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 2009

The board of directors (the "Board") of Dream International Limited (the "company") is pleased to announce the consolidated results of the company and its subsidiaries (the "group") for the year ended 31 December 2009, together with the comparative figures for the previous financial year.

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2009

	Note	**2009** **HK$'000**	2008 *HK$'000*
Turnover	*3&4*	**994,052**	1,048,589
Cost of sales		**(742,063)**	(861,252)
Gross profit		**251,989**	187,337
Other revenue	*5(a)*	**9,151**	13,430
Other net gain/(loss)	*5(b)*	**2,510**	(3,570)
Distribution costs		**(69,113)**	(80,876)
Administrative expenses		**(131,011)**	(145,979)
Profit on disposal of land and buildings, and other related fixed assets	*6*	**19,748**	—
Reversal of impairment/ (impairment) of fixed assets		**5,837**	(5,837)
Profit/(loss) from operations		**89,111**	(35,495)
Finance costs	*7(a)*	**(2,690)**	(6,888)
Share of loss of associates		**(318)**	(509)
Profit/(loss) before taxation	*7*	**86,103**	(42,892)
Income tax	*8*	**(7,865)**	(13,427)
Profit/(loss) for the year		**78,238**	(56,319)
Attributable to:			
Equity shareholders of the company		**74,619**	(41,929)
Minority interests		**3,619**	(14,390)
Profit/(loss) for the year		**78,238**	(56,319)
Earnings/(loss) per share	*9*		
Basic		**11.16¢**	(6.27¢)
Diluted		**11.16¢**	(6.27¢)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2009

	Note	2009 HK$'000	2008 HK$'000
Profit/(loss) for the year		**78,238**	(56,319)
Other comprehensive income for the year (after tax adjustments):			
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong		**18,971**	(15,195)
Available-for-sale securities: net movement in fair value reserve		**85**	—
		19,056	(15,195)
Total comprehensive income for the year		**97,294**	(71,514)
Attributable to:			
Equity shareholders of the company		**93,596**	(57,849)
Minority interests		**3,698**	(13,665)
Total comprehensive income for the year		**97,294**	(71,514)

CONSOLIDATED BALANCE SHEET
AT 31 DECEMBER 2009

	Note	2009 HK$'000	2008 HK$'000
Non-current assets			
Fixed assets			
— Interests in leasehold land held for own use under operating leases		**16,459**	21,396
— Other property, plant and equipment		**131,880**	171,933
		148,339	193,329
Prepayment		**9,184**	—
Intangible assets		**14,028**	12,516
Interests in associates		**638**	950
Deferred tax assets		**2,299**	503
Other financial assets		**6,142**	—
		180,630	207,298
Current assets			
Inventories		**149,246**	132,909
Trade and other receivables	*10*	**152,475**	199,889
Current tax recoverable		**33**	255
Other financial assets		**3,359**	73,954
Bank deposits		**36,801**	—
Cash and cash equivalents		**287,761**	122,370
		629,675	529,377
Current liabilities			
Trade and other payables	*11*	**271,793**	198,332
Bank loans		**55,487**	145,692
Current tax payable		**5,988**	6,976
		333,268	351,000
Net current assets		**296,407**	178,377
Total assets less current liabilities		**477,037**	385,675

CONSOLIDATED BALANCE SHEET *(CONTINUED)*
AT 31 DECEMBER 2009

	2009	2008
	HK$'000	*HK$'000*
Non-current liabilities		
Net defined benefit retirement obligation	**1,046**	6,978
NET ASSETS	**475,991**	378,697
CAPITAL AND RESERVES		
Share capital	**52,019**	52,019
Reserves	**412,657**	322,123
Total equity attributable to equity shareholders of the company	**464,676**	374,142
Minority interests	**11,315**	4,555
TOTAL EQUITY	**475,991**	378,697

NOTES TO THE FINANCIAL INFORMATION

1. Basis of preparation

The announcement does not comprise the consolidated financial statements for the year ended 31 December 2009 but the information herein has been extracted from such consolidated financial statements.

