DREAM INTERNATIONAL LIMITED
德林國際有限公司

Incorporated in Hong Kong with limited liability
於香港註冊成立之有限公司
Stock Code 股份代號：1126

2022 ANNUAL REPORT
年 報

Contents

This report is published in both English and Chinese.
Where the English and the Chinese texts conflict, the English text prevails.

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr Kyoo Yoon CHOI *(Chairman and Chief Executive Officer)*
Mr Sung Sick KIM
Mr Min Jung LEE
Ms Hyunjoo KIM

Independent non-executive Directors

Professor Cheong Heon YI
Dr Chan YOO
Mr Jong Hun LIM

AUDIT COMMITTEE

Professor Cheong Heon YI *(Chairman)*
Dr Chan YOO
Mr Jong Hun LIM

REMUNERATION COMMITTEE

Dr Chan YOO *(Chairman)*
Professor Cheong Heon YI
Mr Jong Hun LIM
Mr Min Jung LEE

NOMINATION COMMITTEE

Mr Jong Hun LIM *(Chairman)*
Professor Cheong Heon YI
Dr Chan YOO
Mr Min Jung LEE

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

6/F, Tower 1, South Seas Centre
75 Mody Road
Tsim Sha Tsui, Kowloon
Hong Kong

COMPANY SECRETARY

Ms Shui Bing LEUNG

AUDITOR

KPMG
Certified Public Accountants
Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

AUTHORISED REPRESENTATIVE

Mr Min Jung LEE
Ms Shui Bing LEUNG

PRINCIPAL BANKERS

Citibank, N.A.
Standard Chartered Bank
Bank of China

SHARE REGISTRAR

Tricor Abacus Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

FINANCIAL RELATIONS CONSULTANT

Strategic Financial Relations Limited
2401-02, Admiralty Centre I
18 Harcourt Road, Admiralty
Hong Kong

WEBSITE ADDRESS

www.dream-i.com.hk

STOCK CODE

1126

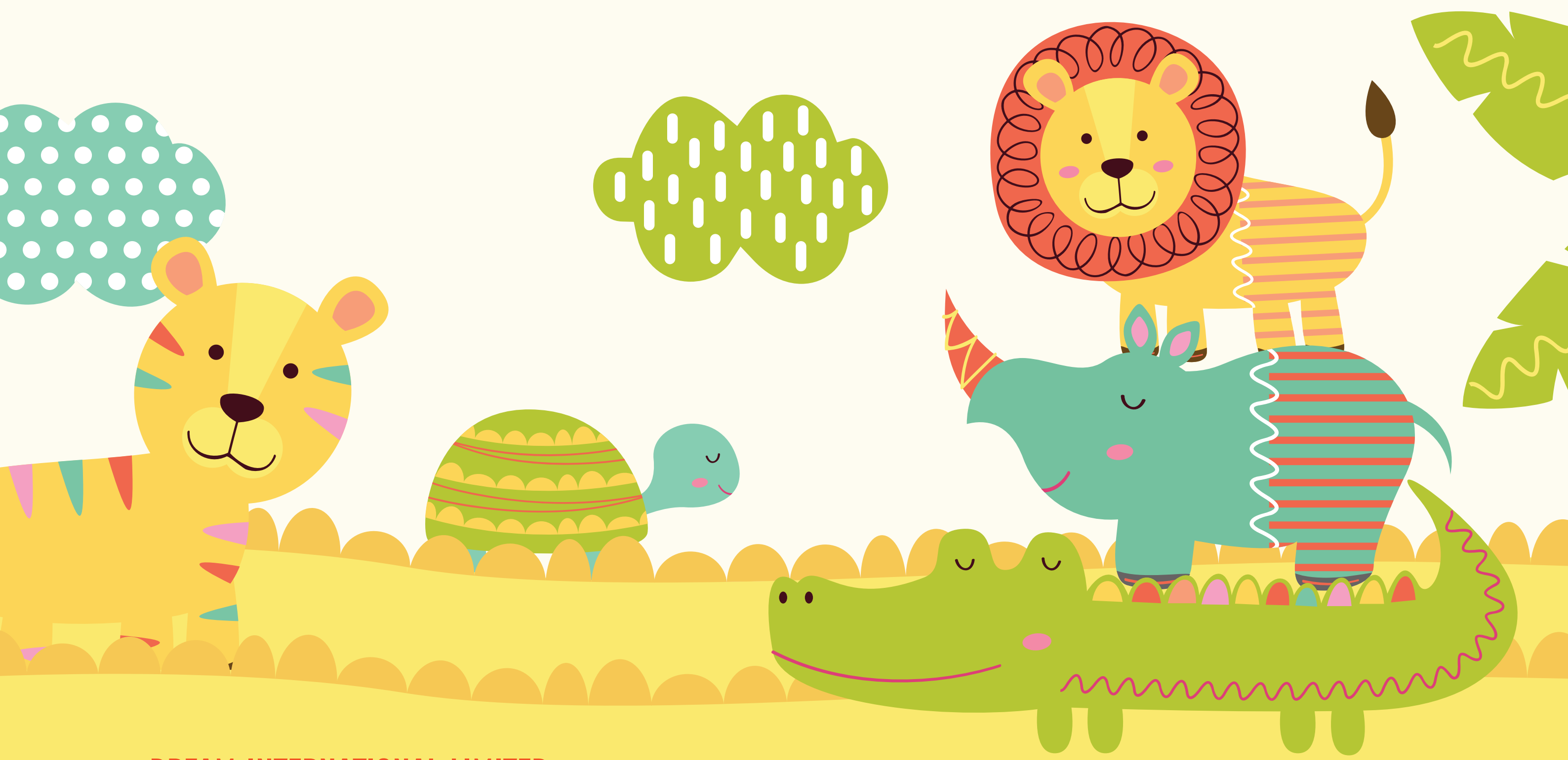
Chairman's Statement

2022 was a year filled with challenges as well as opportunities. Many industries faced unprecedented harsh times posted by the novel coronavirus disease 2019 ("COVID-19" or the "pandemic") prevailing. Fortunately, at the gradual reopening of border, overall market sentiment started to improve. However, the global economy has yet to get back on firm footing with inflation and interest rate hikes threatening a recession. In spite of that, Dream International Limited (the "Company", together with its subsidiaries, the "Group"), with a well-established reputation and trust from top-tier customers, was able to keep growing its business in scale across all core business segments, and achieve record-high revenue during 2022.

The business strategies we mapped out and implemented in past years have enabled us to grow our business and overcome the challenges in the adverse market. During the year under review, theme parks around the world reopening was a key factor driving our revenue growth. Orders from Japan and the United States (the "US") increased notably, and from the PRC, order volume was thriving last year amid lockdowns. Boasting long-standing relationship with top-tier international toy companies and character owners, plus backed by our production capacity expanded according to our development roadmap and prudent forecast, we were able to grasp business opportunities as they arose and boost our overall financial performance.

One of our major challenges in the period was cost pressure, especially from raw material costs. As a world-leading toy manufacturer in a strong financial position and close cooperative relationship with suppliers, we managed to secure materials at relatively more reasonable prices through bulk purchase at opportune time. At the same time, we have been adjusting and restructuring production lines while stepping up production automation to enhance cost-efficiency. With production capacity expanded in China and Vietnam during the year, we are not only able to enjoy greater flexibility in production planning, but also achieve greater economies of scale. All these measures had enabled us to improve profitability during the year. To meet ever-changing market demands, we will timely review the need for production capacity expansion and persist with enhancing overall productivity, efficiency and quality.

Moving forward, while the world is on the way of recovery from the pandemic, several factors including the looming geopolitical and economic uncertainties might hinder the return of market sentiment. Therefore, we remain cautiously optimistic about our prospects. As a leading player with well-established reputation, a top-tier customer base as well as diversified production bases in China and Vietnam, we will strengthen our competitive advantages and enhance flexibility in business development and operations.



Chairman's Statement

While ongoing production line adjustment efforts and cost control will continue to be our pillars to success, our priority is to achieve sustainability. As environment, social and governance (ESG) has become an emerging global trend, we see the importance of integrating sustainability into our business operations. Expecting demand for sustainable materials to keep rising, during the year, we utilised recycled materials on certain products. To better meet customers' expectations, we are currently in talks with them and looking for related materials. We will closely monitor latest trends and, where appropriate, ensure our products are in pace, not only to stand out in the industry, but also benefit the society as a whole.

In the past few challenging years, our businesses have continued to be resilient, testifying to the competitive edges we hold and telling us that we have made timely reviews of our business strategies and implemented them effectively. The aforementioned efforts, together with integrating sustainability into our operations, will strengthen our leadership in the industry. As always, we will remain attentive to market conditions and do our best in tackling challenges as well as capture opportunities, so as to create higher value for stakeholders.

APPRECIATION

On behalf of the Board, I would like to thank our shareholders, business partners and customers for their continuous and unwavering support. I would also like to express my appreciation to the management team and the entire staff for their steadfast commitment and constant contribution to the Group, enabling our businesses to advance and thrive.

Kyoo Yoon Choi
Chairman

23 March 2023

Management Discussion and Analysis

FINANCIAL REVIEW

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

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

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

BUSINESS REVIEW

Product Analysis

Plastic Figures Segment

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

Plush Stuffed Toys Segment

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

Tarpaulin Segment

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

Die-Casting Products Segment

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

Geographic Market Analysis

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

Operational Analysis

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

PROSPECTS

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

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

Management Discussion and Analysis

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

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

NUMBER AND REMUNERATION OF EMPLOYEES

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

LIQUIDITY AND FINANCIAL RESOURCES AND GEARING

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

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

PLEDGE ON GROUP ASSETS

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

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

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

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

SIGNIFICANT INVESTMENT HELD

There was no significant investment held by the Group during the year ended 31 December 2022.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

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

PRINCIPAL RISKS AND UNCERTAINTIES

The global economy continued to experience challenges, fluctuations in both raw material prices and currency exchange rates, as well as rising operation costs have all combined to exert pressure on the Group's business and operations. Under the complicated macroeconomic environment, the Group's two-pronged strategy has been proven effective in maintaining growth in both scale of business and revenue.

Socio-political volatility around the world and global economic instability are likely to persist. Uncertainties in the global economy linger, triggering toy retailers to be more cost-conscious in procurement, hence toy companies are exploring how to better work with manufacturers who can produce quality products at a more competitive price. This overriding trend accelerates the consolidation of the industry and is driving many toy manufacturers to relocate their plants to either China's interior or to Southeast Asia for lower manufacturing costs and look for production capacity outside China.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group recognises the importance of compliance with laws and regulations and any non-compliance with such requirements could lead to disruption to the Group's businesses. The Group has been closely monitoring the ongoing compliance with laws and regulations in various jurisdictions in which the Group has operations.

RELATIONSHIP WITH KEY STAKEHOLDERS

The support from key stakeholders, including employees, customers, suppliers and shareholders, contributes greatly to the Group's success. The Group has an objective to devote resources to promote and maintain long term and sustainable relationships with these stakeholders.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND ANY RELATED HEDGES

The majority of the Group's assets and liabilities and business transactions were denominated in Hong Kong dollars, United States dollars, Renminbi Yuan, Vietnamese Dong and Japanese Yen. During the year ended 31 December 2022, the Group had not entered into any hedging arrangements. The management will continue to monitor closely its foreign currency exposure and to consider hedging significant foreign currency exposure when necessary.

Management Discussion and Analysis

ENVIRONMENTAL, SOCIAL AND CORPORATE RESPONSIBILITY

The Group is committed to achieving environmental sustainability and has implemented its Corporate Social Responsibility strategy across the organization by deeply embedding social responsibility into daily operations. The in-house manufacturing facilities operate in compliance with all applicable local and international environmental regulations. The Group provides constant training programs for employees in different positions to fulfill environmental, social and corporate responsibility.

The Group encourages environmental protection and promotes awareness towards environmental protection to the employees. The Group resolves to adopt and encourage practices that prevent or minimize pollution and optimize efficient use of energy and natural resources in order to provide employees with a safe and healthy working and living environment.

The Group endeavours to refine our approach to addressing our environmental, social and ethical responsibilities along with improving our corporate governance and should generate greater value for all of our stakeholders including our shareholders, customers, and employees as well as the communities where we work and live.

The Company's Environmental, Social and Governance Report is set out on pages 34 to 53 of this annual report.

CAPITAL COMMITMENTS

Details of capital commitments are included in note 29 to the consolidated financial statements.

CONTINGENT LIABILITIES

As of 31 December 2022, the Group did not have any significant contingent liabilities.

Directors and Senior Management

EXECUTIVE DIRECTORS

Mr Kyoo Yoon Choi, aged 74, is the Chairman and the Chief Executive Officer of the Company and the founder of the Group. He studied at Seoul National University in Korea between 1968 and 1972 and graduated with a bachelor's degree in engineering. Prior to setting up the Group in Korea in 1984, Mr Choi had over eight years of experience in the plush toy business at Daewoo Corporation, which was one of the leading conglomerates in Korea at the time. Mr Choi is responsible for the strategic planning and overall business development of the Group. Mr Choi is the father-in-law of Mr Min Jung Lee, an executive director of the Company. Mr Choi is also the elder brother-in-law of Mrs Shin Hee Cha, the Vice Chairman of Dream Inko Co. Ltd and a father of Ms You Jin Choi, the Group's Chief Business Officer ("CBO") and Managing Director of Dream International SG PTE Ltd.

Mr Sung Sick Kim, aged 71, is the Vice Chairman of Dream Vina Co., Ltd. Mr Kim has been responsible for the administration of C & H Co., Ltd ("C & H") and its subsidiaries ("C & H Group") and the Group since 1985 and is in charge of cost control within the Group. Mr Kim was an executive director of the Company from 1998 to 2003 and relocated to C & H Group until 2010. He was appointed as an executive director of the Company on 4 May 2017.

Mr Min Jung Lee, aged 35, is currently a managing director of finance department of the Company. He joined the Company in 2018. He graduated from Korea Advanced Institute of Science and Technology (KAIST) in Korea with a master's degree in business administration and Peking University for his bachelor's degree in international politics. Prior to joining the Group, Mr Lee had working experience in the fields of sales and strategy planning from his previous employments with Lotte Chemical Corporation and Berjaya Corporation. Mr Lee is the son-in-law of Mr Kyoo Yoon Choi, the Chairman and executive director of the Company. Mr. Lee is also the nephew-in-law of Mrs Shin Hee Cha, the Vice Chairman of Dream Inko Co. Ltd and the brother-in-law of Ms You Jin Choi, the CBO and Managing Director of Dream International SG PTE Ltd. He was appointed as an executive director of the Company on 16 October 2020.

Ms Hyunjoo Kim, aged 57, is the President of the sales and marketing department of the Company. She graduated from Korea University in Korea with a bachelor's degree of English Literature in 1987. She joined C & H in 1987 as a staff in the sales department. Throughout the years, she has gained extensive knowledge of the toy industry and the market before she was relocated to Hong Kong as the executive managing director of the sales and marketing department in 2013. She was appointed as an executive director of the Company on 25 March 2022.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Professor Cheong Heon Yi, aged 58, received his bachelor's degree and master's degree in business administration from Seoul National University in Korea. Professor Yi was also awarded a philosophy of doctorate degree in accounting in 1997 from the University of California, Los Angeles. Professor Yi taught at the University of California, Los Angeles, Hong Kong Polytechnic University, and the City University of Hong Kong. He was appointed as the Company's independent non-executive director on 22 November 2003.

Dr Chan Yoo, aged 58, graduated from Massachusetts Institute of Technology ("MIT") in the US with a bachelor degree in Electrical Engineering in 1989. He was awarded a philosophy of doctorate degree in Nuclear Engineering from MIT in 1995. Dr Yoo was a management consultant over four years at McKinsey & Company, in Chicago and Seoul Offices. In 2000, Dr Yoo founded McQs, Incorporated in Seoul, Korea to provide consulting services for Korean and Asian manufacturing companies to achieve world-class operational excellence. Dr Yoo was an independent non-executive director of the Company from September 2004 to September 2008. In 2008, he co-founded TheCobaltSky to build and operate hydrogen fuel cell power plants in Korea. He was an independent non-executive director of Woojin Inc. from February 2010 to March 2016. He is currently a Managing Director at Alvarez & Marsal Korea, a regional office of Alvarez & Marsal, a global leading consulting firm. He was appointed as the Company's independent non-executive director on 30 May 2016.

Directors and Senior Management

Mr Jong Hun Lim, aged 44, received his bachelor's degree in Engineering in Mechanical Engineering from Korea University in the South Korea and master's degree in Science in Information System Management from Hong Kong University of Science and Technology. He is a CPA member of the American Institute of Certified Public Accountants. Mr Lim is the Regional Head of IT Governance of Pernod Ricard Asia, the regional holding company of Pernod Ricard for Asia, the world's co-leader in wines and spirits. Before joining Pernod Ricard Asia, Mr Lim had extensive experience in the area of financial audit, IT governance, and internal control management in PricewaterhouseCoopers Hong Kong and other companies in Hong Kong, United Kingdom, Korea and Japan. He was appointed as an independent non-executive director of the Company on 20 November 2020.

SENIOR MANAGEMENT

Mrs Shin Hee Cha, aged 68, is the Vice Chairman of Dream Inko Co., Ltd. Mrs Cha joined C & H in 1984 and has been in charge of the sales and marketing function of the Group. Mrs Cha was an executive director of the Company from 2006 to 2007 and relocated to Dream Inko Co., Ltd since 2007. She is the younger sister-in-law of Mr Kyoo Yoon Choi and aunt-in-law of Mr Min Jung Lee and aunt of Ms You Jin Choi.

Mr Dong Wook Cha, aged 62, is the President of Hanoi management office of the Group. Mr Cha has over seven years of experience in the field of accounting from his employments with Dongkook Trading Co. and Hyundai Heavy Industrial Co., Ltd. He joined C & H Group on 1 February 1986 and has been working in the accounting and administration department of the Group since 1996.

Mr James Chuan Yung Wang, aged 61, is the President of Dream International USA, Inc. He joined Dream International USA, Inc. on 1 July 1991 and has been in charge of the Group's marketing function in the US. Mr Wang graduated from the University of California, Los Angeles, with a bachelor's degree in business administration in 1986. Prior to joining the Group, Mr Wang had extensive experience in the fields of logistics and trading from his previous employments with Trans-union Line, KAL Trading Co. and Daewoo America Corp.

Mr Hyun Ho Kim, aged 57, is currently the Head of accounting and administration department of the Company. He joined the accounting department of C & H in October 1994. After nine years of service, Mr Kim was gradually promoted to the position of general manager before he was relocated to Hong Kong to take charge of the accounting department of the Company in October 2003. Prior to joining C & H, Mr Kim acquired eight years of comprehensive accounting experience in Poong Han Co., Ltd, a manufacturer of fabric and yarn, in Korea. Mr Kim graduated from the Seo Kyeong University in Korea, with a bachelor's degree of Economics in 1995. He was an executive director of the Company from May 2007 to March 2022.

Ms You Jin Choi, aged 35, is the CBO and Managing Director of Dream International SG PTE LTD. She joined C & H in 2012, where she was in charge of toy licensing and domestic sales. After joining Dream Inko Co Ltd. in 2014 as an account manager, she held key roles in Sales and Production in Korea, Vietnam and Singapore. Having managed the Group's operations in Singapore since 2020 as the Managing Director, she was promoted to the CBO position in 2022. She holds a bachelor's degree from the University of Southern California and currently oversees the Group's resource allocation, R&D innovation and key client relationships. She is a daughter of Mr Kyoo Yoon Choi. She is also the sister-in-law of Mr Min Jung Lee and niece of Mrs Shin Hee Cha.

Report of the Directors

The directors of the Company (the "Directors") have pleasure in submitting their annual report together with the audited consolidated financial statements for the year ended 31 December 2022.

PRINCIPAL PLACE OF BUSINESS

The Company is a company incorporated and domiciled in Hong Kong and has its registered office and principal place of business at 6/F, Tower 1, South Seas Centre, 75 Mody Road, Tsim Sha Tsui, Kowloon, Hong Kong.

PRINCIPAL ACTIVITIES

The principal activities of the Company are the design, development, manufacture and sale of plush stuffed toys, plastic figures, tarpaulin, die-casting products and investment holding. Further discussion and analysis of these activities as required by Schedule 5 to the Hong Kong Companies Ordinance (Cap. 622) ("Companies Ordinance"), including a discussion of the principal risks and uncertainties facing by the Group and an indication of likely future developments in the Group's business, can be found in the Chairman's Statement and Management Discussion and Analysis set out on pages 4 to 5 and pages 6 to 10 of this annual report respectively. The discussion forms part of this Report of the Directors. The principal activities and other particulars of the subsidiaries are set out in note 16 to the consolidated financial statements.

The analysis of the principal activities and geographical locations of the operations of the Group during the financial year are set out in note 11 to the consolidated financial statements.

DIVIDENDS

An interim dividend of HK10 cents per ordinary share (2021: HK2 cents per ordinary share) was paid on 13 October 2022.

The Directors recommended the payment of a final dividend of HK30 cents per ordinary share (2021: HK10 cents per ordinary share) in respect of the year ended 31 December 2022.

MAJOR CUSTOMERS AND SUPPLIERS

The information in respect of the Group's revenue from sales of goods attributable to the major customers during the financial year is as follows:

	Percentage of the Group's total sales
The largest customer	33.6%
Five largest customers in aggregate	74.1%

Combined purchases attributable to the five largest suppliers of the Group accounted for less than 30% by value of the Group's total purchases for the year.

At no time during the year have the Directors, their associates or any shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the number of issued shares of the Company) had any interest in these major customers and suppliers.

Report of the Directors

RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS

During the year ended 31 December 2022, the Group conducted certain transactions with parties deemed as "related parties" under applicable accounting standard. The details of these transactions are set out in note 30 to the consolidated financial statements on pages 141 to 142 of this annual report. The certain transactions mentioned under the note also constituted connected transactions or continuing connecting transactions as defined in Chapter 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("SEHK") (the "Listing Rules") but are exempt from the disclosure requirements under Chapter 14A of the Listing Rules.

CORPORATE GOVERNANCE

The Company's Corporate Governance Report is set out on pages 20 to 33 of this annual report.

CHARITABLE DONATIONS

Charitable donations made by the Group during the year ended 31 December 2022 amounted to HK$691,000 (2021: HK$1,724,000).

SHARE CAPITAL

Details of the share capital of the Company are set out in note 26 to the consolidated financial statements. There were no movements during the year.

DISTRIBUTABILITY OF RESERVES

At 31 December 2022, the aggregate amount of reserves available for distribution to equity shareholders of the Company, as calculated under the provisions of Part 6 of Companies Ordinance was HK$1,260,613,000 (2021: HK$1,155,713,000). After the end of the reporting period, the Directors proposed a final dividend of HK30 cents per ordinary share (2021: HK10 cents per ordinary share), amounting to HK$203,060,000 (2021: HK$67,687,000). This dividend has not been recognised as a liability at the end the reporting period.

EQUITY-LINKED AGREEMENTS

No equity-linked agreement was entered into by the Company during the year ended 31 December 2022.

