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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)

CONNECTED TRANSACTION

Financial Assistance

The Directors announce that on 1 June 2007, Dream INKO, a wholly owned subsidiary of the Company, entered into a Loan Agreement to lend to KTI, a connected person of the Company within the meaning of the Listing Rules, Korean Won 1,000 million (equivalent to HK\$8.4 million) for a fixed period of one year without any securities required. The loan is interest bearing and the interest rate was agreed after arm's length negotiation with reference to the prevailing interest rate of the market, being fixed rate at 7.5% per annum. The highest one year time deposit rate available in the market was 5.25% on 1 June 2007. The Directors consider that it will better utilize the idle cash denominated in Korean Won at a better return than the Company's interest income from time deposit. The Company immediately started to seek professional advice in regard to the nature and size of the transaction when it was only notified on 7 June 2007.

As KTI is wholly owned by C&H Korea, the substantial shareholder of the Company, the Loan Agreement constitutes a connected transaction of the Company under the Listing Rules. Since the loan amount represents more than 2.5% but less than 25% of the applicable percentage ratios in respect of the Company but less than HK\$10 million threshold, the Loan Agreement is only subject to the reporting and announcement requirements set out in Rules 14A.45 to 14A.47 of the Listing Rules and is exempt from the independent shareholders' approval requirements by virtue of Rules 14A.66(2).

On 1 June 2007, Dream INKO, a wholly owned subsidiary of the Company, entered into the Loan Agreement described below with KTI.

A. THE LOAN AGREEMENT

Certain terms of the Loan Agreement is summarized below:–

Date:	1 June 2007
Parties:	(i) Dream INKO as lender (ii) KTI as borrower
Amount:	Korean Won 1,000 million (equivalent to HK\$8.4 million)
Term:	One year from 1 June 2007 to 31 May 2008
Interest rate:	7.5% per annum
Interest payment:	Payable monthly at the end of the month
Security:	None

B. REASONS FOR THE CONNECTED TRANSACTION

The Directors consider that it will better utilize the idle cash denominated in Korean Won at a better return than the Company's interest income from time deposit in view of the highest one year time deposit rate available in the market was 5.25% on 1 June 2007.

The Directors (including the independent non-executive Directors) consider that the Loan Agreement is made on normal commercial terms and on terms no less favourable to Company than those available to independent third parties, the terms are fair and reasonable though not in the ordinary and usual course of business of the Group but are in the interests of the Group and the shareholders of the Company as a whole.

C. GENERAL

The Company is a manufacturing company and 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.

Dream INKO, being an indirect wholly owned subsidiary of the Company, specializes in design, development and marketing the plush toys business of the Group.

KTI, being a wholly owned subsidiary of the C&H Korea, is engaging in the business of manufacturing and marketing of plastic sheets for industrial use.

D. CONNECTED TRANSACTION

As KTI is wholly owned by C&H Korea, the substantial shareholder of the Company, the Loan Agreement constitutes a connected transaction of the Company under the Listing Rules. Since the Korean Won 1,000 million loan amount represents more than 2.5% but less than 25% of the applicable percentage ratios in respect of the Company but less than HK\$10 million threshold, the Loan Agreement is only subject to the reporting and announcement requirements set out in Rules 14A.45 to 14A.47 of the Listing Rules and is exempt from the

independent shareholders' approval requirements by virtue of Rules 14A.66(2). The Company immediately started to seek professional advice in regard to the nature and size of the transaction when it was only notified on 7 June 2007.

E. DEFINITIONS

In this announcement, unless the context requires otherwise, the following terms have the meanings set out below:–

“Board”	the board of Directors of the Company
“C&H Korea”	C & H Co., Ltd., a company incorporated in the Republic of Korea and being the substantial shareholder of the Company holding 57.27% of the issued share capital of the Company. Mr. Kyoo Yoon Choi, together with his wife Ms. Woul Hee Cha, hold approximately 61.03% of the issued share capital of C&H Korea. His son Mr. Woo Jin and two daughters Ms. Soo Jin Whoi and You Jin Choi hold approximately 8.59%, 8.64% and 8.64% of the issued share capital of C&H Korea respectively. The remaining 13.10% shareholding of C&H Korea is held by various executives of C&H Korea. Except Mr. Kyoo Yoon Choi, being the chairman of the Company, none of the above shareholders of C&H Korea have any roles in the Group.
“Company”	Dream International Limited, a company incorporated in Hong Kong with limited liability and the shares of which are listed on the main board of the Stock Exchange
“Directors”	the directors of the Company
“Dream INKO”	Dream INKO Co., Ltd., a company incorporated in the Republic of Korea and being an indirect wholly owned subsidiary of the Company
“Group”	Dream International Limited and its subsidiaries
“HK\$”	Hong Kong Dollars, the lawful currency of the Hong Kong Special Administrative Region of PRC
“Korean Won”	The legal tender of the Republic of Korea. The translation rate of Korean Won to HK\$ adopted in this announcement was 1 Korean Won to 0.0084 HK\$.
“KTI”	KTI Co., Ltd., a company incorporated in the Republic of Korea and being the wholly owned subsidiary of the C & H Korea
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“Loan Agreement”	The loan agreement dated 1 June 2007, in which Korean Won 1,000 million was lent to KTI by Dream INKO at a fixed rate of 7.5% per annum
“ODM”	original design manufacturing, under which the manufacturer creates and owns both the circuitry pattern and cosmetic design of the products which are sold under the brandname of the customer or the Group
“OEM”	original equipment manufacturing, under which products are designed and manufactured in whole or in part in accordance with customer’s specifications and are marketed under the customer’s brandname using the customer’s character licensed products
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

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

11 June 2007, Hong Kong

The Directors of the Company as at the date of this announcement are as follows:

Executive Directors

Mr. Kyoo Yoon Choi (*Chairman*)
Mr. Young M. Lee
Mr. James Wang
Mr. Jung Kuk Lee
Mr. Hyun Ho Kim

Independent Non-Executive Directors

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

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