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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 2013

The board of directors (the "Board") of Dream International Limited (the "Company" or "Dream International") is pleased to announce the consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2013, together with the comparative figures for the previous financial year.

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2013

	Notes	**2013** **HK$'000**	2012 HK$'000 (restated)
Turnover	*3&4*	**1,352,607**	1,353,340
Cost of sales		**(958,980)**	(1,007,276)
Gross profit		**393,627**	346,064
Other revenue	*5(a)*	**11,573**	20,894
Other net loss	*5(b)*	**(22,718)**	(3,324)
Distribution costs		**(47,352)**	(49,242)
Administrative expenses		**(175,398)**	(155,134)
Profit from operations		**159,732**	159,258
Finance costs	*8(a)*	**(836)**	(3,139)
Share of profits less losses of associates		**467**	(664)
Profit before taxation	*8*	**159,363**	155,455
Income tax	*9*	**(42,581)**	(29,692)
Profit for the year		**116,782**	125,763
Attributable to:			
Equity shareholders of the Company		**123,934**	133,001
Non-controlling interests		**(7,152)**	(7,238)
Profit for the year		**116,782**	125,763
Earnings per share	*10*		
Basic		**18.44 ¢**	19.79 ¢
Diluted		**18.37 ¢**	19.79 ¢

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2013

	Notes	**2013** *HK$'000*	2012 *HK$'000* (restated)
Profit for the year		**116,782**	125,763
Other comprehensive income for the year (after tax adjustments):			
Item that will not be reclassified to profit or loss:			
Remeasurement of defined benefit retirement obligation		**515**	(2,367)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong		**2,880**	12,647
Available-for-sale securities: net movement in the fair value reserve		**(174)**	(156)
		2,706	12,491
Other comprehensive income for the year		**3,221**	10,124
Total comprehensive income for the year		**120,003**	135,887
Attributable to:			
Equity shareholders of the Company		**127,106**	143,029
Non-controlling interests		**(7,103)**	(7,142)
Total comprehensive income for the year		**120,003**	135,887

CONSOLIDATED BALANCE SHEET

	Notes	31 December 2013 HK$'000	31 December 2012 HK$'000 (restated)	1 January 2012 HK$'000 (restated)
Non-current assets				
Fixed assets				
– Interests in leasehold land held for own use under operating leases		**31,314**	22,596	22,884
– Other property, plant and equipment		**184,778**	169,046	158,686
		216,092	191,642	181,570
Long term receivables		**6,368**	930	2,796
Prepayments		**–**	–	1,990
Goodwill		**2,753**	2,753	–
Other intangible assets		**9,583**	9,029	12,191
Interest in associates		**502**	27	690
Deferred tax assets		**7,697**	7,825	11,625
Other financial assets	*11*	**28,980**	24,925	23,048
		271,975	237,131	233,910
Current assets				
Inventories		**175,854**	183,572	231,565
Trade and other receivables	*12*	**263,718**	208,496	240,083
Current tax recoverable		**45**	1,016	4,125
Other financial assets	*11*	**11,035**	14,674	13,339
Time deposits		**79,476**	156,735	38,000
Cash and cash equivalents		**320,617**	281,550	177,115
		850,745	846,043	704,227
Current liabilities				
Trade and other payables	*13*	**186,714**	208,006	201,343
Bank loans		**22,274**	20,810	17,900
Current tax payable		**27,541**	12,991	9,554
		236,529	241,807	228,797
Net current assets		**614,216**	604,236	475,430
Total assets less current liabilities		**886,191**	841,367	709,340

	Notes	**31 December 2013** ***HK$'000***	31 December 2012 *HK$'000* (restated)	1 January 2012 *HK$'000* (restated)
Non-current liabilities				
Bank loans		**777**	1,812	4,924
Net defined benefit retirement obligation		**439**	750	2,329
Deferred tax liabilities		**–**	394	22
		1,216	2,956	7,275
NET ASSETS		**884,975**	838,411	702,065
CAPITAL AND RESERVES				
Share capital		**52,303**	52,303	52,303
Reserves		**835,125**	781,458	637,970
Total equity attributable to equity shareholders of the Company		**887,428**	833,761	690,273
Non-controlling interests		**(2,453)**	4,650	11,792
TOTAL EQUITY		**884,975**	838,411	702,065

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 2013, but are extracted from the draft consolidated financial statements.

