

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



## DREAM INTERNATIONAL LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 1126)

### RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

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 2017, together with the comparative figures for the previous financial year, as follows:

#### CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2017

	<i>Notes</i>	<b>2017</b> <b>HK\$'000</b>	2016 HK\$'000
<b>Revenue</b>	3 & 4	<b>2,896,435</b>	2,151,268
Cost of sales		<u>(2,063,667)</u>	<u>(1,541,581)</u>
<b>Gross profit</b>		<b>832,768</b>	609,687
Other revenue	5(a)	<b>14,214</b>	11,394
Other net (loss)/income	5(b)	<b>(20,108)</b>	15,558
Distribution costs		<b>(65,162)</b>	(57,383)
Administrative expenses		<b>(273,851)</b>	(225,003)
<b>Profit from operations</b>		<b>487,861</b>	354,253
Finance costs	6(a)	<b>(530)</b>	(385)
<b>Profit before taxation</b>	6	<b>487,331</b>	353,868
Income tax	7	<b>(85,120)</b>	(59,755)
<b>Profit for the year</b>		<b><u>402,211</u></b>	<u>294,113</u>
<b>Attributable to:</b>			
Equity shareholders of the Company		<b>406,338</b>	295,500
Non-controlling interests		<b>(4,127)</b>	(1,387)
<b>Profit for the year</b>		<b><u>402,211</u></b>	<u>294,113</u>
<b>Earnings per share</b>	8		
Basic and diluted		<b><u>HK60.03 ¢</u></b>	<u>HK43.66 ¢</u>

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

	<i>Notes</i>	<b>2017</b> <b>HK\$'000</b>	2016 <i>HK\$'000</i>
<b>Profit for the year</b>		<b>402,211</b>	294,113
<b>Other comprehensive income for the year</b> <b>(after tax adjustments):</b>			
Item that will not be reclassified to profit or loss:			
– Remeasurement of net defined benefit retirement obligation		<b>(570)</b>	(758)
Items that may be or are reclassified subsequently to profit or loss:			
– Exchange differences on translation of financial statements of subsidiaries outside Hong Kong		<b>29,870</b>	(10,955)
– Reclassification of accumulated exchange differences to profit or loss upon deregistration of a subsidiary		<b>(705)</b>	(8,037)
– Available-for-sale securities: net movement in the fair value reserve		<b>(673)</b>	185
		<b>28,492</b>	(18,807)
<b>Other comprehensive income for the year</b>		<b>27,922</b>	(19,565)
<b>Total comprehensive income for the year</b>		<b>430,133</b>	274,548
<b>Attributable to:</b>			
Equity shareholders of the Company		<b>434,231</b>	275,929
Non-controlling interests		<b>(4,098)</b>	(1,381)
<b>Total comprehensive income for the year</b>		<b>430,133</b>	274,548

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AT 31 DECEMBER 2017**

	<i>Notes</i>	<b>2017</b> <b>HK\$'000</b>	2016 <i>HK\$'000</i>
<b>Non-current assets</b>			
Investment property		<b>1,272</b>	1,313
Interests in leasehold land held for own use under operating leases		<b>97,906</b>	86,042
Other property, plant and equipment		<b>739,661</b>	512,914
Long term receivables and prepayments		<b>17,953</b>	28,509
Other intangible assets		<b>7,255</b>	6,688
Goodwill		<b>2,753</b>	2,753
Deferred tax assets		<b>4,154</b>	3,779
Other financial assets	<i>9</i>	<b>14,134</b>	20,852
		<b>885,088</b>	662,850
<b>Current assets</b>			
Inventories		<b>323,938</b>	240,300
Trade and other receivables	<i>10</i>	<b>654,531</b>	348,376
Current tax recoverable		<b>196</b>	1,418
Other financial assets	<i>9</i>	<b>7,644</b>	–
Time deposits		<b>76,470</b>	108,232
Cash and cash equivalents		<b>316,739</b>	316,370
		<b>1,379,518</b>	1,014,696
<b>Current liabilities</b>			
Trade and other payables	<i>11</i>	<b>492,729</b>	330,802
Bank loan		<b>15,621</b>	23,252
Current tax payable		<b>47,544</b>	27,864
		<b>555,894</b>	381,918
<b>Net current assets</b>		<b>823,624</b>	632,778
<b>Total assets less current liabilities</b>		<b>1,708,712</b>	1,295,628