The consolidated financial statements for the year ended 31 December 2009 comprise the company and its subsidiaries (the "group") and the group's interests in associates.

These 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 Hong Kong Companies Ordinance. The statutory 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 statutory financial statements is the historical cost basis except that financial instruments classified as available-for-sale investments and derivative financial instruments are stated at their fair value.

2. Changes in accounting policies

The HKICPA has issued one new HKFRS, a number of amendments to HKFRSs and new Interpretations that are first effective for the current accounting period of the group and the company. Of these, the following developments are relevant to the group's financial statements:

— HKFRS 8, *Operating segments*

— HKAS 1 (revised 2007), *Presentation of financial statements*

— Amendments to HKFRS 7, *Financial instruments: Disclosures — improving disclosures about financial instruments*

— Improvements to HKFRSs (2008)

— Amendments to HKFRS 2, *Share-based payment — vesting conditions and cancellations*

The "Improvements to HKFRSs (2008)" that comprise a number of minor and non-urgent amendments to a range of HKFRSs which the HKICPA has issued as an omnibus batch of amendments, and the amendments to HKFRS 2 have had no material impact on the group's financial statements as the amendments were consistent with policies already adopted by the group. The impact of the remainder of these developments is as follows:

— HKFRS 8 requires segment disclosure to be based on the way that the group's chief operating decision maker regards and manages the group, with the amounts reported for each reportable segment being the measures reported to the group's chief operating decision maker for the purposes of assessing segment performance and making decisions about operating matters. This contrasts with the presentation of segment information in prior years which was based on a disaggregation of the group's financial statements into segments based on related products and services and on geographical areas. The adoption of HKFRS 8 has resulted in the presentation of segment information in a manner that is more consistent with internal reporting provided to the group's most senior executive management, but has not resulted in additional reportable segments being identified and presented (see note 4). Corresponding amounts have been provided on a basis consistent with the revised segment information.

— As a result of the adoption of HKAS 1 (revised 2007), details of changes in equity during the period arising from transactions with equity shareholders in their capacity as such have been presented separately from all other income and expenses in a revised consolidated statement of changes in equity. All other items of income and expense are presented in the consolidated income statement, if they are recognised as part of profit or loss for the period, or otherwise in a new primary statement, the consolidated statement of comprehensive income. Corresponding amounts have been restated to conform to the new presentation. This change in presentation has no effect on reported profit or loss, total income and expense or net assets for any period presented.

— As a result of the adoption of the amendments to HKFRS 7, the financial statements include expanded disclosures about the fair value measurement of the group's financial instruments, categorising these fair value measurements into a three-level fair value hierarchy according to the extent to which they are based on observable market data. The group has taken advantage of the transitional provisions set out in the amendments to HKFRS 7, under which comparative information for the newly required disclosures about the fair value measurements of financial instruments has not been provided.

3. Turnover

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

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 identified the following two reportable segments. No operating segments have been aggregated to form the following reportable segments.

— Plush stuffed toys: this segment is involved in the design, development, manufacture and sale of plush stuffed toys. These products are either sourced externally or are manufactured in the group's manufacturing facilities located primarily in The People's Republic of China ("the PRC") and Vietnam.

— Steel and plastic toys: this segment is involved in the design, development, manufacture and sale of steel and plastic toys. These products are manufactured in the PRC and sold to customers mainly located in the PRC and Japan.

(a) Segment results, assets and liabilities

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

Segment assets include all tangible, intangible assets and current assets with the exception of club memberships, interests in associates, investments in financial assets, deferred tax assets 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 adjusted EBITDA the group's earnings are further adjusted for items not specifically 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 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 2009 and 2008 is set out below.