The consolidated financial statements for the year ended 31 December 2013 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 security, equity-linked securities and structured debt securities are stated at their fair value.

2. Changes in accounting policies

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

- Amendments to HKAS 1, *Presentation of financial statements – Presentation of items of other comprehensive income*
- HKFRS 10, *Consolidated financial statements*
- HKFRS 12, *Disclosure of interests in other entities*
- HKFRS 13, *Fair value measurement*
- Revised HKAS 19, *Employee benefits*
- *Annual Improvements to HKFRSs 2009-2011 Cycle*
- Amendments to HKFRS 7: *Financial instruments: Disclosures – Disclosures – Offsetting financial assets and financial liabilities*

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 new or amended HKFRSs are discussed below:

Amendments to HKAS 1, Presentation of financial statements – Presentation of items of other comprehensive income

The amendments require entities to present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The presentation of other comprehensive income in the consolidated statement of comprehensive income in these financial statements has been modified accordingly.

HKFRS 10, Consolidated financial statements

HKFRS 10 replaces the requirements in HKAS 27, *Consolidated and separate financial statements*, relating to the preparation of consolidated financial statements and Hong Kong (SIC) Interpretation 12, *Consolidation – Special purpose entities*. It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns.

The adoption does not change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1 January 2013.

HKFRS 12, Disclosure of interests in other entities

HKFRS 12 brings together into a single standard all the disclosure requirements relevant to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The disclosures required by HKFRS 12 are generally more extensive than those previously required by the respective standards.

HKFRS 13, Fair value measurement

HKFRS 13 replaces existing guidance in individual HKFRSs with a single source of fair value measurement guidance. HKFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments. The adoption of HKFRS 13 does not have any material impact on the fair value measurements of the Group's assets and liabilities.

Revised HKAS 19, Employee benefits

Revised HKAS 19 introduces a number of amendments to the accounting for defined benefit plans. Among them, revised HKAS 19 eliminates the "corridor method" under which the recognition of actuarial gains and losses relating to defined benefit schemes could be deferred and recognised in profit or loss over the expected average remaining service lives of employees. Under the revised standard, all actuarial gains and losses are required to be recognised immediately in other comprehensive income. Revised HKAS 19 also changed the basis for determining income from plan assets from expected return to interest income calculated at the liability discount rate, and requires immediate recognition of past service cost, whether vested or not.

As a result of the adoption of revised HKAS 19, the Group has changed its accounting policy with respect to defined benefit plan, for which the corridor method was previously applied. This change in accounting policy has been applied retrospectively by restating the balances at 1 January 2012 and 31 December 2012, with consequential adjustments to comparatives for the year ended 31 December 2012 as follows:

	As previously reported *HK$'000*	**Effect of adoption of revised HKAS 19** *HK$'000*	**As restated** *HK$'000*
Consolidated income statement for year ended 31 December 2012:			
Defined benefit retirement plan expense	1,401	(3,810)	(2,409)
Profit for the year	121,953	3,810	125,763
Earnings per share			
– Basic	HK19.22 ¢	HK0.57 ¢	HK19.79 ¢
– Diluted	HK19.22 ¢	HK0.57 ¢	HK19.79 ¢
Consolidated statement of comprehensive income for the year ended 31 December 2012:			
Remeasurement of net defined benefit liability	–	2,367	2,367
Other comprehensive income for the year	12,850	(2,726)	10,124
Total comprehensive income for the year	134,803	1,084	135,887
Consolidated balance sheet as at 31 December 2012:			
Net defined benefit retirement asset	3,114	(3,114)	–
Total non-current assets	240,245	(3,114)	237,131
Net defined benefit retirement obligation	-	750	750
Total non-current liabilities	2,206	750	2,956
Net assets/total equity	842,275	(3,864)	838,411
Reserves	785,322	(3,864)	781,458
Consolidated balance sheet as at 1 January 2012:			
Net defined benefit retirement asset	2,619	(2,619)	–
Total non-current assets	236,529	(2,619)	233,910
Net defined benefit retirement obligation	–	2,329	2,329
Total non-current liabilities	4,946	2,329	7,275
Net assets/total equity	707,013	(4,948)	702,065
Reserves	642,918	(4,948)	637,970

The change in accounting policy did not have a material impact on current or deferred taxation.