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

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

DIRECTORS

The Directors during the financial year and up to the date of this annual report were:

DIRECTORS *(Continued)*

Executive Directors

Mr Kyoo Yoon Choi (Chairman and Chief Executive Officer)
Mr Hyun Ho Kim (resigned with effect from 25 March 2022)
Mr Sung Sick Kim
Mr Min Jung Lee
Ms Hyunjoo Kim (appointed with effect from 25 March 2022)

Independent non-executive Directors

Professor Cheong Heon Yi
Dr Chan Yoo
Mr Jong Hun Lim

Mr Hyun Ho Kim resigned as an executive Director with effect from 25 March 2022 as he would like to devote more time to other work commitments of the Group as senior management.

The biographical details of the Directors are set out under the section "Directors and Senior Management" of this annual report.

A full list of the names of the Directors of the Group's subsidiaries can be found in the Company's website at www.dream-i.com.hk under "Investor Relations/Board Committees".

In accordance with Article 101 of the Articles of Association of the Company, Mr Sung Sick Kim, Professor Cheong Heon Yi and Mr Jong Hun Lim shall retire by rotation, and being eligible, offer themselves for re-election at the forthcoming AGM.

DIRECTORS' SERVICE CONTRACTS

The service contract of Mr Min Jung Lee, an executive Director, was signed on 16 October 2020 with no specific term of service and is terminable by the Company giving not less than three months notice or payment in lien thereof.

The service contract of Ms Hyunjoo Kim, an executive Director, was signed on 25 March 2022 with no specific term of service and is terminable by the Company giving not less than three months notice or payment in lien thereof.

The service contract of Professor Cheong Heon Yi, an independent non-executive Director ("INED"), was renewed on 22 November 2021 for a term of two years commencing on 22 November 2021.

The service contract of Dr Chan Yoo, INED, was renewed on 30 May 2022 for a term of two years commencing on 30 May 2022.

The service contract of Mr Jong Hun Lim, INED, was signed on 20 November 2022 for two years commencing on 20 November 2022.

Their remuneration is determined by the remuneration committee of the Company (the "Remuneration Committee") and is approved by the Board on the renewal of their service contracts and letters of engagement.

No Director proposed for re-election at the forthcoming AGM has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than normal statutory obligations.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

The Directors who held office as at 31 December 2022 had the following interests in the shares of the Company, its subsidiaries and other associated corporations (within the meaning of the Securities and Futures Ordinance (the "SFO")), at that date as recorded in the register of Directors' and chief executives' interests and short positions required to be kept under Section 352 of Part XV of the SFO or otherwise notified to the Company and the SEHK pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"):

Long positions in ordinary shares

	Number of ordinary shares held				
	Personal interests (Note 1)	**Family interests**	**Corporate interests**	**Total**	**Percentage of issued shares of the company**
The Company					
Kyoo Yoon Choi	389,211,000	–	72,150,000 (Note 2)	461,361,000	68.16%
Sung Sick Kim	3,586,000	–	–	3,586,000	0.53%
Min Jung Lee	–	23,500,000 (Note 3)	–	23,500,000	3.47%
Hyunjoo Kim	250,000	–	–	250,000	0.04%

Notes:

(1) The shares are registered under the names of the Directors and chief executives of the Company who are the beneficial owners.

(2) Mr Kyoo Yoon Choi beneficially owns 100% of the issued shares of Uni-Link Technology Limited which owned 72,150,000 shares of the Company.

(3) These 23,500,000 shares of the Company were held by the spouse of Mr Min Jung Lee. Pursuant to Part XV of the SFO, Mr Min Jung Lee was deemed to be interested in these shares.

Save as disclosed above, as at 31 December 2022, none of the other Directors or chief executives of the Company or any of their spouses or children under 18 years of age had interests or short positions in the shares, underlying shares or debentures of the Company, or any of its subsidiaries or other associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be kept under Section 352 of Part XV of the SFO, or as otherwise notified to the Company and the SEHK pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year was the Company, or any of its subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company and its associated corporations and none of the Directors or chief executives of the Company (including their spouses and children under the age of 18) held any interests in or was granted any right to subscribe for the securities of the Company and its associated corporations (within the meaning of Part XV of the SFO), or had exercised any such rights.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

The register of substantial shareholders required to be kept under Section 336 of Part XV of the SFO shows that as at 31 December 2022, the Company had been notified of the following shareholders' interests and short positions, being 5% or more of the Company's ordinary shares in issue:

Substantial shareholders	Capacity	Number of ordinary shares held (Long position)	Percentage of the issued shares of the Company
Kyoo Yoon Choi	Beneficial owner	389,211,000	57.50%
	Corporate interest (Note 1)	72,150,000	10.66%
Uni-Link Technology Limited	Beneficial owner	72,150,000	10.66%
FIL Limited	Interest in a controlled corporation (Note 2)	61,010,000	9.01%
Pandanus Partners L.P.	Interest in a controlled corporation (Note 3)	61,010,000	9.01%
Pandanus Associate Inc.	Interest in a controlled corporation (Note 3)	61,010,000	9.01%
Fidelity Funds	Beneficial owner	48,432,000	7.16%
Brown Brothers Harriman & Co.	Approved lending agent	40,688,000	6.01%

Notes:

(1) Mr Kyoo Yoon Choi beneficially owns 100% of the issued shares of Uni-Link Technology Limited which owned 72,150,000 shares of the Company.

(2) FIL Limited owns a series of controlled corporations which directly or indirectly hold 61,010,000 shares of the Company in aggregate. By virtue of the SFO, FIL Limited is deemed to be interested in these shares.

(3) Pandanus Partners L.P. owns a series of controlled corporations which directly or indirectly hold 61,010,000 shares of the Company in aggregate. Pandanus Partners L.P. is a wholly-owned subsidiary of Pandanus Associates Inc.. By virtue of the SFO, Pandanus Partners L.P. and Pandanus Associates Inc. are deemed to be interested in these shares.

Save as disclosed above, as at 31 December 2022, the Company is not aware of any other registered substantial shareholder who holds 5% or more of the issued shares of the Company and none of other person who had interest or short position in the shares and underlying shares of the Company which were required, pursuant to Section 336 of Part XV of the SFO, to be recorded into the register referred to therein.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the latest practicable date prior to the issue of this annual report, the Company has maintained the prescribed public float under the Listing Rules.

PERMITTED INDEMNITY PROVISIONS

During the financial year and up to the date of this annual report, the Company has in force indemnity provisions as permitted under the relevant statutes for the benefit of the Directors.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Apart from the related party transactions as disclosed in note 30 to the consolidated financial statements, no transactions, arrangements or contracts of significance to which the Company, or any of its subsidiaries or related companies was a party, and in which a Director had a material interest, subsisted at the end of the year or at any time during the year.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2022 and up to the date of this annual report.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year ended 31 December 2022, none of the Directors or their respective associates (as defined under the Listing Rules) have an interest in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

BANK LOANS

Particulars of the bank loans of the Group as at 31 December 2022 are set out in note 23 to the consolidated financial statements.

FIVE YEAR SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on pages 145 to 146 of this annual report.

RETIREMENT SCHEMES

The Group operates a Mandatory Provident Fund Scheme in Hong Kong, a defined contribution retirement plan in Korea and Central Provident Fund in Singapore.

The employees of the subsidiaries in the People's Republic of China (the "PRC") and Vietnam are members of the state-sponsored retirement schemes organised by the government of the PRC and Vietnam. The subsidiaries are required to contribute a certain percentage of payroll to the retirement schemes to fund the benefits. The only obligation of the subsidiaries with respect to the retirement schemes is the required contributions under the retirement schemes.

CONFIRMATION OF INDEPENDENCE

The Company has received from each of the INEDs an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considers all the INEDs to be independent.

COMPLIANCE WITH THE MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as the code of conduct regarding Directors' securities transactions. The Company has made specific enquires of all Directors, and all Directors have confirmed that they had complied with the required standard as set out in the Model Code at all applicable times during the year ended 31 December 2022.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") has reviewed with the management of the Company with respect to the accounting policies, principles and practices adopted by the Group and discussed risk management and internal control system, and financial reporting matters, including a review of the annual results for the year ended 31 December 2022.

AUDITOR

KPMG will retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditor of the Company is to be proposed at the forthcoming AGM. There was no change in the auditor of the Company in any of the preceding three years.

By order of the Board

Min Jung Lee
Director

Hong Kong, 23 March 2023

Corporate Governance Report

The Board is pleased to present this Corporate Governance Report in the Group's annual report for the year ended 31 December 2022.

The Board believes that corporate governance is essential to the sustainable success of the Company and trust that all stakeholders of the Company can benefit from better transparency and accountability of a high standard of corporate governance. The corporate governance principles of the Company emphasize a quality Board, sound internal control, transparency, independence and accountability to all shareholders.

During the year ended 31 December 2022, the Company has applied the principles and complied with the code provisions contained in the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules, save for the deviation from the code provision C.2.1, details of which are stated in the section headed "Chairman and Chief Executive Officer" in this Corporate Governance Report.

In view of the latest amendments to the Listing Rules and the CG Code, the Board has taken actions and measures to ensure that the Company is in compliance with the requirements.

BOARD OF DIRECTORS

Composition and responsibilities

The principal functions of the Board are to supervise management of the business and affairs; to approve strategic plans, investment and funding decisions; and to review the Group's financial performance and operating initiatives.

As at 31 December 2022, the Board consisted of four executive Directors, namely Mr Kyoo Yoon Choi (Chairman and Chief Executive Officer ("CEO")), Mr Sung Sick Kim, Mr Min Jung Lee and Ms Hyunjoo Kim, and three INEDs, namely Professor Cheong Heon Yi, Dr Chan Yoo and Mr Jong Hun Lim. The biographical details of the Directors are set out in the section "Directors and Senior Management" of this annual report. Save as disclosed in that section, there is no financial, business, family or other material/relevant relationship among members of the Board.

All Directors are committed to devote sufficient time and attention to the affairs of the Group. Directors have also disclosed to the Company the number and nature of offices held in Hong Kong or overseas listed public companies or organisations and other significant commitments, with the identity of the public companies or organisations. Directors are reminded to notify the Company in a timely manner of any changes of such information.

The Board will conduct meetings on a regular basis and on an ad hoc basis so far as the business required. The INEDs may take independent professional advice at the Company's expense in carrying out their functions. The Board is supplied with relevant information by the senior management pertaining to matters to be brought before the Board for decision as well as reports relating to operational and financial performance of the Group before each regular Board meeting. At least 14 days notice of a regular Board meeting is given to all Directors to give them the opportunity to attend. Board papers are dispatched to the Directors at least 3 days before the meeting to ensure that they have sufficient time to review the papers and be adequately prepared for the meeting.

The Company has arranged for appropriate liability insurance since the year of 2002 to indemnify its Directors for their liabilities arising out of corporate activities. The insurance coverage is reviewed on an annual basis.

BOARD OF DIRECTORS *(Continued)*

Directors' securities transactions

The Company has adopted the code of conduct regarding Directors' securities transactions as set out in the Model Code of the Listing Rules. The company has also established written guidelines on no less exacting terms than the Model Code for relevant employees in respect of their dealing in the Company's securities. The Company has made specific enquiry to all Directors, and all Directors have confirmed that they had complied with the required standards as set out in the Model Code at all applicable times throughout the year.

Board meeting and general meeting

Twelve Board meetings, and an AGM were held during the year. The attendance of each Director at the Board meetings, committee meetings and general meeting during the year ended 31 December 2022 is set out as follows:

	Number of attendance/Meetings held				
Name of Director	**Board meetings**	**Remuneration Committee**	**Audit Committee**	**Nomination Committee**	**AGM**
Executive Directors					
Kyoo Yoon Choi	2/12	N/A	N/A	N/A	1/1
Hyunjoo Kim (appointed with effect from 25 March 2022)	11/11	N/A	N/A	N/A	1/1
Hyun Ho Kim (resigned on 25 March 2022)	1/2	N/A	N/A	N/A	N/A
Sung Sick Kim	2/12	N/A	N/A	N/A	1/1
Min Jung Lee	12/12	3/3	N/A	2/2	1/1
INEDs					
Cheong Heon Yi	4/12	3/3	3/3	2/2	1/1
Chan Yoo	4/12	3/3	3/3	2/2	1/1
Jong Hun Lim	4/12	3/3	3/3	2/2	1/1

Minutes of the Board and committee meetings are recorded in appropriate detail and are kept by the company secretary of the Company (the "Company Secretary"). Draft minutes are circulate to the Directors for comment within reasonable time after each meeting and the final version is always open for Directors' inspection.

Directors' training and professional development

During the year, Directors are provided with monthly updates on the Company's performance, position and prospects to enable the Board as a whole and each Director to discharge their duties. In addition, all Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The Company updates Directors on the latest development regarding the Listing Rules and other applicable regulatory requirements from time to time, to ensure compliance and enhance their awareness of good corporate governance practices.

All Directors have participated in appropriate continuous professional development activities by receiving training courses and reading materials relevant to the Company's business or to the Directors' duties and responsibilities.

BOARD OF DIRECTORS *(Continued)*

Directors' training and professional development *(Continued)*

According to the records provided by the Directors, a summary of training received by the Directors during the year ended 31 December 2022 is as follows:

Name of Director	Type of continuous professional development activities
Kyoo Yoon Choi (Chairman)	A
Hyunjoo Kim (appointed with effect from 25 March 2022)	A
Hyun Ho Kim (resigned on 25 March 2022)	A
Sung Sick Kim	A
Min Jung Lee	A
Cheong Heon Yi	A
Chan Yoo	A
Jong Hun Lim	A

Note:

A: Reading materials relevant to the Company's business or to the Directors' duties and responsibilities or to the rules.

Independent non-executive Directors

The role of INEDs is to bring an independent and objective view to the Board's deliberations and decisions. Professor Cheong Heon Yi is experienced in teaching financial accounting and reporting and financial statement analysis in different universities and Mr Jong Hun Lim is a CPA member of American Institute of Certified Public Accountants. Dr Chan Yoo is a Managing Director at Alvarez & Marsal Korea, a regional office of Alvarez & Marsal, a global leading consulting firm. The Board considers all of them to have profound professional qualifications and expertise in accounting and financial management so that they are of sufficient caliber and number for their independent views to carry weight.

The Company has received from each of the INEDs, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the INEDs are independent.

Professor Cheong Heon Yi was appointed as the Company's INED on 22 November 2003 and has served on the Board for more than 10 years. To the best knowledge of the Board, Professor Cheong Heon Yi has not relied on the remuneration given by the Company and he is independent of any connected person and substantial shareholder of the Company. Therefore, the Board believes that Professor Cheong Heon Yi is able to exercise his professional judgment and draw upon his extensive knowledge in accounting and financial management and corporate governance matters for the benefit of the Company and its shareholders as a whole and, in particular, the independent shareholders. The Board considers that Professor Cheong Heon Yi meets the independence guidelines set out in Rule 3.13 of the Listing Rules and is independent in accordance with the terms of the guidelines.

DELEGATION BY THE BOARD

The Board is responsible for determining the overall strategy and approving the annual business plan of the Group, and ensuring the business operations are properly planned, authorised, undertaken and monitored. All policy matters of the Group and material transactions where there is conflict of interests, considered as being notifiable or connected transactions within the meaning ascribed to by the Listing Rules, should be reserved to the decision of the Board.

The Board has delegated functions that are necessary and incidental to carry out the decisions of the Board or to facilitate the day-to-day operations of the Group in ordinary course of business to the executive management and divisional heads of different business units under the instruction/supervision of the CEO and the Head of accounting and administration department of the Company. The Board and management will also seek advice from the Audit Committee, Remuneration Committee and the nomination committee of the Company (the "Nomination Committee"). These committees are mainly composed of and chaired by INEDs. In case of urgency, executive management is empowered to make any decisions in prompt response to the opportunities and threats that might arise from time to time. However, those emergency decisions or any other exceptional decisions made by management should be reported back to the Board for ratification as soon as practical.

The three INEDs are persons of high caliber, with academic and professional qualifications in the fields of finance, accounting and business management. With their experience gained from senior positions held in other companies, they provide valuable support towards the effective discharge of the duties and responsibilities of the Board. Each of the INEDs gives an annual confirmation of his independence to the Company, and the Company considers these directors to be independent under Rule 3.13 of the Listing Rules. These three INEDs constitute the Audit Committee, Remuneration Committee and Nomination Committee formed by the Board.

All of the INEDs are appointed for a term of two years and are subject to retirement by rotation and re-election in accordance with the Articles of Association of the Company.

Those Directors appointed by the Board during the year shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election. The circular dispatched to the shareholders before the general meeting contains, inter alia, detailed information on election of Directors including detailed biography of all Directors standing for election or re-election to ensure shareholders are able to make an informed decision on their election.

According to the Articles of Association of the Company, (i) any Director appointed to fill a casual vacancy shall be subject to re-election by shareholders at the Company's next following general meeting after the appointment rather than the Company's next following AGM after the appointment, (ii) every Director shall be subject to retirement by rotation at least once every three years and Directors holding office as the Chairman of the Board or the managing director shall also be subject to retirement by rotation and (iii) the Company may remove any Director by an ordinary resolution instead of special resolution.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Under the code provision C.2.1 of the CG Code, the roles of Chairman and CEO should be separated and should not be held by the same individual. The Chairman of the Board is responsible for formulating the strategic planning, business development, overall leadership and effective running of the Board, by ensuring that all key and appropriate issues are discussed by the Board in a timely and constructive manner, and also takes primary responsibility for ensuring that good corporate governance practices and procedures are established. The CEO, supported by other chief executives, is delegated with the authority and responsible for running the Group's business, and implementation of the Group's strategy in achieving the overall commercial objectives.

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 positions as it helps to maintain the continuity of the policies and stability of the operations of the Company. The Board including three INEDs has a fairly independent element in the composition and will play an active role to ensure a balance of power and authority.

REMUNERATION COMMITTEE

The Remuneration Committee was established by the Board in January 2005 with specific written terms of reference in compliance with the CG Code. The terms of reference setting out the Remuneration Committee's authority, duties and responsibilities are available on both the SEHK website and the Company's website. As at 31 December 2022, the Remuneration Committee comprises one executive Director (Mr Min Jung Lee) and three INEDs (Dr Chan Yoo, Professor Cheong Heon Yi and Mr Jong Hun Lim) and is chaired by Dr Chan Yoo. The Remuneration Committee held meeting at least once a year. Two meetings were held during the year. The external independent professional advice is available when required by the Remuneration Committee. The sufficient resources are provided to the Remuneration Committee for performents duties.

The Remuneration Committee has adopted the model as described in the code provision E.1.2(c)(ii) of the CG Code to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management, including salaries, bonuses, pension rights, compensation payments and benefits in kind. At the meetings held during the year, the retirement compensation, benefits and compensation incentive bonus for the Directors were reviewed and discussed. The emolument payable to the Directors and key senior management will depend on their respective contractual terms and nature under employment contracts, if any, and as recommended by the Remuneration Committee. Details of the Directors' emoluments are set out in note 7 to the consolidated financial statements. Emoluments of the members of the senior management by band for the year ended 31 December 2022 is set out in note 8 to the consolidated financial statements. The major roles and functions of the Group's Remuneration Committee are as follows:

1. To review annually and recommend to the Board the overall remuneration policy and structure for the Directors and key senior management officers;

2. To review annually the performance of the executive Directors and key senior management officers and recommend to the Board specific adjustments in remuneration and/or reward payments;

3. To ensure that the level of remuneration for non-executive Directors are linked to their level of responsibilities undertaken and contribution to the effective functioning of the Board of the respective companies in the Group and recommend to the Board on the remuneration of non-executive Directors; and

4. To ensure that no Director or any of their associates is involved in deciding his own remuneration.

REMUNERATION POLICY

The Company's remuneration policy comprises primarily a fixed component (in the form of a base salary) and a variable component (which includes discretionary bonus and other merit payments), considering other factors such as their experience, level of responsibility, individual performance, the profit performance of the Group and general market conditions.

The Remuneration Committee discussed remuneration related matters (including the remuneration of Directors and the senior management) and reviewed the overall remuneration policy and transparent procedure of the Group.

At the end of the year, there was no payable to Directors and the senior management by hand.

DIRECTORS' AND AUDITORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

Management provides such explanation and information to the Board so as to enable the Board to make an informed assessment of the financial and other information put before the approval by the Board.

The Directors acknowledge their responsibility to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Group and in presenting the interim and annual financial statements, and announcements to shareholders in a timely manner. The Directors are responsible for ensuring that the Group maintains accounting records which disclose with reasonable accuracy the financial position of the Group and which enable the preparation of financial statements in accordance with the requirements of the Companies Ordinance, all applicable individual Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants, and all applicable disclosure provisions of the Listing Rules. In preparing the financial statements for the year ended 31 December 2022, the Directors have selected suitable accounting policies and have applied them consistently, adopted appropriate HKFRSs which are pertinent to its operations and relevant to the financial statements, made judgements and estimates that are prudent and reasonable. The Board is not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern, the Board therefore continues to adopt the going concern approach in preparing the financial statements.

The Board acknowledges its responsibility to present a balanced, clear and understandable assessment in the Company's annual and interim reports, other inside information announcement and other financial disclosures required under the Listing Rules, and reports to the regulators.

The Directors are responsible for taking all reasonable and necessary steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The auditor's responsibilities are set out in the Independent Auditor's Report.

AUDIT COMMITTEE

The Company has established the Audit Committee with specific written terms of reference in compliance with the CG Code. The terms of reference setting out the Audit Committee's authority, duties and responsibilities are available on both the SEHK website and the Company's website. As at 31 December 2022, the Audit Committee comprises three INEDs (Professor Cheong Heon Yi, Dr Chan Yoo and Mr Jong Hun Lim) and is chaired by Professor Cheong Heon Yi. The Audit Committee shall meet at least twice a year. Three meetings were held during the year. A report of the major findings raised in Audit Committee meeting are presented by the Chairman of the Audit Committee to the Board immediately in the subsequent Board meeting. The minutes of the Audit Committee meetings were circulated to the Board for information and for action by the Board where appropriate. The Audit Committee is provided with sufficient resources to perform its duties.

During the year ended 31 December 2022, the Audit Committee performed the following works:

(i) reviewed the annual financial report for the year ended 31 December 2021 and interim financial report for the six months ended 30 June 2022;

(ii) reviewed the major impact of the changes in accounting policies and practices and Listing Rules on the accounting treatment and financial reporting of the Company;

(iii) reviewed the effectiveness of risk management and internal control system;

(iv) discussed the nature and scope of the external audit and reporting obligations and reviewed the external auditors' statutory audit plan;

(v) reviewed the findings and recommendations of the management letter from the external auditors in relation to the interim review and final audit of the Group;

(vi) considered the re-appointment of external auditor and reviewed its independence and qualification;

(vii) reviewed and recommended to the Board for approval of the 2022 audit scope, fee and supply of any other audit-related services; and

(viii) reviewed the connected transactions entered into by the Group during the year.

The major roles and functions of the Audit Committee are as follows:

1. To consider the appointment of the external auditors, the audit fees, and any questions of resignation or dismissal of the external auditors of the Group.

2. To discuss with the internal and external auditors the nature and scope of the audit.

3. To review the interim and annual financial statements before submission to the Board.

4. To discuss problems and reservations arising from the interim review and final audit, and any matters the auditors may wish to discuss.

5. To review the external auditors' management letters and management's response.

6. To supervise the performance of the internal auditor's review on the Group's financial control, risk management and internal control systems.