	Plush stuffed toys		Steel and plastic toys		Total	
	2009	2008	**2009**	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue from external customers	**854,879**	875,499	**139,173**	173,090	**994,052**	1,048,589
Inter-segment revenue	**—**	—	**—**	24	**—**	24
Reportable segment revenue	**854,879**	875,499	**139,173**	173,114	**994,052**	1,048,613
Reportable segment profit/(loss) (adjusted EBITDA)	**99,447**	65,506	**17,456**	(56,878)	**116,903**	8,628
Interest income from bank deposits	**1,409**	1,673	**54**	209	**1,463**	1,882
Interest income from other financial assets	**423**	3,141	**—**	—	**423**	3,141
Interest expense	**(1,924)**	(4,182)	**(766)**	(2,706)	**(2,690)**	(6,888)
Depreciation and amortisation for the year	**(16,027)**	(23,660)	**(6,834)**	(7,992)	**(22,861)**	(31,652)
Reversal of impairment/ (impairment) of:						
— fixed assets	**—**	—	**5,837**	(5,837)	**5,837**	(5,837)
— intangible assets	**(10)**	(10)	**163**	(163)	**153**	(173)
Reportable segment assets	**393,772**	454,496	**99,843**	116,378	**493,615**	570,874
Additions to non-current segment assets during the year	**20,338**	36,077	**4,626**	1,575	**24,964**	37,652
Reportable segment liabilities	**232,501**	154,237	**74,031**	94,629	**306,532**	248,866

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

	2009	2008
	HK$'000	*HK$'000*
Revenue		
Reportable segment revenue	**994,052**	1,048,613
Elimination of inter-segment revenue	**—**	(24)
Consolidated turnover	**994,052**	1,048,589

	2009 *HK$'000*	2008 *HK$'000*
Profit/(loss)		
Reportable segment profit	**116,903**	8,628
Share of loss of associates	**(318)**	(509)
Interest income	**1,886**	5,023
Depreciation and amortisation	**(22,861)**	(31,652)
Finance costs	**(2,690)**	(6,888)
Reversal of impairment/(impairment) of non-current assets	**5,990**	(6,010)
Unallocated head office and corporate expenses	**(12,807)**	(11,484)
Consolidated profit/(loss) before taxation	**86,103**	(42,892)

	2009 *HK$'000*	2008 *HK$'000*
Assets		
Reportable segment assets	**493,615**	570,874
Elimination of inter-segment receivables	**(33,693)**	(43,556)
	459,922	527,318
Club memberships	**13,350**	11,325
Interests in associates	**638**	950
Other financial assets	**9,501**	73,954
Deferred tax assets	**2,299**	503
Current tax recoverable	**33**	255
Unallocated head office and corporate assets	**324,562**	122,370
Consolidated total assets	**810,305**	736,675

	2009 *HK$'000*	2008 *HK$'000*
Liabilities		
Reportable segment liabilities	**306,532**	248,866
Elimination of inter-segment payables	**(33,693)**	(43,556)
	272,839	205,310
Current tax payable	**5,988**	6,976
Unallocated head office and corporate liabilities	**55,487**	145,692
Consolidated total liabilities	**334,314**	357,978

(c) Geographical information

The following table sets out information about the geographical location of (i) the group's revenue from external customers and (ii) the group's fixed assets, intangible assets, prepayment and interests in associates ("specified non-current assets"). The geographical location of customers is based on the location at which the customer is based. The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of property, plant and equipment, the location of the operation to which they are allocated, in the case of intangible assets, and the location of operations, in the case of interests in associates.