Annual Improvements to HKFRSs 2009-2011 Cycle

This cycle of annual improvements contains amendments to five standards with consequential amendments to other standards and interpretations. Among them, HKAS 1 has been amended to clarify that an opening balance sheet is required only when a retrospective application of an accounting policy, a retrospective restatement or a reclassification has a material effect on the information presented in the opening balance sheet. The amendments also remove the requirement to present related notes to the opening balance sheet when such statement is presented.

Since the Group considers that the restatement resulting from the adoption of revised HKAS 19 has a material impact on the opening financial position, an additional balance sheet as at 1 January 2012 has been presented in these financial statements.

Amendments to HKFRS 7, Financial instruments: Disclosures – Disclosures – Offsetting financial assets and financial liabilities

The amendments introduce new disclosures in respect of offsetting financial assets and financial liabilities. Those new disclosures are required for all recognised financial instruments that are set off in accordance with HKAS 32, *Financial instruments: Presentation*, and those that are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments and transactions, irrespective of whether the financial instruments are set off in accordance with HKAS 32.

The adoption of the amendments does not have an impact on these financial statements because the Group has not offset financial instruments, nor has it entered into master netting arrangement or similar agreement which is subject to the disclosures of HKFRS 7 during the periods presented.

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.

The Group's customer base is diversified and includes two (2012: two) customers with whom the value of transactions have exceeded 10% of the Group's revenues. During the year ended 31 December 2013, the revenues from sales of plush stuffed toys and plastic figures to these customers, amounted to approximately HK$526,126,000 and HK$368,551,000 (2012: HK$531,667,000 and HK$348,214,000) respectively and incurred in Hong Kong, North America, Japan and Europe (2012: Hong Kong, North America, Japan and Europe) geographical regions in which the plush stuffed toys and plastic figures segments are active.

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 in The People's Republic of China (the "PRC") and Vietnam.

– Ride-on toys: this segment is involved in the design, development, manufacture and sale of ride-on toys. These products are manufactured in 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 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 assets, goodwill, other 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 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 2013 and 2012 is set out below.

	Plush stuffed toys		Ride-on toys		Plastic figures		Total	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
		(restated)						(restated)
Revenue from external customers	**1,219,744**	1,278,595	**48,160**	56,365	**84,703**	18,380	**1,352,607**	1,353,340
Inter-segment revenue	**21,955**	5,033	**–**	–	**117**	–	**22,072**	5,033
Reportable segment revenue	**1,241,699**	1,283,628	**48,160**	56,365	**84,820**	18,380	**1,374,679**	1,358,373
Reportable segment profit/(loss) (adjusted EBITDA)	**215,472**	228,180	**(19,549)**	(20,054)	**8,831**	(14,941)	**204,754**	193,185
Bank interest income	**3,756**	6,107	**12**	17	**86**	238	**3,854**	6,362
Interest expense	**(836)**	(3,084)	**–**	–	**–**	(55)	**(836)**	(3,139)
Depreciation and amortisation for the year	**(15,518)**	(14,749)	**(5,846)**	(6,188)	**(3,875)**	(2,250)	**(25,239)**	(23,187)
Reportable segment assets	**594,761**	553,754	**72,656**	95,247	**128,158**	57,992	**795,575**	706,993
Additions to non-current segment assets during the year	**20,221**	15,126	**5,642**	877	**25,090**	26,647	**50,953**	42,650
Reportable segment liabilities	**140,029**	203,625	**74,499**	76,273	**103,415**	48,458	**317,943**	328,356

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

	2013 *HK$'000*	2012 *HK$'000*
Revenue		
Reportable segment revenue	**1,374,679**	1,358,373
Elimination of inter-segment revenue	**(22,072)**	(5,033)
Consolidated turnover	**1,352,607**	1,353,340

	2013 *HK$'000*	2012 *HK$'000* (restated)
Profit		
Reportable segment profit	**204,754**	193,185
Share of profits less losses of associates	**467**	(664)
Interest income	**7,747**	7,618
Depreciation and amortisation	**(25,239)**	(23,187)
Finance costs	**(836)**	(3,139)
Impairment loss on club memberships	**(1,583)**	(10)
Unallocated head office and corporate expenses	**(25,947)**	(18,348)
Consolidated profit before taxation	**159,363**	155,455

	2013 *HK$'000*	2012 *HK$'000* (restated)
Assets		
Reportable segment assets	**795,575**	706,993
Elimination of inter-segment receivables	**(130,790)**	(119,600)
	664,785	587,393
Club memberships	**9,583**	9,029
Interest in associates	**502**	27
Other financial assets	**40,015**	39,599
Deferred tax assets	**7,697**	7,825
Current tax recoverable	**45**	1,016
Unallocated head office and corporate assets	**400,093**	438,285
Consolidated total assets	**1,122,720**	1,083,174

