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 2011

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 2011, together with the comparative figures for the previous financial year.

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2011

	Note	**2011** **HK$'000**	2010 HK$'000
Turnover	3&4	**1,083,152**	1,544,857
Cost of sales		**(820,476)**	(1,079,378)
Gross profit		**262,676**	465,479
Other revenue	5(a)	**12,106**	14,279
Other net loss	5(b)	**(4,539)**	(535)
Distribution costs		**(45,846)**	(117,705)
Administrative expenses		**(143,638)**	(146,532)
Profit on disposal of land and buildings	8	**7,097**	–
Profit from operations		**87,856**	214,986
Finance costs	9(a)	**(1,179)**	(873)
Share of profit/(loss) of associates		**143**	(196)
Profit before taxation	9	**86,820**	213,917
Income tax	10	**(15,999)**	(10,958)
Profit for the year		**70,821**	202,959
Attributable to:			
Equity shareholders of the Company		**74,723**	199,597
Non-controlling interests		**(3,902)**	3,362
Profit for the year		**70,821**	202,959
Earnings per share	11		
Basic		**11.12 ¢**	29.83¢
Diluted		**11.12 ¢**	29.83¢

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2011

	Note	**2011** *HK$'000*	2010 *HK$'000*
Profit for the year		**70,821**	202,959
Other comprehensive income for the year (after tax adjustments):			
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong		**3,847**	9,001
Available-for-sale securities: net movement in the fair value reserve		**(20)**	314
		3,827	9,315
Total comprehensive income for the year		**74,648**	212,274
Attributable to:			
Equity shareholders of the Company		**77,965**	208,480
Non-controlling interests		**(3,317)**	3,794
Total comprehensive income for the year		**74,648**	212,274

CONSOLIDATED BALANCE SHEET
AT 31 DECEMBER 2011

	Note	2011 HK$'000	2010 HK$'000
Non-current assets			
Fixed assets			
– Interests in leasehold land held for own use under operating leases		**22,884**	20,022
– Other property, plant and equipment		**158,686**	163,838
		181,570	183,860
Long term receivables		**2,796**	7,231
Prepayments		**1,990**	1,992
Intangible assets		**12,191**	16,690
Interest in associates		**690**	522
Net defined benefit retirement asset		**2,619**	–
Deferred tax assets		**11,625**	13,625
Other financial assets	*12*	**23,048**	10,162
		236,529	234,082
Current assets			
Inventories		**231,565**	197,813
Trade and other receivables	*13*	**240,083**	224,085
Current tax recoverable		**4,125**	–
Other financial assets	*12*	**13,339**	19,030
Time deposits		**38,000**	16,006
Cash and cash equivalents		**177,115**	261,534
Assets held for sale	*7*	**–**	2,722
		704,227	721,190
Current liabilities			
Trade and other payables	*14*	**201,343**	264,738
Bank loans		**17,900**	7,904
Current tax payable		**9,554**	17,019
		228,797	289,661
Net current assets		**475,430**	431,529
Total assets less current liabilities		**711,959**	665,611

CONSOLIDATED BALANCE SHEET *(CONTINUED)*
AT 31 DECEMBER 2011

	2011 *HK$'000*	2010 *HK$'000*
Non-current liabilities		
Bank loans	**4,924**	6,101
Net defined benefit retirement obligation	**–**	268
Deferred tax liabilities	**22**	–
	4,946	6,369
NET ASSETS	**707,013**	659,242
CAPITAL AND RESERVES		
Share capital	**52,303**	52,303
Reserves	**642,918**	591,830
Total equity attributable to equity shareholders of the Company	**695,221**	644,133
Non-controlling interests	**11,792**	15,109
TOTAL EQUITY	**707,013**	659,242

NOTES TO THE FINANCIAL INFORMATION

1. Basis of preparation

The consolidated results set out in this announcement do not constitute the Group's annual consolidated financial statements for the year ended 31 December 2011, but are extracted from those consolidated financial statements.

The consolidated financial statements for the year ended 31 December 2011 comprise the Group and the Group's interest in associates.

