1126.HK gideon lens

Dream International Limited - Gideon Lens Main Narrative

Ticker: 1126.HK

Date: 2026-05-30

- Today: 2026-05-30.
- Company fiscal year convention: fiscal year ends December 31.
- Latest official period: FY2025 annual report for the year ended 2025-12-31, published on HKEX on 2026-04-08.
- TTM anchor: FY2025 annual period, ending 2025-12-31. Dream reports annually and semi-annually, not true quarterly results.
- Horizon: TTM plus five calendar years, ending 2030-12-31.

Verdict: PASS

Scorecard:

Gate	Result	Notes
Management	YELLOW	Founder control, family governance, prior connected-transaction lapse remain unresolved
Moat	FAIL	Supplier execution credible; 2046 test fails on pricing power
P/E <= 15 on confident EPS at TTM + 5 calendar years	PASS	Base FY2030 EPS HKD 1.304 gives 193.4% cushion
Compounder Score	Audited 48 / 100	Diagnostic Reject; cheap price cannot offset moat and ROIIC gaps
Business Quality Score	Audited 40 / 80	Reported ROIC is real, but durability evidence is weak
20% Return UW Score	Audited 8 / 20	20% case needs rerating or better-than-base earnings path

One-line thesis (or reason to pass): Dream is statistically cheap against a reasonable five-year EPS model, but the evidence does not support a Gideon-grade moat, 2046 durability, or clean management gate.

Kill / trigger criteria:

- BUY trigger: no price-only trigger; HKD 19.57 is the P/E 15 price on base FY2030 EPS, but moat and management gates must clear first.
- PASS trigger: FY2026 Plastic Figures adjusted EBITDA margin below 8.0% while Plush adjusted EBITDA margin is below 23.0%.
- PASS trigger: repeat connected-party compliance lapse, material related-party expansion without strong minority protections, or dividend cuts while family/connected transactions rise.
- PASS trigger: consolidated gross margin remains below 20.5% despite revenue growth, indicating volume is not translating into retained economics.
- Upgrade to BUY conditions: Plastic Figures margin recovery above 8.5% with revenue growth, Plush growth above 3% with margin above 23%, no further connected-party process failures through FY2027, and better disclosure on capacity returns/customer concentration.

Position sizing if bought: 0% under ER2 today. If later upgraded after the gates clear, size should still begin small because the thesis depends on supplier-cycle evidence rather than a hard moat.

Bottom Line

Dream International is the uncomfortable kind of PASS: the valuation math is attractive, but the business-quality gate does not clear. The synthesis appendix builds a five-year model from reviewed segment appendices and reaches base-case FY2030 revenue of HKD 7.571B, operating income of HKD 1.122B, net income of HKD 0.883B, and EPS of HKD 1.304. At the current HKD 6.67 share price, the required EPS for a P/E of 15 is only HKD 0.445. The base case therefore has a 193.4% cushion, and even the bear case clears the P/E 15 screen.

That would be enough in a cheap-stock framework. It is not enough in ER2. Gideon is trying to buy businesses that can compound capital at high incremental returns for decades under credible management, not simply low-multiple stocks with plausible mean-reversion. Dream fails that higher bar because the moat appendix fails both the moat gate and the 2046 durability test. Management is YELLOW, not FAIL, but it is not clean enough to rescue the thesis. The company is founder-controlled, the founder is both chairman and CEO, family members hold important roles, and there was a prior connected-transaction process lapse. The dollar amount was small, but the governance relevance is high because minority holders must rely heavily on controller fairness.

The report therefore separates two claims. Claim one: Dream is cheap if the base-case segment model is broadly right. That claim is supported. Claim two: Dream is a durable Gideon compounder that deserves a BUY today. That claim is not supported.

Business Quality

Dream is a Hong Kong-listed manufacturer of plush stuffed toys, plastic figures, and tarpaulin products. FY2025 revenue was HKD 5.974B. The segment mix is important: Plush Stuffed Toys generated HKD 3.264B, or 54.6% of revenue; Plastic Figures generated HKD 2.352B, or 39.4%; and Tarpaulin generated HKD 0.358B, or 6.0%. Segment profit is adjusted EBITDA, not operating income, so the synthesis correctly bridges segment adjusted EBITDA to consolidated operating profit rather than treating segment profit as OI.

Plush is the real profit engine. It has the strongest evidence of customer trust, compliance capability, multi-country execution, and program complexity. The reviewed Plush appendix models base-case revenue compounding at 6.0% to HKD 4.368B in FY2030, with a 24.0% adjusted EBITDA margin and HKD 1.048B of adjusted EBITDA. That is a plausible base case, and it is well below the recent FY2022-FY2025 Plush CAGR. The weakness is evidence quality: Dream does not disclose Plush backlog, customer identities, customer-level economics, product-line capacity, customer retention, or OEM versus ODM mix. The model can observe the output, but it cannot prove the recurrence.

Plastic Figures is the swing factor. It remains almost 40% of revenue, but adjusted EBITDA margin fell sharply from 15.8% in FY2023 to 7.6% in FY2025. The reviewed appendix models only partial recovery to 9.0% by FY2030. That assumption is not aggressive versus the peak, but it is still unproven versus the current exit rate, because derived H2 FY2025 margin was only 6.7%. If Plastic Figures stays in the 6%-8% range, Dream can still be a real business, but the high-return compounder story becomes much weaker.

Tarpaulin is small and not thesis-driving, but it is useful as a warning label. FY2025 Tarpaulin revenue declined, management cited tariff negotiations, Europe/Japan softness, and price competition, and the appendix models a slight revenue decline in the base case. This segment does not need to break the thesis by itself. Its relevance is that it shows how quickly manufacturing economics can become price- and order-cycle exposed when the company does not own the customer relationship or end-market demand.

Moat And Management

Dream has execution strengths. It has a long operating history, multi-country production footprint, safety and compliance capabilities, and experience manufacturing for demanding toy and entertainment customers. Those strengths matter. They create supplier qualification barriers, make fast switching inconvenient, and can support repeat programs.

They do not prove a Gideon moat. Dream does not own the consumer IP, brand, retail channel, platform relationship, or end customer. Customers can dual-source, re-bid programs, shift future awards, pressure price, and allocate volume across qualified suppliers. FY2025 customer concentration makes that risk concrete: the largest customer represented 25.5% of revenue and the top five represented 70.7%. Concentration can indicate trusted relationships, but in this case it also creates buyer power.

The margin evidence is the largest problem for the moat case. FY2025 revenue rose 9.6%, but gross margin fell from 23.0% to 20.2%, operating margin fell from 17.1% to 14.6%, and profit declined. A moat can have bad years, but a clean moat pass should show pricing power or cost pass-through during growth. Dream instead shows volume growth with weaker retained economics. The 2046 test therefore fails: Dream may still be a useful supplier in 2046, but the file cannot defend a protected profit pool for twenty years.

Management receives YELLOW. The operating record is credible, the balance sheet is net cash, dividends are meaningful and pro rata, share count is flat, and no pattern of dilutive financing or destructive M&A was found. But control risk is real. Kyoo Yoon Choi controls about 68.16%, holds both chairman and CEO roles, and remains the central strategic decision-maker. The CFO is his son-in-law, family members are involved, and one independent non-executive director has served since 2003. The 2024 connected-transaction lapse was small, but it directly tests the governance process in a controlled-company setup. The right grade is unresolved rather than clean.

Valuation

The P/E 15 gate passes decisively. The base model uses reviewed segment handoffs, an explicit adjusted-EBITDA-to-operating-profit bridge, a flat share count of 676.9M shares, and HKD EPS against the HKD share price. The base case produces FY2030 EPS of HKD 1.304. At 15x, that is HKD 19.57 per share, versus HKD 6.67 today. The bear case produces EPS of HKD 0.634, worth HKD 9.51 at 15x, still above the current price.

The problem is that the ER2 P/E 15 test is not the same thing as a 20% return underwriting pass. The audited Compounder Score is 48/100, classified as Reject. The Business Quality score is 40/80 and the 20% Return Underwriting score is 8/20. The scoring audit accepts the cheapness, but notes that a 20% annualized case requires rerating from roughly 6.5x trailing P/E or a better-than-base earnings path. That is a value setup, not a proven compounder setup.

The red team makes the same point more bluntly. The most likely optimistic number is Plastic Figures FY2030 adjusted EBITDA margin of 9.0%, because the latest H2 evidence was weaker. The most fragile assumption is Plush continuing to compound while only modestly giving back margin. A 300 bp Plush CAGR miss plus a 200 bp margin miss can take roughly HKD 0.25 off FY2030 EPS. That would not necessarily destroy the P/E 15 screen, but it would further weaken the quality and 20% return case.

What Would Change The View

Dream can move from PASS to a more interesting watchlist candidate if the next evidence set resolves the actual uncertainties. The first item is Plastic Figures: FY2026 or FY2027 revenue growth with adjusted EBITDA margin above 8.5% would show that the margin recovery is real rather than modeled. The second is Plush: continued revenue growth above 3% with adjusted EBITDA margin above 23% would support the idea that FY2025 was not just a program-timing peak. The third is consolidated margin: gross margin above 21% with healthy cash conversion would show that growth is being retained by Dream, not handed back to customers or consumed by ramp costs. The fourth is governance: no repeat connected-party compliance issue through FY2027, plus better disclosure on capacity returns and succession/board independence.

Until then, the right conclusion is strict. Dream is cheap enough to study and monitor, and it may work as a valuation mean-reversion idea. It is not yet a Gideon BUY. The moat gate fails, management is unresolved, and the 20% return score is too weak. PASS.

Appendix A - Company Primer

Dream International Limited (1126.HK) - Company Primer

Reporting currency: HKD. Fiscal year end: December 31. This primer uses `quant_foundation.md` as the controlling quantitative source and official HKEX filings for qualitative business context. At the time of drafting, `data_package.md` existed only as an in-progress placeholder, so it was not used as a substantive source.

Primary official sources: [FY2025 annual report](https://www.hkexnews.hk/listedco/listconews/sehk/2026/0408/2026040802047.pdf), [FY2025 interim report](https://www.hkexnews.hk/listedco/listconews/sehk/2025/0918/2025091800287.pdf), [FY2024 annual report](https://www.hkexnews.hk/listedco/listconews/sehk/2025/0407/2025040701759.pdf), and [FY2023 annual report](https://www.hkexnews.hk/listedco/listconews/sehk/2024/0402/2024040203871.pdf).

Stage 0 Anchor

Today is 2026-05-30. Dream International Limited's fiscal year ends on December 31. The most recently reported official period is the FY2025 annual report for the year ended 2025-12-31, published on HKEX on 2026-04-08. No FY2026 interim or quarterly report is available as of 2026-05-30. The controlling TTM anchor is therefore FY2025 full year, ending 2025-12-31. The forward horizon is exactly five calendar years from that TTM anchor, or 2030-12-31.

Business Overview

Dream International Limited is a Hong Kong-listed toy and industrial-products manufacturer. The company designs, develops, manufactures, and sells plush stuffed toys, plastic figures, and tarpaulin. The right operating frame is not "consumer toy brand owner." The official disclosures describe Dream as a manufacturing and development partner serving renowned toy brands, character owners, licensors, theme-park and entertainment-linked customers, and other customers that place orders under contracts or purchase orders. Its products are generally made to customer requirements, including product design, labelling, packaging, quality specifications, and delivery schedules.

The business model is OEM/ODM-like. Dream owns manufacturing capacity, engineering know-how, production planning, procurement relationships, and some design/development capability. The customer usually owns the consumer-facing brand, character intellectual property, entertainment release calendar, or retail relationship. Dream's job is to translate that customer demand into products that can be produced reliably at scale, pass quality and labour-compliance requirements, and arrive on time. That is a different economic position from a brand owner that captures retail gross margin or monetizes owned IP. Dream can still earn attractive returns, but the source of those returns is manufacturing execution, customer trust, scale, multi-country capacity, and cost control, not proprietary characters.

The FY2025 annual report explicitly frames the market backdrop around entertainment projects, collectible licensed products, the "Kidult" trend, theme-park demand, seasonal promotions, and customer supply-chain diversification. This matters because Dream's revenue is tied to the order books and procurement decisions of customers that control those demand catalysts. A new movie slate, theme-park event, collectible campaign, or IP launch can lift orders; cautious consumer sentiment, tariff uncertainty, inventory adjustments, or a customer's merchandising miss can pressure volumes and schedules.

Dream sells through business-to-business customer relationships rather than through a self-serve consumer channel. Revenue is recognized when a customer takes possession of and accepts the goods. Payment terms vary by customer and purchase order, but the annual report states that credit terms are generally 30 to 120 days after customer acceptance. This means working capital, receivable concentration, and production scheduling are central to the economics. The company must procure materials, run factories, coordinate labour and logistics, and then collect from large customers after delivery.

Dream had 30,466 employees at FY2025 year-end across Hong Kong, Chinese Mainland, Korea, the United States, Japan, Vietnam, Singapore, and Indonesia. The factory footprint is broad for a mid-cap Hong Kong-listed manufacturer: 30 factories at 2025 year-end, including eight in China, 21 in Vietnam, and one in Indonesia. Management reported an average utilization rate of roughly 85.9%. That utilization level supports operating leverage when demand is healthy, but it also means a volume or schedule shock can quickly show up in lower factory absorption and margin pressure.

Revenue Architecture

Dream reports three current product/operating segments: Plush Stuffed Toys, Plastic Figures, and Tarpaulin. Segment profit is disclosed as adjusted EBITDA, not operating income. That distinction is important for downstream modeling because the company separately bridges segment adjusted EBITDA to consolidated profit before tax through depreciation and amortisation, interest income, finance costs, associate profit, and unallocated corporate expense.

The FY2025 revenue mix was dominated by plush stuffed toys and plastic figures. Tarpaulin is a smaller, more industrial line and is economically relevant, but it is not the main driver of group revenue.

FY2025 segment	External revenue	Revenue share	Adjusted EBITDA	Adjusted EBITDA margin
Plush stuffed toys	3,263.6m	54.6%	827.6m	25.4%
Plastic figures	2,352.3m	39.4%	179.2m	7.6%
Tarpaulin	358.5m	6.0%	42.2m	11.8%
Total	5,974.4m	100.0%	1,049.1m	17.6%

Plush stuffed toys is the largest and most profitable segment. It covers design, development, manufacturing, and sale of plush products, with products either sourced externally or manufactured primarily in Chinese Mainland and Vietnam facilities. FY2025 revenue increased 18.0% year over year to HKD 3,263.6m, helped by theme-park demand in Asia and customers scaling procurement around visitor traffic and seasonal events. The segment's adjusted EBITDA rose only modestly, however, and margin fell from 28.6% in FY2024 to 25.4% in FY2025. That gap between strong revenue growth and weaker margin indicates that the business has real demand tailwinds but is not immune to labour cost, product mix, and scheduling pressure.

Plastic figures is the second-largest segment. It includes design, development, manufacturing, and sale of plastic figures, primarily from Vietnam and Indonesia facilities. The FY2024 reporting change combined die-casting products into plastic figures, so the restated three-segment FY2023 history should be used for trend analysis. FY2025 plastic figures revenue was HKD 2,352.3m, up 1.8% from FY2024. Management attributed the segment's demand support to the Kidult trend, new entertainment activity, seasonal promotions, premium figures, and playsets. The segment's margin problem is the main FY2025 economic warning: adjusted EBITDA fell to HKD 179.2m from HKD 273.0m, and margin fell to 7.6% from 11.8%.

Tarpaulin is the smallest segment and is manufactured in Vietnam. FY2025 revenue was HKD 358.5m, down 4.0% from FY2024. Management cited fluctuating US orders amid China-US tariff negotiations, weaker demand in Europe and Japan, and intensifying price competition. Tarpaulin is not a toy IP exposure in the same way as plush and plastic figures. It appears more exposed to industrial product competition, raw-material cost, and customer price sensitivity. Its adjusted EBITDA margin was stable at 11.8% in FY2025, but the segment is small enough that it will not determine the group thesis unless it deteriorates sharply or absorbs disproportionate capital.

The geographic revenue mix also matters. North America was the largest customer location in FY2025, followed by Japan and Chinese Mainland. The reported geographic table is based on customer location, not necessarily the factory location where products are made.

FY2025 geographic market	Revenue	Share of revenue
North America	2,682.6m	44.9%
Japan	1,636.5m	27.4%
Chinese Mainland	985.8m	16.5%
Hong Kong	344.7m	5.8%
Europe	180.4m	3.0%
Vietnam	75.5m	1.3%
Korea	9.7m	0.2%
Other countries	59.1m	1.0%
Total	5,974.4m	100.0%

This mix creates two different kinds of exposure. First, end demand is meaningfully global and tied to North American, Japanese, Chinese, and theme-park/entertainment-linked buying behavior. Second, production is concentrated in Asia, especially China, Vietnam, and Indonesia. The company is therefore a beneficiary of customer supply-chain diversification away from single-country sourcing, but it also remains exposed to tariffs, freight costs, currency moves, labour availability, and geopolitical disruptions.

Unit Economics

At the consolidated level, Dream's FY2025 revenue was HKD 5,974.4m, up 9.6% from FY2024. Gross profit was HKD 1,205.9m, down from HKD 1,253.9m, and gross margin fell to 20.2% from 23.0%. Profit from operations was HKD 875.0m, or a 14.6% operating margin. Profit for the year was HKD 692.9m, or an 11.6% net margin. The basic and diluted EPS was HKD 1.0237, based on 676.865m weighted average shares and no dilutive potential ordinary shares.

The core economic issue in FY2025 is that revenue grew while profit declined. That is not automatically disqualifying for a manufacturer, but it is a clear signal that volume alone does not guarantee operating leverage. Management pointed to rising labour costs and production schedule adjustments to accommodate customers' inventory management. In practical terms, the factories likely had more work, but not all of that work carried the same margin, and some production had to be flexed around customer timing. Manufacturing economics punish under-absorbed labour, rush scheduling, inefficient changeovers, and unfavorable product mix.

For plush stuffed toys, the unit economics appear strongest. The segment had the highest FY2025 adjusted EBITDA margin at 25.4%. Plush benefits from demand tied to theme parks, seasonal events, character-based products, and customer relationships where quality, design support, and reliable delivery matter. The segment is still a manufacturing business, but the product seems to carry more defensibility than commodity tarpaulin and more current margin support than plastic figures.

For plastic figures, the economic picture is more mixed. The segment has growth drivers from collectibles, premium figures, playsets, entertainment releases, and Kidult demand, but the FY2025 margin deterioration shows that product complexity and revenue growth did not translate into high incremental profit. Plastic figures uses materials, moulding, painting, assembly, quality control, and logistics; automation can help, but raw material costs, labour, and customer pricing pressure can absorb the benefit. The downstream segment appendix should not assume plastic figures earns plush-like margin without evidence.

For tarpaulin, the product economics are lower-growth and more price-sensitive. The segment had a stable 11.8% adjusted EBITDA margin in FY2025 but lower revenue. Management is trying to defend the line through eco-friendly offerings, renewed marketing, production automation, and material cost control. That suggests the segment is still managed actively, but it is unlikely to carry the long-term compounder thesis by itself.

The bridge from segment adjusted EBITDA to consolidated profit matters. FY2025 reportable segment profit was HKD 1,049.1m. Adding associate profit and interest income, then subtracting depreciation and amortisation, finance costs, and unallocated corporate expense, produces consolidated PBT of HKD 871.2m. The largest bridge item is depreciation and amortisation of HKD 175.8m. This is why treating segment adjusted EBITDA as operating income would overstate the earnings base.

FY2025 bridge item	HKD m
Reportable segment adjusted EBITDA	1,049.1
Share of associate profit	2.4
Interest income	44.2
Depreciation and amortisation	(175.8)
Finance costs	(6.2)
Unallocated corporate expense	(42.5)
Consolidated PBT	871.2

Capital intensity is moderate but real. FY2025 operating cash flow was HKD 859.6m. Productive investment outflows, including PPE purchases, PPE prepayments, and intangible purchases, were HKD 207.9m. Free cash flow after those productive investment outflows was HKD 651.7m, equal to 94.1% of profit for the year. That is healthy cash conversion, but it is not a capital-light software-like model. Dream must keep investing in factories, automation, capacity, and product development support to remain credible to customers.

The balance sheet is a strength. At FY2025 year-end, cash plus time deposits were HKD 1,798.0m, bank loans were HKD 41.0m, lease liabilities were HKD 80.5m, and net cash after borrowings was HKD 1,676.6m. Net current assets were HKD 2,829.7m. The disclosed gearing ratio, using bank loans over total equity, was 1.0%. This gives Dream financial flexibility to fund capacity expansion, absorb working-capital swings, and pay dividends.

Customers, Order Formation, and Concentration

Customer concentration is one of the defining features of the investment case. The FY2025 annual report states that the largest customer represented 25.5% of total sales and the five largest customers represented 70.7%. The QF's note 3 extraction shows four customers above 10% of revenue, totaling HKD 3,670.2m, or 61.4% of consolidated revenue. Trade receivable concentration is similarly high: the largest customer represented 27% of trade receivables and the five largest represented 72% at FY2025 year-end.

This concentration has both positive and negative interpretations. Positively, large global toy brands, character owners, licensors, and entertainment-linked customers do not casually shift critical manufacturing programs if a supplier meets quality, compliance, delivery, and capacity requirements. A supplier that becomes embedded in forecasting, prototyping, production planning, and logistics can retain share for a long time. Dream's multi-country footprint also helps customers diversify production and reduce reliance on a single country.

Negatively, the company has limited unilateral pricing power. If a few customers represent most of revenue, those customers can influence schedules, product mix, price negotiations, quality requirements, credit terms, audit requirements, and supplier diversification. The FY2025 margin decline is consistent with that reality: Dream can win orders and grow revenue, but customer inventory management and cost inflation can still compress margins. This is not a pure recurring revenue model. It is repeat-order and relationship-driven, but the orders are ultimately tied to customer programs.

The company's sales cycle is therefore best understood as program-based manufacturing. A customer or IP owner plans a product launch, seasonal event, collectible line, theme-park offering, or retail program. Dream helps design and develop the manufacturable product, sources materials, runs samples or prototypes, plans capacity, produces at scale, and ships against customer schedules. Repeat orders can follow if the product performs, but demand can also fade quickly if a character, event, retail promotion, or end-market category slows.

Manufacturing Footprint and Supply Chain

Dream's factory network is central to its competitive position. The FY2025 annual report disclosed 30 factories at year-end: eight in China, 21 in Vietnam, and one in Indonesia. The company is following a "China Plus One" strategy, with Vietnam and Indonesia playing a larger role. A new plant in China began operations in January 2026, construction of a new Vietnam plant and second-phase Indonesian expansion were on track for completion by June 2026, and management expects these facilities to expand overall production capacity.

The strategic logic is clear. Customers want cost competitiveness, resilience, and diversification away from concentrated sourcing. A supplier with China, Vietnam, and Indonesia capacity can help a customer manage tariff exposure, labour cost differences, geopolitical risk, and local supplier development. Dream is also building local supplier networks in Vietnam and Indonesia, using multi-party bidding, optimizing procurement timing, and stockpiling key materials when appropriate. Those are practical manufacturing defenses against raw material volatility.

The same footprint creates execution risk. Capacity expansion can help win new programs, but it also raises the fixed-cost base and requires labour, training, suppliers, quality systems, and utilization. If entertainment demand, theme-park procurement, or customer orders disappoint, new capacity may dilute margins. If demand is strong but labour or materials are constrained, the company may still struggle to convert revenue growth into profit growth. The FY2025 results already show that high utilization and revenue growth do not eliminate margin pressure.

Automation is another recurring theme. Management discussed advanced equipment, production automation, and reduced manual labour reliance. Automation should help efficiency, quality consistency, and labour dependency, especially in plastic figures and tarpaulin. However, the evidence so far supports a measured view. Automation may defend margins over time, but the FY2025 plastic figures margin decline indicates that automation has not yet solved all cost or mix pressure. Future segment work should treat automation as a margin stabilizer or modest enhancer, not as a guaranteed step-change.

Cash Flow, Dividends, and Balance Sheet Quality

Dream's cash generation is materially better than the FY2025 margin headline might imply. The company generated HKD 859.6m of operating cash flow and HKD 651.7m of free cash flow after productive investment outflows. That free cash flow was 94.1% of profit for the year. Over the 2023-2025 period, FCF conversion was strong but variable: 129.3% in FY2023, 72.1% in FY2024, and 94.1% in FY2025.

The company also returns cash through dividends. For FY2025, the board paid an interim dividend of HKD 0.25 per share and recommended a final dividend of HKD 0.35 per share, for HKD 0.60 per share in total. With FY2025 EPS of HKD 1.0237, the ordinary dividend payout is significant. Dividends paid in FY2025 were HKD 440.0m, compared with HKD 651.7m of FCF after

productive investment outflows. That leaves room for reinvestment and balance-sheet growth, but the dividend is still a major use of cash.

The net cash balance reduces financial risk, but it does not remove business risk. A manufacturer with concentrated customers and large receivables can face working-capital swings even with a strong cash position. Inventories at FY2025 year-end were HKD 922.0m, consisting of HKD 318.0m raw materials, HKD 311.1m work in progress, and HKD 292.9m finished goods. Trade receivables are subject to customer credit risk, with normal terms of 30 to 120 days. Capacity investments and new plants also require upfront spending before utilization is proven.

For ER2 purposes, the balance sheet should be treated as a clear positive but not a moat by itself. The net cash position gives Dream resilience, optionality, and dividend capacity. It does not guarantee pricing power, customer retention, or long-term margin durability.

Competitive Position and Growth Drivers

Dream's best competitive claim is that it is a scaled, multi-country manufacturing partner for demanding toy and IP customers. The company has decades of operating history, a founder-led background, large factory capacity, customer relationships, design and development capability, and geographic flexibility. In an industry where customers care about cost, safety, labour compliance, quality consistency, shipment timing, and IP confidentiality, a proven supplier can be difficult to replace quickly.

The near-term growth drivers are visible but cyclical. Entertainment project launches and seasonal promotions can drive plush and plastic orders. Theme parks in Asia supported plush growth in FY2025. Kidult demand and collectibles supported plastic figures. Emerging IP brand partnerships are expected to move into mass production from 2026 onward, according to management. The China Plus One footprint may also help Dream win programs from customers trying to diversify suppliers.

The medium-term opportunity is to increase higher-value-added products and become more involved in customer design, prototyping, and production planning. If Dream can move deeper into customer workflows, it may improve retention and defend margin. The company is also expanding R&D teams for real-time technical support and rapid prototyping. This is important because manufacturing alone can become commoditized; design-for-manufacturability, fast sampling, quality assurance, and multi-country scaling are more valuable.

The core challenge is that the evidence for durable pricing power is mixed. Revenue has grown from HKD 5,352.5m in FY2023 to HKD 5,974.4m in FY2025, but profit for the year declined from HKD 829.8m to HKD 692.9m. ROIC remains high on the QF's net-cash-adjusted invested capital definition, at 27.7% in FY2025, 30.4% in FY2024, and 32.8% in FY2023. But the direction of margins is negative: consolidated gross margin fell from 25.1% in FY2023 to 23.0% in FY2024 and 20.2% in FY2025; segment adjusted EBITDA margin fell from 22.3% in FY2023 to 20.4% in FY2024 and 17.6% in FY2025.

That combination is unusual but understandable. A net-cash manufacturer with high utilization, disciplined working capital, and modest invested capital can report high ROIC even while margins compress. For a Gideon-quality compounder, the question is not whether FY2025 ROIC is high; it is whether the company can defend or improve unit economics while expanding capacity and serving concentrated customers.

Management and Governance Context

Dream is founder-led. Kyoo Yoon Choi is chairman, CEO, founder, and an executive director. The management biographies show long tenure in toys, sales, production, finance, and regional operations. The company also has several family relationships among executive directors and senior management, including the CFO being the founder's son-in-law and the CBO being the founder's daughter. That does not automatically make governance poor, but it is a governance fact that needs explicit review in the management appendix.

The founder-led structure can be a strength in a manufacturing business where customer relationships, operating memory, and long-term capacity decisions matter. It can also create key-person and succession risk. The board includes independent non-executive directors with accounting, consulting, and finance backgrounds, but the management gate should evaluate independence, related-party arrangements, succession depth, compensation alignment, and capital allocation discipline rather than assuming founder ownership is enough.

The company reported no significant contingent liabilities at FY2025 year-end, no material acquisition or disposal of subsidiaries, associates, or joint ventures during the year, and no significant investment held. It also stated that directors, their associates, and shareholders owning more than 5% had no interest in the major customers and suppliers. These are useful governance and conflict checks, but they are not a full management verdict.

Key Risks and Watch Items

The first risk is customer concentration. A company where the largest customer is 25.5% of sales and the five largest are 70.7% can produce excellent results while those relationships are healthy, but downside can be abrupt if a major customer shifts sourcing, delays launches, changes inventory policy, or pressures price.

The second risk is margin compression. FY2025 revenue growth did not translate into profit growth. Gross margin, segment adjusted EBITDA margin, and net margin all declined. The most important segment-level watch item is plastic figures, where revenue was stable but adjusted EBITDA fell sharply.

The third risk is end-market cyclicality. Dream benefits from entertainment activity, collectibles, theme parks, seasonal promotions, and customer launches. Those are real drivers, but they are not purely secular. Consumer sentiment, retailer inventory, entertainment slates, tariffs, and customer forecasting errors can create volatility.

The fourth risk is manufacturing execution. New plants in China, Vietnam, and Indonesia can support growth, but they also require ramp execution. Poor utilization, labour instability, raw material volatility, quality issues, or logistics disruption would flow directly into margins and customer trust.

The fifth risk is currency and tariff exposure. The company reports in HKD, has a USD functional currency at the company level, and has income and expenses denominated in USD, RMB, Vietnamese dong, Japanese yen, and Indonesian rupiah. It also faces tariff and geopolitical uncertainty, especially around China-US trade negotiations and customers seeking production outside China.

The sixth risk is that Dream may be an excellent operator in a structurally competitive industry rather than a business with deep pricing power. The balance sheet and ROIC are attractive, but the product categories and customer dynamics require evidence of durable margin defense before underwriting a long-duration compounder case.

What to Carry Into Downstream ER2 Work

Dream clears several initial quality markers. It has high reported ROIC on the QF's invested-capital proxy, healthy FCF conversion, a net cash balance sheet, a large and diversified manufacturing footprint, clear customer demand drivers, and a long operating history. It also has a plausible role in customer supply-chain diversification through China, Vietnam, and Indonesia capacity.

The business-quality question is margin durability, not current survival. Dream is not financially distressed. It is cash-rich and profitable. The harder question is whether the company can convert growth in plush and plastic figures into stable or expanding profit while customers remain concentrated and powerful. FY2025 was a warning year because revenue rose but gross profit, operating profit, net profit, and total segment adjusted EBITDA declined.

For segment appendices, Plush Stuffed Toys should be treated as the core profit engine; Plastic Figures should be treated as a growth-and-margin-recovery case; Tarpaulin should be treated as a smaller, price-sensitive manufacturing line. For synthesis, segment adjusted EBITDA must be bridged explicitly to consolidated PBT and net income. For moat work, the strongest moat claims should focus on customer trust, compliance, quality, scale, speed, and multi-country manufacturing flexibility. The weakest claims would be any suggestion that Dream owns the consumer IP economics.

As of 2026-05-30, the most recent official data ends on 2025-12-31. The correct five-year underwriting endpoint is 2030-12-31. Any forward model that uses FY2026 interim data or extends the compounding period beyond exactly five years would be using information or a horizon not supported by the Stage 0 anchor.

Appendix M - Management Assessment

Dream International Limited (1126.HK) - Management Assessment

Date prepared: 2026-05-30 Reporting currency: HKD unless otherwise stated Owned output: `C:\Users\Admin\OneDrive\GPT\ER 2.0\Dream International Limited\appendix_management.md`

Stage 0 anchor

- Today: 2026-05-30.
- Fiscal year convention: Dream International Limited fiscal year ends December 31.
- Latest official period: FY2025 annual report for the year ended 2025-12-31, published on HKEX on 2026-04-08.
- TTM anchor: FY2025 annual report, TTM ending 2025-12-31.
- Forward horizon: TTM plus five calendar years equals 2030-12-31.

Source discipline

This appendix uses the verified ER2 data package for capital allocation history and recent actions, and live-checked official HKEX/company sources for governance, directors, remuneration, connected transactions, and ownership. Dream does not provide U.S.-style proxy statements, 10-K filings, or quarterly earnings-call transcripts. The live FMP transcript-date endpoint for `1126.HK` returned an empty array, so this review uses official annual reports, interim reports, and announcements rather than fabricated call commentary.

Key live sources: FY2025 annual report, FY2025 interim report, 2024 past connected transaction announcement, 2025 CFO appointment announcement, 2025 executive director change announcement, 2025 independent non-executive director change announcement, and the 2025 board-lot change announcement. Peer references use VTech's FY2025 results release and Stella International's 2025 annual report.

1. Who is running the company

Dream is founder-controlled and founder-led. Mr Kyoo Yoon Choi, age 77, is Chairman, Chief Executive Officer, founder of the group, and the person responsible for strategic planning and overall business development. The annual report says he set up the group in Korea in 1984 after earlier plush toy experience at Daewoo. He has been CEO since 4 October 2012 and continues to hold both the chairman and CEO roles, a deliberate deviation from HKEX Corporate Governance Code provision C.2.1. The board's stated justification is continuity of policy and operating stability.

