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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 2015

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 2015, together with the comparative figures for the previous financial year, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	2015 HK\$'000	2014 HK\$'000
Revenue	3 & 4	1,814,469	1,637,265
Cost of sales		<u>(1,387,778)</u>	<u>(1,270,551)</u>
Gross profit		426,691	366,714
Other revenue	5(a)	13,763	17,082
Other net (loss)/income	5(b)	(1,412)	29,147
Distribution costs		(46,101)	(50,915)
Administrative expenses		<u>(191,798)</u>	<u>(194,712)</u>
Profit from operations		201,143	167,316
Finance costs	6(a)	(524)	(899)
Share of profits less losses of associates		<u>–</u>	<u>(243)</u>
Profit before taxation	6	200,619	166,174
Income tax	7	<u>(51,231)</u>	<u>(44,790)</u>
Profit for the year		<u>149,388</u>	<u>121,384</u>
Attributable to:			
Equity shareholders of the Company		150,783	122,787
Non-controlling interests		<u>(1,395)</u>	<u>(1,403)</u>
Profit for the year		<u>149,388</u>	<u>121,384</u>
Earnings per share	8		
Basic		<u>HK22.28 ¢</u>	<u>HK18.16 ¢</u>
Diluted		<u>HK22.28 ¢</u>	<u>HK18.14 ¢</u>

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2015**

<i>Notes</i>	2015 HK\$'000	2014 <i>HK\$'000</i>
Profit for the year	149,388	121,384
Other comprehensive income for the year (after tax and reclassification adjustments):		
Item that will not be reclassified to profit or loss:		
– Remeasurement of net defined benefit retirement obligation	(583)	(510)
Items that may be reclassified subsequently to profit or loss:		
– Exchange differences on translation of financial statements of subsidiaries outside Hong Kong	(15,325)	(4,960)
– Available-for-sale securities: net movement in the fair value reserve	197	(49)
	(15,128)	(5,009)
Other comprehensive income for the year	(15,711)	(5,519)
Total comprehensive income for the year	133,677	115,865
Attributable to:		
Equity shareholders of the Company	135,030	117,102
Non-controlling interests	(1,353)	(1,237)
Total comprehensive income for the year	133,677	115,865

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2015

	<i>Notes</i>	2015 HK\$'000	2014 HK\$'000
Non-current assets			
Interests in leasehold land held for own use under operating leases		53,778	48,310
Other property, plant and equipment		379,369	276,189
Long term receivables and prepayments		16,105	12,464
Other intangible assets		7,618	9,400
Goodwill		2,753	2,753
Deferred tax assets		7,603	12,425
Other financial assets	<i>9</i>	21,099	25,691
		<u>488,325</u>	<u>387,232</u>
Current assets			
Inventories		201,752	236,368
Trade and other receivables	<i>10</i>	334,816	328,591
Current tax recoverable		28	103
Other financial assets	<i>9</i>	6,591	10,930
Time deposits		25,123	23,037
Cash and cash equivalents		251,476	241,567
		<u>819,786</u>	<u>840,596</u>
Current liabilities			
Trade and other payables	<i>11</i>	253,425	229,325
Bank loans		3,916	35,001
Current tax payable		22,758	15,253
		<u>280,099</u>	<u>279,579</u>
Net current assets		<u>539,687</u>	<u>561,017</u>
Total assets less current liabilities		<u>1,028,012</u>	<u>948,249</u>

	<i>Notes</i>	2015 HK\$'000	2014 HK\$'000
Non-current liability			
Net defined benefit retirement obligation		<u>1,126</u>	<u>891</u>
NET ASSETS		<u>1,026,886</u>	<u>947,358</u>
CAPITAL AND RESERVES			
Share capital		236,474	236,474
Reserves		<u>793,434</u>	<u>712,553</u>
Total equity attributable to equity shareholders of the Company		1,029,908	949,027
Non-controlling interests		<u>(3,022)</u>	<u>(1,669)</u>
TOTAL EQUITY		<u>1,026,886</u>	<u>947,358</u>

NOTES TO THE FINANCIAL INFORMATION

1. Basis of preparation

The financial information relating to the years ended 31 December 2015 and 2014 included in this preliminary announcement of annual results does not constitute the Company's statutory annual consolidated financial statements for those years but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) ("Companies Ordinance") is as follows:

The Company has delivered the financial statements for the year ended 31 December 2014 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance and will deliver the financial statements for the year ended 31 December 2015 in due course.

