DREAM INTERNATIONAL LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 1126)

RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2023

The board (the "Board") of directors (the "Directors") of Dream International Limited (the "Company" or "Dream International") is pleased to announce the consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2023, together with the comparative figures for the previous financial year, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	**2023** **HK$'000**	2022 *HK$'000*
Revenue	*3*	**5,352,473**	6,252,874
Cost of sales		**(4,007,729)**	(5,023,998)
Gross profit		**1,344,744**	1,228,876
Other revenue		**90,307**	60,360
Other net income/(loss)		**7,938**	(22,653)
Distribution costs		**(61,128)**	(88,569)
Administrative expenses		**(342,313)**	(335,563)
Profit from operations		**1,039,548**	842,451
Finance costs	*4(a)*	**(10,281)**	(9,126)
Share of profit of an associate		**3,964**	1,737
Profit before taxation	*4*	**1,033,231**	835,062
Income tax	*5*	**(203,384)**	(147,966)
Profit for the year		**829,847**	687,096
Earnings per share	*6*		
Basic and diluted		**HK122.60 ¢**	HK101.51 ¢

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2023

	2023	2022
	HK$'000	*HK$'000*
Profit for the year	**829,847**	687,096
Other comprehensive income for the year (after tax and reclassification adjustments):		
Item that will not be reclassified to profit or loss:		
– Unlisted equity securities at fair value through other comprehensive income – net movement in fair value reserve (non-recycling)	**309**	(352)
Item that may be or is reclassified subsequently to profit or loss:		
– Exchange differences on translation of financial statements of subsidiaries outside Hong Kong	**(18,466)**	(20,103)
Other comprehensive income for the year	**(18,157)**	(20,455)
Total comprehensive income for the year	**811,690**	666,641

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2023

	Notes	2023 HK$'000	2022 HK$'000
Non-current assets			
Property, plant and equipment	*8*	**1,257,397**	1,402,286
Investment properties		**51,335**	4,004
Long term receivables and prepayments		**6,514**	20,670
Other intangible assets		**30,423**	25,353
Goodwill		**2,753**	2,753
Interest in an associate		**15,970**	12,006
Deferred tax assets		**5,423**	6,890
Time deposits		**16,781**	7,963
Other financial assets	*7*	**3,206**	2,875
		1,389,802	1,484,800
Current assets			
Inventories	*9*	**815,616**	944,935
Trade and other receivables	*10*	**941,557**	1,192,922
Current tax recoverable		**74,166**	369
Time deposits		**126,946**	92,377
Cash and cash equivalents		**1,264,459**	669,264
		3,222,744	2,899,867
Current liabilities			
Trade and other payables and contract liabilities	*11*	**571,880**	817,445
Bank loans		**73,483**	192,294
Lease liabilities		**25,206**	22,234
Current tax payable		**226,094**	94,771
		896,663	1,126,744
Net current assets		**2,326,081**	1,773,123
Total assets less current liabilities		**3,715,883**	3,257,923

	Notes	**2023** **HK$'000**	2022 HK$'000
Non-current liabilities			
Lease liabilities		**26,817**	42,351
Deferred tax liabilities		**10,322**	10,085
		37,139	52,436
NET ASSETS		**3,678,744**	3,205,487
CAPITAL AND RESERVES			
Share capital		**236,474**	236,474
Reserves		**3,442,270**	2,969,013
TOTAL EQUITY		**3,678,744**	3,205,487

NOTES TO THE FINANCIAL INFORMATION

1. BASIS OF PREPARATION

The financial information relating to the years ended 31 December 2023 and 2022 included in this preliminary announcement of annual results does not constitute the Company's statutory annual consolidated financial statements for those years but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) ("Companies Ordinance") is as follows:

The Company has delivered the financial statements for the year ended 31 December 2022 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance and will deliver the financial statements for the year ended 31 December 2023 in due course.