7. To consider the major findings of internal investigations and management's response.

AUDIT COMMITTEE *(Continued)*

Under the code provision D.3.3 of the CG Code, the Audit Committee's role should include to discuss with management the systems of risk management and internal control and ensure that management has discharged its duty to have an effective risk management and internal control systems, including the adequacy of resources, qualifications, and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget.

NOMINATION COMMITTEE

The Nomination Committee was established by the Board on 23 March 2012 with specific written terms of reference in compliance with the CG Code. The terms of reference setting out the Nomination Committee's authority, duties and responsibilities are available on both the SEHK website and the Company's website. As at 31 December 2022 comprises one executive Director (Mr Min Jung Lee) and three INEDs (Mr Jong Hun Lim, Professor Cheong Heon Yi and Dr Chan Yoo) and is chaired by Mr Jong Hun Lim. The Nomination Committee is primarily responsible to consider and recommend to the Board suitably qualified persons to become the member of the Board and is also responsible for reviewing the structure, size and composition of the Board on a regular basis and as required. Three meetings were held during the year. The external independent professional advice is available when required by the Nomination Committee. The sufficient resources are provided to the Nomination Committee for perform its duties.

During the year ended 31 December 2022, the Nomination Committee performed the following work:

(i) reviewed the structure, size, composition (including the skills, knowledge and experience) and diversity, and the Board diversity policy of the Board;

(ii) assessed the independence of INEDs;

(iii) made recommendations to the Board on the selection, appointment or re-appointment of Directors and succession planning for Directors; and

(iv) reviewed the directors nomination policy and the board diversity policy of the Company.

NOMINATION POLICY

The Board adopted a nomination policy (the "Nomination Policy") on 1 January 2019. The purpose is to identify and evaluate a candidate for nomination to the Board for appointment or to the shareholders for election as a Director. The Nomination Committee shall consider, among others, the following criteria in evaluating and selecting candidates for directorships:

(i) age, skills, knowledge, experience, expertise, professional and educational qualifications, background and other personal qualities of the candidate;

(ii) effect on the board's composition and diversity;

(iii) commitment of the candidate to devote sufficient time to effectively carry out his/her duties. In this regard, the number and nature of offices held by the candidate in public companies or organisations, and other executive appointments or significant commitments will be considered;

(iv) potential/actual conflicts of interest that may arise if the candidate is selected;

(v) independence of the candidate;

(vi) in the case of a proposed re-appointment of an INED, the number of years he/she has already served; and

(vii) other factors considered to be relevant by the Nomination Committee on a case by case basis.

NOMINATION POLICY *(Continued)*

Each proposed new appointment, election or re-election of a director shall be assessed and/or considered against the criteria and qualifications set out in the Nomination Policy by the Nomination Committee which shall recommend its views to the Board and/or the shareholders for consideration and determination.

The Board will from time to time review the Nomination Policy and monitor its implementation to ensure its continued effectiveness and compliance with regulatory requirements and good corporate governance practice.

BOARD DIVERSITY POLICY

The Board adopted a Board diversity policy setting out the approach to diversify members of the Board. The Company believes that a diversified perspective can be achieved through considering a number of factors, including but not limited to skills, regional and industry experience, background, race, gender and other qualities. The Company will also take into account factors based on its own business model and specific needs from time to time. Board appointments will continue to be made on a merit basis and candidates will be considered against objective criteria, with due regard for the benefits of diversity on the Board.

The Nomination Committee reviews the Board diversity policy at least annually to ensure its continued effectiveness. During the year ended 31 December 2022, the Board and the Nomination Committee had reviewed the Board diversity policy and its implementation and confirmed its continued effectiveness.

As at the end of 2022, 14% of Director is female and 25% of Directors and senior managements are female. Also 87% of our total workforce are female. Considering sufficiently diversified total workforce, the Nomination Committee had not set measurable objectives. However, we will continue with our endeavor to increase female representation in the Board and senior management.

The Company maintains the view that a Director's independence is a question of fact and this is formally recognised in the Board Diversity Policy. The Board is committed to assessing this on an ongoing basis with regard to all relevant factors concerned. These commitments have been demonstrated by our Independent Non-executive Directors as circumstances require.

As mechanisms for ensuring independent views and input, the Company has established channels through formal and informal means whereby INEDs can express their views in an open and candid manner, and in a confidential manner, should circumstances require; these include periodic Board Meeting, dedicated meeting sessions with the Chairman and interaction with management and other Board Members including the Chairman outside the boardroom. Each Director is able to seek independent professional advise, views and input at the Company's expense. The Board reviewed the mechanisms and its implementation and its continued effectiveness.

Taking into account all of the circumstances described in this section, the Company considers all of the Independent Non-executive Directors to be independent.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for determining the policy for the corporate governance of the Company and performing the corporate governance duties as below:

(i) To develop and review the Group's policies and practices on corporate governance and make recommendations;

(ii) To review and monitor the training and continuous professional development of Directors and senior management;

(iii) To review and monitor the Group's policies and practices on compliance with all legal and regulatory requirements;

(iv) To develop, review and monitor the code of conduct and compliance manual (if any) applicable to the employees and Directors of the Group; and

(v) To review the Group's compliance with the CG Code and disclosure requirements in the Corporate Governance Report.

AUDITORS' REMUNERATION

During the year under review, the remuneration paid/payable to the Company's auditors, KPMG, is set out as follows:

Services rendered	**Fees paid/payable** HK$'000
Audit services	6,006
Non-audit services	888
	6,894

Note:

The non-audit services mainly comprised tax compliance, interim review, and certain agree-upon-procedure work.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges its responsibility for evaluating and determining the nature and extent of the risks (including the environmental, social and governance ("ESG") risks) it is willing to take in achieving the Group's strategic objectives, and ensuring that the Group establishes and maintains appropriate and effective risk management and internal control systems, as well as, overseeing the risk management and internal control systems of the Group and reviewing their effectiveness at least annually through the Audit Committee. The Audit Committee assists the Board in fulfilling its oversight and corporate governance roles in relation to the Group's financial, operational, compliance, risk (including ESG risks) management and internal controls, and internal audit functions.

The Group has established an organizational structure with defined levels of responsibility and reporting procedures. The Risk Management Working Group assists the Board and/or the Audit Committee in the review of the effectiveness of the Group's risk (including ESG risks) management and internal control systems on an ongoing basis. The Directors through the Audit Committee are kept regularly apprised of significant risks (including ESG risks) that may impact on the Group's performance.

The Group's internal control system is designed in consideration of the nature of business as well as the organization structure of the Group as a whole. The systems and internal controls are designed to manage rather than eliminate the risk of failure in operational systems and to provide reasonable, but not absolute, assurance against material misstatement or loss. Appropriate policies and controls have been designed and established to ensure that assets are safeguarded against improper use or disposal, relevant rules and regulations are adhered to and complied with, reliable financial and accounting records are maintained in accordance with relevant accounting standards and regulatory reporting requirements, and key risks that may impact on the Group's performance are appropriately identified and managed.

RISK MANAGEMENT AND INTERNAL CONTROLS *(Continued)*

The Group's risk management process is guided by the Three Lines of Defense system, which allows the Board to consider control issues effectively. The Risk Management Working Group reports to the Audit Committee at each regularly scheduled meeting including amongst other things, significant risks of the Group and the appropriate mitigation and/or transfer of identified risks. The operating units of the Group, as risk owners, identify, evaluate, mitigate and monitor their own risks, and report such risk management activities to Risk Management Working Group on a half-yearly basis.

Management of the Group are responsible for conducting periodic assessment of risks in respective process areas, planning and implementing actions to manage risks and escalate ad-hoc risk events to the Risk Management Working Group. Moreover, Risk Management Working Group will facilitate and consolidate periodic risk assessment done by the management, monitor the implementation actions and report priority risks and any breach of risk appetite to the Audit Committee and the Board.

The Group has adopted policies and procedures for assessing and improving the effectiveness of its risk management and internal control systems, including requiring the management of the Group to regularly assess and evaluate that the risk management framework is appropriate and functioning effectively in the belief that this will enhance the corporate governance of the Group and its business practices in the future.

The Group regulates the handling and dissemination of inside information as set out in Policies and Procedures for Handling Inside Information and various subsidiary procedures to ensure inside information remains confidential until the disclosure of such information is appropriately approved, and the dissemination of such information is efficiently and consistently made.

The Group establishes an effective whistle-blowing policy for reporting suspected irregularities, fraud and corruption via specified channels for employees and the relevant third parties (e.g. customers, suppliers, creditors, debtors). All reported matters will be investigated independently and, in the meantime, all information received from a whistleblower and its identity will be kept confidential. The Group also continues to improve its internal control and monitoring system. If any irregularities are identified, the Group takes immediate action and adopts a zero-tolerance approach to corruption. The Board and the Audit Committee will regularly review the whistle-blowing policy and mechanism to improve its effectiveness.

During 2022, the Risk Management Working Group has worked closely with the operating units, senior management, and the Directors to enhance the risk management systems. Such activities have included, amongst other matters, increasing the number of training sessions and workshops; more closely aligning the assessment of internal controls with their potential risks; and increasing the depth and frequency of interaction with Directors on the Company's risk management system's design, operation, and findings. The Risk Management Working Group has presented update reports to the Board and the Audit Committee on the monitoring of the risk management and assisted the Directors in the review of the effectiveness of the risk management and internal control systems of the Group during the year.

The Audit Committee considers the scope of internal control review performed by the Risk Management Working Group to be adequate given the size and complexity of the Group's operations and the Group's risk appetite. During 2022, the Risk Management Working Group has assisted the Group to perform a review of the effectiveness of internal controls system for certain selected processes. The review results and proposed improvement opportunities were discussed and agreed with management and were reported to the Audit Committee. Based on the review results, the Board were not aware of any areas of concern that would have a material impact on the financial position or results of operations of the Group and considered the risk management and internal control systems to be generally effective and adequate including the adequacy of resources, staff qualifications and experience, training programs and budget of the accounting, internal audit and financial reporting functions.

DIVIDEND POLICY

The Board adopted a dividend policy (the "Dividend Policy") on 1 January 2019. It is the policy of the Board, in considering the payment of dividends, to allow shareholders of the Company to participate in the Company's profits whilst retaining adequate reserves for the Group's future growth.

The Board shall consider the following factors before declaring or recommending dividends:

(i) the Company's actual and expected financial performance;

(ii) retained earnings and distributable reserves of the Company and each of the members of the Group;

(iii) the Group's working capital requirements, capital expenditure requirements and future expansion plans;

(iv) the Group's liquidity position;

(v) general economic conditions, business cycle of the Group's business and other internal or external factors that may have an impact on the business or financial performance and position of the Company; and

(vi) other factors that the Board may consider relevant.

The declaration and payment of dividends shall remain to be determined at the sole discretion of the Board and subject to all applicable requirements under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) and the Articles of Association of the Company.

The Board will continually review the Dividend Policy and reserves the right in its sole and absolute discretion to update, amend and/or modify the Dividend Policy at any time. The Dividend Policy shall in no way constitute a legally binding commitment by the Company that dividends will be paid in any particular amount and/or in no way obligate the Company to declare a dividend at any time or from time to time.

COMPANY SECRETARY

The Company engaged Ms Sau Ping Wong, an associate director of the Listing Services Department of TMF Hong Kong Limited (a global corporate services provider) as the Company Secretary from 1 January 2022 to 9 June 2022. Subsequently, the Company engaged Ms Shui Bing Leung, a manager of the Listing Services Department of TMF Hong Kong Limited (a global corporate services provider) as the Company Secretary since 9 June 2022. All Directors have access to the advice and services of the Company Secretary. Ms Sau Ping Wong's and Ms Shui Bing Leung's primary contact person at the Company is Mr Min Jung Lee, the Executive Director. During the year ended 31 December 2022, Ms Shui Bing Leung has taken no less than 15 hours of relevant professional trainings to update her skills and knowledge.

COMMUNICATIONS WITH SHAREHOLDERS

The Board recognises the importance of good communications with all shareholders.

The Group's shareholders' communication policy (the "Shareholders' Communication Policy") sets out the Group's commitment of maintaining an effective ongoing dialogue with shareholders. The Shareholders' Communication Policy is reviewed by the Board on a regular basis to ensure its effectiveness. During the year ended 31 December 2022, the Board had reviewed the Shareholders' Communication Policy and its implementation and confirmed its continued effectiveness.

The Company has established several channels to communicate with the shareholders as follows:

(i) Corporate communications such as annual reports, interim reports and circulars are issued in printed form and are available on the SEHK's website at www.hkexnews.hk and the Company's website at www.dream-i.com.hk;

(ii) Periodic announcements are made through the SEHK and published on the respective websites of the SEHK and the Company;

(iii) Corporate information is made available on the Company's website;

(iv) Annual and extraordinary general meetings provide a forum for the shareholders to make comments and exchange views with the Directors and senior management; and

(v) The share registrar of the Company serves the shareholders in respect of share registration, dividend payment and related matters.

The Company's 2021 AGM is a valuable forum for the Board to communicate directly with the shareholders. The Chairman of the Board and the Chairmen of the Audit Committee, Remuneration Committee and Nomination Committee together with the external auditors are also present at the AGM to answer shareholders' questions.

All shareholders' circulars set out the relevant information of the proposed resolutions. Separate resolutions are proposed at general meetings on each substantially separate issue, including the election of individual Directors.

Pursuant to the Companies Ordinance, an extraordinary general meeting ("EGM") may be convened by a written request signed by shareholder(s) representing at least 5% of the total voting rights of all the shareholders having a right to vote at general meeting of the Company, stating the objects of the meeting, and deposited at our registered office in Hong Kong at 6/F, Tower 1, South Seas Centre, 75 Mody Road, Tsim Sha Tsui, Kowloon, Hong Kong. Shareholders should follow the requirements and procedures as set out in Section 566 of the Companies Ordinance for convening an EGM.

Shareholder(s) representing at least 2.5% of the total voting rights of all shareholders; or not less than 50 shareholders having a relevant right to vote, may make requisition in writing for proposing resolution or business to be dealt with at the next general meeting. Shareholders should follow the requirements and procedures as set out in Section 580 of the Companies Ordinance for putting forward a proposal at a general meeting.

A key element of effective communication with shareholders and investors is the prompt and timely dissemination of information in relation to the Group. The Company has announced all its inside information, announcements, interim and annual results in a timely manner in compliance with the Listing Rules. The Company also maintains a company website as a channel to let shareholders know the Company's news and raise questions through emails and telephone.

There have been no changes in the Company's constitutional documents during the year.

VOTING BY POLL

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholder at a general meeting must be taken by a poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands.

The Chairman of the AGM shall therefore demand voting on all resolutions set out in the notice of the AGM be taken by way of poll pursuant to Article 73 of the Company's Articles of Association.

On a poll, every shareholder present in person or by proxy or (being a corporation) by its duly authorized representative shall have one vote for each share registered in his name in the register of members of the Company. A shareholder entitled to more than one vote needs not use all his votes or cast all the votes he uses in the same way.

The results of the poll will be published on the website of the SEHK at www.hkexnews.hk and the Company's website at www.dream-i.com.hk on the same day after the AGM.

Environmental, Social and Governance Report

1 ABOUT THIS REPORT

This Environmental, Social and Governance ("ESG") Report has been prepared in accordance with the requirements of Environmental, Social and Governance Reporting Guide ("ESG Guide") as set out in Appendix 27 of the Listing Rules for the period from 1 January 2022 to 31 December 2022.

1.1 Core business of the Group

In the period under review, Dream International Limited (the "Company") and its subsidiaries (collectively the "Group" or "we") have principally engaged in the design, development, manufacture and sales of plush stuffed toys, plastic figures, dolls, die-casting products and fabrics.

1.2 Report Boundary

In this report, we focus on the key Ten (10) subsidiaries[1] including Thirteen (13) factories in Vietnam and China, majoring the manufacture of plush stuffed toys, plastic figures, dolls, die-casting products and fabrics, during the reporting period. We will continue to review our reporting scope and consider the inclusion of the remaining toll manufacturing factories in the future.

1.3 Application of the reporting principals

This ESG Report has also been prepared based on the reporting principles of materiality, quantitative, balance and consistency in the ESG Guide.

Materiality: The Group determines the impact of ESG-related issues on internal and external stakeholders through the materiality issue assessment process to conduct key responses and disclosures on material issues.

Quantitative: The Group accounts for and discloses in quantitative terms the ESG KPIs specified in the ESG Guide and discloses in this ESG Report the calculation methods and conversion factors used.

Balance: This ESG Report aims to disclose data objectively and provides stakeholders with a balanced overview of the Group's overall ESG performances.

Consistency: This ESG Report uses consistent methodologies as the previous ESG reports to allow meaningful comparisons of ESG data for the Reporting Period with historical and future data. Any adjustments change in the methodologies are explained in this ESG Report.

1. The ten subsidiaries include C & H Toys (C & H Chaohu) Co., Ltd, Dream Textile Co., Ltd ("Dream Textile"), Dream Mekong Co., Ltd ("Dream Mekong"), J.Y. Vina Co., Ltd ("J.Y. Vina"), J.Y. Hanam Co., Ltd ("J.Y. Hanam"), Dream Plastic Co., Ltd ("Dream Plastic"), J.Y. Plasteel Vina Co., Ltd ("J.Y. Plasteel"), Dream Plastic Nam Dinh Co., Ltd ("Dream Plastic Nam Dinh"), Dream Lingshan Co., Ltd ("Dream Lingshan") and C & H Vina Co., Ltd ("C & H Vina").

1.4 Our ESG Approach

The Board oversees and sets out the ESG strategy for the Group. The Board is also responsible for ensuring the effectiveness of the Group's risk management and internal control mechanisms. To systematically manage ESG issues, the head office in Hong Kong coordinates with the different factories to manage and collect relevant information on the Group's ESG initiatives and performances, and leads the preparation of the ESG Report. Through the periodic reporting to the management and the Board, the Board identifies and assesses the Group's material ESG issues and ESG risks, and review the Group's ESG performance against the Group's ESG-related goals and targets, including but not limited to environmental, labour practices and other aspects of ESG.

The Group has been certified for many years for social compliance standards such as ICTI[2] Care Program and Disney International Labor Standards, which addresses ESG related issues from promoting safety standards, to advancing social responsibility in the industry with programs to address environmental concerns, fair and lawful employment practices and workplace safety etc. In light of this, we have continued to maintain not only our certification compliance status, but we also strive to improve, by embedding the best practices into our daily operations. We continue to engage more of our employees such that health and safety becomes a responsibility for all but not solely that of the management.

For the environment, though our industry does not typically pose significant environmental risks, we implement adequate environmental management control towards our operations to minimize our impact. We pay attention to reduce the resource use in our operations, particularly on energy and water, and implement efficiency measures where practicable.

We have been working continuously to enhance the internal communication between our workers and the management by arranging periodic labor meetings throughout the year. We are implementing this initiative to all of our operating factories from Vietnam to China.

1.5 Stakeholder Engagement and Materiality Assessment

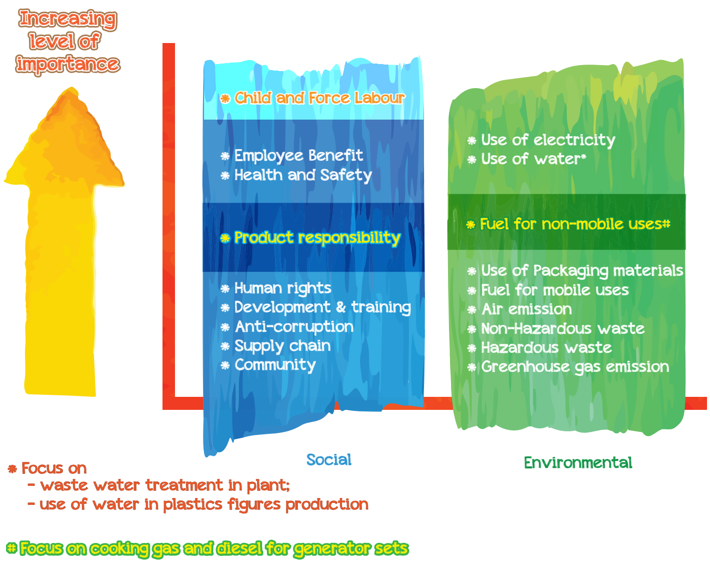
Stakeholder engagement

We had carried out stakeholders' engagement with our management team, who have decisive role on the Group's operations, and helped set the scene and direction on the Group's ESG approach. The diligently collected and carefully analyzed data underscores not only the Group's sustainable initiatives for the reporting period, but also the Group's short-term and long-term sustainability strategy. We intend to continuously reach out to more stakeholders for future reviews of our materiality. We will also maintain communication with the stakeholders of our latest developments and status on sustainability issues.

2. The International Council of Toy Industries (ICTI) is the industry association for the worldwide toy industry. ICTI is a not-for-profit membership organization incorporated in the United States of America.

Materiality Assessment

Through the stakeholder engagement practice, we invited management to rate different the importance of different ESG issues to our operation, and identified the following as material ESG issues to the Group. The materiality assessment shows that social aspects of child and forced labour, health and safety and employee benefits remains of highest importance to the Group as they are essential and highly expected from our customers as well as the industry. Regarding product responsibility, it is relatively less important as our products are manufactured and labelled strictly according to our customers' requirements, which we have relatively less direct influence over. In terms of the environmental aspects, the use of electricity and water are key as they have not only environmental impacts but also significant implications on the daily operation costs of our facilities and thus we have high expectation internally in managing these uses.



2 ENVIRONMENTAL

We are committed to build a better environment by adopting an environmentally friendly approach in our business operation through management of our resource use in particular. We are committed to environmental management by adequately controlling the emissions from our facilities and more importantly, comply with all applicable environmental laws and regulations in conducting our business.

According to our materiality results, the use of energy and water use are key to our Group's operation, we are also keen to ensure the emissions from our facilities are adequately controlled and managed.

2.1 Use of Resources

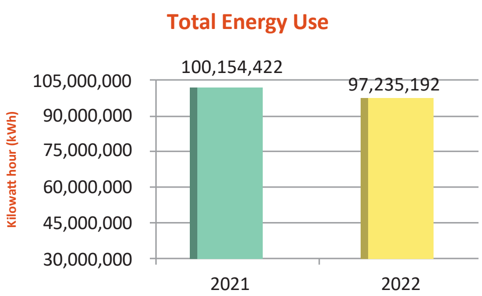
2.1.1 Use of Energy

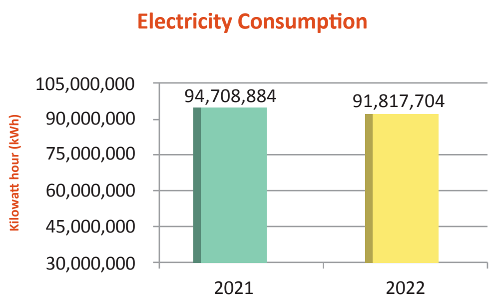
As a manufacturer, energy use is one of the most critical environmental factors in our operations and among which electricity consumption remains the most critical to our operations. Our energy use mainly falls to the following three types:

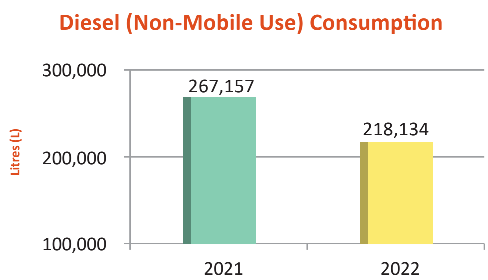
- Consumption of purchased electricity for factory processes and staff dormitories;
- Non-mobile fuel use (natural gas and diesel) for cooking and generators; and
- Mobile fuel use of fuels (diesels and petroleum) in our vehicles.