	Revenue from external customers		**Specified non-current assets**	
	2009	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong (place of domicile)	**6,418**	25,495	**1,063**	1,919
North America	**411,504**	433,999	**239**	256
Japan	**359,128**	333,774	**4,078**	4,196
Europe	**155,004**	170,826	**—**	—
Mainland China	**42,894**	82,220	**84,519**	134,319
Vietnam	**14,553**	—	**70,991**	56,448
Republic of Korea	**3,570**	869	**11,299**	9,657
Other countries	**981**	1,406	**—**	—
	987,634	1,023,094	**171,126**	204,876
	994,052	1,048,589	**172,189**	206,795

5. Other revenue and net gain/(loss)

(a) Other revenue

	2009	2008
	HK$'000	*HK$'000*
Bank interest income	**1,463**	1,882
Interest income from other financial assets	**423**	3,141
Commission income	**3,763**	5,193
Sale of scrap materials	**—**	988
Sundry income	**3,502**	2,226
	9,151	13,430

(b) Other net gain/(loss)

	2009	2008
	HK$'000	*HK$'000*
Net gain/(loss) on disposal of property, plant and equipment	**605**	(4,206)
Loss on disposal of club memberships	**(191)**	(106)
Net realised and unrealised gain/(loss) on other financial assets	**3,555**	(1,419)
Net loss on forward foreign exchange contracts	**(568)**	—
Net exchange (loss)/gain	**(335)**	1,646
Others	**(556)**	515
	2,510	(3,570)

6. Profit on disposal of land and buildings, and other related fixed assets

On 9 January 2009, a wholly owned subsidiary of the company entered into an agreement with a third party pursuant to which the subsidiary conditionally agreed to dispose of land of approximately 48,000 square meters, certain buildings with total area of approximately 43,600 square meters and other related fixed assets situated at Liutai Lukou, Banmao Road, Banqiao Jiedaoban, Taichang city, Jiangsu Province, the PRC for a total consideration of RMB53,000,000 (equivalent to HK$59,360,000). A profit on disposal of RMB17,476,000 (equivalent to HK$19,748,000) was recognised in the income statement for the year ended 31 December 2009 in respect of this disposal.

7. Profit/(loss) before taxation

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

	2009	2008
	HK$'000	*HK$'000*
(a) Finance costs:		
Interest expense on bank borrowings wholly repayable within five years	**2,690**	6,888
(b) Staff costs#		
Expenses recognised in respect of defined benefit retirement plan	**2,984**	3,321
Contributions to defined contribution retirement plans	**17,298**	12,143
Total retirement costs	**20,282**	15,464
Salaries, wages and other benefits	**203,442**	221,826
	223,724	237,290
(c) Other items:		
Amortisation#:		
— land lease premium	**418**	426
— intangible assets	**676**	676
Depreciation#	**21,767**	30,550
(Reversal of impairment)/impairment:		
— trade receivables	**(4,288)**	12,310
— Other receivables	**(238)**	300
— fixed assets	**(5,837)**	5,837
— intangible assets	**(153)**	173
— other financial assets	**—**	911
Auditors' remuneration	**4,114**	3,670
Operating leases charges: minimum lease payments in respect of property rentals#	**19,923**	22,196
Cost of inventories#	**742,063**	861,252

\# Cost of inventories includes HK$183,881,000 (2008: HK$207,454,000) relating to staff costs, depreciation and amortisation expenses and operating lease charges, which amount is also included in the respective total amounts disclosed separately above or in note 7(b) for each of these types of expenses.

8. Income tax in the consolidated income statement

Taxation in the consolidated income statement represents:

	2009	2008
	HK$'000	*HK$'000*
Current tax — Hong Kong profits tax		
Provision for the year	**3,311**	2,319
(Over)/under-provision in respect of prior years	**(371)**	706
	2,940	3,025
Current tax — Outside Hong Kong		
Provision for the year	**6,613**	7,371
Deferred tax		
Origination and reversal of temporary differences	**(1,688)**	3,031
	7,865	13,427

The provision for Hong Kong Profits Tax for 2009 is calculated at 16.5% (2008: 16.5%) of the estimated assessable profits for the year. Taxation for subsidiaries outside Hong Kong is charged at the appropriate current rates of taxation ruling in the relevant jurisdictions.