The Company's auditor has reported on the financial statements of the Group for both years. The auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the requirements of the Hong Kong Companies Ordinance. The consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The measurement basis used in the preparation of the consolidated financial statements is the historical cost basis except that investments in equity securities are stated at their fair values.

2. CHANGES IN ACCOUNTING POLICIES

The Group has applied the following new and amended HKFRSs issued by the HKICPA for the current accounting period:

- HKFRS 17, *Insurance contracts*
- Amendments to HKAS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*
- Amendments to HKAS 1, *Presentation of financial statements* and HKFRS Practice Statement 2*, Making materiality judgements: Disclosure of accounting policies*
- Amendments to HKAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*
- Amendments to HKAS 12, *Income taxes: International tax reform – Pillar Two model rules*

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 new and amended HKFRSs are discussed below:

HKFRS 17, ***Insurance contracts***

HKFRS 17, which replaces HKFRS 4, sets out the recognition, measurement, presentation and disclosure requirements applicable to issuers of insurance contracts. The standard does not have a material impact on these financial statements as the Group does not have contracts within the scope of HKFRS 17.

Amendments to HKAS 8, ***Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates***

The amendments provide further guidance on the distinction between changes in accounting policies and changes in accounting estimates. The amendments do not have a material impact on these financial statements as the Group's approach in distinguishing changes in accounting policies and changes in accounting estimates is consistent with the amendments.

Amendments to HKAS 1, ***Presentation of financial statements*** **and HKFRS Practice Statement 2,** ***Making materiality judgements: Disclosure of accounting policies***

The amendments require entities to disclose material accounting policy information and provide guidance on applying the concept of materiality to accounting policy disclosure. The Group has revisited the accounting policy information it has been disclosing and considered it is consistent with the amendments.

Amendments to HKAS 12, ***Income taxes: Deferred tax related to assets and liabilities arising from a single transaction***

The amendments narrow the scope of the initial recognition exemption such that it does not apply to transactions that give rise to equal and offsetting temporary differences on initial recognition such as leases and decommissioning liabilities. For leases and decommissioning liabilities, the associated deferred tax assets and liabilities are required to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained profits or other components of equity at that date. For all other transactions, the amendments are applied to those transactions that occur after the beginning of the earliest period presented. The amendments do not have a material impact on these financial statements as the Group does not offset temporary differences.

Amendments to HKAS 12, ***Income taxes: International tax reform – Pillar Two model rules***

The amendments introduce a temporary mandatory exception from deferred tax accounting for the income tax arising from tax laws enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development (income tax arising from such tax laws is hereafter referred to as "Pillar Two income taxes"), including tax laws that implement qualified domestic minimum top-up taxes described in those rules. The amendments also introduce disclosure requirements about such tax including the estimated tax exposure to Pillar Two income taxes. The amendments are immediately effective upon issuance and require retrospective application. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Group.

New HKICPA guidance on the accounting implications of the abolition of the MPF-LSP offsetting mechanism

In June 2022, the Hong Kong SAR Government (the "Government") gazetted the Hong Kong Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the "Amendment Ordinance"), which will come into effect from 1 May 2025 (the "Transition Date"). Once the Amendment Ordinance takes effect, an employer can no longer use any of the accrued benefits derived from its mandatory contributions to mandatory provident fund ("MPF") scheme to reduce the long service payment ("LSP") in respect of an employee's service from the Transition Date (the abolition of the "offsetting mechanism"). In addition, the LSP in respect of the service before the Transition Date will be calculated based on the employee's monthly salary immediately before the Transition Date and the years of service up to that date.

In July 2023, the HKICPA published "Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong" that provides accounting guidance relating to the offsetting mechanism and the abolition of the mechanism. In particular, the guidance indicates that entities may account for the accrued benefits derived from mandatory MPF contributions that are expected to be used to reduce the LSP payable to an employee as deemed contributions by that employee towards the LSP.