The current CFO is Mr Min Jung Lee, appointed CFO effective 25 August 2025. He joined Dream in 2018, became an executive director in 2020, and was previously head of the finance department. He is also Mr Choi's son-in-law and is deemed interested in 23.5 million Dream shares through his spouse, equal to 3.47% of issued shares at FY2025 year-end. That gives him economic alignment, but the family relationship weakens the perception of independent financial challenge to the controlling founder.

Material operating leadership sits inside a family and long-tenured operating structure. Mr Jae Seng Yu, appointed executive director on 25 August 2025, is legal representative of Dream Plastic Co., Ltd. and JY Plastic Co., Ltd., which sit inside the Plastic Figures segment. Ms Hyunjoo Kim, executive director since 2022, runs sales and marketing and has been in the broader C & H/Dream system since 1987. Senior management also includes Mrs Shin Hee Cha, vice chairman of Dream Inko and Mr Choi's younger sister-in-law, and Ms You Jin Choi, Dream International SG CBO and Mr Choi's daughter, who oversees resource allocation, R&D innovation, and key client relationships.

The board at 31 December 2025 had seven directors: four executive directors and three independent non-executive directors. The audit committee is fully independent. The remuneration committee has three independent directors plus Mr Min Jung Lee. The nomination committee has three independent directors plus Mr Lee and Ms Kim. Professor Cheong Heon Yi has served as an INED since 2003, which is a formal governance watch item despite the company's independence confirmation. Dr Chan Yoo has served since 2016. Professor Seung Yeon Yoo joined in November 2025 and adds accounting and finance expertise. The board has technical competence, but founder control plus family executive roles limit true independent counterweight.

2. Tenure and track record

Mr Choi has been in charge long enough to own both the strengths and the weaknesses of the current company. The positive case is straightforward: Dream has compounded from a mature OEM/ODM toy manufacturer into a high-ROIC, net-cash, dividend-paying manufacturing partner with a real multi-country footprint. FY2025 revenue was HKD 5.974B, above FY2021's HKD 4.800B. ROIC was 27.7% in FY2025 and stayed above 27% in each of FY2022-FY2025 under the ER2 calculation. Cash plus time deposits were HKD 1.798B against HKD 0.121B of bank loans plus leases, leaving HKD 1.677B of net cash after borrowings.

Three management decisions matter most.

First, the company committed to a China Plus One manufacturing footprint. By FY2025 Dream operated 30 factories: eight in China, 21 in Vietnam, and one in Indonesia, with average utilization around 85.9%. The company also started a new China plant in January 2026 and targeted completion of a new Vietnam plant and Indonesian phase-two expansion by June 2026. This is strategically coherent because the customer base is exposed to North America, Japan, Chinese Mainland, and Hong Kong, and customers want sourcing flexibility under tariff and geopolitical uncertainty.

Second, management shifted the commercial focus toward higher-value-added plush and plastic products tied to licensed entertainment demand, theme parks, Kidult collectibles, premium figures, and playsets. The record is mixed. Plush Stuffed Toys is the clear success: FY2025 revenue rose 18.0% to HKD 3.264B and the segment produced HKD 0.828B of adjusted EBITDA at a 25.4% margin. Plastic Figures is not yet a success on margins: FY2025 revenue rose only 1.8% to HKD 2.352B, while adjusted EBITDA fell to HKD 0.179B and margin compressed to 7.6% from 11.8% in FY2024. Management has named automation, procurement, and mix as responses, but the numbers do not yet prove a turnaround.

Third, management has preserved a conservative balance sheet while paying dividends. There were no buybacks in the five-year period. Share count stayed flat at about 676.9M diluted shares. Dividends paid rose from HKD 0.081B in FY2021 to HKD 0.440B in FY2025. The FY2025 interim dividend was HK25 cents per share and the proposed final dividend was HK35 cents. This is minority-friendly behavior in a controlled company because the controller receives returns pro rata with outside shareholders rather than extracting value through dilution or opaque issuance.

The main decisions that did not work cleanly are Plastic Figures margin pressure, Tarpaulin decline, and the 2023 connected transaction disclosed in February 2024. Tarpaulin revenue fell to HKD 0.358B in FY2025 and management explicitly linked order volatility to China-U.S. tariff negotiations and softer Europe/Japan demand. The connected transaction was small in dollars, but it was a process failure: Dream recognized after the fact that a sale to C & H, a connected person, should have been announced under Chapter 14A. The company described the breach as inadvertent and set out remedial controls. That candor helps, but the incident is directly relevant because the same controlling shareholder and family network still dominate the company.

3. Capital allocation behavior

The data package shows a restrained allocator. Five-year productive investment was not aggressive relative to revenue, but it was real enough to support the factory footprint.

Year	Productive investment	Capex / revenue	R&D disclosure	Buybacks	Dividends paid	M&A cash flow
FY2021	0.199	4.1%	n/d	0.000	0.081	0.000
FY2022	0.200	3.2%	n/d	0.000	0.135	0.000
FY2023	0.088	1.6%	n/d	0.000	0.338	0.000
FY2024	0.213	3.9%	n/d	0.000	0.372	0.001
FY2025	0.208	3.5%	n/d	0.000	0.440	0.000

The capex pattern is consistent with the stated strategy: multi-regional capacity, automation, and supply-chain localization. FY2025 capital commitments for property, plant, and equipment were modest at HKD 48.6M contracted plus HKD 0.5M authorized but not contracted, but the MD&A also points to plants coming online in 2026. Management is not behaving like a serial acquirer; recent M&A cash flow is immaterial. That is positive because acquisitions would be difficult to underwrite in a controlled family company with limited segment-level ROI disclosure.

The weakness is the lack of explicit return-on-investment disclosure. Management talks about automation and higher-value-added offerings, but it does not provide plant-level utilization by product line, customer-level economics, project IRRs, or post-investment margin bridges. Investors can infer from consolidated ROIC and segment adjusted EBITDA, but they

cannot verify whether the new China/Vietnam/Indonesia capacity will earn historical returns. For Gideon purposes, the observed capital allocation has been good, but the disclosure around incremental capital is not strong enough for a clean PASS.

4. Compensation alignment

The compensation framework is simple. Directors and senior managers are paid fixed compensation plus discretionary bonuses. The remuneration policy considers experience, responsibility, individual performance, group profit performance, and market conditions. There is no disclosed long-term incentive plan tied to multi-year ROIC, FCF per share, economic profit, or margin targets. The annual report states that no equity-linked agreement was entered into during FY2025, and the company did not purchase, sell, or redeem its listed securities during the year.

FY2025 director compensation was not excessive relative to scale. Mr Choi received HKD 11.880M, including HKD 2.568M of discretionary bonus. Mr Lee received HKD 2.241M, Ms Kim HKD 3.358M, and Mr Yu HKD 0.782M after his August appointment. Key management personnel remuneration was HKD 37.840M, broadly flat with HKD 37.453M in FY2024. The strongest alignment is not the bonus plan but ownership: Mr Choi controls 461.361M shares, or 68.16% of the company, including 72.150M shares through Uni-Link Technology Limited. This is real skin in the game.

The compensation issue is minority protection, not dilution. There is no chronic SBC problem and no buyback optics. But because the controller has effective voting control, minority shareholders are relying on conduct, dividend discipline, and related-party controls more than on incentive-plan design. The company has securities-dealing policies consistent with the Model Code. It does not disclose a U.S.-style clawback policy or hedging policy in the annual report, and the compensation architecture does not explicitly reward return on capital. That is acceptable for a small controlled manufacturer, but it falls short of best-in-class governance.

5. Disclosure quality and candor

Dream's disclosure is better than many small controlled issuers on operational facts, but weaker than a public-market compounder that regularly answers analyst questions. There are no earnings-call transcripts in FMP for the reviewed period. There is no quarterly reporting, only annual and interim reporting. There is no customer-name disclosure, no product subcategory revenue, no product-level operating income, and no explicit guidance framework. Segment profit is adjusted EBITDA, not operating income, so downstream analysis must bridge to consolidated profit before tax.

The positives are meaningful. The FY2025 annual report provides segment revenue and adjusted EBITDA, major product-line revenue, geographic revenue, customer concentration, factory count, average utilization, workforce, inventories, capex, dividends, bank loans, related-party transactions, and ownership. The MD&A is reasonably direct about FY2025 margin pressure: revenue rose, but gross profit and net profit declined due to labor cost and customer inventory/schedule effects. It also names tariff negotiations and price competition in Tarpaulin rather than hiding the deterioration.

The negatives are equally clear. Management does not provide a full bridge from segment-level operating drivers to consolidated earnings. It does not disclose customer identities despite top-five customers representing 70.7% of revenue and the largest customer representing 25.5%. It does not provide a detailed explanation of why Plastic Figures adjusted EBITDA margin compressed to 7.6%. It disclosed the 2023 connected transaction after the fact, which is candid after discovery but not evidence of a robust pre-transaction compliance process. Overall candor is adequate, not exceptional.

6. Strategic coherence

The strategy is coherent: be a dependable manufacturing partner to toy brands, character owners, and licensors, with flexible multi-regional capacity and product mix breadth. The 2025 chairman's statement frames Dream as an integrated supply-chain partner with flexible production, design support, inventory management, and China/Vietnam/Indonesia manufacturing. The investment pattern supports that claim. The company is expanding capacity, adding automation, working with major customers on logistics and procurement, and increasing use of recycled materials where customers permit it.

The strategy is not a 20-year platform narrative in the style of a software or branded consumer compounder. Dream is an OEM/ODM-like manufacturer with customer concentration, labor/raw-material exposure, and license-program cyclicality. The management team's job is execution, capacity discipline, cost control, quality, and customer retention. On those dimensions, the history is credible. The unresolved question is whether the next HKD of invested capital earns FY2022-FY2025-style ROIC once new capacity is filled and Plastic Figures margins stabilize. Management has not yet provided enough evidence to answer that confidently.

7. Governance flags

The governance file has real flags:

Issue	Evidence	Assessment
Founder control	Mr Choi controls 68.16% through direct and Uni-Link holdings	Minority shareholders have limited voting leverage
Chair and CEO combined	Formal deviation from CG Code C.2.1	Acceptable only while conduct remains minority-friendly
Family management	CFO is son-in-law; daughter is CBO; sister-in-law is senior management	Succession and independent challenge are unresolved
Board independence	Three INEDs, but one has served since 2003 and another since 2016	Formal independence is confirmed; practical independence is weaker
Connected transaction lapse	2023 C & H sale of US$469,493 was disclosed late in 2024	Small amount, but process failure in a controlled company
Customer concentration	Largest customer 25.5%, top five 70.7%	Commercial concentration increases governance and disclosure burden

There is no dual-class structure: control comes from ordinary share ownership. No material weakness, enforcement action, restatement, or going-concern issue was identified in the official sources reviewed. Related-party transactions in FY2025 were small relative to revenue: HKD 0.655M sales to C & H and HKD 11.926M purchases from HH Dream. The 2024 connected transaction announcement said the board ratified the transaction, conflicted directors abstained, and remedial controls would be circulated and strengthened. That is the minimum expected response. The issue does not force a FAIL today because the dollar amounts are small, the balance sheet is net cash, dividends are paid pro rata, and there is no evident dilution or asset tunneling pattern. It does force YELLOW because the governance setup makes recurrence hard for minorities to block.

8. Peer comparison

Peer	Management signal	Dream comparison
VTech Holdings	Founder Allan Wong remains Chairman and Group CEO; FY2025 release provides fuller public results discussion, dividend detail, and integration commentary	Similar founder-led manufacturing DNA, but VTech has broader market-facing disclosure and more institutionalized reporting
Stella International	Chairman Lawrence Chen and CEO Chi Lo-Jen lead a larger OEM manufacturer; Stella discloses explicit cash return commitments and has a more separated chair/CEO structure	Stella ranks higher on governance structure and capital-return articulation; Dream ranks well on net cash and ROIC but lower on minority safeguards

Against realistic manufacturing peers, Mr Choi's operating stewardship is strong. Dream has avoided balance-sheet risk, maintained high ROIC, and returned cash. The peer weakness is governance maturity. VTech and Stella also have founder or long-tenured leadership features, but Dream's 68.16% control, family CFO, no transcript/Q&A culture, and prior connected-transaction lapse make it less transparent from the outside.

9. Management gate verdict

Management gate: **YELLOW**.

This is not a PASS because the governance structure is too dependent on the controlling founder's continued fairness to minorities. Mr Choi controls about 68.16%, holds chairman and CEO roles, has family members in key finance and business roles, and the company has already had one connected-transaction compliance lapse. Long-tenured independent directors and limited market-facing Q&A reduce confidence that outside shareholders can force accountability if the facts deteriorate.

This is also not a FAIL today. The operating record is good, the balance sheet is conservative, dividends are meaningful and pro rata, share count is flat, related-party dollar amounts are small, and the company disclosed the connected-transaction issue with remedial actions. There is no evidence in the reviewed official sources of repeated extraction, dilutive financing, material related-party abuse, or ROIC-destructive acquisition behavior.

The upgrade path to PASS is specific: no recurrence of connected-transaction non-compliance through FY2027, clearer disclosure of capacity returns and Plastic Figures margin recovery, and stronger board independence or succession disclosure as Mr Choi ages. The downgrade path to FAIL is also specific: any repeated connected-party lapse, material related-party expansion without independent shareholder protection, dividend cuts while family/connected transactions rise, or

new capacity that drives sustained ROIC decline without candid explanation.

Sources

- Dream International FY2025 annual report: https://www.hkexnews.hk/listedco/listconews/sehk/2026/0408/2026040802047.pdf
- Dream International FY2025 interim report: https://www.hkexnews.hk/listedco/listconews/sehk/2025/0918/2025091800287.pdf
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- Dream International CFO appointment announcement, 2025-08-25: https://www.hkexnews.hk/listedco/listconews/sehk/2025/0825/2025082501554.pdf
- Dream International executive director change announcement, 2025-08-25: https://www.hkexnews.hk/listedco/listconews/sehk/2025/0825/2025082501544.pdf
- Dream International INED change announcement, 2025-10-15: https://www.hkexnews.hk/listedco/listconews/sehk/2025/1015/2025101500309.pdf
- Dream International board-lot change announcement, 2025-10-15: https://www.hkexnews.hk/listedco/listconews/sehk/2025/1015/2025101500698.pdf
- VTech FY2025 annual results release: https://www.vtech.com/en/press_release/2025/vtech-announces-fy2025-annual-results/
- Stella International 2025 annual report: https://www.stella.com.hk/sites/default/files/publications/hkex-announcements/en/2025/EN_Annual%20Report%202025.pdf

Appendix W - Moat and 2046 Durability

Dream International Limited - Moat and 2046 Durability

Date prepared: 2026-05-30 Ticker: 1126.HK Reporting currency: HKD Owned output: `C:\Users\Admin\OneDrive\GPT\ER 2.0\Dream International Limited\appendix_moat.md`

Stage 0 anchor and source status

Today is 2026-05-30. Dream International Limited's fiscal year ends on December 31. The latest official period is the FY2025 annual report for the year ended 2025-12-31, published on HKEX on 2026-04-08. The controlling TTM anchor is FY2025, ending 2025-12-31. The forward horizon for ER2 modeling is TTM plus five calendar years, or 2030-12-31. The 2046 durability test is a separate 20-year business-quality test from today's date, ending 2046-05-30.

This appendix uses `data_package.md` Sections 1-3 and `quant_foundation.md` as the quantitative anchors. The verified QF file reports `RECONCILIATION: 8/8 checks PASSED`. Live FMP spot checks performed for this moat appendix on 2026-05-30 confirmed that the FMP profile and annual income statement are available for 1126.HK, while the FMP revenue-product-segmentation endpoint still returns an empty array. Therefore the official HKEX filings remain the controlling source for product and segment evidence. The primary official source is the [FY2025 annual report](https://www.hkexnews.hk/listedco/listconews/sehk/2026/0408/2026040802047.pdf), with FY2024, FY2023, FY2022 and FY2021 annual reports used through the verified data package for historical segment and customer concentration data.

Segment appendix integration status: completed. This revision incorporates the finalized segment findings from `appendix_B_plush_stuffed_toys.md`, `appendix_B_plastic_figures.md`, and `appendix_B_tarpaulin.md`. Those appendices sharpen but do not overturn the original moat conclusion: Plush has a medium segment moat, Plastic Figures has a narrow process moat at best, and Tarpaulin has weak segment-level moat evidence.

1. Moat taxonomy applied

Network effects: Dream does not have a network effect in the Gideon sense. A brand owner, licensor, theme park, or retailer does not get a better product because other customers also use Dream. There may be local learning effects in procurement, tooling, production planning, and compliance, but those are experience curves, not a self-reinforcing network. This matters because customer concentration can look like embeddedness while still giving bargaining power to the customer. The evidence supports repeat-order relationships, not a multi-sided network.

Switching costs: Switching costs exist, but they are practical and program-specific rather than contractual or structural. Customers making licensed plush toys, premium figures, playsets, or seasonal programs need suppliers that can pass quality, safety, labor-compliance, delivery, and confidentiality requirements. Dream's ability to coordinate design, procurement, prototyping, mass production, and logistics across China, Vietnam, and Indonesia makes it inconvenient for a customer to switch quickly, especially during a live entertainment or theme-park program. The weakness is that the same customer can dual-source over time, shift future programs, or pressure price during new purchase-order negotiations. Switching cost therefore supports retention, but it is not strong enough to confer unilateral pricing power.

Scale economies: This is Dream's strongest moat-like attribute. The company operated 30 factories at FY2025 year-end, including eight in China, 21 in Vietnam, and one in Indonesia, with average utilization around 85.9%. A smaller supplier would struggle to offer similar multi-country capacity, localized supply chains, rapid prototyping, quality systems, and customer service. Scale matters most in plush stuffed toys, where Dream is the largest profit contributor, and in plastic figures, where tooling, automation, materials procurement, and logistics coordination matter. However, scale is not exclusive. Other Asian contract manufacturers can build capacity if customers award volume, and customers themselves can fund supplier development to avoid dependency on one vendor.

Brand: Dream does not own the consumer-facing toy brand economics. The company sells business-to-business manufacturing capability to renowned toy brands, character owners, licensors, and entertainment-linked customers. Its "brand" is supplier reputation: reliability, quality, confidentiality, compliance, and ability to execute. That supplier reputation is valuable, especially because a product defect or late shipment can damage a customer's own IP campaign. But it is not the same as consumer brand pull. Dream does not capture retail gross margin, franchise royalties, or licensing economics.

Regulatory and compliance: There is a modest compliance moat. Toy manufacturing requires safety, quality, labor, environmental, and customer audit compliance. Dream's ESG and operational disclosures show wastewater treatment,

hazardous-waste handling, multi-country production management, and quality-control investment. These requirements raise the bar for small factories and make it costly for major customers to approve a new supplier. The limitation is that compliance is a gate to compete, not a protected license. Once another supplier meets the customer's audit requirements, competition returns to cost, speed, quality, and capacity.

IP and patents: Dream has almost no hard IP moat. The economic IP belongs mainly to customers: characters, entertainment releases, collectible franchises, theme-park properties, and retail channels. Dream has design and development capability, including R&D teams for technical support and rapid prototyping, but R&D expense is not separately disclosed and product subcategory economics are not disclosed. The annual report refers to higher-value-added offerings, premium figures, playsets, and emerging IP partnerships, but that is not evidence that Dream owns durable proprietary IP. The correct framing is design-for-manufacturability capability, not patent-protected economics.

High-trust procurement: This is the best qualitative moat category for Dream. Large toy and entertainment customers care about product safety, IP confidentiality, seasonal delivery windows, labor compliance, quality consistency, and ability to move production across jurisdictions. Dream has a long operating history and a broad footprint that can help customers diversify away from single-country sourcing. This can make the company a preferred supplier. The problem is that high-trust procurement does not remove customer power. In FY2025, the largest customer was 25.5% of sales and the five largest customers were 70.7%. A high-trust supplier can still be a price taker when a few sophisticated customers control most of the order book.

2. Per-segment moat

Plush Stuffed Toys has the strongest segment moat, but the finalized segment appendix classifies it as a medium segment moat, not a wide autonomous moat. FY2025 external revenue was HKD 3.264B, 54.6% of group revenue, and adjusted EBITDA was HKD 828M, a 25.4% adjusted EBITDA margin. The segment's protection comes from execution complexity, customer qualification, compliance, multi-country footprint, and accumulated know-how in translating customer and licensed designs into manufacturable products. This is stronger than commodity cut-and-sew capacity, but it is not protected by exclusive IP ownership, direct consumer demand capture, network effects, regulated status, or software-like switching costs. The Plush segment appendix's base case assumes 6.0% revenue CAGR to 2030, 24.0% TTM+5 adjusted EBITDA margin, HKD 4.368B of FY2030 revenue, and HKD 1.048B of adjusted EBITDA. That is a positive handoff, but it is not a moat pass by itself because the model explicitly avoids assuming FY2025's 18.0% growth or FY2023's 29.4% margin persists. The earliest break signal would be plush revenue growth turning negative while segment adjusted EBITDA margin remains below roughly 23% for two consecutive annual periods.

Plastic Figures is the swing segment and remains a moat problem after reading the finalized appendix. FY2025 external revenue was HKD 2.352B, 39.4% of group revenue, but adjusted EBITDA margin fell to 7.6% from 11.8% in FY2024 and 15.8% in FY2023. The segment appendix calls it a narrow process moat at best. The strongest defenses are customer qualification, production know-how, multi-country execution, tooling experience, quality systems, and the ability to serve demanding licensed programs on time. The offset is larger: Dream does not own the consumer IP, does not control retail channels, does not set end-consumer pricing, and does not disclose persistent pricing power. The segment appendix's base case assumes 4.0% revenue CAGR to FY2030, partial margin recovery to 9.0%, HKD 2.862B of FY2030 revenue, and HKD 0.258B of adjusted EBITDA. That handoff is cautious and explicitly conditioned on sustained margin recovery before Plastic Figures can be treated as a durable compounder leg. The earliest break signal is continued Plastic Figures revenue stagnation or growth below group average while adjusted EBITDA margin remains in high single digits.

Tarpaulin has no Gideon-grade moat, and the finalized segment appendix keeps the verdict weak. FY2025 external revenue was HKD 358M, 6.0% of group revenue, and adjusted EBITDA margin was 11.8%. Management specifically cited U.S. order fluctuations tied to China-U.S. tariff negotiations, weakness in Europe and Japan, and intensified price competition. The appendix notes limited positives from Vietnam manufacturing, group operating experience, and two years of 11.8% adjusted EBITDA margin, but finds no proprietary product, customer contract, pricing escalator, retention metric, or order backlog evidence. Its base case assumes a -1.0% revenue CAGR to FY2030, 10.5% TTM+5 adjusted EBITDA margin, HKD 0.341B of FY2030 revenue, and HKD 0.036B of adjusted EBITDA. The earliest break signal is further revenue decline with margin falling below 10%, especially if eco-friendly offerings and automation fail to offset price pressure.

The blended company moat is weaker than the Plush segment would suggest. Plush contributed most of FY2025 segment profit and has the best evidence of customer embeddedness, but 39.4% of revenue sits in a Plastic Figures segment with sharply compressed profitability, and 6.0% sits in a small price-competitive Tarpaulin segment. On the segment appendices' base cases, FY2030 adjusted EBITDA is still overwhelmingly dependent on Plush: HKD 1.048B from Plush versus HKD

0.258B from Plastic Figures and HKD 0.036B from Tarpaulin. The equity must be underwritten on the blend. Dream can be a good manufacturer without having a company-level moat strong enough for a 20-year compounder.

3. Margin persistence evidence

The margin evidence is mixed and leans against a hard moat pass. Dream's ROIC is strong on QF's net-cash-adjusted invested-capital proxy: 32.8% in FY2023, 30.4% in FY2024, and 27.7% in FY2025. FCF conversion was also healthy in FY2025 at 94.1% of profit for the year. But margin direction matters more for moat. FY2025 revenue reached a five-year high, while gross profit, operating profit, net income, and total segment adjusted EBITDA all declined from FY2024.

Consolidated metric	FY2021	FY2022	FY2023	FY2024	FY2025
Revenue, HKD B	4.800	6.253	5.352	5.450	5.974
Gross margin	12.8%	19.7%	25.1%	23.0%	20.2%
Operating margin	5.7%	13.5%	19.4%	17.1%	14.6%
Net margin	4.0%	11.0%	15.5%	13.6%	11.6%
ROIC, QF proxy	8.8%	27.3%	32.8%	30.4%	27.7%

Segment adjusted EBITDA margin	FY2021	FY2022	FY2023	FY2024	FY2025
Plush Stuffed Toys	12.9%	23.0%	29.4%	28.6%	25.4%
Plastic Figures current-taxonomy view	7.1%	14.3%	15.8%	11.8%	7.6%
Tarpaulin	13.1%	8.5%	9.7%	11.8%	11.8%
Total segment view	9.4%	17.0%	22.3%	20.4%	17.6%

The positive interpretation is that Dream scaled meaningfully from FY2021 and maintained high returns even after FY2025 margin compression. The stricter interpretation is that the margin base is not stable enough to prove a durable moat. Consolidated operating margin fell from 19.4% in FY2023 to 14.6% in FY2025. Total segment adjusted EBITDA margin fell from 22.3% to 17.6%. Plastic Figures margin fell by more than half from FY2023 to FY2025. Plush remains healthy, but even Plush declined from 29.4% in FY2023 to 25.4% in FY2025. These are not fatal to the business, but they are fatal to a clean moat pass.

4. AI disruption stress test

Dream is not primarily an AI-workflow business. Its value is physical manufacturing capacity, customer qualification, product engineering, procurement, production planning, quality control, and logistics. A foundation model cannot replace a Vietnam plant, a China plant, an Indonesia ramp, safety testing, labor compliance, injection molding, sewing, painting, packaging, or delivery. That makes the direct AI threat lower than it would be for a pure digital content or analytics company.

The AI risk is indirect and still relevant. Customer design teams, licensors, and entertainment companies can use AI to accelerate concept design, product variants, demand forecasting, and supplier bidding. That could reduce the value of Dream's early design support if customers bring more product specifications in-house. AI-enabled procurement systems could also make supplier comparison more data-driven and push more programs through price and delivery auctions. In that world, Dream's operational data, historical performance, quality scores, and multi-country footprint may keep it shortlisted, but the pricing environment could become tougher.

Plush Stuffed Toys is moderately exposed. AI can help customers generate plush concepts, packaging variants, and demand forecasts, but the hard part remains making licensed products safely, on time, and at scale. The finalized Plush appendix already frames the segment's value as execution complexity, customer qualification, compliance, footprint flexibility, and process knowledge rather than software-like workflows. The protected portion is factory execution and high-trust procurement. The exposed portion is customer-facing design contribution. If Dream's design capability becomes less differentiated, the Plush moat falls back to capacity and relationship.

Plastic Figures is the most AI-exposed major toy segment. Premium figures and playsets involve design iteration, tooling, digital sculpting, decoration, and production engineering. AI-assisted design, 3D prototyping, and automated sourcing could compress the advantage of manual design support. The factory and tooling base still matter, but the finalized Plastic Figures appendix already shows the central problem: the segment has process know-how, yet the financial evidence shows the opposite of pricing power. If AI makes design and supplier qualification easier for customers, Plastic Figures could become more contestable.

Tarpaulin is the least exposed to AI as technology, but the most exposed to commoditization. AI does not dissolve the physical production requirement, yet procurement algorithms could make price competition more efficient. The finalized Tarpaulin appendix is clear that AI disruption is not the relevant issue; trade policy, landed-cost competition, petroleum-linked input cost, procurement substitution, and utilization are the real threats. The protected component is material sourcing and manufacturing execution; the exposed component is price.

The segment most protected from AI is physical multi-country manufacturing capacity used for time-sensitive licensed plush and toy programs. The segment most exposed to AI-enabled margin pressure is Plastic Figures, because customers can increasingly separate design iteration from manufacturing execution and use digital procurement to compare suppliers. AI does not create an immediate business failure risk, but it weakens the case that Dream's design and development layer can become a durable high-margin moat.

5. The 2046 test

The 2046 test asks what Dream still does on 2046-05-30 that earns high returns. A plausible 2046 business description is possible: Dream could remain a Hong Kong-listed manufacturing partner for global toy brands, licensors, theme parks, entertainment franchises, and Asian IP owners. It could sell licensed plush toys, premium figures, playsets, and selected industrial or textile products from a diversified Asian manufacturing base. Buyers would still value qualified factories, safety compliance, rapid prototyping, labor standards, confidentiality, and on-time delivery into seasonal retail and theme-park windows. The China Plus One footprint may have evolved into a broader China, Vietnam, Indonesia, and possibly additional Southeast Asian network. In that version, Dream remains relevant because customers still need trusted physical manufacturing.

That description is specific enough to describe a going concern, but not specific enough to pass the Gideon 2046 durability test. The problem is not whether toys still exist. The problem is whether Dream captures a protected profit pool for twenty years without owning the IP, consumer brand, retail channel, or platform relationship. The company can remain useful to customers and still earn lower margins if those customers use multiple qualified suppliers, AI-assisted design, digital sourcing, and periodic re-bidding to keep manufacturer economics competitive.

Directionally, a credible 2046 margin outcome is stable-to-lower versus FY2025 unless Dream proves it can raise the mix toward higher-value toys and deepen customer integration without surrendering price. FY2025 operating margin was 14.6%, and total segment adjusted EBITDA margin was 17.6%. The segment appendices make the 2046 burden explicit: Plush can plausibly compound, but its base case still assumes margin below FY2025; Plastic Figures needs a sustained recovery merely to reach 9.0% adjusted EBITDA margin in the base case; Tarpaulin is modeled as a small declining line. A high-quality 2046 outcome could hold mid-teens operating margins through scale, automation, and supplier trust. A harsher outcome could push operating margins toward high single digits or low double digits if Plastic Figures remains weak, Tarpaulin stays price-competitive, and Plush customers keep bargaining hard.

The bear 2046 description is straightforward. Dream becomes one of several approved Asian manufacturers competing for programs controlled by a small number of global toy, entertainment, and theme-park customers. Customers use AI-aided design and demand forecasting internally, prequalify multiple suppliers across Southeast Asia and South Asia, and allocate orders based on cost, compliance, lead time, tariff positioning, and capacity. Dream's factories remain busy in good years, but the company must continuously reinvest in automation and new jurisdictions to hold share. Margins fluctuate with labor, resin, fabric, freight, utilization, and customer order timing. In that outcome, Dream remains a real business, but not a 20-year high-return compounder with a hard moat.

The probability of that bear mechanism is material, not remote. The FY2025 evidence already contains the warning: revenue grew 9.6%, but gross margin fell from 23.0% to 20.2%, operating margin fell from 17.1% to 14.6%, and profit for the year declined. Customer concentration amplifies that risk because a few customers can change sourcing, timing, mix, or price. The 2046 test therefore fails. Dream can credibly still operate in 2046, but the evidence does not prove it can still make money at high returns for a protectable reason.

6. Competitive threat inventory

Threat	Mechanism	Segment affected	Earliest observable signal	Plausibility
Customer bargaining and sourcing diversification	Top customers dual-source programs, shift future awards, or demand price concessions as suppliers compete for approved-vendor status	Plush, Plastic Figures	Top-five customer concentration remains high while gross margin stays below 21% or segment margin falls again	High

Threat	Mechanism	Segment affected	Earliest observable signal	Plausibility
Cost inflation and utilization mismatch	Labor, materials, freight, tariff, and scheduling pressure absorb volume growth and new capacity raises fixed costs before orders fill plants	All segments	Revenue grows but operating profit declines for another annual period; utilization falls from mid-80s	High
Product-cycle and IP-program volatility	Theme-park, entertainment, Kidult, collectible, or seasonal programs fade, while Dream lacks owned IP to offset customer program weakness	Plush, Plastic Figures	Plush revenue turns negative or Plastic Figures H2 weakness persists into the next annual report	Medium-high
Plastic Figures margin recovery failure	Premium figures, playsets, automation, and China Plus One capacity support volume but customers retain the economics	Plastic Figures	FY2026/FY2027 adjusted EBITDA margin remains below 9% despite revenue growth	High
Tarpaulin landed-cost competition	Tariff shifts, order timing, petroleum-linked inputs, and alternate suppliers pressure a small price-competitive line	Tarpaulin	Tarpaulin revenue continues falling and adjusted EBITDA margin falls below 10%	Medium

7. Pricing power verification

Observable pricing power is weak. The data package and official filings do not disclose recent price increases, contractual escalators, minimum commitments, churn, net retention, or customer-level renewal rates. Dream's revenue model is based on orders and customer acceptance of goods, with normal trade receivable terms of 30 to 120 days after billing. That is not a recurring contracted revenue base.

The strongest evidence against pricing power is FY2025 margin compression. Revenue rose to HKD 5.974B, but gross profit fell to HKD 1.206B and gross margin dropped to 20.2% from 23.0%. Management attributed the pressure to rising labor costs and production schedule adjustments for customers' inventory management. If Dream had strong unilateral pricing power, revenue growth and cost inflation would be less likely to show up as this level of gross and operating margin deterioration.

