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## DREAM INTERNATIONAL LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 1126)

### RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2022

The board (the “Board”) of directors (the “Directors”) 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 2022, together with the comparative figures for the previous financial year, as follows:

#### CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 HK\$'000	2021 HK\$'000
<b>Revenue</b>	3	<b>6,252,874</b>	4,799,785
Cost of sales		<u>(5,023,998)</u>	<u>(4,185,069)</u>
<b>Gross profit</b>		<b>1,228,876</b>	614,716
Other revenue		60,360	40,929
Other net (loss)/income		(22,653)	2,621
Gain on step acquisition		–	595
Distribution costs		(88,569)	(89,108)
Administrative expenses		<u>(335,563)</u>	<u>(295,971)</u>
<b>Profit from operations</b>		<b>842,451</b>	273,782
Finance costs	4(a)	(9,126)	(10,455)
Share of profits of associates		<u>1,737</u>	<u>899</u>
<b>Profit before taxation</b>	4	<b>835,062</b>	264,226
Income tax	5	<u>(147,966)</u>	<u>(70,664)</u>
<b>Profit for the year</b>		<b><u>687,096</u></b>	<b><u>193,562</u></b>
<b>Earnings per share</b>	6		
Basic and diluted		<b><u>HK101.51 ¢</u></b>	<b><u>HK28.60 ¢</u></b>

**CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**

	<b>2022</b>	2021
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Profit for the year</b>	<b>687,096</b>	193,562
<b>Other comprehensive income for the year (after tax and reclassification adjustments):</b>		
Item that will not be reclassified to profit or loss:		
– Unlisted equity security at fair value through other comprehensive income – net movement in fair value reserve (non-recycling)	(352)	386
	<u>(352)</u>	<u>386</u>
Item that may be or is reclassified subsequently to profit or loss:		
– Exchange differences on translation of financial statements of subsidiaries outside Hong Kong	(20,103)	1,152
	<u>(20,103)</u>	<u>1,152</u>
<b>Other comprehensive income for the year</b>	<b>(20,455)</b>	1,538
<b>Total comprehensive income for the year</b>	<b>666,641</b>	195,100

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AT 31 DECEMBER 2022**

	<i>Notes</i>	<b>2022</b> <b>HK\$'000</b>	2021 <i>HK\$'000</i>
<b>Non-current assets</b>			
Property, plant and equipment	8	1,402,286	1,387,438
Investment properties		4,004	3,777
Long term receivables and prepayments		20,670	19,719
Other intangible assets		25,353	26,011
Goodwill		2,753	2,753
Interest in an associate		12,006	10,269
Deferred tax assets		6,890	5,147
Time deposits		7,963	3,081
Other financial assets	7	2,875	3,540
		<u>1,484,800</u>	<u>1,461,735</u>
<b>Current assets</b>			
Inventories		944,935	879,135
Trade and other receivables	9	1,192,922	1,254,554
Current tax recoverable		369	2,836
Time deposits		92,377	218,165
Cash and cash equivalents		669,264	382,989
		<u>2,899,867</u>	<u>2,737,679</u>
<b>Current liabilities</b>			
Trade and other payables and contract liabilities	10	817,445	1,184,085
Bank loans		192,294	262,462
Lease liabilities		22,234	15,714
Current tax payable		94,771	32,097
		<u>1,126,744</u>	<u>1,494,358</u>
<b>Net current assets</b>		<u>1,773,123</u>	<u>1,243,321</u>
<b>Total assets less current liabilities</b>		<u>3,257,923</u>	<u>2,705,056</u>

	<i>Notes</i>	<b>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<b>Non-current liabilities</b>			
Lease liabilities		<b>42,351</b>	20,216
Deferred tax liabilities		<b>10,085</b>	10,620
		<u><b>52,436</b></u>	<u>30,836</u>
<b>NET ASSETS</b>		<u><b>3,205,487</b></u>	<u>2,674,220</u>
<b>CAPITAL AND RESERVES</b>			
Share capital		<b>236,474</b>	236,474
Reserves		<b>2,969,013</b>	2,437,746
<b>TOTAL EQUITY</b>		<u><b>3,205,487</b></u>	<u>2,674,220</u>

## NOTES TO THE FINANCIAL INFORMATION

### 1. BASIS OF PREPARATION

The financial information relating to the years ended 31 December 2022 and 2021 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 2021 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 2022 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 investments in equity securities are stated at their fair values.

