u>

### (b) Other net income/(loss)

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Gain on disposal of interest in associates	111	–
Net gain on disposal of fixed assets of a PRC subsidiary	37,105	–
Net loss on disposal of other property, plant and equipment	(1,969)	(1,056)
Net (loss)/gain on disposal of other financial assets	(126)	177
Net realised and unrealised gain/(loss) on other financial assets	596	(2,694)
Write-off of other receivables	(943)	–
Write-off of compensation receivable ( <i>note</i> )	–	(3,809)
Impairment loss on fixed assets	(4,049)	–
Impairment loss on club memberships	–	(1,583)
Impairment loss on available-for-sale equity security	–	(8,705)
Net foreign exchange loss	(1,508)	(5,178)
Others	(70)	130
	<u>29,147</u>	<u>(22,718)</u>

*Note:* The write-off of compensation receivable during the year ended 31 December 2013 represented write-off of compensation received by the Group regarding losses from fire at the production plant of a subsidiary of the Company in Suzhou, the PRC on 29 September 2012.

## 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 HK\$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 HK\$1,939,000) was included in “administrative expenses” in the consolidated income statement for the year ended 31 December 2013. The final settlement of US\$150,000 (equivalent to approximately HK\$1,163,000) was made during the year ended 31 December 2014.

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

	<b>2014</b> <b><i>HK\$’000</i></b>	2013 <i>HK\$’000</i>
Within 1 year	<u>          –          </u>	<u>          1,163          </u>

## 7. Profit before taxation

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

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
<b>(a) Finance costs</b>		
Interest expense on bank borrowings wholly repayable within five years	<u>899</u>	<u>836</u>
<b>(b) Staff costs<sup>#</sup></b>		
Expenses recognised in respect of defined benefit retirement plan	951	1,352
Contributions to defined contribution retirement plan	<u>23,144</u>	<u>5,474</u>
Total retirement costs	24,095	6,826
Equity settled share-based payment expenses	–	499
Salaries, wages and other benefits	<u>484,169</u>	<u>361,645</u>
	<u>508,264</u>	<u>368,970</u>
<b>(c) Other items</b>		
Amortisation of land lease premium	791	624
Depreciation <sup>#</sup>	31,760	24,615
Impairment loss recognised on trade receivables	427	350
Reversal of impairment loss on trade receivables	(118)	(409)
Impairment loss recognised on other receivables	2,019	238
Reversal of impairment loss on other receivables	(78)	(310)
Reversal of provision for custom duties ( <i>note</i> ) <sup>#</sup>	–	(13,426)
Reversal of provision for Corporate Income Tax (“CIT”) ( <i>note</i> ) <sup>#</sup>	–	(6,543)
Auditors’ remuneration	4,101	5,599
Operating lease charges: minimum lease payments in respect of property rentals <sup>#</sup>	29,649	25,923
Cost of inventories <sup>#</sup>	<u>1,270,551</u>	<u>958,980</u>

<sup>#</sup> Cost of inventories includes HK\$443,743,000 (2013: HK\$288,605,000) relating to staff costs, depreciation, operating lease charges, reversal of provision for custom duties and reversal of provision for CIT, which amounts are also included in the respective total amounts disclosed separately above or in note 7(b) for each of these types of expenses.

*Note:* The Company operated a processing factory in Shenzhen, the PRC. In May 2012, the Company set up a subsidiary to transform its processing factory into a wholly-owned foreign enterprise (“WFOE”). The processing factory was closed in 2013 upon the receipt of clearance documents from relevant government authorities. Accordingly, provisions for custom duties and CIT amounting to HK\$13,426,000 and HK\$6,543,000 respectively recorded in prior years in the Group’s and the Company’s financial statements were reversed and were included in “cost of sales” in the consolidated income statement for the year ended 31 December 2013.