	<i>Notes</i>	<b>2017</b> <i>HK\$'000</i>	2016 <i>HK\$'000</i>
<b>Non-current liabilities</b>			
Deferred tax liabilities		<b>11,009</b>	1,147
Provision for reinstatement costs		<b>1,247</b>	1,154
Net defined benefit retirement obligation		<b>1,514</b>	1,443
		<u>13,770</u>	<u>3,744</u>
<b>NET ASSETS</b>		<b><u>1,694,942</u></b>	<u>1,291,884</u>
<b>CAPITAL AND RESERVES</b>			
Share capital		<b>236,474</b>	236,474
Reserves		<b>1,469,750</b>	1,062,594
<b>Total equity attributable to equity shareholders of the Company</b>		<b>1,706,224</b>	1,299,068
<b>Non-controlling interests</b>		<b>(11,282)</b>	(7,184)
<b>TOTAL EQUITY</b>		<b><u>1,694,942</u></b>	<u>1,291,884</u>

## NOTES TO THE FINANCIAL INFORMATION

### 1. Basis of preparation

The financial information relating to the years ended 31 December 2017 and 2016 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 2016 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 2017 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 several amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these impact on the accounting policies of the Group.

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

### 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 four (2016: three) customers with whom the value of transactions have exceeded 10% (2016: 10%) of the Group's revenues as follows:

	<b>2017</b>	2016
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Customer A	<b>823,449</b>	491,667
Customer B	<b>558,686</b>	531,579
Customer C	<b>529,288</b>	549,127
Customer D	<b>321,676</b>	–

These transactions are attributable to the plush stuffed toys and plastic figures segments, which arose in Hong Kong, the People's Republic of China (the "PRC"), North America, Japan and Europe.

### 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 and the United States.

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

For the purposes of assessing segment performance and allocating resources among 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 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 2017 and 2016 is set out below.

	Plush stuffed toys		Plastic figures		Ride-on toys		Total	
	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
Revenue from external customers	1,497,189	1,487,615	1,336,240	629,837	63,006	33,816	2,896,435	2,151,268
Inter-segment revenue	19,818	31,773	6,096	2,851	8,514	-	34,428	34,624
<b>Reportable segment revenue</b>	<b>1,517,007</b>	<b>1,519,388</b>	<b>1,342,336</b>	<b>632,688</b>	<b>71,520</b>	<b>33,816</b>	<b>2,930,863</b>	<b>2,185,892</b>
<b>Reportable segment profit/(loss) (adjusted EBITDA)</b>	<b>249,391</b>	<b>320,841</b>	<b>336,403</b>	<b>100,333</b>	<b>(2,815)</b>	<b>8,330</b>	<b>582,979</b>	<b>429,504</b>
Bank interest income	7,086	3,770	50	11	18	23	7,154	3,804
Interest expense	(530)	(385)	-	-	-	-	(530)	(385)
Depreciation and amortisation for the year	(33,466)	(34,158)	(26,931)	(12,048)	(4,248)	(2,420)	(64,645)	(48,626)
Impairment loss on other property, plant and equipment	-	-	-	-	(8,466)	-	(8,466)	-
Impairment loss on club memberships	-	(210)	-	-	-	-	-	(210)
<b>Reportable segment assets</b>	<b>1,016,266</b>	<b>1,013,740</b>	<b>922,444</b>	<b>444,686</b>	<b>68,478</b>	<b>75,685</b>	<b>2,007,188</b>	<b>1,534,111</b>
Additions to non-current segment assets during the year	43,604	134,081	264,178	80,561	2,313	19,913	310,095	234,555
<b>Reportable segment liabilities</b>	<b>219,982</b>	<b>308,175</b>	<b>267,414</b>	<b>248,166</b>	<b>177,268</b>	<b>90,962</b>	<b>664,664</b>	<b>647,303</b>

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

	2017 HK\$'000	2016 HK\$'000
<b>Revenue</b>		
Reportable segment revenue	2,930,863	2,185,892
Elimination of inter-segment revenue	(34,428)	(34,624)
<b>Consolidated revenue</b>	<b>2,896,435</b>	<b>2,151,268</b>
<b>Profit</b>		
Reportable segment profit	582,979	429,504
Interest income	8,217	4,998
Depreciation and amortisation	(64,645)	(48,626)
Finance costs	(530)	(385)
Impairment loss on other property, plant and equipment	(8,466)	-
Impairment loss on club memberships	-	(210)
Unallocated head office and corporate expenses	(30,224)	(31,413)
<b>Consolidated profit before taxation</b>	<b>487,331</b>	<b>353,868</b>