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

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"), accounting principles generally accepted in Hong Kong and the requirements of the Companies 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, financial assets designated at fair value through profit or loss and certain employee benefits are stated at their fair values.

2. Changes in accounting policies

The HKICPA has issued the following amendments to HKFRSs that are first effective for the current accounting period of the Group:

- Amendments to HKAS 19, *Employee Benefits: Defined benefit plans: Employee contributions*
- *Annual Improvements to HKFRSs 2010-2012 Cycle*
- *Annual Improvements to HKFRSs 2011-2013 Cycle*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the amended HKFRSs are discussed below:

Amendments to HKAS 19, Employee Benefits: Defined benefit plans: Employee contributions

The amendments introduce a relief to reduce the complexity of accounting for certain contributions from employees or third parties under defined benefit plans. When the contributions are eligible for the practical expedient provided by the amendments, a company is allowed to recognise the contributions as a reduction of the service cost in the period in which the related service is rendered, instead of including them in calculating the defined benefit obligation. The amendments do not have an impact on these financial statements as the defined benefit plans operated by the Group are wholly funded by contributions from the Group and do not involve contributions from employees or third parties.

Annual Improvements to HKFRSs 2010-2012 Cycle and 2011-2013 Cycle

These two cycles of annual improvements contain amendments to nine standards with consequential amendments to other standards. Among them, HKAS 24, *Related Party Disclosures* has been amended to expand the definition of a “related party” to include a management entity that provides key management personnel services to the reporting entity, and to require the disclosure of the amounts incurred for obtaining the key management personnel services provided by the management entity. These amendments do not have an impact on the Group’s related party disclosures as the Group does not obtain key management personnel services from management entities.

3. Revenue

The principal activities of the Group are the design, development, manufacture and sale of plush stuffed toys, plastic figures and ride-on toys. Revenue 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 three (2014: two) customers with whom the value of transactions have exceeded 10% of the Group’s revenues. During the year ended 31 December 2015, the revenues from sales of plush stuffed toys and plastic figures to these customers, amounted to approximately HK\$571,877,000, HK\$555,590,000 and HK\$278,355,000 (2014: HK\$477,912,000, HK\$622,782,000 and HK\$31,053,000) respectively and arose in Hong Kong, the People’s Republic of China (the “PRC”), North America, Japan and Europe (2014: Hong Kong, the PRC, 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 PRC and Vietnam.
- 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.
- Ride-on toys: this segment is involved in the design, development, manufacture and sale of ride-on toys. These products are manufactured in Vietnam and sold to customers mainly located in Japan.

(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, other intangible assets, goodwill and current assets with the exception of club memberships, 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 2015 and 2014 is set out below.

	Plush stuffed toys		Plastic figures		Ride-on toys		Total	
	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Revenue from external customers	1,278,942	1,377,432	525,534	212,225	9,993	47,608	1,814,469	1,637,265
Inter-segment revenue	41,149	41,603	3,501	1,582	2,107	671	46,757	43,856
Reportable segment revenue	1,320,091	1,419,035	529,035	213,807	12,100	48,279	1,861,226	1,681,121
Reportable segment profit/(loss) (adjusted EBITDA)	178,250	226,595	84,301	(12,555)	(2,008)	6,023	260,543	220,063
Bank interest income	4,143	5,257	23	37	107	45	4,273	5,339
Interest expense	(524)	(899)	-	-	-	-	(524)	(899)
Depreciation and amortisation for the year	(21,008)	(17,607)	(12,902)	(9,956)	(2,986)	(4,988)	(36,896)	(32,551)
Impairment loss on other property, plant and equipment	-	-	-	-	-	(4,049)	-	(4,049)
Impairment loss on intangible assets	(496)	-	-	-	-	-	(496)	-
Reportable segment assets	862,234	889,603	323,300	252,073	39,517	32,417	1,225,051	1,174,093
Additions to non-current segment assets during the year	101,244	117,893	34,766	49,423	15,100	16,195	151,110	183,511
Reportable segment liabilities	248,281	211,977	197,369	225,562	45,379	62,095	491,029	499,634