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 Hong Kong 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 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 debt financial instruments, equity linked financial assets and derivative financial instruments are stated at their fair value.

2. Changes in accounting policies

The HKICPA has issued a number of amendments to HKFRSs and one new Interpretation 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:

– HKAS 24 (revised 2009), *Related party disclosures*

– Improvements to HKFRSs (2010)

– HK(IFRIC) 19, *Extinguishing financial liabilities with equity instruments*

– Amendments to HK(IFRIC) 14, *HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction - Prepayments of a minimum funding requirement*

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

The amendments to HK(IFRIC) 14 have had no material impact on the Group's financial statements as they were consistent with policies already adopted by the Group. HK(IFRIC) 19 has not yet had a material impact on the Group's financial statements as these changes will first be effective as and when the Group enters a relevant transaction (for example, a debt for equity swap).

The impacts of other developments are discussed below:

– HKAS 24 (revised 2009) revises the definition of a related party. As a result, the Group has re-assessed the identification of related parties and concluded that the revised definition does not have any material impact on the Group's related party disclosures in the current and previous period. HKAS 24 (revised 2009) also introduces modified disclosure requirements for government-related entities. This does not impact the Group because the Group is not a government-related entity.

– *Improvement to HKFRSs (2010)* omnibus standard introduces a number of amendments to the disclosure requirements in HKFRS 7, *Financial instruments: Disclosures*. The disclosures about the Group's financial instruments have been conformed to the amended disclosure requirements. These amendments do not have any material impact on the classification, recognition and measurements of the amounts recognised in the financial statements in the current and previous periods.

3. Turnover

The principal activities of the Group are the design, development, manufacture and sale of plush stuffed toys, ride-on toys and plastic figures. 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 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 People's Republic of China (the "PRC") and Vietnam.

– Ride-on toys (formerly known as steel and plastic toys): this segment is involved in the design, development, manufacture and sale of ride-on toys. These products are manufactured in the PRC and sold to customers mainly located in the PRC and Japan.

– Plastic figures: this segment is involved in the 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.

(a) Segment results, assets and liabilities

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

Segment assets include all tangible, intangible assets and current assets with the exception of club memberships, interest in associates, 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 loans 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 finance costs from cash balances and loans 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 2011 and 2010 is set out below.

	Plush stuffed toys		**Ride-on toys**		**Plastic figures**		**Total**	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue from external customers	**1,002,787**	1,383,005	**78,404**	161,852	**1,961**	–	**1,083,152**	1,544,857
Inter-segment revenue	**–**	–	**–**	895	**–**	–	**–**	895
Reportable segment revenue	**1,002,787**	1,383,005	**78,404**	162,747	**1,961**	–	**1,083,152**	1,545,752
Reportable segment profit/(loss) (adjusted EBITDA)	**141,727**	223,298	**(9,196)**	27,674	**(5,255)**	–	**127,276**	250,972
Bank interest income	**2,261**	1,319	**133**	49	**55**	–	**2,449**	1,368
Finance costs	**(1,179)**	(869)	**–**	(4)	**–**	–	**(1,179)**	(873)
Depreciation and amortisation for the year	**(17,971)**	(16,200)	**(6,327)**	(7,824)	**(358)**	–	**(24,656)**	(24,024)
Impairment loss on fixed assets	**–**	(538)	**–**	–	**–**	–	**–**	(538)
Reportable segment assets	**572,042**	538,258	**101,992**	108,216	**20,412**	–	**694,446**	646,474
Additions to non-current segment assets during the year	**9,365**	69,717	**3,577**	1,173	**14,955**	–	**27,897**	70,890
Reportable segment liabilities	**166,089**	228,144	**64,183**	65,633	**4,894**	–	**235,166**	293,777

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

	2011	2010
	HK$'000	*HK$'000*
Revenue		
Reportable segment revenue	**1,083,152**	1,545,752
Elimination of inter-segment revenue	**–**	(895)
Consolidated turnover	**1,083,152**	1,544,857