## 8. Income tax in the consolidated income statement

Taxation in the consolidated income statement represents:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
<b>Current tax – Hong Kong Profits Tax</b>		
Provision for the year	21,655	18,474
Over-provision in respect of prior years	<u>(50)</u>	<u>(582)</u>
	----- 21,605	----- 17,892
<b>Current tax – Outside Hong Kong</b>		
Provision for the year	28,189	24,721
(Over)/under-provision in respect of prior years	<u>(194)</u>	<u>125</u>
	----- 27,995	----- 24,846
<b>Deferred tax</b>		
Origination and reversal of temporary differences	<u>(4,810)</u>	<u>(157)</u>
	----- <u>44,790</u>	----- <u>42,581</u>

The provision for Hong Kong Profits Tax for 2014 is calculated at 16.5% (2013: 16.5%) of the estimated assessable profits for the year. Taxation for subsidiaries outside Hong Kong is charged at the appropriate current rates of taxation ruling in the relevant jurisdictions.

Current tax outside Hong Kong for the years ended 31 December 2014 and 2013 included withholding tax paid on dividend income from a subsidiary.

The CIT rate applicable to subsidiaries registered in the PRC is 25% (2013: 25%).

## 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 HK\$122,787,000 (2013: HK\$123,934,000) and the weighted average number of ordinary shares of 675,973,000 shares (2013: 672,165,000 shares) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	<b>2014</b>	2013
	<b>'000</b>	<b>'000</b>
Issued ordinary shares at 1 January	<b>672,165</b>	672,165
Effect of share options exercised	<b>3,808</b>	–
	<u>675,973</u>	<u>672,165</u>
Weighted average number of ordinary shares at 31 December	<b><u>675,973</u></b>	<b><u>672,165</u></b>

### (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 HK\$122,787,000 (2013: HK\$123,934,000) and the weighted average number of ordinary shares of 676,865,000 shares (2013: 674,774,000 shares), calculated as follows:

Weighted average number of ordinary shares (diluted)

	<b>2014</b>	2013
	<b>'000</b>	<b>'000</b>
Weighted average number of ordinary shares at 31 December	<b>675,973</b>	672,165
Effect of deemed issue of shares under the Company's share option scheme for nil consideration	<b>892</b>	2,609
	<u>676,865</u>	<u>674,774</u>
Weighted average number of ordinary shares (diluted) at 31 December	<b><u>676,865</u></b>	<b><u>674,774</u></b>

## 10. Other financial assets

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
<b>Non-current</b>		
Equity-linked securities ( <i>notes (i) and (vii)</i> )	6,951	10,927
Structured debt securities ( <i>notes (ii) and (vii)</i> )	13,244	5,770
Available-for-sale debt security – unlisted ( <i>note (iii)</i> )	–	6,633
Available-for-sale equity security – unlisted ( <i>note (iv)</i> )	5,496	5,650
	<u>25,691</u>	<u>28,980</u>
<b>Current</b>		
Equity-linked securities ( <i>notes (v) and (vii)</i> )	10,930	3,473
Structured debt security ( <i>notes (vi) and (vii)</i> )	–	7,562
	<u>10,930</u>	<u>11,035</u>
	<u><b>36,621</b></u>	<u><b>40,015</b></u>

### Notes:

- (i) Equity-linked security as at 31 December 2014 represents 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 6 October 2016.

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. The security is classified under “current assets” as at 31 December 2014 (see note (v)).

- (ii) Structured debt securities represent: (a) a debt investment placed with an investment bank in Korea, amounting to HK\$5.5 million with fixed interest rate at 6.25% per annum and redeemable by the debt issuer on or after 15 April 2024; and (b) a debt investment placed with an investment bank in Korea, amounting to HK\$7.7 million with fixed interest rate at 4.63% per annum and redeemable by the debt issuer on or after 30 January 2018.

Structured debt security as at 31 December 2013 represented the debt investment mentioned in (a) above.

- (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 year ended 31 December 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. During the year ended 31 December 2013, an impairment loss of HK\$8,705,000 was recognised in order to write down the available-for-sale equity security to its recoverable amount. The impairment loss was included in “other net income/(loss)” in the consolidated income statement for the year ended 31 December 2013 (*see note 5(b)*).