	2013 *HK$'000*	2012 *HK$'000* (restated)
Liabilities		
Reportable segment liabilities	**317,943**	328,356
Elimination of inter-segment payables	**(130,790)**	(119,600)
	187,153	208,756
Deferred tax liabilities	**–**	394
Current tax payable	**27,541**	12,991
Unallocated head office and corporate liabilities	**23,051**	22,622
Consolidated total liabilities	**237,745**	244,763

(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, other intangible assets, goodwill 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 other intangible assets and goodwill, and the location of operations, in the case of interest in associates.

	Revenue from external customers		**Specified non-current assets**	
	2013 ***HK$'000***	2012 *HK$'000*	**2013** ***HK$'000***	2012 *HK$'000*
Hong Kong (place of domicile)	**10,645**	7,245	**767**	1,143
North America	**483,340**	512,341	**200**	201
Japan	**634,979**	639,122	**3,637**	3,963
Europe	**124,817**	144,459	**–**	–
South America	**40,899**	10,609	**–**	–
The PRC	**32,347**	28,773	**55,938**	49,000
Vietnam	**9,061**	2,528	**162,030**	141,402
Korea	**10,821**	3,663	**6,358**	7,742
Other countries	**5,698**	4,600	**–**	–
	1,341,962	1,346,095	**228,163**	202,308
	1,352,607	1,353,340	**228,930**	203,451

5. Other revenue and net loss

(a) Other revenue

	2013	2012
	HK$'000	*HK$'000*
Bank interest income	**3,854**	6,362
Interest income from other financial assets	**3,893**	1,256
Compensation income	**–**	6,976
Commission income from a related company and a fellow subsidiary	**–**	3,660
Sundry income	**3,826**	2,640
	11,573	20,894

(b) Other net loss

	2013	2012
	HK$'000	*HK$'000*
Net (loss)/gain on disposal of property, plant and equipment	**(1,056)**	406
Net gain on disposal of other financial assets	**177**	–
Gain on disposal of club memberships	**–**	446
Net realised and unrealised loss on other financial assets	**(2,694)**	(662)
Impairment loss on club memberships	**(1,583)**	(10)
Write-off of compensation receivable *(note 6)*	**(3,809)**	–
Impairment loss on available-for-sale equity security *(note 11(iv))*	**(8,705)**	–
Net foreign exchange loss	**(5,178)**	(3,327)
Others	**130**	(177)
	(22,718)	(3,324)

6. Losses from fire

On 29 September 2012, there was a fire at the production plant of a subsidiary of the Company in Suzhou, the PRC. Some of the Group's inventories and fixed assets were destroyed whilst most of its production lines were unaffected. Net losses from fire amounted to HK$1,600,000 was included in "administrative expenses" in the consolidated income statement for the year ended 31 December 2012. Compensation receivable amounted to HK$12,858,000 was included in "trade and other receivables" in the consolidated balance sheet as at 31 December 2012.

During the year ended 31 December 2013, compensation amounted to HK$9,049,000 was received, and write-off of compensation receivable amounting to HK$3,809,000 was included in "other net loss" in the consolidated income statement for the year ended 31 December 2013 *(see note 5(b))*.

7. Claim settlement

In March 2012, a customer (the "Customer") initiated a claim in the Hong Kong High Court (the "Court") against the Company and two subsidiaries of the Company including one subsidiary in the PRC (the "PRC Subsidiary") and requested compensation in respect of products manufactured by the PRC Subsidiary and sold to the Customer mostly during the year ended 31 December 2010 (the "Claim").

The subsidiaries filed and served their defence and counterclaim on 30 January 2013, denying liability in respect of the Claim and counterclaiming against the Customer for US$78,000 (equivalent to HK$605,000), being the sum of various outstanding invoices and debit notes rendered to the Customer in 2010 and 2011, plus interest and costs.

On 20 February 2013, the Company applied to strike out the Claim against it (but not against the subsidiaries) on the basis that the Claim discloses no reasonable cause of action against the Company. The Customer agreed to discontinue its Claim against the Company and pay the Company's costs incurred in the action. On 9 April 2013, the Customer and the Company made a joint application to the Court for leave for the Customer to discontinue the Claim against the Company. The Court made an order in terms of both parties' application on striking out the Claim against the Company on 15 April 2013.