### 2. CHANGES IN ACCOUNTING POLICIES

The Group has applied the following amendments to HKFRSs issued by the HKICPA for the current accounting period:

- Amendments to HKAS 16, *Property, plant and equipment: Proceeds before intended use*
- Amendments to HKAS 37, *Provisions, contingent liabilities and contingent assets: Onerous contracts – cost of fulfilling a contract*

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 16, *Property, plant and equipment: Proceeds before intended use***

The amendments prohibit an entity from deducting the proceeds from selling items produced before that asset is available for use from the cost of an item of property, plant and equipment. Instead, the sales proceeds and the related costs should be included in profit and loss. The amendments do not have a material impact on these financial statements as the Group does not sell items produced before an item of property, plant and equipment is available for use.

**Amendments to HKAS 37, Provisions, contingent liabilities and contingent assets: Onerous contracts – cost of fulfilling a contract**

The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts.

Previously, the Group included only incremental costs when determining whether a contract was onerous. In accordance with the transitional provisions, the Group has applied the new accounting policy to contracts for which it has not yet fulfilled all its obligations at 1 January 2022, and has concluded that none of them is onerous.

**3. REVENUE AND SEGMENT REPORTING**

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

**(a) Disaggregation of revenue**

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<b>Revenue from contracts with customers within the scope of HKFRS 15</b>		
Disaggregated by major product lines		
– Plastic figures	3,232,899	2,663,618
– Plush stuffed toys	2,287,828	1,407,235
– Tarpaulin	485,879	471,916
– Die-casting products	246,268	257,016
	<u>6,252,874</u>	<u>4,799,785</u>

The Group's customer base is diversified and includes two (2021: two) customers with whom transactions have exceeded 10% (2021: 10%) of the Group's revenues as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Customer A	2,102,707	1,668,652
Customer B	1,083,710	480,201

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

**(b) 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 properties, other property, plant and equipment, other intangible assets, goodwill and interest in an associate ("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 properties and other property, plant and equipment, 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, and the location of operations, in the case of interest in an associate.

	<b>Revenue from external customers</b>	
	<b>2022</b>	<b>2021</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Hong Kong (place of domicile)	<b>43,708</b>	89,207
North America	<b>3,794,341</b>	3,398,660
Japan	<b>1,115,211</b>	490,088
The PRC	<b>897,847</b>	290,320
Europe	<b>267,404</b>	391,129
Vietnam	<b>78,097</b>	78,091
Korea	<b>36,309</b>	28,200
Other countries	<b>19,957</b>	34,090
	<b>6,209,166</b>	4,710,578
	<b>6,252,874</b>	4,799,785
	<b>Specified non-current assets</b>	
	<b>2022</b>	<b>2021</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Hong Kong (place of domicile)	<b>210,162</b>	218,955
Vietnam	<b>1,121,112</b>	1,128,725
The PRC	<b>83,089</b>	54,139
Korea	<b>22,763</b>	28,569
Singapore	<b>17,386</b>	13,212
North America	<b>8,525</b>	1,606
Japan	<b>4,035</b>	4,761
	<b>1,256,910</b>	1,231,012
	<b>1,467,072</b>	1,449,967

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

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2022 and 2021 is set out below.