	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
<b>Assets</b>		
Reportable segment assets	<b>2,007,188</b>	1,534,111
Elimination of inter-segment receivables	<b>(169,174)</b>	(313,904)
	<b>1,838,014</b>	1,220,207
Club memberships	<b>7,255</b>	6,688
Other financial assets	<b>21,778</b>	20,852
Deferred tax assets	<b>4,154</b>	3,779
Current tax recoverable	<b>196</b>	1,418
Unallocated head office and corporate assets	<b>393,209</b>	424,602
Consolidated total assets	<b>2,264,606</b>	1,677,546
<b>Liabilities</b>		
Reportable segment liabilities	<b>664,664</b>	647,303
Elimination of inter-segment payables	<b>(169,174)</b>	(313,904)
	<b>495,490</b>	333,399
Deferred tax liabilities	<b>11,009</b>	1,147
Current tax payable	<b>47,544</b>	27,864
Unallocated head office and corporate liabilities	<b>15,621</b>	23,252
Consolidated total liabilities	<b>569,664</b>	385,662

**(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 investment property, 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 investment property, 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	
	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Hong Kong (place of domicile)	32,868	23,035	–	268
North America	1,830,649	1,223,359	353	199
Japan	718,123	645,455	3,328	3,325
Europe	151,455	134,293	–	–
The PRC	46,154	34,039	61,653	62,525
Vietnam	54,578	39,609	784,722	562,987
Korea	61,466	49,176	6,178	5,843
Other countries	1,142	2,302	–	–
	<u>2,863,567</u>	<u>2,128,233</u>	<u>856,234</u>	<u>634,879</u>
	<u>2,896,435</u>	<u>2,151,268</u>	<u>856,234</u>	<u>635,147</u>

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

### (a) Other revenue

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Bank interest income	7,154	3,804
Interest income from other financial assets	1,063	1,194
Sundry income	5,997	6,396
	<u>14,214</u>	<u>11,394</u>

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

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Bargain purchase gain arising from acquisition of a subsidiary	–	3,240
Gain on deregistration of a subsidiary	705	10,818
Net gain/(loss) on disposal of other property, plant and equipment	6	(1,520)
Net gain on disposal of other financial assets	–	95
Net realised and unrealised (loss)/gain on other financial assets	(1,016)	154
Impairment loss on other property, plant and equipment	(8,466)	–
Impairment loss on club memberships	–	(210)
Net foreign exchange (loss)/gain	(11,443)	3,240
Others	106	(259)
	<u>(20,108)</u>	<u>15,558</u>

## 6. Profit before taxation

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

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
<b>(a) Finance costs</b>		
Interest expense on bank borrowings wholly repayable within five years	<u>530</u>	<u>385</u>
<b>(b) Staff costs #</b>		
Expenses recognised in respect of defined benefit retirement plan	911	1,037
Contributions to defined contribution retirement plan	<u>46,646</u>	<u>41,816</u>
Total retirement costs	47,557	42,853
Salaries, wages and other benefits	<u>750,249</u>	<u>613,986</u>
	<u><u>797,806</u></u>	<u><u>656,839</u></u>
<b>(c) Other items</b>		
Amortisation of land lease premium	2,086	1,726
Depreciation #	62,559	46,900
Reversal of impairment loss on trade receivables	–	(1)
Reversal of impairment loss on other receivables	–	(611)
Auditors' remuneration		
– audit services	4,355	4,429
– other services	1,573	1,681
Operating lease charges: minimum lease payments in respect of property rentals #	25,808	27,725
Cost of inventories #	<u><u>2,063,667</u></u>	<u><u>1,541,581</u></u>

