

Chairman's Statement 主席報告書



Mr. Kyo Yoon Choi (Chairman)
崔奎琬先生 (主席)

Dear Shareholders,

2005 was still a tough year for manufacturers in the toy industry. Shouldering persistent pricing pressure, material costs pushed up by high crude oil price and labour shortage, the profit margins of Dream International Limited (the "Company") and its subsidiaries (the "Group") were inevitably squeezed. However, riding on its sizeable operation and reputation as an industry leader, the Group practiced strategic bulk purchasing and was able to enjoy bargain prices from various raw material suppliers, which allowed it to mitigate cost pressure. The Group showed great resilience amid the adverse global market conditions and managed to minimize operational loss of its toy business.

致各位股東：

對玩具製造商而言，二零零五年仍為艱巨的一年。價格持續受壓，加上油價高企及勞工短缺推高生產成本，德林國際有限公司（「本公司」）及其附屬公司（「本集團」）的毛利率無可避免地下降。然而，憑藉龐大的營運規模及作為業內領導者的聲譽，本集團實行策略性大量採購，並獲多個原材料供應商提供優惠價格，降低成本壓力。在全球市況不利的環境下，本集團仍能逆境自強，將玩具業務的營運虧損減至最低。

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BUSINESS REVIEW AND PROSPECTS

During the year under review, the Group mapped out various measures to meet the challenges. We selected several locations to set up production facilities in inland PRC to take advantage of the relatively lower wage level. Further investment in the plants in Vietnam has not only alleviated the impact of labour shortages in China, but also mitigated foreign currency risks as both the operational costs and revenues in Vietnam are denominated in US dollar. Moreover, by splitting production capacity strategically among three geographical locations, including northern, southern PRC and Vietnam, the Group can better constraint geographical production risks.

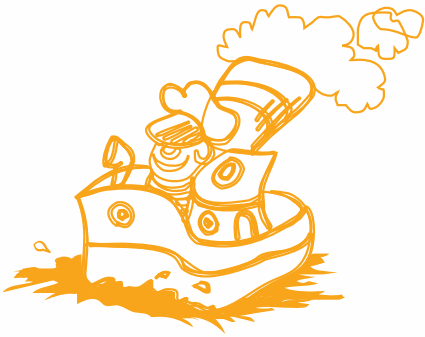
During the second half of 2005, we took a series of actions to advance our business. A joint venture, C & H HK Corp., Ltd. ("JV") was formed with three investors from the US, Japan and Taiwan. The JV will benefit from the Group's scalable manufacturing capability, and the marketing and technical expertise and potential business that the other partners bring. Through the JV, the Group will be able to broaden its worldwide and local distribution networks and enrich its product mix. The acquired trademarks "Great"

業務回顧及展望

回顧年內，本集團製訂多項措施應付種種挑戰。我們於中國內陸地區選定多個地點興建新生產設備，從而受惠於當地相對較低的工資水平。此外，我們進一步投資於越南廠房不僅舒緩了中國勞工短缺的問題，由於越南的經營成本及收入乃以美元計算，所以亦降低了外匯風險。此外，我們藉著將產能策略性分佈於華北、華南及越南三個地區，能更有效管理地域分佈上的生產風險。

於二零零五年下半年，我們採取一系列措施擴展業務。集團與三名來自美國、日本及台灣的投資者組成了一間名為C&H HK Corp., Ltd.的合營公司（「合營公司」）。合營公司將受惠於本集團規模龐大的產能，同時亦可享有其他夥伴在市場推廣及技術方面的專業知識，以及彼等帶來的潛在商機。透過合營公司，本集團將可擴闊其全球及本地的分銷網絡，並可豐富其產





and "Far Great" under the JV will provide a platform for the Group to achieve its goal of tapping Original Brand Manufacturing ("OBM") business.

To reinforce our position as the world's largest plush stuffed toy manufacturer, we strived to explore new business opportunities during the year. Leveraging the JV, we won new orders on steel and plastic toys from a current renowned Original Equipment Manufacturing ("OEM") customer. Empowered by our well-established "CALTOY" brand, we also secured several new Original Design Manufacturing ("ODM") customers. To support our expanding business and heighten revenue, we will establish new production facilities in inland provinces of the PRC, such as Anhui and Guangxi, to expand production capacity and prepare for potential business.

To boost operational efficiency, the Group started to reinforce, reorganize and restructure its business last year. The major steps taken included reallocating management personnel and rationalizing the work forces of the Group. The benefits of these initiatives are expected to be reflected in the Group's performance in 2006.

Looking ahead, we are confident of the Group's performance in the coming years. Currently, the plush stuffed toy industry is undergoing market consolidation and smaller manufacturers will be eventually ousted. When the

品組合。合營公司一併收購的「Great」及「Far Great」商標，將為本集團提供一個平台，進軍原品牌製造（「OBM」）業務。

為鞏固作為全球最大毛絨玩具製造商的地位，我們於年內致力開拓新商機。憑藉合營公司的優勢，本集團贏得現有的著名原設備製造（「OEM」）客戶提供的金屬及塑膠玩具新訂單。憑藉「CALTOY」品牌在業內的聲譽，我們亦贏得數位新原設計製造（「ODM」）客戶。為支持業務擴展及增加收入，我們將會在中國內陸省份如安徽及廣西設立新生產設備，務求擴大產能及為潛在商機作好準備。

為提升營運效率，本集團於去年開始鞏固、整頓及改組其業務，當中主要包括重新調配管理人員，以及改革本集團的人力資源。上述行動的成效預期將反映在本集團二零零六年的業績之中。

展望未來，我們對集團未來數年的表現充滿信心。現時，毛絨玩具業正處於整固階段，規模較小的製造商最終會被淘汰。當整固完成後，只有少數具規模的製造商包

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consolidation is completed, only a few scalable manufacturers, including the Company, will subsist to enjoy greater bargaining power in negotiating with customers for higher margins.

Besides continuing to focus on its core plush stuffed toy business, the Group will offer its existing customers a wider mix of products with quality design. The Group will continue to utilize the resources and opportunities presented by the JV to build a profitable income stream. To better serve and satisfy major customers, we shall invest more time and resources in R&D and marketing, and develop products that embody creative concepts attuning to new trends and designs. Guided by our strong tradition and sound experience in bringing joy to children and adults around the world for over two decades, we believe we are well prepared to take on any challenges and bring our business back on the booming track in the future.

On behalf of the Board, I would like to extend my gratitude to the management team and staff for their commitment, perseverance and contribution to the Group. I would also like to thank all our shareholders, business partners and customers for their continuous support during the year.

Kyoo Yoon Choi 崔奎琿

Chairman 主席

Hong Kong, 12 April 2006

香港，二零零六年四月十二日

括本公司能碩果僅存，並能在與客戶磋商時享有更大的議價能力，從而提升邊際利潤。

除繼續專注於核心毛絨玩具業務外，本集團將為現有客戶提供更豐富及具優質設計的產品組合。本集團將繼續利用合營公司的資源及帶來的商機，建立額外的收入來源。為了向客戶提供更高質素的服務，本集團將投放更多時間及資源於研發及市場推廣，並開發意念創新的時尚產品。憑藉在過去二十多年，我們將歡樂帶給世界各地小朋友及成年人的深厚傳統及豐富經驗，我們已經準備就緒，迎接新的挑戰，並於未來帶領業務重回升軌。

最後，本人謹代表董事會向管理層及員工所作出的努力、堅持及貢獻致以衷心謝意。本人亦謹此感謝股東、業務夥伴及客戶多年來的支持。