	Plastic figures		Plush stuffed toys		Tarpaulin		Die-casting products		Total	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers	3,232,899	2,663,618	2,287,828	1,407,235	485,879	471,916	246,268	257,016	6,252,874	4,799,785
Inter-segment revenue	7,223	13,118	29,865	32,124	–	5	185,938	128,346	223,026	173,593
<b>Reportable segment revenue</b>	<b>3,240,122</b>	<b>2,676,736</b>	<b>2,317,693</b>	<b>1,439,359</b>	<b>485,879</b>	<b>471,921</b>	<b>432,206</b>	<b>385,362</b>	<b>6,475,900</b>	<b>4,973,378</b>
<b>Reportable segment profit (adjusted EBITDA)</b>	<b>463,788</b>	<b>188,400</b>	<b>526,705</b>	<b>182,008</b>	<b>41,246</b>	<b>62,049</b>	<b>33,042</b>	<b>19,243</b>	<b>1,064,781</b>	<b>451,700</b>
Bank interest income	2,811	557	9,981	17,142	2,513	2,737	4,208	24	19,513	20,460
Interest expense	(1,099)	(1,596)	(4,092)	(3,735)	(3,549)	(3,665)	(386)	(1,459)	(9,126)	(10,455)
Depreciation and amortisation for the year	(69,813)	(71,975)	(82,012)	(62,378)	(14,856)	(12,153)	(19,624)	(27,324)	(186,305)	(173,830)
<b>Reportable segment assets</b>	<b>1,480,963</b>	<b>1,469,324</b>	<b>1,797,515</b>	<b>1,647,628</b>	<b>291,523</b>	<b>275,747</b>	<b>170,385</b>	<b>281,258</b>	<b>3,740,386</b>	<b>3,673,957</b>
Additions to non-current segment assets during the year	99,879	92,373	52,133	88,594	4,599	25,861	6,007	17,951	162,618	224,779
<b>Reportable segment liabilities</b>	<b>429,087</b>	<b>805,270</b>	<b>426,558</b>	<b>242,141</b>	<b>69,102</b>	<b>62,860</b>	<b>297,418</b>	<b>392,052</b>	<b>1,222,165</b>	<b>1,502,323</b>

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

	2022	2021
	HK\$'000	HK\$'000
<b>Revenue</b>		
Reportable segment revenue	6,475,900	4,973,378
Elimination of inter-segment revenue	(223,026)	(173,593)
<b>Consolidated revenue</b>	<b>6,252,874</b>	<b>4,799,785</b>
<b>Profit</b>		
Reportable segment profit	1,064,781	451,700
Share of profits of associates	1,737	899
Gain on step acquisition	–	595
Interest income	19,513	20,460
Depreciation and amortisation	(186,305)	(173,830)
Finance costs	(9,126)	(10,455)
Unallocated head office and corporate expenses	(55,538)	(25,143)
<b>Consolidated profit before taxation</b>	<b>835,062</b>	<b>264,226</b>



	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<b>Assets</b>		
Reportable segment assets	3,740,386	3,673,957
Elimination of inter-segment receivables	<u>(340,135)</u>	<u>(282,308)</u>
	3,400,251	3,391,649
Interest in an associate	12,006	10,269
Club memberships	24,044	24,304
Other financial asset	2,875	3,540
Deferred tax assets	6,890	5,147
Current tax recoverable	369	2,836
Unallocated head office and corporate assets	<u>938,232</u>	<u>761,669</u>
Consolidated total assets	<u><u>4,384,667</u></u>	<u><u>4,199,414</u></u>
<b>Liabilities</b>		
Reportable segment liabilities	1,222,165	1,502,323
Elimination of inter-segment payables	<u>(340,135)</u>	<u>(282,308)</u>
	882,030	1,220,015
Deferred tax liabilities	10,085	10,620
Current tax payable	94,771	32,097
Unallocated head office and corporate liabilities	<u>192,294</u>	<u>262,462</u>
Consolidated total liabilities	<u><u>1,179,180</u></u>	<u><u>1,525,194</u></u>