# Cost of inventories includes HK\$704,769,000 (2016: HK\$581,118,000) 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:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
<b>Current tax – Hong Kong Profits Tax</b>		
Provision for the year	26,795	21,224
Over-provision in respect of prior years	(4,434)	(299)
	<u>22,361</u>	<u>20,925</u>
<b>Current tax – Outside Hong Kong</b>		
Provision for the year	56,724	34,628
(Over)/under-provision in respect of prior years	(3,814)	537
	<u>52,910</u>	<u>35,165</u>
<b>Deferred tax</b>		
Origination and reversal of temporary differences	9,849	3,665
	<u>85,120</u>	<u>59,755</u>

The provision for Hong Kong Profits Tax for 2017 is calculated at 16.5% (2016: 16.5%) of the estimated assessable profits for the year, taking into account a reduction granted by the Hong Kong SAR Government of 75% of the tax payable for the year of assessment 2016-17 subject to a maximum reduction of HK\$20,000 for each business (2016: a maximum reduction of HK\$20,000 was granted for the year of assessment 2015-16 and was taken into account in calculating the provision for 2016). 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 2017 includes withholding tax of HK\$7,771,000 (2016: HK\$1,580,000) 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\$406,338,000 (2016: HK\$295,500,000) and the weighted average number of ordinary shares of 676,865,000 shares (2016: 676,865,000 shares) in issue during the year.

### (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 years ended 31 December 2017 and 2016.

## 9. Other financial assets

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
<b>Non-current</b>		
Structured debt security ( <i>notes (i) and (iv)</i> )	–	7,644
Available-for-sale debt securities – unlisted ( <i>note (ii)</i> )	<b>8,484</b>	8,255
Available-for-sale equity security – unlisted ( <i>note (iii)</i> )	<b>5,650</b>	4,953
	<u>14,134</u>	<u>20,852</u>
<b>Current</b>		
Structured debt security ( <i>notes (i) and (iv)</i> )	<u>7,644</u>	–
	<u>21,778</u>	<u>20,852</u>

### Notes:

- (i) Structured debt security as at 31 December 2016 represented 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. The security is classified under “current assets” as at 31 December 2017.
- (ii) Available-for-sale debt securities – unlisted represent: (a) an investment in bond amounting to HK\$1,582,000 (2016: HK\$1,515,000) with fixed interest rate at 3.95% per annum and a maturity date on 11 January 2023, which management has no intention to hold to maturity; and (b) an investment in perpetual bond amounting to HK\$6,902,000 (2016: HK\$6,740,000) with fixed interest rate at 5.88% per annum.
- (iii) 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 further impairment loss was recognised during the years ended 31 December 2017 and 2016.
- (iv) Structured debt security is a hybrid instrument that includes non-derivative host contracts and embedded derivatives. Upon inception, the financial instrument is 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 2017, 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>2017</b>	2016
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Within 1 month	<b>215,610</b>	130,329
1 to 2 months	<b>143,598</b>	45,723
2 to 3 months	<b>100,178</b>	18,452
3 to 4 months	<b>31,852</b>	12,850
Over 4 months	<b>14,162</b>	17
	<hr/>	<hr/>
Trade debtors and bills receivable, net of allowance for doubtful debts	<b>505,400</b>	207,371
Other receivables and prepayments	<b>129,430</b>	119,093
Amounts due from related companies	<b>19,701</b>	21,912
	<hr/>	<hr/>
	<b>654,531</b>	348,376
	<hr/> <hr/>	<hr/> <hr/>

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 2017, the ageing analysis of trade payables (which are included in trade and other payables), based on the due dates is as follows:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Due within 1 month or on demand	203,445	107,947
Due after 1 month but within 3 months	50,912	35,808
Due after 3 months but within 6 months	491	15
Due after 6 months but within 1 year	–	499
	<hr/>	<hr/>
Trade payables	254,848	144,269
Receipt in advance	68,692	34,666
Salary and welfare payables	134,333	117,284
Value-added tax payable	3,805	4,642
Payable for acquisition of other property, plant and equipment	18,771	14,885
Other payables and accrual	12,280	15,056
	<hr/>	<hr/>
	<b>492,729</b>	<b>330,802</b>
	<hr/> <hr/>	<hr/> <hr/>

## 12. Dividends

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

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Interim dividend declared and paid of HK1 cent per ordinary share (2016: HK1 cent per ordinary share)	6,769	6,769
Final dividend proposed after the end of the reporting period of HK3 cents per ordinary share (2016: HK3 cents per ordinary share)	20,306	20,306
	<hr/>	<hr/>
	<b>27,075</b>	<b>27,075</b>
	<hr/> <hr/>	<hr/> <hr/>

The final dividend proposed after the end of the reporting period 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 year

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Final dividend in respect of the previous financial year, approved and paid during the year, of HK3 cents per ordinary share (2016: HKNil cent per ordinary share)	20,306	–
	<hr/> <hr/>	<hr/> <hr/>

## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial Review

With the global economy gradually recovering from its downturn, market sentiment has been showing signs of improvement in 2017. Thanks to the resultantly favourable business environment, the Group was able to deliver remarkable results once again by leveraging its well-established competitive advantages and expanding its production capacity in a timely manner to meet growing demand.

