

Chairman's Statement

Dear Shareholders:

SUCCESSFUL LISTING

On behalf of the Board of Directors (the "Directors") of Dream International Limited ("Dream International" or the "Group"), I am delighted to report that the Group was successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited on 7 February 2002, with the issuing of 162.5 million new shares, proceeds raised were HK\$195 million. It is also a great pleasure to present the Group's first annual results following our listing. We have recorded significant growth with combined profit reaching HK\$98.5 million, 5.2% higher than the profit estimated in our prospectus.



Mr. K. Y. Choi
Chairman

The successful listing was a major milestone for the Group. Dream International is the first Korean owned company listed in Hong Kong. Established in 1992, we have grown from a small toy manufacturing company to become the leading and internationally known plush stuffed toy manufacturer. Leveraging our solid background, and recent achievements, we are committed to building a plush toy manufacturing empire. Given our listing status, we will further enhance our presence in our existing markets while identifying potential business opportunities, continuing to produce excellent results in the years ahead.

BUSINESS REVIEW AND PROSPECTS

Although 2001 presented a challenging year for the global economy, the trend for toys are, continued to be on for growth, as toys have always acted as friends and companion for children; at the same time, adults continue to buy toys as gifts. We therefore believe that the demand for toys will continue to grow.

Being the world's leading plush toy manufacturer, Dream International is famed by its quality products and is the preferred partner of world's leading brands such as Warner Bros. and Bandai Co Ltd and mass market retailers like Costco Wholesale Corporation.



The Group has built a diverse international customer base with 139 customers spreading over 13 countries. US and Japan are the Group's two major markets, which represented 49% and 37% respectively of the Group's combined turnover during the year under review. For the year ended 31 December 2001, plush stuffed toys and steel and plastic toys accounted for 91% and 9% of the Group's combined turnover respectively.

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In view of the popularity of character licensing products which become a major trend in the toy industry, we successfully entered into an agreement with Warner Bros. Consumer Products ("WBCP") on 19 September 2001 for the production of certain licensed products, Looney Tunes and Tom & Jerry, for distribution to WBCP appointed distributors worldwide, excluding the US and Canada.

Looking ahead, with regard to the recent gradual recovery in the US, we believe that it will speed up the pace of the market rebound globally. This can be seen by the increasing orders received from the US for the first quarter of 2002. We expect market demand for toys to be promising as the US, Europe and Japan are our major markets.

In addition, tariffs and restrictions will gradually be relaxed due to China's accession to WTO in November 2001. We are poised to benefit as our eight scalable production facilities are all strategically located in the PRC, to benefit from its low production costs.

Given our solid foundations, well-established and substantial customer base, and experienced professional staff with in-depth market knowledge, we are well positioned to capture the opportunities ahead. We will further enhance our vertical integration to maximise our economies of scale, while also expanding our market share in new markets, bringing profitable returns to our shareholders.

Finally, on behalf of the Directors, I would like to extend my sincere gratitude to the management and staff for their commitment and contribution to the Group. Also, I would like to express our appreciation to our business partners, customers, suppliers and shareholders for their support of the Group.



Kyoo Yoon **Choi**

Chairman

Hong Kong, 10 April 2002

