

Chairman's Statement

主席報告書

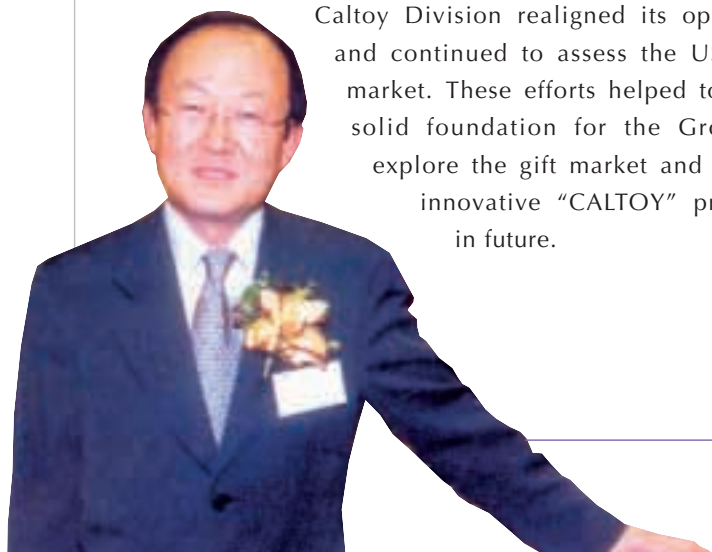
Dear Shareholders,

2004 was a challenging year for Dream International Limited (the "Company") and its subsidiaries (the "Group"). The crude oil price stood high during the year under review and climbed up to as high as over US\$55 per barrel. The phenomenon posed upward drive on prices of the synthetic fibre and fabric raw materials, rendering plush stuffed toy manufacturers to great cost pressure. The results of the Group were also inevitably affected.

Business Review and Prospects

Over the period, crude oil price surged by 80% to 90%. Our significant scale and effective cost control measures have helped the Group minimize the impact of raw material price hike on its cost of operation. Labour shortage problem also prevailed in the coastal area in the PRC, especially in Shanghai. However, thanks to our flexible allocation of resources and strategy of recruiting workers from western China, the average utilization rate of our plants was maintained at above 80%.

During the year under review, demand of our major markets, the US and Japan, remained strong. Our Caltoy Division realigned its operation and continued to assess the US mass market. These efforts helped to lay a solid foundation for the Group to explore the gift market and launch innovative "CALTOY" products in future.



致各位股東：

德林國際有限公司(「公司」)及其附屬公司(「集團」)跨越了充滿挑戰的二零零四年。在回顧年內，原油價格高企，更曾衝破每桶55美元的高位。油價高企導致合成纖維及纖維原料的價格上升，對毛絨玩具生產商造成沉重的成本壓力。集團的業績亦難免受到影響。

業務回顧及展望

期內，原油價格大幅上升80%至90%。有賴集團龐大的規模，加上實行有效的成本控制措施，將原料價格對營運成本的影響減至最低。此外，中國沿海地區亦出現勞工短缺問題，其中以上海尤為嚴重。然而，集團藉著靈活調配資源，以及在中國西部招聘人手，維持廠房的平均使用率於80%以上。

在回顧年內，美國及日本等主要市場的需求仍然強勁。集團的Caltoy部門除了重組營運，還繼續評估美國的大眾市場。上述種種均為集團於未來開拓禮品市場及推出創新的「CALTOY」產品奠下穩固基礎。

Mr. Kyoo Yoon CHOI (Chairman)
崔奎琬先生(主席)

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Contributions brought by the acquisition of Dream INKO Co., Ltd. ("Dream INKO") were also reflected in the Group's results of the year. The acquisition pushed up the Group's turnover and contributed to the Group's profit. Much of the costs incurred by connected transactions were eliminated. With Dream INKO's support, the Group was able to focus more on R&D and marketing, and at the same time enhance its corporate transparency and operational efficiency. All of these strengthened our financial status and paved the way for our growth in the long run.

During the review year, the Group took various initiatives to boost its production capacity. The newly relocated plant in Fuyong, which increased the Group's production capacity by 13%, commenced full operation in January 2004. A new plant was set up in Shuyang, a northern city in Jiangsu province of the PRC, equipped with 400 sewing machines to focus mainly on the sewing process so as to cope with skilled labour shortage issue.

The Vietnam plant finished trial run and had commenced normal operation equipped with 330 sewing machines since the fourth quarter of 2004. Based on recent success case in Vietnam, the Group believes that Vietnam possesses favourable factors for large-scale production. The Group had secured the land use right of an area of 85,000 square metres in Vietnam for 49 years. On this site, another new plant with a capacity to host 2,000 sewing machines is under construction. The plant is expected to start operation in the last quarter of 2005 contributing estimated sales of up to US\$ 20 million. It will multiply the Group's production capacity and provide room for growth in turnover.

收購 Dream INKO Co., Ltd. (「Dream INKO」) 所帶來的貢獻亦反映於集團本年度的業績之中。此收購令集團的營業額上升，並對集團的利潤亦有所貢獻。因關連交易而產生的大部分費用亦得以消除。得到 Dream INKO 的支持，集團一方面能更加集中於研發產品及市場推廣，而且能提高企業透明度及營運效率。上述各項均加強了集團的財務狀況，並為集團的長遠發展而作好準備。

此外，集團在回顧年內積極提升產能。新遷往福永鎮的廠房於二零零四年一月全面投產，提高集團的產能達13%。集團亦於中國江蘇省北部的沭陽市建立新廠房，設有400部縫紉機，主要從事縫紉工序，以應付熟手技工短缺的問題。

設有330部縫紉機的越南廠房經已完成試產，並於二零零四年第四季正式投產。憑藉近期在越南的成功個案，集團相信此地具備進行大規模生產的有利因素。集團已於越南取得總面積達85,000平方米的土地使用權，為期49年。此地現正興建可裝置2,000部縫紉機的廠房，預期於二零零五年第四季投產，估計可為集團帶來高達20,000,000美元的銷售額。此廠房在提升集團的產能之餘，更為營業額提供增長空間。





At the same time, we are still looking to acquire potential marketing firms. On top of developing a strong marketing arm, our goal is to expand our ODM business that will account for a significant portion of our total turnover. This will be a new era for our business and we are all looking forward to that day.

Finally, on behalf of the Board, I would like to extend my gratitude to the management and staff for their commitment and contribution to the Group. I would also like to thank all our shareholders for their continuous support. The Group is committed to overcoming any challenges ahead, grasping every opportunity to grow and bringing satisfactory returns to shareholders.

Kyoo Yoon Choi

Chairman

Hong Kong, 6 April 2005

與此同時，集團仍在物色具潛力的市場推廣公司進行收購。除了建立強大的市場推廣分支外，集團以擴展ODM業務，從而達到營業額的重要比例為目標。屆時將會是集團業務的新紀元，我們正期待此劃時代的時刻來臨。

最後，本人謹代表董事會向管理層及員工所作出的努力與貢獻致以衷心謝意。本人亦謹此感謝股東不斷支持。集團定當全力克服未來的挑戰，抓緊每個增長機會，為股東帶來滿意的回報。

崔奎琬

主席

香港，二零零五年四月六日