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Revenue		
Reportable segment revenue	1,861,226	1,681,121
Elimination of inter-segment revenue	<u>(46,757)</u>	<u>(43,856)</u>
Consolidated revenue	<u>1,814,469</u>	<u>1,637,265</u>
Profit		
Reportable segment profit	260,543	220,063
Gain on disposal of interest in associates	–	111
Share of profits less losses of associates	–	(243)
Interest income	5,378	9,278
Depreciation and amortisation	(36,896)	(32,551)
Finance costs	(524)	(899)
Impairment loss on other property, plant and equipment	–	(4,049)
Impairment loss on club memberships	(496)	–
Unallocated head office and corporate expenses	<u>(27,386)</u>	<u>(25,536)</u>
Consolidated profit before taxation	<u>200,619</u>	<u>166,174</u>
Assets		
Reportable segment assets	1,225,051	1,174,093
Elimination of inter-segment receivables	<u>(236,478)</u>	<u>(269,418)</u>
	988,573	904,675
Club memberships	7,618	9,400
Other financial assets	27,690	36,621
Deferred tax assets	7,603	12,425
Current tax recoverable	28	103
Unallocated head office and corporate assets	<u>276,599</u>	<u>264,604</u>
Consolidated total assets	<u>1,308,111</u>	<u>1,227,828</u>

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Liabilities		
Reportable segment liabilities	491,029	499,634
Elimination of inter-segment payables	(236,478)	(269,418)
	254,551	230,216
Current tax payable	22,758	15,253
Unallocated head office and corporate liabilities	3,916	35,001
Consolidated total liabilities	281,225	280,470

(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 interests in leasehold land held for own use under operating leases, other property, plant and equipment, other intangible assets, prepayments for leasehold land and other property, plant and equipment and goodwill ("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 asset in the case of leasehold land and other property, plant and equipment, and the location of the operation to which they are allocated in the case of other intangible assets, prepayments for leasehold land and other property, plant and equipment and goodwill.

	Revenue from external customers		Specified non-current assets	
	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Hong Kong (place of domicile)	39,071	21,027	784	1,682
North America	910,855	599,856	199	199
Japan	646,597	758,617	3,440	3,566
Europe	169,782	175,085	–	–
South America	–	18,290	–	–
The PRC	13,679	30,904	57,278	33,140
Vietnam	14,149	23,690	384,597	299,172
Korea	10,675	7,509	7,284	7,944
Other countries	9,661	2,287	–	–
	1,775,398	1,616,238	452,798	344,021
	1,814,469	1,637,265	453,582	345,703

5. Other revenue and net (loss)/income

(a) Other revenue

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Bank interest income	4,273	5,339
Interest income from other financial assets	1,105	3,939
Sundry income	8,385	7,804
	<u>13,763</u>	<u>17,082</u>

(b) Other net (loss)/income

Gain on disposal of interest in associates	–	111
Net gain on disposal of leasehold land and other property, plant and equipment of a PRC subsidiary	–	37,105
Net gain/(loss) on disposal of other property, plant and equipment	200	(1,969)
Net loss on disposal of other financial assets	(553)	(126)
Net realised and unrealised gain on other financial assets	730	596
Net loss on disposal of club memberships	(733)	–
Write-off of other receivables	–	(943)
Impairment loss on other property, plant and equipment	–	(4,049)
Impairment loss on club memberships	(496)	–
Net foreign exchange loss	(321)	(1,508)
Others	(239)	(70)
	<u>(1,412)</u>	<u>29,147</u>

6. Profit before taxation

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
(a) Finance costs		
Interest expense on bank borrowings wholly repayable within five years	<u>524</u>	<u>899</u>
(b) Staff costs #		
Expenses recognised in respect of defined benefit retirement plan	842	951
Contributions to defined contribution retirement plan	<u>17,902</u>	<u>23,144</u>
Total retirement costs	18,744	24,095
Salaries, wages and other benefits	<u>541,658</u>	<u>484,169</u>
	<u>560,402</u>	<u>508,264</u>
(c) Other items		
Amortisation of land lease premium	1,010	791
Depreciation #	35,886	31,760
Impairment loss recognised on trade receivables	425	427
Reversal of impairment loss on trade receivables	(37)	(118)
Impairment loss recognised on other receivables	329	2,019
Reversal of impairment loss on other receivables	(639)	(78)
Auditors' remuneration		
– audit services	4,453	4,101
– tax services	–	251
– other services	1,368	602
Operating lease charges: minimum lease payments in respect of property rentals #	30,701	29,649
Cost of inventories #	<u>1,387,778</u>	<u>1,270,551</u>

Cost of inventories includes HK\$498,506,000 (2014: HK\$443,743,000) relating to staff costs, depreciation and operating lease charges, which amounts are also included in the respective total amounts disclosed separately above or in note 6(b) for each of these types of expenses.