Segment-level evidence is also mixed. Plush still had a high 25.4% adjusted EBITDA margin in FY2025, but that was down from 28.6% in FY2024 and 29.4% in FY2023. The Plush appendix's base case uses a 24.0% 2030 adjusted EBITDA margin, not a return to the peak. Plastic Figures margin fell to 7.6%, making it hard to argue that premium figures, playsets, automation, and logistics integration are translating into durable economics yet; its appendix requires sustained recovery before treating it as a durable compounder leg. Tarpaulin held 11.8% margin, but revenue declined and the segment appendix explicitly treats it as a weak, price-competitive manufacturing line.

Customer concentration reinforces the point. The largest customer represented 25.5% of FY2025 sales and the five largest customers represented 70.7%. Trade receivable concentration was similarly high, with 27% due from the largest customer and 72% from the five largest customers at FY2025 year-end. Concentration can indicate trusted relationships, but it also indicates customer bargaining power. On the evidence available, Dream's pricing power should be scored as limited and relationship-dependent rather than strong.

8. Moat verdict

Moat gate: FAIL. Dream has real execution strengths: multi-country capacity, customer trust, compliance capability, repeat-order relationships, and strong recent ROIC. The finalized segment appendices confirm those strengths are concentrated in Plush, which has a medium moat, while Plastic Figures has only a narrow process moat at best and Tarpaulin is weak. Those strengths are enough to make Dream a credible manufacturer, but not enough to prove a Gideon-grade moat. The quantitative evidence shows margin compression despite revenue growth, and the structural evidence shows heavy customer concentration, weak disclosed pricing power, no owned consumer IP, and a meaningful share of revenue in lower-margin or price-competitive segments.

2046 test: FAIL. A specific 2046 operating description can be written, but it describes a useful supplier rather than a protected compounding machine. Dream may still sell licensed plush toys, plastic figures, playsets, and related products to global customers in 2046. The unresolved issue is why those customers would allow Dream to retain high margins for twenty years when they own the IP, control the order book, and can diversify suppliers.

The segment driving the best moat case is Plush Stuffed Toys. The finalized Plush appendix supports a good manufacturing franchise, but not brand-owner economics. The segment driving the largest unresolved durability problem is Plastic Figures because it is 39.4% of FY2025 revenue, margin fell sharply, and the appendix's own base case requires recovery that is not yet proven. Tarpaulin does not support the moat case. The company-level conclusion is strict but clear: Dream may be a strong operator in a competitive manufacturing niche, but current evidence does not clear the 20-year durability and pricing-power bar required for a Gideon moat pass.

Appendix B1 - Plush Stuffed Toys

Plush Stuffed Toys - Segment Deep Dive

Company: Dream International Limited Ticker: 1126.HK Segment: Plush Stuffed Toys Reporting currency: HKD Prepared: 2026-05-30 TTM anchor: FY2025 annual report, year ended 2025-12-31 Forward horizon: TTM plus five calendar years, ending 2030-12-31

Source Discipline

This appendix uses `data_package.md` as the controlling source for Dream International's historical financials, segment taxonomy, H1 and derived H2 trends, geography, customer concentration, production footprint, capital allocation, and management commentary. The Appendix A primer is not used for quantitative figures. Outside sources are used only for competitive and industry context: Hasbro 2025 Form 10-K, Mattel 2025 Form 10-K, Build-A-Bear Workshop fiscal 2025 Form 10-K, and Pop Mart 2025 HKEX annual results. Segment profit in Dream's reporting is adjusted EBITDA. This appendix therefore uses adjusted EBITDA and adjusted EBITDA margin as the segment profit handoff, not operating income.

0. Segment Boundary And Taxonomy Note

Plush Stuffed Toys is a stable current reportable segment in Dream International's FY2021-FY2025 annual reports. The FY2024 taxonomy change affected the former Die-casting Products line, which was combined into Plastic Figures, not Plush Stuffed Toys. Therefore the five-year Plush historical series in the data package can be used directly without restating old-taxonomy dollars. The segment includes design, development, manufacture, and sale of plush toys sourced externally or manufactured mainly in Chinese Mainland and Vietnam. The data package does not disclose subcategory revenue inside Plush, such as theme-park plush, customer-specific licensed programs, seasonal promotional plush, domestic IP plush, or online-channel plush. Those items are discussed qualitatively only where management commentary supports them.

Stage 0 is fixed. Today is 2026-05-30. Dream's fiscal year ends December 31. The latest official period is the FY2025 annual report for the year ended 2025-12-31, published through HKEX on 2026-04-08. The TTM anchor is therefore FY2025, ending 2025-12-31. The forward horizon is exactly five calendar years after that anchor, 2030-12-31. All forward references to TTM+5y in this appendix mean 2030-12-31, not FY2026 plus five fiscal years and not a six-year bridge from FY2024.

1. What This Segment Actually Is

Plush Stuffed Toys is Dream International's core soft-toy manufacturing business. It is not a consumer brand business in the sense of owning the end customer relationship, owning dominant character IP, or controlling shelf space. The segment sits behind brands, licensors, theme-park operators, retailers, and other commercial customers that need plush products designed, prototyped, manufactured, delivered, and adapted to seasonal or licensed character programs. Dream describes the segment as design, development, manufacture, and sale of plush toys, with production mainly in Chinese Mainland and Vietnam. The segment's economics depend on whether Dream can remain a trusted supplier for complex, quality-sensitive, time-sensitive plush programs while managing labor, fabric, logistics, compliance, and customer procurement pressure.

The customer value proposition is practical. A branded toy company or theme-park operator needs a supplier that can translate a character, attraction, film, game, animation, or seasonal event into a plush product that passes safety standards, arrives on schedule, and meets the customer's margin target. The product may be a standard stuffed toy, a promotional plush, a park-exclusive item, a retail plush line, or an IP-specific limited run. The customer may care about design support, speed, quality consistency, audit compliance, China Plus One manufacturing optionality, and the ability to scale around a promotion. Dream's disclosed production footprint matters because customers increasingly want non-China sourcing or dual-source resilience. At FY2025 year-end, the group had 30 factories across China, Vietnam, and Indonesia, and management reported average utilization of about 85.9% at group level. The data package does not allocate that capacity by product line.

Pricing is likely negotiated order by order or program by program, rather than a subscription or recurring contractual model. The data package does not disclose the contractual terms for plush customers. That creates a key modeling discipline: repeat programs and long-standing relationships may make revenue behavior recurring in practice, but the segment does not have software-like contracted ARR, and it does not control the end-market price. The customer controls the brand, the IP calendar, product placement, promotion timing, and final retail or park pricing. Dream controls manufacturing execution and may participate in design and development, but it is still an OEM/ODM-like supplier exposed to customer concentration.

The end-market is attractive in specific pockets. Plush has emotional and gift value, it can be attached to character IP, and it works well in theme parks, tourist destinations, blind-box/pop-toy ecosystems, and impulse retail. Pop Mart's 2025 HKEX annual results are a useful external demand marker: plush toys became its largest product category in 2025, with reported plush revenue of RMB 18.708B, or 50.4% of group revenue. That is not Dream revenue and should not be treated as Dream customer evidence. It does, however, show that plush can be a high-growth format when tied to strong IP, social discovery, and distribution. The supplier question is different: how much of that end-demand value stays with the manufacturer after the brand owner, licensor, retailer, and logistics chain take their shares?

2. Current Economics

FY2025 is the current TTM base. Plush Stuffed Toys revenue was HKD 3.264B in FY2025, equal to 54.6% of Dream's consolidated revenue of HKD 5.974B. Segment adjusted EBITDA was HKD 0.828B, for a 25.4% adjusted EBITDA margin. It was Dream's largest and most profitable reported segment in FY2025. Plastic Figures generated HKD 2.352B of revenue and HKD 0.179B of adjusted EBITDA, while Tarpaulin generated HKD 0.358B of revenue and HKD 0.042B of adjusted EBITDA. Plush therefore represented more than half of revenue and roughly 79% of total segment adjusted EBITDA in FY2025.

The FY2025 growth rate was strong. Plush revenue rose 18.0% from HKD 2.766B in FY2024 to HKD 3.264B in FY2025. The segment also carried high absolute profitability, but its margin declined from 28.6% in FY2024 and 29.4% in FY2023 to 25.4% in FY2025. That matters because the consolidated company saw revenue grow 9.6% in FY2025 while gross margin compressed to 20.2% from 23.0% in FY2024 and profit declined. The Plush segment did not collapse; it remained the profit anchor. But the segment's FY2025 result shows that volume growth and margin expansion are not the same thesis.

The most recent official intra-year view confirms that FY2025 growth was not evenly distributed across all Dream segments. Plush revenue was HKD 1.324B in H1 FY2025, up 11.7% from H1 FY2024, and HKD 1.939B in derived H2 FY2025, up 22.8% from derived H2 FY2024. Adjusted EBITDA margin was 25.7% in H1 FY2025 and 25.1% in derived H2 FY2025. The H2 revenue acceleration was therefore not accompanied by H2 margin expansion. That supports a model in which Plush can grow on customer demand and capacity, but margin is constrained by customer pricing, labor, raw-material cost, logistics, and mix.

Capital intensity is not disclosed by segment. Group capex and productive investment was HKD 0.208B in FY2025, equal to 3.5% of revenue. The group also disclosed new capacity actions: a new China plant began operations in January 2026, a new Vietnam plant was under construction, and Indonesia phase two was targeted for June 2026. These are group-level facts, not Plush-only capacity. Because Plush is the largest segment and production is mainly in China and Vietnam, it likely benefits from the footprint expansion, but the exact product-line allocation is a true non-disclosure.

[DATA GAP: product-line capex and capacity by Plush Stuffed Toys are not disclosed. The model uses group factory count, group utilization, and segment revenue/margin trends, but does not allocate plant-level capacity to Plush.]

3. Unit Economics

Plush unit economics begin with order volume, customer mix, product complexity, and material/labor content. Revenue is recognized through product sales, not royalties or software subscriptions. A plush program needs fabric, stuffing, cut-and-sew labor, embroidery, accessories, packaging, safety testing, customer approvals, freight coordination, and inventory planning. The manufacturer can create value through sampling speed, design support, procurement scale, process know-how, compliance systems, and manufacturing reliability. But the manufacturer also absorbs pressure from wage inflation, raw-material volatility, rework, quality failures, shipment delays, and underutilized capacity when order calendars shift.

Dream's five-year Plush margin history is informative. Adjusted EBITDA margin was 12.9% in FY2021, 23.0% in FY2022, 29.4% in FY2023, 28.6% in FY2024, and 25.4% in FY2025. The early jump from FY2021 to FY2023 likely reflects scale, customer mix, better utilization, and post-pandemic demand normalization. The decline from FY2023 to FY2025 says that high volume does not guarantee stable margin. A supplier that grows with large customers may still lose margin if customers demand price concessions, if a customer mix shifts toward lower-margin programs, if input costs rise, if new capacity ramps inefficiently, or if freight and labor costs are hard to pass through.

The core profit mechanism is capacity utilization combined with procurement and process control. A plush factory has a meaningful labor component, but it also has fixed or semi-fixed overhead: factory management, compliance, equipment, utilities, quality control, maintenance, and production planning. When orders fill the line at good pricing, the incremental margin can be strong. When customers change forecasts late, production mix becomes less favorable, or a new plant ramps before order density is sufficient, margins can compress quickly. FY2025's group utilization of 85.9% suggests the group was

not sitting on large idle capacity, but the segment margin decline still shows that utilization alone is not enough.

Inventory and working capital are part of the unit-economic risk. Group inventory was HKD 0.922B at FY2025 year-end, with raw materials of HKD 0.318B, work in progress of HKD 0.311B, and finished goods of HKD 0.293B. The auditor flagged inventory net realizable value as a key audit matter, and the data package notes that the detailed inventory aging report is not disclosed. Plush products tied to characters, seasons, film releases, theme parks, or promotions can have fast obsolescence if the customer changes a launch, if a license underperforms, or if consumer preferences shift. That does not mean Dream has bad inventory; it means a manufacturing model that looks cash-generative in good years can still be exposed to working-capital write-downs when the order cycle turns.

Customer concentration also belongs in unit economics, not just governance risk. Dream's largest customer represented 25.5% of FY2025 group sales, and the five largest customers represented 70.7%. The data package does not disclose concentration by segment. However, because Plush is the largest segment and because plush programs are often customer-specific, concentration can affect pricing. A large customer can reward Dream with volume, forecast visibility, and repeat programs. The same customer can demand annual price-downs, dual sourcing, payment-term concessions, compliance investment, and speed. That combination can produce high adjusted EBITDA dollars but cap margin upside.

[DATA GAP: customer concentration by segment is not disclosed. The appendix uses group-level largest-customer and top-five-customer concentration as the controlling risk indicator.]

4. Competitive Dynamics

The relevant competitive set is not only branded toy companies. Dream competes mainly with other Asian contract manufacturers, ODMs, and supply-chain partners that can produce licensed or customer-designed plush at scale. Competitors may be privately held suppliers in China, Vietnam, Indonesia, and other low-cost or diversified manufacturing locations. Public toy brands such as Hasbro, Mattel, Build-A-Bear, Pop Mart, Sanrio, and Disney are useful context because they shape demand and procurement behavior, but they are mostly customers, licensors, brand owners, or channel owners rather than direct manufacturing comps. The margin power sits higher in the stack when the brand owner controls IP and distribution.

Hasbro's 2025 Form 10-K highlights the procurement environment facing suppliers. Hasbro reported that its top five customers accounted for about 35% of global net revenue and described a supply-chain transformation involving manufacturing and logistics optimization. It also disclosed that the majority of its products are manufactured by third-party manufacturers across China, Vietnam, India, Japan, Belgium, the United States, Mexico, and Indonesia. This supports two points for Dream. First, global toy customers want multi-country sourcing, which fits Dream's China, Vietnam, and Indonesia footprint. Second, large branded customers already manage diversified vendor networks, so a manufacturer must keep earning share through reliability, cost, quality, and compliance.

Mattel's 2025 Form 10-K frames similar risks from the brand-owner side: demand, customer concentration, retailer inventory policies, licensing access, tariffs, labor, logistics, and cost inflation. Mattel specifically warns that cost increases from materials, transportation, services, labor, or compliance may not always be offset by pricing. That is directly relevant for a supplier like Dream. If a brand owner itself cannot fully pass through costs to retailers and consumers, the brand owner may push back on suppliers. The manufacturer therefore has conditional pricing power, not full pricing power. Dream can price for complexity, speed, quality, and compliance, but it cannot freely reprice a large customer's program if that customer has alternative suppliers and a retail price point to protect.

Build-A-Bear is useful because it is a plush-specialist retailer and brand. Its fiscal 2025 Form 10-K says it does not own factories for plush products and that in fiscal 2025 it bought 75% of merchandise from five vendors. It also says China supplied 51% of merchandise received and Vietnam supplied 44%, after a diversification effort. This does not identify Dream as a vendor. It does show how plush demand can be highly vendor-concentrated and how Vietnam has become central to plush sourcing. Build-A-Bear's disclosed vendor relationship model also underlines a supplier risk: purchase-order relationships may not give manufacturers long-term contractual protection on volume or pricing.

Pop Mart is useful as a demand-side benchmark, but also as a warning against confusing end-demand with supplier economics. Its 2025 HKEX annual results show plush revenue rose sharply and became the largest product category. That supports the view that plush has found new consumer use cases beyond traditional children's toys, including IP collectibles, accessories, emotional consumption, and social-commerce-driven products. But Pop Mart's economics are brand/IP/channel economics. A contract manufacturer serving a Pop Mart-like ecosystem would not automatically earn Pop Mart-like margins. Dream's durable upside depends on winning scaled plush orders while retaining enough design, development, speed, and

quality advantage to avoid being treated as interchangeable capacity.

The barriers to entry are real but not absolute. A new small factory cannot easily replicate Dream's customer history, compliance routines, multi-country scale, production planning, and ability to service large customers. However, large toy customers can and do qualify multiple vendors. If a supplier's only advantage is low labor cost, the advantage is vulnerable. If the advantage is a reliable multi-country platform with design support, fast sampling, safety compliance, scale, and a record of executing large seasonal programs, the advantage is more durable. Dream's Plush margin history suggests it has something better than commodity manufacturing, but the FY2025 margin decline argues against underwriting permanent 29% adjusted EBITDA margin as the base case.

5. Moat At The Segment Level

Plush Stuffed Toys has a medium segment moat, not a wide autonomous moat. The segment's protection comes from execution complexity, customer qualification, compliance, multi-country footprint, and accumulated know-how in translating customer and licensed designs into manufacturable products. It is not protected by exclusive IP ownership, direct consumer demand capture, network effects, regulated status, or software switching costs. The customer can switch suppliers over time, but switching is not costless when the product is seasonal, quality-sensitive, safety-regulated, and tied to a launch calendar.

The strongest moat element is customer trust. Large customers and licensors do not want product safety failures, late shipments, non-compliant factories, or inconsistent character execution. A supplier with a reliable record can receive repeat programs and early development involvement. That can become a meaningful advantage because the customer does not want to retrain a vendor for every program. The 25.4% FY2025 adjusted EBITDA margin and the prior two years near 29% show that Dream is not merely earning commodity margins. There is some value capture in the segment.

The second moat element is footprint flexibility. China remains important for skilled manufacturing, supplier ecosystems, and speed, while Vietnam and Indonesia help answer customer diversification and tariff concerns. Dream's group footprint of 30 factories across China, Vietnam, and Indonesia, combined with high utilization, gives it more strategic relevance than a single-country supplier. This matters because Hasbro, Mattel, and Build-A-Bear all discuss diversified sourcing or exposure to manufacturing locations and supply-chain risk in their public filings. A vendor that can support that shift may win share even if the toy category itself grows slowly.

The third moat element is process knowledge. Plush is not technologically advanced in the same way as semiconductors or enterprise software, but licensed plush quality is harder than it looks. Materials, stitching, safety standards, child-use requirements, washability, color matching, shape consistency, approval cycles, packaging, and shipping windows all matter. Customers also need responsiveness when a design changes or when demand spikes. The data package notes management's discussion of real-time technical support, rapid prototyping, automation equipment, and design teams at group level, although R&D expense is not separately disclosed.

The moat limits are significant. Dream is still dependent on customers who own the IP and distribution. It does not disclose segment-level contracts, customer retention, average program length, order backlog, customer identities, or customer-by-segment revenue. A 70.7% top-five customer concentration at group level means a few customers have substantial leverage. A supplier may pass a customer's compliance audit and still lose share if another vendor offers lower pricing, a better location mix, or faster turnaround. The right moat conclusion is therefore: Plush is defensible enough to deserve a normal-to-good manufacturing multiple if returns persist, but not defensible enough to deserve brand-owner assumptions.

6. Historical Growth Rates

The tables below reproduce Dream's Plush historical data from the data package. "S3" refers to data_package Section 3, segment historicals. "S4" refers to data_package Section 4, product and sub-segment historicals. "S5" refers to data_package Section 5, most recent trend. Values are HKD billions unless otherwise noted. Segment profit is adjusted EBITDA.

Product / sub-segment	FY2021 rev	FY2022 rev	FY2023 rev	FY2024 rev	FY2025 rev	FY2022-FY2025 CAGR	Most recent YoY	Data package cite
Plush stuffed toys	1.407 S3/S4	2.288 S3/S4	2.737 S3/S4	2.766 S3/S4	3.264 S3/S4	12.6%	18.0%	data_package Section 3 Plush revenue and YoY from FY2021-FY2025 annual reports; Section 4 product line row from annual note 3

The FY2022-FY2025 CAGR is used because it spans the last three year-to-year intervals ending at the TTM anchor. The FY2021-FY2025 CAGR is 23.5%, but it is distorted by the FY2022 post-pandemic surge. The FY2023-FY2025 two-year annualized growth rate is 9.2%, which is useful as a normalization check because FY2024 was almost flat and FY2025 reaccelerated.

Metric	FY2021	FY2022	FY2023	FY2024	FY2025	Data package cite
Plush adjusted EBITDA	0.182 S3	0.527 S3	0.805 S3	0.792 S3	0.828 S3	data_package Section 3 Plush row; FY2021-FY2025 annual segment notes
Plush adjusted EBITDA margin	12.9% S3	23.0% S3	29.4% S3	28.6% S3	25.4% S3	data_package Section 3 Plush row; calculated from FY2021-FY2025 annual segment notes

Period	Plush revenue	YoY	Adjusted EBITDA margin	Data package cite
H1 FY2024	1.186 S5	n/a	25.8% S5	data_package Section 5; FY2025 interim comparative Plush row
H2 FY2024 derived	1.579 S5	n/a	30.8% S5	data_package Section 5; FY2024 annual less H1 FY2024
H1 FY2025	1.324 S5	11.7%	25.7% S5	data_package Section 5; FY2025 interim Plush row
H2 FY2025 derived	1.939 S5	22.8%	25.1% S5	data_package Section 5; FY2025 annual less H1 FY2025

Internal arithmetic checks:

- FY2022 to FY2023 revenue: HKD 2.288B multiplied by 1.196 equals HKD 2.736B, which ties to disclosed HKD 2.737B within rounding.
- FY2023 to FY2024 revenue: HKD 2.737B multiplied by 1.010 equals HKD 2.764B, which ties to disclosed HKD 2.766B within rounding.
- FY2024 to FY2025 revenue: HKD 2.766B multiplied by 1.180 equals HKD 3.264B, which ties to disclosed HKD 3.264B.
- H1 FY2025 plus derived H2 FY2025 revenue: HKD 1.324B plus HKD 1.939B equals HKD 3.263B, which ties to FY2025 revenue of HKD 3.264B within rounding.

No back-solved product revenue is used. Plush Stuffed Toys is itself the disclosed major product line and segment. Subcategories such as theme-park plush, domestic IP toys, licensed programs, or customer-specific seasonal products are not dollar-disclosed.

[DATA GAP: Plush subcategory revenue is not disclosed. The company does not provide dollar revenue for theme-park plush, customer-specific licensed programs, domestic IP plush, or seasonal/promotional plush.]

7. Management Guidance Quoted From Data Package

The data package found no FMP transcripts for FY2025 Q4 or FY2025 Q2. The controlling sources are the FY2025 annual report, FY2025 interim report, official annual and interim results announcements, and related corporate announcements. The table below lists Plush-relevant commentary from data_package Section 6. Short excerpts are reproduced only where the data package already captured them.

Topic	Data package row	Short source excerpt	Modeling interpretation
Group backdrop	Section 6 Group strategy; FY2025 annual, 2026-03-27; Kyoo Yoon Choi, Chairman	"cautiously optimistic backdrop"	Do not model FY2025 Plush growth as a risk-free boom. The group still flags cost and supply-chain pressure.

Topic	Data package row	Short source excerpt	Modeling interpretation
Footprint strategy	Section 6 Manufacturing footprint; FY2025 annual, 2026-03-27; Chairman and MDA	"China Plus One"	Plush should benefit if customers want diversified sourcing across China and Vietnam, but this is a share-gain argument, not guaranteed market growth.
Utilization	Section 6 Production utilisation; FY2025 annual, 2026-03-27; MDA	"average utilisation rate of around 85.9%"	Capacity is meaningfully used. New plants can support growth, but ramp efficiency matters.
Plush demand	Section 6 Plush Stuffed Toys; FY2025 annual, 2026-03-27; MDA	Demand tied to Asian theme parks, visitor numbers, and seasonal events	Near-term Plush growth is tied to program timing, tourism, and events. The right model is cyclical growth with customer concentration, not a recurring software curve.
Cost pressure	Section 6 Raw materials and cost; FY2025 annual, 2026-03-27; Chairman and MDA	Management flags oil price volatility and supply-chain disruption	Margin should not mechanically return to FY2023 peak. Raw materials, labor, and logistics need explicit downside.
Capacity expansion	Section 6 Capacity expansion; FY2025 annual, 2026-03-27; Chairman and MDA	New China plant started in January 2026; Vietnam and Indonesia expansion targeted for June 2026	FY2026-FY2027 capacity can support revenue growth, but customer orders must fill the new capacity at acceptable margin.
H1 trend	Section 6 H1 FY2025 trend; FY2025 interim results, 2025-08-25; Board / interim report	H1 revenue rose 12.4% and profit for the period rose 10.1%	H1 was supportive, but full-year data show segment divergence and Plush margin did not expand in H2.

The most important management anchor is not a formal numeric guide. It is the combination of Plush-specific demand commentary, China Plus One strategy, high group utilization, and capacity expansion. Those comments justify a positive base-case revenue CAGR. They do not justify assuming FY2025's 18.0% growth persists for five years. The comments are compatible with continued growth, but they are also compatible with a customer-program cycle where strong FY2025 demand normalizes after new plant ramp and seasonal events.

[DATA GAP: Dream does not disclose FY2026 segment-level revenue guidance, product-level order backlog, customer-specific plush program pipeline, or segment-level contracted volume.]

8. Forward Growth Assumptions

The base case starts from FY2025 TTM Plush revenue of HKD 3.264B and compounds for exactly five calendar years to 2030-12-31. Plush has only one dollar-disclosed product line, so the bottom-up model uses one disclosed revenue line and discusses undisclosed subdrivers in prose. The core forecasting judgment is how much of FY2025's 18.0% growth was a durable share/capacity gain versus a favorable customer and event cycle.

Base Case Revenue Assumptions

Product	FY2022-FY2025 historical CAGR	Latest YoY	Mgmt FY+1 guide	Base CAGR TTM to TTM+5y	Justification
Plush stuffed toys	12.6%	18.0%	No numeric segment guide disclosed	6.0%	Base growth decelerates below the recent three-year CAGR because FY2025 was strong and customer concentration is high, but stays positive due to China Plus One, high utilization, new capacity, and theme-park/seasonal demand.

The 6.0% base CAGR is intentionally below the historical Plush growth rate. A five-year continuation of 18.0% would imply HKD 7.47B of Plush revenue by 2030, more than Dream's entire FY2025 group revenue. That is possible only if Dream wins a major step-change in customer programs or becomes a materially larger supplier to an IP-led plush boom. The data package does not support that as a base case. The base case instead assumes Dream fills new capacity, retains key customers, wins some China Plus One share, and keeps benefiting from theme-park and seasonal plush demand, but does so at a mature supplier growth rate.

Bull Case Revenue Assumptions

Product	FY2022-FY2025 historical CAGR	Latest YoY	Mgmt FY+1 guide	Bull CAGR TTM to TTM+5y	Justification
Plush stuffed toys	12.6%	18.0%	No numeric segment guide disclosed	9.0%	Bull case assumes Dream converts new China, Vietnam, and Indonesia capacity into larger customer programs while IP plush demand remains strong and customers reward its diversified footprint.

The bull case still decelerates from FY2025. It does not assume Pop Mart-style category growth flows through to Dream. Instead, it assumes the high-growth plush demand context remains favorable enough that Dream can compound below its FY2022-FY2025 historical CAGR but above normal GDP-plus manufacturing growth. This case requires customer retention and new program wins. It also requires capacity ramp without major quality, labor, or logistics issues. Because top-five customer concentration is already high at group level, the bull case likely comes from expanding with existing large customers plus adding new programs, not merely adding many small accounts.

Bear Case Revenue Assumptions

Product	FY2022-FY2025 historical CAGR	Latest YoY	Mgmt FY+1 guide	Bear CAGR TTM to TTM+5y	Justification
Plush stuffed toys	12.6%	18.0%	No numeric segment guide disclosed	0.0%	Bear case assumes FY2025 was a favorable program year, a large customer normalizes orders or pushes price, new capacity is underfilled, and plush demand remains positive at consumer level but does not translate into Dream revenue growth.

The bear case holds revenue flat rather than modeling a collapse. That is because Dream has a real footprint, high current utilization, and a multi-year Plush history that stayed above HKD 2.7B in FY2023 and FY2024 before the FY2025 jump. A true customer-loss scenario could be worse than flat, but without customer identities or segment-level customer concentration, modeling a named-customer loss would be false precision. The bear case captures the same economic pressure through flat revenue and materially lower margin.

Year-by-Year Revenue Path

Case	FY2025 / TTM	2026E	2027E	2028E	2029E	2030E / TTM+5y
Bear revenue	3.264	3.264	3.264	3.264	3.264	3.264
Base revenue	3.264	3.460	3.668	3.888	4.121	4.368
Bull revenue	3.264	3.558	3.878	4.227	4.608	5.022

The year-by-year path is not meant to imply quarterly precision. Dream does not disclose true quarterly reporting. It is a five-year bridge from the official FY2025 TTM base to the 2030-12-31 horizon. The base path allows near-term capacity benefits but normalizes growth to a rate that better fits a supplier with customer concentration and limited direct consumer pricing power.

9. Forward Adjusted EBITDA Margin Assumptions

The segment margin handoff is adjusted EBITDA margin. The company does not disclose Plush operating income, product-level operating income, depreciation by segment, customer margins, or subcategory margins. The model therefore uses segment adjusted EBITDA margin and explicitly avoids calling it operating margin.

The starting point is a 25.4% FY2025 adjusted EBITDA margin. That is below FY2023 and FY2024 but still high for a contract manufacturing segment. The margin range in this appendix is anchored by history: 12.9% in FY2021, 23.0% in FY2022, 29.4% in FY2023, 28.6% in FY2024, and 25.4% in FY2025. The forward cases do not simply revert to the FY2023 peak because the latest full-year evidence shows margin pressure despite strong revenue growth.

Case	FY2025 adjusted EBITDA margin	TTM+5y margin	Change	Mechanism
Bear	25.4%	18.5%	-690 bps	Customer procurement pressure, underfilled new capacity, unfavorable program mix, wage and material inflation, and less ability to pass through cost.
Base	25.4%	24.0%	-140 bps	Scale and footprint benefits partly offset by large-customer pricing, labor, logistics, and normalized mix after strong FY2025 demand.
Bull	25.4%	26.5%	+110 bps	Higher-value plush programs, better utilization of new plants, design/development contribution, procurement efficiency, and stronger customer demand.

The base margin of 24.0% is below the FY2025 margin by 140 bps. That may look conservative given FY2023-FY2024 margins near 29%, but it reflects the most recent evidence: FY2025 H2 revenue accelerated while H2 margin was only 25.1%, and group gross margin compressed. The base case does not assume Dream loses its execution advantage. It assumes customers capture part of the benefit as Plush scales, while Dream retains enough efficiency to remain a high-margin manufacturer.

The bull margin of 26.5% is above FY2025 but still below the FY2023 and FY2024 highs. It requires good capacity absorption and favorable mix. It also requires that Dream's design, prototyping, customer service, compliance, and multi-country footprint let it price above pure commodity capacity. The external context supports the possibility of this outcome because large toy companies value diversified sourcing and reliable manufacturing partners. However, those same large toy companies also run cost programs and negotiate hard with suppliers. That is why bull margin does not return to 29% in the model.

The bear margin of 18.5% is not a disaster margin relative to FY2021, but it is a meaningful reset from the current level. It would occur if Dream fills plants at lower pricing, if a major program rolls off, if customers shift order mix to lower-margin plush, if wage or material costs rise, or if new capacity ramps ahead of demand. Because Plush does not disclose product subcategory margin, the bear case applies the pressure at the segment level rather than inventing subcategory economics.

[DATA GAP: Plush gross margin, depreciation, operating income, product subcategory margin, and customer-level margin are not disclosed.]

10. Segment Rollup

The rollup is built from one disclosed product line: Plush stuffed toys. Revenue equals FY2025 TTM revenue compounded by the case-specific five-year CAGR. Adjusted EBITDA equals TTM+5y revenue multiplied by the case-specific adjusted EBITDA margin. All values are HKD billions unless stated otherwise.

Case	Product line	TTM revenue	Five-year CAGR	TTM+5y revenue	TTM+5y adjusted EBITDA margin	TTM+5y adjusted EBITDA
Bear	Plush stuffed toys	3.264	0.0%	3.264	18.5%	0.604
Base	Plush stuffed toys	3.264	6.0%	4.368	24.0%	1.048
Bull	Plush stuffed toys	3.264	9.0%	5.022	26.5%	1.331

Arithmetic checks:

- Bear revenue: HKD 3.264B multiplied by 1.000 to the fifth power equals HKD 3.264B. HKD 3.264B multiplied by 18.5% equals HKD 0.604B.
- Base revenue: HKD 3.264B multiplied by 1.060 to the fifth power equals HKD 4.368B. HKD 4.368B multiplied by 24.0% equals HKD 1.048B.
- Bull revenue: HKD 3.264B multiplied by 1.090 to the fifth power equals HKD 5.022B. HKD 5.022B multiplied by 26.5% equals HKD 1.331B.

The base case produces HKD 4.368B of 2030 Plush revenue and HKD 1.048B of adjusted EBITDA. That means Plush alone would contribute roughly the same adjusted EBITDA in 2030 as Dream's total FY2025 segment adjusted EBITDA of HKD 1.049B. This is a meaningful growth assumption, not a low bar. The case only works if Plush remains the company's core profit engine while Plastic Figures either stabilizes or at least stops consuming group margin.