The Group has assessed the implications of this new guidance and concluded that it does not have a material impact on these financial statements.

3. REVENUE AND SEGMENT REPORTING

The Group manages its businesses by divisions, which are organised by a mixture of both business lines and geography. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has identified four reportable segments. No operating segments have been aggregated to form the following reportable segments.

(a) Disaggregation of revenue

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

	2023	2022
	HK$'000	*HK$'000*
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major product lines		
– Plush stuffed toys	**2,737,208**	2,287,828
– Plastic figures	**1,927,946**	3,232,899
– Tarpaulin	**393,135**	485,879
– Die-casting products	**294,184**	246,268
	5,352,473	6,252,874

The Group's customer base is diversified and includes three (2022: two) customers with whom transactions have exceeded 10% (2022: 10%) of the Group's revenues as follows:

	2023	2022
	HK$'000	*HK$'000*
Customer A	**1,349,029**	1,083,710
Customer B	**1,176,174**	2,102,707
Customer C	**664,230**	496,540

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

(b) 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	
	2023	2022
	HK$'000	*HK$'000*
Hong Kong (place of domicile)	**301,867**	43,708
North America	**2,404,000**	3,794,341
Japan	**1,369,371**	1,115,211
The PRC	**908,853**	897,847
Europe	**164,200**	267,404
Vietnam	**77,250**	78,097
Korea	**23,942**	36,309
Other countries	**102,990**	19,957
	5,050,606	6,209,166
	5,352,473	6,252,874

	Specified non-current assets	
	2023	2022
	HK$'000	*HK$'000*
Hong Kong (place of domicile)	**205,068**	210,162
Vietnam	**1,036,156**	1,121,112
The PRC	**72,501**	83,089
Korea	**19,306**	22,763
Singapore	**14,944**	17,386
North America	**6,577**	8,525
Japan	**3,326**	4,035
	1,152,810	1,256,910
	1,357,878	1,467,072

(c) Segment results, assets and liabilities

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 2023 and 2022 is set out below.

	Plush stuffed toys		Plastic figures		Tarpaulin		Die-casting products		Total	
	2023	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue from external customers	**2,737,208**	2,287,828	**1,927,946**	3,232,899	**393,135**	485,879	**294,184**	246,268	**5,352,473**	6,252,874
Inter-segment revenue	**2,576**	29,865	**5,761**	7,223	**2**	–	**117,568**	185,938	**125,907**	223,026
Reportable segment revenue	**2,739,784**	2,317,693	**1,933,707**	3,240,122	**393,137**	485,879	**411,752**	432,206	**5,478,380**	6,475,900
Reportable segment profit (adjusted EBITDA)	**805,207**	526,705	**276,437**	463,788	**38,065**	41,246	**75,729**	33,042	**1,195,438**	1,064,781
Bank interest income	**25,590**	9,981	**2,790**	2,811	**10,002**	2,513	**355**	4,208	**38,737**	19,513
Interest expense	**(3,130)**	(4,092)	**(2,436)**	(1,099)	**(4,301)**	(3,549)	**(414)**	(386)	**(10,281)**	(9,126)
Depreciation and amortisation for the year	**(79,976)**	(82,012)	**(59,858)**	(69,813)	**(11,160)**	(14,856)	**(20,853)**	(19,624)	**(171,847)**	(186,305)
Reportable segment assets	**1,992,398**	1,797,515	**1,018,200**	1,480,963	**279,948**	291,523	**219,575**	170,385	**3,510,121**	3,740,386
Additions to non-current segment assets during the year	**24,806**	52,133	**28,748**	99,879	**9,833**	4,599	**15,445**	6,007	**78,832**	162,618
Reportable segment liabilities	**295,193**	426,558	**338,022**	429,087	**22,218**	69,102	**292,502**	297,418	**947,935**	1,222,165