	2011	2010
	HK$'000	*HK$'000*
Profit		
Reportable segment profit	**127,276**	250,972
Share of profit/(loss) of associates	**143**	(196)
Interest income	**3,439**	2,126
Depreciation and amortisation	**(24,656)**	(24,024)
Finance costs	**(1,179)**	(873)
Impairment losses on non-current assets	**(2,787)**	(548)
Unallocated head office and corporate expenses	**(15,416)**	(13,540)
Consolidated profit before taxation	**86,820**	213,917

	2011	2010
	HK$'000	*HK$'000*
Assets		
Reportable segment assets	**694,446**	646,474
Elimination of inter-segment receivables	**(33,823)**	(28,771)
	660,623	617,703
Intangible assets	**12,191**	16,690
Interest in associates	**690**	522
Other financial assets	**36,387**	29,192
Deferred tax assets	**11,625**	13,625
Current tax recoverable	**4,125**	–
Unallocated head office and corporate assets	**215,115**	277,540
Consolidated total assets	**940,756**	955,272

	2011	2010
	HK$'000	*HK$'000*
Liabilities		
Reportable segment liabilities	**235,166**	293,777
Elimination of inter-segment payables	**(33,823)**	(28,771)
	201,343	265,006
Deferred tax liabilities	**22**	–
Current tax payable	**9,554**	17,019
Unallocated head office and corporate liabilities	**22,824**	14,005
Consolidated total liabilities	**233,743**	296,030

(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, prepayments and interest in associates ("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 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 interest in associates.

	Revenue from external customers		**Specified non-current assets**	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	HK$'000
Hong Kong (place of domicile)	**7,023**	2,737	**–**	–
North America	**394,729**	582,993	**206**	213
Japan	**465,005**	637,336	**3,874**	3,981
Europe	**200,771**	164,607	**–**	–
South America	**–**	140,150	**–**	–
The PRC	**8,896**	11,107	**64,398**	69,749
Vietnam	**1,854**	–	**117,241**	113,862
Republic of Korea	**1,095**	2,485	**10,722**	15,259
Other countries	**3,779**	3,442	**–**	–
	1,076,129	1,542,120	**196,441**	203,064
	1,083,152	1,544,857	**196,441**	203,064

5. Other revenue and net loss

(a) *Other revenue*

	2011	2010
	HK$'000	*HK$'000*
Bank interest income	**2,449**	1,368
Interest income from other financial assets	**990**	758
Commission income from a fellow subsidiary	**3,115**	3,819
Compensation claimed	**–**	4,191
Sundry income	**5,552**	4,143
	12,106	14,279

(b) *Other net loss*

	2011	2010
	HK$'000	*HK$'000*
Net (loss)/gain on disposal of property, plant and equipment	**(455)**	118
(Loss)/gain on disposal of club memberships	**(1,469)**	31
Net realised and unrealised gain on other financial assets	**61**	1,113
Impairment loss on intangible assets	**(2,787)**	(10)
Impairment loss on fixed assets	**–**	(538)
Net gain on forward foreign exchange contracts	**–**	661
Net foreign exchange loss	**(1,897)**	(2,682)
Gain on disposal of interest in a subsidiary (note 6)	**–**	68
Gain on disposal of assets held for sale (note 7)	**37**	–
Others	**1,971**	704
	(4,539)	(535)

6 Gain on disposal of interest in a subsidiary

On 1 January 2010, the Company disposed of a 100% ownership interest in C & H Toys (Shuyang) Co., Ltd ("CTSY") to the factory manager (the "Purchaser") at a consideration of US$1,387,000 (equivalent to HK$10,757,000) realising a net gain on disposal of HK$68,000. The principal activity of CTSY was the manufacture of plush stuffed toys.

	HK$'000
Assets and liabilities (other than cash and cash equivalents) disposed of:	
Fixed assets	9,762
Inventories	44
Debtors, bills receivable, deposits and prepayments	1,429
Creditors and accrued charges	(6,358)
	4,877
Disposal proceeds	(10,757)
Cash and cash equivalents disposed of	5,812
Gain on disposal of interest in a subsidiary	(68)
Net inflow of cash and cash equivalents in respect of the disposal of interest in a subsidiary	4,945

In accordance with the sale and purchase agreement, the outstanding consideration is receivable as follows:

	2011	2010
	HK$'000	*HK$'000*
Within 1 year	**1,864**	2,177
After 1 year but within 5 years	**2,796**	4,665
	4,660	6,842

Property and land use rights of CTSY with a carrying value of RMB7,866,000 (equivalent to HK$8,968,000) as at 1 January 2010 were pledged to a subsidiary of the Company to secure the amount due from the Purchaser.