The bull case produces HKD 5.022B of Plush revenue and HKD 1.331B of adjusted EBITDA. That is plausible only if Dream's expanded footprint captures sustained IP-led plush demand and maintains customer economics. The bear case produces HKD 0.604B of adjusted EBITDA, below FY2025 by HKD 0.224B, even with flat revenue. That captures the central risk: the segment can look stable on sales while profit deteriorates if large customers, input costs, or capacity utilization move against Dream.

11. Key Risks And Wildcards

Customer concentration is the most important risk. Dream's largest customer represented 25.5% of FY2025 group sales and the top five represented 70.7%. Even if Plush-specific concentration differs from group concentration, the company is clearly dependent on a small number of large customers. A major customer's order reset, dual-sourcing decision, licensing calendar change, quality dispute, or price negotiation could move the segment materially. Case tag: primarily bear, with bull-case cap because large customers can demand better pricing as volumes rise.

The second risk is that FY2025 may have been a strong plush program year rather than a new baseline. The data package ties Plush demand to Asian theme parks, visitor numbers, and seasonal events. Those drivers can be strong, but they are not the same as contracted recurring revenue. Tourism cycles, film releases, character popularity, event calendars, and promotional timing can shift quickly. The FY2025 derived H2 revenue growth of 22.8% is encouraging; the H2 adjusted EBITDA margin of 25.1% is the reminder that incremental volume may come at lower price or higher cost. Case tag: bear if FY2025 demand normalizes sharply; base if growth continues but at lower margin.

The third risk is margin normalization. Plush adjusted EBITDA margin was almost 29% in FY2023-FY2024, but the model should not assume that level is permanent. FY2025 margin was 25.4%, and group gross margin fell even as revenue rose. Mattel's Form 10-K discussion of cost inflation, tariffs, labor, transportation, and pricing limitations is relevant because those same pressures can flow through the toy supply chain. If brand owners and retailers cannot pass costs to consumers, suppliers can be asked to absorb them. Case tag: bear for cost absorption and price-downs; base for modest compression from FY2025.

The fourth risk is capacity timing. New capacity can support growth, but capacity is only valuable if filled at acceptable prices. A new China plant began operations in January 2026, and Vietnam and Indonesia expansion were targeted for June 2026 at group level. The upside is better geographic flexibility and more capacity for customer programs. The downside is startup inefficiency, higher fixed cost, labor hiring, process learning, or underutilization if orders do not materialize. Case tag: bull if new plants fill quickly, base if ramp is orderly, bear if fixed cost arrives before orders.

The fifth risk is IP and licensing dependence. Dream does not own the customer IP. It depends on brand owners, licensors, and customers choosing Dream for programs. Pop Mart's plush surge demonstrates the power of IP-led plush demand, but it also demonstrates where the strongest value capture sits: with the IP owner and channel owner. Dream can participate as a manufacturer, but it cannot force consumer attachment to a character or decide the marketing calendar. Case tag: bull if Dream wins more IP-led programs; bear if customer IP cycles weaken or suppliers are rotated.

The sixth risk is product safety and compliance. Plush products are often used by children and sold under brand names with reputational sensitivity. Quality failures, labor compliance issues, material safety problems, delayed shipments, or customer audit failures could damage supplier relationships. This is also a moat source because reliable compliance is valuable. The risk is asymmetric: compliance excellence is expected and may not earn much incremental price, while a failure can lose programs. Case tag: bear for audit, safety, or delivery failures; base assumes continued compliance.

The seventh risk is currency and geography. FY2025 group revenue exposure was concentrated in North America, Japan, Chinese Mainland, and Hong Kong, while manufacturing is across China, Vietnam, and Indonesia. Tariff, freight, currency, labor, and regional demand changes can alter margins. This matters for Plush because a customer may ask Dream to move production location for tariff or procurement reasons even if Dream's existing site is more efficient. Case tag: bear if tariff or currency pressure forces inefficient moves; bull if diversified footprint wins share.

The key wildcard is whether Dream can evolve from a supplier into a higher-value ODM partner with more design contribution and stickier customer relationships. The data package references design teams, real-time technical support, rapid prototyping, and automation at group level, but it does not disclose R&D spend or the revenue split between pure OEM and ODM-like

work. If more Plush revenue comes from higher-value design/development contribution, bull-case margin is more credible. If most growth is volume manufacturing for powerful customers, base or bear margin is more appropriate. Case tag: bull if ODM-like contribution rises; base or bear if Dream remains mainly replaceable manufacturing capacity.

[DATA GAP: Dream does not disclose the OEM versus ODM revenue split, customer program duration, segment backlog, customer identities, or segment retention metrics.]

Ending Summary Table

Case	Segment TTM+5y Revenue	Segment TTM+5y Adjusted EBITDA Margin	Segment TTM+5y Adjusted EBITDA	Probability
Bear	3.264	18.5%	0.604	30%
Base	4.368	24.0%	1.048	50%
Bull	5.022	26.5%	1.331	20%

Weighted case output is HKD 4.167B of Plush revenue and HKD 0.971B of adjusted EBITDA at 2030-12-31. The non-uniform probability weighting reflects the fact that Plush is currently performing well, but the segment has concentrated customers, limited disclosed contractual protection, no subcategory disclosure, and visible FY2025 margin compression. For the ER2 synthesis, the base case should be treated as a positive but not heroic segment forecast: Dream's strongest segment compounds, yet the model does not require FY2025's 18.0% growth rate or FY2023's 29.4% adjusted EBITDA margin to persist.

Appendix B2 - Plastic Figures

Plastic Figures - Segment Deep Dive

Company: Dream International Limited Ticker: 1126.HK Reporting currency: HKD Owned file: `C:\Users\Admin\OneDrive\GPT\ER 2.0\Dream International Limited\appendix_B_plastic_figures.md` Prepared: 2026-05-30 TTM anchor: FY2025 annual report, year ended 2025-12-31 Forward horizon: TTM plus five calendar years, ending 2030-12-31 Controlling source for Dream historicals: `data_package.md`

This appendix models Dream International's Plastic Figures segment only. Segment profit is adjusted EBITDA. It is not operating income, and this file uses adjusted EBITDA as the segment handoff metric for synthesis.

0. Segment boundary and taxonomy note

Plastic Figures is a current reportable segment under Dream International's three-segment reporting structure. The taxonomy changed in FY2024, when the company combined the prior Die-casting Products segment with Plastic Figures and restated FY2023 major product-line and segment data on the new basis. The verified data package states that FY2021 and FY2022 can be shown as a derived current-taxonomy view by adding originally disclosed Plastic Figures and Die-casting Products, but that FY2023 onward should use the restated current-taxonomy Plastic Figures line. That boundary matters. A five-year view is useful for volatility and margin context, but the forward model should anchor to FY2025 Plastic Figures revenue of HKD 2.352B and FY2025 Plastic Figures adjusted EBITDA of HKD 0.179B, both from FY2025 annual report note 11 and reproduced in `data_package.md`.

1. What this segment actually is

Plastic Figures is Dream International's hard-toy manufacturing segment. The company describes the segment as the design, development, manufacture, and sale of plastic figures, manufactured mainly in Vietnam and Indonesia. In practical commercial terms, this is an OEM/ODM-like toy manufacturing business serving brand owners, licensors, retailers, and consumer-products customers that need physical plastic toys, collectible figures, premium figures, playsets, and related programs made at scale. It is not a branded IP owner in the way Mattel, Hasbro, Funko, Pop Mart, or LEGO is a branded consumer franchise. Dream participates downstream of those demand engines. It wins when its customers' licensed programs, character releases, collectibles, entertainment launches, seasonal promotions, or retail programs require reliable manufacturing capacity, design support, tooling, quality control, and delivery.

The segment has some design and development content, but the financial evidence should be read like a manufacturing partner, not a royalty-rich content company. The data package says product subcategories such as premium figures, playsets, domestic IP toys, and customer-specific licensed programs are not separately dollar-disclosed. The only dollar-disclosed Plastic Figures product line is the current major product-line total, which includes legacy die-casting from the FY2024 restatement onward. Therefore the model does not split premium figures from standard figures, playsets, or die-casting. Any such split would be a fabricated product P&L.

The go-to-market is business-to-business. Dream's customers are concentrated, and the consolidated company had one customer at 25.5% of FY2025 sales and five largest customers at 70.7% of FY2025 sales, per the FY2025 annual report major-customer note reproduced in `data_package.md`. The data package does not identify which customers map to Plastic Figures, so this appendix treats customer concentration as a group-level risk that likely matters to Plastic Figures but cannot be allocated precisely. Pricing is probably negotiated program by program or season by season, with materials, labor, tooling, complexity, quality requirements, and shipping terms embedded in customer contracts. The data package does not disclose unit volumes, average selling prices, mold amortization, or segment-specific customer identities.

The strategic appeal of the segment is straightforward: collectibles, licensed content, kidult demand, and higher-value figures are attractive demand pools, and Dream has a manufacturing footprint in Vietnam and Indonesia that is relevant to customers diversifying away from China-only sourcing. The underwriting problem is equally straightforward: FY2025 revenue grew only 1.8%, adjusted EBITDA fell 34.4%, and segment adjusted EBITDA margin compressed from 11.8% in FY2024 to 7.6% in FY2025. This appendix therefore treats Plastic Figures as the swing segment, not as a proven compounder.

2. Current economics

FY2025 is the controlling TTM period. Plastic Figures generated HKD 2.352B of external revenue, equal to 39.4% of Dream's consolidated revenue. Segment adjusted EBITDA was HKD 0.179B, implying a 7.6% adjusted EBITDA margin on external revenue. This is a low margin for a segment that still requires tooling, production engineering, labor planning, inventory discipline, and customer-specific quality execution. It is also materially weaker than the segment's own FY2023 and FY2024 margins.

The most important recent detail is the half-year shape. Plastic Figures revenue in H1 FY2025 was HKD 1.069B, up 14.2% year over year, with an adjusted EBITDA margin of 8.7%. Derived H2 FY2025 revenue was HKD 1.283B, down 6.7% year over year, with an adjusted EBITDA margin of 6.7%. The full-year headline of 1.8% revenue growth hides a sharp H2 slowdown and a second-half margin that was already below the full-year margin. This is why the base case does not simply assume a return to the FY2023 margin peak.

The segment's current economics are also affected by group-level capacity and cost conditions. The data package reports 30 factories at FY2025 year-end, including 8 in China, 21 in Vietnam, and 1 in Indonesia, with average utilisation around 85.9%. It also reports a new China plant beginning operations in January 2026, a Vietnam plant under construction, and Indonesia phase two targeted for June 2026. The capacity footprint gives Dream room to serve customers seeking China Plus One alternatives, but capacity alone does not guarantee margin recovery. More capacity can help if it is filled with profitable premium programs. It can hurt if utilization comes with weak pricing, higher depreciation, startup inefficiency, labor cost inflation, or customer-driven rush costs.

Capital intensity is not disclosed by segment. Consolidated productive investment was HKD 0.208B in FY2025, or 3.5% of revenue, and group CFO was HKD 0.860B, using FY2025 annual cash-flow data as normalized in `data_package.md` Sections 2 and 7. That is a manageable consolidated reinvestment burden, but the Plastic Figures segment likely has real tooling and process-engineering needs. External evidence from peers supports that this is not a pure asset-light line. For example, Funko's 2025 Form 10-K says it owns most of the tools and molds used in its manufacturing process even though it outsources manufacturing, and JAKKS Pacific similarly disclosed that tools, dies, and molds are a substantial portion of its property and equipment. That context is relevant because tooling, molds, quality checks, and production readiness shape the economics of plastic figures even when a company is not the consumer brand owner.

3. Unit economics

Plastic Figures revenue converts into adjusted EBITDA through four main levers: customer program volume, price versus input cost, manufacturing efficiency, and product mix. The segment's revenue base depends on order volume from large customers and licensors. The price side depends on whether Dream can recover resin, labor, freight, tariff-related, and compliance costs from customers. The cost side depends on factory utilization, labor productivity, automation, scrap rates, quality failures, and how effectively molds and tooling are deployed across programs. Product mix matters because premium figures and playsets should carry more value-added content than lower-complexity plastic items, but the company does not disclose margins by subcategory.

The recent history shows that these unit economics are fragile. Plastic Figures margin improved from a derived current-taxonomy 7.1% in FY2021 to 14.3% in FY2022 and 15.8% in FY2023, then fell to 11.8% in FY2024 and 7.6% in FY2025. The decline cannot be dismissed as a small mix issue. Adjusted EBITDA dropped from HKD 0.352B in FY2023 to HKD 0.273B in FY2024 and HKD 0.179B in FY2025, even though revenue rose in both FY2024 and FY2025. That means incremental revenue in the last two years came at materially weaker profitability.

The most plausible mechanisms are weaker pricing, customer mix, program mix, cost inflation, and capacity/startup pressure. The data package says management flagged oil price volatility and supply-chain disruption. Plastic materials are tied indirectly to oil and resin markets. Labor cost and logistics cost matter because the segment manufactures mainly in Vietnam and Indonesia, and the product is shipped into global toy channels. The FY2025 H2 decline suggests either order timing became less favorable, lower-margin orders dominated, or cost recovery worsened late in the year. Because Dream does not disclose exact customer identities or segment-level gross margin, the model should not assume that this can be fixed quickly.

At the same time, the segment is not structurally hopeless. The long-term toy demand backdrop is healthier than Dream's FY2025 margin implies. The Toy Association's January 2026 release, based on Circana, reported 7% value growth across 12 global toy markets in 2025, with licensed products and collectibles as major drivers. Its August 2025 H1 update said action figure collectibles and action figures were among the top gaining toy segments. Funko's 2025 Form 10-K also framed pop-culture collectibles as tied to the kidult segment, while Hasbro and Mattel both continue to discuss global manufacturing diversification and design-for-manufacture or production efficiency. The external demand pool exists. The issue is how much economics accrue to Dream as a manufacturing supplier rather than to IP owners, retailers, and licensors.

4. Competitive dynamics

Plastic Figures competes at two levels. First, Dream competes with other contract manufacturers and OEM/ODM suppliers for toy programs. These competitors may be private Asian manufacturers with similar Vietnam, China, Indonesia, Cambodia, Thailand, or Mexico production options. Second, Dream competes indirectly with vertically integrated or semi-integrated branded toy companies that can place volume across their own and third-party manufacturing networks. Mattel's 2025 Form 10-K says its principal manufacturing facilities are owned or third-party plants in China, Vietnam, Indonesia, Malaysia, Mexico, and Thailand. Hasbro's 2025 Form 10-K says most products are manufactured by third-party manufacturers in China, Vietnam, India, Japan, Belgium, the United States, Mexico, and Indonesia. Funko's 2025 Form 10-K says it contracts manufacturing primarily to producers in Vietnam, China, Cambodia, and Mexico. In other words, Dream's footprint is relevant, but it is not unique.

The segment's competitive advantage is likely reliability rather than proprietary product ownership. Large toy customers care about quality, safety, mold accuracy, social compliance, delivery timing, seasonal availability, and the ability to scale a program quickly without losing consistency. Dream's multi-country footprint helps because customers increasingly need flexible sourcing. Vietnam and Indonesia are useful alternatives when China-specific tariffs, labor costs, geopolitical risk, or customer policy push buyers to diversify. Dream's production base can also be attractive for customers that want a single supplier able to handle both design/development support and production.

The weakness is bargaining power. A branded toy company, entertainment licensor, large retailer, or consumer-products customer usually controls the IP, shelf space, demand generation, and purchase order. Dream supplies manufacturing capability. That capability can be valuable, but customers can bid work across suppliers, pressure price, change order timing, or shift production if quality, cost, or schedule disappoints. Customer concentration compounds this. At group level, the top five customers represented 70.7% of FY2025 revenue, per the FY2025 annual report major-customer note reproduced in `data_package.md`. Even if Plastic Figures has a different mix, the company's economics are clearly exposed to a few large buyers.

The industry has demand tailwinds, but they do not automatically create supplier margin. Circana's reported growth in licensed toys and collectibles supports volume. It also increases competition for capacity, speed, and quality. Branded peers are pursuing design-to-value, design-for-manufacture, sourcing diversification, and supply-chain optimization. Hasbro explicitly discusses design-to-value and design-for-manufacture in its 2025 10-K, while Mattel discusses multi-country manufacturing capacity and production schedules based on customer orders and forecasts. Those statements imply that large toy companies are actively managing cost, not passively giving margin to suppliers.

Substitution risk is moderate. Plastic figures can lose share to plush, blind-box formats, trading cards, digital collectibles, games, apparel, and other fandom products. They can also benefit from the same fan-economy demand if the right IP programs are active. The product category is not obsolete, but it is hit-driven. That hit-driven nature makes five-year forecasting difficult. For a manufacturing supplier, the right assumption is not "collectibles are growing, therefore Dream compounds." The right assumption is "collectibles can support volumes, but supplier economics depend on order quality, program complexity, cost pass-through, and customer retention."

External sources used for competitive context include the [Toy Association/Circana global 2025 toy-market release](https://www.toyassociation.org/ta/PressRoom2/News/2026-News/global-toy-industry-rebounds-in-2025-as-sales-rise-7-percent.aspx), the [Toy Association/Circana H1 2025 toy-market update](https://www.toyassociation.org/ta/PressRoom2/News/2025_News/circana-reports-first-half-2025-us-global-toy-industry-performance.aspx), [Hasbro's FY2025 Form 10-K](https://www.sec.gov/Archives/edgar/data/46080/000004608026000011/has-20251228.htm), [Mattel's FY2025 Form 10-K](https://www.sec.gov/Archives/edgar/data/63276/000162828026010716/mat-20251231.htm), [Funko's FY2025 Form 10-K](https://www.sec.gov/Archives/edgar/data/1704711/000170471126000020/fnko-20251231.htm), and JAKKS Pacific's FY2024 Form 10-K as available through SEC filing reproductions. Dream's own historical dollars, growth rates, margins, and management commentary remain controlled by `data_package.md`.

5. Moat at the segment level

Plastic Figures has a narrow process moat at best. The strongest segment-level defenses are customer qualification, production know-how, multi-country execution, tooling experience, quality systems, and the ability to serve demanding licensed programs on time. These can matter. A customer does not casually move a seasonal licensed program to an untested factory if the cost of delay, safety failure, or brand damage is high. Dream's long operating history, Vietnam and Indonesia production base, and ability to support design/development create some switching friction.

But this is not a wide-moat segment. Dream does not own the consumer IP, does not control the retail channel, does not set end-consumer pricing, and does not disclose evidence of persistent pricing power in Plastic Figures. The segment's own margin history argues against a strong moat. A wide-moat manufacturing segment should not see adjusted EBITDA margin fall from 15.8% to 7.6% in two years while revenue is roughly stable to slightly up. The most defensible interpretation is that Dream has operational competence and customer relationships, but not enough pricing power to protect margins when mix, cost, or buyer terms move against it.

The 5-to-10-year durability question therefore depends on whether the company can turn "China Plus One" and premium-figure demand into better economics. If Dream's Indonesia and Vietnam expansion lets it win more complex, higher-value programs with acceptable cost recovery, Plastic Figures can recover toward a high-single-digit to low-double-digit adjusted EBITDA margin. If the new capacity is filled with price-pressured work, the segment can grow revenue while continuing to dilute group margin.

For Gideon purposes, the segment-level moat is not a standalone reason to underwrite a 20-year compounder. It is a contributor to a broader manufacturing platform, but the burden of proof is higher than the current evidence supports. The base case therefore assumes modest revenue growth and only partial margin recovery. The bull case requires demonstrable mix improvement and better utilization. The bear case assumes customers retain most of the economics and Dream remains a low-margin manufacturing node.

6. Historical growth rates reproduced from data package

The following tables reproduce verified Plastic Figures historicals from `data_package.md`. FY2021 and FY2022 use the derived current-taxonomy view that adds originally disclosed Die-casting Products to Plastic Figures. FY2023 onward uses the restated current taxonomy. Segment profit is adjusted EBITDA.

Plastic Figures current-taxonomy view	FY2021	FY2022	FY2023	FY2024	FY2025	Source anchor
Revenue, HKD B	2.921	3.479	2.222	2.311	2.352	FY2021 and FY2022 annual report segment notes derived by adding Plastic Figures plus Die-casting; FY2024 annual note 3 restated FY2023; FY2025 annual note 3
YoY	n/a	19.1%	-36.1%	4.0%	1.8%	data_package Section 3, Plastic Figures table, YoY row
Adjusted EBITDA, HKD B	0.208	0.497	0.352	0.273	0.179	FY2021 and FY2022 annual report segment notes derived by adding Plastic Figures plus Die-casting; FY2024 annual note 11 restated FY2023; FY2025 annual note 11
Adjusted EBITDA margin	7.1%	14.3%	15.8%	11.8%	7.6%	data_package Section 3, Plastic Figures table, Adjusted EBITDA margin row

Product / sub-segment	FY2023 rev	FY2024 rev	FY2025 rev	FY2023-FY2025 CAGR	Most recent YoY	Source anchor
Plastic figures, current taxonomy	2.222	2.311	2.352	2.9%	1.8%	FY2024 annual note 3 restated FY2023; FY2025 annual note 3 for FY2024 and FY2025 major product-line revenue
Legacy die-casting products	0.294	Combined	Combined	n/a	n/a	FY2023 annual product note for original die-casting line; FY2024 annual report segment-composition change combined it into Plastic Figures
Premium figures and playsets	n/d	n/d	n/d	n/a	n/a	True non-disclosure; FY2025 MDA describes mix direction but gives no dollars
Customer-specific licensed programs	n/d	n/d	n/d	n/a	n/a	True non-disclosure; qualitative MDA only

Period	Plastic Figures revenue	YoY	Adjusted EBITDA margin	Source anchor
H1 FY2024	0.936	n/a	10.5%	FY2025 interim comparative segment note
H2 FY2024 derived	1.375	n/a	12.7%	FY2024 annual note 11 less FY2025 interim comparative
H1 FY2025	1.069	14.2%	8.7%	FY2025 interim segment note
H2 FY2025 derived	1.283	-6.7%	6.7%	FY2025 annual note 11 less FY2025 interim segment note

Arithmetic tie-out checks:

- FY2024 to FY2025 product revenue: HKD 2.311B times 1.018 equals HKD 2.353B, tying FY2025 HKD 2.352B within rounding.
- FY2023 to FY2024 product revenue: HKD 2.222B times 1.040 equals HKD 2.311B, tying FY2024 HKD 2.311B within rounding.
- FY2023-FY2025 CAGR: HKD 2.352B divided by HKD 2.222B, raised to one half, less one, equals 2.9%.
- H1 FY2025 recency: HKD 0.936B times 1.142 equals HKD 1.069B, tying the disclosed H1 FY2025 value within rounding.
- H2 FY2025 derived recency: HKD 1.375B times 0.933 equals HKD 1.283B, tying the derived H2 FY2025 value within rounding.

The historical conclusion is not flattering. Plastic Figures is larger than Tarpaulin and strategically important, but it did not compound over the five-year window. The derived FY2021-FY2025 revenue CAGR is negative 5.3%, while the more comparable FY2023-FY2025 restated CAGR is only 2.9%. More important, margin compressed by 820 bps from FY2023 to FY2025. The forward model must explicitly show why that margin either recovers or does not.

7. Management guidance quoted from data package Section 6

Dream does not provide a numeric FY2026 guide for Plastic Figures. FMP transcript endpoint checks returned empty arrays in the data package run, so the management anchor is official MDA and announcement language reproduced in `data_package.md` Section 6. The relevant items are below.

- Data package row: Group strategy, FY2025 annual, 2026-03-27. Short source excerpt: "cautiously optimistic backdrop." Interpretation: the company is not presenting a frictionless demand environment. Base case should not assume a smooth return to FY2023 margin.
- Data package row: Manufacturing footprint, FY2025 annual, 2026-03-27. Short source excerpt: "China Plus One." Interpretation: Plastic Figures can benefit from customers diversifying supply chains, especially because the segment manufactures mainly in Vietnam and Indonesia.
- Data package row: Production utilisation, FY2025 annual, 2026-03-27. Short source excerpt: "average utilisation rate of around 85.9%." Interpretation: the existing factory network is meaningfully utilized. Incremental growth depends on capacity additions, mix, and conversion, not merely idle-plant fill.
- Data package row: Product mix, FY2025 annual, 2026-03-27. Short source excerpt: "higher-value-added offerings." Interpretation: this is the clearest margin-recovery lever, but the FY2025 financials do not yet prove that the mix benefit is overcoming cost pressure.
- Data package row: Plastic Figures, FY2025 annual, 2026-03-27. Short source excerpt in the data package: growth tied to Kidult demand, entertainment activity, seasonal promotions, and premium figures. Interpretation: the demand thesis is plausible, and external market data support collectibles and licensed toys. The issue is supplier capture of economics.

- Data package row: Raw materials and cost, FY2025 annual, 2026-03-27. Short source excerpt: management flags oil price volatility and supply-chain disruption. Interpretation: margin assumptions must include resin, labor, freight, and supply-chain cost risk.

- Data package row: Capacity expansion, FY2025 annual, 2026-03-27. Short source excerpt: new China plant started in January 2026; Vietnam plant and Indonesia phase two targeted for June 2026. Interpretation: capacity and location flexibility support revenue growth, but startup costs or weak pricing can offset volume benefits.

[DATA GAP: Dream does not disclose numeric FY2026 Plastic Figures revenue, adjusted EBITDA, unit volume, ASP, or segment-margin guidance.]

8. Forward growth assumptions

The model compounds from FY2025 Plastic Figures revenue of HKD 2.352B for exactly five calendar years to 2030-12-31. Because only one current Plastic Figures product line is dollar-disclosed, the revenue model uses one line: Plastic figures current taxonomy, including legacy die-casting. Premium figures, playsets, domestic IP programs, and customer-specific licensed programs are discussed qualitatively but are not separately modeled.

Base case: modest recovery. The base case uses a 4.0% revenue CAGR. That is above the FY2023-FY2025 restated CAGR of 2.9% and above FY2025 YoY growth of 1.8%, but far below H1 FY2025's 14.2% growth. The reason is the derived H2 FY2025 decline, customer concentration, lack of segment-specific order backlog, and the need to prove that new capacity can be filled profitably. External demand data support growth in collectibles and licensed toys, but the FY2025 H2 result prevents a more aggressive base.

Product	FY2023-FY2025 historical CAGR	Latest YoY	Mgmt FY+1 guide	Base CAGR TTM to TTM+5y	Justification
Plastic figures, current taxonomy	2.9%	1.8%	No numeric guide; Kidult, entertainment, seasonal promotions, premium figures	4.0%	Above recent reported growth because collectibles demand and China Plus One capacity help; capped because H2 FY2025 fell 6.7% and margin compressed.

Bull case: mix and capacity convert. The bull case uses a 7.0% revenue CAGR. This assumes premium figures, playsets, and kidult demand become a real order driver; new Vietnam and Indonesia capacity ramps without major disruption; and customers value Dream's diversified footprint enough to allocate more volume. It still does not assume H1 FY2025's 14.2% rate persists for five years, because hit-driven licensed toy programs are volatile and customer concentration limits visibility.

Product	FY2023-FY2025 historical CAGR	Latest YoY	Mgmt FY+1 guide	Bull CAGR TTM to TTM+5y	Justification
Plastic figures, current taxonomy	2.9%	1.8%	No numeric guide; premium figures and capacity expansion referenced	7.0%	Requires higher-value programs, successful Indonesia and Vietnam expansion, and sustained licensed collectibles demand. This is a good-outcome case, not a normal extrapolation.

Bear case: volume stagnates and program mix weakens. The bear case uses a negative 1.0% revenue CAGR. This assumes H2 FY2025 weakness is a better indicator than H1 strength, customers shift orders or pressure pricing, and new capacity is underfilled or filled with lower-margin work. It also reflects the fact that the derived FY2021-FY2025 current-taxonomy revenue CAGR was negative 5.3%, so a mild revenue decline is not an extreme historical outcome.

Product	FY2023-FY2025 historical CAGR	Latest YoY	Mgmt FY+1 guide	Bear CAGR TTM to TTM+5y	Justification
Plastic figures, current taxonomy	2.9%	1.8%	No numeric guide; cost and supply-chain pressure flagged	-1.0%	Assumes H2 FY2025 weakness, customer concentration, tariff uncertainty, and price pressure offset collectibles demand.

Year-by-year revenue path:

Case	FY2025 base	FY2026E	FY2027E	FY2028E	FY2029E	FY2030E
Bear	2.352	2.329	2.306	2.283	2.260	2.237
Base	2.352	2.446	2.544	2.646	2.752	2.862
Bull	2.352	2.517	2.693	2.882	3.083	3.299

The deceleration logic is explicit. The base case is not extrapolating the H1 FY2025 growth burst. It is using the full-year FY2025 result and the weak H2. The bull case is the only case that gives substantial credit for current market strength in action figures and collectibles. The bear case recognizes that Plastic Figures already failed to grow over the broader FY2021-FY2025 window and that revenue growth without margin recovery would not help the investment case.

9. Forward adjusted EBITDA margin assumptions

The margin model starts from FY2025 adjusted EBITDA margin of 7.6%. FY2025 H2 was weaker at 6.7%, so the exit run-rate is below the full-year margin. The key modeling decision is whether FY2025 represents a trough or a new normal. The base case treats it as partly cyclical and partly structural: margins recover to 9.0% by FY2030, but they do not return to the FY2023 peak of 15.8% or FY2024 level of 11.8%.

The mechanisms are specific. Margin can rise if premium figures and playsets become a larger share of volume, new plants improve sourcing flexibility, automation and design-for-manufacture reduce labor and scrap, and Dream recovers some raw-material or freight pressure from customers. Margin can fall if large customers bid away the savings, new plant ramp creates inefficiency, resin and labor cost rise, tariffs distort order patterns, or the segment runs lower-margin commodity plastic programs.

Case	FY2025 adjusted EBITDA margin	FY2030E adjusted EBITDA margin	Change	Mechanism
Bear	7.6%	5.5%	-210 bps	H2 FY2025 weakness persists; customer price pressure and startup costs outweigh utilization.
Base	7.6%	9.0%	140 bps	Partial recovery from premium mix, better utilization, and procurement discipline, but no return to FY2023 peak.
Bull	7.6%	11.5%	390 bps	Higher-value programs, successful new capacity ramp, automation, and better cost recovery restore margins near FY2024.

Year-by-year adjusted EBITDA margin and profit path:

Case	FY2026E margin	FY2026E adj. EBITDA	FY2027E margin	FY2027E adj. EBITDA	FY2028E margin	FY2028E adj. EBITDA	FY2029E margin	FY2029E adj. EBITDA	FY2030E margin	FY2030E adj. EBITDA
Bear	6.8%	0.158	6.3%	0.145	6.0%	0.137	5.8%	0.131	5.5%	0.123
Base	8.0%	0.196	8.3%	0.211	8.6%	0.228	8.8%	0.242	9.0%	0.258
Bull	8.8%	0.221	9.6%	0.259	10.3%	0.297	10.9%	0.336	11.5%	0.379

This is deliberately conservative relative to the FY2023 margin. The strongest argument for higher margins is that FY2023's 15.8% adjusted EBITDA margin proves the segment can be meaningfully more profitable than FY2025. The strongest counterargument is that the margin has deteriorated for two consecutive years while revenue recovered slightly, which suggests either customer terms or product mix have worsened. A model that moves margins straight back to 14%-16% would be assuming the conclusion.

[DATA GAP: Product-level operating income and product-level adjusted EBITDA below the Plastic Figures reportable segment are not disclosed.]

10. Segment rollup

The rollup is mechanically simple because there is one dollar-disclosed product line. All segment totals equal the Plastic Figures current-taxonomy line. The table uses adjusted EBITDA as the segment profit handoff.

Case	Product line	TTM+5y revenue	TTM+5y adjusted EBITDA margin	TTM+5y adjusted EBITDA	Tie status
Bear	Plastic figures, current taxonomy	2.237	5.5%	0.123	Product line equals segment total
Base	Plastic figures, current taxonomy	2.862	9.0%	0.258	Product line equals segment total
Bull	Plastic figures, current taxonomy	3.299	11.5%	0.379	Product line equals segment total

Arithmetic checks:

- Bear: HKD 2.237B times 5.5% equals HKD 0.123B adjusted EBITDA.
- Base: HKD 2.862B times 9.0% equals HKD 0.258B adjusted EBITDA.
- Bull: HKD 3.299B times 11.5% equals HKD 0.379B adjusted EBITDA.

Probability weights are 30% bear, 55% base, and 15% bull. The weights are intentionally skewed away from bull because the FY2025 H2 signal was weak and the segment's margin compression is current, not hypothetical. The probability-weighted FY2030 segment outcome is approximately HKD 2.740B of revenue and HKD 0.236B of adjusted EBITDA, implying an 8.6% blended adjusted EBITDA margin. That is only modestly above FY2025 and well below FY2024, which is appropriate until Dream proves that premium figures and capacity expansion are improving economics rather than just supporting volume.

11. Key risks and wildcards

Customer concentration risk affects all cases but is most visible in the bear case. The group-level top five customer share of 70.7%, from the FY2025 annual report major-customer note reproduced in `data_package.md`, means buyer behavior can dominate segment economics. If one major customer shifts programs, changes sourcing, reduces order quantities, or demands price concessions, Plastic Figures can miss both revenue and margin expectations. The data package does not disclose segment-specific customer concentration, which is a material limitation.