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

	2023	2022
	HK$'000	*HK$'000*
Revenue		
Reportable segment revenue	**5,478,380**	6,475,900
Elimination of inter-segment revenue	**(125,907)**	(223,026)
Consolidated revenue	**5,352,473**	6,252,874
Profit		
Reportable segment profit	**1,195,438**	1,064,781
Share of profit of an associate	**3,964**	1,737
Interest income	**38,737**	19,513
Depreciation and amortisation	**(171,847)**	(186,305)
Finance costs	**(10,281)**	(9,126)
Unallocated head office and corporate expenses	**(22,780)**	(55,538)
Consolidated profit before taxation	**1,033,231**	835,062

	2023	2022
	HK$'000	*HK$'000*
Assets		
Reportable segment assets	**3,510,121**	3,740,386
Elimination of inter-segment receivables	**(295,268)**	(340,135)
	3,214,853	3,400,251
Interest in an associate	**15,970**	12,006
Club memberships	**28,947**	24,044
Other financial asset	**3,206**	2,875
Deferred tax assets	**5,423**	6,890
Current tax recoverable	**74,166**	369
Unallocated head office and corporate assets	**1,269,981**	938,232
Consolidated total assets	**4,612,546**	4,384,667
Liabilities		
Reportable segment liabilities	**947,935**	1,222,165
Elimination of inter-segment payables	**(295,268)**	(340,135)
	652,667	882,030
Deferred tax liabilities	**10,322**	10,085
Current tax payable	**226,094**	94,771
Unallocated head office and corporate liabilities	**44,719**	192,294
Consolidated total liabilities	**933,802**	1,179,180

4. PROFIT BEFORE TAXATION

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

		2023	2022
		HK$'000	*HK$'000*
(a)	**Finance costs**		
	Interest expense on bank loans	**7,825**	6,322
	Interest expense on lease liabilities	**2,456**	2,804
		10,281	9,126
(b)	**Staff costs***		
	Contributions to defined contribution retirement plan	**58,161**	70,391
	Salaries, wages and other benefits	**1,266,117**	1,405,687
		1,324,278	1,476,078
(c)	**Other items**		
	Depreciation charge*		
	– owned property, plant and equipment	**141,074**	151,745
	– leasehold land held for own use	**4,368**	6,691
	– right-of-use assets	**26,257**	27,467
	Amortisation of other intangible assets	**148**	402
	(Reversal)/provision of loss allowances of trade receivables	**(29)**	3,341
	Auditors' remuneration		
	– audit services	**6,072**	6,006
	– other services	**1,151**	888
	Cost of inventories*	**4,007,729**	5,023,998

* Cost of inventories includes HK$1,253,627,000 (2022: HK$1,427,169,000) relating to staff costs and depreciation, which amounts are also included in the respective total amounts disclosed separately above or in note 4(b) for each of these types of expenses.

5. INCOME TAX

	2023	2022
	HK$'000	*HK$'000*
Current tax – Hong Kong Profits Tax		
Provision for the year	**23,311**	49,599
Over-provision in respect of prior years	**(118,349)**	(1,026)
	(95,038)	48,573
Current tax – Outside Hong Kong		
Provision for the year	**184,088**	98,130
Under-provision in respect of prior years	**113,318**	3,585
	297,406	101,715
Deferred tax		
Origination and reversal of temporary differences	**1,016**	(2,322)
	203,384	147,966

The provision for Hong Kong Profits Tax for 2023 is calculated at 16.5% (2022: 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 2022.

The provision for Hong Kong Profits Tax for 2023 is taken into account a reduction granted by the Hong Kong Special Administrative Region Government of 100% of the tax payable for the year of assessment 2022/23 subject to a maximum reduction of HK$6,000 for each business (2022: a maximum reduction of HK$10,000 was granted for the year of assessment 2021/22 and was taken into account in calculating the provision for 2022).

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

Current tax in Hong Kong for the year ended 31 December 2023 includes a tax refund of HK$84 million related to offshore income claimed in respect of prior years, of which HK$5 million was received in 2023 with the remainder received in 2024. Respective tax position for the offshore income is included under current tax outside Hong Kong.