- (v) Equity-linked security as at 31 December 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, with a maturity date of 10 February 2014.

- (vi) Structured debt security as at 31 December 2013 represented 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. The structured debt security was disposed of during the year ended 31 December 2014.
- (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 consolidated 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 year ended 31 December 2014 (2013: HK\$8,705,000).

## 11. Trade and other receivables

As at 31 December 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:

	<b>2014</b> <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Within 1 month	<b>135,446</b>	134,697
1 to 2 months	<b>54,523</b>	22,880
2 to 3 months	<b>27,890</b>	12,192
3 to 4 months	<b>9,440</b>	7,884
Over 4 months	<b>4,241</b>	3,669
	<b>231,540</b>	181,322

Trade debtors and bills receivable are due within 30 to 60 days from the date of billing.

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Debtors with balances that are more than three months past due are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.



## 12. Trade and other payables

Included in trade and other payables are trade payables with the following ageing analysis as at 31 December 2014:

	<b>2014</b> <b>HK\$'000</b>	2013 <i>HK\$'000</i>
Due within 1 month or on demand	<b>80,702</b>	79,079
Due after 1 month but within 3 months	<b>12,999</b>	5,053
Due after 3 months but within 6 months	<b>10,202</b>	271
Due after 6 months but within 1 year	<b>5</b>	847
	<u><b>103,908</b></u>	<u>85,250</u>

## 13. Dividends

(i) Dividends payable to equity shareholders of the Company attributable to the year

	<b>2014</b> <b>HK\$'000</b>	2013 <i>HK\$'000</i>
Interim dividend declared and paid of HK3 cents per ordinary share (2013: HK3 cents per ordinary share)	<b>20,306</b>	20,165
Final dividend proposed after the balance sheet date of HK5 cents per ordinary share (2013: HK5 cents per ordinary share)	<b>33,843</b>	33,843
	<u><b>54,149</b></u>	<u>54,008</u>

The final dividend proposed after the balance sheet date 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 year

	<b>2014</b> <b>HK\$'000</b>	2013 <i>HK\$'000</i>
Final dividend in respect of the previous financial year, approved and paid during the year, of HK5 cents per ordinary share (2013: HK8 cents per ordinary share)	<b>33,843</b>	53,773

## MANAGEMENT DISCUSSION & ANALYSIS

### Financial Review

During 2014, the global economy as a whole was on the way to a modest recovery despite the disparate performances of individual markets. The European and North American markets have seen improvement in consumer sentiment, especially in the US, as reflected in a slight increase in order volumes. The largest market for Dream International, Japan, enjoyed relatively stable economic conditions and continued to be a key driver for the Group's sustained growth during the year under review.

For the year ended 31 December 2014, the Group's turnover rose by 21.0% year-on-year to HK\$1,637.3 million (2013: HK\$1,352.6 million), mainly driven by the expanding Original Equipment Manufacturing ("OEM") business under the plush stuffed toys segment as well as the fast growing plastic figures segment. Though escalating labour and material costs continue to put pressure on the entire toy industry, thanks to its established foundation and constant efforts in cost control, the Group managed to maintain the gross profit at HK\$366.7 million during the year (2013: HK\$393.6 million). The decline was mainly due to the absence of the one-off reversal of provisions for customs duties of HK\$13.4 million recorded during 2013 and an increase in materials usage for the plastic figures segment. Gross margin amounted to 22.4% (2013: 29.1%). Nonetheless, during the year under review, the Group managed to reduce the ratios of distribution costs and administration expenses to turnover respectively. In addition, there was a one-off gain from the disposal of a parcel of land and certain buildings in Suzhou of HK\$37.1 million during the year. Thus, profit from operations rose to HK\$167.3 million (2013: HK\$159.7 million). Accordingly, the Group's profit for the year grew to HK\$121.4 million (2013: HK\$116.8 million) with a net margin of 7.4% (2013: 8.6%).

The Group maintained a healthy financial position with cash and cash equivalents and bank deposits of HK\$264.6 million as at 31 December 2014 (31 December 2013: HK\$400.1 million).