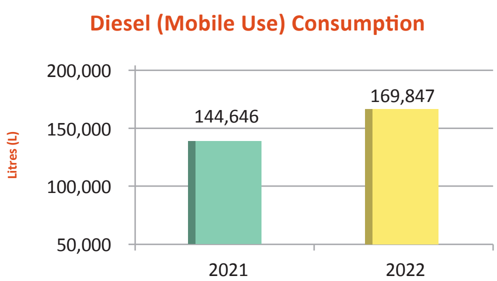
Among the three types of energy use, electricity use from our factory processes makes up the majority of our energy consumption.

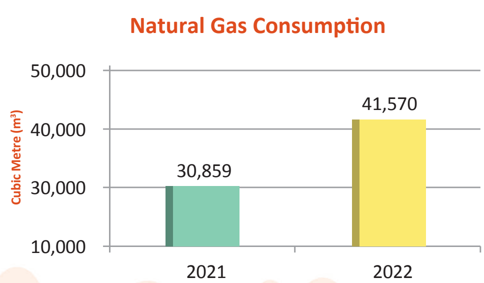
In the year under review, the consumptions of each type of energy are as follows:

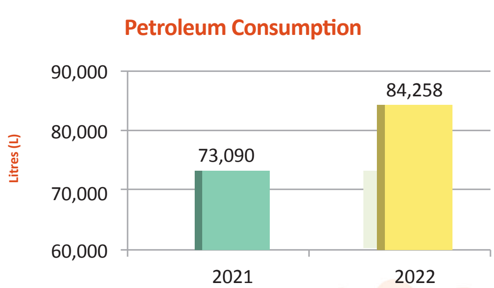












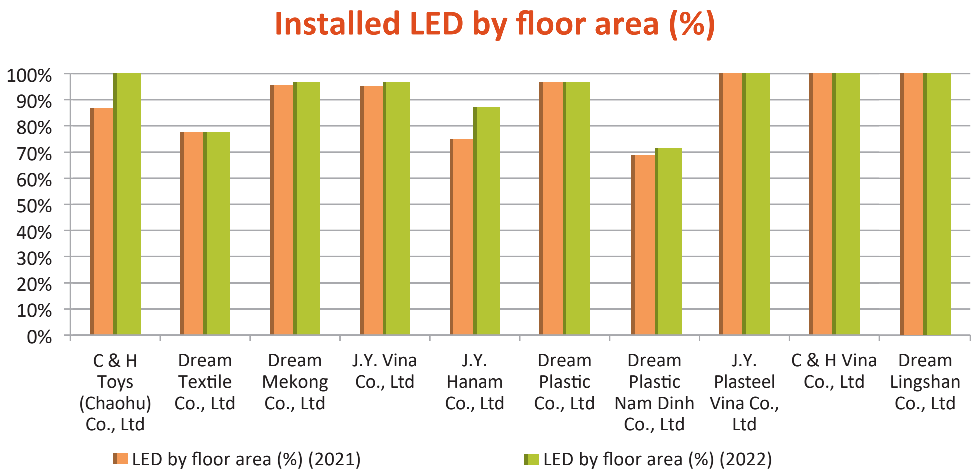
In the year, we have adopted the following initiatives to improve the energy efficiency of our operations:

– Reduce lighting provisions in non-working areas.

– Encourage staff to switch off unnecessary lighting, equipment, personal computers and monitors in lunch time, after office hours, while away or in meeting.

– Continual replacement of equipment to more energy efficient ones. For example, replace existing centrifugal pumps to the more energy efficient and effective screw pumps in 2019.

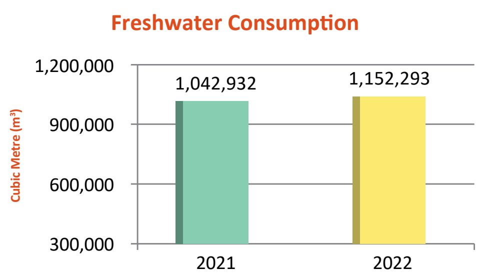
– Continual retrofitting of lighting equipment to LED. Our target is to replace all existing lighting equipment with LED models.



2.1.2 Use of Water

Freshwater use is another key component in our business operations. Majority of the water used are for production processes in our factories, along with the domestic use in staff dormitories.

In the year under review, the consumption of water is follows:



To reduce freshwater consumption, we improve our water efficiency and seek alternatives to freshwater source when practicable. In the year, we have adopted the following initiatives:

– Use of collected rainwater (as an alternative to freshwater) for cooling of internal temperature of a finished goods warehouse in Vietnam. We are constantly reviewing the applicability of this initiative to other factories.

– Installation of auto valve to water supply pipe to prevent overflow of water tanks and thus reduce wastage of water.

– Reuse of water for production activities and/or toilet flushing from dyeing activities in Dream Textile. The installation of the cooling tower helps cool down the hot water from dyeing activities which would otherwise be drained away. It is anticipated that 10,000 m^3 of water will be saved every month.

2.1.3 Use of Packaging Materials

Use of packaging materials is essential to our products but we do not have direct control over the design and types of packaging materials used as they are prescribed by our customers. Having this said, we strive to minimize the usage and wastage of packaging materials in our operation process. For instance, we have made agreements with fabric buyers of Dream Textile to reuse the paper pipes of sold fabrics. After using the fabrics, buyers would return the remaining paper pipes to us for reuse, reducing the need for new fabric packaging materials.

2.2 Emissions

2.2.1 Air Emissions

Complying with the local air emission requirements are of prime importance to our operations. In our factories, carbon filters, cyclone systems and venturi system are installed for air treatment prior to exhaust with aim to reduce air pollutions like particulate matters, CO, NOx and SO_2. To ensure our air emissions comply with the regulatory requirements, third party monitoring the air emissions is conducted regularly and all air emissions results in the past year comply with the local standards.

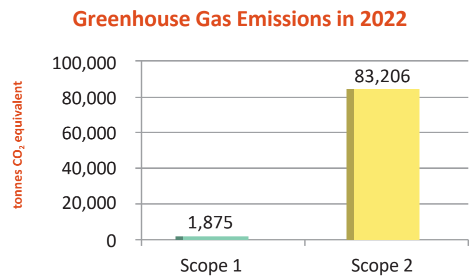
Besides the hardware, we have also adopted the use of more environmentally friendly materials such as powder spray with less volatile organic chemicals (VOC) content in some of the dyeing processes. Since June 2016, we have adopted the use of paint capsule versus paint plate in our painting machines. Such change not only reduces the odour in the production plant, but also enables a more efficient use of paint materials.

In the year, no report of non-compliance regarding air emissions was noted.

2.2.2 Carbon Emissions

Most of our carbon emissions come from the use of energy in our production processes and staff dormitories. Therefore, we mainly focus on reducing our energy consumption to drive down carbon emissions. Please refer to 2.1.1 Use of Energy for our energy reduction initiatives.

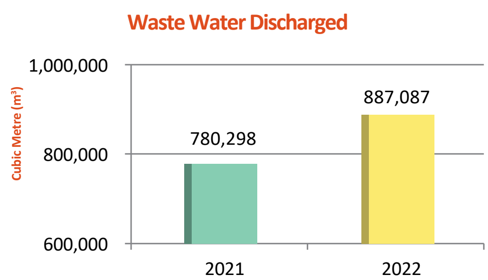
In the year under review, our scope 1 and 2 carbon emissions are as follows:



2.2.3 Wastewater

We have sewage treatment facilities in the Vietnamese factories to properly treat the sewage prior to discharge, including Dream Plastic, Dream Textile and J.Y. Plasteel, where paints and dyes are used. We ensure the wastewater discharges comply with and do not exceed the local regulatory standards. Any sludge produced from the plastics factories are also properly treated and disposed of as hazardous wastes by qualified contractors.

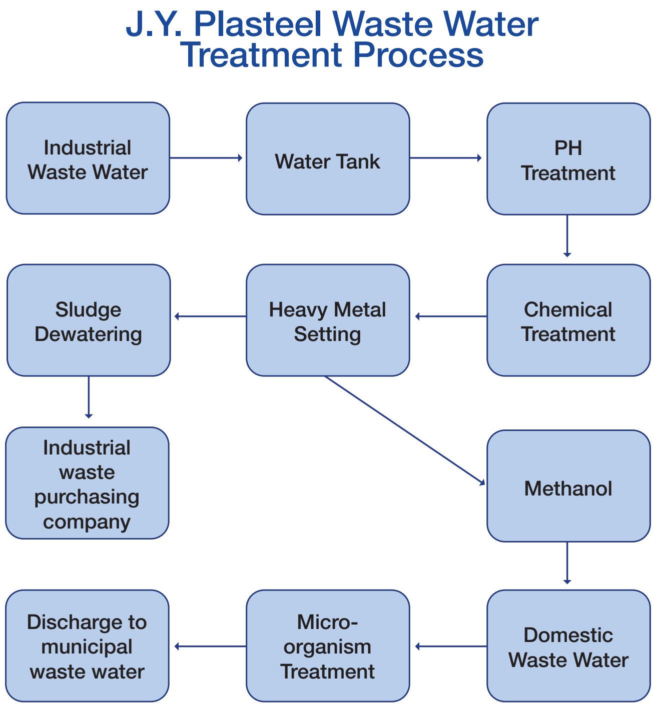
In 2022, the wastewater discharge of our ten subsidiaries amounted to:



Wastewater facilities were installed for Dream Textile, and the two manufacturing facilities of J.Y. Plasteel. These facilities were equipped to treat industrial wastewater prior to discharge to the municipal sewage system.

In the year, no significant incident of non-compliance regarding wastewater discharge was noted.

Simplified flowchart of the wastewater treatment facilities in J.Y. Plasteel:



Micro-organism treatment of domestic wastewater in J.Y. Plasteel

Wastewater treating facilities in Dream Textile

2.2.4 Waste Management

Hazardous waste

We encourage our workers to minimize their resource consumption and provide recycling equipment to reduce wastes. We try to recycle and reuse raw materials such as polypropylene (PP), polyvinyl chloride (PVC) and acrylonitrile butadiene styrene (ABS) and paints where applicable. Other non-recyclable hazardous wastes are handled by qualified service providers in accordance with local regulatory requirements.

Total amount of hazardous waste disposed in 2022 is provided below:

In the year, no report of non-compliance regarding the disposal of hazardous wastes was noted.

Non-hazardous waste

We try to recycle and reuse raw materials, besides chemicals, other recyclables also include carton boxes in our factories. In Vietnam, kitchen waste is also recycled as livestock feeds.

Since non-hazardous waste is not deemed a material aspect of the Group's business, we have yet to obtain a complete statistic of the non-hazardous waste produced. We shall closely follow regulatory changes and update our disclosure according in the future.

2.4 Climate Change

Climate change as an emerging global risk, may impact companies in the form of physical risks ranging from acute weather events such as flooding and storms, to chronic physical risks arising from the rising temperature and sea levels. It will also lead to transition risks arising from the change in environmental-related regulations or change in customer preferences.

While we do not consider climate change risks to have a significant impact on our businesses, it would still have certain effects on our operations and we will continue to monitor the climate-related risks and implement relevant measures to minimize its potential impact.

Precautionary measures such as contingency plans at our manufacturing operations and flexible working arrangement at our offices has been adopted in response to the possible extreme weather scenarios of typhoon and flooding. To reduce emissions and energy consumption, the Group has implemented various environmental protection measures. Please refer to sections "Emissions" and "Use of Resources" for further detail.

3 EMPLOYMENT AND LABOUR STANDARD

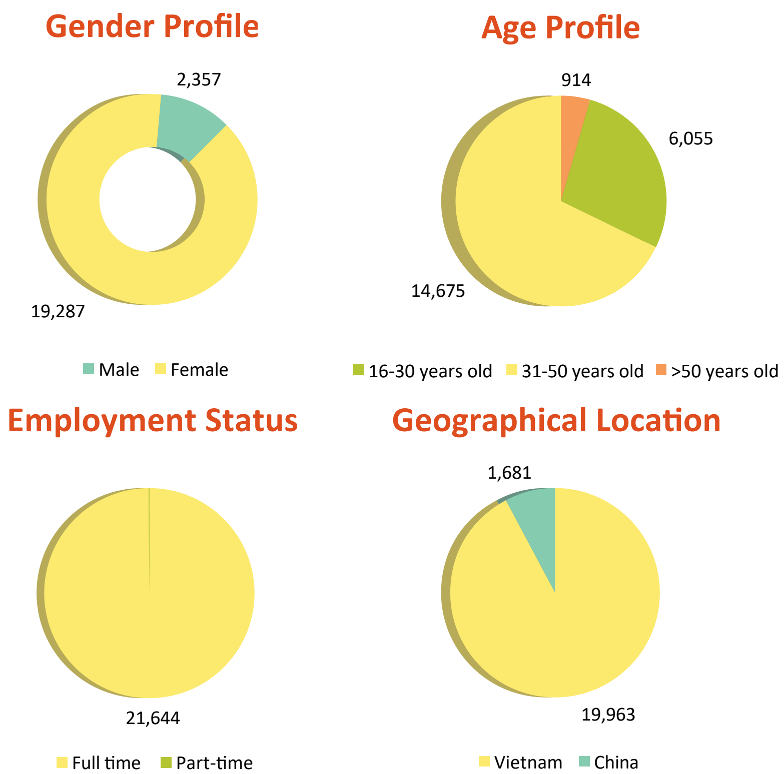
3.1 Employment

The Group promotes fair competition and prohibits discrimination or harassment against any employee on their gender, age, marital status, religion, race, nationality, disability or any status protected by law.

Equal opportunities are applied in all employment policies, in particular to recruitment, training, career development and promotion of employee. Remuneration and benefit packages of employees are structured on market terms with regard to individual responsibility and performance. All eligible employees are enrolled to a defined contribution on retirement or social insurance scheme. Other employment benefits are awarded at the discretion of the Group. In the year, there was no reported non-compliance regarding employment, nor were there any on discrimination or harassment incidents.

We value employee's satisfaction and encourage our staff to provide feedbacks. We have channels in place for our employees to express grievances and complaints which will be well-handled according to the predetermined procedures to ensure equality to all employees.

As at 31 December 2022, we have a total of 21,644 employees in our 10 subsidiaries in China and Vietnam. The turnover rate of the year is 15.3%. The working composition as of 31 December 2022 is as shown below:



3.2 Health and Safety

The Group is committed to providing a healthy and safe workplace to employees and fulfil relevant ICTI requirements. As part of the employee benefits, annual body checks are provided to all factory workers to ensure their health conditions are taken care of. Safety guidelines are formulated and communicated to all employees. Relevant training, such as training to new workers on proper use of sewing machines, are organized in the year to improve our employees' awareness on health and safety.

Health, safety and environment meeting in J.Y. Hanam

Fire drill in J.Y. Plasteel

Regular inspections on the factories are carried out to ensure safety hazards are alleviated. We ensure relevant certifications and/or permits in compliance to relevant laws and regulations were obtained. Furthermore, our Environmental, Healthy and Safety ("EHS") committee conducts out occupational risk assessments periodically within the factory to identify potential hazards. The Group has implemented several safety practices to protect our employees, including, but not limited to:

– Providing health and safety trainings to newly employed employees.

– Providing pre-job, annual and post health examinations to employees.

– Conducting regular internal inspection of fire safety equipment, machineries and industrial safety.

– Providing Correct Personal Protective Equipment (PPE), such as safety glasses, mask and ear plugs, to employees and correctly worn according to the needs of the operation.

– Performing bi-annual fire drills for all employees.

– Ensuring first-aid kits are readily available and accessible at all times.

During the year, we do not have any significant regulatory non-compliance on health and safety.

As at 31 December 2022, the Health & Safety Statistics is as shown below:

3.3 Development and Training

We encourage sustainable learning of our employees through coaching and further studies. In house trainings and online learning materials are provided to employees. Sponsorships are provided as an initiative for further studies by application. In 2022, the Group has organized a number of training to employees. We have provided training to our staff of the ten subsidiaries, aggregating to a total of 1,381,940 training hours.

3.4 Labour Standards

The Group strictly fulfils the ICTI requirements as well as the local regulatory requirements on employment of child and forced labour. We prohibit the employment of child and forced labour and have adopted such provisions in respective guidelines and handbooks of our factories.

During the reporting period, there were no reported non-compliance on child labour or forced labour.

3.5 Anti-Corruption

We are against corruption among the Group's activities and procurements. We have Corporate Code of Conducts, Code of Ethics, and the policy on Anti-corruption/Anti-bribery/Whistle blowing in place and communicated to our staff, guiding our approach on the matter throughout our daily operations. In the reporting period, no reported instances on corruption were noted.

4 PRODUCT RESPONSIBILITY AND SUPPLY CHAIN MANAGEMENT

Product Responsibility

We are committed to provide quality services to our customers. Ten of our factories are certified of their production process with ISO 9001 Quality Management System. We apply stringent quality controls in our production lines. Our quality assurance and quality control department manages and ensures quality inspections are being conducted at all stages of our production process from incoming materials to finished goods. And quality testing is also carried out for our products prior to shipping to our warehouse.

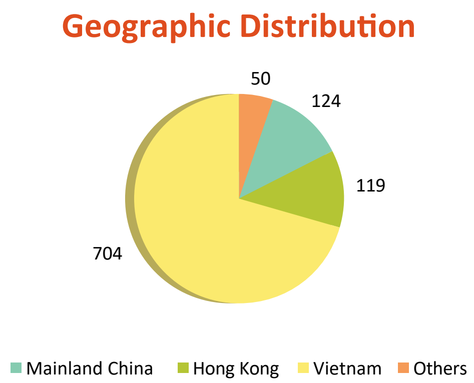
The Group is committed to respecting the intellectual property rights of our customers, business partners, competitors, and others. No Company employee, independent contractor, or agent should steal or misuse the intellectual property rights owned or maintained by another intellectual property rights of product design.

During the year, we are not aware of any regulatory non-compliance regarding intellectual property and other relevant laws and regulations as related to product responsibility that has a significant impact on the Group.

Supply Chain Management

We engage a number of service providers from the provision of raw materials for toy production to logistics arrangements. We work closely with the service providers and suppliers to ensure that they collaborate with us to fulfil the ICTI requirements and they are familiar with the respective environmental and social requirements. Periodic meetings are held to facilitate our communication to ensure product safety at the end user level is properly taken care of. Feedbacks from customers are conveyed to suppliers promptly. We carry out suppliers' appraisals prior to accepting them on the qualified suppliers list and we assess their performance based on their environmental and social risk biannually.

In 2022, we have 997 direct suppliers with the below geographic distribution:



5 COMMUNITY

With factories established in Vietnam and China, the Group is contributing positively towards the community as the factories provide employment locally within the communities. In addition, the Group encourages employees to be involved in CSR activities. We contributed to local communities through both direct donations and organizing activities. Examples include supporting local firefighters for buying equipment and direct donations to communities in need. In 2022, our donations totalled to HK$691,000.

The Group not only recognizes the importance of the external community at our factories but also recognizes the importance of the internal community within the factory. The Group truly believes that the Group's ongoing success derives from the mental well-being and the satisfaction our employees.

Team building activities in Dream Plastic

A ESG DATA DISCLOSURE

	KPI	Unit	2022 Total
Environmental	Energy used	kWh	97,235,192
	Electricity	kWh	91,817,704
	Natural gas	m^3	41,570
	Diesel (non-mobile uses)	Litre	218,134
	Diesel (mobile uses)	Litre	169,847
	Petroleum	Litre	84,258
	Freshwater used	m^3	1,152,293
	Wastewater discharged	m^3	887,087
	Hazardous waste disposed	Kg	2,994,654
	GHG emission Scope 1	tonnes of CO_2e	1,925
	GHG emission Scope 2	tonnes of CO_2e	83,206
Social	Employment		
	Total number of employees	No. of people	21,644
	By gender		
	Male	No. of people	2,357
	Female	No. of people	19,287
	By age		
	16-30	No. of people	6,055
	31-50	No. of people	14,675
	>50	No. of people	914
	By employment type		
	Full-time	No. of people	21,644
	Part-time	No. of people	–
	By geographical region		
	China	No. of people	1,681
	Vietnam	No. of people	19,963
	Total staff turnover rate	%	15.3
	By gender		
	Male	%	2.7
	Female	%	12.5
	By age		
	16-30	%	7.6
	31-50	%	7.1
	>50	%	0.5
	By geographical region		
	China	%	1.2
	Vietnam	%	14.1
	Health and safety		
	No. of work-related fatalities	No. of cases	–
	No. of work injuries	No. of cases	18
	Lost-days due to injuries	No. of days	97
	Non-compliance against H&S regulatory requirements	No. of cases	–

KPI	Unit	2022 Total
Labour standards		
Non-compliance against child and forced labour	No. of cases	–
Training and development		
Total training hours	Hours	1,381,940
Percentage of employees trained		
By gender		
Male	%	100
Female	%	100
By employee category		
Director	%	100
Management	%	100
Staff	%	100
Average training hours completed		
By gender		
Male	Hours	59.63
Female	Hours	65.42
By employee category		
Director	Hours	51
Management	Hours	109
Staff	Hours	21,546
Total number of direct suppliers	No.	997
By region		
Mainland China	No.	124
Hong Kong	No.	119
Vietnam	No.	704
Others	No.	50
Total number of product-related complaints received	No.	–
Percentage of product recalled due to safety and health reasons	%	–
Non-compliance regarding anti-corruption	No. of cases	–
Community Investment	HK$	65,816
Anti-corruption Training		
Number of staff members attended the training	No.	21,644
Percentage of staff members attended the training	%	100.0
Total Number of hours	Hours	37,793

Notes:

1. The data covers the ten subsidiaries as listed in the report boundary.

2. Energy conversion factors used are referenced from the "Greenhouse gas reporting: conversion factors 2021" released by the Department for Business, Energy & Industrial Strategy of the United Kingdom.

3. Greenhouse gas emissions factors used are referenced from "How to Prepare an ESG Report – Appendix 2: Reporting Guidance on Environmental KPIs" issued by the Hong Kong Stock Exchange of HKEX's publication, "Greenhouse gas reporting: conversion factors 2021" released by the Department for Business, Energy & Industrial Strategy of the United Kingdom, and the "List of Grid Emission Factors" released by the Institute for Global Environmental Strategies.