7. **Income tax in the consolidated statement of profit or loss**

Taxation in the consolidated statement of profit or loss represents:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Current tax – Hong Kong Profits Tax		
Provision for the year	22,850	21,655
Under/(over)-provision in respect of prior years	<u>18</u>	<u>(50)</u>
	----- 22,868	----- 21,605
Current tax – Outside Hong Kong		
Provision for the year	22,749	28,189
Under/(over)-provision in respect of prior years	<u>1,072</u>	<u>(194)</u>
	----- 23,821	----- 27,995
Deferred tax		
Origination and reversal of temporary differences	4,353	(4,810)
Effect on deferred tax balances at 1 January resulting from a change in tax rate	<u>189</u>	<u>–</u>
	----- 4,542	----- (4,810)
	<u><u>51,231</u></u>	<u><u>44,790</u></u>

The provision for Hong Kong Profits Tax for 2015 is calculated at 16.5% (2014: 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 countries.

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

8. Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of HK\$150,783,000 (2014: HK\$122,787,000) and the weighted average number of ordinary shares of 676,865,000 shares (2014: 675,973,000 shares) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2015	2014
	'000	'000
Issued ordinary shares at 1 January	676,865	672,165
Effect of share options exercised	—	3,808
	<hr/>	<hr/>
Weighted average number of ordinary shares at 31 December	<u>676,865</u>	<u>675,973</u>

(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\$150,783,000 (2014: HK\$122,787,000) and the weighted average number of ordinary shares of 676,865,000 shares (2014: 676,865,000 shares), calculated as follows:

Weighted average number of ordinary shares (diluted)

	2015	2014
	'000	'000
Weighted average number of ordinary shares at 31 December	676,865	675,973
Effect of deemed issue of shares under the Company's share option scheme for nil consideration	—	892
	<hr/>	<hr/>
Weighted average number of ordinary shares (diluted) at 31 December	<u>676,865</u>	<u>676,865</u>

9. Other financial assets

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Non-current		
Equity-linked security (<i>notes (i) and (vi)</i>)	–	6,951
Structured debt securities (<i>notes (ii) and (vi)</i>)	7,731	13,244
Available-for-sale debt securities – unlisted (<i>note (iii)</i>)	8,260	–
Available-for-sale equity security – unlisted (<i>note (iv)</i>)	5,108	5,496
	<u>21,099</u>	<u>25,691</u>
Current		
Equity-linked security (<i>notes (v) and (vi)</i>)	6,591	10,930
	<u>27,690</u>	<u>36,621</u>

Notes:

- (i) Equity-linked security as at 31 December 2014 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 on 6 October 2016. The security is classified under “current assets” as at 31 December 2015 (see note (v)).
- (ii) Structured debt security as at 31 December 2015 represents a debt investment placed with an investment bank in Korea with fixed interest rate at 4.63% per annum and redeemable by the debt issuer on or after 30 January 2018.

Structured debt securities as at 31 December 2014 represented the debt investment mentioned above and 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. The latter structured debt investment was disposed of during the year ended 31 December 2015.

- (iii) Available-for-sale debt securities – unlisted as at 31 December 2015 represent: (a) an investment in bond amounting to HK\$1,524,000 with fixed interest rate at 3.95% per annum and a maturity date on 30 January 2043; and (b) an investment in bond amounting to HK\$6,736,000 with fixed interest rate at 5.88% per annum and a maturity date on 28 February 2049. Management has no intention to hold the investments to maturity.
- (iv) Available-for-sale equity security – unlisted represents an investment in a Korean private company and is carried at cost less impairment loss. In prior years, 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. No impairment loss was recognised during the year ended 31 December 2015 and 2014.

- (v) Equity-linked security as at 31 December 2015 represents the security mentioned in note (i).