### Business Review

#### *Product Analysis*

##### *Plush stuffed toys segment*

During the year under review, the plush stuffed toys segment recorded a turnover of HK\$1,377.4 million, accounting for 84.1% of the Group's total turnover. The OEM business under the plush stuffed toys segment remained the core contributor of the Group's total turnover, accounting for 93.7% of sales for the plush stuffed toys segment. The Group saw continuous improvement of this business and secured more business opportunities from well-known customers including globally-renowned cartoon character owners and licensors and recorded a satisfactory growth in orders and sales. While a plush stuffed toy character was successfully launched at an upscale retail toy store in New York City in the second half of 2014, shipments of products to two newly secured clients – a video game publisher and a distributor of infant goods – were also made to the US, European and Asian markets during the same period as scheduled, and repeat orders were received. While a specialty store is scheduled to open in Shanghai, China in May 2015, the Group started receiving orders of related products last year and the first shipment was made in the second half of 2014. It is expected that additional orders will be placed in the coming year.

The ODM business under the plush stuffed toys segment recorded a turnover of HK\$87.4 million, contributing 6.3% of the total sales of plush stuffed toys. Following the successful establishment 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 helps to enhance its brand awareness among the public. In terms of product mix, the Group has strategically expanded its selection of large-size plush stuffed toys so as to better utilise production capacity and enhance profitability.

#### *Plastic figures segment*

The successful launch of the plastic figures segment has continued to demonstrate remarkable growth, with turnover surging by more than 150% to HK\$212.2 million (2013: HK\$84.7 million) during the year under review, contributing 13.0% of the Group’s total turnover. The Group has grasped the cross-selling opportunities riding on its long term business relationships with existing top-tier plush stuffed toys customers, and successfully increased the sales of plastic figures to owners and licensors of cartoon characters, and has received an encouraging response in the US and European markets after launch of this new segment. A unique feature plastic figures licensor has also been secured as a new customer. Product shipments were made during the second half of 2014 and a repeat order with a larger volume for 2015 has been secured, demonstrating the growth potential of this segment.

#### *Ride-on toys segment*

For the year ended 31 December 2014, sales generated from the ride-on toys segment were HK\$47.6 million, making up 2.9% of the Group’s total turnover. The Group’s strategy for this segment is to offer a diversified product mix as well as to optimise capacity utilisation. While providing higher margin products to Japanese customers, it also produces bigger order volumes for customers from North America. The Group also penetrated the China market by supplying popular tricycle products. During the year under review, a new version of a popular ride-on toy featuring racer character has been successfully launched and well-received in the Japan market. Its four-wheel version was also launched there during the fourth quarter of 2014. In addition, a new tricycle series featuring a famous Japanese cartoon character was just introduced in China in early 2015.

#### **Market Analysis**

For the year ended 31 December 2014, Japan remained as the Group’s largest geographic market, accounting for 46.3% of the Group’s total turnover. Contributions from North America increased to 36.6% of the total turnover, followed by Europe at 10.7% and China at 1.9%.

#### **Operational Analysis**

As at 31 December 2014, the Group operated 11 plants in total, four of which were in China and seven in Vietnam, running at an average utilisation rate of 82%. In order to sustain business growth of the plastic figures segment, construction of the second plant in Hanoi dedicated to this segment was completed and it has started full operation in the fourth quarter of 2014.

#### **Prospects**

There are signs that the global economy is on the path of gradual recovery, and that the Group’s two major markets, Japan and the US, are experiencing stable economic growth and prudently increasing their order volumes, providing a better macroeconomic environment for the Group’s business expansion in the coming year. Therefore, despite facing challenges including potential international geopolitical issues and rising costs which are factors for every player in the manufacturing sector, the Group remains cautiously optimistic about its prospects.