6. 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$829,847,000 (2022: HK$687,096,000) and the weighted average of 676,865,000 ordinary shares (2022: 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 2023 and 2022.

7. OTHER FINANCIAL ASSETS

	2023	2022
	HK$'000	*HK$'000*
Unlisted equity securities measured at FVOCI (non-recycling)	**3,206**	2,875

Unlisted equity securities represent 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 (2022: HK$Nil).

8. PROPERTY, PLANT AND EQUIPMENT

For the year ended 31 December 2023, the Group acquired items of property, plant and equipment with a cost of HK$107,040,000 (2022: HK$220,836,000), including the additions to right-of-use assets of HK$22,673,000 (2022: HK$58,169,000). The additions to right-of-use assets were related to the capitalised lease payments payable under new tenancy agreements. The amount in 2023 also included the purchase of leasehold properties of HK$3,734,000. Items of property, plant and equipment with a net book value of HK$25,182,000 (2022: HK$6,536,000) were disposed of for the year ended 31 December 2023, resulting in a net gain on disposal of HK$875,000 (2022: HK$107,000).

9. INVENTORIES

During the year ended 31 December 2023, there is a reversal of write-down of inventories of HK$9,687,000 (2022: HK$1,244,000). The reversal arose upon utilisation, disposal or an increase in the estimated net realisable value of these inventories.

During the year ended 31 December 2023, there was a write-down of inventories of HK$6,667,000 (2022: HK$26,609,000). The write-down arose upon a decrease in the estimated net realisable value of these inventories.

10. TRADE AND OTHER RECEIVABLES

As at 31 December 2023, 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:

	2023	2022
	HK$'000	*HK$'000*
Within 1 month	**627,341**	511,897
1 to 2 months	**114,012**	342,328
2 to 3 months	**18,895**	76,866
3 to 4 months	**11,483**	12,528
Over 4 months	**3,774**	3,273
Trade debtors and bills receivable, net of loss allowance	**775,505**	946,892
Other receivables	**122,144**	197,475
Prepayments	**14,767**	23,639
Loans receivable	**29,141**	24,916
	941,557	1,192,922

Trade debtors and bills receivable are due within 30 to 120 days from the date of billing.

Loans receivable at 31 December 2023 are due from a third party, fully secured by a leasehold land and a factory building held by the third party, interest-bearing at 6.3% - 9.5% (2022: 6.3% - 8.0%) per annum and recoverable within one year. The Group does not have the right to sell or re-pledge the leasehold land and the factory building held as collateral in the absence of default by the third party.

Amount due from a related party, included in other receivables, of HK$3,691,000 (2022: HK$Nil) is trade in nature, unsecured, interest-free and repayable on demand.

11. TRADE AND OTHER PAYABLES AND CONTRACT LIABILITIES

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 2023, the ageing analysis of trade payables, based on the due dates is as follows:

	2023	2022
	HK$'000	*HK$'000*
Due within 1 month or on demand	**218,389**	371,200
Due after 1 month but within 3 months	**124,708**	131,772
Due after 3 months but within 6 months	**24,916**	50,057
Due after 6 months but within 1 year	**1,941**	22,871
Over 1 year	**2,942**	3,759
	372,896	579,659

	2023	2022
	HK$'000	*HK$'000*
Trade payables	**372,896**	579,659
Contract liabilities – sales deposit	**5,378**	11,689
Salary and welfare payables	**134,338**	142,503
Value-added tax payable	**7,671**	12,497
Other payables and accruals	**42,192**	46,215
Receipt in advance	**9,405**	24,882
	571,880	817,445

As at 31 December 2022, included in the trade payables balance were amount due to an associate of HK$756,000 which were trade in nature, unsecured and interest-free.