For the year ended 31 December 2017, the Group's revenue reached a record high, increasing by 34.6% year-on-year to HK\$2,896.4 million (2016: HK\$2,151.3 million), which was mainly attributable to the significant increase in sales volume of the plastic figures segment. Meanwhile, thanks to improved production efficiency and benefiting from economies of scale, gross profit soared 36.6% to HK\$832.8 million (2016: HK\$609.7 million), with gross profit margin up to 28.8% (2016: 28.3%). With effective cost control measures in place, the Group's operating profit grew by 37.7% to HK\$487.9 million (2016: HK\$354.3 million). As a result, the Group achieved a record-high profit for the year at HK\$402.2 million, representing a year-on-year increase of 36.8%. Net profit margin was 13.9% (2016: 13.7%).

As at 31 December 2017, the Group was in a sound financial position with cash and cash equivalents and time deposits of HK\$393.2 million (2016: HK\$424.6 million). The Board of Directors (the "Board") has recommended the payment of a final dividend of HK3 cents per ordinary share (2016: HK3 cents per ordinary share).

## BUSINESS REVIEW

### Product Analysis

#### *Plush stuffed toys segment*

The plush stuffed toys segment recorded revenue totalling HK\$1,497.2 million (2016: HK\$1,487.6 million) as at the year ended 31 December 2017, accounting for 51.7% of the Group's total revenue. The Original Equipment Manufacturing business continued to be one of the major revenue contributors of the Group, generating HK\$1,381.0 million (2016: HK\$1,339.1 million) in revenue, thus accounting for 92.2% of sales of the plush stuffed toys segment. During the year, the Group, by capitalising on its outstanding product quality with competitive pricing, strong manufacturing capability and reputation in the market as an industry leader, received increased orders from its existing customers, comprising globally renowned cartoon character owners and licensors. Moreover, by further capturing cross-selling opportunities from its existing customer, the baby doll business which started earlier this year has been receiving sales orders from world-renowned toy companies and contributing revenue to the Group. At the same time, by developing new plush toy characters to meet customers' demand, the Group was also able to secure new customers that hold potential growth opportunities.



The Original Design Manufacturing business recorded revenue totalling HK\$116.2 million (2016: HK\$148.5 million) during the year under review, accounting for 7.8% of total sales of plush stuffed toys. As competition in the generic toy market has been intensifying, the Group has strengthened its competitive advantages by developing new designs in order to cater for the constantly growing demands of customers.

### ***Plastic figures segment***

During the year under review, the plastic figures segment continued to grow notably, with revenue up by 112.2% to HK\$1,336.2 million (2016: HK\$629.8 million), and accounting for 46.1% of the Group's total revenue. As the Group's growth driver, the plastic figures segment was able to grow along with its customers whose products generated greater sales in the past year. The segment's revenue growth can also be attributed to the Group's strong production capability, thereby enabling the segment to handle increasing orders from various customers. In order to improve competitiveness and stand out from its peers, the Group has been striving to gain new customers by setting up printed circuit board (PCB) production lines to expand to new product categories.

### ***Ride-on toys segment***

During the year under review, revenue of HK\$63.0 million (2016: HK\$33.8 million) was recorded by the ride-on toys segment, thus accounting for 2.2% of the Group's total revenue. After the production facilities in China were relocated to Vietnam, efficiency improved. The Group will continue to focus mainly on developing the US market to further enhance the performance of this segment.

## **Geographic Market Analysis**

For the year ended 31 December 2017, North America remained as the largest geographical market of the Group, accounting for 63.2% of its total revenue. Contributions from Japan accounted for 24.8% of total revenue, followed by Europe at 5.2% and others at 6.8%.