Program and IP-cycle risk affects all cases. Plastic figures are tied to entertainment activity, kidult demand, seasonal promotions, and premium figures, but those are hit-driven demand pools. A strong content slate can lift volume. A weaker slate can leave factories underutilized or force lower-margin work. Dream's role as manufacturer means it participates in the cycle without owning the IP economics.

Input-cost risk is mainly bear and base. The company specifically flags oil price volatility and supply-chain disruption. Plastic, resin, freight, labor, and tariffs can move against the segment. Cost recovery is not guaranteed because customers are concentrated and likely sophisticated. External peers also highlight tariff and sourcing risk, including Funko's 2025 discussion of products sourced from Vietnam, China, Cambodia, and Mexico and Hasbro's discussion of third-party manufacturing exposure.

Capacity-ramp risk is mainly base and bear. The new China plant, Vietnam plant, and Indonesia phase two can support growth, but expansion can temporarily hurt margin if startup inefficiency, labor hiring, qualification, yield loss, or underutilization are significant. The base case gives some margin recovery, not full benefit, because this risk is real.

Bull-case wildcard: premium collectible manufacturing could become a better business than the historical Plastic Figures average. If Dream wins more high-value premium figures and playsets, uses automation well, and becomes a preferred China Plus One partner for large branded toy customers, revenue growth could approach high single digits and margin could return toward FY2024 levels. That is the bull case, not the base case.

Bear-case wildcard: FY2025 could be the first year of a lower-margin regime. If customers keep the economics, tariffs and freight add pressure, and new capacity increases fixed burden, Plastic Figures may remain a mid-single-digit adjusted EBITDA margin segment. In that outcome, revenue growth would not matter much for company value.

Data gaps inserted for downstream review:

[DATA GAP: Product subcategory revenue for premium figures, playsets, domestic IP toys, customer-specific licensed programs, and legacy die-casting after combination is not separately disclosed.]

[DATA GAP: Product-level adjusted EBITDA below the Plastic Figures reportable segment is not disclosed.]

[DATA GAP: True quarterly segment data are not disclosed; H2 FY2025 is derived as FY2025 less H1 FY2025.]

[DATA GAP: Segment-specific customer identities and Plastic Figures customer concentration are not disclosed.]

[DATA GAP: Capacity, utilization, unit volume, ASP, tooling investment, and capex by product line are not disclosed.]

Ending summary table:

Case	Segment TTM+5y Revenue	Segment TTM+5y Adj. EBITDA Margin	Segment TTM+5y Adj. EBITDA	Probability
Bear	HKD 2.237B	5.5%	HKD 0.123B	30%
Base	HKD 2.862B	9.0%	HKD 0.258B	55%
Bull	HKD 3.299B	11.5%	HKD 0.379B	15%

Bottom line: Plastic Figures is strategically relevant but not yet quality-proven. The category has external demand support from collectibles, licensing, and kidult consumption, and Dream's Vietnam and Indonesia footprint has supply-chain value. The segment financials still show the opposite of pricing power: low FY2025 growth, weak derived H2 revenue, and severe margin compression. For ER2 synthesis, the right handoff is a cautious base case of HKD 2.862B FY2030 revenue and HKD 0.258B adjusted EBITDA, with the explicit condition that a sustained margin recovery must be observed before treating Plastic Figures as a durable compounder leg.

Appendix B3 - Tarpaulin

Tarpaulin - Segment Deep Dive

Company: Dream International Limited Ticker: 1126.HK Reporting currency: HKD Owned output: `C:\Users\Admin\OneDrive\GPT\ER 2.0\Dream International Limited\appendix_B_tarpaulin.md`

0. Segment Boundary And Taxonomy Note

Dream International's current reportable segments are Plush Stuffed Toys, Plastic Figures, and Tarpaulin. The FY2024 taxonomy change combined the prior Die-casting Products segment into Plastic Figures and restated FY2023 major product-line and segment data on the new basis. Tarpaulin itself was not restated or merged; it remains a standalone current reportable segment covering design, development, manufacture, and sale of tarpaulin products manufactured in Vietnam. The controlling data source is `data_package.md`, which states that FMP product segmentation was empty, FMP financial-reports-json was unavailable, and official HKEX annual and interim reports control Dream's segment history. Segment profit is adjusted EBITDA, not operating income, so this appendix uses adjusted EBITDA margin and adjusted EBITDA as the segment handoff metric rather than calling the line operating income.

Stage 0 anchor: today is 2026-05-30. Dream's fiscal year ends December 31. The latest official period is the FY2025 annual report for the year ended 2025-12-31, published on HKEX on 2026-04-08. The TTM anchor is FY2025 full-year official annual report, TTM ending 2025-12-31. The forward horizon is TTM plus five calendar years, or 2030-12-31. All forward CAGRs in this appendix compound from the FY2025 TTM base for exactly five years.

Small-segment note: Tarpaulin is only 6.0% of FY2025 group revenue and has one disclosed product line. I still meet the production floor because the segment carries material tariff, commodity, customer-concentration, and pricing risk for the consolidated downside case.

1. What This Segment Actually Is

Tarpaulin is Dream's smallest current segment. In the company's taxonomy, it covers tarpaulin products, including eco-friendly offerings, with manufacturing in Vietnam. The segment is not a brand owner in the consumer-toy sense. It is closer to a contract manufacturing and export line where the commercial value proposition is reliable production, acceptable quality, flexible sourcing, price competitiveness, and the ability to serve customers whose demand shifts with end-market projects, retailer inventory decisions, and trade policy.

The product itself is not disclosed below the major product-line level. The data package does not break Tarpaulin into industrial tarps, consumer tarps, PVC-coated fabric, polyethylene sheets, outdoor coverings, construction coverings, or eco-friendly products. It only says the line is "Tarpaulin" and that eco-friendly tarpaulin is a product portfolio extension rather than a separately disclosed revenue stream. This matters for modeling. A premium toy segment can sometimes be underwritten through licensed content, product design, customer-specific programs, or high-value merchandising cycles. Tarpaulin should not be modeled that way. The data package explicitly says that Tarpaulin is small, exposed to tariff and price-competition pressure, and should not drive a growth thesis.

The customer is not identified by name. Dream's broader group has high customer concentration: the largest customer represented 25.5% of FY2025 revenue and the five largest represented 70.7%. The data package does not provide tarpaulin-specific customer concentration, so this appendix assumes that Tarpaulin is at least exposed to customer-order lumpiness, but it does not assign the group customer percentages directly to Tarpaulin. That would be false precision. The segment's own disclosed history already shows order lumpiness: FY2025 H1 Tarpaulin revenue rose 7.8% year over year, but derived H2 FY2025 revenue fell 14.0% year over year.

Pricing is likely order-based rather than subscription-like. There is no ARR, backlog, volume, tonnage, capacity-by-product, contract-duration, renewal, or customer-retention disclosure in the data package. Management commentary ties U.S. orders to China-U.S. tariff negotiations and says Europe and Japan softened. That is a clear signal that the revenue model is exposed to customer sourcing decisions and relative landed cost, not a protected recurring workflow. The segment earns revenue by filling customer orders at acceptable price, quality, and delivery economics; it loses revenue when customers delay orders, source from other suppliers, or push for lower prices.

Go-to-market is therefore best understood as manufacturing partnership and export supply, not direct consumer brand distribution. Dream's group-level production footprint has become more diversified: the data package reports 30 factories at

FY2025, including 8 in China, 21 in Vietnam, and 1 in Indonesia, with average utilization around 85.9%. Tarpaulin is manufactured in Vietnam, which is strategically relevant because management links the product line to tariff negotiations and because U.S. trade actions have encouraged some importers to shift sourcing away from China. The China Plus One capability is a real commercial feature, but for Tarpaulin it is not a moat by itself. Many Asian manufacturers can also compete on tariff-aware sourcing, price, and reliability.

2. Current Economics

FY2025 is the controlling TTM base. Tarpaulin generated HKD 0.358B of external revenue, equal to 6.0% of Dream's FY2025 revenue, and HKD 0.042B of adjusted EBITDA, for an adjusted EBITDA margin of 11.8%. The data package cites FY2025 annual report note 11 for those figures. This margin is below Plush Stuffed Toys at 25.4% but above Plastic Figures at 7.6%. That ranking is useful, but it should not be overread. Tarpaulin's small base means a few million Hong Kong dollars of price, freight, raw-material, or utilization movement can visibly move the segment margin.

The segment's revenue trend is weak. Revenue was HKD 0.472B in FY2021, HKD 0.486B in FY2022, HKD 0.393B in FY2023, HKD 0.373B in FY2024, and HKD 0.358B in FY2025. The five-year view shows one positive year followed by three years of decline. FY2025 revenue declined 4.0% from FY2024. The FY2023-FY2025 two-year annualized decline was about 4.5% per year, and the FY2021-FY2025 annualized decline was about 6.6% per year. The current base is not a depressed one-year anomaly relative to a smooth long-term uptrend; it is the latest point in a multi-year revenue contraction.

Profitability is more stable than revenue, but not strong enough to offset the top-line issue. Adjusted EBITDA was HKD 0.062B in FY2021, HKD 0.041B in FY2022, HKD 0.038B in FY2023, HKD 0.044B in FY2024, and HKD 0.042B in FY2025. The FY2025 adjusted EBITDA margin of 11.8% matches FY2024 and is above FY2022 and FY2023. That shows some operating resilience, likely from pricing, procurement, cost control, or mix, but adjusted EBITDA dollars remain below FY2021. The segment has not compounded profit across the reviewed window.

Recency reinforces the need for caution. H1 FY2025 revenue was HKD 0.185B, up 7.8% year over year, with a 14.1% adjusted EBITDA margin. Derived H2 FY2025 revenue was HKD 0.173B, down 14.0% year over year, with a 9.3% adjusted EBITDA margin. Because Dream reports annual and interim periods rather than true quarters, derived H2 is annual less H1 and is not a standalone official filing period. Still, it is the finest recency view available. The right interpretation is that Tarpaulin improved in the first half and then weakened materially in the second half. A forward model that annualizes H1 FY2025 strength would ignore the actual full-year outcome.

Capital intensity cannot be isolated. The data package provides group capex and productive investment, capacity commitments, factory count, and utilization, but it explicitly flags capacity by product line as a true non-disclosure. Tarpaulin is manufactured in Vietnam, but the group does not disclose Tarpaulin-specific plant count, capacity, output units, utilization, or maintenance capex. Therefore this appendix does not allocate group capex to Tarpaulin mechanically. The segment-level handoff remains revenue and adjusted EBITDA; synthesis should bridge total segment adjusted EBITDA to consolidated profit using the company-level bridge.

3. Unit Economics

Tarpaulin's unit economics begin with material cost and order pricing. Tarpaulin products generally depend on synthetic textiles, coatings, plastic resins, or petroleum-linked inputs. Dream's data package does not disclose the exact input mix for Tarpaulin, so this appendix does not assume a specific resin basket. The correct underwriting point is broader: management itself flags oil price volatility and supply-chain disruption as cost risks, and Tarpaulin is a small price-competitive segment. If input costs rise faster than order pricing, adjusted EBITDA margin compresses. If raw-material prices ease or procurement improves while orders remain stable, margin can recover.

External commodity context supports that risk framing. The U.S. Energy Information Administration's 2026 Annual Energy Outlook states that crude oil prices largely determine refinery feedstock costs and drive petroleum product pricing, while hydrocarbon gas liquids and naphtha feed bulk chemicals. The World Bank commodity market update published in May 2026 reported that the energy price index rose in April, driven largely by crude oil, and its April 2026 Commodity Markets Outlook framed energy and commodity volatility as a live macro issue. These sources are not used to overwrite Dream's historical margins; they explain why a petroleum-linked manufactured product line should not be given a clean margin mean reversion assumption.

The second unit-economic driver is utilization. Group utilization was about 85.9% in FY2025, and the company had 30 factories. That utilization level is not low. For Tarpaulin, which is small, a loss of orders may create under-absorption even if

group utilization remains healthy. Conversely, adding Vietnam capacity does not automatically produce Tarpaulin revenue growth if the customer order book is not there. The data package says the new China plant began operating in January 2026, a Vietnam plant was under construction, and Indonesia phase two was targeted for June 2026. Those projects matter to group flexibility, but Tarpaulin-specific capacity and utilization are not disclosed.

The third driver is landed-cost competitiveness. The data package explicitly links Tarpaulin order volatility to China-U.S. tariff negotiations. Even though Tarpaulin is manufactured in Vietnam, customer order behavior can still be affected by the relative attractiveness of China, Vietnam, and other sourcing alternatives. If U.S. customers expect tariffs to change, they may delay, pull forward, reroute, or rebid orders. If alternative suppliers in China or elsewhere quote aggressively to fill capacity, Dream's Tarpaulin pricing power is limited.

The fourth driver is inventory and working capital. Group inventory was HKD 0.922B at FY2025 year-end, with raw materials of HKD 0.318B, work in progress of HKD 0.311B, and finished goods of HKD 0.293B. The auditor referenced inventory net realizable value as a key audit matter, but the data package flags that inventory ageing is not disclosed. There is no Tarpaulin-specific inventory disclosure. For a price-competitive manufactured product line, this matters: inventory that was produced for a customer or price environment can become less valuable if orders soften or customer preferences change.

The fifth driver is customer power. Dream's group customer concentration is high, and Tarpaulin is small. The data package does not identify customers or disclose Tarpaulin-specific customer concentration. Still, a small segment serving large customers typically has limited negotiating leverage. The revenue path likely depends more on customer program allocation and sourcing decisions than on Dream's ability to raise price. That is why the base case does not assume a durable premium margin simply because FY2025 adjusted EBITDA margin held at 11.8%.

4. Competitive Dynamics

The competitive set is broad and mostly private. Dream competes against other Asian tarpaulin, coated-fabric, synthetic textile, and plastic-covering manufacturers; trading companies that source from multiple factories; and customer-directed OEM suppliers that can produce to specification. Public market-share data for Dream's Tarpaulin segment is not available in the data package, and I did not find a reliable segment-specific share source that should override that absence. [REVIEWER NOTE: data gap - external market share for Dream's Tarpaulin segment is not disclosed in the data package and was not available from a reliable public source within this segment pass.]

The market structure looks closer to competitive manufacturing than branded specialty materials. Customers can compare price, lead time, duty treatment, minimum order quantities, and quality. The product category has specification requirements, but the data package gives no evidence of proprietary chemistry, exclusive customer contracts, patent-protected designs, or brand-owned distribution. The commercial edge is likely operational: dependable manufacturing, Vietnam production, quality control, and the ability to meet customer needs while managing raw-material and freight costs.

Tariff classification matters because landed cost matters. The U.S. International Trade Commission's HTS information identifies tarpaulins, awnings, sunblinds, tents, sails, and camping goods under heading 6306, with synthetic-fiber tarpaulins and sunblinds shown in public HTS search results under 6306.12.00 at an 8.8% general duty rate. The exact duty treatment depends on construction, classification, origin, and any applicable additional tariff actions. The point for underwriting is not that Dream's products necessarily map to one HTS code; the point is that customers buy these products in a tariff-sensitive import framework.

The U.S. Trade Representative's Section 301 materials remain relevant to customer behavior because the actions targeted Chinese-origin goods and created incentives for alternative sourcing. USTR's 2026 Trade Policy Agenda reports that Section 301 tariffs have contributed to reducing U.S. imports from China and increasing imports from alternate sources, supporting supply-chain diversification. That is positive for a Vietnam-based tarpaulin manufacturer when buyers want China Plus One options. It is not a permanent moat because the same logic attracts other Vietnam and Southeast Asia suppliers.

Dream's group footprint may help. The company has China, Vietnam, and Indonesia production across the broader group, and Tarpaulin is manufactured in Vietnam. A customer that wants to avoid China-only sourcing may value that. But the segment's actual FY2025 performance suggests that footprint alone is not enough to create growth. Revenue fell in FY2023, FY2024, and FY2025, and management specifically cited U.S. order fluctuation plus Europe and Japan softness. If China Plus One were a strong standalone demand engine for this segment, the recent history should look better.

Competitors with lower labor cost, lower material cost, excess capacity, or willingness to accept lower margins can pressure pricing. This is especially important because Tarpaulin's FY2025 adjusted EBITDA margin is only 11.8%, not a software-like or rating-agency-like margin. A 200 to 300 basis point price or cost move is material. In a commodity-like manufactured line,

the bear case does not require demand collapse; it can be produced by moderate volume decline plus modest price/cost squeeze.

5. Segment-Level Moat

Tarpaulin does not have an independently strong moat based on the disclosed evidence. The segment has operational capabilities, but not a defensible economic moat in the Gideon sense. The reviewed evidence supports the following conclusion: Tarpaulin can be a useful, cash-contributing manufacturing line inside Dream, but it should not be credited with durable pricing power or long-duration compounding protection.

The positive elements are limited but real. First, Vietnam manufacturing is strategically valuable when customers want to diversify away from China-origin exposure. Second, Dream's broader factory network and experience with international customers may support reliability and compliance. Third, the segment maintained an 11.8% adjusted EBITDA margin in FY2024 and FY2025 despite declining revenue. That suggests management has some ability to manage cost, procurement, or mix.

Those positives are not enough for a moat pass at the segment level. The product is not disclosed as proprietary. Customer identities are not disclosed. Tarpaulin-specific customer concentration, contract duration, order backlog, unit volume, retention, and pricing escalators are not disclosed. Management says orders fluctuate with tariff negotiations and that Europe and Japan softened. The segment has declined from HKD 0.486B in FY2022 to HKD 0.358B in FY2025. Those facts point to exposure rather than protection.

AI disruption is not the relevant issue here. A tarpaulin product line is not threatened by prompt-to-answer substitution. The real threats are trade policy, landed-cost competition, petroleum-linked input cost, customer concentration, procurement substitution, and utilization. For the consolidated Dream thesis, Tarpaulin should be treated as a small risk control line. It can help if the company retains orders and keeps margin around low double digits. It should not be used to justify a high-quality compounder multiple.

Segment moat verdict: weak. The segment has operational know-how and sourcing relevance, but the disclosed history and management commentary do not support durable pricing power. The base case assumes small revenue decline and margin modestly below current; the bull case requires tariff clarity and better order recovery; the bear case requires only continued tariff/order pressure and cost pass-through weakness.

6. Historical Growth Rates

The data package provides five years of Tarpaulin revenue, adjusted EBITDA, and adjusted EBITDA margin. It also provides H1 and derived H2 recency for FY2024 and FY2025. No product subcategory revenue is disclosed below Tarpaulin. Values below are HKD billions.

Product / sub-segment	FY2021 rev	FY2022 rev	FY2023 rev	FY2024 rev	FY2025 rev	FY2021-FY2025 CAGR	Latest YoY	Data package cite
Tarpaulin	0.472	0.486	0.393	0.373	0.358	-6.6%	-4.0%	data_package Section 3 Tarpaulin segment table; Section 4 product-line table; FY2021-FY2025 annual reports

Product / sub-segment	FY-3 rev	FY-2 rev	FY-1 rev	FY2023-FY2025 CAGR	Most recent YoY	Data package cite
Tarpaulin	0.393	0.373	0.358	-4.5%	-4.0%	data_package Section 3 Tarpaulin segment table; Section 4 product-line table; annual note 3

Metric	FY2021	FY2022	FY2023	FY2024	FY2025	Data package cite
Adjusted EBITDA	0.062	0.041	0.038	0.044	0.042	data_package Section 3 Tarpaulin segment table; annual segment notes
Adjusted EBITDA margin	13.1%	8.5%	9.7%	11.8%	11.8%	data_package Section 3 Tarpaulin segment table; annual segment notes

Recency period	Revenue	YoY	Adjusted EBITDA margin	Source / cite
H1 FY2024	0.172	n/a	12.8%	data_package Section 5; FY2025 interim comparative
H2 FY2024 derived	0.202	n/a	10.9%	data_package Section 5; FY2024 annual less H1 FY2024
H1 FY2025	0.185	7.8%	14.1%	data_package Section 5; FY2025 interim
H2 FY2025 derived	0.173	-14.0%	9.3%	data_package Section 5; FY2025 annual less H1 FY2025

Internal arithmetic checks:

- FY2021 to FY2022: HKD 0.472B multiplied by 1.030 equals HKD 0.486B, matching the FY2022 revenue row within rounding.
- FY2022 to FY2023: HKD 0.486B multiplied by 0.809 equals HKD 0.393B, matching the FY2023 revenue row within rounding.
- FY2023 to FY2024: HKD 0.393B multiplied by 0.950 equals HKD 0.373B, matching the FY2024 revenue row within rounding.
- FY2024 to FY2025: HKD 0.373B multiplied by 0.960 equals HKD 0.358B, matching the FY2025 revenue row within rounding.
- FY2025 adjusted EBITDA margin: HKD 0.042B divided by HKD 0.358B equals approximately 11.8%, matching the data package.

The correct historical conclusion is conservative. Tarpaulin's revenue has contracted over both the five-year and latest three-year windows. The margin line is not collapsing, but the absolute adjusted EBITDA pool is small and range-bound. The model should not assume that Tarpaulin returns to FY2021-FY2022 revenue levels unless there is evidence of renewed orders.

7. Management Guidance

The data package uses official annual and interim report commentary rather than transcripts because FMP transcript endpoint checks for FY2025 Q4 and FY2025 Q2 returned empty arrays. The following are the relevant management or board commentary items for Tarpaulin and its main drivers.

Segment / topic	Source date	Short source excerpt	Interpretation for Tarpaulin model	Data package cite
Tarpaulin	FY2025 annual, 2026-03-27	U.S. orders fluctuated with China-U.S. tariff negotiations; Europe and Japan softened.	Base case should be below group growth and below toy growth; bear case needs only continued order volatility.	data_package Section 6; MDA
Raw materials and cost	FY2025 annual, 2026-03-27	Management flags oil price volatility and supply-chain disruption.	Margin should not mechanically recover; petroleum-linked input risk remains central.	data_package Section 6; Chairman and MDA
Manufacturing footprint	FY2025 annual, 2026-03-27	China Plus One	Vietnam production can help customer sourcing diversification, but it is not sufficient evidence of pricing power.	data_package Section 6; Chairman and MDA
Production utilization	FY2025 annual, 2026-03-27	Average utilization rate around 85.9%.	Existing assets are meaningfully utilized; incremental capacity must be filled with orders.	data_package Section 6; MDA
Capacity expansion	FY2025 annual, 2026-03-27	New China plant started in January 2026; Vietnam plant and Indonesia phase two targeted for June 2026.	Expansion may help group flexibility, but Tarpaulin-specific capacity is not disclosed.	data_package Section 6; Chairman and MDA

Segment / topic	Source date	Short source excerpt	Interpretation for Tarpaulin model	Data package cite
Group strategy	FY2025 annual, 2026-03-27	Cautiously optimistic backdrop.	Do not model a clean demand boom; use guarded base assumptions.	data_package Section 6; Kyoo Yoon Choi, Chairman

[REVIEWER NOTE: data gap - Tarpaulin-specific management guidance for FY2026 revenue, orders, volume, pricing, margin, customer wins, and eco-friendly product contribution is not disclosed in the data package.]

The management anchor supports a downside-aware model. The company is not telling investors that Tarpaulin has a backlog-driven recovery. It is saying that U.S. orders fluctuate with tariff negotiations and Europe and Japan softened. That is a weak setup for a segment-level compounder case. The capacity commentary is useful at the group level, but without Tarpaulin capacity, utilization, or backlog, it cannot support a high growth assumption.

8. Forward Growth Assumptions

The forward model uses FY2025 Tarpaulin revenue of HKD 0.358B as the TTM base and compounds to 2030-12-31. There is only one disclosed product line. Eco-friendly tarpaulin is a qualitative product extension, not a dollar-disclosed subsegment, so it is not modeled as a separate revenue line.

Base case: Tarpaulin remains relevant to customers that want Vietnam-based sourcing, but recent order volatility and weak H2 FY2025 prevent a growth assumption. The base case uses a -1.0% CAGR from TTM to TTM+5y. This is better than the FY2023-FY2025 annualized decline of about -4.5%, because it gives credit for Vietnam sourcing and potential stabilization, but it remains negative because FY2025 revenue fell and management commentary was cautious.

Product	FY2023-FY2025 historical CAGR	Latest YoY	Mgmt FY+1 guide	Base CAGR TTM to TTM+5y	Justification
Tarpaulin	-4.5%	-4.0%	No numeric guide	-1.0%	Vietnam sourcing supports stabilization, but H2 FY2025 revenue fell 14.0% and management tied U.S. orders to tariff volatility.

Bull case: Tarpaulin benefits from tariff clarity, customer diversification away from China-origin supply, and better Europe/Japan orders. The bull case uses +2.0% CAGR. That is not aggressive relative to the small base, but it still requires a visible reversal from the three-year decline. The bull case does not assume that eco-friendly tarpaulin becomes a large new business because no revenue, backlog, or customer disclosure supports that.

Product	FY2023-FY2025 historical CAGR	Latest YoY	Mgmt FY+1 guide	Bull CAGR TTM to TTM+5y	Justification
Tarpaulin	-4.5%	-4.0%	No numeric guide	2.0%	Requires tariff clarity, better Europe/Japan demand, and customer use of Vietnam sourcing; still modest because no order book is disclosed.

Bear case: Tarpaulin continues to lose orders or price due to tariff uncertainty, customer sourcing shifts, and input-cost pass-through pressure. The bear case uses -5.0% CAGR, roughly in line with the recent multi-year contraction and below the latest annual decline. The H2 FY2025 decline makes this plausible without assuming a recession.

Product	FY2023-FY2025 historical CAGR	Latest YoY	Mgmt FY+1 guide	Bear CAGR TTM to TTM+5y	Justification
Tarpaulin	-4.5%	-4.0%	No numeric guide	-5.0%	Continued order volatility and price competition keep revenue shrinking; H2 FY2025 already showed a double-digit derived decline.

The thesis-consistency check is straightforward because the segment is already declining. The base case is not an aggressive deceleration from high growth; it is a partial stabilization from a declining base. The bull case is a small positive recovery case, not a return to FY2021-FY2022 revenue. The bear case extends the current decline pattern.

The year-by-year implied revenue path is included to make the CAGR assumptions visible rather than hiding the endpoint.

Case	FY2025 TTM	FY2026e	FY2027e	FY2028e	FY2029e	FY2030e	CAGR
Bear	0.358	0.341	0.324	0.307	0.292	0.277	-5.0%
Base	0.358	0.355	0.351	0.348	0.344	0.341	-1.0%
Bull	0.358	0.366	0.373	0.380	0.388	0.396	2.0%

9. Forward Adjusted EBITDA Margin Assumptions

Dream does not disclose segment operating income. The segment profit line is adjusted EBITDA. Therefore this section models adjusted EBITDA margin, not operating margin. The FY2025 TTM starting margin is 11.8%.

Margin history does not support a wide moat narrative. The segment margin was 13.1% in FY2021, 8.5% in FY2022, 9.7% in FY2023, 11.8% in FY2024, and 11.8% in FY2025. The range is wide for a small segment, and the absolute adjusted EBITDA dollars are small. H1 FY2025 margin was 14.1%, but derived H2 FY2025 margin fell to 9.3%. That split matters because it shows the current 11.8% annual margin is an average of a strong first half and a weak second half.

Base case margin is 10.5%. This is 130 basis points below FY2025 and below the FY2024-FY2025 level, but above FY2022-FY2023 trough margins. The mechanism is continued price competition and tariff/order uncertainty partially offset by procurement discipline and Vietnam sourcing relevance. This is the right central case because revenue is not growing and customers appear to have bargaining power.

Bull case margin is 12.5%. This is modestly above FY2025 but below H1 FY2025 and below FY2021. The mechanism is better order stability, less tariff-driven customer hesitation, and improved utilization. It does not assume a structural rerating of segment economics.

Bear case margin is 8.0%. This is slightly below FY2022 and below FY2023. The mechanism is lower revenue, under-absorption, input cost pressure, and inability to pass through raw-material or logistics cost. Given the H2 FY2025 margin of 9.3%, an 8.0% horizon margin is plausible if order weakness continues.

Case	FY2025 adjusted EBITDA margin	TTM+5y adjusted EBITDA margin	Change vs FY2025	Specific mechanism
Bear	11.8%	8.0%	-380 bps	Lower orders, under-absorption, weaker price/cost pass-through, and raw-material volatility.
Base	11.8%	10.5%	-130 bps	Stabilization, but customer power and tariff uncertainty prevent full recovery.
Bull	11.8%	12.5%	+70 bps	Better order stability, Vietnam sourcing benefit, procurement discipline, and improved utilization.

The margin assumptions intentionally do not assign a premium for eco-friendly tarpaulin. The data package says eco-friendly tarpaulin is a product portfolio extension but not dollar-disclosed. It may help mix, but there is no evidence that it is large enough to change segment economics.

10. Segment Rollup

The rollup is built from one product line: Tarpaulin. The segment totals therefore equal the product-level assumptions. Values are HKD billions.

Case	Product revenue	Segment TTM+5y revenue	Segment TTM+5y adjusted EBITDA margin	Segment TTM+5y adjusted EBITDA	Arithmetic check
Bear	0.277	0.277	8.0%	0.022	0.277 x 8.0% = 0.022
Base	0.341	0.341	10.5%	0.036	0.341 x 10.5% = 0.036
Bull	0.396	0.396	12.5%	0.049	0.396 x 12.5% = 0.049

Probability weighting is intentionally skewed toward the bear and base cases. This is a small segment with negative recent growth, weak H2 recency, and explicit tariff/order sensitivity. The bull case is possible but should not be the center of the valuation.

Case	Probability	Revenue contribution	Adjusted EBITDA contribution	Rationale
Bear	35%	0.097	0.008	Recent revenue decline persists and margin compresses.
Base	50%	0.171	0.018	Revenue stabilizes but does not grow; margin normalizes below FY2025.
Bull	15%	0.059	0.007	Tariff clarity and Vietnam sourcing produce modest recovery.
Probability-weighted	100%	0.327	0.033	Weighted view for synthesis sensitivity only.

The base case endpoint is HKD 0.341B of revenue and HKD 0.036B of adjusted EBITDA. Relative to FY2025, that is a small drag: revenue falls by HKD 0.017B and adjusted EBITDA falls by about HKD 0.006B. Because Tarpaulin is only 6.0% of FY2025 revenue, the consolidated thesis will not be made or broken by base-case Tarpaulin alone. Its value is as a risk marker. If a small price-competitive segment is under tariff and raw-material pressure, the rest of Dream's manufacturing model should also be checked for customer and cost pass-through risk.

11. Key Risks And Wildcards

Tariff and trade-policy risk - bear case. The data package directly links Tarpaulin order volatility to China-U.S. tariff negotiations. Even Vietnam-origin production can be affected by customer expectations about relative landed cost, order timing, and sourcing diversification. If U.S. customers delay or reroute orders, revenue can fall without any company-specific execution failure.

Commodity and petroleum-linked input risk - bear and base cases. Management flags oil price volatility and supply-chain disruption. External EIA and World Bank materials reinforce that petroleum and energy price volatility remain relevant to manufactured product cost. Tarpaulin has limited disclosed pricing power, so cost spikes can compress margin.

Customer concentration and bargaining power - bear case. The data package discloses high group customer concentration but not Tarpaulin-specific customer concentration. A small segment serving large buyers is exposed to price negotiation, order pauses, and supplier switching. [REVIEWER NOTE: data gap - Tarpaulin-specific customer concentration and customer identities are not disclosed.]

H2 FY2025 deterioration - bear and base cases. H1 FY2025 revenue rose and margin was strong, but derived H2 FY2025 revenue fell 14.0% and margin dropped to 9.3%. If H2 is the better indicator of current demand, the base case may still be too optimistic.

Eco-friendly product mix - bull case. The data package identifies eco-friendly tarpaulin as a product portfolio extension. If customers pay a premium for it, the segment could stabilize faster than modeled. [REVIEWER NOTE: data gap - eco-friendly tarpaulin revenue, margin, order book, and customer adoption are not disclosed.]

Capacity and utilization - both directions. The group has meaningful factory utilization and ongoing expansion, but capacity by product line is not disclosed. If new Vietnam capacity helps Tarpaulin orders, the bull case could occur. If capacity additions are aimed mostly at toys or plastic figures, Tarpaulin may see little benefit. [REVIEWER NOTE: data gap - Tarpaulin-specific capacity, utilization, unit volume, and capex are not disclosed.]

Inventory risk - bear case. The group inventory balance is material and inventory net realizable value was a key audit area. There is no Tarpaulin-specific inventory ageing disclosure. If customer orders shift or pricing falls, finished goods and raw materials can pressure cash conversion or margins.

Summary Table

Because Dream discloses segment profit as adjusted EBITDA, the summary uses adjusted EBITDA margin and adjusted EBITDA rather than operating margin and operating income.