B HKEX ESG CONTENT INDEX

	Aspects	Section No.	Remarks
A	**Environmental**		
A1	**Emissions**	1.3, 2.2	–
	(a) Policies: and		
	(b) Compliance with relevant laws and regulations that have a significant impact on the issuer		
	relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.		
A1.1	The types of emissions and respective emission data.	2.2.1	Air emissions data are not disclosed as it is not considered a material ESG topic to the Group.
A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	2.2.2	–
	– Scope 1 emissions		
	– Scope 2 emissions		
A1.3	Total hazardous waste produced (in kg) and where appropriate, intensity (e.g. per unit of production volume, per facility).	2.2.3 – 2.2.4	–
A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	2.2.3 – 2.2.4	General waste data are not disclosed as it is not considered a material ESG topic to the Group.
A1.5	Description of emission target(s) set and steps taken to achieve them.	2.2.1 – 2.2.4	Emissions and wastes are not considered to be the most material issues comparatively given the Group's business nature. While we put effort to reduce our negative environmental impact. The Group reviews its operations and environmental performance on an ongoing basis and will consider setting and disclosing these targets as appropriate.
A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	2.2.3 – 2.2.4	

	Aspects	Section No.	Remarks
A2	**Use of Resources**	1.3, 2.1	–
	Policies on the efficient use of resources, including energy, water and other raw materials.		
A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	A ESG Data Disclosure	–
A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	A ESG Data Disclosure	–
A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them	2.1.1	–
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	2.1.2	The Group is reviewing its operations and considering target setting on water consumption.
A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	2.1.3	Packaging material data is not disclosed as it is not considered a material ESG topic to the Group.
A3	**The Environment and Natural Resources**	1.3, 2.1-2.2	–
	Policies on minimizing the issuer's significant impact on the environment and natural resources.		
A3.1	Description of the significant impacts of activities on the environment and natural resources and the action taken to manage them.	1.3, 2.1-2.2	–
A4	**Climate Change**	2.4	–
	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.		
A4.1	Description of the significant climate-related issues which have impacted, and those which may impact the issuer, and the actions taken to manage them.	2.4	–

	Aspects	Section No.	Remarks
B	**Social**		
B1	**Employment**	3.1	–
	Policies on employment and compliance with local laws and regulations that have a significant impact on the issuer on the following aspects: • Compensation and dismissal • Recruitment and promotion • Working hours and rest periods • Equal opportunity and anti-discrimination • Diversity • Other benefits and welfare		
B1.1	Total workforce by gender, employment type, age group and geographical region.	A ESG Data Disclosure	–
B1.2	Employee turnover rate by gender, age group and geographical region.	A ESG Data Disclosure	–
B2	**Health and Safety**	3.2	–
	Policies on providing a safe working environment and protecting employees from occupational hazards and compliance with relevant laws and regulations.		
B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	A ESG Data Disclosure	There was no work-related fatality in 2020 and 2021.
B2.2	Lost days due to work injury.	A ESG Data Disclosure	–
B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	3.2	–
B3	**Development and Training**	3.3	–
	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.		
B3.1	The percentage of employees trained by gender and employee category (director/manager/staff).	A ESG Data Disclosure	–
B3.2	The average training hours completed per employee by gender and employee category.	A ESG Data Disclosure	–

	Aspects	Section No.	Remarks
B4	**Labour Standard**	3.4	–
	Policies and compliance with laws and regulations on preventing child and forced labour.		
B4.1	Description of measures to review employment practices to avoid child and forced labour.	3.4	–
B4.2	Description of steps taken to eliminate such practices when discovered.	3.4	–
B5	**Supply Chain Management**	4	–
	Policies on managing environmental and social risks of the supply chain.		
B5.1	Number of suppliers by geographical region.	A ESG Data Disclosure	–
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	4	–
B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	4	–
B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	4	–
B6	**Product Responsibility**	4	–
	Policies and compliance with relevant laws and regulations on health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.		
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	A ESG Data Disclosure	–
B6.2	Number of products and service-related complaints received and how they are dealt with.	A ESG Data Disclosure	–
B6.3	Description of practices relating to observing and protecting intellectual property rights.	4	–
B6.4	Description of quality assurance process and recall procedures.	4	–
B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	4	–

	Aspects	Section No.	Remarks
B7	**Anti-corruption**	3.5	–
	Policies and compliance with relevant laws and regulations relating to bribery, extortion, fraud and money laundering.		
B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	3.5	–
B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	3.5	–
B7.3	Description of anti-corruption training provided to directors and staff.	3.5	–
B8	**Community Investment**	5	–
	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.		
B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	5	–
B8.2	Resources contributed (e.g. money or time) to the focus area.	5	–

Independent Auditor's Report

Independent auditor's report to the members of Dream International Limited
(Incorporated in Hong Kong with limited liability)

Opinion

We have audited the consolidated financial statements of Dream International Limited ("the Company") and its subsidiaries ("the Group") set out on pages 59 to 144, which comprise the consolidated statement of financial position as at 31 December 2022, the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* ("the Code") and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters *(Continued)*

Assessing the carrying value of inventories

Refer to note 19 to the consolidated financial statements and the accounting policies in note 1(l) on page 77.

The Key Audit Matter	How the matter was addressed in our audit
The Group held significant quantities of inventories, which principally comprised of plush stuffed toys, plastic figures, die-casting products and tarpaulin in different phases of their manufacturing life cycles. Products are manufactured based on actual or anticipated orders which can be impacted by the popularity of the product characters and figures as a result of the changing trends in the toy and entertainment industries. Management performs regular reviews of the carrying values of inventories with reference to the inventory ageing report and projections of expected future sales or utilisation of individual items and their selling prices based on management's experience and judgement. A write-down will be made when it is expected that an item cannot be sold or utilised or the estimated net realisable value would fall below its carrying amount. In addition, the allocation of labour and production overheads to be absorbed in inventories, which requires management experience and involves voluminous calculations for a large number of products, can impact the carrying amount of work-in-progress and finished goods.	Our audit procedures to assess the carrying value of inventories included the following: • assessing whether the inventory write-down at the reporting date was calculated on a basis consistent with the Group's inventory provisioning policy by recalculating the write-down based on the percentages and other parameters in the Group's inventory provisioning policy; • assessing, on a sample basis, whether items in the inventory ageing report were classified within the appropriate ageing bracket by comparing individual items in the report with underlying documentation, including purchase invoices, goods received notes and finished goods stock-in report; • inspecting, on a sample basis, the relevant underlying documentation for sales orders received and where applicable delivery of inventories subsequent to the end of the reporting period; • inquiring of management about any slow-moving or obsolete inventories and comparing their representations with actual transactions and utilisation subsequent to the end of the reporting period;

Key audit matters *(Continued)*

Assessing the carrying value of inventories *(Continued)*

Refer to note 19 to the consolidated financial statements and the accounting policies in note 1(l) on page 77.

The Key Audit Matter	How the matter was addressed in our audit
We identified assessing the carrying value of inventories as a key audit matter because of the significant judgement exercised by management in determining an appropriate inventory write-down, which involves assessing the latest consumer preferences and estimating the inventories that cannot be sold or utilised and their selling prices, and because the calculations for the allocation of labour and production overheads to individual products are susceptible to errors due to the significant number of products involved.	• comparing, on a sample basis, the unit cost of inventories at the reporting date with sales price achieved subsequent to the end of the reporting period; • assessing the Group's inventory provisioning policy and the relevant disclosures in the consolidated financial statements with reference to the requirements of the prevailing accounting standards; and • evaluating the allocation of labour and production overheads to inventories by assessing the method of calculation, recalculating the absorption of labour and production overheads, on a sample basis, and comparing total overhead costs absorbed with actual total overhead costs incurred for the year.

Information other than the consolidated financial statements and auditor's report thereon

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated financial statements

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

Auditor's responsibilities for the audit of the consolidated financial statements *(Continued)*

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Wong Kong Tat.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

23 March 2023

Consolidated Statement of Profit or Loss

for the year ended 31 December 2022

	Notes	2022 HK$'000	2021 HK$'000
Revenue	3 & 11	**6,252,874**	4,799,785
Cost of sales		**(5,023,998)**	(4,185,069)
Gross profit		**1,228,876**	614,716
Other revenue	4(a)	**60,360**	40,929
Other net (loss)/income	4(b)	**(22,653)**	2,621
Gain on step acquisition	27	**–**	595
Distribution costs		**(88,569)**	(89,108)
Administrative expenses		**(335,563)**	(295,971)
Profit from operations		**842,451**	273,782
Finance costs	5(a)	**(9,126)**	(10,455)
Share of profits of associates	17	**1,737**	899
Profit before taxation	5	**835,062**	264,226
Income tax	6	**(147,966)**	(70,664)
Profit for the year		**687,096**	193,562
Earnings per share			
Basic and diluted		**HK101.51 ¢**	HK28.60 ¢

The notes on pages 65 to 144 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 26(b).

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2022

	Notes	**2022 HK$'000**	2021 HK$'000
Profit for the year		**687,096**	193,562
Other comprehensive income for the year (after tax and reclassification adjustments):	9		
Item that will not be reclassified to profit or loss:			
– Unlisted equity security at fair value through other comprehensive income – net movement in fair value reserve (non-recycling)		**(352)**	386
		(352)	386
Item that may be or is reclassified subsequently to profit or loss:			
– Exchange differences on translation of financial statements of subsidiaries outside Hong Kong		**(20,103)**	1,152
		(20,103)	1,152
Other comprehensive income for the year		**(20,455)**	1,538
Total comprehensive income for the year		**666,641**	195,100

The notes on pages 65 to 144 form part of these financial statements.

Consolidated Statement of Financial Position

at 31 December 2022

	Notes	2022 HK$'000	2021 HK$'000
Non-current assets			
Property, plant and equipment	13	**1,402,286**	1,387,438
Investment properties	13	**4,004**	3,777
Long term receivables and prepayments	12	**20,670**	19,719
Other intangible assets	14	**25,353**	26,011
Goodwill	15	**2,753**	2,753
Interest in an associate	17	**12,006**	10,269
Deferred tax assets	25(b)	**6,890**	5,147
Time deposits	21(a)	**7,963**	3,081
Other financial assets	18	**2,875**	3,540
		1,484,800	1,461,735
Current assets			
Inventories	19	**944,935**	879,135
Trade and other receivables	20	**1,192,922**	1,254,554
Current tax recoverable	25(a)	**369**	2,836
Time deposits	21(a)	**92,377**	218,165
Cash and cash equivalents	21(a)	**669,264**	382,989
		2,899,867	2,737,679
Current liabilities			
Trade and other payables and contract liabilities	22	**817,445**	1,184,085
Bank loans	23	**192,294**	262,462
Lease liabilities	24	**22,234**	15,714
Current tax payable	25(a)	**94,771**	32,097
		1,126,744	1,494,358
Net current assets		**1,773,123**	1,243,321
Total assets less current liabilities		**3,257,923**	2,705,056

Consolidated Statement of Financial Position

at 31 December 2022

	Notes	2022 HK$'000	2021 HK$'000
Non-current liabilities			
Lease liabilities	24	**42,351**	20,216
Deferred tax liabilities	25(b)	**10,085**	10,620
		52,436	30,836
NET ASSETS		**3,205,487**	2,674,220
CAPITAL AND RESERVES			
Share capital	26(c)	**236,474**	236,474
Reserves		**2,969,013**	2,437,746
TOTAL EQUITY		**3,205,487**	2,674,220

Approved and authorised for issue by the board of directors on 23 March 2023.

Hyunjoo Kim
Director

Min Jung Lee
Director

The notes on pages 65 to 144 form part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2022

	Notes	Share capital HK$'000 (note 26(c))	General reserve fund HK$'000 (note 26(d)(i))	Other reserve HK$'000 (note 26(d)(ii))	Exchange reserve HK$'000 (note 26(d)(iii))	Fair value reserve (non-recycling) HK$'000 (note 26(d)(iv))	Retained profits HK$'000	Total equity HK$'000
Balance at 1 January 2021		236,474	29,171	(29,391)	33,610	(8,521)	2,299,001	2,560,344
Changes in equity for 2021:								
Profit for the year		–	–	–	–	–	193,562	193,562
Other comprehensive income		–	–	–	1,152	386	–	1,538
Total comprehensive income for the year		–	–	–	1,152	386	193,562	195,100
Final dividend approved in respect of the previous year	26(b)(ii)	–	–	–	–	–	(67,687)	(67,687)
Dividends declared in respect of the current year	26(b)(i)	–	–	–	–	–	(13,537)	(13,537)
Balance at 31 December 2021 and 1 January 2022		236,474	29,171	(29,391)	34,762	(8,135)	2,411,339	2,674,220
Changes in equity for 2022:								
Profit for the year		**–**	**–**	**–**	**–**	**–**	**687,096**	**687,096**
Other comprehensive income		**–**	**–**	**–**	**(20,103)**	**(352)**	**–**	**(20,455)**
Total comprehensive income for the year		**–**	**–**	**–**	**(20,103)**	**(352)**	**687,096**	**666,641**
Final dividend approved in respect of the previous year	26(b)(ii)	**–**	**–**	**–**	**–**	**–**	**(67,687)**	**(67,687)**
Dividends declared in respect of the current year	26(b)(i)	**–**	**–**	**–**	**–**	**–**	**(67,687)**	**(67,687)**
Balance at 31 December 2022		**236,474**	**29,171**	**(29,391)**	**14,659**	**(8,487)**	**2,963,061**	**3,205,487**

The notes on pages 65 to 144 form part of these financial statements.

Consolidated Cash Flow Statement

for the year ended 31 December 2022

	Notes	2022 HK$'000	2021 HK$'000
Operating activities			
Cash generated from operations	21(b)	**693,367**	257,719
Tax paid			
– Hong Kong Profits Tax paid		**(31,477)**	(14,486)
– Tax paid outside Hong Kong		**(53,670)**	(45,692)
Net cash generated from operating activities		**608,220**	197,541
Investing activities			
Payment for purchase of property, plant and equipment		**(188,636)**	(167,515)
Prepayment for purchase of property, plant and equipment		**(11,799)**	(19,719)
Proceeds from the disposal of property, plant and equipment		**6,643**	16,310
Payment for purchase of other intangible assets		**–**	(11,723)
Proceeds from the disposal of other intangible assets		**–**	19
Interest received		**19,513**	20,460
Increase in loans receivable		**(24,916)**	–
Decrease/(increase) in time deposits with maturity over three months		**120,907**	(41,894)
Net cash used in investing activities		**(78,288)**	(204,062)
Financing activities			
Capital elements of lease rentals paid	21(c)	**(17,715)**	(18,245)
Interest elements of lease rentals paid	21(c)	**(2,804)**	(2,547)
Interest paid	21(c)	**(6,322)**	(7,908)
Proceeds from new bank loans	21(c)	**692,007**	691,362
Repayment of bank loans	21(c)	**(763,522)**	(683,266)
Dividends paid		**(135,374)**	(81,224)
Net cash used in financing activities		**(233,730)**	(101,828)
Net decrease in cash and cash equivalents		**296,202**	(108,349)
Cash and cash equivalents at 1 January		**382,989**	489,071
Effect of foreign exchange rate changes		**(9,927)**	2,267
Cash and cash equivalents at 31 December	21(a)	**669,264**	382,989

The notes on pages 65 to 144 form part of these financial statements.

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

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. These 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 ("SEHK") (the "Listing Rules"). Significant accounting policies adopted by Dream International Limited (the "Company") and its subsidiaries (together referred to as the "Group") are disclosed below.

The HKICPA has issued certain amendments to HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current accounting period reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2022 comprise the Group and the Group's interest in an associate.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that investments in equity securities (see note 1(f)) are stated at their fair values.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 31.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 1(f)), or when appropriate, the cost on initial recognition of an investment in an associate (see note 1(d)) or joint venture.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 1(k)(ii)).

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Associate

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). The cost of the investment includes purchase price, other costs directly attributable to the acquisition of the investment, and any direct investment into the associate that forms part of the Group's equity investment. Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see notes 1(e) and (k)(ii)). At each reporting date, the Group assesses whether there is any objective evidence that the investment is impaired. Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of comprehensive income.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method, together with any other long-term interests that in substance form part of the Group's net investment in the associate (after applying the expected credit losses ("ECL") model to such other long-term interests where applicable (see note 1(k)(i))).

Unrealised profits and losses resulting from transactions between the Group and its associate are eliminated to the extent of the group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 1(f)).

In the Company's statement of financial position, investment in an associate is stated at cost less impairment losses (see note 1(k)(ii)), unless classified as held for sale (or included in a disposal group that is classified as held for sale).

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Goodwill

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 1(k)(ii)).

On disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(f) Other investments in equity securities

The Group's policies for investments in equity securities, other than investments in subsidiaries and associates, are set out below.

Investments in equity securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss ("FVPL") for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see note 28(e). These investments are subsequently accounted for as follows, depending on their classification.

Equity investments

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an irrevocable election to designate the investment at fair value through other comprehensive income ("FVOCI") (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained profits. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognised in profit or loss as other income in accordance with the policy set out in note 1(t)(ii)(c).

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 1(j)) to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

Investment properties are stated at cost less accumulated depreciation and impairment losses (see note 1(k)(ii)). Depreciation is calculated to write off the cost of investment properties, using the straight line method over the shorter of the unexpired term of leases and their estimated useful lives.

Gains or losses arising from the retirement or disposal of an investment property are determined as the difference between the net disposal proceeds and the carrying amount of the investment property and are recognised in profit or loss on the date of retirement or disposal. Rental income from investment properties is accounted for as described in note 1(t)(ii)(b).

(h) Property, plant and equipment

The following items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 1(k)(ii)):

- freehold land and buildings;
- interests in leasehold land and buildings where the Group is the registered owner of the property interest (see note 1(j));
- right-of-use assets arising from leases of underlying properties where the Group is not the registered owner of the property interest; and
- items of plant and equipment.

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads.

Items may be produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management. The proceeds from selling any such items and the related costs are recognised in profit or loss.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Property, plant and equipment *(Continued)*

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

– Freehold land is not depreciated.

– Buildings situated on freehold land are depreciated over their estimated useful life, being no more than 50 years after the date of completion.

– Leasehold land is depreciated over unexpired term of lease.

– The Group's interests in buildings situated on leasehold land are depreciated over the shorter of the unexpired term of lease and the buildings' estimated useful lives, being no more than 50 years after the date of completion.

– Plant and machinery 5 – 10 years

– Others 3 – 10 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(i) Intangible assets (other than goodwill)

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 1(k)(ii)).

Patents and computer softwares are carried at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 1(k)(ii)). Amortisation of patent and computer softwares with finite useful lives is charged to profit or loss on a straight line basis over its estimated useful lives of five years and ten years respectively. Both the period and method of amortisation are reviewed annually.

Club memberships with indefinite useful lives are stated in the statement of financial position at cost less accumulated impairment losses, and are tested annually for impairment (see note 1(k)(ii)).

Intangible assets are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite lives as set out above.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(i) As a lessee

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and lease of low-value assets. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see notes 1(h) and 1(k)(ii)).

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Leased assets *(Continued)*

(i) As a lessee *(Continued)*

The initial fair value of refundable rental deposits is accounted for separately from the right-of-use assets in accordance with the accounting policy applicable to financial assets carried at amortised cost (see notes 1(m), 1(t)(ii)(a) and 1(k)(i)). Any difference between the initial fair value and the nominal value of the deposits is accounted for as additional lease payments made and is included in the cost of right-of-use assets.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("lease modification") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are rent concessions that occurred as a direct consequence of the COVID-19 pandemic and met the conditions set out in paragraph 46B of HKFRS 16 Leases. In such cases, the Group has taken advantage of the practical expedient not to assess whether the rent concession are lease modification and recognised the change in consideration as negative variable lease payments in profit or loss in the period in which the event or condition that triggers the rent concessions occurred.

In the consolidated statement of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

(ii) As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease. The rental income from operating leases is recognised in accordance with note 1(t)(b)(ii).

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Credit losses and impairment of assets

(i) Credit losses from financial instruments

The Group recognises a loss allowance for ECLs on financial assets measured at amortised cost (including cash and cash equivalents, time deposits, trade and other receivables which are held for the collection of contractual cash flows which represent solely payments of principal and interest).

Other financial assets measured at fair value, including equity securities designated at FVOCI (non-recycling), are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

– trade and other receivables: effective interest rate determined at initial recognition or an approximation thereof; and

– variable-rate financial assets: current effective interest rate.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Credit losses and impairment of assets *(Continued)*

(i) Credit losses from financial instruments *(Continued)*

Measurement of ECLs (Continued)

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

– lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Credit losses and impairment of assets *(Continued)*

(i) Credit losses from financial instruments *(Continued)*

Significant increases in credit risk (Continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

– failure to make payments of principal or interest on their contractually due dates;

– an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

– an actual or expected significant deterioration in the operating results of the debtor; and

– existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Credit losses and impairment of assets *(Continued)*

(ii) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

– investment properties;

– property, plant and equipment, including right-of-use assets;

– other intangible assets;

– goodwill; and

– investments in subsidiaries and interest in an associate in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill and other intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– *Calculation of recoverable amount*

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit). A portion of the carrying amount of a corporate asset (for example, head office building) is allocated to an individual cash-generating unit if the allocation can be done on a reasonable and consistent basis, or to the smallest group of cash-generating units if otherwise.

– *Recognition of impairment losses*

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Credit losses and impairment of assets *(Continued)*

(ii) Impairment of other non-current assets *(Continued)*

– *Reversals of impairment losses*

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(iii) Interim financial reporting and impairment

Under the Listing Rules, the Group is required to prepare an interim financial report in compliance with HKAS 34, *Interim financial reporting*, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 1(k)(i) and (ii)).

(l) Inventories

Inventories are assets which are held for sale in the ordinary course of business, in the process of production for such sale or in the form of materials or supplies to be consumed in the production process.

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(m) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset.

Trade receivables that do not contain a significant financing component are initially measured at their transaction price. Trade receivables that contain a significant financing component and other receivables are initially measured at fair value plus transaction costs. All receivables are subsequently stated at amortised cost, using the effective interest method and including an allowance for credit losses (see note 1(k)(i)).

(n) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with the Group's accounting policy for borrowing costs (see note 1(v)).

(o) Trade and other payables and contract liabilities

(i) Trade and other payables

Trade and other payables are initially recognised at fair value. Subsequent to initial recognition, trade and other payables are stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at invoice amounts.

(ii) Contract liabilities

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue (see note 1(t)(i)(a)). A contract liability would also be recognised if the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see note 1(m)).

(p) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for ECL in accordance with the policy set out in note 1(k)(i).

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(q) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

(r) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(r) Income tax *(Continued)*

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  – the same taxable entity; or

  – different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(s) Provisions and contingent liabilities

Provisions are recognised when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, a separate asset is recognised for any expected reimbursement that would be virtually certain. The amount recognised for the reimbursement is limited to the carrying amount of the provision.

(t) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods in the ordinary course of the Group's business.

The Group is the principal for its revenue transactions and recognises revenue on a gross basis. In determining whether the Group acts as a principal or as an agent, it considers whether it obtains control of the products before they are transferred to the customers. Control refers to the Group's ability to direct the use of and obtain substantially all of the remaining benefits from the products.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Revenue from contracts with customers

Revenue is recognised when control over a product is transferred to the customer at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties such as value added tax or other sales taxes.

(a) Sale of goods

Revenue is recognised when the customer takes possession of and accepts the goods. Payment terms and conditions vary by customers and are based on the billing schedule established in the contracts or purchase orders with customers, but the Group generally provides credit terms to customers within 30 – 120 days upon customer acceptance.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(t) Revenue and other income *(Continued)*

(ii) Other income

(a) Interest income

Interest income is recognised as it accrues under the effective interest method using the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. For financial assets measured at amortised cost or FVOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see note 1(k)(i)).

(b) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable.

(c) Dividends

Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

(d) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred.

(u) Translation of foreign currencies

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity ("functional currency").