#### 4. PROFIT BEFORE TAXATION

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<b>(a) Finance costs</b>		
Interest expense on bank loans	6,322	7,908
Interest expense on lease liabilities	2,804	2,547
	<u>9,126</u>	<u>10,455</u>
<b>(b) Staff costs*</b>		
Contributions to defined contribution retirement plan	70,391	65,996
Salaries, wages and other benefits	1,405,687	1,254,332
	<u>1,476,078</u>	<u>1,320,328</u>
<b>(c) Other items</b>		
Depreciation charge*		
– owned property, plant and equipment	151,745	146,262
– leasehold land held for own use	6,691	4,211
– right-of-use assets	27,467	22,958
Amortisation of other intangible assets	402	399
Provision/(reversal) of loss allowances of trade receivables	3,341	(365)
Auditors' remuneration		
– audit services	6,006	5,177
– other services	888	1,107
Cost of inventories*	<u>5,023,998</u>	<u>4,185,069</u>

\* Cost of inventories includes HK\$1,427,169,000 (2021: HK\$1,268,427,000) relating to staff costs and depreciation, which amounts are also included in the respective total amounts disclosed separately above or in note 4(b) for each of these types of expenses.

## 5. INCOME TAX

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<b>Current tax – Hong Kong Profits Tax</b>		
Provision for the year	49,599	31,896
(Over)/under-provision in respect of prior years	(1,026)	32
	<u>48,573</u>	<u>31,928</u>
<b>Current tax – Outside Hong Kong</b>		
Provision for the year	98,130	35,590
Under-provision in respect of prior years	3,585	3,037
	<u>101,715</u>	<u>38,627</u>
<b>Deferred tax</b>		
Origination and reversal of temporary differences	(2,322)	109
	<u>147,966</u>	<u>70,664</u>

The provision for Hong Kong Profits Tax for 2022 is calculated at 16.5% (2021: 16.5%) of the estimated assessable profits for the year, except for the Company which is a qualifying corporation under the two-tiered Profits Tax rate regime.

For the Company, the first HK\$2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. The provision for Hong Kong Profits Tax for the Company was calculated at the same basis in 2021.

The provision for Hong Kong Profits Tax for 2022 is taken into account a reduction granted by the Hong Kong Special Administrative Region Government of 100% of the tax payable for the year of assessment 2021/22 subject to a maximum reduction of HK\$10,000 for each business (2021: a maximum reduction of HK\$10,000 was granted for the year of assessment 2020/21 and was taken into account in calculating the provision for 2021).

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 2022 includes refund of withholding tax of HK\$803,000 paid on dividend income from subsidiaries in 2020.

## 6. 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\$687,096,000 (2021: HK\$193,562,000) and the weighted average of 676,865,000 ordinary shares (2021: 676,865,000 ordinary 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 2022 and 2021.

## 7. OTHER FINANCIAL ASSETS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Unlisted equity security measured at FVOCI (non-recycling)	<u>2,875</u>	<u>3,540</u>

Unlisted equity security represents an investment in Joongang Tongyang Broadcasting Company (“JTBC”), a company incorporated in Korea and engaged in multimedia and broadcasting. The Group designated its investment in JTBC at FVOCI (non-recycling), as the investment is held for strategic purpose. No dividends were received on this investment during the year (2021: HK\$Nil).

## 8. PROPERTY, PLANT AND EQUIPMENT

For the year ended 31 December 2022, the Group acquired items of property, plant and equipment with a cost of HK\$220,836,000 (2021: HK\$196,798,000), including the additions to right-of-use assets of HK\$58,169,000 (2021: HK\$23,829,000). The additions to right-of-use assets were related to the capitalised lease payments payable under new tenancy agreements. The additions in 2021 also included the purchase of leasehold properties of HK\$13,115,000. Items of property, plant and equipment with a net book value of HK\$6,536,000 (2021: HK\$18,098,000) were disposed of for the year ended 31 December 2022, resulting in a net gain on disposal of HK\$107,000 (2021: loss of HK\$2,103,000).