7 Assets held for sale

During the year ended 31 December 2010, a wholly owned subsidiary of the Company entered into a memorandum with a third party individual to dispose of a 100% ownership interest in a subsidiary in Vietnam (the "Vietnam Subsidiary") at a consideration of US$350,000 (equivalent to HK$2,722,000). The disposal had not been completed and was subject to satisfaction of certain criteria, including approvals by local authorities as at 31 December 2010. The assets and liabilities of the Vietnam Subsidiary included a land use right in Vietnam, other receivables and other payables amounted to US$373,000, US$1,000 and US$24,000, respectively (equivalent to HK$2,896,000, HK$10,000 and HK$184,000 respectively) as at 31 December 2010. Immediately before classification as held for sale, an impairment loss on the land use right of US$69,000 (equivalent to HK$538,000) was recognised in profit or loss in 2010.

The disposal was completed on 5 May 2011 and a gain on disposal of US$5,000 (equivalent to HK$37,000) was recognised in 2011.

8 Profit on disposal of land and buildings

On 15 April 2011, a subsidiary of the Company in Suzhou, the PRC (the "Suzhou Subsidiary") disposed of a warehouse together with the associated land use right (the "Land and Warehouse") in Suzhou, at a cash consideration of RMB10,933,000 (equivalent to HK$13,229,000) plus a right to occupy the Land and Warehouse from 1 May 2011 to 31 December 2012, with a fair value estimated to be RMB828,000 (equivalent to HK$1,002,000). The net book value of the Land and Warehouse at the disposal date was RMB4,911,000 (equivalent to HK$5,942,000). The transaction is considered as a sales and operating leaseback arrangement and the Group recorded a profit on disposal of RMB5,865,000 (equivalent to HK$7,097,000) net of professional fee and related taxes of RMB985,000 (equivalent to HK$1,192,000) for the year ended 31 December 2011.

9. Profit before taxation

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

		2011	2010
		HK$'000	*HK$'000*
(a)	Finance costs		
	Interest expense on bank loans wholly repayable within five years	**1,179**	873
(b)	Staff costs#		
	Expenses recognised in respect of defined benefit retirement plan	**2,036**	2,080
	Contributions to defined contribution retirement plan	**428**	19,879
	Total retirement costs	**2,464**	21,959
	Equity settled share-based payment expenses	**10**	–
	Salaries, wages and other benefits	**282,297**	276,776
		284,771	298,735
(c)	Other items		
	Amortisation:		
	– land lease premium	**461**	508
	– intangible assets	**–**	678
	Depreciation#	**24,195**	22,838
	Impairment loss recognised on trade receivables	**1,602**	2,437
	Reversal of impairment loss on trade receivables	**(1,664)**	(69)
	Impairment/(reversal of impairment):		
	– other receivables	**296**	(193)
	– claim receivables	**3,223**	–
	Auditors' remuneration	**4,311**	4,527
	Operating lease charges: minimum lease payments in respect of property rentals#	**23,108**	21,258
	Cost of inventories#	**820,476**	1,079,378

\# Cost of inventories includes HK$247,852,000 (2010: HK$259,448,000) relating to staff costs, depreciation expenses and operating lease charges, which amount is also included in the respective total amounts disclosed separately above or in note 9(b) for each of these types of expenses.