The Corporate Income Tax ("CIT") rate applicable to subsidiaries registered in the PRC is 25% (2008: 25%). Certain PRC subsidiaries are entitled to income tax holidays granted by the PRC tax authorities whereby they are exempted from CIT for two years starting from the first profit making year and thereafter subject to CIT at 50% of the prevailing tax rate for the following three years.

9. Earnings/(loss) per share

(a) Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the profit attributable to ordinary equity shareholders of the company of HK$74,619,000 (2008: loss of HK$:41,929,000) and the 668,529,000 ordinary shares (2008: 668,529,000 ordinary shares) in issue during the year.

(b) Diluted earings/(loss) per share

The company did not have dilutive potential ordinary shares outstanding during both 2008 and 2009. Accordingly, the diluted earnings per share is the same as the basic earnings per share for both 2009 and 2008.

10. Trade and other receivables

Included in trade and other receivables are trade debtors and bills receivable (net of allowance for doubtful debts) with the following aging analysis as of the balance sheet date:

	2009	2008
	HK$'000	*HK$'000*
Current	**93,533**	135,716
Less than 1 month past due	**10,967**	5,373
1 to 3 months past due	**601**	6,378
More than 3 months past due but less than 12 months past due	**598**	1,468
More than 12 months past due	**7**	25
	105,706	148,960

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 customers as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within thirty to sixty days from the date of billing. 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

Included in trade and other payables are trade creditors with the following aging analysis as of the balance sheet date:

	2009	2008
	HK$'000	*HK$'000*
Due within 1 month or on demand	**56,969**	59,984
Due after 1 month but within 3 months	**28,489**	31,484
Due after 3 months but within 6 months	**18**	—
Due after 6 months but within 1 year	**—**	—
Due after 1 year	**—**	110
	85,476	91,578

12. Dividend

Dividend payable to equity shareholders of the company attributable to the year

	2009	2008
	HK$'000	*HK$'000*
Final dividend proposed after the balance sheet date of HK3 cents per ordinary share (2008: HK Nil cents per ordinary share)	**20,056**	—

The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

In 2009, the global financial crisis continued to cast a shadow on economies worldwide resulting in poor market sentiment especially in the US. However, with effective cost control measures and business restructuring, the group was able to continue the positive momentum in the second half of 2008 and achieve satisfactory results amid the challenging market environment throughout the year under review.

For the year ended 31 December 2009, the group's turnover decreased slightly by 5.2% year-on-year to HK$994.1 million (2008: HK$1,048.6 million), mainly due to the slow recovery of the US and European economies from the financial turmoil. During the year, as production bases relocated to inland China and Vietnam taking advantage of lower labour costs there, the group also successfully bargained with major suppliers to minimise the raw material costs, thus managing to cut the cost of sales by 13.8% to HK$742.1 million (2008: HK$861.3 million) and boost gross profit by 34.5% to HK$252.0 million (2008: HK$187.3 million). Administrative expenses were also slashed by 10.3% to HK$131.0 million (2008: HK$146.0 million). The group managed to turn around its business during the year with an operating profit of HK$89.1 million and profit attributable to equity holders at HK$74.6 million, a significant improvement from losses of HK$35.5 million and HK$41.9 million respectively in 2008.

The group maintained a healthy financial position with cash and bank deposits of HK$324.6 million (2008: HK$122.4 million) as at 31 December 2009.

BUSINESS REVIEW

Product Analysis

Plush stuffed toys segment

Plush stuffed toys recorded sales of HK$854.9 million, representing 86.0% of the group's total turnover for the year ended 31 December 2009. Original Equipment Manufacturing ("OEM") and licensing remained the core business of the group, accounting for 83.5% of the sales of the plush stuffed toy segment. Within the OEM business, the group continued exploring additional strategic alliances with existing customers who are owners and licensors of world-renowned characters. During the second half of 2009, the group received increased orders from a Japanese customer secured in the first half year for a series of new stuffed toys introducing a new character. In view of the favourable market response after the new product launch in January 2010, more orders from this customer are expected. Orders from other customers including a renowned US entertainment company which initially became the group's customer in 2008 remained stable during the year.