The consolidated financial statements are presented in Hong Kong dollar ("HKD"), which is different from the Company's functional currency of United States dollar ("USD"). The Company has used HKD as its presentation currency in view of the fact that the Company's shares are listed on the SEHK.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(u) Translation of foreign currencies *(Continued)*

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the Company initially recognises such non-monetary assets or liabilities. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of operations outside Hong Kong are translated into HKD at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items, including goodwill arising on consolidation of an operation outside Hong Kong acquired on or after 1 January 2005, are translated into HKD at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(v) Borrowing costs

Borrowing costs are expensed in the period in which they are incurred.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(w) Related parties

(i) A person, or a close member of that person's family, is related to the Group if that person:

(1) has control or joint control over the Group;

(2) has significant influence over the Group; or

(3) is a member of the key management personnel of the Group or the Group's parent.

(ii) An entity is related to the Group if any of the following conditions applies:

(1) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(2) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(3) Both entities are joint ventures of the same third party.

(4) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(5) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(6) The entity is controlled or jointly controlled by a person identified in (i).

(7) A person identified in (i)(1) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(8) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(x) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

2 CHANGES IN ACCOUNTING POLICIES

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

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

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the amended HKFRSs are discussed below:

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

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

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

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

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

3 REVENUE

The principal activities of the Group are the design, development, manufacture and sale of plush stuffed toys, plastic figures, tarpaulin and die-casting products. Revenue 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. Further details regarding the Group's principal activities are disclosed in note 11.

Disaggregation of revenue

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

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

Disaggregation of revenue from contracts with customers by geographic markets is disclosed in note 11(c).

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

	2022 HK$'000	2021 HK$'000
Customer A	**2,102,707**	1,668,652
Customer B	**1,083,710**	480,201

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

Details of concentrations of credit risk arising from these customers are set out in note 28(a).

4 OTHER REVENUE AND NET (LOSS)/INCOME

(a) Other revenue

	2022 HK$'000	2021 HK$'000
Bank interest income	**19,513**	20,460
Government grants (note)	**4,521**	164
Sundry income	**36,326**	20,305
	60,360	40,929

Note: In 2022, the Group successfully applied for funding support from the Hong Kong Special Administrative Region Government and the United States of America (the "USA") Government. The purpose of the funding is to provide financial support to enterprises to retain their employees who would otherwise be made redundant. No such funding support was received in 2021.

In 2022 and 2021, the Group also successfully applied for funding support from the People's Republic of China (the "PRC") Government. The purpose of the funding is to provide financial support to enterprises to retain their employees who would otherwise be made redundant.

(b) Other net (loss)/income

	2022 HK$'000	2021 HK$'000
Net gain/(loss) on disposal of property, plant and equipment	**107**	(2,103)
Gain on disposal of intangible assets	**–**	19
Reversal/(provision) of impairment loss on other intangible assets (note 14)	**29**	(10)
Loss on unauthorised fund transfer (note)	**(41,420)**	–
Net foreign exchange gain	**23,532**	5,249
Others	**(4,901)**	(534)
	(22,653)	2,621

Note: As disclosed in the Group's announcement dated 23 February 2022, the Company discovered that the token for the internet banking of the Company was missing and found out funds amounted to USD5,311,090 (equivalent to approximately HK$41,420,000) was transferred to a non-related account with the Group (the "Incident") on 17 February 2022. Management consider the chance to recover the lost funds is remote and recognise a loss of HK$41,420,000 in the consolidated statement of profit or loss for the year ended 31 December 2022.

5 PROFIT BEFORE TAXATION

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

		Notes	2022 HK$'000	2021 HK$'000
(a)	***Finance costs***			
	Interest expense on bank loans	21(c)	**6,322**	7,908
	Interest expense on lease liabilities	21(c)	**2,804**	2,547
			9,126	10,455
(b)	***Staff costs****			
	Contributions to defined contribution retirement plan		**70,391**	65,996
	Salaries, wages and other benefits		**1,405,687**	1,254,332
			1,476,078	1,320,328
(c)	***Other items***			
	Depreciation charge*	13(a)		
	– owned property, plant and equipment		**151,745**	146,262
	– leasehold land held for own use		**6,691**	4,211
	– right-of-use assets		**27,467**	22,958
	Amortisation of other intangible assets	14	**402**	399
	Provision/(reversal) of loss allowances of trade receivables	28(a)	**3,341**	(365)
	Auditors' remuneration			
	– audit services		**6,006**	5,177
	– other services		**888**	1,107
	Cost of inventories*	19(b)	**5,023,998**	4,185,069

* Cost of inventories includes HK$1,427,169,000 (2021: HK$1,268,427,000) relating to staff costs and depreciation, which amounts are also included in the respective total amounts disclosed separately above or in note 5(b) for each of these types of expenses.

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(a) Taxation in the consolidated statement of profit or loss represents:

	2022 HK$'000	2021 HK$'000
Current tax – Hong Kong Profits Tax		
Provision for the year	**49,599**	31,896
(Over)/under-provision in respect of prior years	**(1,026)**	32
	48,573	31,928
Current tax – Outside Hong Kong		
Provision for the year	**98,130**	35,590
Under-provision in respect of prior years	**3,585**	3,037
	101,715	38,627
Deferred tax		
Origination and reversal of temporary differences (note 25(b))	**(2,322)**	109
	147,966	70,664

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

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

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

Taxation for subsidiaries outside Hong Kong is charged at the appropriate current rates of taxation ruling in the relevant countries.

Current tax outside Hong Kong for the year ended 31 December 2022 includes refund of withholding tax of HK$803,000 paid on dividend income from subsidiaries in 2020.

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(Continued)

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2022 HK$'000	2021 HK$'000
Profit before taxation	**835,062**	264,226
Notional tax on profit before taxation, calculated at the rates applicable to profits in the countries concerned	**155,910**	42,790
Tax effect of non-deductible expenses	**27,409**	17,386
Tax effect of non-taxable income	**(7,676)**	(7,043)
Tax effect of utilisation of previously unrecognised tax losses	**(28,106)**	(6,910)
Tax effect of unused tax losses not recognised	**913**	28,184
Tax effect of deductible temporary differences not recognised	**3,767**	29
Statutory tax concession	**(5,849)**	(3,044)
Under-provision in respect of prior years	**2,559**	3,067
Others	**(961)**	(3,795)
	147,966	70,664

7 DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	Directors' fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Retirement scheme contributions HK$'000	2022 Total HK$'000
Chairman and executive director					
Kyoo Yoon Choi	–	7,086	1,782	–	8,868
Executive directors					
Sung Sick Kim	–	1,948	754	–	2,702
Min Jung Lee	–	1,456	252	–	1,708
Hyunjoo Kim (appointed on 25 March 2022)	–	1,480	238	–	1,718
Hyun Ho Kim (resigned on 25 March 2022)	–	445	248	–	693
Independent non-executive directors					
Cheong Heon Yi	175	–	–	–	175
Chan Yoo	148	–	–	–	148
Jong Hun Lim	120	–	–	–	120
	443	12,415	3,274	–	16,132

7 DIRECTORS' EMOLUMENTS *(Continued)*

	Directors' fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Retirement scheme contributions HK$'000	2021 Total HK$'000
Chairman and executive director					
Kyoo Yoon Choi	–	3,731	1,242	–	4,973
Executive directors					
Hyun Ho Kim	–	1,138	304	–	1,442
Sung Sick Kim	–	1,262	510	–	1,772
Min Jung Lee	–	756	154	–	910
Young M. Lee (resigned on 7 May 2021)	–	565	396	–	961
Independent non-executive directors					
Cheong Heon Yi	175	–	–	–	175
Chan Yoo	148	–	–	–	148
Jong Hun Lim	120	–	–	–	120
	443	7,452	2,606	–	10,501

8 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, two (2021: two) are directors whose emoluments are disclosed in note 7. The aggregate of the emoluments in respect of the remaining three (2021: three) individual are as follows:

	2022 HK$'000	2021 HK$'000
Salaries and other emoluments	**5,755**	6,972
Discretionary bonuses	**3,074**	1,262
Retirement scheme contributions	**–**	–
	8,829	8,234

8 INDIVIDUALS WITH HIGHEST EMOLUMENTS *(Continued)*

The emoluments of the remaining three (2021: three) individuals with the highest emoluments are within the following bands:

	2022 **No. of individuals**	2021 No. of individuals
HK$		
2,000,001 – 2,500,000	**1**	2
2,500,001 – 3,000,000	**1**	–
3,000,001 – 3,500,000	**–**	1
3,500,001 – 4,000,000	**1**	–

9 OTHER COMPREHENSIVE INCOME

(a) Tax effects relating to each component of other comprehensive income

	2022			2021		
	Before-tax amount HK$'000	**Tax credit HK$'000**	**Net-of-tax amount HK$'000**	Before-tax amount HK$'000	Tax expense HK$'000	Net-of-tax amount HK$'000
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong	**(20,103)**	**–**	**(20,103)**	1,152	–	1,152
Unlisted equity security at FVOCI: net movement in fair value reserve (non-recycling)	**(359)**	**7**	**(352)**	495	(109)	386
Other comprehensive income	**(20,462)**	**7**	**(20,455)**	1,647	(109)	1,538

(b) Components of other comprehensive income, including reclassification adjustments

	2022 **HK$'000**	2021 HK$'000
Equity security measured at FVOCI		
Changes in fair value recognised during the year	**(352)**	386
Net movement in the fair value reserve (non-recycling) during the year recognised in other comprehensive income	**(352)**	386

10 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of HK$687,096,000 (2021: HK$193,562,000) and the weighted average of 676,865,000 ordinary shares (2021: 676,865,000 ordinary shares) in issue during the year.

(b) Diluted earnings per share

The diluted earnings per share is the same as the basic earnings per share as there were no dilutive potential ordinary shares in existence during the years ended 31 December 2022 and 2021.

11 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 four reportable segments. No operating segments have been aggregated to form the following reportable segments.

– 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.

– 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 PRC and Vietnam.

– Tarpaulin: this segment is involved in the design, development, manufacture and sale of tarpaulin. These products are manufactured in the Group's manufacturing facilities located primarily in Vietnam.

– Die-casting products: this segment is involved in the design, development, manufacture and sale of die-casting products. These products are manufactured in the Group's manufacturing facilities located primarily in Vietnam.

11 SEGMENT REPORTING *(Continued)*

(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 assets, other intangible assets, goodwill and current assets with the exception of interest in an associate, club memberships, other financial asset, deferred tax assets, current tax recoverable and other corporate assets. Segment liabilities include trade creditors, accruals and lease liabilities 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 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 the adjusted EBITDA, the Group's earnings are further adjusted for items not specially attributed to individual segments, such as gain on step acquisition, share of profits 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 inter-segment sales, interest income and expense from cash balances and borrowings managed directly by the segments, depreciation 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.

11 SEGMENT REPORTING *(Continued)*

(a) Segment results, assets and liabilities *(Continued)*

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

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

11 SEGMENT REPORTING *(Continued)*

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

	2022 HK$'000	2021 HK$'000
Revenue		
Reportable segment revenue	**6,475,900**	4,973,378
Elimination of inter-segment revenue	**(223,026)**	(173,593)
Consolidated revenue (note 3)	**6,252,874**	4,799,785
Profit		
Reportable segment profit	**1,064,781**	451,700
Share of profits of associates	**1,737**	899
Gain on step acquisition	**–**	595
Interest income	**19,513**	20,460
Depreciation and amortisation	**(186,305)**	(173,830)
Finance costs	**(9,126)**	(10,455)
Unallocated head office and corporate expenses	**(55,538)**	(25,143)
Consolidated profit before taxation	**835,062**	264,226

11 SEGMENT REPORTING *(Continued)*

(b) Reconciliations of reportable segment revenue, profit or loss, assets and liabilities *(Continued)*

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

11 SEGMENT REPORTING *(Continued)*

(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 investment properties, property, plant and equipment, other intangible assets, goodwill and interest in an associate ("specified non-current assets"). The geographical location of customers is based on the location at which the goods were delivered. The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of investment properties and property, plant and equipment, the location of the operation to which they are allocated, in the case of other intangible assets, prepayments for leasehold land and property, plant and equipment and goodwill, and the location of operations, in the case of interest in an associate.

	Revenue from external customers	
	2022	2021
	HK$'000	HK$'000
Hong Kong (place of domicile)	**43,708**	89,207
North America	**3,794,341**	3,398,660
Japan	**1,115,211**	490,088
The PRC	**897,847**	290,320
Europe	**267,404**	391,129
Vietnam	**78,097**	78,091
Korea	**36,309**	28,200
Other countries	**19,957**	34,090
	6,209,166	4,710,578
	6,252,874	4,799,785

11 SEGMENT REPORTING *(Continued)*

(c) Geographical information *(Continued)*

	Specified non-current assets	
	2022	2021
	HK$'000	HK$'000
Hong Kong (place of domicile)	**210,162**	218,955
Vietnam	**1,121,112**	1,128,725
The PRC	**83,089**	54,139
Korea	**22,763**	28,569
Singapore	**17,386**	13,212
North America	**8,525**	1,606
Japan	**4,035**	4,761
	1,256,910	1,231,012
	1,467,072	1,449,967

12 LONG TERM RECEIVABLES AND PREPAYMENTS

	2022	2021
	HK$'000	HK$'000
Loans to a supplier (note 12(a))	**1,340**	2,023
Prepayments (note 12(b))	**19,330**	17,696
	20,670	19,719

(a) Loans to a supplier bear interest at 6.5% per annum (2021: 6.5% per annum) and are repayable in 2024. Loans amounting to HK$1,340,000 (2021: HK$2,023,000) are guaranteed by the parent company of the supplier.

(b) The prepayments mainly relate to the purchase of leasehold land and property, plant and equipment.

13 INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT

(a) Reconciliation of carrying amount

	Freehold land and buildings HK$'000	Interests in leasehold land held for own use HK$'000	Other properties leased for own use carried at cost HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Office equipment, furniture and fixtures HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Sub-total HK$'000	Investment properties HK$'000	Total HK$'000
Cost:											
At 1 January 2021	940,887	145,857	71,306	12,471	661,768	74,799	22,167	57,486	1,986,741	5,140	1,991,881
Exchange adjustments	6,061	1,421	(1,148)	132	6,510	404	(499)	166	13,047	723	13,770
Acquisition of subsidiaries (note 27)	15,476	6,465	–	–	838	57	441	–	23,277	–	23,277
Additions	30,931	13,115	10,714	721	69,746	21,224	805	49,542	196,798	–	196,798
Disposals	(4,172)	(86)	(2,589)	(23)	(34,090)	(411)	(238)	(12,558)	(54,167)	(940)	(55,107)
Transfers	81,750	–	–	–	6,506	2,735	–	(90,991)	–	–	–
At 31 December 2021	1,070,933	166,772	78,283	13,301	711,278	98,808	22,676	3,645	2,165,696	4,923	2,170,619
At 1 January 2022	1,070,933	166,772	78,283	13,301	711,278	98,808	22,676	3,645	2,165,696	4,923	2,170,619
Exchange adjustments	(9,193)	(1,458)	(3,381)	(752)	(6,435)	(1,016)	(443)	3	(22,675)	(27)	(22,702)
Additions	40,297	–	58,169	27,909	67,428	20,081	4,172	2,780	220,836	–	220,836
Disposals	(308)	(219)	(6,797)	(95)	(8,072)	(29,778)	(750)	–	(46,019)	–	(46,019)
Transfers	3,385	–	–	–	–	–	–	(3,805)	(420)	420	–
At 31 December 2022	1,105,114	165,095	126,274	40,363	764,199	88,095	25,655	2,623	2,317,418	5,316	2,322,734
Accumulated depreciation and impairment loss:											
At 1 January 2021	156,338	15,746	22,010	10,437	379,328	36,796	9,800	–	630,455	1,753	632,208
Exchange adjustments	2,348	2,069	(543)	124	4,042	1,331	1,141	–	10,512	262	10,774
Charge for the year	43,346	4,211	22,958	2,428	69,688	28,694	2,035	–	173,360	71	173,431
Written back on disposals	(2,092)	(86)	(2,904)	(23)	(30,804)	(29)	(131)	–	(36,069)	(940)	(37,009)
At 31 December 2021	199,940	21,940	41,521	12,966	422,254	66,792	12,845	–	778,258	1,146	779,404
At 1 January 2022	199,940	21,940	41,521	12,966	422,254	66,792	12,845	–	778,258	1,146	779,404
Exchange adjustments	(2,488)	81	(939)	(415)	(4,636)	(720)	(257)	–	(9,374)	(6)	(9,380)
Charge for the year	45,819	6,691	27,467	1,587	84,782	16,124	3,261	–	185,731	172	185,903
Written back on disposals	(234)	(113)	(6,658)	(92)	(6,711)	(24,984)	(691)	–	(39,483)	–	(39,483)
At 31 December 2022	243,037	28,599	61,391	14,046	495,689	57,212	15,158	–	915,132	1,312	916,444
Net book value:											
At 31 December 2022	862,077	136,496	64,883	26,317	268,510	30,883	10,497	2,623	1,402,286	4,004	1,406,290
At 31 December 2021	870,993	144,832	36,762	335	289,024	32,016	9,831	3,645	1,387,438	3,777	1,391,215

13 INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT
(Continued)

(b) The carrying amount and fair value of the Group's investment properties and the level of fair value hierarchy (as defined in note 28(e)) at 31 December 2022 and 2021 are disclosed below:

(i) Fair value hierarchy

	Carrying amount at 31 December 2022 HK$'000	Fair value at 31 December 2022 HK$'000	Fair value measurements as at 31 December 2022 categorised into Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000
Recurring fair value measurement					
Investment properties					
– the PRC	1,460	3,081	–	–	3,081
– Vietnam	2,544	2,627	–	–	2,627

	Carrying amount at 31 December 2021 HK$'000	Fair value at 31 December 2021 HK$'000	Fair value measurements as at 31 December 2021 categorised into Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000
Recurring fair value measurement					
Investment properties					
– the PRC	1,161	2,522	–	–	2,522
– Vietnam	2,616	2,311	–	–	2,311

During the year ended 31 December 2022, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2021: Nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

(Expressed in Hong Kong dollars unless otherwise indicated)

13 INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT *(Continued)*

(b) The carrying amount and fair value of the Group's investment properties and the level of fair value hierarchy (as defined in note 28(e)) at 31 December 2022 and 2021 are disclosed below: *(Continued)*

(i) Fair value hierarchy *(Continued)*

For the fair value of an investment property in the PRC as at 31 December 2022, the Group had engaged independent firm of surveyor, Roma Appraisals Limited who has among their staff fellows of the Hong Kong Institute of Surveyors with recent experience in the location and category of the property being valued, to value its investment property. The Group's management had discussion with the surveyor on the valuation assumptions and valuation results when the valuation was performed at the end of the reporting period.

For the fair value of an investment property in Vietnam as at 31 December 2022, the Group had engaged independent firm of surveyor, CBRE (Vietnam) Co., Ltd who has among their staff fellows of Royal Institution of Chartered Surveyors with recent experience in the location and category of the property being valued, to value its investment property. The Group's management had discussion with the surveyor on the valuation assumptions and valuation results when the valuation was performed at the end of the reporting period.

For the fair value of investment properties in the PRC and Vietnam as at 31 December 2021, the Group determined the fair value using depreciated replacement cost approach by considering the cost to reproduce or replace in new condition the investment property appraised in accordance with current construction costs for similar properties in the locality.

(ii) Information about Level 3 fair value measurements

	Valuation techniques	Unobservable input	Amount
Investment properties			
– The PRC	Depreciated replacement cost approach	Adjusted replacement cost per sq. m.	RMB530 (2021: RMB521)
– Vietnam	Depreciated replacement cost approach	Adjusted replacement cost per sq. m.	USD240 (2021: USD150)

The fair values of the investment properties are determined using depreciated replacement cost approach by considering the cost to reproduce or replace in new condition the investment properties appraised in accordance with current construction costs for similar properties in the locality, with allowance for accrued depreciation as evidenced by observed condition or obsolescence percent, whether arising from physical, functional or economic causes. The fair value measurement is positively correlated to the adjusted replacement cost.

13 INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT *(Continued)*

(c) Right-of-use assets

The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

	Notes	2022 HK$'000	2021 HK$'000
Interests in leasehold land held for own use, carried at depreciated cost, with remaining lease term of:			
– between 10 and 50 years	(i)	**136,496**	144,832
Other properties leased for own use, carried at depreciated cost	(ii)	**64,883**	36,762
		201,379	181,594

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	2022 HK$'000	2021 HK$'000
Depreciation charge of right-of-use assets by class of underlying asset:		
Interests in leasehold land held for own use	**6,691**	4,211
Other properties leased for own use	**27,467**	22,958
	34,158	27,169
Interest expense on lease liabilities (note 5(a))	**2,804**	2,547
Expense relating to short-term leases	**13,857**	10,183

During the year ended 31 December 2022, additions to right-of-use assets were HK$58,169,000 (2021: HK$23,829,000). This amount related to the capitalised lease payments payable under new tenancy agreements. This amount in 2021 also included the purchase of leasehold properties of HK$13,115,000.

Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in notes 21(d) and 24, respectively.

13 INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT *(Continued)*

(c) Right-of-use assets *(Continued)*

(i) Interests in leasehold land held for own use

The Group holds several plants, where its manufacturing are primarily located. The Group is the registered owner of these property interests. There are no lump sum or ongoing payments to be made under the terms of the land lease, other than payments made based on rateable values set by the relevant government authorities. These payments vary from time to time and are payable to the relevant government authorities.

(ii) Other properties leased for own use

The Group has obtained the right to use other properties through tenancy agreements. The leases typically run for an initial period of 2 to 5 years.

(d) Pledged assets

As at 31 December 2021, a property of the Group with a carrying amount of HK$199,328,000 was pledged as security for a mortgage instalment loan of the Group of HK$54,202,000. The mortgage instalment loan was repaid during the year ended 31 December 2022.

As at 31 December 2022, factory buildings, certain leasehold land and property, plant and equipment of the Group with an aggregate carrying amount of HK$122,705,000 (2021: HK$144,951,000) were pledged as security for bank loans of the Group of HK$55,588,000 (2021: HK$38,082,000).

As at 31 December 2022, unutilised banking facility of HK$31,187,000 (2021: HK$Nil) was secured by leasehold land and other property, plant and equipment of the Group with an aggregate amount of HK$66,831,000 (2021: HK$Nil).

(e) Investment properties

The Group leases out investment properties under operating leases. The leases typically run for an initial period of two years, with an option to renew the lease after the date at which time all terms are renegotiated. None of the leases includes variable lease payments.

All properties held under operating leases that would otherwise meet the definition of investment properties are classified as investment properties. Total future minimum lease payments under non-cancellable operating leases had been received in advance.

14 OTHER INTANGIBLE ASSETS

	Club memberships HK$'000	Patent HK$'000	Computer software HK$'000	Total HK$'000
Cost:				
At 1 January 2021	17,813	3,382	2,226	23,421
Additions	11,723	–	–	11,723
Disposals	(159)	–	–	(159)
Exchange adjustment	(779)	–	13	(766)
At 31 December 2021	28,598	3,382	2,239	34,219
At 1 January 2022	28,598	3,382	2,239	34,219
Exchange adjustment	(485)	–	–	(485)
At 31 December 2022	28,113	3,382	2,239	33,734
Accumulated amortisation and impairment losses:				
At 1 January 2021	4,596	3,382	130	8,108
Charge for the year	–	–	399	399
Impairment loss	10	–	–	10
Written back on disposal	(159)	–	–	(159)
Exchange adjustment	(153)	–	3	(150)
At 31 December 2021	4,294	3,382	532	8,208
At 1 January 2022	4,294	3,382	532	8,208
Charge for the year	–	–	402	402
Reversal of impairment loss	(29)	–	–	(29)
Exchange adjustment	(196)	–	(4)	(200)
At 31 December 2022	4,069	3,382	930	8,381
Net book value:				
At 31 December 2022	24,044	–	1,309	25,353
At 31 December 2021	24,304	–	1,707	26,011

14 OTHER INTANGIBLE ASSETS *(Continued)*

Club memberships of the Group were assessed to have indefinite useful lives during the years ended 31 December 2022 and 2021 and, accordingly, no amortisation was charged.