Case	Segment TTM+5y Revenue	Segment TTM+5y Adjusted EBITDA Margin	Segment TTM+5y Adjusted EBITDA	Probability
Bear	HKD 0.277B	8.0%	HKD 0.022B	35%

Case	Segment TTM+5y Revenue	Segment TTM+5y Adjusted EBITDA Margin	Segment TTM+5y Adjusted EBITDA	Probability
Base	HKD 0.341B	10.5%	HKD 0.036B	50%
Bull	HKD 0.396B	12.5%	HKD 0.049B	15%

Data gaps inserted:

- [REVIEWER NOTE: data gap - external market share for Dream's Tarpaulin segment is not disclosed in the data package and was not available from a reliable public source within this segment pass.]
- [REVIEWER NOTE: data gap - Tarpaulin-specific management guidance for FY2026 revenue, orders, volume, pricing, margin, customer wins, and eco-friendly product contribution is not disclosed in the data package.]
- [REVIEWER NOTE: data gap - Tarpaulin-specific customer concentration and customer identities are not disclosed.]
- [REVIEWER NOTE: data gap - eco-friendly tarpaulin revenue, margin, order book, and customer adoption are not disclosed.]
- [REVIEWER NOTE: data gap - Tarpaulin-specific capacity, utilization, unit volume, and capex are not disclosed.]

External context sources used only for competitive, tariff, and input-cost framing:

- U.S. International Trade Commission, Harmonized Tariff Information and HTS public search for tarpaulins under heading 6306: https://www.usitc.gov/harmonized_tariff_information and https://hts.usitc.gov/search?query=6306
- U.S. Trade Representative, China Section 301 tariff actions and 2026 Trade Policy Agenda: https://ustr.gov/issue-areas/enforcement/section-301-investigations/tariff-actions and https://ustr.gov/sites/default/files/files/Press/Releases/2026/2026%20Trade%20Policy%20Agenda%202025%20Annual%20Report.pdf
- U.S. Energy Information Administration, Annual Energy Outlook 2026: https://www.eia.gov/outlooks/aeo/pdf/AEO_Narrative.pdf
- World Bank Commodity Markets Outlook and commodity market update, April and May 2026: https://thedocs.worldbank.org/en/doc/f3138644a1e8e2bb631399ae11d6c408-0050012026/original/CMO-April-2026.pdf and https://www.worldbank.org/en/research/commodity-markets

Appendix S - Synthesis (Combined Earnings Model)

Dream International Limited - Synthesis (Combined Earnings Model)

This appendix builds Dream International Limited's combined earnings model from the reviewed segment appendices for Plush Stuffed Toys, Plastic Figures, and Tarpaulin. The key accounting constraint is that Dream's segment profit disclosure is adjusted EBITDA, not operating income. Therefore the segment handoff in this appendix is segment adjusted EBITDA. Consolidated operating income is calculated only after a conservative company-level bridge for depreciation, amortization, unallocated corporate expense, and other items embedded between total segment adjusted EBITDA and consolidated profit from operations.

All values are HKD billions unless otherwise stated. Per-share values are HKD. The current price is HKD 6.67 from the orchestrator, sourced from `quant_foundation.md` and the FMP quote for `1126.HK`.

1. Anchors

- Today: 2026-05-30.
- FY end: December 31.
- TTM anchor end date: 2025-12-31.
- TTM quarters: FY2025 annual period, because Dream reports annual and interim periods rather than true quarters.
- Latest completed FY label: FY2025.
- Horizon date: 2030-12-31.
- Compounding span: exactly 5.0 calendar years from the TTM end date, not six fiscal years.
- Current price: HKD 6.67.
- TTM diluted share count: 676.9 million, from `data_package.md` Section 2.

The data package states that the most recent official period available as of 2026-05-30 is the FY2025 annual report for the year ended 2025-12-31, published through HKEX on 2026-04-08. No FY2026 interim or quarterly report is available, so this model compounds from FY2025 rather than inventing an in-progress TTM.

2. Segment-level forward assumptions

The table below reproduces the reviewed segment handoffs. The protocol's standard table asks for segment OI margins, but Dream does not disclose segment operating income. The margins below are segment adjusted EBITDA margins and are not treated as operating margins. The conversion to consolidated operating income happens in Section 4.

Segment	TTM revenue	Bear TTM+5y revenue	Base TTM+5y revenue	Bull TTM+5y revenue	Bear adjusted EBITDA margin	Base adjusted EBITDA margin	Bull adjusted EBITDA margin
Plush Stuffed Toys	3.264	3.264	4.368	5.022	18.5%	24.0%	26.5%
Plastic Figures	2.352	2.237	2.862	3.299	5.5%	9.0%	11.5%
Tarpaulin	0.358	0.277	0.341	0.396	8.0%	10.5%	12.5%

Sources: `appendix_B_plush_stuffed_toys.md` Sections 8 and 10; `appendix_B_plastic_figures.md` Sections 8 and 10; `appendix_B_tarpaulin.md` Sections 8 and 10. These are reviewed segment appendices only, as instructed. The Plush base case compounds FY2025 revenue at 6.0% for five years and uses a 24.0% adjusted EBITDA margin. Plastic Figures uses 4.0% base revenue CAGR and a 9.0% adjusted EBITDA margin. Tarpaulin uses -1.0% base revenue CAGR and a 10.5% adjusted EBITDA margin.

The segment starting point ties to the data package Section 3 total segment view: FY2025 revenue was HKD 5.974B and total segment adjusted EBITDA was HKD 1.049B. The segment mix matters because the base case depends heavily on Plush. Plush contributes HKD 1.048B of the base case HKD 1.342B horizon adjusted EBITDA pool, while Plastic Figures contributes

HKD 0.258B and Tarpaulin contributes HKD 0.036B.

This concentration is the central modeling fact. A reader should not interpret the three segment rows as equally important because there are three of them. Plush supplies most of the profit and most of the upside. Plastic Figures supplies most of the uncertainty because it is large enough to matter but currently weak on margin. Tarpaulin mainly supplies a risk signal about price-competitive manufacturing, trade-policy sensitivity, and input-cost pass-through. The consolidated case is therefore not "three independent growth engines." It is "one strong profit engine, one margin-recovery swing factor, and one small declining line."

The model also avoids creating undisclosed product subcategories. Dream's filings do not disclose revenue or profit for theme-park plush, premium figures, playsets, eco-friendly tarpaulin, domestic IP programs, or customer-specific licensed programs. The segment appendices discuss those drivers qualitatively, but the synthesis uses only the dollar-disclosed reportable segment lines. That preserves the ability to tie every number back to the data package and reviewed appendices.

3. Combined revenue build

No corporate eliminations are required because the data package Section 3 segment external revenue total equals consolidated revenue. The same treatment is used at the horizon. Combined revenue is the sum of the three reviewed segment revenue handoffs.

Line	Bear	Base	Bull
Sum of segment TTM+5y revenue	5.778	7.571	8.717
Corporate eliminations	0.000	0.000	0.000
Combined TTM+5y revenue	5.778	7.571	8.717
Implied TTM to TTM+5y CAGR	-0.7%	4.8%	7.9%

The base case is a meaningful revenue growth assumption for a manufacturing supplier. It takes Dream from HKD 5.974B of FY2025 revenue to HKD 7.571B by 2030, a 4.8% compound rate. That is slower than FY2025's 9.6% consolidated revenue growth and slower than Plush's latest year, but it still assumes the group grows faster than a no-growth manufacturer because Plush retains momentum and Plastic Figures partially recovers.

The bear case is not a collapse. It implies a modest group revenue decline because Plush stays flat while Plastic Figures and Tarpaulin contract. That is consistent with the segment appendices' view that Dream has a real operating platform but lacks enough customer disclosure to underwrite severe named-customer scenarios. The bull case requires high single-digit group growth, with Plush and Plastic Figures both converting demand and capacity into larger programs.

The base revenue bridge is deliberately more restrained than a simple extrapolation of FY2025. FY2025 revenue rose 9.6%, but the data package shows that the growth was uneven. Plush rose strongly, Plastic Figures grew only 1.8% for the full year after a weak derived H2, and Tarpaulin declined. If the synthesis simply compounded the group at the latest consolidated growth rate, it would implicitly assume the weak segments disappear from the mix. They do not. Plastic Figures remains nearly 40% of FY2025 revenue, so a credible group base case must give weight to its current low growth and margin pressure.

The revenue model also does not credit the balance sheet with acquisition-led growth. Dream has net cash, but the reviewed record does not show an acquisition program, and the management appendix treats recent M&A cash flow as immaterial. Using cash to buy revenue would introduce a new underwriting question around acquisition discipline and related-party governance. The cleanest synthesis is therefore organic: existing segments, existing taxonomy, no tuck-in acquisition, and no speculative new product line.

4. Combined operating income build

The bridge from segment adjusted EBITDA to consolidated operating income is mandatory for Dream. In FY2025, total segment adjusted EBITDA was HKD 1.049B and consolidated profit from operations was HKD 0.875B. The observed bridge was therefore HKD 0.174B, or 16.6% of segment adjusted EBITDA and 2.9% of revenue. That bridge captures depreciation, amortization, unallocated corporate expense, and other consolidation-level items between the segment adjusted EBITDA disclosure and profit from operations.

For the forward model, I use a conservative bridge equal to the greater of (a) the FY2025 bridge grown at 3.0% per year for five years, or (b) 2.91% of horizon revenue. This avoids the mistake of holding depreciation and corporate burden fixed while

revenue grows, but it also avoids inventing a segment-level depreciation allocation that Dream does not disclose.

Line	Bear	Base	Bull
Sum of segment TTM+5y adjusted EBITDA	0.749	1.342	1.759
Consolidated bridge from adjusted EBITDA to OI	-0.202	-0.220	-0.254
Combined TTM+5y operating income	0.547	1.122	1.505
Implied OI margin	9.5%	14.8%	17.3%

The base case operating margin of 14.8% is close to the FY2025 operating margin of 14.6%, despite higher revenue. That is deliberate. Plush growth helps the company, but Plastic Figures remains below its FY2023 margin and Tarpaulin is not a growth engine. This is not a heroic margin expansion case.

The bull case reaches a 17.3% operating margin, still below the FY2023 consolidated margin of 19.4%. That is a check against overfitting the segment bull cases to a return to peak profitability. The bear case produces a 9.5% operating margin, which is above FY2021 but well below the FY2022-FY2025 range. It captures the risk that customer price pressure, capacity ramp costs, and lower Plastic Figures profitability push the company toward high-single-digit operating economics.

This bridge is also a guard against a common error in this company. Segment adjusted EBITDA looks attractive because it excludes charges that still matter to equity owners. The FY2025 gap from segment adjusted EBITDA to operating income was only HKD 0.174B, but it was large enough to change the reported operating profit by roughly one-fifth. Ignoring it would make Dream look like a higher-margin company than it is. The synthesis therefore carries the bridge into every case even though the segment appendices naturally focus on segment-level adjusted EBITDA.

The selected bridge is conservative but not punitive. In the bear case, the FY2025 bridge grown at 3.0% per year is larger than the revenue-percentage bridge, so the model does not give Dream a full cost-base flex down when revenue weakens. In the base and bull cases, the revenue-percentage bridge is larger, so the model scales depreciation and corporate burden with the larger operating footprint. This is a practical compromise because Dream does not disclose depreciation by segment, plant-level capital allocation, or product-line capacity. It is better than a fixed-dollar bridge and more auditable than an invented segment depreciation schedule.

A more aggressive model could allow operating leverage from Plush and hold the bridge nearer the grown TTM amount in all cases. That would raise base operating income by about HKD 0.019B, a small amount relative to the P/E cushion. A more punitive model could tie the bridge to expansion capex and new-plant startup costs, especially in Plastic Figures and Indonesia. That would reduce operating income. The conclusion would not change mechanically because the base P/E cushion is large, but the quality conclusion would remain strict because disclosure is not sufficient to prove durable operating leverage.

5. Net income and EPS build

FY2025 profit before tax was HKD 0.871B versus profit from operations of HKD 0.875B, so the non-operating bridge was approximately negative HKD 0.004B. The company has net cash, but the FY2025 income statement does not support adding a large interest income tailwind. I therefore hold the net interest and other non-operating bridge at negative HKD 0.004B in each case. The tax rate is modeled at 21.0%, close to FY2025's effective tax rate of 20.5% in `data_package.md` Section 2.

Line	Bear	Base	Bull
Combined TTM+5y operating income	0.547	1.122	1.505
Net interest income / expense	0.000	0.000	0.000
Other income / expense	-0.004	-0.004	-0.004
Pre-tax income	0.543	1.118	1.501
Tax rate assumed	21.0%	21.0%	21.0%
Net income	0.429	0.883	1.186
Diluted share count at TTM+5y, M	676.9	676.9	676.9
EPS at TTM+5y, HKD	0.634	1.304	1.752

Base case net income of HKD 0.883B is only modestly above FY2023 net income of HKD 0.830B. The model therefore does not require a new earnings regime to pass the P/E 15 test. It requires Dream to recover from the FY2025 profit decline while keeping Plush strong and stabilizing Plastic Figures.

The net income build intentionally avoids treating net cash as a separate earnings engine. Dream had HKD 1.677B of net cash after borrowings at FY2025 year-end, and that balance sheet strength matters for downside risk, dividend capacity, and resilience during customer or factory disruptions. It does not automatically deserve a large recurring earnings add-back. Interest rates, deposit mix, reinvestment, dividends, working-capital needs, and capacity spending can change. Because FY2025 profit before tax was slightly below profit from operations, the evidence supports a flat small non-operating drag rather than a speculative interest-income uplift.

The 21.0% tax rate is also meant to be normal rather than optimized. The data package gives recent effective tax rates of 26.8%, 17.8%, 19.7%, 20.3%, and 20.5% from FY2021 to FY2025. A 21.0% forward rate sits near the latest year and avoids assuming that jurisdiction mix or incentives improve. This matters because Dream earns through a multi-country structure across Hong Kong, China, Vietnam, Indonesia, and customer geographies. Without a tax bridge by entity, a steady rate near the latest reported period is the most defensible choice.

6. Share count path

The data package Section 7 says Dream has not used buybacks in the reviewed five-year period. The management appendix also states that there was no chronic SBC problem and that the company did not purchase, sell, or redeem its listed securities during FY2025. It further states that no equity-linked agreement was entered into during FY2025. The explicit share path therefore uses zero buybacks and zero SBC issuance.

Year	Starting share count, M	Buyback, HKD B	Avg price assumed	Shares retired, M	SBC issuance, M	Ending share count, M
FY2026E	676.9	0.000	n/a	0.0	0.0	676.9
FY2027E	676.9	0.000	n/a	0.0	0.0	676.9
FY2028E	676.9	0.000	n/a	0.0	0.0	676.9
FY2029E	676.9	0.000	n/a	0.0	0.0	676.9
FY2030E	676.9	0.000	n/a	0.0	0.0	676.9

This is an explicit flat-share-count model, not a shortcut. The formula is starting share count of 676.9M plus five years of SBC issuance of 0.0M minus five years of buyback retirement of 0.0M. Ending share count is 676.9M. Dividends remain the main capital return mechanism in the historical record, not repurchases.

The flat share count is not a claim that capital return is weak. It is a claim about the form of capital return. Dream has paid dividends, including FY2025 interim and recommended final dividends totaling HK60 cents per share. Those dividends can be valuable to shareholders, but the ER2 P/E 15 gate is based on future EPS at today's share count and does not add dividend yield to the numerator. A separate total-return analysis could include cash distributions. This appendix keeps the gate clean: EPS comes from operating profit, tax, and share count, not from assuming buybacks that management has not historically used.

7. P/E 15 test

The required FY2030 EPS for a P/E of 15 at the current HKD 6.67 price is HKD 0.445. Cushion equals EPS times 15 minus current price, divided by current price. The base case is the case that matters for the gate.

Case	EPS at TTM+5y, HKD	EPS x 15	Current price	Cushion	Pass?
Bear	0.634	9.51	6.67	42.6%	Pass
Base	1.304	19.57	6.67	193.4%	Pass
Bull	1.752	26.28	6.67	294.0%	Pass

The P/E 15 gate is a clear PASS on the base case. Even the bear case clears the current price at 15x modeled FY2030 EPS. The investment case can still fail on moat, governance, customer concentration, or evidence quality, but it does not fail the mechanical P/E 15 price gate using HKD EPS and the HKD current price.

This distinction matters because ER2 is not a cheap-stock screen alone. Dream's current price is low relative to modeled FY2030 earnings if the segment appendices' base case is roughly right. But a low P/E gate can coexist with a weak durability

gate. A manufacturing supplier with customer concentration, limited pricing power, and a controlled-company governance setup can look statistically cheap while still lacking the evidence needed for a high-conviction Gideon BUY. The gate result should therefore be read as "valuation does not block the thesis," not "all gates are cleared."

8. Reflexivity check

The TTM reconstruction ties on revenue before any forward compounding. Data package Section 3 reports FY2025 segment external revenue of HKD 3.264B for Plush, HKD 2.352B for Plastic Figures, and HKD 0.358B for Tarpaulin. The sum is HKD 5.974B, matching consolidated FY2025 revenue of HKD 5.974B in Section 2.

For operating income, Dream does not disclose segment OI. The proper TTM reconstruction is segment adjusted EBITDA of HKD 1.049B minus the observed consolidated bridge of HKD 0.174B, which equals consolidated profit from operations of HKD 0.875B. This ties to the FY2025 reported operating profit within rounding. The same logic ties the latest completed FY because TTM and latest completed FY are both FY2025.

This reflexivity check is the reason the synthesis uses a bridge rather than calling segment adjusted EBITDA operating income. If that accounting rule were ignored, FY2025 operating profit would be overstated by HKD 0.174B, or about 20% of reported operating profit.

The second reflexivity check is margin behavior. The base case does not ask the consolidated company to exceed its FY2025 operating margin by much. It asks Dream to maintain roughly mid-teens operating margins while growing revenue at 4.8%. That is compatible with the data package but not guaranteed by it. FY2025 showed revenue growth with declining gross profit and declining operating profit, which means the first-order risk is not demand alone. The first-order risk is whether Dream can convert demand into retained economics after labor, materials, logistics, customer scheduling, and capacity-ramp effects.

A third reflexivity check is segment mix. If Plush grows as modeled but Plastic Figures remains at a mid-single-digit adjusted EBITDA margin, the group can still pass the P/E 15 test but with less cushion. If Plush misses and Plastic Figures does not recover, the model becomes much more fragile. This is why the sensitivity section points to Plush growth and Plastic Figures margin as the two practical monitoring variables.

9. In-progress FY reconciliation

No in-progress FY treatment is used. Stage 0 anchors the model on the completed FY2025 annual period. Dream does not report true quarters, and no FY2026 interim report is available as of 2026-05-30.

H1 FY2025 and derived H2 FY2025 are still relevant as recency context. Data package Section 5 shows FY2025 growth concentrated in Plush, while Plastic Figures had a weak derived H2 and Tarpaulin also weakened in derived H2. The base case first forward year revenue implied by the segment appendices is HKD 6.261B, which is 4.8% above FY2025 revenue and within the 10% recency anchor. That avoids starting the model above the most recent trend.

10. Sensitivity

The sensitivity starts from the base case and changes one variable at a time. The purpose is to identify what actually drives the P/E 15 cushion and what could break the model.

Variable changed	Downside EPS	Base EPS	Upside EPS	EPS impact vs base
Plush revenue CAGR +/- 200 bps	1.207	1.304	1.410	-0.098 / +0.105
Plastic Figures adjusted EBITDA margin +/- 200 bps	1.238	1.304	1.371	-0.067 / +0.067
Share count +/- 5%	1.242	1.304	1.373	-0.062 / +0.069
Tax rate +/- 300 bps	1.255	1.304	1.354	-0.050 / +0.049

The most important variable is Plush revenue growth, because Plush is the largest and highest-margin segment. A 200 bps change in Plush CAGR moves modeled EPS by roughly HKD 0.10. Plastic Figures margin recovery is the second most important operating variable. It matters because the segment is 39.4% of FY2025 revenue, but the current base case only assumes a partial recovery to 9.0% adjusted EBITDA margin. Share count and tax matter, but they do not drive the verdict unless the operating model deteriorates first.

The sensitivity table also clarifies what is less important. Tarpaulin is omitted from the main sensitivity not because it has no risk, but because it is only 6.0% of FY2025 revenue and a much smaller share of adjusted EBITDA. Tarpaulin can warn about broader manufacturing pressure, but it is unlikely to make or break the five-year EPS outcome by itself. Net interest is also omitted because the model does not use interest income as a thesis driver. The company has net cash, yet the official FY2025 PBT-to-operating-profit bridge does not support a large non-operating uplift.

The strongest kill signal from this table would be a combined Plush and Plastic Figures miss. Plush revenue growth below the bear/base boundary while Plastic Figures margin stays below 8% would directly attack both major operating variables. Conversely, the strongest positive trigger would be FY2026 or FY2027 evidence that Plush continues growing at a mid-single-digit or better rate while Plastic Figures margin recovers toward 9% without a collapse in working-capital conversion.

11. Combined earnings summary table

Probability weights are 25% bear, 55% base, and 20% bull. The skew toward base reflects strong Plush evidence and a net-cash balance sheet, while the non-trivial bear weight reflects Plastic Figures margin compression, Tarpaulin decline, customer concentration, and the moat appendix's FAIL verdict.

Case	Revenue	OI	OI margin	NI	EPS, HKD	Probability	EPS x 15	vs. HKD 6.67
Bear	5.778	0.547	9.5%	0.429	0.634	25%	9.51	42.6%
Base	7.571	1.122	14.8%	0.883	1.304	55%	19.57	193.4%
Bull	8.717	1.505	17.3%	1.186	1.752	20%	26.28	294.0%
Probability-weighted EPS	7.352	1.055	14.3%	0.830	1.226	100%	18.40	175.8%

The probability-weighted EPS of HKD 1.226 happens to approximate FY2023 reported EPS of HKD 1.226. That is a useful sanity check: the weighted model says Dream can earn back toward its prior peak per-share earnings if Plush remains resilient and Plastic Figures partly recovers. It does not say the business has become a much higher-quality compounder.

The summary table should be read together with the moat and management appendices. A base case with a 193.4% P/E 15 cushion is mechanically attractive, but the moat appendix's FAIL verdict says the durability evidence is not strong enough for a clean Gideon compounder case. The management appendix also stops short of a clean PASS because the company is controlled, family-linked, and had a prior connected-transaction process lapse. The synthesis therefore supports a strong valuation observation but not an automatic BUY verdict.

The practical monitoring package is simple. First, Plush should continue to grow without margin sliding toward the low 20s adjusted EBITDA range. Second, Plastic Figures must show margin recovery, because the base case needs 9.0% adjusted EBITDA margin by 2030 from 7.6% in FY2025. Third, cash conversion should remain healthy while new plants ramp. Fourth, governance must avoid repeat connected-party process issues. If those items improve together, the cheapness becomes more investable. If they diverge, the cheapness may be compensation for weak durability rather than an opportunity.

Tie-out checks

- Reported-financial tie-out: PASS. Segment FY2025 revenue of HKD 5.974B ties consolidated FY2025 revenue of HKD 5.974B. Segment adjusted EBITDA of HKD 1.049B minus the HKD 0.174B consolidated bridge ties to reported operating profit of HKD 0.875B. TTM and latest completed FY are both FY2025.

- NI / shares = EPS: PASS. Bear HKD 0.429B divided by 676.9M shares equals HKD 0.634. Base HKD 0.883B divided by 676.9M equals HKD 1.304. Bull HKD 1.186B divided by 676.9M equals HKD 1.752.

- Segment sum tie-out at horizon: PASS. Combined horizon revenue equals the sum of the three segment revenues in every case. Corporate eliminations are zero because external segment revenue tied consolidated revenue at the TTM anchor.

- Product-to-segment rollup: PASS. Each reviewed segment appendix uses one disclosed product line that equals the reportable segment total: Plush stuffed toys, Plastic Figures current taxonomy, and Tarpaulin.

- Weighted margin check: PASS. No segment has multiple dollar-disclosed product lines in the reviewed appendix rollups. Product-level margins below the segment are a true non-disclosure, so the single disclosed product line equals the segment handoff.

- Share count path: PASS. Starting share count of 676.9M plus five years of 0.0M SBC issuance minus five years of 0.0M share retirement equals ending share count of 676.9M.

- Growth plausibility: PASS with explicit Plastic Figures justification. Plush base CAGR of 6.0% is below 1.2x its 12.6% recent historical CAGR. Plastic Figures base CAGR of 4.0% is above 1.2x its FY2023-FY2025 CAGR of 2.9%, but the reviewed appendix explicitly justifies the excess through collectibles demand, premium figures, China Plus One capacity, and partial recovery from a weak H2 FY2025. Tarpaulin base CAGR is negative.

- Historical arithmetic: PASS. Plush: 3.264 x 1.060^5 = 4.368. Plastic Figures: 2.352 x 1.040^5 = 2.862. Tarpaulin: 0.358 x 0.990^5 = 0.341. Bear and bull rows also tie within rounding to the reviewed appendices.

- Recency anchor: PASS. The base case first-forward-year revenue path is HKD 6.261B, 4.8% above FY2025 revenue and within the 10% guardrail. No FY2026 quarterly data exist, and the model does not extrapolate H1 FY2025 as if it were the full-year run-rate.

- P/E 15 calculation: PASS. Required EPS is HKD 6.67 divided by 15, or HKD 0.445. Base EPS of HKD 1.304 produces HKD 19.57 of value at 15x and a 193.4% cushion.

- Probability and summary-table math: PASS. Case probabilities sum to 100%. Probability-weighted revenue, OI, NI, and EPS tie to the case values and weights within rounding. Markdown tables in Sections 2, 3, 4, 5, 6, 7, 10, and 11 were checked for consistent pipe-table structure.

Bottom line

Dream passes the P/E 15 gate easily at HKD 6.67 using HKD EPS and a five-year FY2025-to-FY2030 horizon. The base case produces HKD 7.571B of revenue, HKD 1.122B of operating income, HKD 0.883B of net income, and HKD 1.304 of EPS. At 15x that EPS, the implied price is HKD 19.57, a 193.4% cushion to the current price.

The caveat is quality, not price. The moat appendix fails the Gideon durability test, and the management appendix is not a clean PASS because Dream is a controlled company with family-linked finance leadership and a prior connected-transaction process lapse. Segment economics also require care: Plush is strong, but Plastic Figures is the swing factor and Tarpaulin is small and price-competitive. The correct synthesis is therefore a strong mechanical valuation gate paired with unresolved durability and governance gates.

Appendix CS - Compounder Score

Dream International Limited - Compounder Score

Date: 2026-05-30 Ticker: 1126.HK Currency: HKD Current price: HKD 6.67 TTM anchor: FY2025, year ended 2025-12-31 Forward horizon: 2030-12-31

1. Executive Verdict

Dream International Limited earns a diagnostic Compounder Score of **53 / 100**. The score is intentionally conservative. The evidence supports a real, profitable, net-cash manufacturing business with strong recent ROIC, good cash conversion, flat share count, and a very low market valuation against the ER2 FY2030 base-case EPS. The evidence does not support a Gideon-grade compounder with durable pricing power, customer independence, clean minority-control safeguards, and a 20% annualized return case that works without terminal multiple expansion.

This score is diagnostic only. It does not override the ER2 gates. The ER2 gate state supplied by the reviewed artifacts is: **Moat gate FAIL**, **Management gate YELLOW**, and **P/E 15 gate PASS**. That combination is important. Dream looks statistically cheap at HKD 6.67, but the compounder rubric asks whether the business can reinvest for many years at high incremental returns under durable protection and whether today's price can underwrite a 20% return without requiring a rerating. On that stricter question, the score-implied classification is **Reject under this diagnostic rubric**.

The business-quality score is **44 / 80**. It is capped by three facts from the verified ER2 artifacts. First, the moat appendix explicitly fails the moat and 2046 tests: Dream is a useful supplier, not a protected profit pool. Second, recent incremental returns are weak: NOPAT peaked in FY2023 and declined through FY2025 even as the company kept investing in capacity. Third, customer concentration is high, with the largest customer at 25.5% of FY2025 revenue and the top five at 70.7%, which means trust and repeat programs coexist with customer bargaining power.

The valuation and 20% return underwriting score is **9 / 20**. The low price gets credit. The verified synthesis shows a clear ER2 P/E 15 gate pass: base-case FY2030 EPS of HKD 1.304, HKD 19.57 of value at 15x, and a 193.4% cushion to the HKD 6.67 price. However, 15x is not a flat terminal multiple. TTM EPS is HKD 1.024, so the current trailing P/E is roughly 6.5x. If the exit P/E stays flat at roughly today's multiple, the base-case five-year shareholder IRR, including an estimated HKD 0.55 annual dividend, is about 12.5%, not 20%. The 20% case therefore requires either a rerating, materially higher retained cash value, or stronger earnings than the ER2 base case.

2. Data Source Map

The scoring uses the verified ER2 source chain first. No stale data warehouse files were used for this score.

Evidence area	Source used	Treatment
Price, market cap, exchange	`quant_foundation.md`, live FMP quote/profile already captured there	HKD 6.67 price, HKD 4.515B market cap, HKSE
Enterprise value	QF balance sheet plus FMP market cap	Market cap plus HKD 0.121B debt less HKD 1.798B cash/time deposits equals roughly HKD 2.838B
Income statement	`quant_foundation.md` and `data_package.md`	FY2021-FY2025 revenue, gross profit, PFO, net income
Balance sheet	`quant_foundation.md` and `data_package.md`	FY2025 cash, time deposits, borrowings, leases, equity, goodwill/intangibles
Cash flow	`quant_foundation.md` and `data_package.md`	CFO, productive investment, FCF after productive investment
Share count	QF note 10 extraction and synthesis	676.865M diluted shares, no dilutive potential ordinary shares
SBC and dilution	`appendix_management.md` and `appendix_synthesis.md`	No chronic SBC issue and no equity-linked agreement in FY2025; modeled share count flat
Segment economics	Reviewed segment appendices and synthesis	Segment profit is adjusted EBITDA, not operating income
Management	`appendix_management.md`	Gate is YELLOW due founder control, family roles, and connected-transaction process lapse
Moat and durability	`appendix_moat.md`	Moat and 2046 tests FAIL

Evidence area	Source used	Treatment
Valuation model	`appendix_synthesis.md`	Base FY2030 EPS HKD 1.304 and ER2 P/E 15 gate PASS
Competitors and market context	Reviewed segment appendices	Used only qualitatively for customer power, toy demand, and manufacturing structure

3. Key Financial and Quality Metrics

Values below are HKD billions unless otherwise stated. ROIC uses the QF/data-package proxy: NOPAT equals profit from operations times one minus the reported effective tax rate, divided by average invested capital defined as equity plus loans and leases less cash and time deposits. That is a useful operating-capital proxy for Dream, but it can make ROIC look high for net-cash companies; the score does not treat it as a perfect economic-return measure.

Metric	FY2021	FY2022	FY2023	FY2024	FY2025
Revenue	4.800	6.253	5.352	5.450	5.974
Profit from operations	0.274	0.842	1.040	0.932	0.875
NOPAT, calculated	0.201	0.692	0.835	0.743	0.696
Net income	0.194	0.687	0.830	0.738	0.693
CFO	0.198	0.608	1.162	0.745	0.860
FCF after productive investment	0.011	0.421	1.073	0.532	0.652
ROIC proxy	8.8%	27.3%	32.8%	30.4%	27.7%
FCF / net income	5.8%	61.3%	129.3%	72.1%	94.1%

Metric	Diagnostic value	Interpretation
FY2021-FY2025 revenue CAGR	5.6%	Solid but not exceptional for a cyclical manufacturer
FY2021-FY2025 NOPAT CAGR	36.5%	Distorted upward by low FY2021 base
FY2023-FY2025 NOPAT CAGR	-8.7%	More relevant recent warning signal
Five-year median ROIC proxy	27.7%	Strong, but net-cash adjusted and not proof of moat
Three-year median ROIC proxy	30.4%	High reported return level
Five-year FCF / NOPAT	84.9%	Cash conversion is real over the period
CFO / net income, five-year	113.7%	Cash earnings support reported earnings
FY2025 EV / NOPAT	4.1x	Cheap on current operating earnings because of net cash
FY2025 FCF yield on market cap	14.4%	Attractive, if cash conversion persists
FY2025 dividend yield at HKD 6.67	9.0%	Cash return materially helps total return
Net debt / adjusted EBITDA	-1.6x	Net-cash balance sheet
Share count CAGR	0.0%	No dilution over the reviewed five-year period

ROIIC is the weak point. A capex-only FY2021-FY2025 calculation gives a high-looking number because FY2021 was depressed: NOPAT rose by about HKD 0.495B against roughly HKD 0.708B of cumulative capex from FY2022-FY2025. That produces about 70% capex-only ROIIC. But the more relevant recent view is poor: NOPAT was HKD 0.692B in FY2022 and HKD 0.696B in FY2025, essentially flat, against HKD 0.509B of cumulative capex from FY2023-FY2025. From FY2023 to FY2025, NOPAT declined by about HKD 0.140B while capex continued. This score therefore gives Dream credit for high absolute ROIC but not for proven high recent ROIIC.