10. Income tax in the consolidated income statement

Taxation in the consolidated income statement represents:

	2011	2010
	HK$'000	*HK$'000*
Current tax – Hong Kong Profits Tax		
Provision for the year	**2,796**	7,073
Under/(over)-provision in respect of prior years	**136**	(615)
	2,932	6,458
Current tax – Outside Hong Kong		
Provision for the year	**10,677**	15,643
Deferred tax		
Origination and reversal of temporary differences	**4,168**	(11,143)
Effect of change in tax rate on recognition of tax losses	**(1,778)**	–
	2,390	(11,143)
	15,999	10,958

The provision for Hong Kong Profits Tax for 2011 is calculated at 16.5% (2010: 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% (2010: 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.

11. Earnings per share

(a) Basic earnings per share

The calculation of basic earnings of HK11.12 cents per share (2010: HK29.83 cents per share) is based on the profit attributable to ordinary equity shareholders of the Company of HK$74,723,000 (2010: HK$199,597,000) and the weighted average of 672,165,000 ordinary shares (2010: 669,086,238 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 for both 2011 and 2010 as the potential ordinary shares in respect of outstanding share options are anti-dilutive.

12. Other financial assets

	2011	2010
	HK$'000	*HK$'000*
Non-current		
Equity-linked securities *(notes (i) and (vii))*	**3,132**	3,442
Available-for-sale debt securities – unlisted *(note (ii))*	**6,516**	6,720
Available-for-sale equity securities – unlisted *(note (iii))*	**13,400**	–
	23,048	10,162
Current		
Equity-linked securities *(notes (iv) and (vii))*	**10,165**	–
Equity-linked deposits *(notes (v) and (vii))*	**–**	15,645
Held-to-maturity debt securities – unlisted *(note (vi))*	**3,174**	3,385
	13,339	19,030
	36,387	29,192

Note:

(i) Equity-linked securities as at 31 December 2011 represent structured funds placed with an investment bank in Korea with guaranteed principal and variable interest linked to the Korea Composite Stock Price Index 200, with a maturity date of 8 February 2014.

Equity-linked securities as at 31 December 2010 represented 18 months structured funds placed with an investment bank in Korea with guaranteed principal and variable interest linked to the Korea Composite Stock Price Index 200, with a maturity date of 25 May 2012.

(ii) Available-for-sale debt securities – unlisted represents an investment in bonds issued by an investment bank in Korea with a maturity date of 30 March 2039. Management has no intention to hold the investment to maturity.

(iii) Available-for-sale equity securities – unlisted represents an investment in a Korean private company which carried at cost.

(iv) Equity-linked securities represent two structured funds placed with investment banks in Korea, amounting to HK$3,366,000 and HK$6,799,000, with guaranteed principal and variable interest linked to the Korea Composite Stock Price Index 200 and maturity date of 25 May 2012 and 10 August 2012, respectively.

(v) Equity-linked deposits represented 12 months deposits placed with an investment bank in Korea with guaranteed principal and variable interest linked to the Korea Composite Stock Price Index 200, with a maturity date of 10 February 2011.

(vi) Held-to-maturity debt securities – unlisted represents an investment in commercial paper with a maturity date of 12 January 2012 and interest-bearing at 6.50% per annum which carried at amortised cost.

(vii) The equity-linked securities and equity-linked deposits are hybrid instruments that include non-derivative host contracts and embedded derivatives. Upon inception, the financial instruments are designated as fair value through profit or loss with changes in fair value recognised in the income statement.

(viii) None of the above other financial assets are past due or impaired.

13. 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:

	2011	2010
	HK$'000	*HK$'000*
Current	**144,055**	141,481
Less than 1 month past due	**35,567**	7,136
1 to 3 months past due	**421**	7,455
More than 3 months but less than 12 months past due	**1,439**	1,158
More than 12 months past due	**90**	87
	181,572	157,317

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. 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.

14. Trade and other payables

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

	2011	2010
	HK$'000	*HK$'000*
Due within 1 month or on demand	**40,013**	58,004
Due after 1 month but within 3 months	**24,889**	49,715
Due after 3 months but within 6 months	**245**	–
Due after 6 months but within 1 year	**101**	105
	65,248	107,824

15. Dividends

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

	2011	2010
	HK$'000	*HK$'000*
Interim dividend declared and paid of HK Nil cents per ordinary share (2010: HK2 cents per ordinary share)	**–**	13,371
Final dividend proposed after the balance sheet date of HK Nil cents per ordinary share (2010: HK4 cents per ordinary share)	**–**	26,887
	–	40,258

The board of directors do not declare or propose any dividend for the year ended 31 December 2011.