Looking ahead, the Group will continue its two-pronged strategy to cope with the constantly evolving global environment so as to maintain sustainable revenue growth in the long run. The plastic figures segment will become a key growth driver and is expected to grow rapidly in the coming years. Accordingly, the Group is planning to construct the third factory in Hanoi for the segment in 2015, boosting the production capacity of plastic figures further. As the operation is progressing on track, the Group is not only able to better utilise its production capacity but also enhance the production efficiency. Apart from that, the Group is continuing to leverage its competitive advantage in the plush toy market to further broaden the income stream and strengthen its leading position in the industry.

Riding on its well-established business foundation, the Group continues to actively explore new business opportunities across different geographic regions and product categories to maximise its market share. The upcoming global events, such as 2016 Olympics and 2018 World Cup, as well as the opening of a theme park in China should present potential for the Group's business growth. Seeing improving market sentiment and guided by its clear development strategies, the Group is confident of sustaining business growth and bringing long term returns to shareholders.

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

At 31 December 2014, the Group had 13,426 (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 31 December 2014, the Group had net current assets of HK\$561.0 million (2013: HK\$614.2 million). The Group's total cash and cash equivalents as at 31 December 2014 amounted to HK\$241.6 million (2013: HK\$320.6 million). The total bank loans of the Group as at 31 December 2014 amounted to HK\$35.0 million (2013: HK\$23.1 million). The Group's borrowings are mainly on a floating rate basis.

The Group financed its operations by internally generated cashflows and banking facilities provided by its bankers. 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, British Pound, 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 loans over the total equity, was at 3.7% at 31 December 2014 (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 of HK\$20.6 million as at 31 December 2014 (2013: HK\$24.4 million).

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

During the year ended 31 December 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 year ended 31 December 2014, the Company has complied with Corporate Governance Code (the “CG Code”) as set out in Appendix 14 of the Listing Rules, save for the deviation from the code provision A.2.1.

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

## **MODEL CODE FOR SECURITIES TRANSACTIONS**

The Company has adopted a code of conduct regarding directors’ securities transactions on terms no less exacting than the required standard set out in Appendix 10 of the Listing Rules regarding the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”). Based on specific enquiries of the Company’s directors, all directors have confirmed that they complied with the required standard set out in the Model Code during the year.

## **SCOPE OF WORK OF KPMG**

The financial figures in this announcement have been agreed by the Group’s external auditor, KPMG, to the amounts set out in the Group’s draft consolidated financial statements for the year ended 31 December 2014. The work performed by KPMG in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA, and consequently no assurance has been expressed by KPMG on this announcement.

## **FINAL DIVIDEND**

The directors have resolved to recommend the payment of a final dividend of HK5 cents per share in respect of the year ended 31 December 2014 (2013: HK5 cents per share). The proposed final dividend which totals HK\$33,843,000 (2013: HK\$33,843,000), if approved at the forthcoming annual general meeting, will be paid on 19 May 2015 to the shareholders on the register of members as at 7 May 2015.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members will be closed from 28 April 2015 to 30 April 2015, both days inclusive. During this period, no transfer of shares will be registered. Shareholders whose names appear on the register of members of the Company on 27 April 2015 are entitled to attend the forthcoming annual general meeting scheduled on 30 April 2015. In order to qualify for the right to vote for and/or attend the forthcoming annual general meeting, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's Registrar, Tricor Abacus Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on 27 April 2015.

The proposed final dividend is subject to the passing of an ordinary resolution by the shareholders at the forthcoming annual general meeting. For determining the entitlement to the proposed final dividend, the register of members will be closed for one day on 7 May 2015, during that day no transfer of shares will be effected. In order to qualify for the final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Registrar, Tricor Abacus Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on 6 May 2015.

## **AUDIT COMMITTEE**

The audit committee of the Company has reviewed with the management of the Company with respect to the accounting policies, principles and practices adopted by the Group and discussed internal control and financial reporting matters, including a review of the annual results for year ended 31 December 2014.

By order of the Board  
**Dream International Limited**  
**Kyoo Yoon Choi**  
*Chairman*

Hong Kong, 26 March 2015

At the date of this announcement, the directors of the Company are:

*Executive Directors:*

Mr. Kyoo Yoon Choi (*Chairman*)  
Mr. Young M. Lee  
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