12. DIVIDENDS

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

	2023	2022
	HK$'000	*HK$'000*
Interim dividend declared and paid of HK20 cents per ordinary share (2022: HK10 cents per ordinary share)	**135,373**	67,687
Final dividend proposed after the end of the reporting period of HK35 cents per ordinary share (2022: HK30 cents per ordinary share)	**236,903**	203,060
	372,276	270,747

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.

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

	2023	2022
	HK$'000	*HK$'000*
Final dividend in respect of the previous financial year, approved and paid during the year, of HK30 cents per ordinary share (2022: HK10 cents per ordinary share)	**203,060**	67,687

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Year 2023 was filled with a multitude of challenges such as geopolitical conflicts, high interest rates and inflation continuing to cloud the horizon, putting pressure on the global business environment and consumer sentiment. This inevitably affected various industries around the world, including the toy industry. However, the Group's strong ties with existing clients and diversified product portfolio provided it with the resilience to face external changes. Coupled with its well-established dual production bases and increasing levels of automation, Dream International was able to enhance its overall production efficiency and navigate this difficult environment, thus achieving profit growth once again.

For the year ended 31 December 2023 (the "Year"), the Group recorded revenue of HK$5,352.5 million (2022: HK$6,252.9 million) due to the stagnant US economy, which affected the sales of plastic figures, though partially offset by the increase in sales of plush toys and die-casting products. However, benefiting from stable raw material costs and stringent cost control, gross profit increased to HK$1,344.7 million (2022: HK$1,228.9 million), with gross profit margin improving by 5.4 percentage points to 25.1% (2022: 19.7%). Profit attributable to shareholders of the Company surged 20.8% to HK$829.8 million (2022: HK$687.1 million), with net profit margin increasing to 15.5% (2022: 11.0%).

As at 31 December 2023, the Group was in a healthy financial position with cash and cash equivalents and bank deposits amounting to HK$1,391.4 million (2022: HK$761.6 million). To reward shareholders of the Company (the "Shareholders") for their long-term support, the Board has recommended the payment of a final dividend of HK35 cents per ordinary share for the Year (2022: HK30 cents).

Business Review

Product Analysis

Plush Stuffed Toys

This segment continued to be the Group's growth engine, with sales revenue up 19.6% to HK$2,737.2 million (2022: HK$2,287.8 million), accounting for 51.1% of the Group's total revenue, despite the adverse economic environment. This was mainly attributable to strong orders contributed by theme parks, thanks to the Group's long-standing partnerships with character owners and licensors. During the Year, the Group took various measures to attract orders and focused on maintaining a reasonable utilisation rate. For example, it proactively pursued additional orders from existing customers by offering competitive prices. At the same time, the Group also explored new opportunities and received positive responses from new customers.

Plastic Figures

Due to the impact of the economic downturn, customers in this segment were more conservative in terms of order placement and inventory management. Revenue of the segment was inevitably affected and amounted to HK$1,927.9 million (2022: HK$3,232.9 million), accounting for 36.0% of the Group's total revenue. In response to the challenges, the Group maximized sales by offering competitive prices and quotations, enhancing product development, and shortening development and production lead times to deepen cooperation with existing customers. It also strived to secure new products while facilitating reorders wherever possible. Efforts were made to cultivate new customers through various channels, and progress was made with new customers. In addition, the Group maintained strict cost control through timely procurement of raw materials to maintain low prices, investment in production tools, automation, and analysis of the work environment to identify areas for improvement and reduce unnecessary losses. These initiatives have enhanced the Group's competitiveness in the face of challenging market conditions.

Tarpaulin

During the Year, the segment, which was affected by the destocking cycle of customers in the US and Europe, recorded revenue of HK$393.1 million (2022: HK$485.9 million), accounting for 7.3% of the Group's total revenue. Recognising the importance of integrating sustainability elements into the business, the Group has planned to expand sales of tarpaulin products with such element worldwide. The Group also actively participated in industry events to explore new markets and customers, thereby maintaining its market share despite the adversities.