## 9. TRADE AND OTHER RECEIVABLES

As at 31 December 2022, the ageing analysis of trade debtors and bills receivable (which are included in trade and other receivables), based on the invoice date or date of revenue recognition, if earlier and net of loss allowance, is as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within 1 month	511,897	333,139
1 to 2 months	342,328	393,016
2 to 3 months	76,866	208,400
3 to 4 months	12,528	77,810
Over 4 months	3,273	50,404
	<u>946,892</u>	<u>1,062,769</u>

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

## 10. TRADE AND OTHER PAYABLES AND CONTRACT LIABILITIES

All of the trade and other payables are expected to be settled or recognised as income within one year or are repayable on demand.

As at 31 December 2022, the ageing analysis of trade payables, based on the due dates is as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Due within 1 month or on demand	371,200	367,918
Due after 1 month but within 3 months	131,772	307,330
Due after 3 months but within 6 months	50,057	218,894
Due after 6 months but within 1 year	22,871	44,349
Over 1 year	3,759	7,289
	<u>579,659</u>	<u>945,780</u>

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade payables	579,659	945,780
Contract liabilities – sales deposit	11,689	21,104
Salary and welfare payables	142,503	139,281
Value-added tax payable	12,497	4,648
Other payables and accruals	46,215	49,965
Receipt in advance	24,882	23,307
	<u>817,445</u>	<u>1,184,085</u>

As at 31 December 2022, included in the trade payables balance are amount due to an associate of HK\$756,000 (2021: HK\$2,566,000) which are trade in nature, unsecured and interest-free.

## 11. DIVIDENDS

### (a) Dividends payable to equity shareholders of the Company attributable to the year 2022

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Interim dividend declared and paid of HK10 cents per ordinary share (2021: HK2 cents per ordinary share)	67,687	13,537
Final dividend proposed after the end of the reporting period of HK30 cents per ordinary share (2021: HK10 cents per ordinary share)	<u>203,060</u>	<u>67,687</u>
	<u><u>270,747</u></u>	<u><u>81,224</u></u>

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 2022

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Final dividend in respect of the previous financial year, approved and paid during the year, of HK10 cents per ordinary share (2021: HK10 cents per ordinary share)	<u>67,687</u>	<u>67,687</u>

## 12 ACQUISITION OF A SUBSIDIARY

### Step acquisitions of C & H Mekong Company Limited (“C & H Mekong”) from an associate to a subsidiary

On 29 November 2019, the Company entered into an agreement with C & H Co. Ltd and two independent third parties to acquire 100% of the interests in C & H Vina Company Limited (“C & H Vina”), which held 48.98% equity interests of C & H Mekong. The acquisition was completed on 31 March 2020. C & H Mekong was classified as an associate as the Group had significant influence in C & H Mekong.

On 29 April 2021 (the “Step Acquisition Date”), C & H Vina completed the acquisition of the remaining 51.02% of the interests in C & H Mekong at cash consideration of US\$917,000 (equivalent to HK\$7,195,000) (the “Step Acquisition”) from an independent third party. By the Step Acquisition Date, the acquisition consideration has been settled. Upon the completion of the Step Acquisition, C & H Mekong became a wholly-owned subsidiary of the Group.

The principal activity of C & H Mekong is manufacture of tarpaulin. The directors of the Company are of opinion that the Step Acquisition was made to achieve synergies in saving cost of manufacturing of tarpaulin.

The following table summarises the total consideration for the Step Acquisition and the fair values of assets acquired and liabilities assumed at the Step Acquisition Date.