In licensing, apart from plush and soft toys of traditional Disney characters, the group began to design, manufacture and sell *Toy Story* product series during the year to leverage the opportunity provided by the launch of the movie "Toy Story 3" during the summer of 2010. The group also enriched the product mix with a new product line, "Pook-A-Looz", featuring stylised flattened Disney characters made of soft fleece. Furthermore, infant plush toys introduced during the year received an encouraging market response and will be further promoted in 2010.

The Original Design Manufacturing ("ODM") business accounted for 16.5% of the sales of the plush stuffed toy segment. In addition to existing customers which are mainly renowned retailers in the US, the group secured a large order from a globally famous Brazilian consumer brand during the second half year to manufacture premium gifts for its promotion campaign, and is currently in discussion with this customer for further cooperation. Committed to boosting the profit margin of this business, the group is looking into opportunities to tailor products under our "CALTOY" brand for upmarket department stores.

Steel and plastic toys segment

The steel and plastic toys segment recorded sales of HK$139.2 million, accounting for 14.0% of the group's total turnover. During the year, the group further trimmed the production of low-margin items and increased the portion of products with higher selling prices, thus improving the gross profit margin of this segment.

In the second half of the year, the group launched a modified version of its high-end tricycles with an electronic sound mechanism on the handlebar for a US marketing company. The encouraging market response helped the group to win additional orders from this customer in 2010. The group's product co-development efforts with customers also saw progress. Apart from gaining larger orders from a European customer for co-developed scooters, it secured a new Korean customer to co-develop new concept scooters that will be introduced in the market later this year.

To strengthen its presence in Mainland China, the group has strategically restructured the sales network for scooters and inline skates of its own "Great" and "Far Great" brands in the country by focusing on wholesalers and regional distributors. In the meantime, the group has forged a partnership with a local company to launch and promote bicycles and tricycles associated with a renowned Japanese character, which have received a positive market response.

Market Analysis

One of the group's strengths is that it sells quality products to world-class customers with a global presence. The products are shipped direct to these customers' desired destinations or markets and then distributed by themselves across the globe. Based on locations of the customers, during the year, North America continued to be the group's largest geographical market with sales accounting for 41.4% of its total turnover. Japan came second increasing to 36.1%, while Europe remained the third major market representing 15.6% of the total turnover.

Operational Analysis

As at 31 December 2009, the group operated eight manufacturing plants in all, six of which were in Mainland China and two in Vietnam, running at an average utilisation rate of over 80%. After years of consolidation and relocation, the group's production regime is currently concentrated either within inland China or in Vietnam, allowing it to enjoy more efficient and cost-effective production. After opening a new fabric factory with a production capacity of 16,000 yards of fabric per day that commenced operation in Vietnam during the first half of 2009, the group established a vertically integrated production line offering lower production costs there.

PROSPECTS

The economies of major traditional toy geographic markets including the US and Europe are expected to recover at a slow pace, which may become an inhibitor to the development of the toy industry. Nonetheless, the group still sees room for business growth, hence is cautiously optimistic about the prospects in the year ahead.

In addition to traditional toy customers such as toy brand owners and retailers, the group believes there is abundant potential to manufacture toys for consumer brands on an ODM basis. Many of these brands covering a great variety of products worldwide demand premium gifts such as plush toys to execute their promotional campaigns. Respected for its strong research and development, scalable production capacity and high reliability, Dream International Limited, is a preferred partner for these brands. The group will leverage its successful experience of securing a new Brazilian customer for producing plush toys to explore new business in this segment.