Equity-linked security as at 31 December 2014 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 on 8 May 2015. The security was disposed of during the year ended 31 December 2015.

- (vi) 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 statement of profit or loss.

10. Trade and other receivables

As at 31 December 2015, 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:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Within 1 month	145,400	135,446
1 to 2 months	61,394	54,523
2 to 3 months	22,072	27,890
3 to 4 months	2,661	9,440
Over 4 months	785	4,241
	232,312	231,540

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.

11. Trade and other payables

As at 31 December 2015, the ageing analysis of trade payables (which are included in trade and other payables), based on the due dates is as follows:

	2015 HK\$'000	2014 <i>HK\$'000</i>
Due within 1 month or on demand	102,572	80,702
Due after 1 month but within 3 months	1,672	12,999
Due after 3 months but within 6 months	100	10,202
Due after 6 months but within 1 year	<u>—</u>	<u>5</u>
	<u>104,344</u>	<u>103,908</u>

12. Dividends

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

	2015 HK\$'000	2014 <i>HK\$'000</i>
Interim dividend declared and paid of HK3 cents per ordinary share (2014: HK3 cents per ordinary share)	20,306	20,306
Final dividend proposed after the end of the reporting period of HKNil cents per ordinary share (2014: HK5 cents per ordinary share)	<u>—</u>	<u>33,843</u>
	<u>20,306</u>	<u>54,149</u>

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

	2015 HK\$'000	2014 <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 (2014: HK5 cents per ordinary share)	<u>33,843</u>	<u>33,843</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

During 2015, the global economy remained clouded by uncertainties. Unfavourable macroeconomic conditions such as the slowdown of China's economic growth, oil price volatility and complicated geopolitical issues hindered the overall market sentiment. Despite the challenging environment, the Group grasped the available opportunity from its largest market, the US, which has benefitted from a relatively healthy economic recovery as customers based there have placed increasing orders with the Group, sustaining the Group's growth in terms of both revenue and profit during the year under review.

For the year ended 31 December 2015, the Group's revenue rose by 10.8% year-on-year to HK\$1,814.5 million (2014: HK\$1,637.3 million), driven by the fast growing plastic figures segment. Due to the decrease in material costs and production of plastic figure products already on smooth track, the Group's gross profit increased by 16.4% to HK\$426.7 million (2014: HK\$366.7 million), with gross profit margin up by 1.1 percentage points to 23.5% (2014: 22.4%). With effective cost control measures in place and greater economies of scale from the production base in Vietnam, operating profit improved by 20.2% to HK\$201.1 million (2014: HK\$167.3 million). As a result, the Group's profit for the year rose by 23.1% to HK\$149.4 million (2014: HK\$121.4 million), with a 0.8 percentage point increase in net profit margin to 8.2% (2014: 7.4%). Excluding the one-off net gain on disposal of leasehold land and other property, plant and equipment of a subsidiary of HK\$37.1 million recorded in 2014, net profit would have surged by 77.3%.

The Group maintained a strong financial position with cash and cash equivalents and bank deposits of HK\$276.6 million as at 31 December 2015 (2014: HK\$264.6 million).

Business Review

Product Analysis

Plush stuffed toys segment

During the year under review, the plush stuffed toys segment recorded revenue of HK\$1,278.9 million, accounting for 70.5% of the Group's total revenue. The Original Equipment Manufacturing business continued to be the core business contributor to the Group's revenue, accounting 94.0% of sales for the plush stuffed toys segment. During the year under review, while its well-known customers including globally-renowned cartoon character owners and licensors were the key customers, the Group also secured increasing order volumes benefitting from a popular plush collection as well as a video game publisher secured in 2014. A specialty store opened in Shanghai, China also contributed sales orders persistently in the second half of 2015. The Group expects to see stable expansion in the segment, and is well-positioned to seize further business opportunities from both current and new customers in the future.

The Original Design Manufacturing business recorded revenue of HK\$76.5 million, contributing 6.0% of the total sales in plush stuffed toys. As for its self-owned “Dream, made to love, made to hug” brand, the Group has continuously fine-tuned its position to focus on the mass market. In view of the increasing competition in the generic toy market, the Group focused on strengthening cooperation with existing customers that are established US retailers and is exploring further business opportunities with them.