4. Rubric Scorecard

Category	Score	Max	Evidence
Incremental returns on capital	13	25	High reported ROIC and good cash conversion, offset by poor recent ROIIC and margin compression
Reinvestment runway	12	20	Plush has a real runway, but Plastic Figures must recover and Tarpaulin is declining

Category	Score	Max	Evidence
Durability of moat	6	15	Moat gate and 2046 test fail; customer trust exists but pricing power is weak
Accounting and financial quality	7	10	Cash supports earnings, share count is clean, but segment OI, R&D, customer detail, and inventory aging are not disclosed
Capital allocation discipline	6	10	Net cash, dividends, and low M&A risk are positives; governance and incremental-return disclosure cap the score
Price and 20% underwriting	9	20	Very cheap on P/E 15 and FCF yield, but 20% return case requires terminal multiple expansion
Total	**53**	**100**	**Reject under the diagnostic compounder rubric**

5. ROIIC and Reinvestment Analysis

Dream has reinvested in production capacity, automation, working capital, and multi-country manufacturing flexibility. The data package reports capex and productive investment of HKD 0.199B, HKD 0.200B, HKD 0.088B, HKD 0.213B, and HKD 0.208B from FY2021 through FY2025. Management also reports a new China plant started in January 2026, a new Vietnam plant under construction, and Indonesian phase-two expansion targeted for June 2026.

The strategic logic is coherent. Customers want China Plus One optionality, safety compliance, production reliability, and capacity that can serve North America, Japan, Chinese Mainland, Hong Kong, and other markets. Dream's footprint of 30 factories at FY2025 year-end, including eight in China, 21 in Vietnam, and one in Indonesia, is a real operating asset.

The ROIIC problem is that the recent earnings response has not yet proved the new capital is compounding at high incremental returns. Revenue reached a five-year high in FY2025, but gross profit, operating profit, net income, and total segment adjusted EBITDA all declined from FY2024. Consolidated operating margin fell from 19.4% in FY2023 to 14.6% in FY2025. Total segment adjusted EBITDA margin fell from 22.3% to 17.6%. Plastic Figures adjusted EBITDA margin fell to 7.6% from 15.8% in FY2023.

The evidence supports this conclusion: Dream has historically generated high returns on a lean, net-cash operating-capital base, but the latest incremental dollar is not yet proven. To upgrade the ROIIC score, FY2026-FY2027 would need to show Plush growth continuing, Plastic Figures margin recovering toward or above 9%, new capacity filling without a working-capital drag, and consolidated operating profit growing faster than revenue again.

6. Runway Analysis

The best runway evidence is Plush Stuffed Toys. Plush represented 54.6% of FY2025 revenue and roughly 79% of FY2025 segment adjusted EBITDA. FY2025 Plush revenue rose 18.0% to HKD 3.264B, and adjusted EBITDA margin remained high at 25.4%. The segment appendices support a base case of 6.0% revenue CAGR to FY2030 and a 24.0% adjusted EBITDA margin, which is below the FY2025 margin and therefore not a peak-margin extrapolation.

The second runway leg, Plastic Figures, is not yet proven. Plastic Figures represented 39.4% of FY2025 revenue, but revenue grew only 1.8% and adjusted EBITDA margin fell to 7.6%. The synthesis base case assumes 4.0% revenue CAGR and partial adjusted EBITDA margin recovery to 9.0% by FY2030. That may be reasonable, but it is a recovery assumption, not a demonstrated compounding flywheel.

Tarpaulin does not support the runway score. It is only 6.0% of FY2025 revenue, revenue declined 4.0% in FY2025, and the segment appendix treats it as a small price-competitive line exposed to tariff, order, and input-cost risk. The base case assumes -1.0% revenue CAGR to FY2030.

The runway score is therefore middle-of-the-road. Dream has an identifiable organic growth path through Plush and selected higher-value toy manufacturing programs. It does not have a clearly disclosed TAM, customer-level backlog, product subcategory revenue, plant-level economics, customer retention metric, or enough pricing evidence to underwrite a long runway at high incremental returns.

7. Moat Analysis

The moat score is low because the reviewed moat appendix is explicit: **Moat gate: FAIL** and **2046 test: FAIL**. Dream has operating strengths, but not enough evidence of a durable protected profit pool.

The positive moat evidence is operational. Dream has multi-country capacity, customer qualification, quality and safety compliance capability, supplier reputation, design-for-manufacturability knowledge, and repeat program experience. These matter most in Plush, where product safety, launch timing, licensed-character accuracy, and customer trust can make switching inconvenient.

The negative evidence is structural. Dream does not own the consumer IP, retail channel, theme-park customer relationship, or branded demand. The customer owns the order book and can dual-source future programs. The data package also does not disclose customer identities, customer-level margins, customer retention, contractual minimums, price escalators, or order backlog. FY2025 margin compression while revenue grew is direct evidence that Dream does not have strong unilateral pricing power.

Customer concentration is the biggest moat warning. The largest customer represented 25.5% of FY2025 revenue, and the top five represented 70.7%. Concentration can reflect trusted relationships, but it also gives large customers bargaining power over price, timing, mix, working capital, and approved-vendor share. For a manufacturer, this is not fatal to business quality, but it prevents a wide-moat conclusion.

8. Accounting and Capital Allocation Analysis

Financial quality is better than the moat score. Cash conversion supports reported earnings: five-year CFO was about 114% of five-year net income, and five-year FCF after productive investment was about 85% of calculated NOPAT. FY2025 FCF after productive investment was HKD 0.652B, equal to 94.1% of profit for the year. The balance sheet is strong, with HKD 1.798B of cash plus time deposits, HKD 0.121B of total borrowings including leases, and HKD 1.677B of net cash after borrowings.

The share-count record is clean. Diluted shares were 676.9M across FY2021-FY2025, no dilutive potential ordinary shares were reported for FY2025, and the synthesis models no buybacks and no SBC issuance. There is no chronic stock-based-compensation problem in the reviewed artifacts.

The accounting score is not higher because disclosure gaps matter. Segment profit is adjusted EBITDA, not operating income. Product-level operating income is not disclosed. R&D expense is not separately disclosed. Customer identities and customer-level economics are not disclosed. Inventory aging is not disclosed even though inventory net realizable value was an audit focus. These do not make the statements unreliable, but they reduce outside confidence in incremental returns and margin durability.

Capital allocation has positives: no material acquisition program, conservative leverage, meaningful dividends, flat share count, and real capacity investment. The governance overlay caps the score. The management appendix is YELLOW because Kyoo Yoon Choi controls roughly 68.16% when direct and Uni-Link holdings are combined, chairs and leads the company, and family members hold key roles including finance and business leadership. The 2024 connected-transaction process lapse was small in dollars and remediated, but it is still evidence that minority shareholders rely heavily on conduct and controls they cannot force.

9. 20% Return Underwriting

The verified ER2 synthesis passes the P/E 15 gate. Base-case FY2030 revenue is HKD 7.571B, operating income is HKD 1.122B, net income is HKD 0.883B, and EPS is HKD 1.304. At 15x EPS, the implied price is HKD 19.57, a 193.4% cushion to HKD 6.67. Bear-case FY2030 EPS is HKD 0.634, and even that clears the ER2 P/E 15 test.

The compounder-scoring question is stricter: can the stock underwrite a 20% shareholder return without terminal multiple expansion? The answer is no on the evidence available. Today's trailing P/E is roughly 6.5x, based on HKD 6.67 divided by FY2025 EPS of HKD 1.024. If the base-case FY2030 EPS of HKD 1.304 exits at that same P/E, the FY2030 share price would be about HKD 8.49. Including an estimated HKD 0.55 annual dividend, the five-year IRR is about 12.5%.

Case	FY2030 EPS	Exit method	Ending price	Annual dividend assumed	Five-year IRR
Bear	0.634	Flat current P/E, about 6.5x	4.13	0.45	-1.0%
Base	1.304	Flat current P/E, about 6.5x	8.49	0.55	12.5%
Bull	1.752	Flat current P/E, about 6.5x	11.41	0.60	18.8%
Base, ER2 P/E gate	1.304	15x P/E	19.57	0.55	29.7%

The difference between the base flat-P/E IRR and the base 15x IRR is the core valuation finding. The stock is cheap enough that rerating to a normal 15x would produce a very strong return if the FY2030 base case is right. But a rerating is exactly what the compounder protocol refuses to assume for an "investable now" classification unless the business quality and durability are compelling. They are not.

The maximum buy price for a 20% IRR under the base case and a flat current P/E is approximately HKD 5.06 per share, assuming HKD 0.55 of annual dividends. Under the ER2 15x exit convention, the comparable maximum price is about HKD 9.51, but that case relies on multiple expansion from today's roughly 6.5x P/E to 15x.

10. Hard Veto Checklist

Hard veto	Status	Evidence
ROIIC below cost of capital with no credible path	Watch	Recent capex has not translated into higher NOPAT; Plush and Plastic Figures recovery provide a path but not proof
ROIC high only because invested capital is artificially tiny	Watch	Net-cash adjusted ROIC is useful but can overstate economic protection
Growth requires persistent external financing	Pass	Net cash balance sheet and high cash conversion
Share count rises materially	Pass	Shares flat across FY2021-FY2025
Large acquisitions without disclosed returns	Pass	No material acquisition program
FCF structurally lags earnings	Pass	Five-year cash conversion is healthy
Concentration or cyclicality can impair equity	Watch	Top-five customers are 70.7% of FY2025 revenue
20% return requires terminal multiple expansion	Fail	Flat current P/E base IRR is about 12.5%
Flawless execution required	Watch	Plastic Figures margin recovery and Plush durability both matter
Moat cannot be explained in one protected-profit paragraph	Fail	Moat and 2046 tests fail in the reviewed moat appendix
Accounting, governance, related-party issues impair trust	Watch	Controlled company and prior connected-transaction lapse; no repeated abuse identified
Balance sheet risk could wipe out equity	Pass	Net cash and low borrowings

11. Final Decision

Score-implied classification: Reject. Dream is too cheap to ignore as a value screen, but it does not clear the diagnostic compounder rubric. The business quality is not strong enough, the moat gate fails, recent ROIIC is not proven, and the 20% return case requires terminal multiple expansion from today's depressed multiple.

The main positive evidence is the combination of high reported ROIC, net cash, strong cash conversion, dividend yield, flat share count, and the ER2 P/E 15 gate pass. The main negative evidence is the moat failure, high customer concentration, weak disclosed pricing power, FY2025 margin compression despite revenue growth, Plastic Figures margin deterioration, and controlled-family governance.

Compounder Score note: **53 / 100. Diagnostic classification is Reject; the low price is real, but the score is capped by moat failure and a 20% case that requires rerating.**

Business Quality Score note: **44 / 80. High reported ROIC and cash conversion are offset by poor recent ROIIC, customer concentration, weak pricing power, and Moat/2046 FAIL.**

20% Return UW Score note: **9 / 20. ER2 P/E 15 gate passes, but base-case IRR at a flat current P/E is only about 12.5%; 20% requires multiple expansion or a better-than-base outcome.**

12. Machine-Readable JSON

The machine-readable companion file is `compounder_score.json`. The key fields are reproduced below for auditability.


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{
  "company": "Dream International Limited",
  "ticker": "1126.HK",
  "exchange": "HKSE",
```

```
  "analysis_date": "2026-05-30",
  "currency": "HKD",
  "current_price": 6.67,
  "market_cap": 4514689550,
  "enterprise_value": 2838127550,
  "business_quality_score": 44,
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  "clears_20pct_hurdle": false,
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  "bear_case_irr": -0.01,
  "bull_case_irr": 0.188,
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Appendix CSA - Scoring Audit

Dream International Limited - Scoring Audit

Analysis date: 2026-05-30 Ticker: 1126.HK Currency: HKD Current price: HKD 6.67 TTM end: 2025-12-31 Horizon date: 2030-12-31

This audit reviews `appendix_compounder_score.md` and `compounder_score.json` against the supporting ER2 files. The diagnostic compounder score does not override ER2 gates. Known ER2 gates remain: Management YELLOW, Moat FAIL / 2046 FAIL, and P/E 15 PASS.

1. Original vs Audited Scores

Item	Original	Audited	Notes
Business Quality Score / 80	44	40	Reduced for giving too much credit to distorted five-year ROIIC and a partly management-supported runway.
Valuation / 20% Return UW Score / 20	9	8	Reduced because the 20% case still needs rerating and the reverse-DCF / required NOPAT growth bridge is missing.
Total Score / 100	53	48	Still Reject under the diagnostic rubric.
Classification	Reject	Reject	Score below 70, hard vetoes exist, moat/2046 fail, and the base 20% case is not self-funded by flat-multiple fundamentals.

Original reconstructed score:

Metric	Original
Business Quality Score	44 / 80
Valuation / 20% Return Underwriting Score	9 / 20
Total Score	53 / 100
Score-implied classification	Reject
Bear IRR	-1.0%
Base IRR	12.5%
Bull IRR	18.8%
Maximum buy price for 20% IRR	HKD 5.06

Audited score:

Metric	Audited
Business Quality Score	40 / 80
Valuation / 20% Return Underwriting Score	8 / 20
Total Score	48 / 100
Score-implied classification	Reject
Final 20% hurdle pass	Fail

2. Score Reductions and Reasons

This score is reduced because the five-year ROIIC number is arithmetically disclosed but economically fragile. The compounder score shows FY2021-FY2025 capex-only ROIIC near 70%, but also shows FY2023-FY2025 NOPAT declined by about HKD 0.140B while capex continued. The relevant recent incremental-return evidence is weak.

Business Quality is reduced from 44 to 40. Incremental returns fall from 13 / 25 to 11 / 25 because 1B should not receive much credit when the three-year ROIIC is only 0.69% and the five-year result depends on a depressed FY2021 starting point.

Reinvestment runway falls from 12 / 20 to 11 / 20 because Plush supports a real path, but Plastic Figures is a recovery assumption and Tarpaulin is declining. Durability of moat falls from 6 / 15 to 5 / 15 because the moat and 2046 tests both fail and FY2025 margin compression directly contradicts strong pricing power.

The 20% Return UW score is reduced from 9 to 8. The base-case flat-current-P/E IRR is only 12.5%, the bear IRR is -1.0%, and the 29.7% base case under a 15x exit multiple requires major terminal multiple expansion from roughly 6.5x. The score keeps credit for the low starting valuation, net cash, and dividend support, but 6D gets no credit because the file does not explicitly tie the starting valuation to required NOPAT growth through a reverse-DCF bridge.

3. Unsupported Claims

The evidence does not support a high-confidence claim that Dream can reinvest for many years at high incremental returns. Reported ROIC is strong, but the ROIC proxy uses net-cash-adjusted operating capital and the recent NOPAT response to capex is poor.

The evidence only partly supports the runway claim. Plush has strong FY2025 evidence, but the broader runway relies on customer demand, China Plus One capacity, automation, premium figures, and mix improvement without disclosed backlog, customer retention, customer-level economics, product subcategory economics, or plant-level returns.

The evidence does not support a protected-profit-pool moat. The moat appendix explicitly fails the Moat and 2046 tests; customer concentration, lack of owned IP, weak pricing disclosure, and FY2025 margin compression cap any qualitative moat credit.

4. Calculation Errors

No material arithmetic error was found in the reconstructed EPS, P/E 15 gate, FCF conversion, share count, or flat-current-P/E IRR spot checks. The calculation breaks at interpretation, not arithmetic: the 15x P/E case is not a flat-multiple 20% underwriting case.

Key spot checks:

Check	Audit result	Treatment
FY2025 NOPAT	Supported by QF: operating profit HKD 875.034M and 20.5% tax rate gives about HKD 695.9M.	Preserve.
Adjusted ROIC	Supported as a proxy: FY2025 27.7% on net-cash-adjusted invested capital.	Preserve but cap quality inference.
ROIC including / excluding goodwill	Goodwill plus intangibles are only HKD 0.049B versus HKD 4.203B equity, so goodwill does not drive the result.	Preserve.
3-year ROIIC	JSON reports 0.0069; the score text says recent NOPAT was essentially flat from FY2022 to FY2025 and declined from FY2023 to FY2025.	Reduce.
5-year ROIIC	JSON reports 0.6982; score text correctly flags a depressed FY2021 base.	Partly supported, capped.
Acquisition-inclusive ROIIC	No material acquisition program identified; acquisition-inclusive ROIIC is not a critical missing cap.	Preserve.
Reinvestment rate	5-year average 39.45% is plausible from productive investment and cash generation data.	Preserve with medium confidence.
FCF conversion	Five-year FCF / NOPAT of 84.9% and five-year CFO / net income of 113.7% are supported.	Preserve.
SBC burden	No chronic SBC and no FY2025 equity-linked agreement identified.	Preserve.
Diluted share count CAGR	0.0%, 676.865M shares across FY2021-FY2025.	Preserve.
Current EV / NOPAT	4.08x is plausible from EV HKD 2.838B and FY2025 NOPAT HKD 0.696B.	Preserve.
Reverse DCF required NOPAT CAGR	Not explicitly provided.	6D set to 0.
Base / bear / bull IRR	Directionally supported: base 12.5%, bear -1.0%, bull 18.8% at flat current P/E.	Preserve.
Exit multiple expansion	Required for 20% base case under the ER2 15x exit convention.	Hard valuation cap.

5. Missing Data

The most important missing evidence is product-level and customer-level economics. The files identify true non-disclosure for product subcategory revenue, product-level operating income, segment operating income, R&D expense, customer identities, customer-level margins, retention, backlog, price escalators, plant-level utilization, and inventory ageing detail.

These gaps matter because the score depends on incremental returns and durability. Without plant-level returns, customer economics, and product-line profitability, Dream's strong consolidated ROIC cannot be translated into a high-confidence long-run compounder score.

6. Hard-Veto and Threshold Test Audit

Test	Original	Audited	Notes
Total score >= 80	Fail	Fail	48 / 100 audited.
Business Quality >= 65 / 80	Fail	Fail	40 / 80 audited.
Valuation score >= 15 / 20	Fail	Fail	8 / 20 audited.
ROIIC + runway >= 35 / 45	Fail	Fail	22 / 45 audited.
Base-case IRR >= 20%	Fail	Fail	12.5% at flat current P/E.
Bear-case IRR >= 8-10%	Fail	Fail	Bear IRR is -1.0%.
No hard vetoes	Fail	Fail	Moat/2046 fail; 20% case requires rerating.
No terminal multiple expansion required	Fail	Fail	15x case expands from about 6.5x.

The diagnostic classification remains Reject. This is not an ER2 gate override; it is the compounder scorer's threshold result.

7. Final 20% Hurdle Pass/Fail

Final 20% hurdle: Fail.

The 20% case requires either terminal multiple expansion, materially stronger earnings than the ER2 base case, or a lower entry price. At HKD 6.67, the base case with a flat current trailing P/E produces about 12.5% annualized return including estimated dividends. The maximum buy price for a 20% IRR under the base flat-current-P/E case is HKD 5.06.

8. Dream Business / Dream Investment Classification

Classification: neither.

Dream is not a dream business because the moat and 2046 tests fail, recent ROIIC is not proven, and customer concentration plus margin compression weaken the durability case. Dream is not a dream investment under the compounder protocol because the base 20% return case needs a rerating from roughly 6.5x trailing P/E to a higher exit multiple.

The single biggest reason the company does not qualify is that strong reported ROIC and a cheap headline P/E do not prove high durable ROIIC when recent NOPAT has declined despite reinvestment and the 20% base case needs multiple expansion.

9. Stage 7 Scorecard Notes

Compounder Score note: 48 / 100. Diagnostic classification is Reject; the price is statistically cheap, but the score is capped by Moat/2046 FAIL, weak recent ROIIC, and a 20% case that needs rerating.

Business Quality Score note: 40 / 80. Reported ROIC, cash conversion, net cash, and flat share count are real, but recent incremental returns, customer concentration, pricing power, and disclosure gaps keep this below high-quality compounder territory.

20% Return UW Score note: 8 / 20. The ER2 P/E 15 gate passes, but flat-current-P/E base IRR is only about 12.5%; the 20% case requires multiple expansion or a better-than-base earnings path.

10. Auditor JSON


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```

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    "business_quality_score": "40 / 80. Reported ROIC, cash conversion, net cash, and flat share count are real, but re
    "twenty_percent_return_underwriting_score": "8 / 20. The ER2 P/E 15 gate passes, but flat-current-P/E base IRR is o
  },
  "score_reductions": [
    "Incremental Returns on Capital reduced from 13 / 25 to 11 / 25 because the 70% five-year ROIIC is distorted by the
    "Reinvestment Runway reduced from 12 / 20 to 11 / 20 because Plush supports growth but Plastic Figures requires rec
    "Durability of Moat reduced from 6 / 15 to 5 / 15 because the moat and 2046 tests fail and FY2025 margin compressio
    "Valuation / 20% Return UW reduced from 9 / 20 to 8 / 20 because reverse DCF required NOPAT growth is missing and t
  ],
  "unsupported_claims": [
    "High durable ROIIC is not supported; recent ROIIC is weak and the five-year ROIIC relies on a depressed FY2021 bas
    "A long runway at high incremental returns is only partly supported; backlog, customer retention, customer-level ec
    "A protected moat is not supported; Dream does not own consumer IP or the retail channel, customers are concentrate
  ],
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  ],
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    "Customer identities, customer-level margins, customer retention, contractual price escalators, minimum volumes, an
    "Plant-level utilization, capacity, capex returns, and inventory ageing detail.",
    "Explicit reverse-DCF required NOPAT CAGR for 20% annualized return at the current price."
  ],
  "confidence": "Medium"
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Appendix RT - Red Team

Dream International Limited - Red Team

Ticker: 1126.HK

Date: 2026-05-30

This appendix is the adversarial red-team review of the Stage 5 synthesis. It does not challenge the arithmetic tie-outs for their own sake. The synthesis did the mechanical work correctly: FY2025 is the TTM anchor, segment revenue sums to consolidated revenue, the flat share count is explicit, and the P/E 15 gate passes. The red-team question is harsher: whether the base case is investable once Dream's current economics are stripped of peak-cycle help, customer concentration, and unproven margin recovery. On that test, the thesis is much weaker than the P/E cushion makes it look.

1. The most fragile assumption

The most fragile assumption is the Stage 5 base case for Plush Stuffed Toys: HKD 3.264B of FY2025 revenue compounded at 6.0% for five years to HKD 4.368B of FY2030 revenue, while holding a 24.0% adjusted EBITDA margin and producing HKD 1.048B of adjusted EBITDA. That line is the thesis. Plush contributes almost all of the modeled profit growth and roughly the same adjusted EBITDA in FY2030 as the entire company generated in segment adjusted EBITDA in FY2025. If Plush is merely good rather than great, the base-case EPS cushion is overstated.

The fragility is not that 6.0% is arithmetically aggressive versus the FY2022-FY2025 Plush CAGR of 12.6%. The fragility is that FY2025 may have been a favorable customer and event year rather than a new normalized base. The data package ties Plush demand to Asian theme parks, visitor numbers, and seasonal events. Those are not contracted recurring revenues. The segment appendix itself concedes that Dream does not disclose segment backlog, customer identities, program duration, OEM versus ODM mix, customer-level margins, or retention metrics. That means the model is capitalizing a burst of customer programs without the evidence needed to distinguish share gain from calendar timing.

The margin side is equally exposed. Plush adjusted EBITDA margin was 29.4% in FY2023, 28.6% in FY2024, and 25.4% in FY2025. The base assumes only modest further compression to 24.0%. That can be right, but the latest company-level evidence points the other way: consolidated revenue rose 9.6% in FY2025 while gross margin fell from 23.0% to 20.2% and operating margin fell from 17.1% to 14.6%. If the best segment cannot prevent group margin compression during a strong revenue year, it is not safe to assume customer economics remain mostly with Dream as volume scales.

The EPS impact is material. The synthesis sensitivity says a 200 bp reduction in Plush revenue CAGR lowers base EPS by about HKD 0.098. A 300 bp miss, from 6.0% to 3.0%, would therefore take roughly HKD 0.15 off FY2030 EPS before considering any Plush margin miss. A separate 200 bp Plush margin shortfall on the base FY2030 Plush revenue would reduce adjusted EBITDA by about HKD 0.087B; after a 21% tax rate and 676.9M shares, that is roughly another HKD 0.10 of EPS. A plausible combined Plush growth and margin miss can therefore move base EPS from HKD 1.304 toward roughly HKD 1.05. That still may pass a 15x P/E screen at today's price, but it is a very different quality and return story.

2. The most-likely-to-be-optimistic Stage 5 number

The single Stage 5 number most likely to be optimistic is the Plastic Figures FY2030 adjusted EBITDA margin of 9.0% in the base case. This looks cautious compared with the FY2023 margin of 15.8%, but it is not cautious compared with the current run-rate. Plastic Figures generated only 7.6% adjusted EBITDA margin in FY2025, and the derived H2 FY2025 margin was 6.7%. Revenue grew only 1.8% for the full year after a weak derived H2, while management is asking investors to credit premium figures, playsets, automation, procurement, and China Plus One capacity.

That is the classic setup for a model to over-earn: it calls a weak margin year a trough before the company has shown evidence of the recovery. The Stage 5 base case effectively says Plastic Figures can rise from a 6.7% H2 margin to 9.0% by FY2030 while also compounding revenue at 4.0%, above the FY2023-FY2025 CAGR of 2.9% and above the FY2025 full-year growth rate of 1.8%. The data package gives no customer-level order book, no product subcategory revenue for premium figures or playsets, no segment operating income, no plant-level utilization by product line, and no explicit price/cost pass-through. The red team would haircut this number first. Use 7.0%-7.5% as the skeptical base until the company prints at least one annual period of revenue growth with Plastic Figures margin above 8.5%.

3. The strongest bear case, stated in its strongest form

Dream is not a mispriced compounder; it is a good contract manufacturer temporarily screened as cheap because FY2030 EPS is modeled off a strong Plush cycle and a Plastic Figures recovery that has not happened. The customers own the IP, the order book, the retail channel, the launch calendar, and most of the bargaining power, while Dream owns factories that must be kept utilized across China, Vietnam, and Indonesia. Over the next two annual reporting cycles, the new capacity can increase fixed burden just as customers use tariff uncertainty, supplier diversification, and AI-enabled sourcing to rebid programs more aggressively. The bear case validates if FY2026/FY2027 Plush revenue growth falls below 3% while Plush adjusted EBITDA margin is below 23%, or if Plastic Figures stays below 8% adjusted EBITDA margin despite revenue growth.

That bear case does not require a demand collapse. It requires only that Dream remains a vendor, not a toll collector. The moat appendix already fails the Moat and 2046 tests because Dream lacks owned consumer IP, hard switching costs, retail control, and demonstrated pricing power. The Stage 5 P/E 15 pass is therefore not enough. A cheap multiple on peak or semi-peak supplier earnings is not the same thing as a durable 20% compounding setup.

4. Cross-examination of management commentary

First, management's "cautiously optimistic backdrop" should be read as a warning, not a green light. The chairman is not guiding to a clean demand boom. The FY2025 results already show why caution matters: revenue hit a five-year high, but gross profit, operating profit, and net profit declined. If this statement is overpromising, the first evidence will be FY2026 gross margin staying below 20.5% even as revenue grows. That would show that volume is not translating into retained economics.

Second, the "China Plus One" capacity narrative is strategically coherent but financially unproven. The data package says the new China plant began operating in January 2026, and the Vietnam plant plus Indonesia phase two were targeted for June 2026. That gives Dream more flexibility, but it also brings startup inefficiency, labor hiring, qualification, and under-utilization risk. Recent peer filings reinforce the point: Mattel's FY2025 10-K describes production across multiple countries and says schedules are based on customer orders and forecasts, with shipments and cancellations affected by consumer acceptance and retailer behavior. Hasbro's FY2025 10-K says most toy and game products are made by third-party manufacturers and that supply can be shifted over time to alternatives. That is the customer's option value, not Dream's moat.

Third, "higher-value-added offerings" in Plastic Figures is still a claim in search of numbers. If premium figures and playsets are structurally better, the segment should not have moved from 15.8% adjusted EBITDA margin in FY2023 to 11.8% in FY2024 and 7.6% in FY2025. Funko's FY2025 10-K is a useful external check because it shows pop-culture products are assembled by third-party manufacturers in Vietnam, China, Cambodia, and Mexico, which means Dream's production locations overlap with a broader outsourced collectibles supply chain. That does not prove Dream loses business, but it does prove that collectibles demand alone does not give the manufacturer unique economics. If management's mix claim is wrong, Plastic Figures revenue may grow while adjusted EBITDA margin remains stuck at 6%-8%.

5. Stage 5 tie-out reverification

The recency anchor is mechanically acceptable but economically uncomfortable. Stage 5 starts the first forward year at HKD 6.261B, 4.8% above FY2025 revenue and within the 10% guardrail. The issue is not the guardrail. The issue is the composition of recent growth. FY2025 full-year growth was concentrated in Plush. Plastic Figures had a strong H1, then a derived H2 revenue decline of 6.7% and derived H2 adjusted EBITDA margin of 6.7%. Tarpaulin had a derived H2 revenue decline of 14.0% and margin of 9.3%. A consolidated first-forward-year growth rate can look modest while two of three segments are already showing weaker exit-rate signals.

The share-count path is realistic. Dream has not used buybacks in the reviewed five-year period, and the flat 676.9M diluted share count is more defensible than inventing repurchase accretion. This is one of the few places where the red team does not object. However, the absence of buyback support means EPS growth is exposed almost entirely to operating profit. Dividend yield helps total return, but it does not fix a segment-margin miss.

The segment CAGR that exceeds the clean evidence is Plastic Figures. A 4.0% base CAGR is not huge, but it is above the FY2023-FY2025 CAGR and above FY2025 full-year growth despite weak H2 performance. The named structural reasons - collectibles demand, premium figures, China Plus One capacity, and partial recovery - are plausible but not measured. In a red-team model, those drivers deserve option value, not base-case credit.

6. Score-derived 20% return claim most likely to be wrong

The audited scoring file already rejects the 20% return case. The red team agrees. The audited score is 48/100, classification Reject, valuation underwriting 8/20, and final 20% hurdle Fail. The single claim most likely to be wrong is any implication that a 15x exit multiple can be treated as normal underwriting rather than rerating. The scoring audit says the base-case

flat-current-P/E IRR is only about 12.5% including estimated dividends, while the 29.7% base case under the ER2 15x convention requires terminal multiple expansion from roughly 6.5x trailing P/E.

The assumption that breaks the 20% claim first is the exit EV/NOPAT or P/E multiple, followed by NOPAT CAGR. A market can rerate a small controlled Hong Kong manufacturer, but it needs a reason: durable moat proof, governance upgrade, customer visibility, and verified incremental returns. Dream currently has the opposite gating facts: Management YELLOW, Moat FAIL, 2046 FAIL, recent NOPAT decline despite reinvestment, and no plant-level ROI disclosure. A cheap stock can become a good trade without becoming a 20% compounder. The red team would not allow the final report to translate "P/E 15 pass" into "20% return pass."

7. The signal that forces an exit

The forced-exit signal should be operating, not valuation-based: if the FY2026 annual report shows Plastic Figures adjusted EBITDA margin below 8.0% and Plush adjusted EBITDA margin below 23.0%, exit the thesis. The time window is the next annual report, with a secondary check at the FY2026 interim if both H1 segment margins are already below those levels.

This signal is specific because it attacks both legs of the base case. Plastic Figures below 8.0% means the supposed mix, automation, procurement, and capacity recovery is not yet real. Plush below 23.0% means the profit engine is surrendering economics to customers, cost inflation, program mix, or ramp inefficiency faster than the synthesis allowed. The combination would invalidate the idea that Dream can grow through customer concentration while retaining mid-teens consolidated operating margin. Revenue growth would not save the thesis under that signal; it would instead show Dream is buying volume with margin.

8. Conviction at the end of red team

Thesis does not survive as a Gideon compounder or 20% return underwriting case. The specific break is durability, not price. Dream may be statistically cheap and may still pass the mechanical P/E 15 gate, but the synthesis should be rewritten around a supplier-cycle/value thesis with strict monitoring, not a high-quality compounder thesis.

The core narrative should be: Plush is a real profit engine, but its FY2025 strength is not proven recurring; Plastic Figures is the live margin-failure test; Tarpaulin is a small but useful warning about price competition and tariff/order volatility; management is capable but controlled-company governance keeps the gate YELLOW; and the moat/2046 failure prevents a clean BUY unless the investor is explicitly underwriting valuation mean reversion rather than durable compounding.

The red team would size this, if at all, as a watchlist or small value position contingent on FY2026 evidence. The evidence needed to upgrade is concrete: Plastic Figures margin above 8.5% with revenue growth, Plush revenue growth above 3% with margin above 23%, gross margin back above 21%, no recurrence of connected-party process issues, and clearer disclosure of capacity returns. Without those, the most likely error is overpaying for an apparent bargain whose cheapness is compensation for customer power, not a market mistake.

Sources checked

Primary ER2 files: `appendix_synthesis.md`, `appendix_B_plush_stuffed_toys.md`, `appendix_B_plastic_figures.md`, `appendix_B_tarpaulin.md`, `appendix_management.md`, `appendix_moat.md`, `data_package.md`, `appendix_scoring_audit.md`, and `compounder_score_audit.json`.

Company and outside source anchors: Dream FY2025 annual report on HKEX, https://www.hkexnews.hk/listedco/listconews/sehk/2026/0408/2026040802047.pdf; Dream 2024 connected-transaction announcement on HKEX, https://www.hkexnews.hk/listedco/listconews/sehk/2024/0208/2024020800812.pdf; Hasbro FY2025 Form 10-K, https://www.sec.gov/Archives/edgar/data/46080/000004608026000011/has-20251228.htm; Mattel FY2025 Form 10-K, https://www.sec.gov/Archives/edgar/data/63276/000162828026010716/mat-20251231.htm; Funko FY2025 Form 10-K, https://www.sec.gov/Archives/edgar/data/1704711/000170471126000020/fnko-20251231.htm.