Die-Casting Products

Thanks to the diversified playset offerings, which have been well-received in the market, the segment revenue increased by 19.4% to HK$294.2 million (2022: HK$246.3 million), accounting for 5.6% of the Group's total revenue. In addition to continuing to produce products that met market trends, the Group worked closely with customers on production plans, which allowed it to maintain high capacity utilisation throughout the Year and shorten lead times for urgent orders. Furthermore, the Group strategically sourced raw materials at low costs, adjusted and optimised production lines, and increased automation levels to improve cost efficiency. These measures have enabled the Group to meet customer demands and adapt to changing industry trends, while minimising costs and improving profitability.

Geographic Market Analysis

For the year ended 31 December 2023, North America remained the Group's largest geographical market, accounting for 44.9% of its total revenue. Sales from Japan accounted for 25.6% of the Group's total revenue, followed by the PRC at 17.0% and Hong Kong at 5.6%.

Operational Analysis

As of 31 December 2023, the Group operated a total of 27 factories, seven in China and 20 in Vietnam, with an average utilisation rate of around 84%. In times of intense competition, enhancing production efficiency and reducing costs provide the Group with competitive edges. Recognising this, the Group has invested in automation and production tools with advanced technologies along the production lines. Separately, the Group has closely monitored operations and identified areas where costs can be reduced. These concerted efforts have not only minimised costs but also elevated product quality, further strengthening the Group's leading position within the industry.

Prospects

In 2024, the manufacturing sector is expected to face various challenges due to uncertainties in the global economy and potential risks stemming from geopolitical tensions. Nonetheless, the Group remains cautiously optimistic about its business outlook, as demand from theme parks in Asia persists and a number of movies will be released in the coming year, stimulating demand for related toy products. Over the years, the Group has made significant efforts to establish a strong presence in major toy markets, including the US, Japan, and China, as a preferred partner of leading toy companies. It has also focused on diversifying its business, not only to generate growth opportunities but also to mitigate potential risks. These strategies have proven successful, as the Group has experienced rapid growth during favourable periods and maintained stable overall performance during challenging times. Going forward, the Group will continue to strengthen its existing relationships with top-tier clients and further develop its diverse businesses as a foundation for future growth.

While increasing automation levels in production lines will continue to be the focus to drive efficiency and expand production capacity, the Group is also seeking to diversify regional risk for a higher level of sustainability and is currently establishing a new plant in Indonesia, which will be operational in 2025, in addition to its two production bases. This proposed third production base represents an important step in the Group's expansion, providing greater flexibility in production arrangements and allowing the Group to seize new opportunities across new markets and adapt quickly to market changes.

In addition, incorporating sustainable elements into the products will be a strategy to enhance the Group's overall competitiveness and margins. Over the past year, the Group has worked closely with supply chain partners and customers to identify and utilize recycled materials in newly launched products, thereby promoting sustainable development. The Group will continue its efforts to tap into the market and develop more environmentally friendly products to meet the growing market demand for sustainability.

All of these strategies are aimed at strengthening the overall competitiveness of Dream International, enabling it to stand out in an adverse environment. This, coupled with the Group's strong financial position, adaptability, and resilience will ensure it is well positioned to capitalise on market opportunities and deliver solid business results. The Group believes that this will not only enable it to consolidate its leading position in the industry, but will ultimately lead to greater returns for the Shareholders in the long run.

NUMBER AND REMUNERATION OF EMPLOYEES

As at 31 December 2023, the Group had 26,210 (31 December 2022: 28,924) 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$1,324.3 million (31 December 2022: HK$1,476.1 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 2023, the Group had net current assets of HK$2,326.1 million (2022: HK$1,773.1 million). The Group's total cash and cash equivalents as at 31 December 2023 amounted to HK$1,264.5 million (2022: HK$669.3 million). The bank loans of the Group as at 31 December 2023 amounted to HK$73.5 million (2022: HK$192.3 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 2.0% at 31 December 2023 (2022: 6.0%).