The Group assessed the recoverable amounts of club memberships as at 31 December 2022 and 2021 and reversal of impairment loss of HK$29,000 (2021: impairment loss of HK$10,000) was recognised in the consolidated statement of profit or loss for the year ended 31 December 2022. The estimates of recoverable amount are based on the club memberships' fair values less costs of disposal, using market comparison approach by reference to recent sales price of similar assets.

15 GOODWILL

	HK$'000
At 1 January 2021, 31 December 2021, 1 January 2022 and 31 December 2022	2,753

During the year ended 31 December 2012, the Group acquired 100% equity interest in JM Mekong Co., Ltd ("JM Mekong") in Vietnam, for a cash consideration of US$386,000 (equivalent to approximately HK$3,000,000). JM Mekong is principally engaged in the manufacturing of plush stuffed toys. The goodwill represented the cash consideration over the fair value of identifiable assets and liabilities acquired of HK$247,000. The goodwill is attributable to the economies of scale expected from combining the operations of the Group and the acquired businesses.

(Expressed in Hong Kong dollars unless otherwise indicated)

16 INTEREST IN SUBSIDIARIES

The following list contains the particulars of subsidiaries of the Group. The class of shares held is ordinary unless otherwise stated.

Name of company	Place of incorporation/ registration and operation	Particulars of issued/registered and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by subsidiaries	Principal activities
Dream International USA, Inc.	United States of America	Registered and paid up capital of US$1,000,000	100%	100%	–	Trading of plush stuffed toys
J.Y. International Company Limited	Hong Kong	3,500,000 shares	100%	100%	–	Trading of plush stuffed toys and investment holding
C & H Trading (Suzhou) Co., Ltd #	The PRC	Registered and paid up capital of US$7,200,000	100%	100%	–	Trading of plush stuffed toys and investment holding
Dream Inko Co., Ltd	Korea	Registered and paid up capital of KRW100,000,000	100%	–	100%	Design, development and trading of plush stuffed toys and investment holding
Dream Vina Co., Ltd	Vietnam	Registered and paid up capital of US$12,764,827	100%	60.83%	39.17%	Manufacture of plush stuffed toys
Dream Textile Co., Ltd	Vietnam	Registered and paid up capital of US$5,500,000	100%	100%	–	Manufacture of fabrics and dyeing
Dream Mekong Co., Ltd	Vietnam	Registered and paid up capital of US$5,000,000	100%	–	100%	Manufacture of plush stuffed toys and investment holding
Dream Plastic Co., Ltd	Vietnam	Registered and paid up capital of US$13,500,000	100%	100%	–	Manufacture of plastic figures and investment holding
C & H HK Corp., Ltd	Hong Kong	10,500,002 shares	100%	100%	–	Trading of die-casting products and investment holding
C & H Toys (Mingguang) Co., Ltd #	The PRC	Registered and paid up capital of US$1,000,000	100%	100%	–	Manufacture of plush stuffed toys
C & H Toys (Chaohu) Co., Ltd *	The PRC	Registered and paid up capital of US$8,000,000	100%	–	100%	Manufacture of plush stuffed toys
Shenzhen C & H Plastic & Hardware Co., Ltd *	The PRC	Registered and paid up capital of RMB2,200,000	100%	–	100%	Manufacture of plastic figures
JM Mekong Co., Ltd	Vietnam	Registered and paid up capital of US$675,437	100%	–	100%	Manufacture of plush stuffed toys
Dream Lingshan Co., Ltd *	The PRC	Registered and paid up capital of RMB1,800,000	100%	–	100%	Manufacture of plush stuffed toys
J.Y. Hanam Co., Ltd	Vietnam	Registered and paid up capital of VND107,000,000,000	100%	–	100%	Manufacture of plush stuffed toys
J.Y. Vina Co., Ltd	Vietnam	Registered and paid up capital of VND105,850,000,000	100%	–	100%	Manufacture of plush stuffed toys

(Expressed in Hong Kong dollars unless otherwise indicated)

16 INTEREST IN SUBSIDIARIES *(Continued)*

Name of company	Place of incorporation/ registration and operation	Particulars of issued/registered and paid up capital	Proportion of ownership interest			Principal activities
			Group's effective interest	Held by the Company	Held by subsidiaries	
J.Y. Plasteel Vina Co., Ltd	Vietnam	Registered and paid up capital of US$7,000,000	100%	–	100%	Manufacture of die-casting products
J.Y. Plastic Co., Ltd	Vietnam	Registered and paid up capital of US$4,000,000	100%	–	100%	Manufacture of plastic figures
C & H Toys (Shuyang) Co., Ltd *	The PRC	Registered and paid up capital of RMB5,000,000	100%	–	100%	Manufacture of plush stuffed toys
Dream Printing & Package Co., Ltd	Vietnam	Registered capital of US$3,000,000 and paid up capital of US$2,000,000	100%	–	100%	Manufacture of business color box and printing products
Dream Plastic Nam Dinh Co., Ltd	Vietnam	Registered and paid up capital of US$15,500,000	100%	–	100%	Manufacture of plastic figures
C & H Trading (Shenzhen) Co., Ltd *	The PRC	Registered and paid up capital of US$1,500,000	100%	–	100%	Manufacture of plush stuffed toys
Dream International SG Pte. Ltd	Singapore	Registered and paid up capital of US$3,000,000	100%	100%	–	Trading of tarpaulin, plastic figures and plush stuffed toys
Dream An Giang Co., Ltd	Vietnam	Registered and paid up capital of US$5,000,000	100%	–	100%	Manufacture of plush stuffed toys
Dream Plastic Ninh Binh Co., Ltd	Vietnam	Registered and paid up capital of US$8,000,000	100%	100%	–	Manufacture of plastic figures
Dream Plastic Kim Son Company Limited	Vietnam	Registered and paid up capital of US$8,000,000	100%	100%	–	Manufacture of plastic figures
Dream Hanoi Vietnam Company Limited	Vietnam	Registered and paid-up capital of VND46,400,000,000	100%	100%	–	Design, development and trading of plush stuffed toys
C & H Vina Company Limited	Vietnam	Registered and paid-up capital of US$11,000,000	100%	100%	–	Manufacture and sale of tarpaulin
C & H Tarps Co., Ltd.	Vietnam	Registered and paid-up capital of US$5,000,000	100%	100%	–	Manufacture of tarpaulin
C & H Mekong Company Limited.	Vietnam	Registered and paid-up capital of US$1,796,737	100%	–	100%	Manufacture of tarpaulin
J.Y Toys Co., Ltd.	Hong Kong	Registered and paid up capital of US$1,500,000	100%	100%	–	Inactive
廣西宏潤玩具有限公司*	The PRC	Registered and paid-up capital of RMB6,000,000	100%	–	100%	Manufacture of plush stuffed toys
蕭縣希安琦玩具有限公司*	The PRC	Registered and paid-up capital of RMB6,000,000	100%	–	100%	Manufacture of plush stuffed toys
安康新德潤玩具有限公司*	The PRC	Registered and paid-up capital of RMB6,000,000	100%	–	100%	Manufacture of plush stuffed toys

(Expressed in Hong Kong dollars unless otherwise indicated)

16 INTEREST IN SUBSIDIARIES *(Continued)*

These are wholly-owned foreign investment enterprises registered in the PRC.

* These are wholly-domestic owned enterprises under the PRC law.

The subsidiaries of the Group do not have non-controlling interests.

(a) Acquisition of subsidiaries

During the year ended 31 December 2021, the Company acquired 51.02% shareholding of C & H Mekong Company Limited ("C & H Mekong") (see note 27). Upon the completion of the step acquisition, C & H Mekong became a wholly-owned subsidiary of the Group.

17 INTEREST IN AN ASSOCIATE

The following list contains the particulars of an associate, which is unlisted corporate entity whose quoted market price is not available:

				Proportion of ownership interest			
Name of associate	Form of business structure	Place of incorporation and business	Particulars of issued and paid up capital	Group's effective interest	Held by the company	Held by a subsidiary	Principal activity
HH Dream Printing Co, Ltd.	Incorporated	Vietnam	25,000,000 ordinary shares at US$1 each	5.9%	5.9%	–	Manufacture of business colour book and printing products (note (i))

Note:

(i) The investment in HH Dream Printing Co, Ltd. ("HH Dream") enables the Group to have exposure to achieve synergies in saving cost of packaging.

(ii) During the year ended 31 December 2021, the Company acquired 51.02% shareholding of C & H Mekong, a former associate. Upon the completion of step acquisition, C & H Mekong became a wholly-owned subsidiary of the Group (see note 27).

17 INTEREST IN AN ASSOCIATE *(Continued)*

The Group holds a 5.9% ownership interest in HH Dream. The investment in HH Dream is classified as interest in an associate as the Group can exercise significant influence over HH Dream by virtue of its contractual right to appoint one out of three directors to the board of directors of HH Dream and has the power to participate in the key financial and operating decisions of HH Dream. As a result, the investment is accounted for using the equity method in the consolidated financial statements.

The associate is considered to be not material to the Group. Summarised information of the associate is disclosed below.

	2022	2021
	HK$'000	HK$'000
Carrying amount of the associate in the consolidated financial statements	**12,006**	10,269
Amount of the Group's share of profits of associates:		
Profit for the year	**1,737**	899
Total comprehensive income	**1,737**	899

18 OTHER FINANCIAL ASSET

	2022	2021
	HK$'000	HK$'000
Unlisted equity security measured at FVOCI (non-recycling)	**2,875**	3,540

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

19 INVENTORIES

(a) Inventories in the consolidated statement of financial position comprise:

	2022	2021
	HK$'000	HK$'000
Raw materials	**301,209**	309,099
Work in progress	**299,255**	320,987
Finished goods	**344,471**	249,049
	944,935	879,135

(b) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	2022	2021
	HK$'000	HK$'000
Carrying amount of inventories sold	**4,998,633**	4,183,863
Write-down of inventories	**26,609**	3,504
Reversal of write-down of inventories	**(1,244)**	(2,298)
	5,023,998	4,185,069

The reversal of write-down of inventories made in prior years arose upon utilisation, disposal or an increase in the estimated net realisable value of these inventories.

20 TRADE AND OTHER RECEIVABLES

	2022	2021
	HK$'000	HK$'000
Trade debtors and bills receivable, net of loss allowance	**946,892**	1,062,769
Other receivables	**197,475**	180,340
Prepayments	**23,639**	11,445
Loans receivable	**24,916**	–
	1,192,922	1,254,554

All of the trade and other receivables are expected to be recovered or recognised as expense within one year.

Loans receivable at 31 December 2022 are due from third parties, unsecured, interest-bearing at 6.3% - 8% (2021: Nil) per annum and recoverable within one year.

20 TRADE AND OTHER RECEIVABLES *(Continued)*

(a) Ageing analysis

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

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

Trade debtors and bills receivable are due within 30 to 120 days from the date of billing. Further details on the Group's credit policy and credit risk arising from trade debtors and bills receivable are set out in note 28(a).

21 CASH AND CASH EQUIVALENTS AND TIME DEPOSITS AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents and time deposits comprise:

	2022 **HK$'000**	2021 HK$'000
Time deposits within three months to maturity when placed	**81,590**	106,824
Cash at bank and on hand	**587,674**	276,165
Cash and cash equivalents in the consolidated statement of financial position and consolidated cash flow statement	**669,264**	382,989
Time deposits with more than three months to maturity when placed	**100,340**	221,246
	769,604	604,235

Included in the balance of cash and cash equivalents and time deposits with more than three months to maturity when placed is an amount of approximately HK$47,804,000 (2021: HK$72,255,000) representing deposits placed with banks in the PRC by the Group. The remittance of these funds out of the PRC is subject to the exchange control restrictions imposed by the PRC government.

21 CASH AND CASH EQUIVALENTS AND TIME DEPOSITS AND OTHER CASH FLOW INFORMATION *(Continued)*

(b) Reconciliation of profit before taxation to cash generated from operations:

	Notes	2022 HK$'000	2021 HK$'000
Profit before taxation		**835,062**	264,226
Adjustments for:			
Bank interest income	4(a)	**(19,513)**	(20,460)
Gain on step acquisition	27	**–**	(595)
Net (gain)/loss on disposal of property, plant and equipment	4(b)	**(107)**	2,103
Gain on disposal of other intangible assets	4(b)	**–**	(19)
(Reversal)/provision of impairment loss on other intangible assets	4(b)	**(29)**	10
Share of profits of associates	17	**(1,737)**	(899)
Finance costs	5(a)	**9,126**	10,455
Depreciation	5(c)	**185,903**	173,431
Amortisation	5(c)	**402**	399
Provision/(reversal) of loss allowances of trade receivables	5(c)	**3,341**	(365)
Foreign exchange loss/(gain)		**68,676**	(8,179)
Changes in working capital:			
Increase in inventories		**(80,619)**	(206,133)
Decrease/(increase) in trade and other receivables		**77,937**	(470,305)
Increase in long term receivables and prepayments		**(5,253)**	(7,194)
(Decrease)/increase in trade and other payables and contract liabilities		**(379,822)**	521,244
Cash generated from operations		**693,367**	257,719

21 CASH AND CASH EQUIVALENTS AND TIME DEPOSITS AND OTHER CASH FLOW INFORMATION *(Continued)*

(c) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

	Bank loans HK$'000 (Note 23)	Lease liabilities HK$'000 (Note 24)	Total HK$'000
At 1 January 2022	262,462	35,930	298,392
Changes from financing cash flows:			
Interest paid	(6,322)	–	(6,322)
Proceeds from new bank loans	692,007	–	692,007
Repayment of bank loans	(763,522)	–	(763,522)
Capital elements of lease rentals paid	–	(17,715)	(17,715)
Interest element of lease rentals paid	–	(2,804)	(2,804)
Total changes from financing cash flows	(77,837)	(20,519)	(98,356)
Other changes:			
Increase in lease liabilities from entering into new leases during the year	–	46,870	46,870
Interest expenses (note 5(a))	6,322	2,804	9,126
Exchange difference	1,347	(500)	847
Total other changes	7,669	49,174	56,843
At 31 December 2022	192,294	64,585	256,879

21 CASH AND CASH EQUIVALENTS AND TIME DEPOSITS AND OTHER CASH FLOW INFORMATION *(Continued)*

(c) Reconciliation of liabilities arising from financing activities *(Continued)*

	Bank loans HK$'000 (Note 23)	Lease liabilities HK$'000 (Note 24)	Total HK$'000
At 1 January 2021	254,417	45,198	299,615
Changes from financing cash flows:			
Interest paid	(7,908)	–	(7,908)
Proceeds from new bank loans	691,362	–	691,362
Repayment of bank loans	(683,266)	–	(683,266)
Capital elements of lease rentals paid	–	(18,245)	(18,245)
Interest element of lease rentals paid	–	(2,547)	(2,547)
Total changes from financing cash flows	188	(20,792)	(20,604)
Other changes:			
Increase in lease liabilities from entering into new leases during the year	–	10,714	10,714
Interest expenses (note 5(a))	7,908	2,547	10,455
Exchange difference	(51)	(1,737)	(1,788)
Total other changes	7,857	11,524	19,381
At 31 December 2021	262,462	35,930	298,392

21 CASH AND CASH EQUIVALENTS AND TIME DEPOSITS AND OTHER CASH FLOW INFORMATION *(Continued)*

(d) Total cash outflow for leases

Amounts included in the cash flow statement for leases comprise the following:

	2022 HK$'000	2021 HK$'000
Within operating cash flows	**13,857**	10,183
Within investing cash flows	**–**	13,115
Within financing cash flows	**20,519**	20,792
	34,376	44,090

These amounts relate to the following:

	2022 HK$'000	2021 HK$'000
Lease rentals paid	**34,376**	30,975
Purchase of leasehold properties	**–**	13,115
	34,376	44,090

22 TRADE AND OTHER PAYABLES AND CONTRACT LIABILITIES

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

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

22 TRADE AND OTHER PAYABLES AND CONTRACT LIABILITIES *(Continued)*

(a) Trade and other payables

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

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

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

(b) Contract liabilities

Typical payment terms which impact on the amount of contract liabilities recognised are as follows:

The Group receives 50% of the contract value as a deposit from certain customers when they place sales orders. This deposit is recognised as a contract liability – sales deposit until the sales transactions are completed. The rest of the consideration is typically paid when sales transaction is completed.

	2022	2021
	HK$'000	HK$'000
Movements in contract liabilities		
Balance at 1 January	**21,104**	25,970
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	**(21,104)**	(25,970)
Increase in contract liabilities as a result of advance received from customers during the year in respect of sales transactions not yet completed as at year end	**11,689**	21,104
Balance at 31 December	**11,689**	21,104

No contract liabilities – sales deposit is expected to be recognised as income after more than one year as at 31 December 2022 and 2021.

23 BANK LOANS

At 31 December 2022, the bank loans were repayable as follows:

	2022 **HK$'000**	2021 HK$'000
Within 1 year or on demand	**192,294**	262,462

At 31 December 2022, the bank loans were secured as follows:

	2022 **HK$'000**	2021 HK$'000
Bank loans		
– Secured	**192,294**	224,755
– Unsecured	**–**	37,707
	192,294	262,462

All of the interest-bearing borrowings are carried at amortised cost and are expected to be settled within one year.

As at 31 December 2022, bank loan of HK$55,588,000 (2021: HK$21,442,000) was secured by factory buildings, certain leasehold land and property, plant and equipment of the Group with an aggregate amount of HK$122,705,000 (2021: HK$95,819,000). It is interest-bearing at a rate of 2.1% to 4.5% (2021: 2.2% to 2.4%) per annum specified at each withdrawal and repayable within one year.

As at 31 December 2022, bank loans of HK$71,427,000 (2021: HK$74,587,000) were secured by bank deposits of the Group with an aggregate amount of HK$51,062,000 (2021: HK$42,925,000). They are interest-bearing at a rate of 3.8% to 5.4% (2021: 2.0% to 3.5%) per annum specified at each withdrawal and repayable within one year.

As at 31 December 2022, bank loans of HK$50,883,000 (2021: HK$34,263,000) was secured by bank deposits of the Group with an aggregate amount of HK$31,176,000 (2021: HK$33,411,000). They are interest-bearing at a rate of 1.0% to 1.4% over 3-month LIBOR (2021: 2.1% to 3.0% over LIBOR) per annum specified at each withdrawal and repayable within one year.

As at 31 December 2022, bank loans of HK$10,607,000 (2021: HK$9,664,000) was secured by bank deposits of the Group with an aggregate amount of HK$13,679,000 (2021: HK$24,179,000). They are interest-bearing at a rate of 1.0% over 3-month Secured Overnight Financing Rate ("SOFR") (2021: 2.1% to 2.3% over London Interbank Offered Rate ("LIBOR")) per annum specified at each withdrawal and repayable within one year.

As at 31 December 2022, bank loans of HK$3,789,000 (2021: HK$2,967,000) were secured by bank deposits of the Group with an aggregate amount of HK$5,010,000 (2021: HK$3,835,000). They are interest-bearing at a rate of 2.5% to 3.2% (2021: 2.5%) per annum.

As at 31 December 2022, no bank loans (2021: HK$37,707,000) were unsecured.

23 BANK LOANS *(Continued)*

As at 31 December 2022, unutilised banking facility of HK$31,187,000 (2021: HK$Nil) was secured by leasehold land and other property, plant and equipment of the Group with an aggregate amount of HK$66,831,000 (2021: HK$Nil).

As at 31 December 2021, bank loans of HK$10,990,000 was secured by bank deposits of the Group with an aggregate amount of HK$29,681,000. They were interest bearing at a rate of 2.7% per annum. The loans were repaid during the year ended 31 December 2022.

As at 31 December 2021, bank loans of HK$16,640,000 were secured by certain leasehold land and property, plant and equipment of the Group with an aggregate amount of HK$49,132,000. They were interest-bearing at a rate of 2.1% to 2.7% over LIBOR per annum specified at each withdrawal and repayable within one year. The loans were repaid during the year ended 31 December 2022.

As at 31 December 2021, mortgage instalment loan of HK$54,202,000 was secured by mortgage over a property of the Group with an aggregate carrying amount of HK$199,328,000. It was interest-bearing at a rate of 0.64% over Hong Kong Interbank Offered Rate ("HIBOR") or lender's prime rate minus 2.3%, whichever was lower and repayable by March 2028. The above mentioned bank loan contained clauses which gave the lender the right at its discretion to demand immediate repayment at anytime irrespective of whether the Company had met the scheduled repayment obligations. The balance was therefore classified as current liabilities in the consolidated statement of financial position as at 31 December 2021. The mortgage instalment loan was repaid during the year ended 31 December 2022.

As at 31 December 2022 and 2021, the Group's banking facilities were not subject to the fulfilment of any financial covenants.

24 LEASE LIABILITIES

At 31 December 2022, the lease liabilities were repayable as follows:

	2022 **HK$'000**	2021 HK$'000
Within 1 year	**22,234**	15,714
After 1 year but within 2 years	**20,336**	7,360
After 2 years but within 5 years	**14,779**	9,345
After 5 years	**7,236**	3,511
	42,351	20,216
	64,585	35,930

25 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Current taxation in the consolidated statement of financial position represents:

	2022 HK$'000	2021 HK$'000
Hong Kong Profits Tax		
Provision for the year	**49,599**	31,896
Provisional Profits Tax paid	**(23,786)**	(23,179)
	25,813	8,717
Outside Hong Kong		
Tax recoverable	**(369)**	(2,836)
Tax payable	**68,958**	23,380
	68,589	20,544
	94,402	29,261
Representing:		
Current tax recoverable	**(369)**	(2,836)
Current tax payable	**94,771**	32,097
	94,402	29,261

25 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Continued)

(b) Deferred tax assets and liabilities recognised:

(i) The components of deferred tax (assets)/liabilities recognised in the consolidated statement of financial position and the movements during the year are as follows:

Deferred tax arising from:	Depreciation allowances in excess of the related depreciation HK$'000	Provisions HK$'000	Revaluation of other financial asset HK$'000	Undistributed profits of a foreign subsidiary HK$'000	Total HK$'000
At 1 January 2021	4,860	(3,212)	(2,082)	5,496	5,062
(Credited)/charged to profit or loss (note 6(a))	(1,003)	268	–	844	109
Charged to reserves (note 9)	–	–	109	–	109
Exchange adjustments	12	(7)	188	–	193
At 31 December 2021	3,869	(2,951)	(1,785)	6,340	5,473
At 1 January 2022	3,869	(2,951)	(1,785)	6,340	5,473
(Credited)/charged to profit or loss (note 6(a))	(705)	(2,288)	–	671	(2,322)
Credited to reserves (note 9)	–	–	(7)	–	(7)
Exchange adjustments	8	(77)	120	–	51
At 31 December 2022	3,172	(5,316)	(1,672)	7,011	3,195

(ii) Reconciliation to the consolidated statement of financial position:

	2022 HK$'000	2021 HK$'000
Net deferred tax assets recognised in the consolidated statement of financial position	**(6,890)**	(5,147)
Net deferred tax liabilities recognised in the consolidated statement of financial position	**10,085**	10,620
	3,195	5,473

25 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Continued)

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in note 1(r), the Group has not recognised deferred tax assets in respect of cumulative tax losses of HK$58,180,000 (2021: HK$199,150,000) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. Tax losses amounting to HK$7,138,000 (2021: HK$7,356,000) do not expire under current tax legislation, while the remaining tax losses amounting to HK$51,042,000 (2021: HK$191,794,000) expire at various dates up to and including 2027 (2021: 2026) as follows:

	2022 **HK$'000**	2021 HK$'000
2022	**–**	5,610
2023	**36,763**	46,952
2024	**1,630**	1,630
2025	**1,089**	1,099
2026	**11,173**	136,503
2027	**387**	–
	51,042	191,794
No expiry date	**7,138**	7,356
	58,180	199,150

(d) Deferred tax liabilities not recognised

At 31 December 2022, the undistributed profits of subsidiaries based in the PRC and Korea amounted to HK$263,468,000 (2021: HK$130,689,000) and HK$67,845,000 (2021: HK$63,417,000) respectively. Deferred tax liabilities of HK$13,173,000 (2021: HK$7,466,000) relating to the undistributed profits of the PRC subsidiaries have not been recognised in respect of the tax that would be payable on the distribution of these retained profits as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that profits will not be distributed in the foreseeable future.