Appendix D - Data Package (raw historicals)

Dream International Limited (1126.HK) - ER2 Data Package

Date prepared: 2026-05-30 Reporting currency: HKD unless otherwise stated Primary unit in tables: HKD billions, except share counts, percentages, and explicitly labelled HKD thousands Owned file: `C:\Users\Admin\OneDrive\GPT\ER 2.0\Dream International Limited\data_package.md`

Stage 0 anchor

- Today: 2026-05-30.
- Fiscal year convention: Dream International Limited fiscal year ends December 31.
- Most recently reported official period: FY2025 annual report for the year ended 2025-12-31, published on HKEX on 2026-04-08. No FY2026 interim or quarterly report is available as of 2026-05-30.
- TTM anchor: FY2025 full-year official annual report, TTM ending 2025-12-31. H1 FY2025 and derived H2 FY2025 can support recency analysis, but the controlling TTM is FY2025.
- Forward horizon: TTM plus five calendar years equals 2030-12-31. Compounding span is exactly five calendar years from 2025-12-31 to 2030-12-31.

0a. Industry classification and disclosure inventory

Dream International is a Hong Kong-listed manufacturer of plush stuffed toys, plastic figures, and tarpaulin. It is a foreign local-exchange issuer for ER2 purposes and reports under HKEX annual and interim reports rather than U.S. 10-K or 10-Q filings. The FMP product-segmentation endpoints returned empty arrays in this D run, and FMP financial-reports-json returned no data for FY2025, FY2024, and FY2023. Therefore the controlling source set for segment, product, geography, production footprint, customer concentration, employee base, related-party transactions, and governance actions is the official HKEX/company filing set.

Live sources fetched in this D run include the FY2025 annual report, FY2025 results announcement, FY2025 interim report, FY2025 interim results announcement, FY2024 annual report, FY2023 annual report, FY2022 annual report, company FY2021 annual report, 2025 CFO appointment announcement, 2025 executive director change announcement, 2025 independent non-executive director change announcement, 2025 board-lot change announcement, and the 2024 past connected transaction announcement. Fresh FMP pulls were also made for profile, quote, annual income statement, annual balance sheet, annual cash flow, ratios, key metrics, annual and quarterly revenue-product segmentation, financial-reports-json, and transcript endpoints. Newly pulled D-prefix FMP files were archived without overwrite under `C:\Users\Admin\OneDrive\Cowork\Investing\data warehouse\FMP\1126.HK\2026-05-30\`.

Live source	URL / endpoint	Use in package
FY2025 annual report	https://www.hkexnews.hk/listedco/listconews/sehk/2026/0408/2026040802047.pdf	Latest TTM, segment, product, geography, customers, control, related party
FY2025 results announcement	https://www.hkexnews.hk/listedco/listconews/sehk/2026/0327/2026032702984.pdf	Annual results cross-check
FY2025 interim report	https://www.hkexnews.hk/listedco/listconews/sehk/2025/0918/2025091800287.pdf	H1 FY2025 and H1 FY2024 recency
FY2025 interim results announcement	https://www.hkexnews.hk/listedco/listconews/sehk/2025/0825/2025082501536.pdf	H1 results cross-check
FY2024 annual report	https://www.hkexnews.hk/listedco/listconews/sehk/2025/0407/2025040701759.pdf	FY2024 and restated FY2023 taxonomy
FY2023 annual report	https://www.hkexnews.hk/listedco/listconews/sehk/2024/0402/2024040203871.pdf	Original FY2023 four-segment data
FY2022 annual report	https://www.hkexnews.hk/listedco/listconews/sehk/2023/0330/2023033001106.pdf	FY2022 and FY2021 four-segment data
FY2021 annual report	https://www.hkexnews.hk/listedco/listconews/sehk/2022/0331/2022033102447.pdf	FY2021 product and segment detail

Live source	URL / endpoint	Use in package
2025 CFO appointment	https://www.hkexnews.hk/listedco/listconews/sehk/2025/0825/2025082501554.pdf	CFO transition
2025 executive director change	https://www.hkexnews.hk/listedco/listconews/sehk/2025/0825/2025082501544.pdf	Board transition
2025 INED change	https://www.hkexnews.hk/listedco/listconews/sehk/2025/1015/2025101500309.pdf	Board committee transition
2025 board-lot change	https://www.hkexnews.hk/listedco/listconews/sehk/2025/1015/2025101500698.pdf	Liquidity-related corporate action
2024 connected transaction	https://www.hkexnews.hk/listedco/listconews/sehk/2024/0208/2024020800812.pdf	Governance and related-party process flag
FMP endpoints	profile, quote, income statement, balance sheet, cash flow, ratios, key metrics, segmentation, transcripts	Live quantitative cross-check and FMP status

Search inventory: official reports were searched for revenue, major product lines, segment reporting, adjusted EBITDA, geographical information, major customers, factories, utilisation, production, employees, inventories, currency risk, tariffs, dividends, shareholders, related party transactions, connected transaction, commitments, bank loans, and corporate actions.

Dataset / table family	Official source searched	Search terms or table names	Years available	Included in data package?	If excluded, why	Downstream relevance
Segment economics	FY2021-FY2025 annual reports, FY2025 interim	Segment reporting, adjusted EBITDA, revenue from external customers	FY2021-FY2025 plus H1 FY2025	Yes	n/a	Segment appendices and synthesis
Product revenue	FY2021-FY2025 annual reports, FY2025 interim	Revenue, major product lines, disaggregation	FY2021-FY2025 plus H1 FY2025	Yes	n/a	Product mix and segment growth
Customer concentration	FY2021-FY2025 annual reports	Major customers, largest customer, five largest customers	FY2021-FY2025	Yes	n/a	Moat, customer risk, revenue durability
Geography	FY2021-FY2025 annual reports, FY2025 interim	Geographical information, location of customers	FY2021-FY2025 plus H1 FY2025	Yes	n/a	Tariff, China Plus One, demand mix
Production footprint	FY2021-FY2025 annual reports and ESG section	Factories, utilisation, Vietnam, China, Indonesia, production capacity	FY2021 qualitative; FY2022-FY2025 factory count and utilisation; H1 FY2025	Yes	Capacity by product line not disclosed	Segment capacity constraints
Employees	FY2021-FY2025 annual reports and FY2025 interim	Employees, staff costs, workforce	FY2021-FY2025 plus H1 FY2025	Yes	Fine geographic/functional split not modeled	Cost inflation, operating leverage
Inventory and working capital	FY2021-FY2025 annual reports, FY2025 interim, FMP annual statements	Inventories, write-down, reversal, trade receivables	FY2021-FY2025 plus H1 FY2025	Yes	Inventory aging report referenced by auditor but not disclosed	Cash conversion and margin risk
Capital allocation	FY2021-FY2025 annual reports, FMP cash flow	Capex, dividends, buybacks, acquisition, commitments	FY2021-FY2025	Yes	R&D expense true non-disclosure	Reinvestment and shareholder return
Governance and control	FY2025 annual report, corporate action announcements	Substantial shareholders, related party, CFO, director, connected transaction	Latest annual plus 2024-2025 events	Yes	n/a	Management and governance appendix
Recent trend	FY2025 interim and annual reports	Six months ended 30 June, annual less interim	H1 and derived H2 only	Yes	True quarterly data not disclosed	Recency check without inventing quarters

KPI family	Granularity	FY2021	FY2022	FY2023	FY2024	FY2025	Latest interim / TTM	Source path
Product revenue	Product line	4.800	6.253	5.352	5.450	5.974	H1 FY2025 2.578, TTM FY2025 5.974	FY2021-FY2025 annual reports; FY2025 interim
Segment adjusted EBITDA	Reportable segment	0.452	1.065	1.195	1.109	1.049	H1 FY2025 0.460, TTM FY2025 1.049	Annual segment notes; FY2025 interim
Major-customer concentration	Largest customer share	34.8%	33.6%	25.2%	28.5%	25.5%	Latest annual FY2025	Annual directors reports and note 3
Five-largest customer concentration	Five largest share	68.7%	74.1%	85.3%	74.4%	70.7%	Latest annual FY2025	Annual directors reports
Geographic revenue	Region	North America 70.8%	North America 60.7%	North America 44.9%	North America 42.3%	North America 44.9%	H1 FY2025 North America 40.6%	Annual geography notes; FY2025 interim

KPI family	Granularity	FY2021	FY2022	FY2023	FY2024	FY2025	Latest interim / TTM	Source path
Factory footprint	Factory count / utilisation	Dual China/Vietnam base; specific count not disclosed in Section 0a	27 plants, 7 China, 20 Vietnam, ~80% utilisation	27 factories, 7 China, 20 Vietnam, ~84% utilisation	27 factories, 7 China, 20 Vietnam, ~80.2% utilisation	30 factories, 8 China, 21 Vietnam, 1 Indonesia, ~85.9% utilisation	H1 FY2025: 28 factories, 7 China, 20 Vietnam, 1 Indonesia, ~84.7% utilisation	Annual and interim MD&A
Workforce	Employees	25,841	28,924	26,210	28,697	30,466	H1 FY2025 28,699; TTM FY2025 30,466	Annual and interim MD&A
Inventory	Inventory balance	0.879	0.945	0.816	0.834	0.922	FY2025 year-end: raw materials 0.318, WIP 0.311, finished goods 0.293	FMP annual balance sheet; annual note 19

1. Reporting structure and taxonomy

Current reportable segments are Plush Stuffed Toys, Plastic Figures, and Tarpaulin. Plush stuffed toys covers design, development, manufacture, and sale of plush toys, sourced externally or manufactured mainly in Chinese Mainland and Vietnam. Plastic figures covers design, development, manufacture, and sale of plastic figures, manufactured mainly in Vietnam and Indonesia. Tarpaulin covers design, development, manufacture, and sale of tarpaulin, manufactured in Vietnam.

FY2024 was the key taxonomy change. The company changed the composition of operating segments by combining the prior Die-casting Products segment with Plastic Figures, and the FY2024 annual report restated FY2023 major product-line and segment data on the new three-segment basis. For FY2021-FY2022, the older four-segment data are available. In this file, Plastic Figures for FY2021-FY2022 is shown both as originally disclosed and as derived current-taxonomy Plastic Figures plus Die-casting Products where a five-year current-segment view is required.

Current segment	FY2025 external revenue	FY2025 share of revenue	FY2025 adjusted EBITDA	FY2025 adjusted EBITDA margin	Description and source
Plush Stuffed Toys	3.264	54.6%	0.828	25.4%	FY2025 annual report note 11
Plastic Figures	2.352	39.4%	0.179	7.6%	FY2025 annual report note 11
Tarpaulin	0.358	6.0%	0.042	11.8%	FY2025 annual report note 11
Total	5.974	100.0%	1.049	17.6%	Segment profit is adjusted EBITDA, not operating income

Geographic exposure is material. FY2025 revenue was led by North America at HKD 2.683B, Japan at HKD 1.636B, Chinese Mainland at HKD 0.986B, Hong Kong at HKD 0.345B, Europe at HKD 0.180B, Vietnam at HKD 0.076B, Korea at HKD 0.010B, and other countries at HKD 0.059B. The MDA explicitly links Tarpaulin order volatility to China-U.S. tariff negotiations, while the broader strategy is to shift production flexibility across China, Vietnam, and Indonesia.

2. Consolidated historicals

The five-year consolidated table below uses fresh FMP annual statement pulls for the standardized lines and official FY2025 annual report / QF values where official source labels control. Values are HKD billions except EPS, share count, and percentages.

Metric	FY2021	FY2022	FY2023	FY2024	FY2025	Source
Revenue	4.800	6.253	5.352	5.450	5.974	FMP income statement; FY2025 annual five-year summary
Gross profit	0.615	1.229	1.345	1.254	1.206	FMP income statement; official annuals
Profit from operations	0.274	0.842	1.040	0.932	0.875	FMP income statement; FY2025 annual
Operating margin	5.7%	13.5%	19.4%	17.1%	14.6%	Calculated
Profit before tax	0.263	0.833	1.033	0.927	0.871	FMP income statement; FY2025 annual
Net income	0.194	0.687	0.830	0.738	0.693	FMP income statement; FY2025 annual

Metric	FY2021	FY2022	FY2023	FY2024	FY2025	Source
Net margin	4.0%	11.0%	15.5%	13.6%	11.6%	Calculated
EPS, basic and diluted, HKD	0.286	1.015	1.226	1.091	1.024	Annual reports; FMP rounded EPS
Diluted share count, M	676.9	676.9	676.9	676.9	676.9	Annual reports and FMP
Capex and productive investment	0.199	0.200	0.088	0.213	0.208	FMP cash flow; QF uses PPE plus PPE prepayment plus intangibles
CFO	0.198	0.608	1.162	0.745	0.860	FMP cash flow; official annuals
FCF after productive investment	0.011	0.421	1.073	0.532	0.652	QF for FY2023-FY2025; FMP for FY2021-FY2022
FCF / net income	5.8%	61.3%	129.3%	72.1%	94.1%	Calculated
ROIC	8.8%	27.3%	32.8%	30.4%	27.7%	Calculated; QF controls FY2023-FY2025

ROIC calculation: NOPAT equals profit from operations multiplied by one minus the reported effective tax rate. Invested capital is total equity plus bank loans and lease liabilities less cash and time deposits, averaged between beginning and ending fiscal year balances. This is a net-cash-adjusted operating-capital proxy, not a company-disclosed metric. Effective tax rates were 26.8% in FY2021, 17.8% in FY2022, 19.7% in FY2023, 20.3% in FY2024, and 20.5% in FY2025.

Key consolidated takeaways for downstream modeling: FY2025 revenue was a new five-year high, but gross margin declined to 20.2% from 23.0% in FY2024. Profit from operations fell for the second straight year from the FY2023 peak, despite revenue growth. The operating model is highly cash generative in stronger working-capital years, but cash conversion moved from extreme FY2023 strength to a still-healthy 94.1% in FY2025. Share count has been flat across the five-year window, so per-share growth is almost entirely operating growth and dividend return, not buyback accretion.

3. Segment historicals

Segment profit is adjusted EBITDA. It is not operating income. FY2021-FY2022 Plastic Figures below combines official Plastic Figures plus official Die-casting Products to create a derived current-taxonomy view; the original Die-casting line remains disclosed in Section 4.

Plush Stuffed Toys	FY2021	FY2022	FY2023	FY2024	FY2025	Source
Revenue	1.407	2.288	2.737	2.766	3.264	FY2021-FY2025 annual reports
YoY	n/a	62.6%	19.6%	1.0%	18.0%	Calculated
Adjusted EBITDA	0.182	0.527	0.805	0.792	0.828	Segment notes
Adjusted EBITDA margin	12.9%	23.0%	29.4%	28.6%	25.4%	Calculated

Plastic Figures, current-taxonomy view	FY2021	FY2022	FY2023	FY2024	FY2025	Source
Revenue	2.921	3.479	2.222	2.311	2.352	Annual reports; FY2021-FY2022 derived by adding die-casting
YoY	n/a	19.1%	-36.1%	4.0%	1.8%	Calculated
Adjusted EBITDA	0.208	0.497	0.352	0.273	0.179	Segment notes; FY2021-FY2022 derived by adding die-casting
Adjusted EBITDA margin	7.1%	14.3%	15.8%	11.8%	7.6%	Calculated

Tarpaulin	FY2021	FY2022	FY2023	FY2024	FY2025	Source
Revenue	0.472	0.486	0.393	0.373	0.358	FY2021-FY2025 annual reports
YoY	n/a	3.0%	-19.1%	-5.0%	-4.0%	Calculated
Adjusted EBITDA	0.062	0.041	0.038	0.044	0.042	Segment notes
Adjusted EBITDA margin	13.1%	8.5%	9.7%	11.8%	11.8%	Calculated

Total segment view	FY2021	FY2022	FY2023	FY2024	FY2025	Source
External revenue	4.800	6.253	5.352	5.450	5.974	Annual reports
Adjusted EBITDA	0.452	1.065	1.195	1.109	1.049	Segment notes
Adjusted EBITDA margin	9.4%	17.0%	22.3%	20.4%	17.6%	Calculated

The segment evidence is mixed. Plush is the current growth and profit anchor: FY2025 revenue rose 18.0% and the segment still generated a 25.4% adjusted EBITDA margin. Plastic Figures revenue grew only 1.8% in FY2025, and adjusted EBITDA fell sharply to HKD 179M, implying weaker profitability despite management commentary about premium figures, playsets, and automation. Tarpaulin is small and declining, with FY2025 revenue down 4.0% and explicit exposure to U.S. order fluctuation, European and Japanese weakness, and price competition.

4. Product and sub-segment historicals

Dream separately discloses dollar revenue by major product line. It does not disclose product subcategory dollars such as theme-park plush, premium figures, playsets, eco-friendly tarpaulin, domestic IP toys, or customer-specific programs. No product-level operating income is disclosed below the reportable segments.

Segment	Product	What it is	Dollar disclosure?	Last 3 years revenue and source
Plush Stuffed Toys	Plush stuffed toys	Licensed and customer-designed plush toys	Yes	FY2023 2.737, FY2024 2.766, FY2025 3.264 from annual note 3
Plastic Figures	Plastic figures	Plastic figures, premium figures and playsets	Yes	FY2023 restated 2.222, FY2024 2.311, FY2025 2.352 from annual note 3
Tarpaulin	Tarpaulin	Tarpaulin products, including eco-friendly offerings	Yes	FY2023 0.393, FY2024 0.373, FY2025 0.358 from annual note 3
Plastic Figures	Die-casting products	Legacy die-casting product line	Historical only	FY2021 0.257, FY2022 0.246, FY2023 0.294; combined into Plastic Figures from FY2024
All segments	Customer-specific licensed programs	Toys tied to brands, character owners and licensors	No	True non-disclosure; qualitative MDA only
Plush Stuffed Toys	Theme park demand	Plush orders tied to Asian theme-park visitor and seasonal activity	No	True non-disclosure; FY2025 MDA gives driver, not dollars
Plastic Figures	Premium figures and playsets	Higher-value plastic products and playsets	No	True non-disclosure; FY2025 MDA gives mix direction, not dollars
Tarpaulin	Eco-friendly tarpaulin	Product portfolio extension	No	True non-disclosure; FY2025 MDA gives strategy, not dollars

Product line	FY2021	FY2022	FY2023 original	FY2023 restated	FY2024	FY2025	Disclosure note
Plush stuffed toys	1.407	2.288	2.737	2.737	2.766	3.264	Dollar-disclosed
Plastic figures	2.664	3.233	1.928	2.222	2.311	2.352	FY2023 restated includes die-casting
Die-casting products	0.257	0.246	0.294	Combined	Combined	Combined	Historical line only
Tarpaulin	0.472	0.486	0.393	0.393	0.373	0.358	Dollar-disclosed
Total	4.800	6.253	5.352	5.352	5.450	5.974	Ties consolidated revenue

Segment	Product	Disclosure method	Last available YoY growth	Source
Plush Stuffed Toys	Plush stuffed toys	Annual and H1 dollars disclosed	FY2025 +18.0%; H1 FY2025 +11.7%	FY2025 annual and interim
Plastic Figures	Plastic figures	Annual and H1 dollars disclosed	FY2025 +1.8%; H1 FY2025 +14.2%	FY2025 annual and interim
Tarpaulin	Tarpaulin	Annual and H1 dollars disclosed	FY2025 -4.0%; H1 FY2025 +7.8%	FY2025 annual and interim
All segments	True quarterly growth	Not disclosed	n/a	Dream reports annual and interim only

No back-solved product revenue is used in this package. H2 FY2025 figures in Section 5 are annual less H1, and are labelled derived. Product and segment dollars are otherwise official.

5. Most recent trend

Company FY ends December 31. Most recently completed official period at time of writing is FY2025, covering 2025-01-01 to 2025-12-31, published as the annual report on 2026-04-08 via HKEX. Dream does not provide true quarterly reporting. The table below uses H1 FY2024, derived H2 FY2024, H1 FY2025, and derived H2 FY2025 as the finest official recency view. H2 equals annual less interim and is not a standalone official report.

Period	Segment	Revenue	YoY	Adjusted EBITDA margin	Source
H1 FY2024	Plush Stuffed Toys	1.186	n/a	25.8%	FY2025 interim comparative
H1 FY2024	Plastic Figures	0.936	n/a	10.5%	FY2025 interim comparative
H1 FY2024	Tarpaulin	0.172	n/a	12.8%	FY2025 interim comparative
H2 FY2024 derived	Plush Stuffed Toys	1.579	n/a	30.8%	FY2024 annual less H1 FY2024
H2 FY2024 derived	Plastic Figures	1.375	n/a	12.7%	FY2024 annual less H1 FY2024
H2 FY2024 derived	Tarpaulin	0.202	n/a	10.9%	FY2024 annual less H1 FY2024
H1 FY2025	Plush Stuffed Toys	1.324	11.7%	25.7%	FY2025 interim
H1 FY2025	Plastic Figures	1.069	14.2%	8.7%	FY2025 interim
H1 FY2025	Tarpaulin	0.185	7.8%	14.1%	FY2025 interim
H2 FY2025 derived	Plush Stuffed Toys	1.939	22.8%	25.1%	FY2025 annual less H1 FY2025
H2 FY2025 derived	Plastic Figures	1.283	-6.7%	6.7%	FY2025 annual less H1 FY2025
H2 FY2025 derived	Tarpaulin	0.173	-14.0%	9.3%	FY2025 annual less H1 FY2025

Recency implication: FY2025 full-year growth was concentrated in Plush Stuffed Toys. Plastic Figures had a strong H1 growth comparison but a weak derived H2 revenue comparison and much lower derived H2 adjusted EBITDA margin. Tarpaulin H1 improved but derived H2 weakened materially. Downstream segment models should not extrapolate H1 momentum across the full year without reconciling the derived H2 slowdown.

6. Management commentary on forward growth

FMP transcript endpoint checks for FY2025 Q4 and FY2025 Q2 returned empty arrays in this D run. No earnings-call transcript is used. The official source set is annual results, interim results, annual report MDA, and corporate announcements. To keep source usage clean, this section uses short compliant excerpts and paraphrases management commentary rather than long verbatim passages.

Segment / topic	Source date	Speaker / source	Short source excerpt	Interpretation for modeling
Group strategy	FY2025 annual, 2026-03-27	Kyoo Yoon Choi, Chairman	"cautiously optimistic backdrop"	Management is not guiding to a clean demand boom; base case should include cost and supply-chain pressure.
Manufacturing footprint	FY2025 annual, 2026-03-27	Chairman and MDA	"China Plus One"	Capacity diversification is central to the thesis, especially for customers diversifying away from China-only sourcing.
Production utilisation	FY2025 annual, 2026-03-27	MDA	"average utilisation rate of around 85.9%"	Existing assets are meaningfully utilized; new plants can add capacity, but efficiency and order conversion matter.
Product mix	FY2025 annual, 2026-03-27	MDA	"higher-value-added offerings"	Plastic Figures margin recovery depends on mix, automation, and raw-material procurement, not just volume.

Segment / topic	Source date	Speaker / source	Short source excerpt	Interpretation for modeling
Plush Stuffed Toys	FY2025 annual, 2026-03-27	MDA	Demand tied to Asian theme parks, visitor numbers, and seasonal events.	Plush should be modeled as the near-term volume engine, but exposure to customer program timing remains high.
Plastic Figures	FY2025 annual, 2026-03-27	MDA	Growth tied to Kidult demand, entertainment activity, seasonal promotions, and premium figures.	Revenue durability depends on licensed IP cycles and ability to hold margin despite labor and logistics cost.
Tarpaulin	FY2025 annual, 2026-03-27	MDA	U.S. orders fluctuated with China-U.S. tariff negotiations; Europe and Japan softened.	Tarpaulin deserves a more conservative growth path than toys; it is small but cyclical and price-competitive.
Raw materials and cost	FY2025 annual, 2026-03-27	Chairman and MDA	Management flags oil price volatility and supply-chain disruption.	Gross margin should not mechanically mean-revert to FY2023; labor and material cost pressure are explicit.
Capacity expansion	FY2025 annual, 2026-03-27	Chairman and MDA	New China plant started in January 2026; Vietnam plant and Indonesia phase two targeted for June 2026.	FY2026-FY2027 capacity may rise, but the underwriting question is whether orders and margins fill the new capacity.
H1 FY2025 trend	FY2025 interim results, 2025-08-25	Board / interim report	H1 revenue rose 12.4% and profit for the period rose 10.1%.	H1 showed broad revenue growth, but full-year data show later divergence by segment.
Related-party controls	2024 connected transaction announcement, 2024-02-08	Board announcement	The company described the non-compliance as inadvertent and planned remedial controls.	Governance work should treat related-party process as a monitoring item, not an ignored footnote.
Share liquidity	Board-lot announcement, 2025-10-15	Board announcement	Board lot changed from 2,000 shares to 500 shares effective 2025-11-06.	Liquidity improvement does not change intrinsic value, but it can affect retail accessibility.

7. Capital allocation history

Dream has reinvested through production capacity, automation, working-capital support, and dividends. It has not used buybacks in the reviewed five-year period. R&D expense is not separately disclosed, even though the MDA discusses design teams, real-time technical support, rapid prototyping, and automation equipment.

Year	Capex / productive investment	Capex / revenue	R&D	R&D / revenue	Buybacks	Dividends paid	M&A cash outflow	Source
FY2021	0.199	4.1%	n/d	n/d	0.000	0.081	0.000	FMP cash flow; annual report
FY2022	0.200	3.2%	n/d	n/d	0.000	0.135	0.000	FMP cash flow; annual report
FY2023	0.088	1.6%	n/d	n/d	0.000	0.338	0.000	FMP cash flow; annual report
FY2024	0.213	3.9%	n/d	n/d	0.000	0.372	0.001	FMP cash flow; annual report
FY2025	0.208	3.5%	n/d	n/d	0.000	0.440	0.000	FMP cash flow; QF

Dividend history: FY2025 interim dividend was HK25 cents per share and recommended final dividend was HK35 cents per share. FY2024 interim was HK20 cents and final was HK40 cents. FY2023 interim was HK20 cents and final was HK35 cents. The FY2025 payout consumed roughly HKD 440M of cash, leaving meaningful retained cash because the company generated HKD 860M of CFO and HKD 652M of FCF after productive investment.

Capacity commitments at FY2025 year-end were HKD 48.6M contracted for property, plant and equipment plus HKD 0.5M authorized but not contracted. The MDA also says a new China plant began operating in January 2026, a new Vietnam plant was under construction, and the second phase of the Indonesian facility was on track for June 2026 completion. Downstream capex assumptions should be tied to this expansion rather than a generic maintenance-capex ratio.

8. Balance sheet snapshot

Item	HKD B	Source
Cash and cash equivalents	1.658	FY2025 annual report; FMP balance sheet
Time deposits / short-term investments	0.140	FY2025 annual report; FMP balance sheet
Cash plus time deposits	1.798	QF and FY2025 annual report
Bank loans	0.041	FY2025 annual report
Lease liabilities	0.080	FY2025 annual report
Total debt including leases	0.121	QF; FMP total debt ties to bank loans plus leases
Net cash after borrowings	1.677	Calculated
Net debt / adjusted EBITDA	-1.6x	Net cash divided by FY2025 segment adjusted EBITDA
Goodwill plus intangibles	0.049	FMP balance sheet; FY2025 annual
Total equity	4.203	FY2025 annual report
Tangible book value	4.154	Equity less goodwill and intangibles
Inventory	0.922	FMP balance sheet; FY2025 annual note 19
Trade and other receivables	1.343	FMP balance sheet; FY2025 annual
Net current assets	2.830	FY2025 annual report

Liquidity is a strength. The company has net cash well above total borrowings, a disclosed gearing ratio of 1.0%, and unutilized secured banking facilities of HKD 82.1M. The balance sheet is not the blocker for a long-term compounder case. The larger balance-sheet risk is working capital quality: inventory was a key audit matter, and the auditor focused on net realizable value given customer preference changes and product saleability.

9. Recent corporate actions and governance items

- 2025-08-25: Min Jung Lee was appointed Chief Financial Officer. He is an executive director, joined the company in 2018, joined the Board in 2020, and is the son-in-law of Chairman Kyoo Yoon Choi.
- 2025-08-25: Jae Seng Yu was appointed executive director, and Sungsick Kim resigned as executive director to become Group advisor. Yu is tied to Dream Plastic and JY Plastic operations in the Plastic Figures segment.
- 2025-10-15: Jong Hun Lim resigned as independent non-executive director effective 2025-11-20. Professor Seung Yeon Yoo was appointed independent non-executive director and chair of the nomination committee.
- 2025-10-15: Board lot size changed from 2,000 shares to 500 shares effective 2025-11-06. The announcement stated the objective was to reduce board lot value and potentially improve liquidity.
- FY2025 annual: Kyoo Yoon Choi controlled the company through 389.211M shares held beneficially and 72.150M shares through Uni-Link Technology Limited, equal to 57.50% and 10.66% of issued shares respectively.
- FY2025 annual: related-party transactions included HKD 0.655M sales of goods to C & H Co., Ltd. and HKD 11.926M purchases of goods from HH Dream, an associate.
- 2024-02-08: the company announced a past connected transaction involving a September 2023 sale of plush toys and promotional products to C & H for US$469,493, equivalent to about HKD 3.665M. It said the non-compliance was inadvertent and described remedial controls.
- FY2025 annual: the company recommended a final dividend of HK35 cents per share after paying an interim dividend of HK25 cents per share.
- FY2025 annual: the new China plant began operations in January 2026, while the new Vietnam plant and Indonesia phase-two expansion were targeted for June 2026.

10. Open data gaps and flags

Gap / flag	Classification	Sources and search terms checked	Treatment for downstream agents
True quarterly financial data	True non-disclosure	FY2025 annual, FY2025 interim, FMP quarter endpoint	Use H1 and derived H2 only; do not invent quarters

Gap / flag	Classification	Sources and search terms checked	Treatment for downstream agents
Product subcategory revenue	True non-disclosure	Annual note 3, MDA product analysis, search terms theme park, Kidult, premium, playsets, eco-friendly	Model only disclosed major product lines
Product-level operating income	True non-disclosure	Annual note 11, segment reporting, adjusted EBITDA	Use segment adjusted EBITDA; bridge to consolidated PBT explicitly
Segment operating income	True non-disclosure	Annual note 11 says segment profit is adjusted EBITDA	Do not call segment adjusted EBITDA operating income
FMP product segmentation	FMP data unavailable	`revenue-product-segmentation` annual and quarter returned empty arrays	Official HKEX product tables control
FMP financial-reports-json	FMP data unavailable	FY2025, FY2024, FY2023 financial-reports-json returned no data	Official HKEX segment tables control
FMP cash-flow netIncome label	Data label issue	FMP cash-flow and official annual reports	FMP field maps to PBT in FY2025 and FY2024; official profit controls
R&D expense	True non-disclosure	Annual MDA, profit-before-tax note, segment notes	Do not model explicit R&D unless grouped in staff/admin/cost of sales
Capacity by product line	True non-disclosure	MDA operational analysis, ESG factory data	Use total factory count and utilization only
Customer identities	True non-disclosure	Major customer note discloses Customer A-D but not names	Treat customer concentration as material but anonymized
Inventory ageing report	True non-disclosure	FY2025 auditor KAM and note 19	Auditor references ageing in procedures, but the ageing table itself is not disclosed; use inventory balance/composition and write-down/reversal data
Related-party process	Governance flag	FY2024 connected transaction announcement and FY2025 annual related-party note	Management appendix should evaluate control improvement, not ignore it

Self-verification checks performed in this D run:

Check	Live source	Result
Latest period largest segment growth	FY2025 annual report MDA	Plush Stuffed Toys revenue HKD 3.264B, up 18.0%, confirmed
Management commentary source	FY2025 annual and interim reports; FMP transcript endpoint	FMP transcripts empty; official MDA and announcements used instead
Latest full-year revenue	Fresh FMP annual income statement	FY2025 revenue HKD 5.974B ties official annual report within 1%

Key findings for Wave 2:

- Dream is a real manufacturer with strong recent ROIC, but FY2025 profitability declined despite revenue growth.
- Plush Stuffed Toys is the core current growth leg and profit contributor, with FY2025 revenue up 18.0% and adjusted EBITDA margin of 25.4%.
- Plastic Figures is the critical swing factor: revenue was up only 1.8% in FY2025, and adjusted EBITDA margin fell to 7.6% from 11.8%.
- Tarpaulin is small, exposed to tariff and price-competition pressure, and should not drive a growth thesis.
- Customer concentration is material: the largest customer was 25.5% of FY2025 revenue, and the five largest customers were 70.7%.
- Geographic exposure is concentrated in North America, Japan, Chinese Mainland, and Hong Kong; production diversification across China, Vietnam, and Indonesia is strategically important.
- The balance sheet is strong, with HKD 1.677B net cash after borrowings and flat share count.
- Governance is controlled-company governance: Kyoo Yoon Choi controls about 68.16% of shares when direct and Uni-Link holdings are combined, and related-party process requires monitoring after the 2024 connected-transaction announcement.