In late July 2013, the Customer and the subsidiaries entered into a commercial settlement, which was recorded in the form of a Tomlin Order filed with the Court on 29 July 2013. Upon performance of the Tomlin Order, the Claim was fully and finally settled. Claim settlement of US$250,000 (equivalent to HK$1,939,000) was included in "administrative expenses" in the consolidation income statement for the year ended 31 December 2013.

In accordance with the Tomlin Order, the outstanding Claim settlement is payable as follows:

	2013 ***HK$'000***
Within 1 year	**1,163**

8. Profit before taxation

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

	2013	2012
	HK$'000	*HK$'000*
		(restated)
(a) ***Finance costs***		
Interest expense on bank borrowings wholly repayable within five years	**836**	3,139
(b) ***Staff costs#***		
Expenses recognised in respect of defined benefit retirement plan	**1,352**	(2,409)
Contributions to defined contribution retirement plan	**5,474**	12,970
Total retirement costs	**6,826**	10,561
Equity settled share-based payment expenses	**499**	459
Salaries, wages and other benefits	**361,645**	335,194
	368,970	346,214
(c) ***Other items***		
Amortisation of land lease premium	**624**	524
Depreciation#	**24,615**	22,663
Impairment loss recognised on trade receivables	**350**	2,966
Reversal of impairment loss on trade receivables	**(409)**	(417)
Impairment loss recognised on other receivables	**238**	1,006
Reversal of impairment loss on other receivables	**(310)**	(707)
Reversal of provision for custom duties *(note)*#	**(13,426)**	–
Reversal of provision for Corporate Income Tax ("CIT") *(note)*#	**(6,543)**	–
Auditors' remuneration	**5,599**	4,869
Operating lease charges: minimum lease payments in respect of property rentals#	**25,923**	24,235
Cost of inventories#	**958,980**	1,007,276

\# Cost of inventories includes HK$288,605,000 (2012: HK$305,993,000) relating to staff costs, depreciation, operating lease charges, reversal of provision for custom duties and reversal of provision for CIT which amounts are also included in the respective total amounts disclosed separately above or in note 8(b) for each of these types of expenses.

Note: The Company operated a processing factory in Shenzhen, the PRC, and recorded provisions for custom duties and CIT amounted to HK$13,426,000 and HK$6,543,000 respectively. In May 2012, the Company set up a subsidiary to transform its processing factory into a wholly-owned foreign enterprise ("WOFE"). The processing factory was closed in 2013 upon the receipt of clearance documents from relevant government authorities. Accordingly, provisions mentioned above were reversed and were included in "cost of sales" in the consolidated income statement for the year ended 31 December 2013.

9. Income tax in the consolidated income statement

Taxation in the consolidated income statement represents:

	2013	2012
	HK$'000	*HK$'000*
Current tax – Hong Kong Profits Tax		
Provision for the year	**18,474**	3,405
Over-provision in respect of prior years	**(582)**	–
	17,892	3,405
Current tax – Outside Hong Kong		
Provision for the year	**24,721**	24,015
Under/(over)-provision in respect of prior years	**125**	(2,020)
	24,846	21,995
Deferred tax		
Origination and reversal of temporary differences	**(157)**	4,292
	42,581	29,692

The provision for Hong Kong Profits Tax for 2013 is calculated at 16.5% (2012: 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.

Current tax outside Hong Kong includes withholding tax paid on dividend income from a subsidiary.

The CIT rate applicable to subsidiaries registered in the PRC is 25% (2012: 25%). Certain PRC subsidiaries were entitled to income tax holidays granted by the PRC tax authorities until 31 December 2012 whereby they were exempted from CIT for two years starting from the first profit making year and thereafter subjected to CIT at 50% of the prevailing tax rate for the following three years.

The Company operated a processing factory in Shenzhen, the PRC, which was assessed to use the deemed profit method to determine the amount of income tax provision. Under the deemed profit method, the processing factory was subject to income tax at 25% in 2012 on its deemed profit which was determined as 10% of its operating expenses according to the tax authority in Shenzhen. In May 2012, the Company set up a subsidiary to transform its processing factory into a WOFE. The CIT rate applicable to the WOFE is 25%.

10. Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share of HK18.44 cents per share (2012 (restated): HK19.79 cents per share) is based on the profit attributable to ordinary equity shareholders of the Company of HK$123,934,000 (2012 (restated): HK$133,001,000) and the weighted average of 672,165,000 ordinary shares (2012: 672,165,000 ordinary shares) in issue during the year.

(b) Diluted earnings per share

The calculation of diluted earnings per share of HK18.37 cents per share for 2013 is based on the profit attributable to ordinary equity shareholders of the Company of HK$123,934,000 and the weighted average number of ordinary shares of 674,774,000 shares, calculated as follows:

Weighted average number of ordinary shares (diluted)

	2013
	'000
Weighted average number of ordinary shares at 31 December	**672,165**
Effect of deemed issue of shares under the Company's share option scheme for nil consideration	**2,609**
Weighted average number of ordinary shares (diluted) at 31 December	**674,774**

The diluted earnings per share was the same as the basic earnings per share for 2012 as the potential ordinary shares in respect of outstanding share options were anti-dilutive.

11. Other financial assets

	2013	2012
	HK$'000	*HK$'000*
Non-current		
Equity-linked securities *(notes (i) and (vii))*	**10,927**	3,469
Structured debt security *(notes (ii) and (vii))*	**5,770**	–
Available-for-sale debt security – unlisted *(note (iii))*	**6,633**	6,856
Available-for-sale equity security – unlisted *(note (iv))*	**5,650**	14,600
	28,980	24,925
Current		
Equity-linked securities *(notes (v) and (vii))*	**3,473**	14,674
Structured debt security *(notes (vi) and (vii))*	**7,562**	–
	11,035	14,674
	40,015	39,599

Notes:

(i) Equity-linked security represents an equity-linked bond 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 May 2015.

Equity-linked securities as at 31 December 2012 represented 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 10 February 2014.

(ii) Structured debt security represents a debt investment placed with an investment bank in Korea with fixed interest rate of 6.25% per annum and redeemable by the debt issuer on or after 15 April 2024.

(iii) Available-for-sale debt security - 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.

(iv) Available-for-sale equity security - unlisted represents an investment in a Korean private company and is carried at cost less impairment loss. During the year ended 31 December 2013, an impairment loss of HK$8,705,000 was recognised in order to write down the available-for-sale equity security to its recoverable amount. The impairment loss for the year is included in "other net loss" in the consolidated income statement *(see note 5(b))*.

(v) Equity-linked security represents a structured fund placed with an investment bank in Korea with guaranteed principal and variable interest linked to the Korea Composite Stock Price Index 200 and maturity date of 10 February 2014.

Equity-linked securities as at 31 December 2012 represented four structured funds placed with an investment bank in Korea, amounting to HK$3,682,000, HK$3,672,000, HK$3,676,000 and HK$3,644,000 with guaranteed principal and variable interest linked to the Korea Composite Stock Price Index 200 and maturity date of 5 March 2013, 5 March 2013, 3 September 2013 and 3 September 2013, respectively.

(vi) Structured debt security represents a debt investment placed with an investment bank in Korea with fixed interest rate at 7.00% per annum and redeemable by the debt issuer on or after 30 July 2013.

(vii) Structured debt securities and equity-linked securities 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, except for the available-for-sale equity security *(see note (iv))*.

12. Trade and other receivables

As of the balance sheet date, the ageing analysis of trade debtors and bills receivable (which are included in trade and other receivables), based on the invoice date and net of allowance for doubtful debts, is as follows:

	2013	2012
	HK$'000	*HK$'000*
Within 1 month	**134,697**	93,996
1 to 2 months	**22,880**	18,194
2 to 3 months	**12,192**	13,279
3 to 4 months	**7,884**	2,087
Over 4 months	**3,669**	6,942
	181,322	134,498

Trade debtors and bills receivable are due within 30 to 60 days from the date of billing.

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Debtors with balances that are more than three months past due are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

13. Trade and other payables

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

	2013	2012
	HK$'000	*HK$'000*
Due within 1 month or on demand	**79,079**	44,970
Due after 1 month but within 3 months	**5,053**	11,841
Due after 3 months but within 6 months	**271**	10
Due after 6 months but within 1 year	**847**	799
	85,250	57,620

14. Dividends

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

	2013	2012
	HK$'000	*HK$'000*
Interim dividend declared and paid of HK3 cents per ordinary share (2012: HKNil cents per ordinary share)	**20,165**	–
Final dividend proposed after the balance sheet date of HK5 cents per ordinary share (2012: HK8 cents per ordinary share)	**33,843**	53,773
	54,008	53,773

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

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

	2013	2012
	HK$'000	*HK$'000*
Final dividend in respect of the previous financial year, approved and paid during the year, of HK8 cents per ordinary share (2012: HKNil cents per ordinary share)	**53,773**	–

15. Comparative figures

As a result of the application of revised HKAS 19, *Employee benefits*, certain comparative figures have been adjusted to conform to current year's presentation and to provide comparative amounts in respect of items disclosed for the first time in 2013. Further details of these developments are disclosed in note 2.