	<i>HK\$'000</i>
Consideration paid, satisfied by cash	7,195
Fair value of pre-existing equity interests in C & H Mekong at the Step Acquisition Date	7,479
	<hr/>
Total consideration	14,674
	<hr/> <hr/>
	<i>HK\$'000</i>
Property, plant and equipment	23,277
Trade and other receivables	9,033
Cash and cash equivalents	1,933
Trade and other payables and contract liabilities	(3,413)
Loans from shareholders	(15,561)
	<hr/>
Fair value of identifiable assets acquired and liabilities assumed at the Step Acquisition Date	15,269
Total consideration	(14,674)
	<hr/>
Gain on step acquisition	595
	<hr/> <hr/>
Consideration paid, satisfied by cash	7,195
Cash and cash equivalents acquired	(1,933)
	<hr/>
Net cash outflow	5,262
	<hr/> <hr/>

As at the Step Acquisition Date, the fair values of the receivables were their gross contractual amounts. None of them was expected to be uncollectible. The gain on step acquisition of HK\$595,000 has been included in the consolidated statement of profit or loss for the year ended 31 December 2021.

Revenue and net profit attributable to the Group during the period from 29 April 2021 (the Step Acquisition Date) to 31 December 2021 contributed by the Step Acquisition were HK\$Nil and HK\$790,000 respectively. Had the Step Acquisition taken place and completed at the beginning of the year, revenue and net profit attributable to the Group would have been HK\$4,799,785,000 and HK\$194,352,000, respectively.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial Review

At the end of 2022, the world started to gradually come out of the woods with the pandemic abating. However, with the interest rate hikes in the United States (the “US”) and Europe along with inflationary pressure sparking fear of an economic recession, plus prevailing geopolitical tensions and potential energy crisis, costs of raw materials climbed and the overall business environment and consumption sentiment continued to be affected. Despite these challenges, backed by a dual-production base operation, close ties with supply chain partners, effective strategies for boosting its product portfolio and expanding customer base, and persistent cost control efforts, the Group was still able to capture business opportunities and achieve record high revenue with improved profitability in the adverse market environment.

For the year ended 31 December 2022 (the “Year”), with the US and some Asian markets recovering, in particular the strong order inflow from the PRC market, the Group’s revenue grew by 30.3% to HK\$6,252.9 million (2021: HK\$4,799.8 million), hitting record high. With material costs stabilising in the second half of the Year, gross profit for the Year doubled to HK\$1,228.9 million (2021: HK\$614.7 million) and gross profit margin improved to 19.7% (2021: 12.8%). Such improvements, together with operating costs coming down, profit attributable to shareholders of the Company surged over 254.9% to HK\$687.1 million (2021: HK\$193.6 million), with net profit margin at 11.0% (2021: 4.0%).

As at 31 December 2022, the Group was in a healthy financial position with cash and cash equivalents and current time deposits amounting to HK\$761.6 million (2021: HK\$601.2 million). To reward shareholders for their long-term support, the Board of Directors has recommended payment of a final dividend of HK30 cents per ordinary share (2021: HK10 cents) for the Year.

### Business Review

#### *Product Analysis*

##### *Plastic Figure Segment*

The segment remained a growth driver of the Group, with sales revenue up 21.4% to approximately HK\$3,232.9 million (2021: HK\$2,663.6 million), accounting for 51.7% of the Group’s total revenue. The good performance was mainly driven by the strong order inflow from the US markets. Despite material costs fluctuating during the year, the Group conducted bulk purchase to secure reasonable prices and help maintain profitability. With the recovery of Japan markets, the Group has been working hard to exploring more opportunities with its top-tier customers to achieve business diversification. To meet market demand, the Group will look into the need to expand or adjust production capacity, and also to increase production efficiency and cost effectiveness through automation.



### *Plush Stuffed Toys Segment*

Revenue of the segment increased by 62.6% to approximately HK\$2,287.8 million (2021: HK\$1,407.2 million), representing 36.6% of the Group's total revenue. The growth was owed mainly to the strong orders from the US, Japan, and the PRC with theme parks welcoming back the crowds during the Year. Moreover, thanks to its rigorous effort to optimise resource allocation, the Group was able to cater to customers with different business models.