PLEDGE ON GROUP ASSETS

Factory buildings, certain leasehold land and other property, plant and equipment and bank deposit of the Group with an aggregate carrying amount of HK$207.0 million (31 December 2022: HK$223.6 million) as at 31 December 2023 were pledged as security for bank loans of the Group of HK$73.5 million (31 December 2022: HK$192.3 million).

As at 31 December 2023, unutilised banking facility of HK$118.8 million (2022: HK$31.2 million) was secured by factory buildings, leasehold land and other property, plant and equipment, and bank deposit of the Group with an aggregate amount of HK$84.2 million (2022: HK$66.8 million).

SIGNIFICANT INVESTMENT HELD

There was no significant investment held by the Group during the year ended 31 December 2023.

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

During the year ended 31 December 2023, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

During the year ended 31 December 2023, the Company has complied with Corporate Governance Code (the "CG Code") as set out in Appendix C1 to the Listing Rules, save for the deviation from the code provision C.2.1. Under the code provision C.2.1 of the CG Code, the roles of chairman and chief executive officer ("CEO") should be separated and should not be held by the same individual. Mr. Kyoo Yoon Choi has been appointed as the CEO on 4 October 2012 and has performed both the roles as the chairman and CEO of the Company. The Board is of the opinion that it is appropriate and in the best interests of the Company at the present stage for Mr. Kyoo Yoon Choi to hold both the positions as it helps to maintain the continuity of the policies and stability of the operations of the Company. The Board including three independent non-executive directors has a fairly independent element in the composition and will play an active role to ensure a balance of power and authority.

COMPLIANCE WITH THE MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transaction by Directors of Listed Issuers (the "Model Code") as set out in Appendix C3 to the Listing Rules as the code of conduct regarding the securities transactions by the Directors on terms no less exacting than the required standard. The Company has made specific enquires of all the 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 2023.

SCOPE OF WORK OF KPMG

The financial figures in this announcement have been agreed by the Group's external auditor, KPMG, to the amounts set out in the Group's draft consolidated financial statements for the year ended 31 December 2023. The work performed by KPMG in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA, and consequently no assurance has been expressed by KPMG on this announcement.

FINAL DIVIDEND

The Board has resolved to recommend the payment of a final dividend of HK35 cents (2022: HK30 cents) per ordinary share in respect of the year ended 31 December 2023. The proposed final dividend which totals HK$236,903,000 (2022: HK$203,060,000), if approved at the forthcoming annual general meeting, will be paid on 27 May 2024 to the Shareholders on the register of members as at 10 May 2024.

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from 29 April 2024 to 3 May 2024, both days inclusive.

During this period, no transfer of shares will be registered. Shareholders whose names appear on the register of members of the Company on 3 May 2024 are entitled to attend the forthcoming annual general meeting scheduled on 3 May 2024. In order to qualify for the right to vote for and/or attend the forthcoming annual general meeting, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's Registrar, Tricor Abacus Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on 26 April 2024.

The proposed final dividend is subject to the passing of an ordinary resolution by the Shareholders at the forthcoming annual general meeting. For determining the entitlement to the proposed final dividend, the register of members will be closed for one day on 10 May 2024, during that day no transfer of shares will be effected. In order to qualify for the final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Registrar, Tricor Abacus Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on 9 May 2024.

AUDIT COMMITTEE

The audit committee of the Company has reviewed with the management of the Company with respect to the accounting policies, principles and practices adopted by the Group and discussed risk management and internal control system, and financial reporting matters, including a review of the annual results for the year ended 31 December 2023.

By order of the Board
Dream International Limited
Min Jung Lee
Executive Director

Hong Kong, 22 March 2024

At the date of this announcement, the Directors are:

Executive Directors:
Mr. Kyoo Yoon Choi *(Chairman)*
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