## **Operational Analysis**

As at 31 December 2017, the Group operated 18 plants in total, 4 of which were in China, and 14 in Vietnam, with average utilisation rate at 80%. The fifth plant in Hanoi, which is dedicated to manufacturing plastic figures, is currently under construction and is expected to commence operation next year.

## **Prospects**

Looking ahead, consolidation of the manufacturing sector in China is expected to continue, and toy companies that only have production bases in the country will be under heavy pressure. This will invariably lead to the exit of more players and will create greater room for growth for market leaders such as Dream International, especially now that the Group has strong production bases in Vietnam and is able to enjoy lower labour costs and currency pressure. While market conditions can never be free from uncertainties, the Group believes that with its competitive advantages and well-executed two-pronged business strategy – maintaining its leadership in the plush stuffed toys market while leveraging the plastic figure segment as a growth platform – it remains well positioned to capture opportunities ahead.

While seeking to make further inroads in its existing business, the Group is also open to exploring opportunities that enable it to further boost business development. The Group has already been actively exploring new product divisions that have good development potential, as exemplified by the plastic figures segment set up a few years ago and the new “Doll Products” category added in recent years. Going forward, the Group will closely examine new opportunities that enable it to continue in its diversification drive, so as to broaden the Group’s revenue and customer base and contribute to cross-selling opportunities that lead ultimately to the further broadening of revenue stream.

With regard to production, the Group expanded capacity significantly, and within a relatively short time period, in order to address customers’ demand. It will now focus more on strengthening internal controls and raising production efficiency. Production capacity will nonetheless be reviewed from time to time and adjusted based on market demand and the needs of existing customers.

Given its leadership in the global toy industry, solid customer base and diversified production bases in China and Vietnam, as well as its sound financial position, the Group is confident that its pursuit of sustainable long-term development will be realised in the future.

## **NUMBER AND REMUNERATION OF EMPLOYEES**

At 31 December 2017, the Group had 21,403 (2016: 16,997) 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 2017, the Group had net current assets of HK\$823.6 million (2016: HK\$632.8 million). The Group’s total cash and cash equivalents as at 31 December 2017 amounted to HK\$316.7 million (2016: HK\$316.4 million). The bank loan of the Group as at 31 December 2017 amounted to HK\$15.6 million (2016: HK\$23.3 million). The Group’s borrowing is on a fixed 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, 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 0.9% at 31 December 2017 (2016: 1.8%).

## **PLEDGE ON GROUP ASSETS**

Certain leasehold land and other property, plant and equipment of the Group with an aggregate carrying amount of HK\$19.0 million as at 31 December 2017 (2016: HK\$20.1 million) were pledged as security for an unutilised bank facility of the Group of HK\$11.7 million (2016: HK\$11.6 million).

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

During the year ended 31 December 2017, 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 2017, 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 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 the positions as it helps to maintain the continuity of the policies and stability of the operations of the Company. The Board including three independent non-executive directors has a fairly independent element in the composition and will play an active role to ensure a balance of power and authority.

## **COMPLIANCE WITH THE MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS**

The Company has adopted the Model Code for Securities Transactions 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 Company's directors (the "Directors"). The Company has made specific enquires of all 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 year ended 31 December 2017.

## **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 2017. 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 Board has resolved to recommend the payment of a final dividend of HK3 cents per ordinary share in respect of the year ended 31 December 2017 (2016: HK3 cents). The proposed final dividend which totals HK\$20,306,000 (2016: HK\$20,306,000), if approved at the forthcoming annual general meeting, will be paid on 24 May 2018 to the shareholders on the register of members as at 10 May 2018.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members will be closed from 27 April 2018 to 4 May 2018, 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 2018 are entitled to attend the forthcoming annual general meeting scheduled on 4 May 2018. 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 2018.

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 10 May 2018, 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 9 May 2018.

## **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 risk management and internal control system, and financial reporting matters, including a review of the annual results for the year ended 31 December 2017.

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

Hong Kong, 23 March 2018

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

*Executive Directors:*

Mr. Kyoo Yoon Choi (*Chairman*)  
Mr. Young M. Lee  
Mr. Hyun Ho Kim  
Mr. Sung Sick Kim

*Independent non-executive Directors:*

Professor Cheong Heon Yi  
Mr. Tae Woong Kang  
Dr. Chan Yoo