### *Tarpaulin Segment*

Less susceptible to external economic cyclical swings, the tarpaulin segment has been a steady revenue contributor of the Group over the years. For the Year, it recorded sales of approximately HK\$485.9 million (2021: HK\$471.9 million), representing a 3.0% increase year-on-year and accounting for 7.8% of the Group's total revenue. The Group timely reviewed resource allocation to the segment to facilitate more efficient and effective production and delivery planning, so as to ensure sustainable development for the segment.

### *Die-Casting Products Segment*

Revenue of the segment was maintained at approximately HK\$246.3 million (2021: HK\$257.0 million), accounting for 3.9% of the Group's total revenue, thanks to the growth in playset sales. During the Year, the Group spared no effort to extend its reach to customers in the US and Europe. To tackle rising production costs, the Group worked closely with suppliers to stabilise raw materials costs, adjusted and restructured production lines and increased automation level, so as to heighten cost efficiency. These measures have enabled the Group to satisfy customer demands and adapt to changing industry trends while maintaining profitability.

### ***Geographic Market Analysis***

For the year ended 31 December 2022, North America remained the Group's largest geographical market, accounting for 60.7% of its total revenue. Contribution from Japan accounted for 17.8%, followed by the PRC at 14.4% and Europe at 4.3%.

### ***Operational Analysis***

As at 31 December 2022, the Group operated 27 plants in total, seven of which were in China and 20 were in Vietnam, with average utilisation rate at approximately 80%. Over the years, the Group has strived to improve deployment of production capacity and production efficiency to match the pace of development of its businesses. With four new production plants, three in the PRC and one in Vietnam, commencing full operation in the Year, the Group has sufficient capacity to meet market demand and is able to allocate production capacity with greater flexibility.

## **Prospects**

Although pandemic-related impacts such as strained supply chains, surging raw material prices, fluctuating freight costs are receding, operation conditions for the manufacturing sector may continue to be challenging due to looming geopolitical and economic uncertainties. The Group however remains cautiously optimistic about its business performance in the coming year because it believes by leveraging the established partnership it has with top-tier international toy companies and character owners and backed by its production bases of good scale, that are stable and agile, it will be able to withstand market changes and deliver solid business results.

Apart from expanding the customer base of its different product segments and enhancing efficiency of its production bases, the Group has strived to adopt stringent cost control measures to defend its profitability. Pressing on with optimising automation and digitalisation, it has been able to address production capacity and manpower allocation needs, strengthen supply chain management, as well as speed up deliveries, allowing it to strike a balance between tapping market demand with sophisticated products and jointly tackling inventory pressure with customers and supply chain partners. Moreover, to effectively control cost of raw materials, the Group will continue to improve engagement of suppliers with competitive advantages, so as to jointly hedge against future price fluctuations. It has also been carefully monitoring pricing trend in arranging bulk purchases to ensure raw materials are procured at competitive prices.

In addition, the Group fully appreciates the importance of sustainable development. During the Year, it worked closely with supply chain partners and customers to identify and use recycled materials in newly-launched products. Looking ahead, with its products, which adopt sustainable materials welcomed by the market, the Group expects a wider range of customers will find them appealing.

Although the economy is still volatile, yet to gather strong recovery momentum, the Group remains confident of its financial resilience, overall competitiveness and capability to cope with the changes in customer needs and their business models. The Group believes it will be able to seize market opportunities together with customers and suppliers to achieve all-win, as well as to create greater value for shareholders in the long run.

## **NUMBER AND REMUNERATION OF EMPLOYEES**

As at 31 December 2022, the Group had 28,924 (31 December 2021: 25,841) employees in Hong Kong, the PRC, Korea, the US, Japan, Vietnam and Singapore. The total amount of staff costs of the Group for the year was HK\$1,476.1 million (31 December 2021: HK\$1,320.3 million). The Group values its human resources and recognizes the importance of attracting and retaining quality staff for its continuing success. Staff bonuses are awarded based on individual performance. In addition, the Group provides comprehensive training programs to its employees or sponsors the employees to attend various job-related training courses.