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

	2011	2010
	HK$'000	*HK$'000*
Final dividend in respect of the previous financial year, approved and paid during the year, of HK4 cents per ordinary share (2010: HK3 cents per ordinary share)	**26,887**	20,056

MANAGEMENT DISCUSSION & ANALYSIS

Financial Review

In 2011, unanticipated challenges emerged and hit the global toy industry as well as the Group which had achieved a record-breaking year in 2010. The global economy was struggling through the turmoil spurred from the European sovereign debt crisis and Japan, a major market of the Group, was struck by the 311 earthquake and tsunami during the first quarter of the year. These adverse factors, in addition to the delay of an order from a Brazilian customer during the year, inevitably led to less satisfactory financial results for the Group during the year under review.

Nonetheless, leveraging an established operational foundation and its leading position in the industry, the Group managed to maintain its business scale and record fair profitability. For the year ended 31 December 2011, the Group's turnover reached HK$1,083.2 million (2010: HK$1,544.9 million). Gross profit amounted to HK$262.7 million (2010: HK$465.5 million), with gross margin at 24.3% (2010: 30.1%). The decrease in gross margin was partly attributable to the Group's shift of focus back to its non-licensing business in response to strong demand in its OEM business. Notwithstanding the decreased sales, the Group still recorded an operating profit of HK$87.9 million (2010: HK$215.0 million), while net profit attributable to equity shareholders was HK$74.7 million (2010: HK$199.6 million).

The Group maintained a healthy financial position with cash and time deposits of HK$215.1 million (31 December 2010: HK$277.5 million) as at 31 December 2011.

Business Review

Product Analysis

Plush stuffed toys segment

During the year under review, the plush stuffed toys business recorded a turnover of HK$1,002.8 million, accounting for 92.6% of the Group's total turnover. Original Equipment Manufacturing ("OEM") and the licensed character business remained the core business of the Group, representing 86.5% of plush stuffed toys' sales. Although OEM sales were dragged down by the earthquake in Japan in 2011, in addition to strengthened ties with owners and licensors of the brands of iconic characters, the Group managed to secure orders from more cartoon characters from Korea and Japan to diversify its customer base.

The Original Design Manufacturing ("ODM") business achieved a turnover of HK$135.3 million, which accounted for 13.5% of plush stuffed toys' sales. Overall ODM sales dropped as the Group's shipment schedule of the second order from a globally renowned Brazilian consumer brand was unexpectedly delayed. After negotiation, the Group confirmed a more concrete shipment schedule with the client at the end of 2011. Benefitting from the improving market conditions and consumer sentiment in the US, the world's largest toy market, the volume of orders received from renowned mass US retailers for the "CALTOY" brand increased steadily during the year under review.

To enhance the profit margin, the Group planned to introduce its own brand "Dream, Made to Love, Made to Hug" targeted at the high-end toy market. The test-marketing for the brand at the New York Fair in February 2012 received an encouraging response and more promotion will be launched during 2012.

Ride-on toys segment

For the year ended 31 December 2011, sales from the ride-on toys segment were HK$78.4 million, accounting for 7.2% of the Group's total turnover. To focus on products with higher selling prices and profit margins, the Group restructured the customer mix which led to the decline in the sales during the year.

The Group continued to improve the design and functionality of a new concept swing scooter that has been sent to several customers and has received preliminary positive market response. The swing scooter is expected to be launched by the second half of the year in the US as well as Europe.

In China, to enjoy better business terms and sales performance, the Group initiated restructuring of the sales network for its "Great" and "Far Great" branded products during the year. Meanwhile, noticing the promising gradual increase in the sales of a new tricycle product line for a Japanese client to tap the high-end market in China, the Group is introducing more new designs to boost sales volume. The Group has also introduced ride-on products for the Tom and Jerry characters in the country, which have helped to broaden its revenue streams.