MANAGEMENT DISCUSSION & ANALYSIS

Financial Review

During 2013, the global economic environment was on a dawdling pace of recovery. Although consumer confidence and employment have displayed signs of recuperation in the U.S. market, the European market continued to exhibit sluggish growth. As a result, the overall performance of the toy industry has undoubtedly experienced a knock-on-effect from the presence of market uncertainty. Nonetheless, Japan, the most important market for the Group, has ensured that the Group continue to enjoy a relatively steady business environment by continuing as the key contributor to the Group's financial results during the year under review.

For the year ended 31 December 2013, the Group's turnover was HK$1,352.6 million (2012: HK$1,353.3 million). Gross profit reached HK$393.6 million, representing a rise of 13.7% from HK$346.1 million of the previous financial year. Gross margins improved further to 29.1% (2012: 25.6%). The Group's operating profit increased by 0.3% to HK$159.7 million (2012 (restated): HK$159.3 million), while net profit attributable to equity shareholders was HK$123.9 million (2012 (restated): HK$133.0 million), with net margin reaching 9.2% (2012 (restated): 9.8%).

The Group maintained a healthy financial position with cash and bank deposits of HK$400.1 million (31 December 2012: HK$438.3 million) as at 31 December 2013.

Business Review

Product Analysis

Plush stuffed toys segment

During the year under view, the plush stuffed toys business recorded a turnover of HK$1,219.7 million, accounting for 90.2% of the Group's total turnover. The Original Equipment Manufacturing ("OEM") business remained the core contributor of the Group's total turnover, accounting for 91.5% of sales for the plush stuffed toys segment. Riding on the favourable market response to the launch of new products featuring iconic characters from Japan and Korea at the New York Toy Fair 2013, the Group participated in the New York Toy Fair 2014 to enhance its brand awareness as well as approach new customers in the U.S. toy market. One of the new plush stuffed toy characters was also unveiled at an upscale retail toy store in New York during the second half of 2013 and enjoyed a favourable market response. The Group has been working closely with the store to augment variety and further enrich the product design, with new products expected to be unveiled during the first half of 2014. Apart from nurturing close business ties with well-known customers including globally-renowned cartoon character owners and licensors, the Group secured two new customers, which have contributed to the increase in its business volume in the U.S. and anticipates the contribution to keep growing in the future.

The Original Design Manufacturing ("ODM") business recorded a turnover of HK$103.6 million, contributing 8.5% of the total sales of plush stuffed toys. Following the successful establishment of the "Dream, made to love, made to hug" brand for strengthening brand awareness among target customers positioned at the premium market, the Group diversified its product mix to reach major mass markets. The two lines developed under the brand are aimed at diversifying income streams and to capture a larger market share.

Ride-on toys segment

For the year ended 31 December 2013, sales generated from the ride-on toys segment were HK$48.2 million, making up 3.6% of the Group's total turnover. The new product launch of the Group's high-margin tricycle product in Japan is scheduled for March 2014 due to a few more modifications on the design by the customer, and the new product is also to be introduced in China by the end of the first half of 2014.

Plastic figures segment

The successful launch of the plastic figures segment in 2011 has continued to demonstrate remarkable growth, with turnover surged by over three-fold to HK$84.7 million (2012: HK$18.4 million). The Group continued to leverage its long term business relationships with existing top-tier customers to secure orders for its plastic figures. The success of this segment can be demonstrated through an upward surge recorded for its business volumes and sales performances. In order to take advantage of the segment's ongoing success, the Group is further expanding the number of categories to increase the volume of orders.

Market Analysis

For the year ended 31 December 2013, Japan remained the Group's largest geographic market, accounting for 46.9% of the Group's total turnover. North America contributed 35.7% of the Group's total turnover, followed by the European market at 9.2% and China at 2.4%.