## **LIQUIDITY AND FINANCIAL RESOURCES AND GEARING**

The Group continued to maintain a reasonable liquidity position. As at 31 December 2022, the Group had net current assets of HK\$1,773.1 million (2021: HK\$1,243.3 million). The Group's total cash and cash equivalents as at 31 December 2022 amounted to HK\$669.3 million (2021: HK\$383.0 million). The bank loans of the Group as at 31 December 2022 amounted to HK\$192.3 million (2021: HK\$262.5 million). The Group financed its operations by internally generated cashflows and banking facilities provided by the banks. The Group maintains a prudent approach in managing its financial requirements.

The Group also maintains a conservative approach to foreign exchange exposure management. The Group is exposed to currency risk primarily through income and expenditure streams denominated in United States Dollar, Renminbi Yuan, Vietnamese Dong and Japanese Yen. To manage currency risks, non-Hong Kong Dollar assets are financed primarily by matching local currency debts as far as possible. The Group's gearing ratio, calculated on the basis of total bank loan over the total equity, was at 6.0% at 31 December 2022 (2021: 9.8%).

### **PLEDGE ON GROUP ASSETS**

A property of the Group with a carrying amount of HK\$199.3 million as at 31 December 2021 was pledged as security for a mortgage instalment loan of the Group of HK\$54.2 million. The mortgage instalment loan was repaid during the year ended 31 December 2022.

Factory buildings, certain leasehold land and property, plant and equipment of the Group with an aggregate carrying amount of HK\$122.7 million (2021: HK\$145.0 million) as at 31 December 2022 were pledged as security for bank loans of the Group of HK\$55.6 million (2021: HK\$38.1 million).

Bank deposits of the Group with an aggregate carrying amount of HK\$100.9 million (31 December 2021: HK\$134.0 million) as at 31 December 2022 were pledged as security for bank loans of the Group of HK\$136.7 million (31 December 2021: HK\$132.5 million).

As at 31 December 2022, unutilised banking facility of HK\$31.2 million (2021: HK\$Nil) was secured by leasehold land and other property, plant and equipment of the Group with an aggregate amount of HK\$66.8 million (2021: HK\$Nil).

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

During the year ended 31 December 2022, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

### **MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES**

There was no material acquisition or disposal of subsidiaries and associated companies by the Group during the year ended 31 December 2022.

## **CORPORATE GOVERNANCE**

During the year ended 31 December 2022, 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 C.2.1. Under the code provision C.2.1 of the CG Code, the roles of chairman and chief executive officer (“CEO”) should be separated and should not be held by the same individual. Mr. Kyoo Yoon Choi has been appointed as the CEO on 4 October 2012 and has performed both the roles as the chairman and CEO of the Company. The Board is of the opinion that it is appropriate and in the best interests of the Company at the present stage for Mr. Kyoo Yoon Choi to hold both 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 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 2022.

## **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 2022. 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 HK30 cents (2021: HK10 cents) per ordinary share in respect of the year ended 31 December 2022. The proposed final dividend which totals HK\$203,060,000 (2021: HK\$67,687,000), if approved at the forthcoming annual general meeting, will be paid on 29 May 2023 to the shareholders on the register of members as at 12 May 2023.

## CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from 2 May 2023 to 5 May 2023, 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 4 May 2023 are entitled to attend the forthcoming annual general meeting scheduled on 5 May 2023. 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on 28 April 2023.

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 12 May 2023, 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on 11 May 2023.

## 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 2022.

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

Hong Kong, 23 March 2023

At the date of this announcement, the Directors are:

*Executive Directors:*

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

*Independent non-executive Directors:*

Professor Cheong Heon Yi  
Dr. Chan Yoo  
Mr. Jong Hun Lim