26 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

The Company

	Note	Share capital HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2021		236,474	1,078,780	1,315,254
Changes in equity for 2021:				
Dividends approved in respect of the previous year	26(b)(ii)	–	(67,687)	(67,687)
Dividends declared in respect of the current year	26(b)(i)	–	(13,537)	(13,537)
Total comprehensive income for the year		–	158,157	158,157
At 31 December 2021 and 1 January 2022	33	236,474	1,155,713	1,392,187
Changes in equity for 2022:				
Dividends approved in respect of the previous year	26(b)(ii)	–	(67,687)	(67,687)
Dividends declared in respect of the current year	26(b)(i)	–	(67,687)	(67,687)
Total comprehensive income for the year		–	240,274	240,274
At 31 December 2022	33	236,474	1,260,613	1,497,087

26 CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(b) Dividends

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

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

The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

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

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

26 CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(c) Share capital

	2022 Number of shares '000	**2022** Amount HK$'000	2021 Number of shares '000	2021 Amount HK$'000
Ordinary shares, issued and fully paid:				
At 1 January and 31 December	**676,865**	**236,474**	676,865	236,474

In accordance with section 135 of the Hong Kong Companies Ordinance, the ordinary shares of the Company do not have a par value.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(d) Nature and purpose of reserves

(i) General reserve fund

The general reserve fund comprises of PRC subsidiaries' general reserve fund and Korean subsidiary's general reserve fund.

According to the PRC laws applicable to wholly-owned foreign investment enterprises, the PRC subsidiaries of the Company are required to set up a general reserve fund and appropriate at least 10% of their annual net profits after taxation, as determined under PRC accounting regulations, to the general reserve fund until the balance of the fund equals to 50% of the respective enterprise's registered capital. This fund can be used, upon approval by the relevant authorities, to offset accumulated losses or to increase registered capital of subsidiary, provided that the balance after such issue is not less than 25% of its registered capital.

According to the Korean Commercial Code, the Korean subsidiary is required to set aside as a legal reserve an amount equal to 10% of the cash portion of the annual dividend or accumulate a legal reserve of not less than 50% of Korean subsidiary's share capital before any payout of its dividend. This fund can be transferred to retained profits or used to reduce an accumulated loss.

26 CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(d) Nature and purpose of reserves *(Continued)*

(ii) Other reserve

The other reserve comprises the change in equity as a result of change in shareholding of non-controlling interests. The reserve is dealt with in accordance with the accounting policies set out in note 1(c).

(iii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations outside Hong Kong. The reserve is dealt with in accordance with the accounting policies set out in note 1(u).

(iv) Fair value reserve (non-recycling)

The fair value reserve (non-recycling) comprises the cumulative net change in the fair value of equity investments designated at FVOCI under HKFRS 9 that are held at the end of the reporting period (see note 1(f)).

(e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of a net debt-to-capital ratio. For this purpose, adjusted net debt is defined as total debt (which includes bank loans, lease liabilities and trade and other payables and contract liabilities) plus unaccrued proposed dividends, less cash and cash equivalents and time deposits with more than three months to maturity when placed.

During 2022, the Group's strategy, which was unchanged from 2021, was to maintain a relatively low net debt-to capital ratio. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

26 CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(e) Capital management *(Continued)*

The Group's net debt-to-capital ratio at 31 December 2022 and 2021 was as follows:

	Notes	**2022** **HK$'000**	2021 HK$'000
Current liabilities			
Trade and other payables and contract liabilities	22	**817,445**	1,184,085
Bank loans	23	**192,294**	262,462
Lease liabilities	24	**22,234**	15,714
		1,031,973	1,462,261
Non-current liabilities			
Lease liabilities	24	**42,351**	20,216
Total debt		**1,074,324**	1,482,477
Add: Proposed dividends	26(b)	**203,060**	67,687
Less: Cash and cash equivalents	21(a)	**(669,264)**	(382,989)
Time deposits with more than three months to maturity when placed	21(a)	**(100,340)**	(221,246)
Net debt		**507,780**	945,929
Total equity		**3,205,487**	2,674,220
Net debt-to-capital ratio		**15.8%**	35.4%

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

27 ACQUISITION OF A SUBSIDIARY

Step acquisitions of C & H Mekong from an associate to a subsidiary

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

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

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

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

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

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

27 ACQUISITION OF A SUBSIDIARY *(Continued)*

Step acquisitions of C & H Mekong from an associate to a subsidiary *(Continued)*

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

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade and other receivables. The Group's exposure to credit risk arising from cash and cash equivalents and bills receivable are limited because the counterparties are banks, which the Group considers to represent low credit risk. The Group's exposure to credit risk arising from amounts due from related companies is limited because the related companies have no historical default in repayment.

The Group does not provide any guarantees which would expose the Group to credit risk.

Trade receivables

The Group has established a credit risk management policy under which 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 30 to 120 days from the date of billing. Normally, the Group does not obtain collateral from customers.

The Group has no significant concentration of credit risk in industries or countries in which the customers operate. Significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period, 26% (2021: 35%) and 71% (2021: 68%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. The Group segments its trade receivables based on geographic regions, due to different loss patterns experienced in the different regions.

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(a) Credit risk *(Continued)*

Trade receivables *(Continued)*

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables:

	2022		
	Expected loss rate %	**Gross carrying amount HK$'000**	**Loss allowance HK$'000**
Current (not past due)	**0.01%**	**759,540**	**(53)**
Within 1 month past due	**0.02%**	**166,887**	**(30)**
1 to 3 months past due	**0.23%**	**17,724**	**(40)**
More than 3 months but less than 12 months past due	**54.72%**	**6,325**	**(3,461)**
		950,476	**(3,584)**

	2021		
	Expected loss rate %	Gross carrying amount HK$'000	Loss allowance HK$'000
Current (not past due)	0.01%	728,571	(93)
Within 1 month past due	0.01%	245,714	(27)
1 to 3 months past due	0.02%	78,403	(12)
More than 3 months but less than 12 months past due	1.08%	10,323	(110)
More than 12 months past due	100.00%	1	(1)
		1,063,012	(243)

Expected loss rates are based on actual loss experience over the past year. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(a) Credit risk *(Continued)*

Trade receivables *(Continued)*

Movement in the loss allowance account in respect of trade receivables during the year is as follows:

	2022	2021
	HK$'000	HK$'000
Balance at 1 January	**243**	608
Provision/(reversal) of loss allowances during the year	**3,341**	(365)
Balance at 31 December	**3,584**	243

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses, participation in supplier finance arrangements with banks and the raising of loans to cover expected cash demands, subject to approval by the parent company's board in respect of borrowings. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay.

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(b) Liquidity risk *(Continued)*

For term loans subject to repayment on demand clauses which can be exercised at the bank's sole discretion, the analysis shows the cash outflows based on the contractual repayment schedule and, separately, the impact to the timing of the cash outflows if the lender was to invoke its unconditional rights to call the loans with immediate effect.

	2022 Contractual undiscounted cash outflow					
	Within 1 year or on demand HK$'000	**More than 1 year but less than 2 years HK$'000**	**More than 2 years but less than 5 years HK$'000**	**More than 5 years HK$'000**	**Total HK$'000**	**Carrying amount at 31 Dec HK$'000**
Trade and other payables (excluding receipt in advance and contract liabilities)	**780,874**	**–**	**–**	**–**	**780,874**	**780,874**
Bank loans	**194,897**	**–**	**–**	**–**	**194,897**	**192,294**
Lease liabilities	**34,884**	**23,777**	**18,173**	**11,847**	**88,681**	**64,585**
	1,010,655	**23,777**	**18,173**	**11,847**	**1,064,452**	**1,037,753**

	2021 Contractual undiscounted cash outflow					
	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	More than 5 years HK$'000	Total HK$'000	Carrying amount at 31 Dec HK$'000
Trade and other payables (excluding receipt in advance and contract liabilities)	1,139,674	–	–	–	1,139,674	1,139,674
Bank loans	219,440	9,180	36,720	1,918	267,258	262,462
Lease liabilities	15,484	7,680	10,628	26,981	60,773	35,930
	1,374,598	16,860	47,348	28,899	1,467,705	1,438,066
Adjustments to present cash flows on term loans based on lender's right to demand repayment	43,022	(9,180)	(36,720)	(1,918)	(4,796)	–
	1,417,620	7,680	10,628	26,981	1,462,909	1,438,066

At 31 December 2021, as shown in the above analysis, bank loans of the Group amounting to HK$219,440,000 was due to be repaid during 2022. The short-term liquidity risk inherent in this contractual maturity has been addressed at the time the loan was drawn and is accounted for in the Group's cash flow forecasts.

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises primarily from bank loans. Borrowings issued at fixed and variable rates expose the Group to fair value interest rate risk and cash flow interest rate risk respectively. The Group monitors the level of its fixed rate borrowings and manages the contractual terms of the interest-bearing financial liabilities. The Group's interest rate profile as monitored by management is set out in (i) below.

(i) Interest rate risk profile

The following table, as reported to the management of the Group, details the interest rate profile of the Group's borrowings at the end of reporting period.

	Notional amount	
	2022	2021
	HK$'000	HK$'000
Fixed rate borrowings:		
Lease liabilities	**64,585**	35,930
Bank loans	**127,015**	69,705
	191,600	105,635
Variable rate borrowings:		
Bank loans	**65,279**	192,757
Total borrowings	**256,879**	298,392

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(c) Interest rate risk *(Continued)*

(ii) Sensitivity analysis

At 31 December 2022, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's profit after tax and retained profits by approximately HK$1,219,000 (2021: HK$1,928,000). Other components of consolidated equity would not be affected by changes in interest rates.

The sensitivity analysis above indicates the annualised impact on the Group's interest expense that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to floating rate instruments which expose the Group to cash flow interest rate risk at that date. The analysis does not take into account exposure to fair value interest rate risk arising from fixed rate instruments as the Group does not hold any fixed rate instruments which are measured at fair value in the financial statements. The analysis is performed on the same basis as 2021.

(d) Currency risk

The Group is exposed to currency risk primarily through sales and purchases which give rise to receivables, payables and cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily USD, HKD, Renminbi Yuan, Vietnamese Dong and Japanese Yen.

For the Group's companies with HKD as functional currency, it is not expected that there are any significant movements in the USD/HKD exchange rate as the HKD is pegged to the USD.

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(d) Currency risk *(Continued)*

(i) Exposure to currency risk

The following table details the Group's exposure at the end of reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in HKD, translated using spot rate at the year end date. Differences resulting from the translation of financial statements of operations outside Hong Kong into the Group's presentation currency are excluded.

	Exposure to foreign currencies (expressed in HKD)							
	2022				2021			
	United States Dollars HK$'000	**Hong Kong Dollars HK$'000**	**Vietnamese Dong HK$'000**	**Japanese Yen HK$'000**	United States Dollars HK$'000	Hong Kong Dollars HK$'000	Vietnamese Dong HK$'000	Japanese Yen HK$'000
Trade and other receivables	**134,177**	**753**	**346,667**	**65,142**	56,839	1,104	286,824	36,267
Cash and cash equivalents	**63,501**	**2,501**	**145,268**	**3,368**	56,779	2,055	51,852	10,101
Trade and other payables	**(46,771)**	**(2,878)**	**(676,531)**	**(27,661)**	(34,849)	(4,652)	(731,920)	(2,345)
Net exposure arising from recognised assets and liabilities	**150,907**	**376**	**(184,596)**	**40,849**	78,769	(1,493)	(393,244)	44,023

(ii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's profit after tax (and retained profits) and other components of consolidated equity that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant. In this respect, it is assumed that the pegged rate between the HKD and the USD would be materially unaffected by any changes in movement in value of the HKD against other currencies.

	2022		2021	
	Increase/ (decrease) in foreign exchange rates	**Effect on profit after tax and retained profits HK$'000**	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profits HK$'000
Vietnamese Dong	**3%**	**(3,668)**	3%	(9,420)
	(3)%	**3,668**	(3)%	9,420
Japanese Yen	**20%**	**6,951**	20%	7,281
	(20)%	**(6,951)**	(20)%	(7,281)

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(d) Currency risk *(Continued)*

(ii) Sensitivity analysis *(Continued)*

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' profit after tax and equity measured in the respective functional currencies, translated into HKD at the exchange rate ruling at the end of reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis is performed on the same basis for 2021.

(e) Fair value measurement

(i) Financial assets measured at fair value

(1) Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of each reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

– Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

– Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available

– Level 3 valuations: Fair value measured using significant unobservable inputs

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(e) Fair value measurement *(Continued)*

(i) Financial assets measured at fair value *(Continued)*

(1) Fair value hierarchy (Continued)

	Fair value at 31 December 2022	Fair value measurements as at 31 December 2022 categorised into			Fair value at 31 December 2021	Fair value measurements as at 31 December 2021 categorised into		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Recurring fair value measurements								
Financial asset:								
Unlisted equity security	2,875	–	–	2,875	3,540	–	–	3,540

During the years ended 31 December 2022 and 2021, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3.

The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

(2) Information about Level 3 fair value measurements

	Valuation technique	Significant unobservable input	Percentage
Unlisted equity security	Market comparable companies	Discount for lack of marketability	30% (2021: 30%)

The fair value of unlisted equity security is determined using the price/earning ratios of comparable listed companies adjusted for lack of marketability discount. The fair value measurement is negatively correlated to the discount for lack of marketability. As at 31 December 2022, it is estimated that with all other variables held constant, a decrease/increase in discount for lack of marketability by 5% would have increased/decreased the Group's other comprehensive income by HK$205,000 (2021: HK$253,000).

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(e) Fair value measurement *(Continued)*

(i) Financial assets measured at fair value *(Continued)*

(2) Information about Level 3 fair value measurements (Continued)

The movement during the year in the balance of Level 3 fair value measurements are as follows:

	2022	2021
	HK$'000	HK$'000
Unlisted equity security:		
At 1 January	**3,540**	3,327
Net unrealised (loss)/gain recognised in other comprehensive income during the year	**(352)**	386
Exchange difference	**(313)**	(173)
At 31 December	**2,875**	3,540

Any gains or losses arising from the remeasurement of the Group's unlisted equity security held for strategic purpose is recognised in the fair value reserve (non-recycling) in other comprehensive income. Upon disposal of the equity security, the amount accumulated in other comprehensive income is transferred directly to retained profits.

(ii) Fair values of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at amortised cost were not materially different from their fair values as at 31 December 2022 and 2021.

29 COMMITMENTS

Capital commitments outstanding at 31 December 2022 not provided for in the financial statements were as follows:

	2022 **HK$'000**	2021 HK$'000
Contracted for		
– acquisition of property, plant and equipment	**14,042**	49,456
– capital contribution to subsidiaries	**–**	14,677
Authorised but not contracted for acquisition of property, plant and equipment	**45,790**	24,587
	59,832	88,720

30 MATERIAL RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in these consolidated financial statements, the Group entered into the following material related party transactions.

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 7 and certain of the highest paid employees as disclosed in note 8, is as follows:

	2022 **HK$'000**	2021 HK$'000
Short-term employee benefits	**24,907**	18,735

Total remuneration is included in "staff costs" (see note 5(b)).

30 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(b) Transactions with related parties

	2022 **HK$'000**	2021 HK$'000
Purchases of goods from an associate (note)	**41,423**	27,025
Processing fees paid/payable to an associate (note)	**7,114**	7,614

Note: These are transactions with HH Dream, an associate of the Group and C & H Mekong, a former associate of the Group, are conducted in accordance with the terms of the respective contracts or orders.

31 ACCOUNTING JUDGEMENTS AND ESTIMATES

Note 28 contains information about the assumptions and their risk factors relating to financial instruments. Other key source of estimation uncertainty is as follows:

Net realisable value of inventories

The Group performs regular reviews of the carrying amounts of inventories with reference to aged inventories analyses, projections of expected future saleability of goods and, management experience and judgement. Based on this review, a write-down of inventories will be made when the estimated net realisable value of inventories decline below their carrying amounts. Due to changes in customers' preferences, actual saleability of goods may be different from estimation and the statement of profit or loss in future accounting periods could be affected by differences in this estimation.

The net realisable value of inventories is also dependent on the application of up to date costing rates and judgements with regard to the level of labour and production overheads absorbed into the valuation.

32 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

At 31 December 2022, the directors consider the Group is controlled by Mr Kyoo Yoon Choi, with his principal place of business at Unit 6/F, Tower 1, South Seas Centre, 75 Mody Road, Tsim Sha Tsui, Kowloon, Hong Kong.

33 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2022

	2022 HK$'000	2021 HK$'000
Non-current assets		
Property, plant and equipment	**202,609**	210,113
Other intangible assets	**15,748**	15,762
Interest in subsidiaries	**626,831**	595,611
Interest in an associate	**11,536**	11,536
Long term loans to subsidiaries	**346,775**	362,639
Deferred tax assets	**1,128**	1,393
	1,204,627	1,197,054
Current assets		
Inventories	**5,295**	5,295
Trade and other receivables	**730,661**	954,066
Cash and cash equivalents	**209,419**	62,666
	945,375	1,022,027
Current liabilities		
Trade and other payables and contract liabilities	**618,759**	718,507
Bank loans	**–**	91,909
Lease liabilities	**1,180**	4,508
Current tax payable	**25,813**	8,717
	645,752	823,641
Net current assets	**299,623**	198,386
Total assets less current liabilities	**1,504,250**	1,395,440

33 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2022 *(Continued)*

	Note	**2022 HK$'000**	2021 HK$'000
Non-current liabilities			
Lease liabilities		**7,163**	3,253
NET ASSETS		**1,497,087**	1,392,187
CAPITAL AND RESERVES			
Share capital	26(a)	**236,474**	236,474
Reserves		**1,260,613**	1,155,713
TOTAL EQUITY		**1,497,087**	1,392,187

Approved and authorised for issue by the board of directors on 23 March 2023.

Hyunjoo Kim
Director

Min Jung Lee
Director

(Expressed in Hong Kong dollars unless otherwise indicated)

34 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2022

Up to the date of issue of these financial statements, the HKICPA has issued a number of new or amended standards, which are not yet effective for the year ended 31 December 2022 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
HKFRS 17, *Insurance Contracts*	1 January 2023
Amendments to HKAS 1, *Presentation of Financial Statements: Classification of Liabilities as Current or Non-current*	1 January 2023
Amendments to HKAS 1, *Presentation of Financial Statements* and HKFRS Practice Statement 2, *Making Materiality Judgements: Disclosure of Accounting Policies*	1 January 2023
Amendments to HKAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates*	1 January 2023
Amendments to HKAS 12, *Income Taxes: Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction*	1 January 2023

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

Five Year Financial Summary

	2018 HK$'000 (Restated) (Note)	2019 HK$'000	2020 HK$'000	2021 HK$'000	**2022** **HK$'000**
Results					
Continuing operations					
Revenue	3,466,212	3,973,461	3,779,619	4,799,785	**6,252,874**
Profit from operations	396,563	600,340	339,731	273,782	**842,451**
Finance costs	(3,757)	(6,647)	(8,011)	(10,455)	**(9,126)**
Share of profits/(losses) of associates	–	–	(1,017)	899	**1,737**
Profit before taxation	392,806	593,693	330,703	264,226	**835,062**
Income tax	(64,527)	(97,064)	(57,927)	(70,664)	**(147,966)**
Profit for the year from continuing operations	328,279	496,629	272,776	193,562	**687,096**
Loss for the year from discontinued operations	(7,754)	(18,182)	–	–	**–**
Profit for the year	320,525	478,447	272,776	193,562	**687,096**
Attributable to:					
– Equity shareholders of the Company	332,498	477,469	272,776	193,562	**687,096**
– Non-controlling interests	(11,973)	978	–	–	**–**
Profit for the year	320,525	478,447	272,776	193,562	**687,096**
Earnings per share					
Basic and diluted					
– From continuing operations	HK49.97 ¢	HK72.54 ¢	HK40.30 ¢	HK28.60 ¢	**HK101.51 ¢**
– From discontinued operations	HK(0.85) ¢	HK(2.00) ¢	–	–	**–**
Earnings per share for the year	HK49.12 ¢	HK70.54 ¢	HK40.30 ¢	HK28.60 ¢	**HK101.51 ¢**

Note: The ride-on toys segment had been classified as discontinued operations as a result of the cessation of operations of this segment. Certain comparative figures have been adjusted to conform to the disclosure requirement in respect of the discontinued operations.

Five Year Financial Summary

	2018 HK$'000	2019 HK$'000	2020 HK$'000	2021 HK$'000	**2022** **HK$'000**
Assets and liabilities					
Property, plant and equipment	1,165,227	1,251,019	1,356,286	1,387,438	**1,402,286**
Investment properties	3,900	3,981	3,387	3,777	**4,004**
Long term receivables and prepayments	23,090	34,497	30,358	19,719	**20,670**
Other intangible assets	7,046	6,063	15,313	26,011	**25,353**
Goodwill	2,753	2,753	2,753	2,753	**2,753**
Interest in associates	–	7,360	12,673	10,269	**12,006**
Deferred tax assets	4,511	5,767	5,565	5,147	**6,890**
Non-current time deposits	–	–	3,024	3,081	**7,963**
Other financial assets	5,843	4,583	3,327	3,540	**2,875**
Net current assets	771,680	1,071,091	1,167,669	1,243,321	**1,773,123**
Total assets less current liabilities	1,984,050	2,387,114	2,600,355	2,705,056	**3,257,923**
Deferred tax liabilities	(8,627)	(8,146)	(10,627)	(10,620)	**(10,085)**
Other non-current liabilities	–	(14,470)	(29,384)	(20,216)	**(42,351)**
NET ASSETS	1,975,423	2,364,498	2,560,344	2,674,220	**3,205,487**

Dream International Limited