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DREAM INTERNATIONAL LIMITED

德林國際有限公司

(incorporated in Hong Kong with limited liability)

(Stock Code: 1126)

Increase Investment in Joint Venture Project Discloseable Transaction

Reference is made to the Announcement in respect of the joint venture agreement to invest in a manufacturing plant in PRC, which constituted a discloseable transaction under the Listing Rules. In view of the recent rapid growing demand for bicycles and steels and plastic toys in PRC market, the Company suggested that the progress and amount of investment of the joint venture project should be accelerated to capture the domestic market and distribution network arising from the recent booming economy of PRC. In the extraordinary general meeting of C & H HK the joint venture company held on 13 June 2006, C & H HK has resolved to increase its share capital to US\$8.5 million and would then allot and issue the 2,500,000 ordinary shares of USD1.00 each to the Company and 900,000 ordinary shares of USD1.00 each, which OAKS had originally agreed but eventually failed to subscribe for, to Mr. Lea. All shares would be issued for subscription monies being received in cash in full at par by 30 June 2006. OAKS agreed to waive its right to subscribe for 900,000 ordinary shares of C & H HK and completely withdraw from this joint venture project. The withdrawal of OAKS had no adverse impact to the business of C & H HK. Meanwhile, Mr. Chen agreed to waive his right to subscribe for any new share issue of the C & H HK.

Subsequent to the above shares subscriptions, the investing shareholding proportion of the Company, Mr. Lea and Mr. Chen in C & H HK would vary effectively from 61.76%, 35.30% and 2.94% to 66.47%, 31.77% and 1.76%, respectively. C & H HK will remain as the subsidiary of the Company. Other than the shareholdings in C & H HK, both Mr. Lea and Mr. Chen are not connected with the Company and its connected persons. Save for the abovementioned changes, other terms of the JV Agreement remained unchanged. The Board is confident that the increased US\$2.5 million from the Company will be satisfied by approximately US\$1.5 million from its internal resource and US\$1 million from bank borrowings.

The entering into the JV Agreement and the increase in investment in C & HK remain as a discloseable transaction of the Company under the Chapter 14 of the Listing Rules. A circular containing detail of the transaction will be dispatched to the Shareholders as soon as practicable.

Reference is made to the announcement of the Company dated 6 October 2005 (the “Announcement”) in respect of the joint venture agreement to invest in a manufacturing plant in PRC which constituted a discloseable transaction under the Listing Rules. Terms used herein shall have the same meanings as those defined in the Announcement unless stated otherwise.

DETAILS OF THE RESOLUTIONS OF C & H HK

An Extra-ordinary General Meeting of C & H HK was duly held on 13 June 2006. In which, the following resolutions be passed as ordinary resolutions:

Resolution No. 1

“That the authorised capital of C & H HK be increased from USD5,100,000 to USD8,500,000 by the creation of additional 3,400,000 ordinary shares of USD1.00 each, such shares ranking pari passu with the existing shares of C & H HK in all respects.”

Resolution No. 2

“That the 900,000 Ordinary Shares of USD1.00 each of the C & H HK be allotted and issued to the Mr. Lea for subscription monies being received in cash in full at par on or before 30 June 2006.”

Resolution No. 3

“That the 2,500,000 ordinary shares of USD1.00 each of the C & H HK be allotted and issued to Dream International Limited for subscription monies being received in cash in full at par on or before 30 June 2006.”

REASONS FOR THE INCREASE INVESTMENT IN C & H HK

C & H HK engages in trading business of bicycles and steel and plastic toys manufactured by its wholly owned subsidiary J.Y. Plasteel. J.Y. Plasteel mainly operates a production plant established in Taicang city, Jiangu province of PRC.

In view of the recent growing demand for bicycles and steels and plastic toys in PRC market, the Company suggested the progress and amount of investment of the joint venture project should be accelerated to capture the domestic market and distribution network arising from the recent booming economy of PRC. In the extraordinary general meeting of C & H HK the joint venture company held on 13 June 2006, C & H HK has resolved to increase its share capital to US\$8.5 million and would then allot and issue the 2,500,000 ordinary shares of USD1.00 each to the Company and 900,000 ordinary shares of USD1.00 each to Mr. Lea. All shares would be issued for subscription monies being received in cash in full at par by 30 June 2006.

The Company, Mr. Lea and Mr. Chen had invested US\$3.15 million, US\$1.8 million and US\$0.15 million, respectively, in C & H HK as ordinary shares subscription monies pursuant to the JV Agreement among the Company, Mr. Lea (US Investor), OAKS (Japanese investor) and Mr. Chen (Taiwanese Investor) dated 28 September 2005. OAKS, which originally agreed to invest in C & H HK, failed to submit its application for shares to the C & H HK within the agreed period of time. After repeated reminders given by C & H HK after the due date on 31 December 2005, OAKS agreed to waive its right to subscribe for 900,000 ordinary shares of C & H HK and completely withdraw from this joint venture project. Therefore, the authorised capital was reduced from the US\$6 million as per the original JV agreement to US\$5.1 million. The withdrawal of OAKS had no adverse impact to the business of C & H HK.

Meanwhile, Mr. Chen indicated that he had no intention to subscribe for any new share issue of C & H HK and agreed to waive his right to subscribe for this and any future new share issue of C & H HK. Based on the management account of C & H HK as at 31 March 2006, it was found that the consolidated net assets value as at 31 March 2006 was US\$5.13 million and the consolidated net profits before and after tax since the incorporation of C & H HK was US\$30,000. In view of the satisfactory progress of the joint venture project and the financial performance since incorporation of C & H HK, the Company and Mr. Lea were confident that the joint venture project would be successful and like to expedite its progress and amount by subscribing for the abovementioned new shares issues. Further detail in respect of the progress of the JV project will be provided in the circular.

Subsequent to the above shares subscriptions, the investing shareholding proportion of the Company, Mr. Lea and Mr. Chen in C & H HK would vary effectively from 61.76%, 35.30% and 2.94% to 66.47%, 31.77% and 1.76%, respectively. C & H HK will remain as the subsidiary of the Company. Other than the shareholdings in C & H HK, both Mr. Lea and Mr. Chen are not connected with the Company and its connected persons. Save for the abovementioned changes, other terms of the JV Agreement remained unchanged.

The Board, including independent non-executive directors, is confident that the increased US\$2.5 million from the Company will be satisfied by approximately US\$1.5 million from its internal resource and US\$1 million from bank borrowings. The Board consider that the transactions are fair and reasonable and believe that it is in the best interests of the Company and the Shareholders as whole.

GENERAL

The Company is a manufacturing company together with its subsidiaries are principally engaged in the design, development, manufacturing and sales of a wide range of plush stuffed toys as well as steel and plastic toys on OEM and ODM basis.

The entering into the JV Agreement and the increase in investment in C & HK remain as a discloseable transaction of the Company under the Chapter 14 of the Listing Rules. A circular containing detail of the transaction will be dispatched to the Shareholders as soon as practicable. The Directors of the Company as at the date of this announcement are as follows:

Executive Directors

Mr. Kyoo Yoon Choi (*Chairman*)
Mrs. Shin Hee Cha
Mr. Tae Sub Choi
Mr. Young M. Lee
Mr. James Wang

Independent Non-Executive Directors

Mr. Kin Piu Cheung, Valiant
Professor Cheong Heon Yi
Dr. Chan Yoo

By Order of the Board
Dream International Limited
Young M. Lee
Director

15 June 2006, Hong Kong

Please also refer to the published version of this announcement in International Herald Tribune.