Market Analysis

For the year ended 31 December 2011, the Group's sales in most major regions remained stable except in Japan which was severely affected by the natural disasters in March 2011. Nonetheless, Japan remained the Group's largest market, contributing 42.9% of the Group's total turnover. North America gradually regained consumer confidence during the year, accounting for 36.4% of the Group's total turnover, followed by the European market at 18.5%.

Operational Analysis

As at 31 December 2011, the Group operated seven plants in total, four of which were in China and three in Vietnam, running at a utilisation rate at about 70%. To prepare for the launch of the plastic figures business, as well as realise better production efficiency and cost effectiveness, apart from a pilot factory already in operation in 2011, the Group has commenced construction of the first phase of another plant in Hanoi, Vietnam, which will commence operation in mid-2012. The first phase of this plant is to operate at full production capacity that can generate an annual turnover of US$20 million by the end of 2012.

Prospects

The global economy is still affected by the uncertainties related to the European sovereign debt crisis despite the gradual recovery of the US. Together with rising manufacturing costs, including risk of higher oil prices, increasing labour costs in China combined with the possible appreciation of the Renminbi, these factors pose potential challenges to the entire toy manufacturing industry. Amidst the difficult operating environment, a growing number of toy manufacturers were forced to leave the market. However, the ongoing market consolidation as well as the recovering market in Japan creates opportunities for large-scale toy manufacturers such as Dream International Limited.

As the world's largest plush toy manufacturer, the Group continues to actively seek new business opportunities to sustain growth momentum. To tap the business potential presented by changing market trends, the Group is diversifying its product mix by launching a new product line of plastic figures in the second half of 2012. The plastic figures segment is expected to be a powerful growth engine in the mid-to-long term, leveraging the Group's close partnership with world renowned toy brands as well as synergies in sourcing and manufacturing. The Group is also exploring other potential opportunities, such as introducing new product categories and entering new markets.

To provide sufficient backend support for growth, apart from the expanding production base in Vietnam, the Group will continue to leverage the flexibility derived from its dual production strategy using self-owned production plants in China and Vietnam for a majority of orders while employing subcontractors when flexibility or added capacity is called for.

The Group will strive to lay a foundation for future business development with profitability and efficiency as prime objectives. Guided by prudent strategic planning by making the most of its strong competitive advantages, the Group is confident of achieving further growth and maximising returns for its shareholders.

Number and Remuneration of Employees

At 31 December 2011, the Group had 8,496 (2010: 10,278) employees in Hong Kong, Mainland China, the Republic of 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 2011, the Group had net current assets of HK$475.4 million (2010: HK$431.5 million). The Group's total cash and cash equivalents as at 31 December 2011 amounted to HK$177.1 million (2010: HK$261.5 million). The total bank loans of the Group as at 31 December 2011 amounted to HK$22.8 million (2010: HK$14.0 million).

The Group's gearing ratio, calculated on the basis of total bank loans over the total equity, increased slightly from 2.1% at 31 December 2010 to 3.2% at 31 December 2011 due to expansion of operation in Vietnam.

Pledge on Group Assets

Bank loans are secured on the Group's buildings, plant and machinery and land use rights with a net carrying value as at 31 December 2011 of HK$33.5 million (2010: HK$38.1 million).

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

During the year ended 31 December 2011, 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 2011, 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 do not recommend a final dividend for the year ended 31 December 2011 (2010: HK4 cents per share).

The register of members will be closed from 26 April 2012 to 30 April 2012, both days inclusive. During this period, no transfer of shares will be registered. In order to qualify for the right to vote for and/or attend the forthcoming annual general meeting scheduled on 30 April 2012, 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 25 April 2012.

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 2011.

By order of the Board
Kyoo Yoon Choi
Chairman

Hong Kong, 23 March 2012

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

Executive Directors
Mr. Kyoo Yoon Choi *(Chairman)*
Mr. Young M. Lee
Mr. James Chuan Yung Wang
Mr. Hyun Ho Kim

Independent Non-Executive Directors
Professor Cheong Heon Yi
Professor Byong Hun Ahn
Mr. Tae Woong Kang