Plastic figures segment

The plastic figures segment has become the largest growth driver of the Group, with its sales surging 147.6% to HK\$525.5 million, accounting for 29.0% of the total revenue. Capturing the cross-selling opportunities riding on its long term business relationships with existing top-tier customers, the Group has continued to receive orders from the US and Japan markets, especially from renowned cartoon character owners and licensors, for this segment. A unique feature plastic figures licensor secured in 2014 has also increased its orders significantly in 2015, driving further growth of this segment, while more orders are expected in 2016. The Group is currently in negotiation with several toys companies in the US to further expand the customer base.

Ride-on toys segment

For the year ended 31 December 2015, sales generated from the ride-on toys segment were HK\$10.0 million, contributing to 0.5% of the Group’s total revenue. The sales performance was affected by the relocation of the plant from China to Vietnam during which the production ceased for eight months. After the plant started operations in May, the Group focused on smoothly ramping up its operations while approaching target customers aiming to secure sizable orders in order to further optimize its utilization rate under this segment.

Market Analysis

For the year ended 31 December 2015, North America became the Group’s largest geographic market and accounted for 50.2% of the Group’s total revenue. Contributions from Japan dropped slightly to 35.6%, followed by Europe at 9.4%, and Hong Kong at 2.2%.

Operational Analysis

For 2015, The Group operated 14 plants in total, four of which were in China, and ten in Vietnam, running at an average utilisation rate of 85%. The construction of the third plant for plastic figures production in Hanoi is to be completed soon, and partial operations have commenced since January 2016, with full operations expected by the first half of 2016.

Prospects

Looking ahead, the coming year still presents some challenges for the Group’s business, as geopolitical issues, fluctuating oil prices and currency exchange rates can be foreseen. Nevertheless, as the US, one of the world’s largest toy markets as well as its major market, is expected to experience stable economic growth, the Group remains cautiously optimistic about its prospects and will strive to capture potential business opportunities in carrying out its strategies already mapped out.

While the toy industry is still undergoing consolidation with many players relocating their facilities to China's interior or overseas for production at a lower cost to meet the market demand, the Group is well-positioned to capture surplus orders leveraging its strong production base in Vietnam established through efforts made over the past decade. Enjoying the low production and labour costs as well as the smooth production workflow of its base in Vietnam, the Group now has the competitive edge to offer products cost-effectively and further enlarge its market share in the near future.

Based on a strong business foundation, the Group actively seeks new opportunities for additional growth drivers along with its plastic figures segment, and plans to add a new product category, "Doll Products", to further enrich its product mix. The Group has acquired a land parcel for building a new plant for this new segment, and targets to launch the first batch of new products by the end of 2016.

With its well-positioned markets and its clear strategy, the Group is confident in bringing continued business growth and long-term returns to its shareholders.

Number and Remuneration of Employees

At 31 December 2015, the Group had 15,267 (2014: 13,426) 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 2015, the Group had net current assets of HK\$539.7 million (2014: HK\$561.0 million). The Group's total cash and cash equivalents as at 31 December 2015 amounted to HK\$251.5 million (2014: HK\$241.6 million). The total bank loans of the Group as at 31 December 2015 amounted to HK\$3.9 million (2014: HK\$35.0 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 0.4% at 31 December 2015 (2014: 3.7%).

Pledge on Group Assets

Certain leasehold land, property, plant and equipment of the Group with an aggregate carrying amount of HK\$20,574,000 as at 31 December 2014 were pledged to a bank to secure bank loans granted to the Group.

Certain property, plant and equipment of the Group with an aggregate carrying amount of HK\$27,542,000 as at 31 December 2015 were pledged as security for an unutilised bank facility of the Group of HK\$11,627,000.

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

During the year ended 31 December 2015, 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 2015, the Company has complied with Corporate Governance Code (the "CG Code") as set out in Appendix 14 to 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 independent 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 to 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 had 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 consolidated financial statements for the year ended 31 December 2015. 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 do not recommend the payment of a final dividend in respect of the year ended 31 December 2015 (2014: HK5 cents per ordinary share).

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from 27 April 2016 to 29 April 2016, 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 26 April 2016 are entitled to attend the forthcoming annual general meeting scheduled on 29 April 2016. 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 26 April 2016.

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 the year ended 31 December 2015.

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

Hong Kong, 24 March 2016

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