Operational Analysis

As at 31 December 2013, the Group operated 10 plants in total, 5 of which were in China and 5 in Vietnam, running at an average utilisation rate of 75.0%. In order to sustain business growth of the plastic figures segment, the Group has constructed a clean room in the factory situated in Hanoi, and the construction of the second plant for this segment is expected to be completed by the first half of 2014.

Prospects

The global economy continues to endure a prolonged sluggish recovery of the European economies, as well as the soon-to-be implemented exit strategy in regards to the Quantitative Easing bond purchases by the U.S. Federal Reserve. Nevertheless, the Group is optimistic that the better economic data will gradually be reflected in the improvement of market sentiment and consumer confidence. Indeed, the consolidation of the toy industry over the years due to the difficult operational environment has eliminated many toy manufacturers from the market. As a result, the more competitive toy manufacturers, such as Dream International, are now enjoying increasing orders and stronger bargaining power.

To foster its business expansion and maximise its market share, the Group has continued to ride on its successful track record in the plush toy industry to cultivate close long term business ties with its current customers, as well as explore more partnership opportunities across different geographic regions and product categories to enhance sales growth. As the Group's key growth driver, the plastic figures segment has achieved an exceptional performance this year and is expected to grow rapidly in the coming years.

To further diversify the income stream, the Group is currently developing products for global events, such as the FIFA Football World Cup 2014, and is also committed towards preparation for the opportunity presented by the upcoming Summer Olympics in Brazil. As the Group has established its presence in China by positioning itself in the high-end market, the upcoming opening of a feature park in Shanghai and the easing of China's one child policy should present new opportunities for the Group's business.

Apart from expanding its income stream, the Group will continue to focus on profitability and efficiency as its key objectives. Benefitting from a strong financial position and a tradition of operational excellence, the Group is confident that it can continue to sustain growth and maximise returns for shareholders of the Company.

Number and Remuneration of Employees

At 31 December 2013, the Group had 7,811 (2012: 8,578) employees in Hong Kong, China, Korea, the US, Japan and Vietnam. The Group values its human resources and recognises the importance of attracting and retaining quality staff for its continuing success. Staff bonuses and share options are awarded based on individual performance.

Liquidity and Financial Resources and Gearing

The Group continued to maintain a reasonable liquidity position. As at 31 December 2013, the Group had net current assets of HK$614.2 million (2012: HK$604.2 million). The Group's total cash and cash equivalents as at 31 December 2013 amounted to HK$320.6 million (2012: HK$281.6 million). The total bank loans of the Group as at 31 December 2013 amounted to HK$23.1 million (2012: HK$22.6 million). The Group's borrowings are mainly on a floating rate basis.

The Group financed its operations by internally generated cashflows and banking facilities provided by its bankers. The Group maintains a prudent approach in managing its financial requirements.

The Group also maintains a conservative approach to foreign exchange exposure management. The Group is exposed to currency risk primarily through income and expenditure streams denominated in United States Dollar, British Pound, 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 loans over the total equity, was at 2.6% at 31 December 2013 (2012 (restated): 2.7%).

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 of HK$24.4 million as at 31 December 2013 (2012: HK$26.5 million).

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

During the year ended 31 December 2013, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

During the year ended 31 December 2013, the Company has complied with Corporate Governance Code 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, save for the deviation from the code provision A.2.1.

Under the code provision A.2.1, the roles of chairman and chief executive officer ("CEO") should be separated and should not 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 independence element in the composition and will play an active role to ensure a balance of power and authority.

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 for Securities Transactions by Directors of Listing Issuers (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

The directors have resolved to recommend the payment of a final dividend of HK 5 cents per share in respect of the year ended 31 December 2013 (2012: HK 8 cents per share). The proposed final dividend which totals HK$33,843,000 (2012: HK$53,773,000), if approved at the forthcoming annual general meeting, will be paid on 14 May 2014 to the shareholders on the register of members as at 5 May 2014.

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from 24 April 2014 to 28 April 2014, 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 23 April 2014 are entitled to attend the forthcoming annual general meeting scheduled on 28 April 2014. 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 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong (which will be relocated to Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong with effect from 31 March 2014) not later than 4:30 p.m. on 23 April 2014.

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 5 May 2014, 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 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong (which will be relocated to Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong with effect from 31 March 2014) not later than 4:30 p.m. on 2 May 2014.

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 internal control and financial reporting matters, including a review of the annual results for year ended 31 December 2013.

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

Hong Kong, 25 March 2014

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