While traditional geographic toy markets remain the group's major source of income, Mainland China, as one of the fast-growing economies in the world, provides the group with opportunities for growth. As distribution channels in Mainland China mature, the group is well-positioned to exploit the advantages of cooperating directly with wholesalers and regional distributors for higher efficiency and profitability as opposed dealing with individual retailers separately. As Mainland China's middle-class continues its rapid expansion and local consumers become more affluent and sophisticated, demand for high quality products is expected to strengthen. The group plans to adjust its strategy accordingly to launch higher end steel and plastic toys to better address this ongoing market trend. With business strategies thus refined, the group looks forward to accelerating its penetration in the domestic China market.

To make the most of these emerging opportunities, the group is preparing to ramp up its production capacity in Vietnam as a strong foundation for its expansion plans. A new plant with 600 sewing machines is currently under construction in the Mekong Delta of Vietnam, targeting to commence operation by the end of 2010, see section headed "Liquidity and Financial Resources and Gearing" below. Taking advantage of relatively lower labour costs and economies of scale in Vietnam, the group can also flexibly allocate production of low-margin products or small-volume orders to subcontractors thus optimising the utilisation of resources.

Number and Remuneration of Employees

At 31 December 2009, the group had 8,773 employees (2008: 8,706) in Hong Kong, Mainland China, the Republic of Korea, 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 2009, the group had net current assets of HK$296.4 million (2008: HK$178.4 million). The group's total cash and cash equivalents as at 31 December 2009 amounted to HK$287.8 million (2008: HK$122.4 million). The total borrowings of the group as at 31 December 2009 amounted to HK$55.5 million (2008: HK$145.7 million).

The group's gearing ratio, calculated on the basis of total bank borrowings over the total shareholders' equity, decreased significantly from 38.5% at 31 December 2008 to 11.7% at 31 December 2009. The decrease was mainly due to the net effect of the early redemption of a long-term structured deposit with a carrying value of HK$74.0 million as at 31 December 2008, the proceeds received on disposal of land and buildings, and other fixed assets in Jiangsu province, Mainland China, of HK$59.4 million and net repayment of bank borrowings of about HK$90.2 million.

In another step of our strategy to restructure the business operations, we invested US$2.6 million in Vietnam to establish a new plant in the Mekong Delta of Vietnam in 2009 in order to balance the production level with Mainland China. The group expects to spend another US$5.2 million on the Mekong plant to increase production capacity and it will be financed with the group's internal resources.

Pledge on Group Assets

Bank borrowings are secured on the group's buildings, plant and machinery, land use rights and time deposit with a net carrying value as at 31 December 2009 of HK$96.6 million (2008: HK$134.4 million).

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

During the year ended 31 December 2009, neither the company nor any of its subsidiaries has purchased, sold or redeemed any of the company's shares.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

During the year ended 31 December 2009, the company has fully complied with the Code on Corporate Governance Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange of Hong Kong Limited.

MODEL CODE FOR SECURITIES TRANSACTIONS

The company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard set out in Appendix 10 of the Listing Rules regarding the Model Code. Based on specific enquiries of the company's directors, the directors have complied with the required standard set out in the Model Code.

FINAL DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The board of directors recommended a dividend of HK3 cents per share for the year ended 31 December 2009. The transfer books and register of members will be closed from 24 May 2010 to 28 May 2010, both days inclusive. During this period, no transfer of shares will be registered. In order to qualify for the final dividend and the right to vote for and/or attend the forthcoming annual general meeting scheduled on 28 May 2010, all transfer forms accompanied by the relevant share certificates must be lodged with the company's Registrar, Tricor Abacus Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m on 20 May 2010.

AUDIT COMMITTEE

The audit committee has reviewed with management the accounting policies, principles and practices adopted by the group and discussed internal control and financial reporting matters, including a review of the annual results for year ended 31 December 2009.

By order of the Board
Kyoo Yoon Choi
Chairman

Hong Kong, 23 April 2010

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. Oliver, Shing Kay Wong